

# Annual Report

★ "Many more gold stars would be in the windows of American homes if it had not been for the supply 'in time and enough' instead of 'too little and too late' of the B-24's modified at your Center and used on D-Day to clear the Normandy beaches."

F. M. Powers  
Brigadier General, U. S. A.  
Deputy Ass't. Chief of Air Staff  
Materiel and Services

★ "The efficiency of operation indicated, knowing as I do the general conditions of the Aleutian Chain, clearly indicates that the personnel involved have carried out a superior performance of flying under most difficult conditions."

D. V. Gaffney  
Brigadier General, U. S. Army  
Commanding,  
Alaskan Wing, ATC

TO  
SHAREHOLDERS

Year ended June 30, 1944





## DIRECTORS

S. M. ARCHER, *Chairman*

K. R. FERGUSON	JOSEPH T. JOHNSON
A. E. FLOAN	L. M. LEFFINGWELL
R. M. HARDY	WILLIAM STERN
CROIL HUNTER	EDWIN WHITE
T. E. IRVINE	E. I. WHYATT

## OFFICERS

CROIL HUNTER - - - - -	<i>President</i>
E. I. WHYATT - -	<i>Vice President and Treasurer</i>
K. R. FERGUSON - -	<i>Vice President—Operations</i>
A. E. FLOAN - - - - -	<i>Secretary</i>
L. S. HOLSTAD - - - - -	<i>Assistant Treasurer</i>
CAMILLE L. STEIN - - - - -	<i>Assistant Secretary</i>

---

General Offices: 1885 University Avenue, St. Paul 4, Minnesota

---

The Chase National Bank of The City of New York, New York City.

Principal Registrar

Bankers Trust Company, New York City

Principal Transfer Agent

City National Bank and Trust Company of Chicago, Chicago, Illinois

Co-Registrar

Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois

Co-Transfer Agent

---

Annual meeting of shareholders last Monday in September.



# A FEW WORDS ABOUT THIS REPORT

**I**N THE LAST YEAR your company has entered an unparalleled period in its history. It is approaching the final phases of its extensive war activities and, strengthened beyond measure by the experience gained in carrying out these responsibilities, it has set in motion the machinery for the broad expansion of its commercial routes. We stand on the threshold of unique opportunity. The airplane has become a symbol of power in the minds of all the world. No single element in the conduct of the war has had so great an influence, and none will bear more directly on the building of a prosperous and lasting peace for all nations. On the following pages, the story of your company's commercial and war activities in the last year is presented. We look forward with eagerness and confidence to the new year, determined to complete our part in achieving a speedy victory and to build on the results of the past a brighter future.

St. Paul, Minnesota  
October 9, 1944

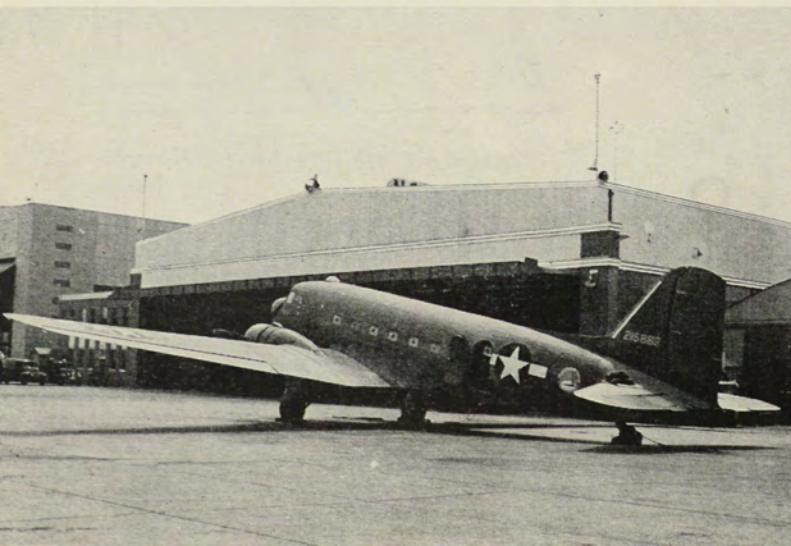
*Ernest Hunter*  
President and General Manager





**COMMERCIAL**  
*Airline*  
**ACTIVITIES**

FORMER ARMY PLANE BEFORE CONVERSION



INTERIOR OF PLANE WHEN TURNED OVER TO NWA





**T**HE LAST YEAR has seen many significant developments in the commercial airline activities of your company, notably the completion of pre-hearing conferences and final hearings on several of our route applications, the acquisition of six Army aircraft to replace those requisitioned by the Army from the company in the fiscal year 1942, the addition of three daily round trips between Chicago and the Pacific Northwest and four local trips between Chicago and the Twin Cities, and the acquisition or remodeling of ticket offices and the planning of others to strengthen our expanded sales organization.

This has been a historic year for Northwest Airlines. The natural expansion of your company has been continued, and we now enter the new year with the inviting prospect of seeing the achievement of our most immediate goal, the extension of our commercial routes into New York.

Final hearing on our application for this extension was conducted before the Civil Aeronautics Board in February, 1944, and a decision is expected from the Board before the end of 1944. We await that decision with the encouragement of the Board's examiners' report, which vigorously supported our case and recommended that the application be granted. Upon this decision will depend, in large measure, the course of our future. If the certificate is granted, as we believe it will be, your company is prepared to begin operations into Detroit, Cleveland and New York promptly.

Hearings also have been completed on Northwest's application for routes to Honolulu from the co-terminals of Portland and Seattle, and briefs are now in preparation.

Pre-hearing conferences on the West

Coast applications were held April 27, 1944, with the final hearings tentatively set for November 1 of this year. The preliminary conferences on the North and Central Pacific applications, including Northwest's proposed routes to Asia, were held September 15, 1944.

These proceedings represent the beginning of your company's actions to weave together a 30,000-mile network of routes, serving the industrial East, the great agricultural empire of the Northwest, the increasingly important Pacific gateways of the Seattle-Portland area, Honolulu, Alaska and the nations of the Orient which are certain to emerge from the ravaging war as almost unlimited markets for American business and culture.

The broadening of our commercial service during the last year has resulted chiefly from the acquisition of six Army aircraft of the DC-3 type and the conversion of these planes to NWA standards. The present fleet contains 13 DC-3s, the same number of that type operated by the company before the war.

Conversion of the former Army aircraft was done by Northwest at the NWA Twin Cities Wold-Chamberlain airport base and the planes, now standard in every respect, have been put into regular service.

The company has succeeded in achieving outstanding utilization of its aircraft during the difficult times when it was forced, by the needs of the military, to operate with only half of its normal fleet. Development of time-saving devices in the maintenance and overhaul of the aircraft and changes in methods and procedures have enabled Northwest to increase flying time to nearly 13 hours per day per plane.

AFTER CONVERSION AND READY FOR NWA SERVICE



WORKERS WATCH AS PLANE AWAITS FIRST FLIGHT





Despite the fact that during the last year your company operated with fewer than its normal complement of airplanes, loads of mail, express and passengers have increased, with reports showing several all-time monthly records.

The following figures represent the extent of service provided by Northwest in the fiscal year just ended: 5,501,672 revenue miles; 4,611,411,451 pound-miles of mail; 1,007,198,896 pound-miles of express; 84,718,273 revenue passenger miles. The revenue passenger load factor for the fiscal year was 85.17 per cent, the performance factor 96.73 per cent and the number of revenue passengers carried was 122,521. A table on page 23 shows comparative figures since the beginning of our operation.

Frequency of service to virtually all stations on the NWA system was increased during the year as a result of the acquisition of the Army aircraft and the greater utilization of all our planes. On July 1, 1943, Northwest was operating two transcontinental round trips between Chicago and Seattle, one trip between Chicago and Winnipeg and two local flights between Chicago and Minneapolis-St. Paul. Since that date increases have been made so that five trips are now operated between Chicago and the Pacific Northwest, plus seven local trips between Chicago and the Twin Cities, making 12 in all, including the Chicago-Winnipeg flight. Service was resumed into Yakima, Wash., in June of this year and into Portland, Ore., in August, with three flights between Portland and Spokane operating as segments of the transcontinental flights and in effect giving Portland three transcontinental daily round trips.

To accommodate this increase in business and in anticipation of greater needs in the new expansion period the city ticket office at Fargo was remodeled and enlarged, the ticket office at Seattle was remodeled and the Portland ticket office is being enlarged

and remodeled and will be opened before the end of 1944. Northwest also opened for the first time a street-floor ticket office on Fifth Avenue in New York. Work is now nearing completion on a new city ticket office in Chicago, at Monroe street and Michigan avenue, which will give your company one of the largest and most modernly-equipped transportation offices in the country.

The former Motor Power Equipment building at 2303 Ford Parkway in St. Paul, Minn., has recently been purchased and remodeling work has already been started to provide a centralized unit parts overhaul base of sufficient capacity to handle a three-to four-fold expansion of overhaul activity and yet representing an immediate saving in operation costs over existing scattered shop operation. The construction of main base shops and executive offices must wait until war building restrictions are lifted, until a site can be selected, and until the extent and direction of our expansion is more clearly defined.

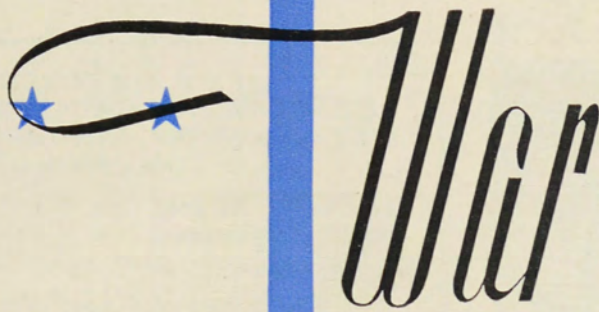
In anticipation of the expansion of our commercial routes, all possible steps have been taken to improve maintenance and operating equipment. Communication facilities have been substantially improved by the installation of new and modern equipment in the radio stations at Seattle, Chicago, Billings, Fargo, Miles City and Portland, and by the installation of a 24-hour private line teletype system serving every NWA station. Construction of a new radio station at Milwaukee is now being planned.

In October 1943, personnel of your company, engaged in both commercial airline and military projects, reached an all-time high of more than 10,000 as compared with 881 immediately before the war. Elimination of some of our military projects and improved efficiency obtained from personnel as a result of broad experience has brought a reduction in personnel to approximately 6,500 as of September 1 of this year.

**FUTURE HOME OF NWA MAINTENANCE ACTIVITIES IN TWIN CITIES IS THIS MODERN STRUCTURE**







## ACTIVITIES

**N**ORTHWEST AIRLINES has carried on extensive war activities for our government in the last year, expanding the operations in some of these and completing our assignments in three others. The results of this emergency work have already been made clear to us all in the progress our country has made in prosecuting the war. What more we can contribute, we are prepared to give. Your company has gained for itself, in important measure, a store of experiences which have helped us prepare for new expansion of our commercial activities and will continue to aid us when our airline plans are developed into realities.





MAIL, CARGO AND MILITARY PERSONNEL  
ARE FLOWN NORTH BY NWA

**A**LONG THE MILITARY cargo routes of your company's Northern Region, high priority cargo, military personnel and mail are daily being flown by Northwest Airlines pilots in fulfillment of our obligation as an arm of the national defense.

The importance of Alaska and the Aleutian Islands in our country's operations against Japan is now evident to all; they constitute a major cornerstone in our military structure, and the supplying of those far-north bases has been and is continuing to be a task of front-rank importance.

Our pilots have carried on a unique operation in the north, since much of the pioneering of these routes was their responsibility. In the last year, we have continued the smooth operation of the inland military

ARMY AIR FORCES  
HEADQUARTERS ALASKAN WING  
STATION NO. 1, AIR TRANSPORT  
COMMAND

Northwest Airlines, Inc.  
St. Paul, Minnesota

Gentlemen:

1. I have just read your initial report of the Aleutian Chain operation.

2. It is my desire to commend in the highest manner, the personnel connected with this operation. The efficiency of operation indicated, knowing as I do the general conditions of the Aleutian Chain, clearly indicates that the personnel involved have carried out a superior performance of flying under most difficult conditions. Such flying requires a constant study, evaluation and knowledge of conditions encountered at few, if any other parts of the globe. By such performance it would appear that an entire new phase of operations under such conditions has been developed. Certainly the percentage of flights performed would not have been performed a few months past.

3. Please see that this expression of appreciation is forwarded to the individuals concerned, ground crews as well as air crews, and with the further expression that it is my sincere hope that a good start indicates a continuation of what may be termed superb performance of a hazardous operation.

/s/ D. V. GAFFNEY  
Brig. General, U. S. A.  
Commanding

routes, carrying supplies from the United States through northwestern Canada to Alaska, and in addition, we have inaugurated an entirely new military operation on the islands of the Aleutian chain.

In January of this year a route from Anchorage, Alaska, to Adak on the Chain was established by the Alaskan Wing, Air Transport Command, AAF. This route has been operated with outstanding success by

# NORTHERN REGION



your company, under contract to the Army. Operations have since been extended to Attu, 1,600 miles out on the Chain and only 2,063 miles from Tokyo.

Day and night, against difficult weather conditions, our pilots have carried mail to American soldiers and sailors and have hauled in high priority cargo and military personnel, averaging two round trips per day. By the resourcefulness and skill of all who have contributed to this operation, your company has succeeded in establishing dependable mail service to the islands, a significant achievement in view of the fact that previously it had sometimes required weeks for the trip from Anchorage to Adak.

Operation of the new line posed unique problems and required special training, including study of all weather recordings kept by the Army and Navy for all years past and analysis of what weather to expect at each season of the year. A system of alternating pilot crews when possible on the regular commercial routes and the Aleutian routes was adopted in order that each pilot might be given an opportunity to gain invaluable experience in the unusual conditions of the north.

Virtually the entire length of the 1,600-mile Aleutian chain route is now being flown on instruments, an achievement once believed impossible. The operation is now being conducted with 15 airplanes and indications are it will remain at this level.

That the Army has placed a high value on your company's far-north operations is evident in the letter, reprinted in this section, from Brigadier General D. V. Gaffney, commanding the Alaskan Wing of the ATC.

Much of the activity now being carried on by Northwest Airlines on its Northern Region is of a restricted nature and cannot be disclosed in this report. We have played a major role in advancing the military plans of our country in the north, and with each day's work we have gained experience. More than anything else, we have pieced together, from the experiences of pilots and all concerned, a clearer picture of these new regions where your company proposes to fly commercially when the war emergency is ended.

We will apply the lessons of our experiences to the tasks that lie ahead in the new expansion of your company.



EXPANSIVENESS OF 'FLYING BOXCARS' ON NORTH ROUTES IS SHOWN HERE



NORTHWEST'S ALEUTIANS ROUTE SERVES ARMY BASE AT ADAK



TWO MAJESTIC PEAKS ON THE ALEUTIANS MILITARY ROUTE



# MODIFICATION CENTER

ONE OF THE CONTRIBUTIONS of your company to the war effort of the nation is now being dramatically demonstrated as the war in Europe draws to an end. Liberator bombers from Northwest Airlines' bomber modification center at St. Paul, Minn., have cleared the way for advancing Allied troops in France, and the toll they have taken in smashing assaults on German factories and military installations is now being felt in its full force.

No figures can tell the story. There is no adequate way to evaluate the importance of this project except in the terms of precious lives saved as a result. The letter which we have reprinted in the next page makes this abundantly clear.

Liberators from the St. Paul center now are operating in all theaters of war. In the last year more than 1,000 of these aircraft were modified at the center and delivered to the Army, and only last month delivery was made on the two-thousandth aircraft to be

assigned to the project since its inception in the early months of 1942.

These are records of which we may be proud. They have been made in the face of difficult Army quotas which have not only been met but, in each of the last five months, have been exceeded.

Despite the fact that production has been increased, it has been possible to meet our quotas with reduced personnel. From a peak of more than 5,000 in September of last year, we have been able to reduce personnel to approximately 3,500 in September of this year, chiefly as a result of more efficient production methods, better planning and a better understanding by all of the job to be done. It must be taken into consideration, too, that proficiency of a large percentage of the workers has increased as a result of two years' experience in the handling of aircraft.

In the last year, more than 30 types of modifications were completed at the project and delivered to the Army. This work fell

AN ASSEMBLY LINE IN ONE OF THE HUGE HANGARS



B-24 BOMBERS AWAIT TURN ON MODIFICATION LINES





into four different major classifications: camera aircraft, cargo aircraft, straight bombing aircraft and training aircraft. On all of these assignments the center worked from general directives and, beyond that, all engineering and mockup work was accomplished at the project itself.

The modification center, along with others of the same general type, has played an exceedingly important part in supplying the war theaters with up-to-date aircraft with a minimum of delays. Airplanes are flown from factories to the center where they are equipped with the desired armor plate, armament and safety devices. When the changing methods of warfare require new devices, they are provided at the modification center until such time as the factories can handle the changes without slowing down production. In successfully carrying out these assignments, the St. Paul center has made a significant contribution to the war effort which has led our nation toward victory.

As in all our war projects, your company has gained for itself a broad experience in the many phases of this extensive operation.

It is impossible to foresee the extent of operations at the St. Paul center in the next year, since obviously the need for aircraft will depend upon the progress of the war in both the European and Pacific theaters. It is possible that when action ceases in one major war area, planes from that theater will be returned to the United States for further modification and then reassigned to other war zones.

## HEADQUARTERS ARMY AIR FORCES WASHINGTON

Northwest Airlines  
St. Paul Modification Center  
St. Paul, Minnesota

Gentlemen:

At this time, I wish to commend all personnel at your Center who have been connected in any capacity with the B-24 H2X program. By consistently meeting your schedules for the past several months, you have made a material contribution to the success of many overseas operations.

Many more gold stars would be in the windows of American homes if it had not been for the supply "in time and enough" instead of "too little and too late" of the B-24's modified at your Center and used on D-Day to clear the Normandy beaches.

Your performance is a splendid example of what is being done by the civilians at home to "back the attack" by providing the right weapons at the right time. May you continue to maintain your commendable production rate.

Yours very truly,  
/s/ E. M. Powers  
Brigadier General, U. S. A.  
Deputy Asst. Chief of Air Staff  
Materiel and Services

WHEELS GO UP ON B-24 LIBERATOR AS VISITORS  
WATCH THIS TAKEOFF



EXPERT MECHANICS ARE THESE WOMEN,  
RECRUITED AND TRAINED BY NWA





# Special

## PROJECTS

### *Ice Research*

**P**ERSONNEL of this project has been increased to 110 in the last year and expanded operations have made it necessary to move into larger quarters in the large Air Transport Command hangar at the edge of the Twin Cities Wold-Chamberlain airport, Minneapolis. Additional airplanes also have been based at the project, and the scope of research being carried on to circumvent crippling icing conditions on military aircraft has been extensively broadened. The project has been changed from an independent project under jurisdiction of the ATC to an operational base under Wright Field. The full story of this project, to which your company is contributing mechanics, engineers and pilots, can only be told when the war is ended, but the results have already begun to be evident in some present and all future aircraft design.



### *Precipitation Static*

**I**N THE LAST YEAR the precipitation static program has been housed in a new half-million-dollar plant built by the Navy at the Twin Cities Wold-Chamberlain airport, Minneapolis. Northwest is continuing to supply mechanics, engineers and pilots to this project, at which research is conducted to eliminate static which develops when planes are flown through moisture, dust storms and dry snow, blocking out communications and navigation signals. Activities are now in full swing and will continue, not only for the duration of the war, but probably for years afterward. The value of this work to military and postwar commercial aircraft is inestimable.



**N**ORTHWEST AIRLINES has continued through the last year to furnish flight personnel for Army contract work assigned to the aeronautical division of the Minneapolis-Honeywell Regulator company, engaged in development and manufacture of electronic control systems for aircraft. Nearly all of the work carried on at this project is of a restricted nature and cannot be detailed here. Aircraft equipment developed at the project is of extremely high priority and importance to the Army Air Forces and will fit well into the postwar commercial aircraft picture.

*Minneapolis -  
Honeywell*



**O**N OCTOBER 31, 1943, Northwest Airlines completed operation of the Airmen's Transition Training Program for the Air Transport Command at the NWA base at Billings, Mont. The work was undertaken in February of that year and a total of more than 700 Army men were trained in all phases of the operation of the large transport aircraft. Along with the training of pilots, your company assigned experts to train Army men in complimentary work as radio operators, radio mechanics and line mechanics. Counting supervisors, the entire NWA staff devoted to the work of the school included 107 top men of the airline with approximately 25,000 man-hours contributed each month. For three months, Northwest conducted an Operational Training Unit program to co-ordinate functions of the complete transport crew. For a short time part of the mechanical training was conducted at the NWA Seattle base.

*Army Flight  
Training*



## *Army Flight Control*

**N**ORTHWEST AIRLINES completed its assignment from the Army Air Forces to train Army flight control officers on August 31, 1944. The training program was inaugurated in January of this year and a total of 40 Army officers were instructed in all phases of flight control procedures. The officers were given practical training at your company's Seattle and Minneapolis bases, working directly with NWA flight superintendents as assistants on all problems which arose in the normal operation of the airline. These men are now stationed at the various Army flight control centers throughout the United States. Your company has been advised by the Army Office of Flying Safety that graduates of the NWA training course have contributed invaluable aid in avoiding unnecessary risks by Army pilots on missions within the country.



## *Vandalia*

**I**N ACCORDANCE WITH its agreement with the Army, your company ceased to operate the experimental modification and accelerated service testing center at Vandalia, Ohio, on February 20, 1944. The airline's success in establishing quickly the immense modification center at St. Paul, Minn., led the Army Air Forces Materiel Command in the fall of 1942 to request that the company undertake the new project, aimed at giving American fighting fliers the very best in equipment through special modification of military aircraft and a series of gruelling tests. Work on the planes was begun in May, 1943. Your company supplied all personnel for the project, and during the 10 months it was operated by Northwest, planes and gliders were modified and planes were checked in the accelerated service testing branch.



# BUILDING FOR THE *Future*

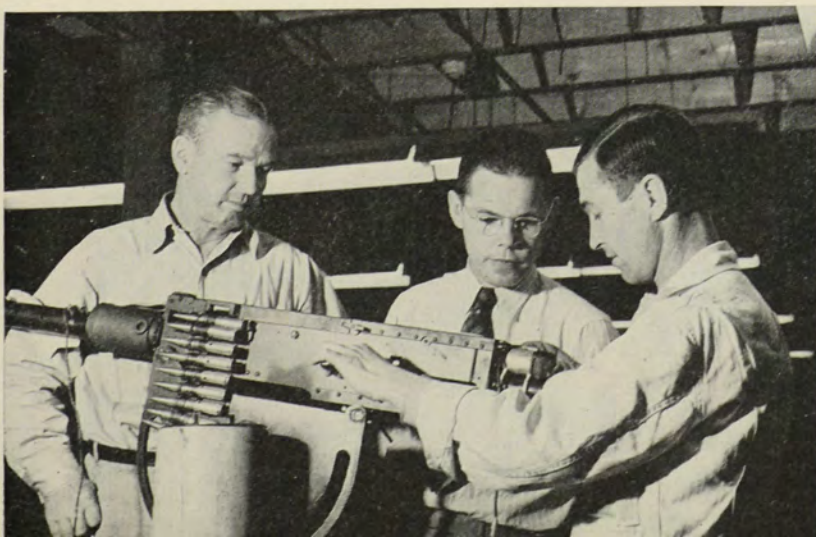
**T**HE SUDDEN RISE of the war emergencies presented an extraordinary labor condition. While the need for workers in all departments of the company expanded as much as ten fold, the supply of such persons was constantly being depleted by the needs for men and women in the armed forces and by the generally abnormal employment situation throughout the country.

Since aviation is a comparatively new business, the number of skilled workers was limited and those who were equipped with qualifying knowledge of airplanes were, for the most part, already established firmly in organizations which were also engaged in rush war work.

With industries of all kinds simultaneously entering a state of remarkable expansion, men and women without special skills rushed into jobs which required less background and training, and were reluctant to leave well-paying jobs to enter others which would require tedious training.

One of the greatest gains made by Northwest Airlines in the carrying out of the immense tasks assigned to us by our government has been experience. Meeting war problems has hastened the development of personnel in all branches of the company, and it has added incalculably to the stature of the men who share the responsibilities of guiding your company in its proposed expansions.

TWO EXAMINERS WATCH AS MECHANIC TAKES  
TRADE TEST FOR UPGRADING



IF MECHANIC PASSES TESTS HE WILL BE  
ADVANCED TO HIGHER RANK





We have discerned in these emergency activities the opportunity, not only to fulfill our obligations to our government in its crisis, but to assimilate for ourselves the lessons of experiences which might otherwise have been years in coming.

This experience has been our chief dividend from our war activities of this last year. It will be a powerful factor in the all-important decade ahead.

Since the beginning of our war work, we have been able to build up a pool of skilled workers in all branches of your company, keeping in mind the need for such workers which is certain to develop as our commercial activities expand.

Through a system of specialized training, many thousands of men and women—mechanics, stewardesses, co-pilots, traffic personnel and others—have been trained, and the majority of these Northwest will be able to draw on to fill jobs as the needs develop in our commercial activities.

In an effort to stimulate initiative and to assign workers to tasks at which the company might make maximum use of their abilities, a trade testing program was inaugurated, giving workers the opportunity to prove by actual test their right to a different classification. More than 1,200 have passed their trade tests and subsequently have been

upgraded. Only 316 have failed to pass these tests.

In addition to other personnel, your company has increased the number of its pilots in the last year in order to maintain its full operations on the military routes and to operate the commercial service added during the year.

The pioneering operation under Army contracts of many of the far-north routes has been done by these men, along the inland routes to Alaska by way of Canada and out on the Aleutian Islands chain where Northwest proposes to fly commercially when the war has ended and such activity becomes practical. These men have written one of the most glowing pages in the history of the war, combating most severe weather conditions and gaining a familiarity with the country which has prepared them thoroughly for the flying which lies ahead in these re-discovered regions.

In these ways, your company has been building personnel for the future. It has created a pool of skilled workers in all departments, and it has been alert to the opportunities for developing resourcefulness, courage, sagacity and confidence in men and women of all ranks as a dividend from its varied wartime experiences.

UPGRADING TESTS LIKE THIS ONE REVEAL  
MAXIMUM ABILITIES OF WORKER

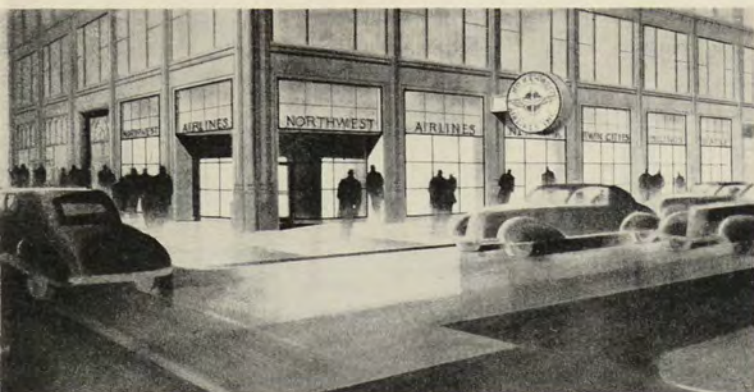


MECHANIC TACKLES PROBLEM ON B-24 TURRET  
AS EXAMINERS LOOK ON





# LOOKING



THIS NEW CHICAGO TICKET OFFICE WILL  
BE ONE OF NATION'S FINEST

**Y**OUR COMPANY'S PLACE in the promising aviation picture of the future is now being prepared. The aviation industry as a whole is entering a phase of its development which has no parallel in the past. The war has focused the imagination of the entire world on the airplane and has demonstrated the myriad advantages of air transportation. The immense increases in travel and transport in the immediate postwar era, with the new emphasis on speed, will demand a vast expansion of commercial air routes as quickly as such service can be made available.

Northwest already has developed a basic pattern for its participation in this expansion. Our thinking and action has been primarily directed at the attainment of our New York route. We have worked arduously toward that goal, believing that the completion of this fourth great trans-continental air trunk line is the one essential step in building the sturdiest possible structure for expansion.

Your company also has asked the Civil Aeronautics Board for authority to establish alternate routes adjacent to those now being operated in order to provide a more complete service for those centers within the natural sphere of our operations which could justify such service.

# Ahead

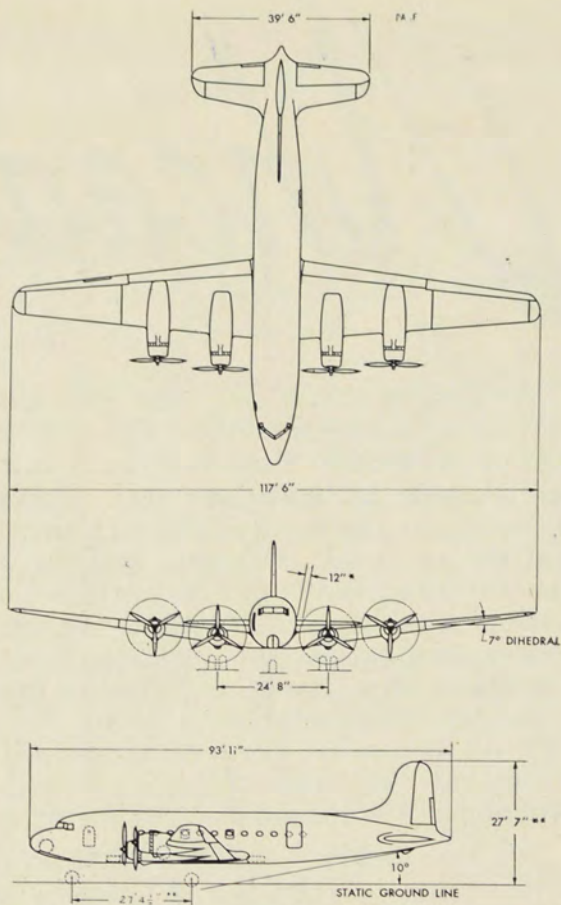
We look to Alaska as a new great empire in the postwar air world and, beyond, to the Orient and the Far East as areas of vast potential trade, brought close to the industrial Americas by the speed of the airplane. The welfare of Asia's war-sick nations, their chances for a healthy recovery, will be bound up inextricably with the producing centers of our own nation, and the interchange of commerce of all kinds will require greatly expanded transportation facilities. To this end, we have asked the CAB for permission to operate commercial airline routes to Honolulu, Alaska and the Orient.

We look forward confidently to a favorable decision by the CAB on our New York application. In recommending that the certificate be granted, the Board's examiners described the application as one of the most important ever to be presented.

Northwest's prewar fleet of 13 DC-3 Douglas aircraft has been re-established by the acquisition of six Army planes of the same general type and the conversion of these to NWA standards. Additional DC-3s are needed for our present routes until larger and better aircraft can be purchased. It is now probable that the first of these to become available will be the Douglas DC-4, a four-engine aircraft with a cruising speed of approximately 235 miles per hour and with a capacity of 44 to 55 passengers. Planes of this general type are now being studied by our engineers. It is likely that deliveries of this type of plane would not be possible before late in 1945.

Other manufacturers are making strong bids for postwar aircraft business, and we





Three views of the Douglas DC-4, representing the general type of aircraft now being studied by Northwest Airlines for future use, are shown here, with dimensions listed. This plane has a cruising speed of 235 miles per hour and can accommodate 44 to 55 passengers. This and other types are under consideration for use on NWA routes after the war.

have under consideration other planes than the DC-4 or the larger DC-6. No radical improvements or changes in appearance or performance can be expected in the early post-war aircraft.

Many municipalities are now engaged in planning new airports or drafting plans for enlarging present airports, and these programs will affect our operations. Present war curbs on construction have prevented immediate realization of many plans and the actual date of beginning construction is still undetermined for many projects.

Work already has been started on New York's Idlewild airport. Cleveland and Mil-

waukee are planning to enlarge their present facilities and Detroit has plans for a new airport. The airlines, through a technical committee, have recommended that a new airline airport for Chicago be constructed, but no action has yet been taken by the city on the recommendation. The Minneapolis-St. Paul airport situation awaits further action by the controlling Metropolitan Airports Commission. The next year will see the completion of the new Seattle-Tacoma airport and the start of terminal building and hangar construction. (It is possible this field may soon become our western terminal.) Early action is expected on airport terminal building plans which



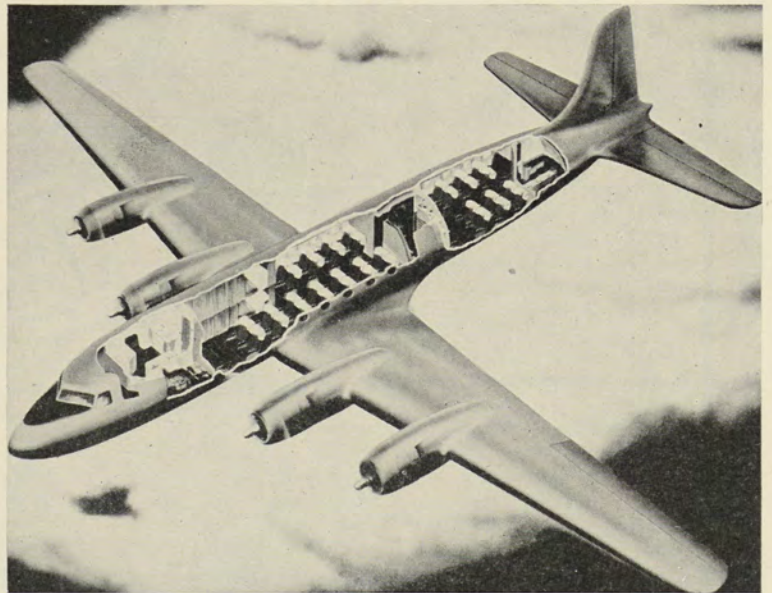
have been prepared and submitted to the cities of Yakima, Wenatchee and Butte.

The major active item in the planning being done for new administration buildings at airports on the NWA system is a proposed \$1,200,000 terminal project at Chicago. The Port of Seattle now has under consideration a plan calling for a \$1,500,000 terminal building, and Fargo has taken definite action toward construction of a new administration building in the form of a bond issue and some architectural studies.

These projects will mean new facilities in one form or another for your company's use.

We have proceeded with our plans in the face of the uncertainty as to when the war will be brought to an end and what the new peace-time world will be like. We are obligated to carry on our war activities until such time as they are no longer needed, and we are preparing now for the day when we will finish this emergency assignment and turn our energies full-force to our postwar opportunities.

This unique cross-section view shows both exterior plan and interior of the Douglas DC-4, one of several postwar aircraft now under study for postwar use by Northwest Airlines. Passenger capacity of this plane is more than twice that of the two-engined DC-3 currently used by your company.





# PRESENT AND PROPOSED





# Routes

The Company holds certificates of public convenience and necessity from the CAB, which authorize it to engage in air transportation with respect to persons, property and mail as follows:

1. Between the terminal point Chicago, Ill., the intermediate point Milwaukee, Wis., and (a) beyond Milwaukee, Wis., the intermediate points Madison, Wis., Rochester, Minn., Minneapolis, Minn., St. Paul, Minn., Fargo, N. D., and (b) beyond Milwaukee, Wis., the intermediate points Green Bay, Wis., Wausau, Wis., Eau Claire, Wis., Minneapolis, Minn., St. Paul, Minn., Fargo, N. D., and (c) beyond Fargo, N. D., the intermediate point Grand Forks, N. D., and the terminal point Winnipeg, Canada, and (d) beyond Fargo, N. D., the intermediate points Jamestown, N. D., Bismarck-Mandan, N. D., Miles City, Mont., Billings, Mont., Great Falls, Mont., (as temporary intermediate point and for non-stop service to and from Missoula, except for local non-priority passengers between Great Falls and Billings, Helena or Butte), Butte, Mont., Helena, Mont., Missoula, Mont., Spokane, Wash., and (1) beyond Spokane, Wash., the intermediate points Wenatchee, Wash., Yakima, Wash., and the terminal point Seattle, Wash., and (2) beyond Spokane, Wash., the intermediate point Yakima, Wash., and the terminal point Portland, Ore.; provided, that (a) the service to and from Green Bay, Wausau, and Eau Claire, Wis., is not to be inaugurated until the Board notifies the Company that the national defense no longer required that the same be delayed.

2. Between the terminal point St. Paul-Minneapolis, Minn., and the terminal point Duluth, Minn.-Superior, Wis., provided that it is authorized to suspend service temporarily on said route with respect to persons only until the further order of the Board and to operate single-engine equipment for air transportation of property and mail.

Service to and from Green Bay, Wausau, and Eau Claire, Wis., has not yet been inaugurated.

The Company has filed with the CAB the following applications for certificates of public convenience and necessity for the transportation by air of persons, property and mail:

1. Between the terminal points Minneapolis-St. Paul, Minn., and New York, N. Y., via the intermediate points, Milwaukee, Wis., Detroit, Mich., and Cleveland, Ohio.

2. From Chicago, Ill., to Minneapolis-St. Paul, Minn., via Rockford, Ill., Beloit, Wis., Dubuque, Iowa, and La Crosse, Wis.

3. Between Minneapolis-St. Paul, Minn., and Billings, Mont., the additional intermediate stop Aberdeen, S. D.

4. From Seattle, Washington, USA, to Honolulu, Hawaii. From Portland, Oregon, USA, to Honolulu, Hawaii.

5. Between the intermediate point Fargo, N. D., and the

intermediate point Spokane, Wash., the intermediate point Great Falls, Mont.

6. Between the terminal points Seattle, Wash., and Victoria, B. C., via the intermediate point Port Angeles, Wash.

7. Between the terminal points Seattle, Wash., and Portland, Ore.

8. Between the terminal points Chicago, Ill., and Washington, D. C., via Dayton, Ohio.

9. Between the terminal points Chicago, Ill., and Nome, Alaska, via the intermediate points Minneapolis-St. Paul, Minn., Fargo, N. D., and Fairbanks, Alaska; with an alternate route between the terminal points Chicago, Ill., and Nome, Alaska, via the intermediate points Minneapolis-St. Paul, Minn., and Fargo, N. D., McMurray, Alberta, Canada; Norman Wells, Northwest Territory, Canada; Fort Yukon, Alaska; and Gulkana, Alaska.

10. Between the terminal points Seattle, Wash., and Nome, Alaska, via Anchorage, Alaska.

11. From Anchorage, Alaska, to Manila, Philippine Islands, via Dutch Harbor, Kiska and Attu, Aleutian Islands; Paramushiro, Kurile Islands, Tokyo, Japan; and Shanghai, China.

12. From Anchorage, Alaska, to Calcutta, India, via Dutch Harbor, Kiska and Attu, Aleutian Islands; Paramushiro, Kurile Islands, Tokyo, Japan; Dairen, Manchuria; Peiping and Chungking, China.

13. From Seattle, Wash., to Manila, Philippine Islands, via Anchorage, Alaska; Dutch Harbor, Kiska and Attu, Aleutian Islands; Paramushiro, Kurile Islands, Tokyo, Japan; and Shanghai, China.

14. From Seattle, Wash., to Calcutta, India, via Anchorage, Alaska; Dutch Harbor, Kiska and Attu, Aleutian Islands; Paramushiro, Kurile Islands, Tokyo, Japan; Dairen, Manchuria; Peiping and Chungking, China.

15. Between the terminal points Nome, Alaska, and Manila, Philippine Islands, via the intermediate points Peiping and Shanghai, China.

16. Between the terminal points Nome, Alaska, and Calcutta, India, via the intermediate points Peiping and Chungking, China.

17. Between the terminal points Seattle, Wash., and Manila, Philippine Islands, via the intermediate points Anchorage and Nome, Alaska; Peiping and Shanghai, China.

18. Between the terminal points Seattle, Wash., and Calcutta, India, via the intermediate points Anchorage and Nome, Alaska; Peiping and Chungking, China.

19. Between the terminal points Butte, Mont., and Portland, Ore., via the intermediate points Pendleton, Oregon, or LaGrande, Oregon.

20. Between the terminal points Milwaukee, Wis., and Spokane, Wash., via the intermediate points, Green Bay, Wis., Duluth, Minn., Fargo, N. D., Minot, N. D., and Great Falls, Mont.



# Financial

## REPORT

**F**OR THE FISCAL YEAR ended June 30, 1944, your company made a net profit of \$517,889 after deduction of all taxes and reserves, including a reserve provision for war and postwar contingencies in the amount of \$100,000. This profit was an increase of 72% over that of the previous fiscal year, as adjusted and reported to you in my letter of March 17, 1944. This profit of \$517,889 amounts to \$1.45 for each of the 356,380 shares of common capital stock outstanding at the end of the year. At the close of the year the company's surplus was \$1,513,910.

On the following pages you will find a report from Ernst & Ernst, Certified Public Accountants, covering statements of profit and loss, surplus and balance sheet.

You will find on the comparative statement of profit and loss that our operating revenues increased 44% over the previous

fiscal year as a result of great increases in the amount of passenger business done and fees earned from our Army contracts, increases which were only slightly offset by minor decreases in mail, express and miscellaneous operating revenues.

The receipt from the Army during the year of Douglas DC-3 type airplanes and the high daily average use of all flying equipment, as outlined earlier in this letter, have combined with the extraordinary demand for passenger transportation so that our passenger revenue exceeded that of the previous year by 79% and reached a total passenger revenue amount of nearly \$4,250,000.

Mail revenue of \$1,413,203 was down 5½% under the previous year. This was in spite of an increase of 54% in the amount of mail service rendered and was due to the fact that our mail rate was reduced as of March 1, 1943. There was a drop of about \$70,000 in express and miscellaneous operating revenues. Notwithstanding these minor reductions in cargo and miscellaneous operating revenues, the total loads carried, in-



cluding both cargo and passengers, were near the average practical capacity of our aircraft. These revenues (that is, exclusive of contract fees) amounted to \$1.09 per revenue mile.

Operating expenses were up 53%, mostly as the result of flying 43% more miles in commercial service than in the previous year. The total of expenses has been greatly influenced on the one hand by less favorable division of common costs between the company's commercial operations and its war contract operations, and on the other hand by the greater spread of expense resulting from the increase in our commercial aircraft and schedules. A further important element of our operating expenses is the increasing cost of doing business under wartime conditions of labor and governmental regulation.

A cash dividend of 50 cents per share, payable September 1, 1943, was declared during the past fiscal year, and since its close a 50 cents per share dividend was declared on August 1, 1944, payable September 1, 1944.

During the year the company issued rights to its stockholders as of March 25, 1944, covering 117,460 common shares at \$16 per share. All of these rights were exercised or sold by stockholders except rights representing about 4,000 shares, and these shares were sold to underwriters. Also during the year the president purchased 4,000 shares under option rights, so that a total increase of 121,460 shares resulted. These sales, less expenses, increased our cash by about \$1,850,000, and the net proceeds were invested in U. S. Government securities pending their investment in airplanes and other airline equipment.

As a result of the company's profitable operation during the year and the cash realized from this financing, the net current assets of the company increased to a figure of \$3,088,617.

Our present capital is adequate for current needs, for an immediate extension to New York and for the addition of some four-engined aircraft.



# Balance Northwest

JUNE

# Sheet Airlines, Inc.

30, 1944

## ASSETS

### CURRENT ASSETS

Cash .....	\$2,923,904	
United States Government securities—at cost plus accrued interest .....	1,975,772	
Trade accounts receivable, including United States Government accounts of \$280,973.....		619,351
Unreimbursed costs and accrued fees under United States Government cost-plus-fixed-fee contracts—Note A.....	\$15,033,962	
Less advances .....	13,863,297	
	<u>\$ 1,170,665</u>	
Less reserve .....	400,000	770,665
Inventories—at the lower of cost or market:		
Parts, materials, and supplies.....		534,107

### TOTAL CURRENT ASSETS

\$6,823,799

### OTHER ASSETS

Accounts receivable from employees including advances to be allocated to contracts, less reserve of \$25,000.....	\$ 50,048	
Sundry accounts, deposits, etc., less reserve of \$15,000.....	66,355	
Deposit in escrow.....	10,000	
Income taxes recoverable upon utilization of reserve for contract cost adjustments—estimated—Note A.....	168,000	294,403

### PROPERTY, PLANT, AND EQUIPMENT

On the basis of cost to the Company or its predecessors—Note B:

	Cost	Reserve	Balance
Land .....	\$ 12,419		\$ 12,419
Aircraft and reserve equipment.....	1,771,288	\$1,208,319	562,969
Buildings on leased ground.....	483,437	227,065	256,372
Other buildings and equipment.....	1,096,288	531,804	564,484
Improvements to leased property....	167,950	80,798	87,152
	<u>\$3,531,382</u>	<u>\$2,047,986</u>	

1,483,396

### INTANGIBLE

Cost of United States Government air mail route.....	48,737
--	--------

### DEFERRED CHARGES

Unexpired insurance .....	\$ 62,204	
Other prepaid and deferred expenses, supplies, etc.....	52,563	114,767

\$8,765,102

## LIABILITIES

### CURRENT LIABILITIES

Accounts payable .....	\$ 1,186,022	
Salaries, wages, and vacation compensation.....	1,051,810	
Pay roll deductions for employees' income tax.....	277,379	
Pay roll deductions for employees' war bonds.....	215,956	
Pay roll taxes.....	241,895	
Air travel contract deposits.....	90,680	\$3,063,742
	<u></u>	
Accrued taxes .....		205,940
Federal and state taxes on income—estimated:		
For the year ended June 30, 1944.....	\$ 430,000	
For prior years.....	35,500	465,500

### TOTAL CURRENT LIABILITIES

\$3,735,182

DEFERRED INCOME—Unused transportation.....	77,307
--	--------

### RESERVES

For possible inventory obsolescence.....	\$ 115,000	
For war and post-war adjustments.....	100,000	215,000

### CAPITAL STOCK AND SURPLUS

Common stock—no par value:

Authorized 600,000 shares; unissued 243,620 shares of which 20,000 shares are reserved for options (10,000 shares at \$14.00 per share, 5,000 shares at \$18.50 per share, and 5,000 shares price and allocation to be fixed by the Board of Directors) outstanding 356,380 shares at aggregate stated capital amount....

Earned surplus .....	\$ 3,223,703	
	1,513,910	4,737,613

\$8,765,102



# COMPARATIVE STATEMENT OF PROFIT AND LOSS

## Northwest Airlines, Inc.

YEARS ENDED JUNE 30, 1944 AND 1943

Operating Revenues:		
Transportation:	1944	1943*
Passengers .....	\$4,234,565	\$2,364,291
Mail .....	1,413,203	1,495,032
Express, freight, etc. ....	296,708	362,897
Repair and service income, rents, etc. ....	47,367	50,777
Fees from cost-plus-fixed-fee contracts.....	865,648	491,937
<b>TOTAL OPERATING REVENUES</b>	<b>\$6,857,491</b>	<b>\$4,764,934</b>
Operating Expenses.....	\$5,476,858	\$3,577,384
Unallowed costs under government contracts charged off.....		340,000
Provision for contract cost adjustments—Note A.....	213,512	260,000
	<b>\$5,690,370</b>	<b>\$4,177,384</b>
<b>OPERATING PROFIT</b>	<b>\$1,167,121</b>	<b>\$ 587,550</b>
Other income and credits.....	16,640	52,919
	<b>\$1,183,761</b>	<b>\$ 640,469</b>
Other deductions.....	68,987	61,192
<b>PROFIT BEFORE TAXES THEREON</b>	<b>\$1,114,774</b>	<b>\$ 579,277</b>
Taxes on income—estimated:		
Provision for the year:		
Federal normal income taxes and surtax and declared value		
excess profits taxes.....	\$ 527,000	\$ 477,000
State income taxes.....	33,000	30,000
Under (over) provision for prior years.....	( 5,115)	12,185
	<b>\$ 554,885</b>	<b>\$ 519,185</b>
Less:		
Credit for reduction in mail revenue.....		( 130,000)
Amount recoverable upon utilization of reserves—Note A.....	( 58,000)	( 110,000)
	<b>\$ 496,885</b>	<b>\$ 279,185</b>
	<b>\$ 617,889</b>	<b>\$ 300,092</b>
Provision for war and postwar contingencies.....	100,000	—○—
<b>NET PROFIT</b>	<b>\$ 517,889</b>	<b>\$ 300,092</b>
Provision for depreciation and amortization included in expense.....	\$ 301,533	\$ 267,842

\*As revised in report to stockholders, March 17, 1944.



# NOTES TO FINANCIAL STATEMENTS

## Northwest Airlines, Inc.

JUNE 30, 1944

**Note A**—Since February, 1942, the Company has been engaged in substantial operations under cost-plus-fixed-fee contracts with the United States Army. Total costs incurred in these operations to June 30, 1944, have amounted to approximately \$46,855,000.

Agreement has been reached with the Army Contracting Officer as to cost determination procedures for 1942, and the Company has withdrawn its appeal to the Board of Contract Appeals on items amounting to \$340,000 mentioned in the annual report for the year ended June 30, 1943. This amount was charged off in that year, but some recovery particularly in connection with training costs, is anticipated upon final determination as to allowable costs for the period ended December 31, 1942.

Negotiations between the Company and the Army Contracting Officer in connection with 1943 costs have resulted in an amendment to the contract which has been approved by the Secretary of War. The Company has proceeded with the revision of the cost allocations involved; the accompanying statements have been prepared on the basis of the Company's interpretation of the amendment, and revised reimbursement vouchers are in process of preparation.

The costs for the six months ended June 30, 1944, have been allocated in accordance with formulæ agreed upon with the Army Contracting Officer, and no revision of such formulæ is anticipated.

In addition to approval by the Army Contracting Officer, contract costs are subject to audit and approval by the Comptroller General's Office. To date, approximately 25% of the total costs have been approved by the latter.

The Company believes that its allocation of the costs have been fairly determined in accordance with the formulæ referred to herein. However, in recognition of the probability of unallowable costs and differences of opinion as to interpretation, provisions in the amount of \$473,512 have been made by charges against profit and loss for the current and preceding year. Such items as are now considered to be unallowable or without adequate support have been charged off in the amount of \$73,512, leaving a balance of \$400,000 in the reserve.

The income tax recoverable when and in the event it becomes necessary to utilize this reserve in full is estimated at \$168,000, which amount has been reflected in the balance sheet.

**Note B**—During the year the United States Army authorities returned to the Company five 21-passenger aircraft to replace in part those acquired from the Company in 1942. The cost of the aircraft and allowances to be received by the Company for costs of reconditioning have not been finally determined, but the Company has made provision in accounts payable in amounts which it believes will be sufficient to cover the ultimate cost. Provision for depreciation on these ships has been made on a basis of two years from the dates on which they were placed in service.

**Note C**—Profits of the Company include those from transactions which may be subject to the provisions of the Sixth Supplemental National Defense Appropriation Act of 1942, as amended, providing for the refund of any profits found, as a result of renegotiation, to be excessive. The Company believes that the profits realized on such transactions will not be found excessive and no provision for refunds has been reflected in the accompanying statements.





## STATEMENT OF SURPLUS

### Northwest Airlines, Inc.

YEAR ENDED JUNE 30, 1944

#### PAID-IN SURPLUS

Balance at July 1, 1943.....		\$	41,799
Expenses incurred in connection with sale of capital stock.....	\$	41,315	
Transferred to capital stock account.....		484	41,799

**BALANCE AT JUNE 30, 1944**

**\$ —0—**

#### EARNED SURPLUS

Balance at July 1, 1943.....		\$1,113,481
Net profit for the year.....	\$	517,889
Dividends paid (in cash), 50c per share.....		117,460
		400,429

**BALANCE AT JUNE 30, 1944**

**\$1,513,910**



## BOARD OF DIRECTORS

Northwest Airlines, Inc.  
St. Paul, Minnesota

We have examined the balance sheet of NORTHWEST AIRLINES, INC., as of June 30, 1944, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. It was impracticable to confirm by direct correspondence the amounts receivable from United States Government Departments as of June 30, 1944, as to which we satisfied ourselves by other auditing procedures.

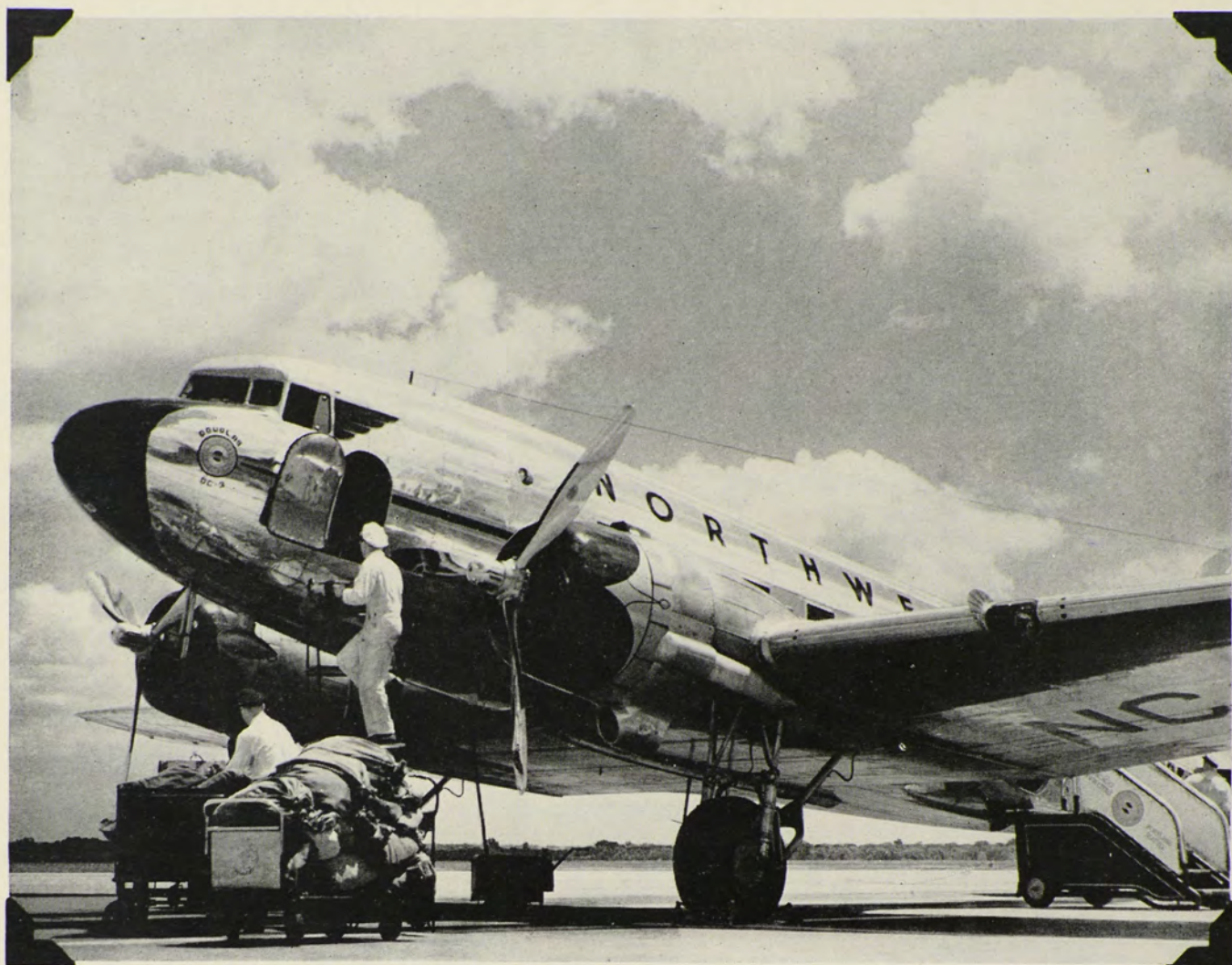
There are a number of unsettled matters resulting from wartime conditions which may affect the accompanying financial statements. A substantial part of the costs under cost-plus-fixed-fee contracts have not been finally audited and accepted by the Army and the General Accounting Office and may include unallowable items; the fees accrued in 1943 and 1944 may be subject to renegotiation; and the related income tax questions are still unsettled, all of which may not finally be determined until after the contracts are completed. These questions have been considered and dealt with in the statements on a basis believed to be reasonable in the light of present information and conditions.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus, together with the notes thereto, present, as fairly as can now be stated, the position of NORTHWEST AIRLINES, INC., at June 30, 1944, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST  
Certified Public Accountants

September 28, 1944  
St. Paul, Minnesota





## A RECORD OF PROGRESS

Calendar Year	Mail Revenue	Passenger Revenue	Express and Freight Revenue	Revenue Passenger Miles	Mail Pound Miles	Total Plane Miles Flown
3 Months, 1926.....	\$ 11,790	—o—	Not Avail.	—o—	Not Avail.	47,397
1927 .....	76,029	\$ 8,663	"	126,000	"	211,667
1928 .....	195,315	24,890	"	402,400	"	314,496
1929 .....	495,708	121,075	"	1,956,400	"	736,664
1930 .....	648,799	119,349	\$ 146	2,129,600	"	1,032,340
1931 .....	917,635	205,164	575	3,934,093	89,706,330	1,434,555
1932 .....	884,719	200,984	343	4,127,800	77,867,566	1,639,015
1933 .....	762,208	188,966	1,873	4,108,313	82,613,032	1,823,850
1934 .....	251,133	199,074	4,319	4,301,145	44,034,248	1,643,127
1935 .....	629,724	481,528	12,388	10,342,834	315,817,803	2,841,198
1936 .....	1,050,639	759,981	27,318	16,528,401	671,011,789	3,699,818
1937 .....	1,076,293	761,839	33,768	16,685,852	841,274,933	4,462,439
1938 .....	1,286,549	829,554	41,625	21,153,258	1,116,975,430	5,310,015
1939 .....	1,763,288	1,324,728	61,186	34,749,246	1,166,518,244	5,399,024
1940 .....	1,769,735	2,151,311	79,531	51,175,254	1,370,076,043	6,079,669
1941 .....	1,955,826	2,526,721	118,885	59,659,145	1,871,311,191	6,353,659
1942 .....	1,850,601	2,410,512	240,800	52,061,159	2,528,042,954	4,931,815
1943 .....	1,353,822	3,139,713	297,941	63,787,683	4,005,180,807	4,584,766
1st 6 mos., 1944 .....	675,745	2,245,458	82,769	44,406,468	2,201,237,162	2,920,835







