

CORPORATE PROFILE

Hughes Air Corp.

Spring 1979



Boeing Advanced 727-200

1978 in Review

Flights were inaugurated to Milwaukee, Des Moines, Denver and Houston's close-in Hobby Airport. These were the first new U.S. cities to be added to the Hughes Airwest system in 10 years.

The airline began nonstop service from San Francisco and Los Angeles to Alberta. It started 14 other new nonstop routes in December, most of them the first result of the Airline Deregulation Act of 1978.

Nearly six million passengers established all-time records in every traffic category. Passenger and cargo boardings and miles flown were up more than 20 percent. The company reported its seventh consecutive profit.

Two classes of service were offered for the first time with the addition of Business Coach—a partitioned front-end section with four-abreast seating on all DC-9s. Installation of enclosed overhead storage compartments and new decor throughout DC-9-30s was begun.

Fleet range and payload capabilities were boosted through an innovative program of upgrading engines on DC-9-30s and increasing fuel capacity on 727-200s.

Five DC-9-30s and one Boeing Advanced 727-200 were added to the Hughes Airwest fleet.

In 1979 . . .

Hughes Airwest is . . .

- Boosting interstate service linking California metropolitan satellite airports—Oakland, San Jose, Burbank, Ontario and Santa Ana/Orange County—with cities throughout its system.

- Beginning nonstop flights linking Denver-Salt Lake City, Phoenix-Sacramento, Phoenix-Reno and Spokane-Reno and increasing the number of seats between Seattle and Phoenix fivefold.

- Taking delivery on four more Boeing Advanced 727-200s and adding Business Coach service to all 727 trijets in service.

- Offering a Business Coach fare of only a flat \$10 more than regular coach on almost all U.S. routes, regardless of distance, and continuing its "Yes for Less" 30 percent coach discounts in all U.S. markets.

Geographic Scope

Hughes Airwest serves 48 cities in the U.S., Mexico and Canada.

It flies to 41 cities in 12 states (Arizona, California, Colorado, Idaho, Iowa, Montana, Nevada, Oregon, Texas, Utah, Washington and Wisconsin), including more cities west of the Rocky Mountains than any other airline.

It serves five resorts in Mexico and the two largest cities in Alberta, Canada.

If the north-south span of its system—Edmonton to Manzanillo—were extended in an east-west direction, it would connect San Francisco and New York.

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

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



Major Facilities

San Francisco International Airport (mailing address)
San Francisco, California 94128
(Area Code 415) 573-4000; TELEX 33-1493
Hughes Airwest industry code: RW

INTERNATIONAL HEADQUARTERS

It's at 3125 Clearview Way at Hillsdale Boulevard in San Mateo—midway between San Francisco and San Jose. This is the home and operational nerve center for the airline.

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

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

MAINTENANCE CENTER

It's at Sky Harbor International Airport in Phoenix—the only such maintenance and engineering facility in Arizona.

Here, work on the airline's fleet is done by 600 skilled supervisors, technicians, engineers, avionics and instrument specialists, supply clerks and support staff.

Expansion of this 152,000-square-foot facility began this year and is expected to be completed by mid-1980 at a cost of nearly \$10 million. More than 116,500 square feet will be added—a 76 percent increase. Hangars will be able to handle aircraft as large as a DC-10 or L-1011.

The Phoenix base is certificated by the Federal Aviation Administration to perform repair and service for other airlines on Boeing 727s, DC-9s and F-27s.

The airline has reached beyond the confines of its own operation by completing contract work on small executive aircraft and maintenance, technical assistance and training for many foreign countries.

The People Who Make It Work

A work force of more than 5,000 is employed throughout the system. It is led by a management team comprised of a board of directors, officers and 500 management personnel.

Nearly 700 pilots and 900 flight attendants are based in San Francisco, Las Vegas, Seattle and Phoenix.

Some 600 telephone sales agents are in Phoenix, Los Angeles, Seattle and at the airline's International Headquarters.

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

Sundance Fleet

A total of 48 aircraft perform nearly 800 arrivals and departures a day. The fleet consists of:

- Six Boeing Advanced 727-200 trijets (155 passengers)
- Thirty-one DC-9-30 jets (96 passengers)
- Ten DC-9-10 and DC-9-15 jets (71 passengers)
- One F-27 propjet (40 passengers)

*These numbers reflect the active fleet status as of March 15, 1979. These are changing due to aircraft sales, deliveries or leasing. (As of March 15, six 727-200s were on order.)

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Top 12 Cities

Based on boardings in 1978, they are:

- Las Vegas—861,121
- Phoenix—544,529
- Los Angeles—448,613
- Seattle—404,826
- San Francisco—378,523
- Santa Ana—321,584
- Salt Lake City—272,550
- Spokane—230,330
- Tucson—194,990
- Burbank—189,978
- Reno—187,946
- Portland—180,512

These represented 70 percent of the system-wide total.

They are in 23 major cities it flies to—Boise, Burbank, Calgary, Denver, Des Moines, Edmonton, Houston, Las Vegas, Los Angeles, Milwaukee, Oakland, Ontario, Phoenix, Portland, Reno, Salt Lake City, San Diego, San Francisco, San Jose, Santa Ana, Seattle, Spokane and Tucson.

City ticket offices are in 13 cities: Anaheim (Disneyland), Calgary, Edmonton, Las Vegas, Reno, Salt Lake City, San Francisco, Seattle, Sun Valley (seasonal), La Paz, Mazatlan, Puerto Vallarta and Cabo San Lucas.

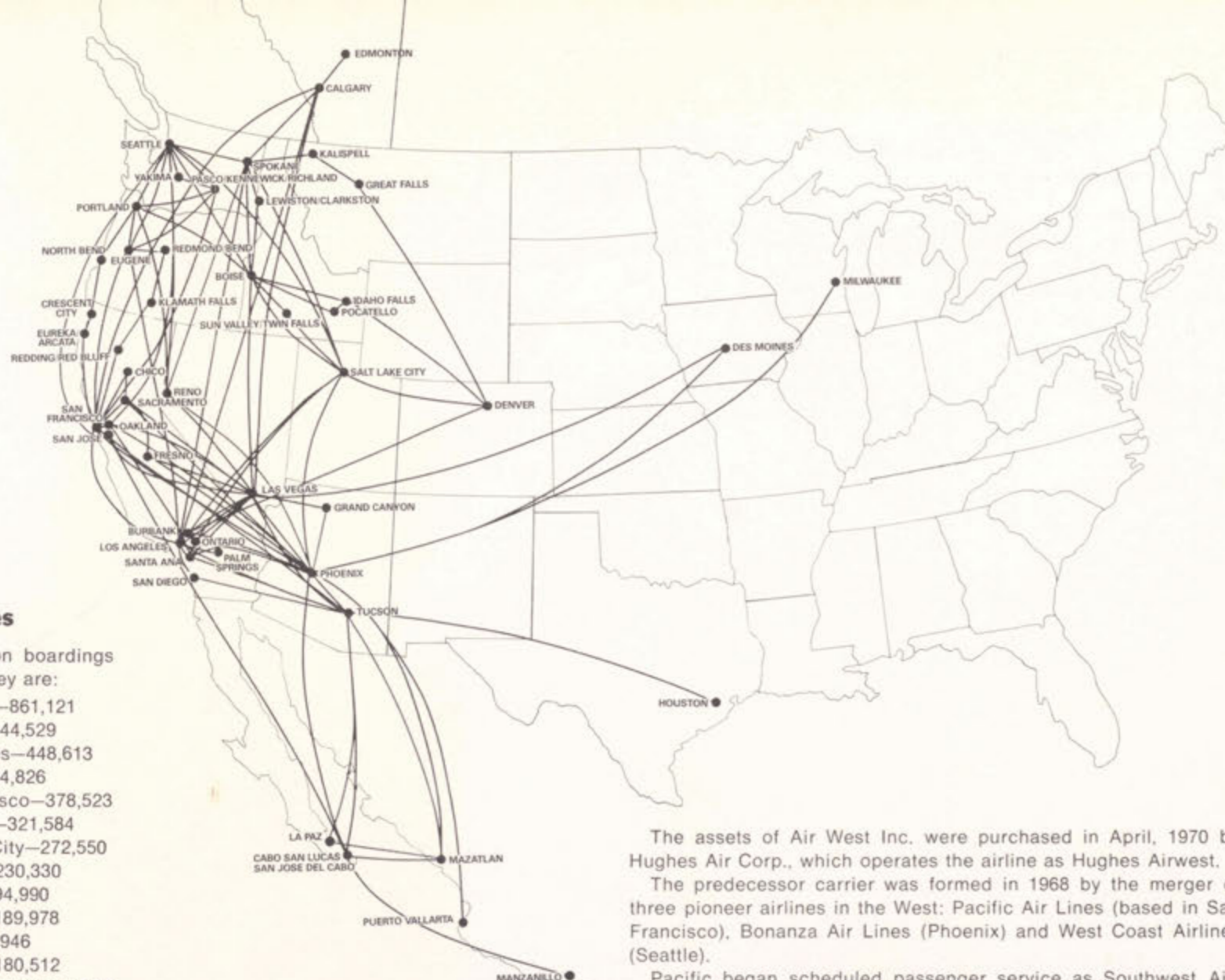
Sales personnel also are in Mexico City; Tokyo; Hong Kong; Sydney; Rio de Janeiro; San Jose, Costa Rica; London; Frankfurt; Zurich; New York City and Honolulu—cities to which the airline does not operate scheduled flights.

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 worldwide.

Sales Offices

International Route System



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.

It currently maintains contracts with airlines in Mauritania, Saudi Arabia, Argentina, The Philippines and Ivory Coast.

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

It has completed contracts in Burma, Japan, Nepal, Iran, Liberia and Ghana.

The airline has 40 experienced employees and their families assigned to its programs overseas.

A Brief Look Back

Overseas Business Programs

Financial Results

(In thousands, add 000)

	1978	1977	1976	1975	1974	1973	1972 [§]	1971 [§]	1970
Operating revenues	\$313,152	\$253,986	\$202,162	\$169,493	\$159,914	\$130,107	\$96,701	\$96,231	\$85,204
Operating expenses	300,881	238,041	195,489	166,729	147,545	123,823	94,176	98,001	92,245
Operating earnings (loss)	12,271	15,945	6,673	2,764	12,369	6,284	2,525	(1,770)	(7,041)
Non-operating earnings (loss)	(4,936)	(3,696)	(1,629)	(336)	(2,324)	(1,437)	(615)	(1,548)	(5,049)
Net earnings (loss) before taxes	7,335	12,249	5,044	2,428	10,045	4,847	1,910	(3,318)	(12,090)
Provision for taxes	2,000	2,845	1,400	725	2,100	180	—	—	(13)
Net earnings (loss)	5,335	9,404	3,644	1,703	7,945	4,667	1,910	(3,318)	(12,077)

Performance

	1978	1977	1976	1975	1974	1973	1972 [§]	1971 [§]	1970
* Revenue passenger miles	2,484,628†	2,036,763	1,654,730	1,496,983	1,443,426	1,259,908	891,373	881,890	892,611
* Available seat miles	4,183,640†	3,758,455	3,108,909	2,840,686	2,600,820	2,456,863	1,875,100	1,919,294	1,985,701
Load factor (per cent seats filled)	59.4†	54.2	53.2	52.7	55.5	51.3	47.5	45.9	45.0
Average density (passengers per mile)	56.2†	51.0	47.2	45.9	47.1	41.2	38.8	34.3	31.5
Passenger boardings	5,845,429†	4,850,674	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)	11.02†	10.95	10.77	10.17	9.54	8.62	8.64	8.77	7.87
Average passenger trip miles	425†	420	410	405	394	374	348	323	308
Average passenger fare	46.86†	45.97	44.12	41.12	37.58	32.27	30.11	28.31	24.24
Cargo boarded (tons)	28,802†	20,875	18,875	17,941	18,054	17,799	14,750	19,140	19,014
* Cargo ton miles	12,323†	10,214	8,879	8,464	8,308	7,811	6,012	6,952	6,057
Block hours—total	147,726†	133,719	121,383	115,162	113,799	123,932	94,720	109,452	123,725
Aircraft hours—total	121,357†	109,691	99,990	95,167	93,380	103,201	79,070	91,109	102,556
Revenue departures performed	156,707	148,895	139,769	137,574	143,517	157,664	124,348	146,570	163,771†
Revenue block hours	145,010†	132,159	119,185	113,370	111,630	121,225	92,222	107,208	121,114
Revenue aircraft hours (airborne)	119,039†	108,349	98,049	93,599	91,699	100,836	76,850	89,136	100,273
* Revenue ton miles	260,785†	213,878	174,334	158,149	152,875	133,737	95,106	95,125	94,917
* Available ton miles	526,776†	469,358	386,756	352,733	321,681	300,630	229,777	237,625	248,485
* Revenue aircraft miles flown	44,224†	39,929	35,046	32,594	30,624	30,614	22,989	25,695	28,313
* Scheduled aircraft miles	44,551†	39,996	35,153	32,736	30,952	30,864	23,104	25,959	28,739
* Scheduled aircraft miles complete ^c	44,024†	39,689	34,749	32,308	30,307	30,371	22,908	25,602	28,195
Completion percentage	98.8	99.2†	98.9	98.7	97.9	98.4	99.2†	98.6	98.1
On-time % (within 15 minutes)	79.0	80.1	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.

The Major Expenses

The largest and most rapidly increasing in 1978 was for salaries—\$108 million, or 25 percent more than the \$86.7 million payroll in 1977.

The bulk of the company's payroll burden is in four cities where most management personnel and pilots and flight attendants are based. Salaries in each city were: Phoenix, \$31 million; San Francisco, \$23.1 million; Las Vegas, \$16.5 million; and Seattle, \$13.3 million. In the Los Angeles area, where Hughes Airwest serves four airports and has its regional headquarters, payroll totaled \$6.9 million.

The second highest expense was for aircraft fuel. In 1978, is jumped 22 percent to \$56.3 million from \$46.3 million.

Property and other taxes, plus licenses, increased 9 percent to \$11.8 million from \$10.8 million.

Landing costs, fees levied by airports, rose 7 percent to \$6.2 million from \$5.8 million.

The cost of facility rentals and other related services jumped 11 percent to \$6.3 million from \$5.7 million.

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