

# CORPORATE PROFILE

Hughes Air Corp.

1978

## 1977 in Review

Record-setting traffic boosted the airline's revenues at a faster rate than any other U.S. carrier's. It resulted in the sixth consecutive profitable year.

Operating revenues totaled nearly \$254 million, up 25.7 per cent from 1976. Year-end net profit was a record \$9.4 million compared with \$3.6 million the previous year. 1977 also was the first time there was an operating profit in every month.

Passengers neared five million and the miles they flew (21.3 per cent farther than in 1976) fell short of the fastest rate of growth in the U.S. by only two tenths of a percentage point.

Air freight ton miles grew 18.8 per cent—faster than any other U.S. airline's.

More than 135,000 charter passengers were boarded (53 per cent more) and they were flown more than twice as far.

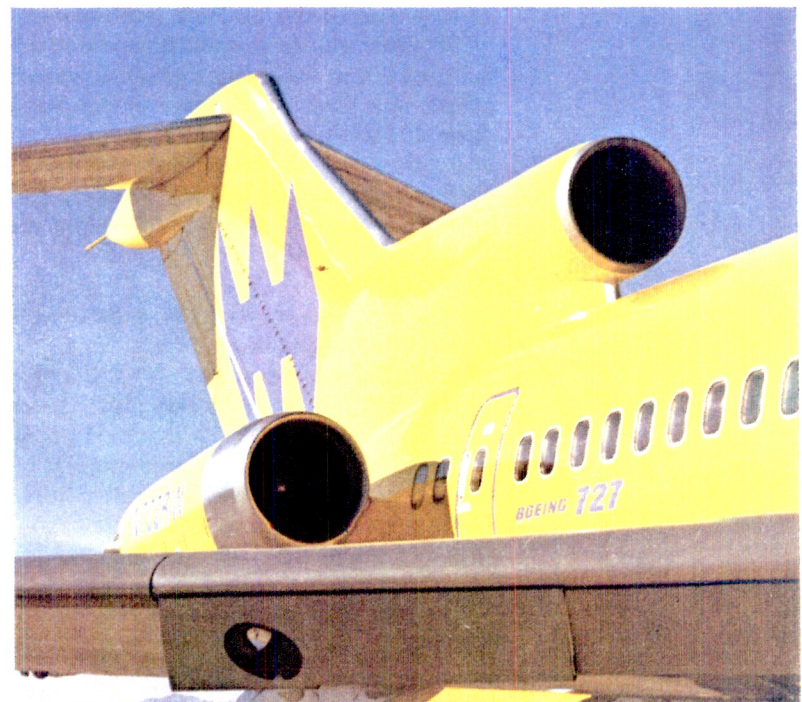
Its on-time arrival performance was among the top three in the U.S. and the best of all 19 carriers in the fourth quarter.

New service linking Orange County and Burbank with Denver was inaugurated under an interchange agreement with Frontier Airlines—the first between two regional carriers. Ten cities received new nonstop service: Spokane-Los Angeles, Salt Lake City-Burbank, San Francisco-Pasco, Oakland-Phoenix and San Diego-Tucson.

The sixth Mexico resort destination—Cabo San Lucas—was added through the new airport at San Jose del Cabo.

Boeing 727s were introduced to scheduled service on routes linking Alberta with U.S. cities.

The company added five DC-9-30s to its fleet.



*Boeing Advanced 727-200s*

## Geographic Scope

Hughes Airwest serves 55 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 47 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 six 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.

## In 1978 . . .

Hughes Airwest is—

- Making 30 per cent fare discounts available in all U.S. markets;
- Offering a new "Business Coach"—four rows of four-abreast seating on all DC-9s—starting in October.
- Installing enclosed overhead storage compartments for carry-on baggage on all DC-9-30s, replacing open hat racks;
- Boosting the range and payload capabilities of its fleet through an innovative program of upgrading engines on DC-9-30s and increasing fuel capacity on 727-200s;
- Adding five DC-9-30s and one Boeing 727-200 by year's end;
- Pending final government approval, beginning nonstop flights linking Los Angeles with Calgary and Edmonton and starting new service to Mexico City and to Milwaukee and Des Moines—its first new U.S. destinations since 1968.

## 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

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 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

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 550 skilled supervisors, technicians, engineers, avionics and instrument specialists, supply clerks and support staff.

Expansion of this 152,200-square-foot facility is beginning this year and is expected to be completed in late 1979, at a cost of about \$8 million. More than 116,500 square feet will be added—a 76 per cent 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 nearly 4,600 is employed throughout the system. It is led by a management team comprised of a board of directors, officers and 515 management personnel.

More than 600 pilots and 800 flight attendants are based in San Francisco, Las Vegas, Seattle and Phoenix.

Some 450 telephone sales agents are in Phoenix, Los Angeles, Seattle and at the airline's International Headquarters.

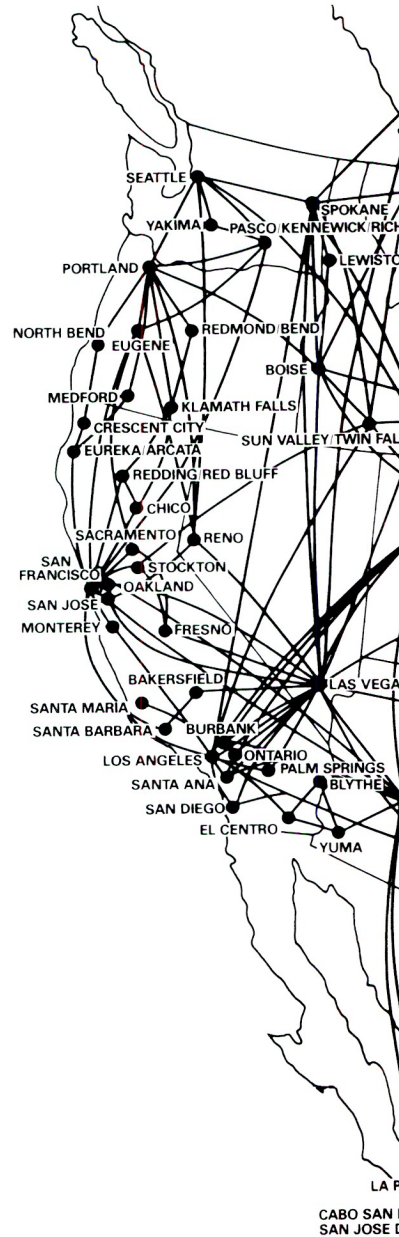
Six labor unions represent segments of the work force. They are: Air Line Pilots Association (ALPA); Association of Flight Attendants (AFA); Air Line Employees Association (ALEA—stations, reservations and clerical personnel); Aircraft Mechanics Fraternal Association (AMFA—technicians and cleaners); International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

## Sundance Fleet

A total of 46 aircraft perform nearly 900 arrivals and departures a day. The fleet consists of\*:

- Four Boeing Advanced 727-200 trijets (155 passengers)
- Twenty-eight DC-9-30 jets (103 passengers)
- Ten DC-9-10 and DC-9-15 jets (75 passengers)
- Four F-27 propjets (40 passengers)

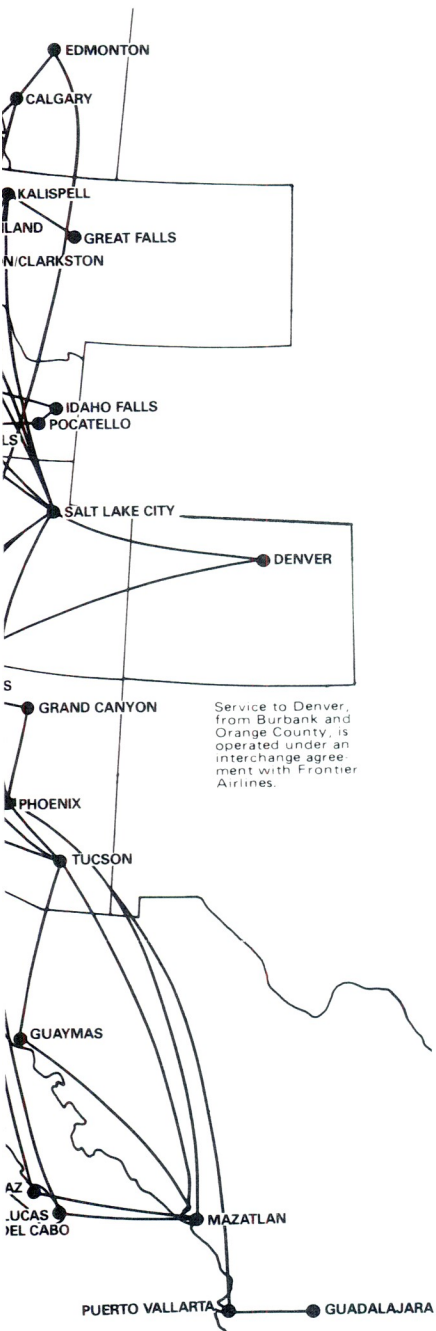
\*These numbers reflect the active fleet status as of June 1, 1978. These are changing due to aircraft sales, deliveries or leasing. (As of June 1, three DC-9-30s and four 727-200s were on order.)



## Future Expansion

Among its major management approval a

- Nonstop routes to Calgary and Edmonton; Los Angeles; San Francisco; Los Angeles; Oakland with Seattle; Seattle and Phoenix; San Francisco with Los Angeles.
- Authority to add Mexico City—Zihuatanejo.
- Routes expansion route cases to London; Minneapolis; Denver, Albuquerque; Dayton, Columbus and Vancouver.



any route applications pending govern-  
re:  
tes within the airline's system linking  
mton with Los Angeles and San  
ngeles and San Francisco with Reno;  
attle and Portland; Sacramento with  
enix; Fresno with Portland; and San  
as Vegas.  
five more resort destinations in Mex-  
y, Acapulco, Manzanillo, Loreto and  
inding the existing system in several  
Dallas/Ft. Worth, Houston, San Anto-  
s/St. Paul, Milwaukee, Des Moines,  
rque, Nashville, Louisville, Cincinnati,  
us, Indianapolis, St. Louis, Anchorage

Based on scheduled and charter boardings in 1977, they are:

Las Vegas — 722,784	Orange County (Santa Ana) — 285,100
Phoenix — 461,816	Salt Lake City — 210,943
Los Angeles — 408,446	Reno — 191,572
San Francisco — 332,291	Spokane — 166,897
Seattle — 323,748	Portland — 138,866

Boardings at these 10 cities represent 65 per cent of the airline's systemwide total.

## Top 10 Cities

They are in 20 major cities it flies to in the U.S., Mexico and Canada — Boise, Burbank, Calgary, Edmonton, Guadalajara, Las Vegas, Los Angeles, Oakland, Ontario, Phoenix, Portland, Reno, Salt Lake City, San Diego, San Francisco, San Jose, Santa Ana, Seattle, Spokane and Tucson.

## Sales Offices

City ticket offices are in 14 cities: Anaheim (Disneyland), Edmonton, Las Vegas, Reno, Salt Lake City, San Francisco, Seattle, Sun Valley (seasonal), Guadalajara, Guaymas, La Paz, Mazatlan, Puerto Vallarta and Cabo San Lucas.

Sales personnel also are in Tokyo; Hong Kong; Sydney; Rio de Janeiro; San Jose, Costa Rica; London; Frankfurt; Geneva; New York City; Milwaukee; Honolulu; and Mexico City—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.

## A Brief Look Back

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.

## Overseas Business Programs

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

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 60 of its experienced employees and their families assigned to its programs overseas.

## The Major Expenses

The largest in 1977 was for salaries—\$86.7 million, or 18 per cent more than the \$73.7 million payroll in 1976.

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, \$26.6 million; San Francisco, \$18.4 million; Las Vegas, \$13.6 million; and Seattle, \$10.7 million.

The second highest and most rapidly increasing expense was for aircraft fuel. In 1977, it jumped 36

per cent to \$46.3 million from \$34 million.

Property and other taxes, plus licenses, increased 33 per cent to \$10.8 million from \$8.1 million.

Landing costs, fees levied by airports, rose 23 per cent to \$5.8 million from \$4.7 million.

The cost of facility rentals and other related services jumped 19 per cent to \$5.7 million from \$4.8 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)	1977	1976	1975	1974	1973	1972§	1971§	1970
Operating revenues	\$253,986	\$202,162	\$169,493	\$159,914	\$130,107	\$96,701	\$96,231	\$85,204
Operating expenses	238,041	195,489	166,729	147,545	123,823	94,176	98,001	92,245
Operating earnings (loss)	15,945	6,673	2,764	12,369	6,284	2,525	(1,770)	(7,041)
Non-operating earnings (loss)	(3,696)	(1,629)	(336)	(2,324)	(1,437)	(615)	(1,548)	(5,049)
Net earnings (loss) before taxes	12,249	5,044	2,428	10,045	4,847	1,910	(3,318)	(12,090)
Provision for taxes	2,845	1,400	725	2,100	180	—	—	(13)
Net earnings (loss)	9,404	3,644	1,703	7,945	4,667	1,910	(3,318)	(12,077)

## Performance

	1977	1976	1975	1974	1973	1972§	1971§	1970
* Revenue passenger miles	2,036,763†	1,654,730	1,496,983	1,443,426	1,259,908	891,373	881,890	892,611
* Available seat miles	3,758,455†	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)	54.2	53.2	52.7	55.5†	51.3	47.5	45.9	45.0
Average density (passengers per mile)	51.0†	47.2	45.9	47.1	41.2	38.8	34.3	31.5
Passenger boardings	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)	10.95†	10.77	10.17	9.54	8.62	8.64	8.77	7.87
Average passenger trip miles	420†	410	405	394	374	348	323	308
Average passenger fare	45.97†	44.12	41.12	37.58	32.27	30.11	28.31	24.24
Cargo boarded (tons)	20,875†	18,875	17,941	18,054	17,799	14,750	19,140	19,014
* Cargo ton miles	10,214†	8,879	8,464	8,308	7,811	6,012	6,952	6,057
Block hours—total	133,719†	121,383	115,162	113,799	123,932	94,720	109,452	123,725
Aircraft hours—total	109,691†	99,990	95,167	93,380	103,201	79,070	91,109	102,556
Revenue departures performed	148,895	139,769	137,574	143,517	157,664	124,348	146,570	163,771†
Revenue block hours	132,159†	119,185	113,370	111,630	121,225	92,222	107,208	121,114
Revenue aircraft hours (airborne)	108,349†	98,049	93,599	91,699	100,836	76,850	89,136	100,273
* Revenue ton miles	213,878†	174,334	158,149	152,675	133,737	95,106	95,125	94,917
* Available ton miles	469,358†	386,756	352,733	321,681	300,630	229,777	237,625	248,485
* Revenue aircraft miles flown	39,929†	35,046	32,594	30,624	30,614	22,989	25,695	28,313
* Scheduled aircraft miles	39,996†	35,153	32,736	30,952	30,864	23,104	25,959	28,739
* Scheduled aircraft miles completed	39,689†	34,749	32,308	30,307	30,371	22,908	25,602	28,195
Completion percentage	99.2†	98.9	98.7	97.9	98.4	99.2†	98.6	98.1
On-time % (within 15 minutes)	80.1	84.8	84.2	77.1	83.7	84.7	85.4†	85.2