

WISCONSIN CENTRAL AIRLINES

Annual Report - 1951

REPORT TO STOCKHOLDERS — 1951



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
Bernard Sweet	Asst. Treasurer
D. G. Hendrickson	Operations Manager
Frank N. Buttomer	General Traffic Manager

REGISTRAR AND STOCK TRANSFER AGENT

Marshall & Ilsley Bank
Milwaukee, Wisconsin

*Resigned effective March, 1952.

The major developments of Wisconsin Central Airlines during the year 1951 were the conversion to 21-passenger aircraft, the spectacular traffic record with the larger equipment, the renewal of the airline franchise and the additional routes awarded the airline.

During the year the airline carried 96,265 revenue passengers compared to 48,797 revenue passengers flown the previous year, a 97% increase. Air mail volume increased 49% while air express showed a 120% increase over the previous year.

Operating revenues and other income for the year were \$2,114,328 while operating expenses were \$2,108,061, leaving a net profit of \$6,267. Included in the operating expense was \$143,722 for depreciation.

The conversion from the six Lockheed 9-passenger planes originally operated by the airline, to six DC-3 21-passenger planes was made between March 1st and May 1st of last year and involved a substantial non-recurring training and qualifying expense.

FRANCHISE RENEWAL — ROUTE EXTENSIONS

Your company operated the entire year under the Administrative Procedures Act since our three year temporary franchise expired in October, 1950. Public hearings on our certificate renewal case were held in Washington during January, 1951 and later before the Civil Aeronautics Board. The decision on the case was announced January 5, 1952. The award included a franchise renewal of five years to October, 1955, the addition of approximately 900 miles of new routes and "skip-stop" privileges. The five-year franchise is the longest period that the Civil Aeronautics Board has extended to a temporary three-year franchise to date. Extensions on renewals have ranged from approximately three years to five years in previous decisions.

The extensions added about 65% more mileage to the system and included a two-year franchise on a route from Minneapolis-St. Paul to Fargo with intermediate stops at St. Cloud, Alexandria and Fergus Falls, and a route from Minneapolis-St. Paul to Grand Forks with stops at St. Cloud, Brainerd, Bemidji, and Thief River Falls. Also included in the award was the transfer of the former Northwest Airlines' non-stop route from Minneapolis-St. Paul to Duluth-Superior and a seasonal route extension from Hibbing-Chisholm to International Falls. In a separate decision announced simultaneously with the franchise renewal the CAB also awarded your company a route from Minneapolis-St. Paul to Chicago with intermediate stops at Eau Claire, Winona, La Crosse, Madison and Beloit-Janesville. With the additional mileage of the new routes, Wisconsin Central now has 2295 miles of route and is the third largest of the eighteen local service airlines in this country.

The "skip-stop" authorization, granted your company, relieves the airline of making a stop at each point served on every flight over the same route, under certain conditions. Under the pro-

visions of the authorization, a minimum number of flights must serve each community before the city can be over-flown on additional schedules and a minimum number of stops is required on all flights between certain metropolitan centers. The "skip-stop" privilege was the first authorization of its kind granted a local service airline by the Civil Aeronautics Board.

Still before the Civil Aeronautics Board is your company's application for a route from Green Bay to Detroit with intermediate stops at Muskegon, Grand Rapids, and Lansing. Hearings on the application, extending over a period of nearly three years, have been completed. Pending a decision on this route, the CAB withheld a decision on the renewal of our routes north of Green Bay into the Upper Peninsula of Michigan and asked that we continue our service to this area under the Administrative Procedures Act until a decision has been made. The proposed route to Lower Michigan would provide direct one-carrier service between the upper Peninsula and Lower Peninsula of Michigan and Green Bay as well as direct one-carrier service from the Upper Peninsula of Michigan to Milwaukee, Chicago and other cities.

CHANGES IN WORKING CAPITAL

During the course of the past year we had \$472,601 in available funds consisting of \$196,636 received during the year from the sale of common stock and certain operating equipment, plus \$151,439, made up of \$6,267 in net income for the year and \$145,172 set aside for depreciation and amortization of debt expense plus the working capital at the beginning of the year of \$124,526.

These funds, during the year, were used to purchase \$439,375 in flight and other operating equipment; to reduce our notes payable by \$53,500; to purchase investments in airline service organization for \$1,101 and to defray certain expenditures such as certificate renewal expense and expenses in connection with issuance of common stock which will benefit the company in the future and totaled \$33,014. These expenditures totaling \$526,990 resulted in an excess of current liabilities over current assets at December 31, 1951 of \$54,389.

MAIL COMPENSATION

Compensation for flying United States Air Mail and Air Parcel Post for the year was \$1,181,596, a reduction of \$273,549 from the previous year. Mail revenues for the past year were 55% of the total operating revenues, while in the previous year mail revenues were 75% of the total operating revenues. Passenger and express revenues more than doubled over the previous year and thus reduced the company's dependence on mail pay, although the ton-miles of mail flown increased approximately 50%. A mail rate set by the CAB on February 15, based generally on Lockheed operations did not prove adequate and was adjusted June 14 and further adjusted retroactively to June 14 this year. The tem-

porary mail rate is now at the rate of 56¢ per mile.

The temporary mail rates under which your company operates are not set at a rate to provide dividends for stockholders. Temporary mail rates are calculated to meet only the break-even needs of the airline. It is anticipated, however, that the operating experience record of your company this year with its enlarged operations will form the basis for a sound, permanent mail rate which will provide a margin of profit sufficient to build up the company's financial position and later provide some return to investors.

OUTLOOK FOR 1952

With the renewal of our franchise to October, 1955, and the additional routes awarded the airline, to be placed in service this spring and summer, the future of Wisconsin Central Airlines appears assured. The additional routes will provide an opportunity of spreading fixed costs over a greater number of miles, which should reduce the per mile operating costs. The daily operation of the airline is expected to about double before the end of the year — from approximately 5000 miles per day to approximately 10,000 miles per day.

Service on the new non-stop route between Minneapolis and Duluth was inaugurated with four flights daily on February 10.

Since the first of the year the airline has leased two 21-passenger DC-3s from Trans-World Airlines (TWA). These two planes are now in overhaul and modification. They are scheduled to be placed in operation on May 1st, between Minneapolis and Chicago, via Winona and La Crosse and other intermediate cities. The airline has also purchased

two DC-3s from Eastern Airlines. These planes are also to be overhauled and modified before being placed in operation this summer on the new routes to Fargo and Grand Forks. Your company is also negotiating with Eastern Airlines for two additional DC-3s, for delivery later in the year. With the two leased DC-3s and company's present eight planes, and two probably to be acquired at a later date, the airline will have twelve DC-3s in its fleet.

To finance this equipment program, a loan from an insurance company, which had been reduced from \$150,000.00 to \$46,000.00, was brought back to \$150,000.00, netting the airline \$104,000.00. Approximately \$250,000.00 of additional funds will be required to complete the financing for the equipment and operating program for this year.

Each year your airline becomes a more important factor in the economy of the communities served. As we start our fifth year of safe operation, it is gratifying to look back on the company's growth from small beginnings to our present position as one of the leading local service airlines in this country. The routes awarded your airline appear to be sound and their potential is being expanded each year. Your company will continue to develop and strengthen its position in 1952 and in years to come. I want to take this opportunity to express my appreciation to all employees for the loyalty and support they have unselfishly given to the company during the year.

James C. Higgins

President

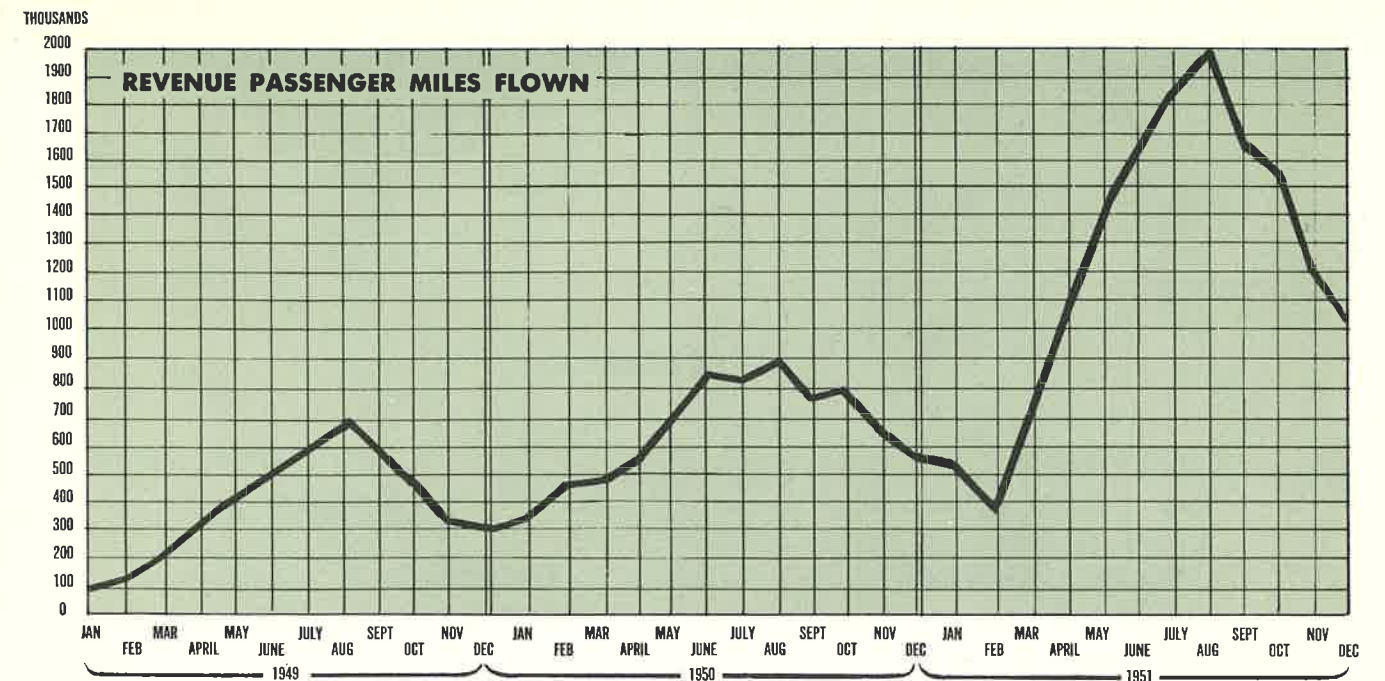
March 21, 1952

WISCONSIN CENTRAL AIRLINES, INC.

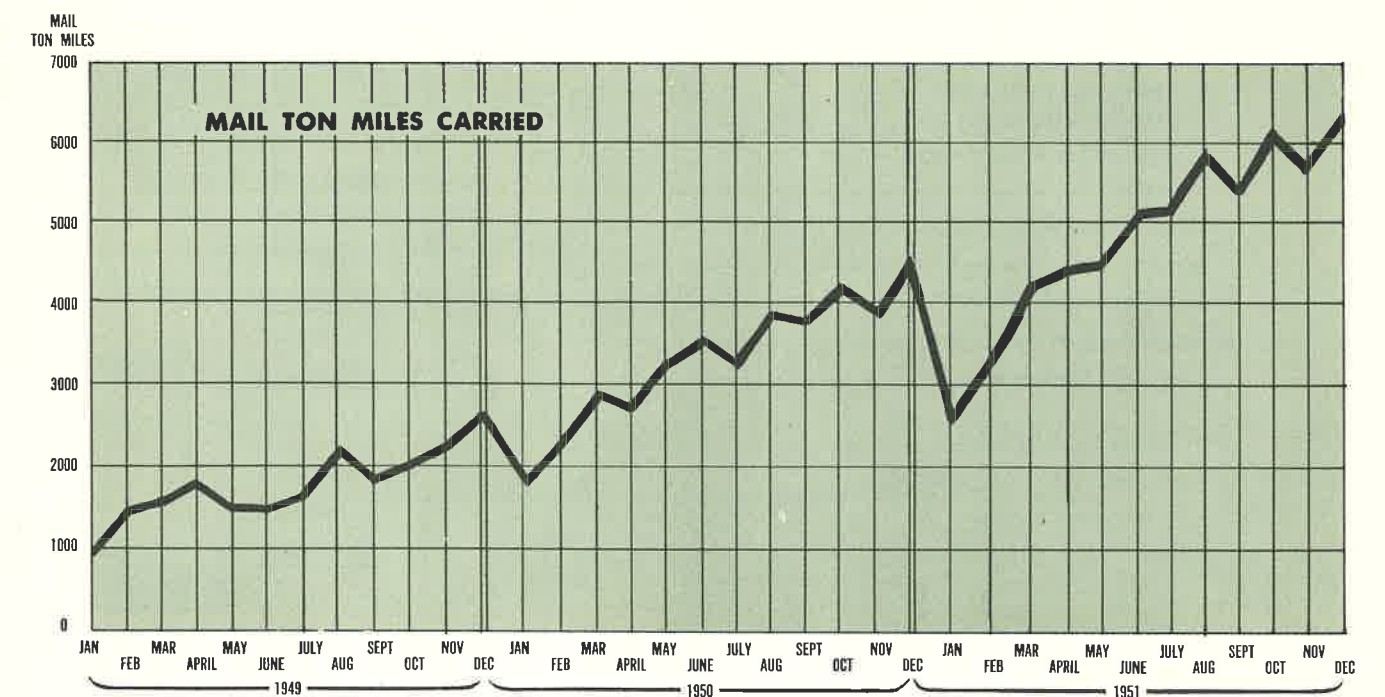
Comparative Operating and Traffic Statistics

FINANCIAL	1951	1950	1949	1948*
Operating Revenues				
Passenger	\$ 860,598.47	\$ 427,278.43	\$ 271,575.86	\$113,648.51
Mail	1,181,596.40	1,355,145.00	1,036,243.00	580,968.00
Express	45,172.61	18,636.56	8,363.95	5,962.67
Excess Baggage	5,643.14	2,418.65	1,519.04	1,012.27
TOTAL	\$2,093,010.62	\$1,803,478.64	\$1,317,701.85	\$701,591.45
Operating Expenses				
Flying Operations	\$ 591,244.85	\$ 459,643.25	\$ 350,180.45	\$190,630.20
Flight Equipment Maintenance	275,469.03	267,105.13	229,945.55	127,966.18
Ground Operations	417,329.17	418,593.97	321,057.28	201,761.50
Ground and Indirect Maintenance	153,247.64	133,142.06	110,236.03	50,414.32
Passenger Service	80,588.72	14,160.56	6,791.19	3,294.22
Traffic and Sales	182,929.45	38,138.56	26,964.07	16,749.99
Advertising and Publicity	65,295.07	30,069.09	20,302.56	15,682.92
General and Administrative	198,235.10	161,234.03	138,423.88	94,069.39
Depreciation and Obsolescence	143,722.21	120,329.42	99,598.50	54,645.15
TOTAL	\$2,108,061.24	\$1,642,416.07	\$1,303,499.51	\$755,213.87
Net Operating Income (or Loss)	(\$15,050.62)	\$ 161,062.57	\$ 14,202.34	(\$53,622.42)
Amortization of Route Development Expense	-0-	(65,014.65)	(86,291.77)	(73,525.07)
Other Income or Expenses, Net	21,317.61	(3,935.17)	(3,793.61)	(896.51)
Net Profit or (Loss)	\$ 6,266.99	\$ 92,112.75	(\$75,883.04)	(\$128,044.00)
TRAFFIC				
Passengers Carried	96,255	48,797	32,625	11,398
Passenger miles flown	15,302,378	7,763,742	4,991,339	1,952,591
Mail ton miles	60,292	40,555	20,594	11,520
Express ton miles	107,408	48,095	22,303	13,908
Scheduled Aircraft Miles flown	1,977,815	2,050,946	1,633,936	798,014

*Operations commenced February 24, 1948.



REVENUE PASSENGER MILES — Revenue passenger miles, standard measurement of airline performance, increased 97% in 1951. The number of passengers increased from 3.8 to 7.7 per mile flown.



MAIL TON MILES CARRIED — In 1951 your airline carried 60,292 ton miles of air mail — a 49% increase over the previous year.

WISCONSIN CENTRAL AIRLINES, INC.

BALANCE SHEET DECEMBER 31, 1951

ASSETS

LIABILITIES

CURRENT ASSETS

CURRENT LIABILITIES

Cash	\$ 19,354.46	
Accounts receivable		
United States Government	\$198,430.21	
Traffic and other	<u>127,101.69</u>	325,531.90
Inventories of gasoline, oil, parts and supplies — at cost	51,277.46	
Prepaid insurance and other expenses	<u>34,493.63</u>	\$430,657.45

Note payable, 5% installment note (secured by pledge of flight equipment — contra)	\$ 53,500.00	
Accounts payable	330,299.70	
Unearned transportation revenue	10,716.06	
Income taxes withheld from employees	12,276.12	
Accrued liabilities	<u>78,253.92</u>	\$ 485,045.80

INVESTMENTS — AT COST

1,101.00

CAPITAL

OPERATING PROPERTY AND EQUIPMENT

Flight equipment (equipment costing approximately \$196,000.00 pledged as security for notes payable — contra)	585,718.71	
Ground equipment	132,430.73	
Hangar and office building	54,343.69	
Furniture and fixtures	<u>19,769.07</u>	
Total — at cost	792,262.20	
Less depreciation to date	<u>183,133.03</u>	609,129.17

Common stock		
Authorized, 300,000 shares of \$1.00 par value; issued 208,149 shares	\$208,149.00	
Paid-in in excess of par value of stock issued, less organization and capital stock expense written off	<u>492,632.36</u>	700,781.36
Earned surplus (deficit)	<u>105,547.30</u>	595,234.06
		<u>\$1,080,279.86</u>

DEFERRED CHARGES

Certificate renewal expense	16,438.54	
Capital stock expense	12,950.54	
Other	<u>10,003.16</u>	39,392.24
		<u>\$1,080,279.86</u>

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

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1951

TRANSPORTATION REVENUE

Mail	\$1,181,596.40	
Passenger	860,598.47	
Express	45,172.61	
Excess baggage and other	<u>5,643.14</u>	\$2,093,010.62

OPERATING EXPENSES

Flying operations	591,244.85	
Flight equipment maintenance	275,469.03	
Ground operations	417,329.17	
Ground and indirect maintenance	153,247.64	
Passenger service	80,588.72	
Traffic and sales	182,929.45	
Advertising and publicity	65,295.07	
General and administrative	198,235.10	
Provision for depreciation and obsolescence	<u>143,722.21</u>	<u>2,108,061.24</u>
Operating profit		<u>15,050.62*</u>

OTHER INCOME

Incidental revenue and cash discounts earned	5,781.06	
Gain on sale of fixed assets	<u>21,037.08</u>	<u>29,818.14</u>
		<u>14,767.52</u>

OTHER DEDUCTIONS

Interest	6,295.29	
Amortization of debt expense	1,449.99	
Sundry	<u>755.25</u>	<u>\$ 8,500.53</u>
NET INCOME		<u><u>6,266.99</u></u>

*Denotes red figure

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

STATEMENT OF EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1951

Earned surplus (deficit) — January 1, 1951	\$111,814.29
Net income for the year ended December 31, 1951	<u>\$ 6,266.99</u>
EARNED SURPLUS (DEFICIT) — DECEMBER 31, 1951	<u><u>\$ 105,547.30</u></u>

The accompanying notes to financial statements are an integral part of this statement of earned surplus.

NOTES TO FINANCIAL STATEMENTS

December 31, 1951

- The company's temporary certificate of public convenience and necessity was renewed by the Civil Aeronautics Board to September 30, 1955. This was authorized by the Board on December 13, 1951 and was a continuation of the original certificate granted on October 3, 1947.
- Mail revenues for the period from June 14, 1951 to December 31, 1951 are stated on the basis of amended temporary rates established by the Civil Aeronautics Board.
- During the year the company issued 53,149 shares of common stock at \$2.75 per share, with the proceeds totaling \$146,159.75. The amount of \$1.00 per share or \$53,149.00 was assigned to the par value of common stock, with the balance of \$1.75 per share or \$93,010.75 being assigned to capital paid-in in excess of par value of stock issued.
- Commitments for purchase of flight equipment, parts and supplies aggregated approximately \$82,500.00 at December 31, 1951.
- As a result of "carry-over" of prior years' net operating losses, no income taxes are payable on the net income for the year ended December 31, 1951.

NEW YORK
CHICAGO
LOS ANGELES

OTHER
PRINCIPAL
CITIES

ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

312 EAST WISCONSIN AVENUE

MILWAUKEE 2, 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, 1951, and the related statements of income and earned surplus for the year then ended. With the exception that it was not practical to confirm the accounts receivable from the United States Government or to confirm an amount of \$87,960.09 due through the Airlines Clearing House, Inc., 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 consider necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of Wisconsin Central Airlines, Inc. at December 31, 1951, 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 & Company

Milwaukee, Wisconsin

March 21, 1952

**WISCONSIN CENTRAL IS THE THIRD
LARGEST OF THE EIGHTEEN LOCAL SERVICE
AIRLINES IN THE UNITED STATES**



Beautifully appointed, sound-proofed cabin interiors. Comfortable, roomy lounge-chair seats. Rest room and self-service baggage racks in rear of plane. Cargo holds fore and aft — capacity approximately 1½ tons. Restful color scheme. Full view windows.



DC-3 pilot's cock-pit, showing dual instrument panels — planes are equipped for all weather night or day flying, including radar terrain warning indicator, static-free radio communication — cruise at three miles a minute. Twin quick-accelerating 1200 h.p. engines — maintain flight on either engine alone.



Hydraulically controlled passenger ramp closes to form door of plane — speeds boarding — minimum waiting time on ground.



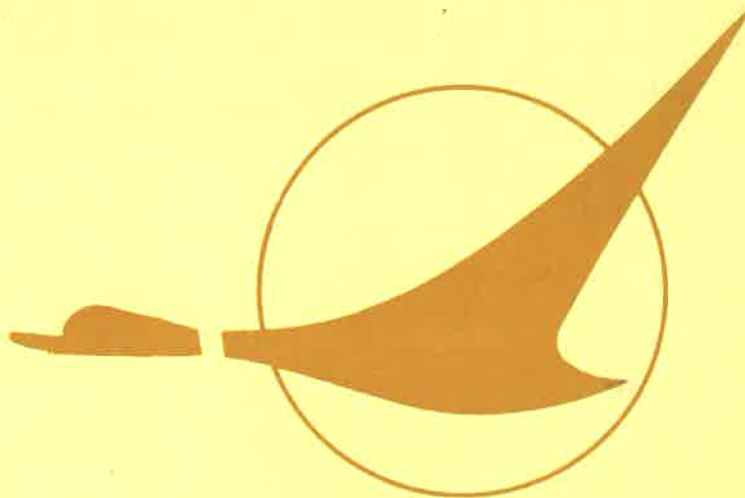
Specially built cargo hatch and compartment speeds handling of baggage and cargo. Hatch opening 2 ft. 7 inches x 3 ft. 10 inches to accommodate bulky packages.



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
Beloit, Wis.	Rock County	Enterprise 2000
Chicago, Ill.	City Ticket Office	Dearborn 2-7050
Chippewa Falls, Wis.	Eau Claire Municipal	2-4633
Chisholm, Minn.	Hibbing Municipal	Hibbing 3-7847
Clintonville, Wis.	Municipal	210
Duluth, Minn.	Williamson-Johnson Municipal	2-6633
Eau Claire, Wis.	Municipal	4633
Escanaba, Mich.	Austin Straubel	Howard 5450
Green Bay, Wis.	Houghton County Municipal	Houghton 63
Hancock, Mich.	Houghton County Municipal	3-7847
Hibbing, Minn.	Ford	63
Houghton, Mich.	Gogebic County	2575
Iron Mt., Mich.	Rock County Municipal	Ford 741
Ironwood, Mich.	Menominee County	5293
Janesville, Wis.	K. I. Sawyer	4-5544
Madison, Wis.	Menominee County	Menominee 6677
Marquette, Mich.	Gen. Mitchell	Sawyer 2 6677
Menominee, Mich.	Wold-Chamberlain	Humboldt 3-5100
Milwaukee, Wis.	Winnepago County Municipal	Parker 6691
Minneapolis, Minn.	Wold-Chamberlain Municipal	Stanley 238
Oshkosh, Wis.	Williamson-Johnson	Midway 98
Rhineland, Wis.	Alexander	2293
St. Paul, Minn.	Stevens Pt. Municipal	2510
Stevens Point, Wis.		6046
Superior, Wis.		4550
Wausau, Wis.		Stevens Pt. 2510
Wis. Rapids, Wis.		



THE MALLARD DUCK, NATIVE TO THE NORTH CENTRAL REGION, PRIZED BY AND KNOWN BY SPORTSMEN FOR ITS HIGH SPEED IN SHORT FLIGHTS, FITTINGLY SERVES AS THE INSIGNIA OF WISCONSIN CENTRAL AIRLINES.