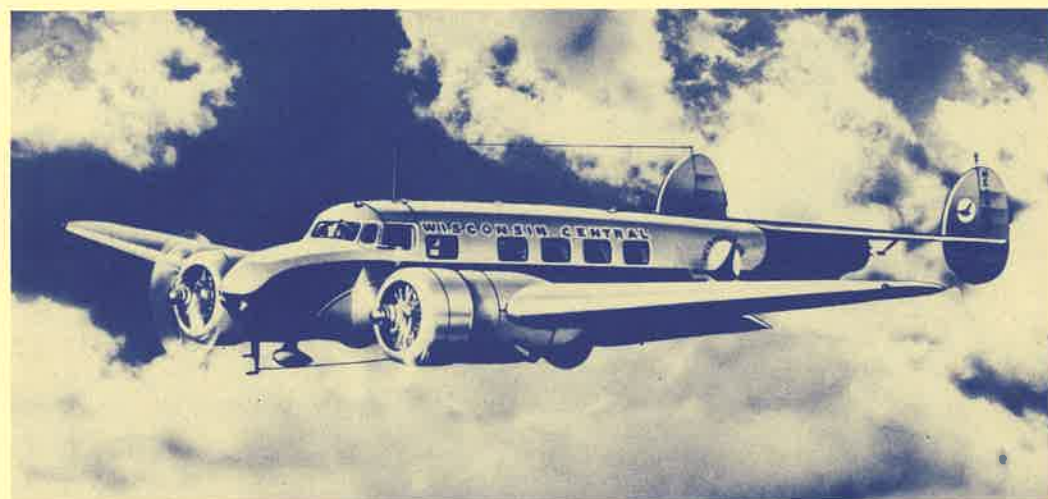


**WISCONSIN CENTRAL AIRLINES**

*Annual Report - 1949*



## WISCONSIN CENTRAL AIRLINES

General Offices, Madison Municipal Airport, Madison, Wisconsin

### DIRECTORS

Garnet F. DeCoursin	Howard A. Morey	G. E. Slezak
Fred V. Gardner	Arthur E. A. Mueller	Milo F. Snyder
Francis M. Higgins	Donald B. Olen	A. L. Wheeler

### OFFICERS AND OFFICIALS

Francis M. Higgins	President
H. N. Carr	Executive Vice President
Arthur E. Schwandt	Secretary-Treasurer
D. G. Hendrickson	Operations Manager

#### REGISTRAR AND STOCK TRANSFER AGENT

Marshall & Ilsley Bank  
Milwaukee, Wisconsin

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## REPORT OF THE PRESIDENT TO THE STOCKHOLDERS

THE progress of Wisconsin Central Airlines, Inc., during the Year 1949 has been encouraging. The operations of the Company were materially expanded. In spite of increased expenses of nearly every sort, the cost per plane mile of operation was substantially reduced. Passenger, mail and express revenues showed marked increases over comparable months in the previous year. The Company completed the year with a modest profit.

In its ten months of operation in 1948 the Company transported 11,398 revenue passengers. In 1949 this increased to 32,630 revenue passengers. During 1948 the Company carried 11,520 ton miles of mail and 13,908 ton miles of express. In 1949 these totals increased to 20,594 ton miles of mail and 22,303 ton miles of express.

Operating revenues for the year were \$1,378,340.06 plus \$17,625.86 of other income. Operating expenses for this period were \$1,339,514.02 which, with other deductions amounting to \$12,094.87 resulted in a net operating profit after taxes of \$44,357.03, after a provision for depreciation amounting to \$135,613.01.

#### FEEDER AIRLINE OPERATION

Your Company provides a "feeder" airline service connecting the metropolitan centers with the smaller communities, as well as a convenient connecting service with the trunk airlines at major terminals. During the past year approximately 46% of the 33,000 passengers carried by the Company were interline passengers connecting to or from the twelve trunk lines with which the Company makes direct connections at Chicago, Milwaukee, Madison, Minneapolis/St. Paul and Duluth.

The need for segregating "short haul" and "long haul" transportation in the airline industry has been recognized by both the Civil Aeronautics Board and by the willingness of the trunk airline carriers to turn over to the feeder airlines some of their "short haul" operations.

#### FRANCHISE

The Company is presently operating under a three-year Certificate of Public Convenience and Necessity which is eligible for renewal on October 3, 1950. The renewal or extension of the franchise is determined by the Civil Aeronautics Board after reviewing the past operations of the Company and its future possibilities of becoming reasonably self-sufficient insofar as mail payment may be necessary. The steady growth of non-mail revenues, especially since the completion of our navigational aids, together with our reduced cost of operation, are favorable factors for the renewal of the certificate.

#### MAIL RATE

The Company now receives a temporary mail rate of 60¢ per plane mile. The Civil Aeronautics Board com-

pleted an audit of the Company records during the past year for the purpose of establishing a permanent mail rate. The CAB's procedure in setting permanent mail rates for feeder airlines has generally been to include the eligible costs of starting the airline, together with the break-even need, and a fair return on the Company's investment as a retroactive mail payment. It is anticipated that the settlement of the Company's pre-operational claim and the establishment of a permanent mail rate will be made in the next few months.

#### RADIO AND NAVIGATIONAL AIDS

During the past year the Company completed the installation of its own VHF (static-free) radio communications system and the installation of a complete private network of navigational aids. This permits the instrument operation of the Company's aircraft to every airport which it serves. With these navigational aids the Company's flights can now be operated over its airways with complete safety in weather conditions that would have previously grounded the aircraft. The Company presently operates 1,699 miles of instrument airways; a distance greater than from New York to Denver. This is probably the longest privately-owned and operated airway (radio navigation network) in this country. The value of these instrument aids is vividly demonstrated by comparing our performance factor (reliability) of 46% for November 1948, when we did not have instrument authority, with our performance factor of 94% for November 1949. The communication and navigation system represents an investment of approximately \$150,000.

The Company's routes included service to twenty-six cities through twenty airports, at the close of the year. Service to five cities in the Upper Peninsula of Michigan was inaugurated on December 1, 1949. The Company is presently operating 1,362 miles of route with a scheduled operation of 5,970 miles per day.

#### EQUIPMENT

The Company completed the modification of its six twin-engine Lockheed 10-A aircraft during the year, qualifying them for instrument authority operation. These planes carry nine passengers, together with two pilots. While these aircraft have a comparatively low direct operating cost, they are no longer adequate to handle the passenger and cargo traffic that is available on certain segments of the line. The Company plans, therefore, to supplement or replace its present equipment with Douglas DC-3 aircraft, as rapidly as financing can be arranged.

#### EMPLOYEES

The Company presently employs 207 people of which 168, or 81%, are veterans of World War II. Special

aeronautical licenses, required for their work are held by 162 persons in the organization. The Company maintains a forty-hour work week although its stations are open from eight to twenty hours daily and its maintenance crews are on a twenty-four hour basis, seven days a week. The Company has union contracts with its Maintenance, Dispatch and Pilots groups. The Company enjoys excellent labor relations with all of its employees who have continuously demonstrated their sincere interest in its future success.

#### ROUTE EXTENSIONS

During the past year the Company made application to the Civil Aeronautics Board for several extensions to its system. These applications include 1,672 miles of route previously awarded another airline which was not activated. The routes extended generally westward from Chicago to Sioux City, Iowa, with intermediate stops, and northwest from Chicago to Minneapolis/St. Paul with intermediate stops, including Beloit, LaCrosse and Rochester. Application was also made for an extension of our routes from Minneapolis/St. Paul to Fargo, North Dakota with an intermediate stop at Alexandria, Minnesota and to Bemidji and International Falls, Minnesota, amount-

ing to an extension of 435 route miles. A third application was made for an extension of our routes from Green Bay to Detroit with intermediate stops, and from Marquette, Michigan, to Sault Ste. Marie, which would provide extensions of 409 miles. It is believed that these proposed extensions would materially strengthen the Company's route pattern.

#### OUTLOOK FOR 1950

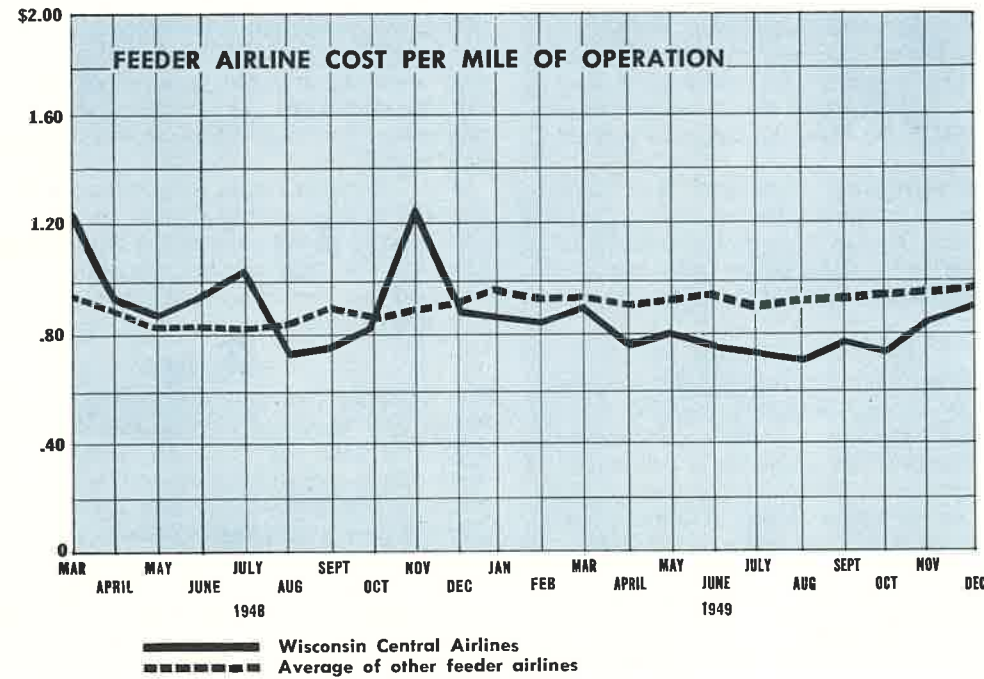
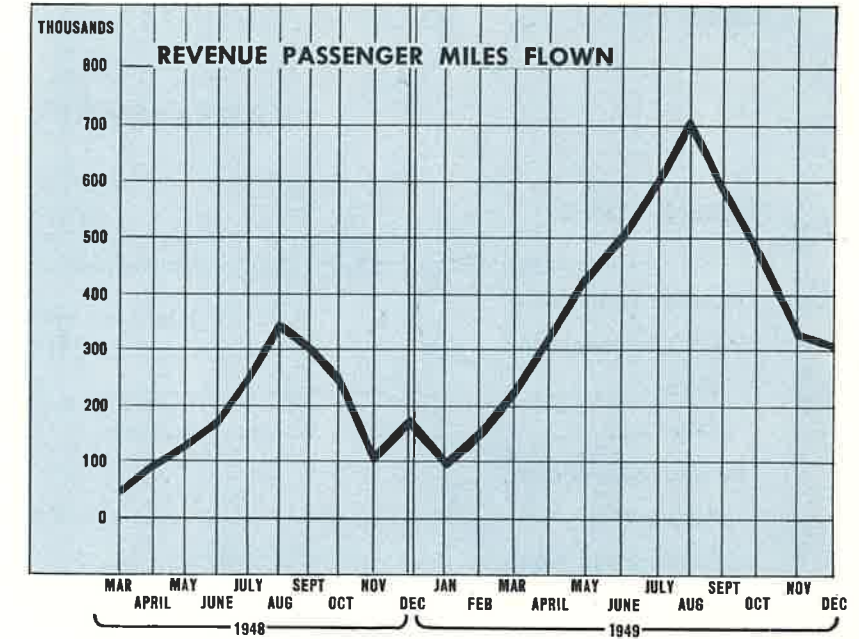
The coming year gives every indication of a continuing favorable trend in increased revenue generating ability for the Company. To meet these increased demands, additional financing, either by borrowing or by an additional security offering, will be required for larger aircraft. Consideration by your Board of Directors is being given to listing the Company stock on the Midwest Stock Exchange to provide a more ready market.

Respectfully submitted,

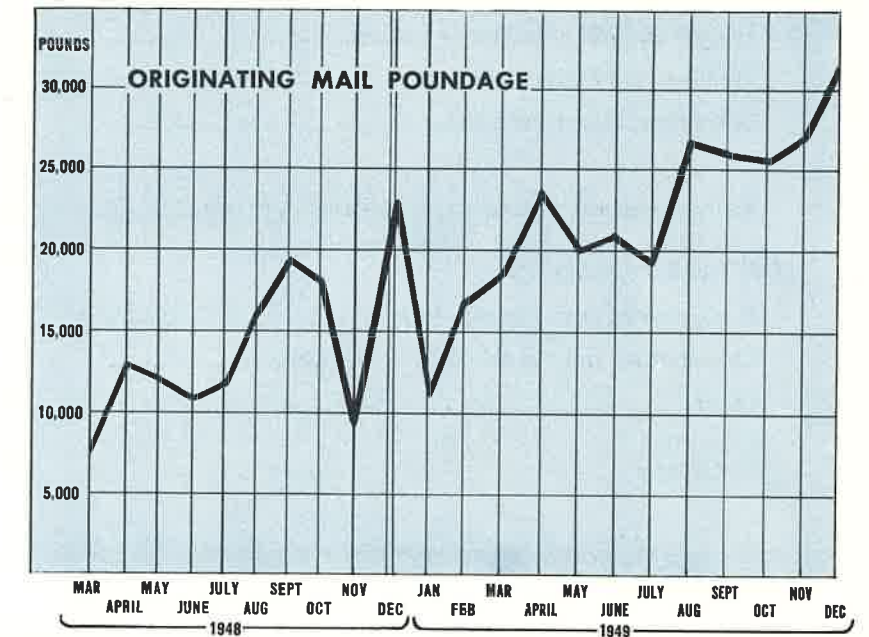


Madison, Wisconsin FRANCIS M. HIGGINS  
March 20, 1950 *President*

During the Year 1949 the Company carried 32,625 revenue passengers for a total of 4,991,339 revenue passenger miles, with an average load factor of 37%. During the ten months of operation in 1948 (scheduled operations were started February 24, 1948) the Company carried 11,398 revenue passengers for a total of 1,952,591 revenue passenger miles, with an average load factor of 28%.



Since the start of the Company's scheduled operations on February 24, 1948, the cost per mile of operation of Wisconsin Central Airlines has compared favorably with the feeder airline industry. During the year 1948 Wisconsin Central's average cost was 82¢ per plane mile of operation as compared to an average cost of 92¢ per plane mile of operation for the feeder airline industry. While a portion of this lower cost is attributable to the low direct operating expense of the Lockheed 10-A, other major economies have been achieved in the Company's indirect costs of operation.



Air mail and air parcel post originated on Wisconsin Central's system during the Year 1949 amounted to 263,609 pounds. During the ten months of operation in 1948 (scheduled operations were started on February 24, 1948) originating air mail and air parcel post was 144,358 pounds.

# WISCONSIN CENTRAL AIRLINES, INC.

BALANCE SHEET      DECEMBER 31, 1949

## ASSETS

### CURRENT ASSETS

Cash.....	\$ 77,784.72	
Accounts receivable		
U. S. Government.....	\$109,273.26	
Traffic.....	31,754.40	
Other.....	<u>12,902.80</u>	153,930.46
Inventories — at cost		
Parts and supplies.....	37,657.30	
Gasoline and oil.....	<u>7,218.34</u>	44,875.64
Prepaid insurance, interest and other expenses.....	<u>8,123.45</u>	\$284,714.27

### OPERATING PROPERTY AND EQUIPMENT

Flight equipment — at cost (Equipment costing \$243,545.00 pledged as security for notes payable — contra).....	339,804.40	
Ground equipment — at cost.....	106,889.02	
Hangar and office building — at cost.....	42,620.18	
Furniture and fixtures — at cost.....	<u>15,276.07</u>	504,589.67
Less reserves for depreciation.....	180,748.47	
	323,841.20	
Radio equipment installation in progress — at cost.....	<u>559.97</u>	324,401.17

### DEFERRED CHARGES

Route development expense (note 1).....	224,831.49	
Organization and capital stock — expense.....	65,378.39	
Other.....	<u>735.16</u>	290,945.04
	<u>\$900,060.48</u>	

## LIABILITIES

### CURRENT LIABILITIES

Notes payable — unsecured.....	\$ 7,640.96	
Notes payable — installments due within one year (secured contra).....	65,006.15	
Notes payable — bank (secured — contra).....	4,400.00	
Accounts payable.....	149,680.44	
Accrued liabilities		
Salaries and wages.....	\$20,323.91	
Taxes (other than income taxes).....	6,770.71	
Other.....	<u>15,447.93</u>	42,542.55
	<u>\$269,270.10</u>	

### DEFERRED INCOME

Unearned transportation revenue.....	2,979.60	
Prepaid hangar rent.....	<u>875.00</u>	3,854.60

### CAPITAL STOCK AND SURPLUS

Capital stock — common; authorized 300,000 shares of \$1.00 par value; issued, 155,000 shares.....	155,000.00	
Paid-in surplus — excess of issue price over par value of common stock.....	465,000.00	
Earned surplus.....	<u>6,935.78</u>	626,935.78
	<u>\$900,060.48</u>	

*NOTE: The accompanying notes to financial statements are an integral part of this balance sheet.*

# STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1949

## TRANSPORTATION REVENUE

Mail (note 2).....	\$1,096,881.21	
Passenger.....	271,575.86	
Express.....	8,363.95	
Excess baggage.....	1,519.04	\$1,378,340.06

## OPERATING EXPENSES

Flying operations.....	350,180.45	
Flight equipment maintenance.....	229,945.55	
Ground operations.....	321,057.28	
Ground and indirect maintenance.....	110,236.03	
Passenger service.....	6,791.19	
Traffic and sales.....	26,964.07	
Advertising and publicity.....	20,302.56	
General and administrative.....	138,423.88	
Provision for depreciation.....	135,613.01	1,339,514.02
Operating profit.....		38,826.04

## OTHER INCOME

Incidental revenue and cash discounts earned.....	8,301.26	
Adjustments to income of previous year — net.....	9,324.60	17,625.86
		56,451.90

## OTHER DEDUCTIONS

Interest.....	8,729.04	
Amortization of debt expense.....	1,640.84	
Miscellaneous.....	1,724.99	12,094.87
NET INCOME (Note 3).....		\$ 44,357.03

NOTE: The accompanying notes to financial statements are an integral part of this statement.

# STATEMENT OF SURPLUS ACCOUNTS

YEAR ENDED DECEMBER 31, 1949

## PAID-IN SURPLUS

(Excess of issue price of common stock over par value)

Paid-in surplus — January 1, 1949.....	\$465,000.00
Changes during the year ended December 31, 1949.....	None
PAID-IN SURPLUS — DECEMBER 31, 1949.....	\$465,000.00

## EARNED SURPLUS

Earned surplus — January 1, 1949.....	\$ 37,421.25*
Net income for the year ended December 31, 1949.....	44,357.03
EARNED SURPLUS — DECEMBER 31, 1949.....	\$ 6,935.78

\*Red figure

## NOTES TO FINANCIAL STATEMENTS December 31, 1949

- Route development expense in the amount of \$224,831.49 consists of net costs incurred in securing and developing the route awarded to the company by the Civil Aeronautics Board under a temporary certificate of convenience and necessity authorizing engagement in scheduled air transportation for a period of three years from October 3, 1947. No provision has been made for amortization of this deferred charge because, in the opinion of the Board of Directors, based upon past rulings of the Civil Aeronautics Board, the current temporary mail rate will be changed to a permanent mail rate by the Civil Aeronautics Board which will include an amount sufficient to provide for amortization of the allowable expense plus a return on the investment.
- Mail revenue is based upon a temporary mail rate order issued by the Civil Aeronautics Board, which has the right to change this rate retroactive to February 24, 1948.
- No income taxes are due for the year ended December 31, 1949 because deferred charges are being amortized on income tax returns.

NEW YORK  
BROOKLYN  
PHILADELPHIA

CHICAGO  
GREEN BAY  
LA CROSSE

## ALEXANDER GRANT & COMPANY

MEMBERS AMERICAN INSTITUTE OF ACCOUNTANTS  
CERTIFIED PUBLIC ACCOUNTANTS  
303 BELLIN BUILDING  
GREEN BAY, WISCONSIN

Board of Directors

Wisconsin Central Airlines, Inc.

We have examined the balance sheet of WISCONSIN CENTRAL AIRLINES, INC. (a Wisconsin corporation) as of December 31, 1949 and the related statement of income for the year then ended. With the exception that it was not practical to confirm the accounts receivable from the U. S. Government, as to which we satisfied ourselves by other means, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

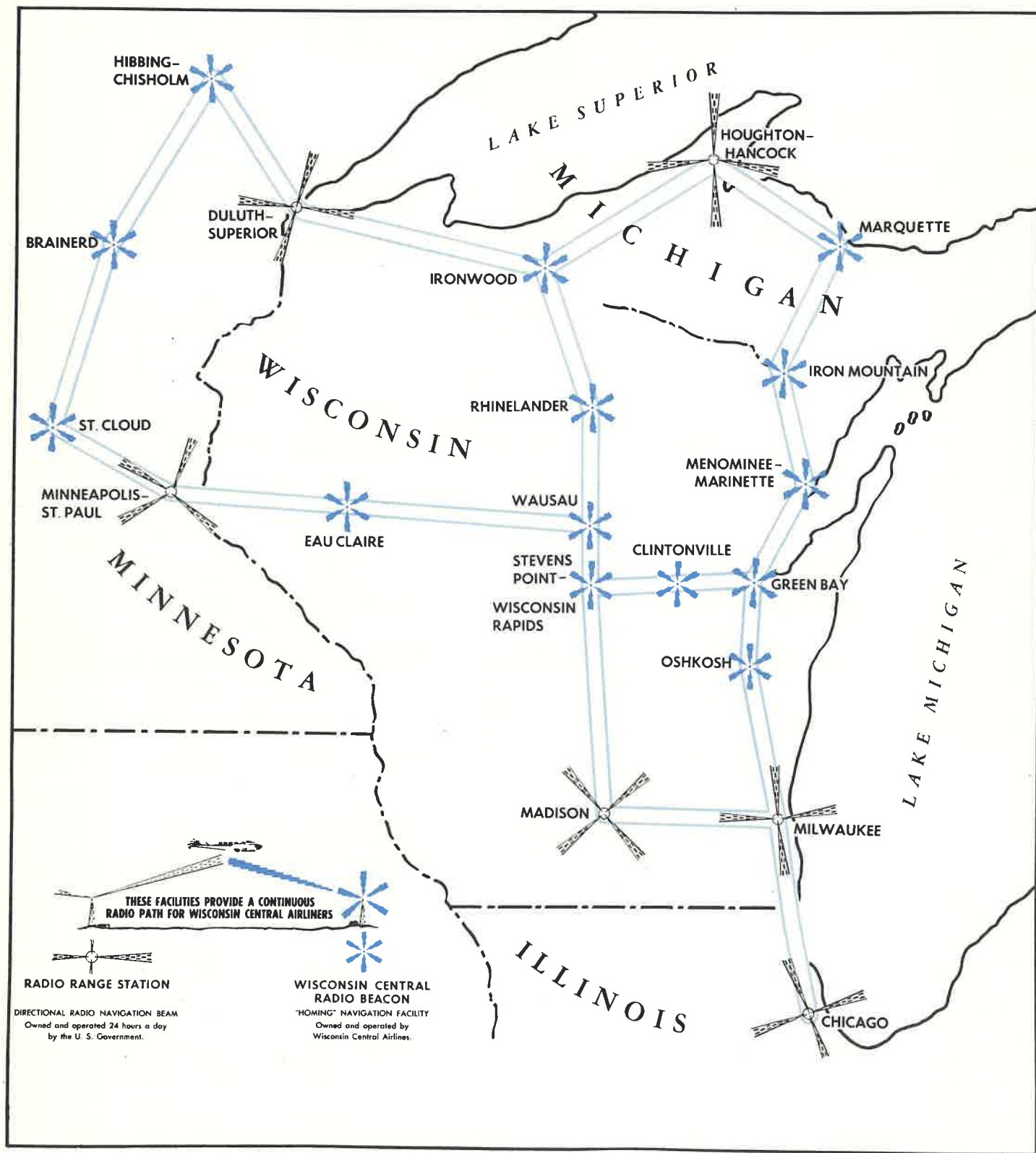
Scheduled flight operations commenced February 24, 1948 under a temporary certificate of public convenience and necessity granted by the Civil Aeronautics Board for a period of three years from October 3, 1947. Expenses incurred prior to February 24, 1948 have been capitalized as Route Development Expense. No provision has been made for amortization of this deferred charge because, in the opinion of the Board of Directors, based upon past rulings of the Civil Aeronautics Board, the current temporary mail rate will be changed to a permanent mail rate by the Civil Aeronautics Board which will include an amount sufficient to provide for amortization of the allowable expense plus a return on the investment.

In our opinion, subject to the explanation contained in the preceding paragraph, the accompanying balance sheet and related statement of income present fairly the financial position of Wisconsin Central Airlines, Inc. at December 31, 1949, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ALEXANDER GRANT AND COMPANY

Green Bay, Wisconsin  
February 22, 1950

# WISCONSIN CENTRAL AIRLINES RADIO NAVIGATION FACILITIES



Complete instrument operation has been provided to each airport served by the airline by the use of fourteen company owned and operated radio beacons and a system-wide company VHF radio network. These facilities provide for the safe operation of the company's aircraft in adverse weather. The regular and alternate airways covered by these navigation aids totals 1,699 miles, the longest privately owned and operated airway (radio navigation network) in this country.



## NATIONAL SAFETY COUNCIL

### 1948 AVIATION SAFETY AWARD

TO

### WISCONSIN CENTRAL AIRLINES, INC.

in recognition of its contribution to Safe Air Transportation

having operated from

February 1948 to December 31, 1948

### 2,243,000 PASSENGER MILES

without a passenger or crew fatality in  
scheduled passenger carrying flight operations

*Ned H. Dearborn*  
President

The Company will again be eligible for the National Safety Council's 1949 Aviation Safety Award, having flown 4,991,339 passenger miles during the past year without a passenger or crew fatality.

**YOU — YOUR FAMILY AND FRIENDS  
ARE INVITED TO TRAVEL "WISCONSIN CENTRAL"**

For flight schedules, reservations, and complete information, phone the Wisconsin Central office in any of these cities. We make reservations on all scheduled airlines as a courtesy service:

CITY	AIRPORT	PHONE
Brainerd, Minn.	Brainerd-Crow Wing	5531
Chicago, Ill.	Municipal	Portsmouth 7-8800
Chicago, Ill.	City Ticket Office	Dearborn 2-2060
Chisholm, Minn.	Hibbing Municipal	Hibbing 1250-W
Clintonville, Wis.	Municipal	210
Duluth, Minn.	Williamson-Johnson	Melrose 3000
Eau Claire, Wis.	Municipal	4633
Green Bay, Wis.	Austin Straubel	Howard 5450
Hancock, Mich.	Houghton County	Houghton 63
Hibbing, Minn.	Municipal	1250-W
Houghton, Mich.	Houghton County	63
Iron Mt., Mich.	Ford	2575
Ironwood, Mich.	Gogebic County	741
Madison, Wis.	Municipal	4-5544
Marinette, Wis.	Menominee County	Menominee 6677
Marquette, Mich.	K. I. Sawyer	Sawyer 2
Menominee, Mich.	Menominee County	6677
Milwaukee, Wis.	General Mitchell	Humboldt 3-5100
Minneapolis, Minn.	Wold-Chamberlain	Parker 6691
Oshkosh, Wis.	Winnebago County	Stanley 5
Rhineland, Wis.	Municipal	98
St. Cloud, Minn.	Whitney Memorial	4580
St. Paul, Minn.	Wold-Chamberlain	Parker 6691
Stevens Point, Wis.	Municipal	2510
Superior, Wis.	Williamson-Johnson	Melrose 3000
Wausau, Wis.	Alexander	4550
Wis. Rapids, Wis.	Stevens Pt. Municipal	Stevens Pt. 2510