



Boeing Advanced 727-200

CORPORATE PROFILE

Hughes Air Corp.

1977

Geographic Scope

Hughes Airwest serves 56 cities in the western U.S., Mexico and Canada. This is the only three-nation route structure operated by a U.S. regional airline.

It flies to 49 cities in nine western states (Arizona, California, Colorado, Idaho, Montana, Nevada, Oregon, Utah and Washington), or more cities within this territory than are served by all other airlines combined.

In Mexico, it provides the only U.S. flag carrier service to five cities — more than any other U.S. airline.

In Canada, it was the first U.S. flag carrier to serve Edmonton and the first U.S. regional airline to fly across the border. Service was to Calgary.

The north-south span of its system — between Edmonton and Guadalajara, Mexico — is about 2,500 miles. If extended in an east-west direction, it would connect San Francisco and New York. The airline flies to inland areas as far east as Great Falls, Mont.; Denver, Colo.; and Phoenix, Ariz.

The airline's U.S. service region contains most of the country's pleasure destinations — national parks, monuments and recreational areas; winter ski centers; summer sun destinations; and nearly every Pacific Coast beach resort.

Hughes Airwest also flies to most of the largest and fastest growing metropolitan centers within this area.

*Published by the Public Relations Department
Hughes Airwest, International Airport
San Francisco, California 94128*

A Review of 1976

It was highlighted by record-setting traffic, new nonstop routes, delivery of three new flagships, improved reservations and ticketing and a profit for the fifth consecutive year.

Passengers exceeded four million for the first time and they flew a record number of miles. Cargo also set records.

Nonstop service was introduced along eight routes: Seattle-Reno, Portland-Reno, Salt Lake City-Southern California (Los Angeles and Orange County), Burbank-Phoenix, Las Vegas-Canada (Calgary and Edmonton), and Oakland-Las Vegas. All this helped boost the airline's competitive service to almost 52 per cent of its total operations—the highest in history.

In addition, Oakland-Phoenix authority was obtained in 1976 and flights were inaugurated in January, 1977. Also in early 1977, Los Angeles-Spokane authority was received with flights beginning in July.

The regional airline industry's first route interchange agreement was initiated by joining with Frontier Airlines to provide single-plane air service linking airports in Orange County and Burbank with Denver. Flights were inaugurated in early 1977.

Three new Boeing Advanced 727-200 trijets were added to its fleet. Two are now operating between Calgary and Las Vegas—the airline's longest non-stop segment. These flights also serve Edmonton and Los Angeles. The third 727 is being used for charters.

Reservations and ticketing-handling capabilities were vastly expanded when the airline switched its communications to a Miami-based computer. Further improvements were made with the installation of high-speed ticket printers, instant display computer terminals (CRTs) and flight information display systems in San Francisco, Salt Lake City and Phoenix.

Year-end net profit was \$3.6 million, compared with \$1.7 million in 1975. Operating revenues totaled \$202.2 million, versus \$169.5 million the previous year.

Other 1976 highlights:

- Completed 30 years of scheduled service at 18 airports and 25 years at two others.
- Processed a record 7.3 million reservation telephone calls.
- Flew more than 88,000 passengers on charter flights spanning more than 540,000 miles.

Major Facilities

San Francisco International Airport (mailing address)
San Francisco, California 94128
(Area Code 415) 573-4000; TELEX 34-9431
Hughes Airwest industry code: RW

INTERNATIONAL HEADQUARTERS

International headquarters is at 3125 Clearview Way at Hillsdale Boulevard in San Mateo, Calif. — midway between San Francisco and San Jose.

This is the \$6.2-million home and operational nerve center for the only scheduled airline based in the San Francisco Bay Area.

Around-the-clock flight operations in the western portion of the North American continent are directed from this facility. It also houses one of the industry's most modern reservation centers.

Hughes Airwest also is the only airline with a flight attendant training school in the Bay Area.

MAINTENANCE CENTER

The maintenance and engineering base is at Sky Harbor International Airport in Phoenix — the only such facility in Arizona.

Here, work on the airline's fleet, as well as on outside contracts, is done by a personnel force of about 500 skilled supervisors, mechanics, engineers, avionics and instrument specialists, supply clerks and support staff.

Some 1.6 million man-hours at a cost of about \$18.5 million are spent annually to exceed high FAA-required standards of safety and performance for its fleet.

The airline has reached beyond the confines of its daily operation and signed many outside contracts that have included work on small executive aircraft and on DC-9 jets for McDonnell Douglas Corp., Air Canada, the U.S. Air Force and Turkish Airlines, to name a few.

The Phoenix facility also is certificated by the Federal Aviation Administration to perform repair and service on DC-9 jets and F-27 aircraft of other airlines.

Billings for this outside work in 1976 exceeded \$1.2 million.

A work force of nearly 4,100 is employed throughout the system. It is led by a management team comprised of a board of directors, officers and 450 management personnel.

More than 525 pilots and nearly 650 flight attendants are based in San Francisco, Las Vegas, Seattle and Phoenix.

Five labor unions represent segments of the work force. They are: Air Line Pilots Association (ALPA), pilots and flight attendants; Air Line Employees Association (ALEA), stations, reservations and clerical personnel; Aircraft Mechanics Fraternal Association (AMFA), mechanics and cleaners; International Association of Machinists and Aerospace Workers (IAMAW), supply clerks; and Transport Workers Union (TWU), flight dispatchers.

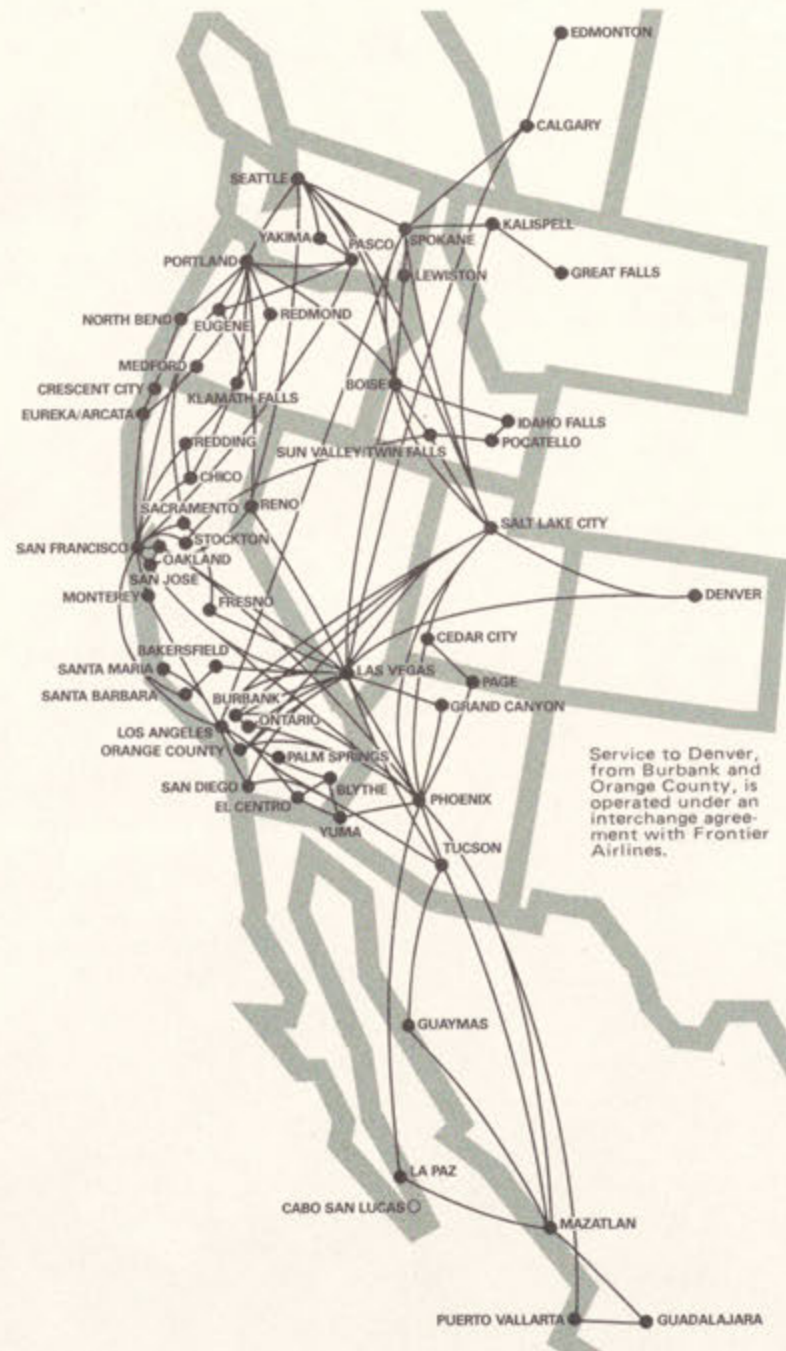
Nearly 400 telephone sales agents are based in Phoenix, Los Angeles, Seattle and at the airline's International Headquarters.

Sundance Fleet

A total of 42 aircraft perform more than 800 arrivals and departures a day. The fleet consists of*:

- Three Boeing Advanced 727-200 trijets (155 passengers)
- Twenty-one DC-9-30 jets (103 passengers)
- Thirteen DC-9-10 and DC-9-15 jets (75 passengers)
- Five F-27 Fairchild propjets (40 passengers)

*These numbers reflect the active fleet status as of Dec. 31, 1976. They are changing due to aircraft sales, deliveries or leasing. (As of July 1, 1977, one more DC-9-30 had been added to the fleet and nine DC-9-30s and two 727-200s were on order.)



Future Expansion

Many route applications, pending Civil Aeronautics Board approval, could lead to future expansion. They include:

- Nonstop routes within the airline's system linking Calgary and Edmonton with Los Angeles and San Francisco; Los Angeles and San Francisco with resort cities in western Mexico; Seattle and Portland with Fresno and Phoenix; Oakland with Reno; and Reno with Salt Lake City.

- Routes expanding the existing system in several route cases to Albuquerque, Milwaukee, Des Moines, Minneapolis/St. Paul, Cincinnati, Dayton, Columbus, Indianapolis, Louisville, Nashville, Kansas City, St. Louis, Chicago, Vancouver, New Orleans and six cities in Texas (Dallas/Ft. Worth, Houston, El Paso, San Antonio, Corpus Christi and Midland/Odessa).

The top 10 cities based on passenger boardings in 1976 are:	
Las Vegas — 626,129	Santa Ana (Orange County) — 236,052
Phoenix — 419,502	Salt Lake City — 186,780
Los Angeles — 345,659	Spokane — 155,303
San Francisco — 300,974	Tucson — 139,971
Seattle — 280,030	Portland — 116,591

Top 10 Cities

Full-staff sales offices are located in 18 major cities it flies to in the U.S., Mexico and Canada. They are Boise, Calgary, Edmonton, Guadalajara, Las Vegas, Los Angeles, Oakland, Ontario, Phoenix, Portland, Salt Lake City, San Diego, San Francisco, San Jose, Santa Ana, Seattle, Spokane and Tucson.

City ticket offices are located in 12 cities: Anaheim (Disneyland), Edmonton, Las Vegas, Salt Lake City, San Francisco, Seattle, Sun Valley (seasonal), Guadalajara, Guaymas, La Paz, Mazatlan and Puerto Vallarta.

Full-time marketing personnel also are in Sydney, Australia; Tokyo, Japan; San Jose, Costa Rica; New York City; Mexico City; and Honolulu — cities to which the airline does not operate scheduled flights.

This multi-nation sales effort is supported by the most advanced computerized communications systems in the transportation industry. They are called SITA (for Societe Internationale de Telecommunications Aeronautiques) and ARINC (for Aeronautical Radio, Inc.).

Through these two organizations, Hughes Airwest can instantly communicate and exchange passenger reservation information with more than 300 airlines around the world.

The assets of Air West, Inc. were purchased in April, 1970 by Hughes Air Corp., which operates the airline as Hughes Airwest.

The predecessor carrier was formed in 1968 by the merger of three pioneer airlines in the West: Pacific Air Lines (based in San Francisco), Bonanza Air Lines (Phoenix) and West Coast Airlines (Seattle).

Pacific began scheduled passenger service as Southwest Airways in 1946 and became Pacific Air Lines 10 years later. Bonanza started as a flight school and charter service at Las Vegas in June, 1945 and operated its first scheduled flights in August, 1946. West Coast started service in March, 1946; in August, 1952, it purchased Empire Air Lines, a feeder carrier that was established in April, 1944 under the name Zimmerly Air Transport, later Zimmerly Airlines.

Hughes Air Corp. is a privately held company with the majority of its stock owned by Summa Corporation, headquartered in Las Vegas, Nevada. Summa is a diversified firm with interests in hotels, helicopter manufacturing, real estate and other fields. It was wholly owned by Howard Hughes, industrialist and aviation pioneer, who died April 6, 1976.

Hughes Airwest is one of only a few airlines in the world that is providing technological, managerial and training assistance as well as consulting services to overseas air transportation companies — most in Third World nations.

It currently maintains contracts with airlines in Nepal, Mauritania and Saudi Arabia.

It has completed contracts with airlines in Burma, Japan, Liberia and Ghana.

These countries use Hughes Airwest's skills to help them develop air transportation systems tailored to their particular — and varied — needs.

The airline has had as many as 200 of its experienced employees and their families at one time assigned to its programs overseas.

Sales Offices

A Brief Look Back

Overseas Business Programs

The Major Expenses

The company contributes its share to the economy through increasing payroll and other costs required to operate a major air transportation company.

The largest expense in 1976 was for salaries—\$73.7 million, or 13 per cent more than the \$65.3 million payroll in 1975.

The bulk of the company's payroll burden is in four cities where most management personnel and pilots and flight attendants are based. The total 1976 salaries paid in each city were: Phoenix, \$22.7 million; San Francisco, \$16 million; Las Vegas, \$10.1 million; and Seattle, \$9.9 million.

The second highest expense was for aircraft fuel. In 1976 it jumped 48.5 per cent to \$34 million from \$23 million.

Purchased items, including aircraft parts, inventory materials and consumable items, rose 8 per cent to more than \$16.6 million from \$15.4 million.

Property and other taxes, plus licenses, increased 21 per cent to more than \$8.1 million from \$6.7 million.

Landing fees, which were paid to all the airline's airports for the privilege of providing passenger air service, rose 9 per cent to \$4.7 million from \$4.3 million.

The cost of facility rentals and other related services jumped 20 per cent to \$4.8 million from \$4 million.

All these dollars were paid to various municipal, state and federal agencies in the nine western states, Canada and Mexico.

Financial Results

(Add 000)	1976	1975	1974	1973	1972 [§]	1971 [§]	1970
Operating revenues	\$202,162	\$169,493	\$159,914	\$130,107	\$96,701	\$96,231	\$85,204
Operating expenses	195,489	166,729	147,545	123,823	94,176	98,001	92,245
Operating earnings (loss)	6,673	2,764	12,369	6,284	2,525	(1,770)	(7,041)
Non-operating earnings (loss)	(1,629)	(336)	(2,324)	(1,437)	(615)	(1,548)	(5,049)
Net earnings (loss) before taxes	5,044	2,428	10,045	4,847	1,910	(3,318)	(12,090)
Provision for taxes	1,400	725	2,100	180	—	—	(13)
Net earnings (loss)	3,644	1,703	7,945	4,667	1,910	(3,318)	(12,077)

Performance

	1976	1975	1974	1973	1972 [§]	1971 [§]	1970
*Revenue passenger miles	1,654,730†	1,496,983	1,443,426	1,259,908	891,373	881,890	892,611
*Available seat miles	3,108,909†	2,840,686	2,600,620	2,456,863	1,875,100	1,919,294	1,985,701
Load factor (per cent seats filled)	53.2	52.7	55.5†	51.3	47.5	45.9	45.0
Average density (passengers per mile)	47.2†	45.9	47.1	41.2	38.8	34.3	31.5
Passenger boardings	4,038,811†	3,700,519	3,662,179	3,365,910	2,557,975	2,731,127	2,898,258
Yield (revenue per passenger mile in cents)	10.77†	10.17	9.54	8.62	8.64	8.77	7.87
Average passenger trip miles	410†	405	394	374	348	323	308
Average passenger fare	44.12†	41.12	37.58	32.27	30.11	28.31	24.24
Cargo boarded (tons)	18,885	17,941	18,054	17,799	14,750	19,140†	19,014
*Cargo ton miles	8,876†	8,464	8,308	7,811	6,012	6,952	6,057
Block hours—total	121,383	115,162	113,799	123,932†	94,720	109,452	123,725
Aircraft hours—total	99,990	95,167	93,380	103,201†	79,070	91,109	102,556
Revenue departures performed	139,769	137,574	143,517	157,664	124,348	146,570	163,771†
Revenue block hours	119,185	113,370	111,630	121,225†	92,222	107,208	121,114
Revenue aircraft hours (airborne)	98,049	93,599	91,699	100,836†	76,850	89,136	100,273
*Revenue ton miles	174,334†	158,149	152,675	133,737	95,106	95,125	94,917
*Available ton miles	386,756†	352,733	321,681	300,630	229,777	237,625	248,485
*Revenue aircraft miles flown	35,046†	32,594	30,624	30,614	22,989	25,695	28,313
*Scheduled aircraft miles	35,153†	32,736	30,952	30,864	23,104	25,959	28,739
*Scheduled aircraft miles completed	34,749†	32,308	30,307	30,371	22,908	25,602	28,195
Completion percentage	98.9	98.7	97.9	98.4	99.2†	98.6	98.1
On-time % (within 15 minutes of schedule)	84.8	84.2	77.1	83.7	84.7	85.4†	85.2

*Add 000.

†All-time annual record.

§Results affected by severely restricted service during a four-month labor dispute that ended in mid-April, 1972.

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