



ANNUAL REPORT

The Flying Tiger Line Inc.

FOR THE YEAR ENDED JUNE 30, 1951



Flying Tiger Line



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FOR THE YEAR ENDED JUNE 30, 1951

OFFICERS

DIRECTORS

Samuel B. Mosher, *Chairman of the Board*

Allen T. Chase	Robert W. Prescott
James E. Davidson	Houston Rehrig
Harlan B. Eldred	T. J. Sullivan

OFFICERS

<i>President</i>	Robert W. Prescott
<i>Vice-President</i>	William E. Bartling
<i>Vice-President</i>	George T. Cussen
<i>Secretary-Treasurer</i>	Fred Benninger
<i>Assistant Secretary-Treasurer</i>	Ralph B. Stump
<i>Assistant Secretary</i>	Norman L. Meyers

EXECUTIVE OFFICES

Lockheed Air Terminal, Burbank, California

Telephone: STanley 7-3411,

Teletype:

CHarleston 6-7444

Burbank 7588

Cable Address: "FLYTIGER"

TRANSFER AGENT

The Chase National Bank New York

CO-TRANSFER AGENT

The Bank of America Los Angeles

REGISTRAR

Bankers Trust Company New York

CO-REGISTRAR

Citizens National Trust & Savings Bank Los Angeles

GENERAL COUNSEL

Norman L. Meyers, Meyers and Batzell	201 Shoreham Bldg. Washington 5, D. C.
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AUDITORS

Arthur Andersen & Co.	612 S. Flower Street Los Angeles 17, Calif.
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SUMMARY

WE RECEIVED FROM CUSTOMERS.....	\$15,582,059
WE PAID OUT OR SET ASIDE FUNDS FOR:	
Employees' salaries and wages...	\$4,881,815
Employees' travel and per diem..	625,542
Aircraft fuels	2,933,955
Passenger supplies and expense..	133,785
Other supplies	265,081
Depreciation	280,942
Maintenance of equipment.....	1,733,817
Rentals	1,052,901
Insurance	290,000
Communications	203,113
Taxes	201,359
Interest	5,402
All other items	<u>588,083</u>
	<u>13,195,795</u>
LEAVING	\$ 2,386,264
Profit on sales of equipment and miscellaneous income	<u>549,966</u>
GAIN BEFORE INCOME TAXES.....	\$ 2,936,230
FEDERAL INCOME TAXES.....	<u>1,536,358</u>
NET GAIN	\$ 1,399,872



The Flying Tiger Line Inc.

GENERAL OFFICES: LOCKHEED AIR TERMINAL BURBANK, CALIF. STANLEY 7-3411
UNITED STATES AIRFREIGHT ROUTE NO. 100 CABLE ADDRESS: FLYTIGER

To the Stockholders and Employees:

The past year has been one of tremendous expansion for your Company — expansion of facilities, equipment, personnel, operations and gross business and a gratifying increase in net income.

During this period we have doubled our domestic airfreight business and have increased our world-wide contract and charter business manifold. Some of this expansion has been the natural growth of a new company in a brand new industry. In fairness, however, it must be stated that a great part of the growth is attributable to the emergency military situation that arose with the beginning of our fiscal year.

During the years our airfreight certification case was being processed, we argued constantly before the government authorities the potential value of a company such as ours in case of a military emergency. We are justly proud that events in the past few months have allowed us to prove that contention. The Flying Tiger Line was among the first on the job when the emergency call for airlift to Japan was given last year. We have remained constantly on the Tokyo lift since its commencement and the lift capacity we have produced has been equal to that of any of the air carriers, including the largest of the United States carriers, and has surpassed the contribution of most of them.

In addition to the Tokyo lift, your Company is busily engaged in transporting military loads on the North Atlantic run and also has several planes assigned to the task of shuttling troops between domestic training centers.

While your Company has attempted to provide the aircraft required by the mobilization needs of the country, it has done so with an eye to the peacetime future. The Company's operation is flexible and the military lift can be quickly curtailed when the mobilization needs fall. Plans for future use of the equipment now busily engaged in mobilization work are constantly rechecked and revised in the light of the rapidly changing conditions in airfreight and contract carriage. Meanwhile, the normal civilian activity is growing and is on a profitable level.

This has been our second year of operations in the common carriage of airfreight under our Certificate of Convenience and Necessity which was issued in August, 1949. The results have surpassed our most optimistic prognostications. As we have pointed out in previous reports, the assurance of continued operating rights as evidenced by this franchise has given us justification to risk money in opening new routes, new flight pat-

terns and inaugurating service into communities heretofore without the advantages of airfreight service. These investments are paying off in continually increasing volumes of profitable business. It will be our policy to continue this expansion process. Your Company and Slick Airways, the other major all-cargo line, have between them recaptured from the entire passenger line industry the lead in total volume of domestic airfreight carried. The figures show that these two lines transported 53% of the entire volume of airfreight in the country in the past year.

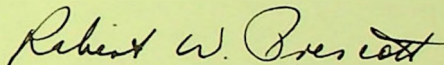
Our contract maintenance and overhaul work for other carriers has continued to increase and has come to be a very important segment of our operations. We have more than doubled our working area at the main base in Burbank to take care of this increasing business. We are maintaining a reputation of a high standard of quality in our output in this field and feel confident that we will continue to expand this phase of our business.

In last year's report we stated that the certificated passenger carriers had petitioned for judicial review of the Civil Aeronautics Board's decision awarding our Certificate of Public Convenience and Necessity. This case was heard by the Circuit Court of Appeals in Washington, D. C., during the past year and on September 27, 1951, resulted in a unanimous decision of the Court upholding the Civil Aeronautics Board. A Supreme Court reversal of a unanimous decision is unlikely. Thus, the only cloud in the sky shadowing our certification has been dissipated.

Our original certificate was for a five year period expiring in 1954. This temporary certificate was issued by the Civil Aeronautics Board in accordance with its usual procedure in new route cases of issuing a certificate of public convenience and necessity on a temporary basis to provide opportunity for the applicant to demonstrate a successful operation. We are confident that we have so successfully developed our route in accordance with our original claims that we will have little difficulty in obtaining a permanent certificate to follow our existing one. In due course we shall apply for permanent status.

In anticipation of our future requirements for the best and lowest cost equipment we have ordered a fleet of seven DC-6 all-cargo aircraft, all to be delivered before the end of 1953. This order constitutes the largest order for all-freight aircraft yet to be made by any company in the world. This program presages still greater financial and traffic expansion in the coming years.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert W. Prescott". The signature is written in dark ink and is positioned above the typed name.

Robert W. Prescott, President.

October 2, 1951

A YEAR OF EXPANSION

VOLUME INCREASE

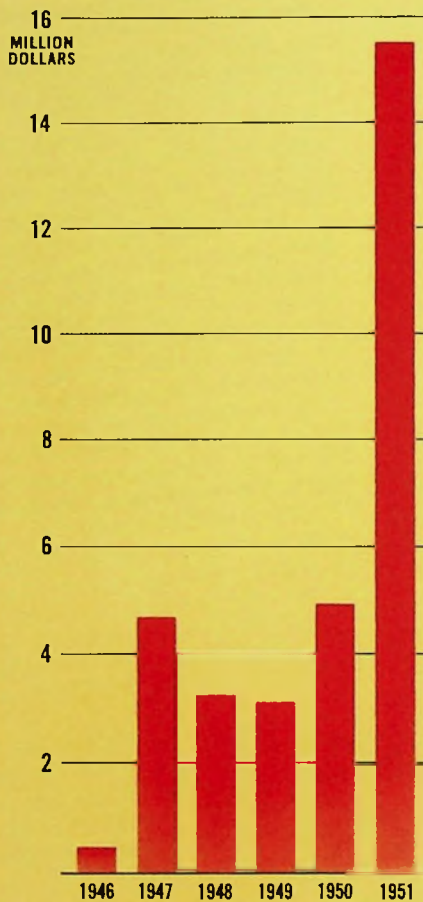
In over-all operations, including world-wide charters and leases, the Company's aircraft flew a total of 74,671 hours and a distance of 13,543,368 miles. This was more than two and one-half times the record of the previous year. In terms of globe-girdling, the mileage was equal to a trip and one-half around the world every day of the year. This daily mileage was twenty times that flown in 1946, the first full year of operations.

Revenue from common carriage air-freight and domestic freight charters increased to \$4,118,252 from \$2,386,645 in the preceding year. Freight ton-miles rose to 28,125,047 against 15,674,021, or a gain of approximately 80% for the year. A year-round load factor of 82.5% was recorded compared to 70.2% in the previous year. This was accomplished despite the large increase in aircraft put into the freight service.

For contract and charter flights and for leasing of aircraft the Company's revenues mounted to \$11,463,807, including \$7,492,469 for flying the Pacific Air Lift to Tokyo. In the preceding year these activities accounted for revenue totalling \$2,794,911. Apart from the Pacific Air Lift revenue, the gain in revenue from these activities increased nearly 50%.

The fleet's efficiency is reflected in a record of 9.9 hours of utilization per day, compared to 7 hours daily in 1950-51. This pro-

TOTAL REVENUE



vides one of the highest aircraft use records among the world's carriers.

NEW SCHEDULES

The past year witnessed an expansion and intensification of traffic on the Company's airfreight route, U. S. Route 100, by the additions of new schedules, more direct city-to-city connections and the use of second-section type of operation.

Direct service was inaugurated between the major manufacturing centers of Boston and Hartford in the east and Cleveland, Detroit, Milwaukee and Chicago in the mid-west, eliminating transfers formerly made at New York. This greatly expedites traffic between these points.

Daily through service, both east and west-bound, was added at Buffalo and Philadelphia, eliminating combination flights with transfers at New York.

Late evening departures were scheduled from Chicago and Milwaukee to eastern terminals in order to give shippers more convenient service to the east.

Oakland was made a direct stop on transcontinental flights, eliminating truck shuttle service from San Francisco. The total number of transcontinental flights was increased. A long range schedule pattern is taking firm shape.

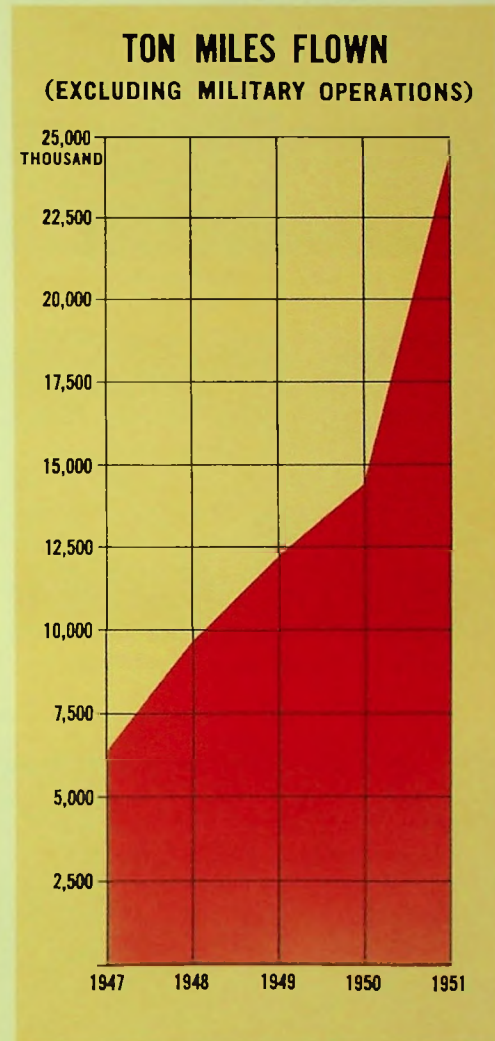
From a schedule of six daily transcontinental flights weekly, the airfreight traffic rose to a schedule of ten to twelve flights daily. The growing demands of the military and industry are thus being met. The increased number of flights has made possible increased handling of late-breaking, heavy freight movements.

EQUIPMENT INCREASE

During the past year the Company created the world's largest airfreight and contract air fleet. The Company built its fleet

to a total of thirty-four aircraft, twenty-six of the twin-engine C-46 type and eight of the four-engine C-54 type.

In the fall of 1950, the Company was the successful bidder for a fleet of eighteen C-46 aircraft sold by the Air Force. A crew of Company mechanics was set up at the Air Force base at Pyote, Texas, where the air-





New hydraulic lift bed truck



New maintenance shop equipment



Pickup and delivery trucks

craft had been stored. Although some of the aircraft were in poor condition, we were able to reclaim all of them, none being cannibalized. Through replacement and manufacture of parts these aircraft were modified to meet Civil Aeronautics Administration specifications and by the summer of 1951 all were awarded airworthiness certificates by the Civil Aeronautics Administration and were put in service.

The C-54 aircraft are used primarily in overseas operations, particularly on the Pacific Air Lift, while the C-46 equipment is employed in domestic operations and auxiliary flights from the United States to Alaska, Canada, Mexico and Puerto Rico. The aircraft not presently required for airfreight use or in the military airlift are in contract service or leased for passenger service, now primarily in the movement of military personnel.

FACILITIES INCREASE

New ground equipment designed to speed up operations, achieve greater efficiency, and lower costs was installed in the various stations. A freight-handling device of the Company's own design was adopted; this is a stationary metal pallet with a 6,000 pound capacity. This pallet, used in conjunction with a lift-bed truck, can be loaded either from the ground or the airplane door and

A portion of the newly acquired TIGER C-46 fleet



can be readily transferred from the aircraft to a truck for loading or unloading, thus reducing the use of fork lift equipment and permitting much faster and continuous freight handling while freeing the truck equipment for other work. Also, additional fork lifts were provided at most stations to expedite freight handling and to reduce ground time of aircraft. Ram air units designed to cool or heat aircraft while on the ground were installed in some stations; in due course will be installed in all stations; these units protect perishable cargo and improve working conditions for cargo crews, and thus speed up operations aground.

In the aircraft themselves improved tie-down equipment designed by Company engineers has been installed, materially reducing loss-and-damage experience.

The maintenance department has likewise added substantial new equipment to handle the expanded volume of work. New tooling has been installed to provide adequate service for the enlarged C-46 fleet, including equipment to manufacture some parts which are no longer available from the original manufacturer. Engine analyzers, which quickly spot minor but otherwise time-consuming engine defects, and heater-checking equipment which expedites heater repairs and avoids serious delays in winter weather, have been acquired. New Company-design-

ed tools, such as wheel and tire pullers, have been put into service. It is the objective of the Company to provide the best equipped maintenance facilities possible.

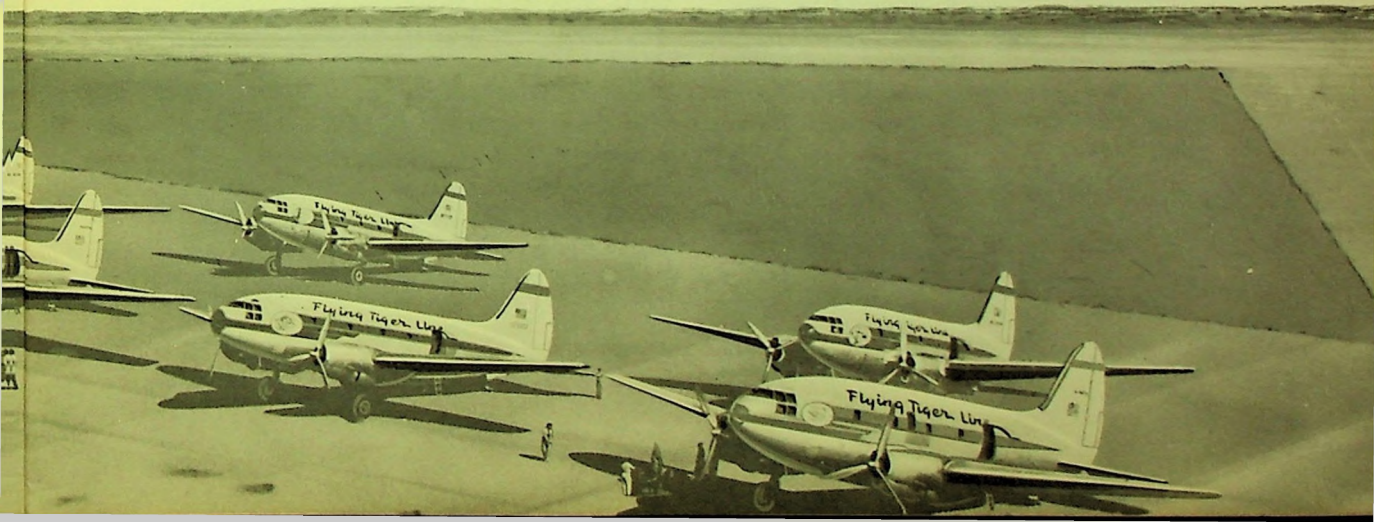
To provide against critical parts shortages, the Company has built up its inventory of spares. This has been particularly so in the case of engines. The Company has acquired 125 aircraft engines, whereas in the previous year a stock of only 50 was maintained.

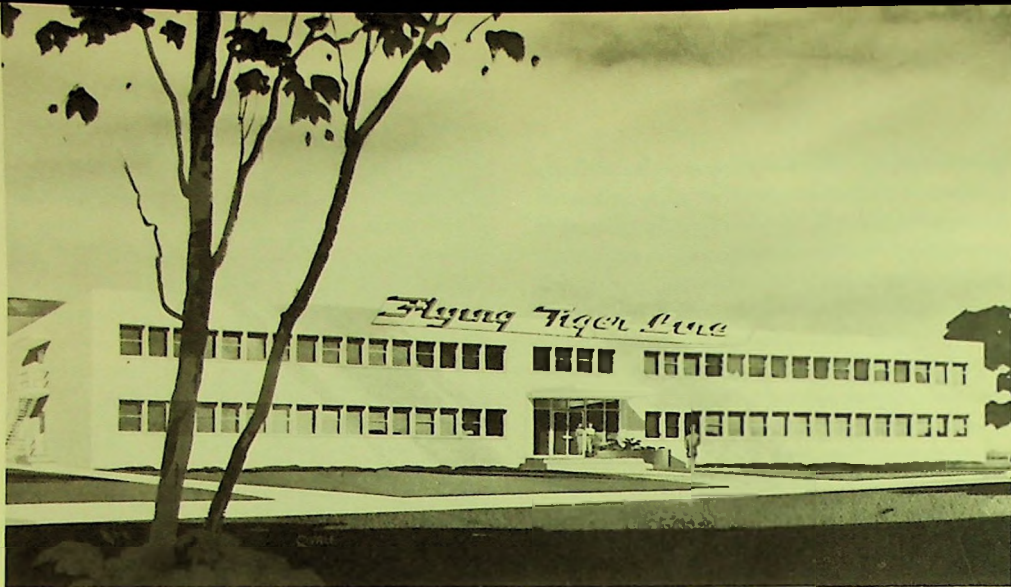
The Company also initiated an experiment in improving ground services. In Los Angeles a fleet of six 2½ ton Ford and Chevrolet trucks were acquired to perform the Company's own pick-up and delivery service within the Los Angeles metropolitan area, replacing a contract trucker. The operation appears to be working very successfully and the Company is planning to extend this type of operation to other cities where this service can be performed more advantageously than through an outside concern.

NEW BUILDINGS

In support of the major increase in the size of the Company's fleet there have been substantial additions to the plant facilities in the past year. These enlarged facilities have been designed to take care of the increased business during the year and for the demands of the future.

The chief additions have been made at the





General office building at Burbank, California

east and west terminals of Burbank and Newark. In Burbank the Company acquired by lease from the Lockheed Air Terminal a second hangar, adding 40,000 square feet to much-needed maintenance facilities. At the same time the Lockheed freight depot was modernized to handle the largest type truck equipment with dispatch. The Company also commenced construction on its own two-story office building adjacent to the Lockheed airport. This stucco building will provide 17,000 square feet of space to house the greatly increased activities of the general offices and of the district sales office. The offices have been located in the Lockheed hangar, and their removal from the hangar makes still more needed space available for improved maintenance operations.

At Newark the Company leased a hangar from the Newark Airport, to which has been moved the maintenance and freight station for the eastern terminus. The hangar provides 21,000 square feet of maintenance space, while the freight station was increased to 16,000 square feet.

In addition, the Company has leased or constructed new freight station quarters at Boston, Detroit, Philadelphia, San Francisco, Oakland and San Diego. Plans are under way for new freight facilities at Chicago and Cleveland, and there will be a further expansion at San Francisco. The original facilities have been outgrown by present-day traffic. The Company, where possible, is leasing space on the airports. However, at some points, notably Chicago and Cleveland, it is necessary to erect our own structures.

New regional freight docks were opened at Los Angeles, Long Beach and New York, and a considerable number of agent-freight docks were set up to provide more convenient pick-up and delivery accommodations for shippers. The Company established the first branch airfreight dock at the New York International Airport at Idlewild; this dock is rapidly becoming of major importance in the handling of foreign airfreight, eliminating the need for crosstown surface hauling of shipments.

Temporary bases were established during

the year at numerous other points to handle special activities. For example, it was necessary to base a staff of mechanics at Pyote, Texas, to prepare the C-46 aircraft purchased from the Air Force for ferrying to Burbank for modification and overhaul. In connection with the Pacific Air Lift to Tokyo, bases were set up at Travis Air Force Base, California, and at Honolulu and Tokyo to provide maintenance and crew change for the air lift. At various times personnel was based in Amsterdam and Luxemburg for the duration of foreign contract operations.

PERSONNEL

To handle the rapidly growing business the Company embarked upon a personnel program to meet the growing shortage of skilled workers. New employees were recruited, particularly for the mechanical and operating departments. The pilots' roster alone now exceeds 250 men. Employment rose in the year from 528 at the beginning of the year to 1,337 employees at the close. The rolls are still open.

Relations between employees and management have continued the close and cordial cooperation which has marked the history of the Company. Contracts with the Air Line Pilots Association and with the International Association of Machinists were adjusted and renewed. The employees and management are proud of the high level of wages and the satisfactory working conditions which prevail.

The Company is justifying the confidence of its employees in its position in air transportation. That the Flying Tiger affords a permanent career to qualified personnel is demonstrated by the large number of employees who received the first five-year pins awarded in 1950 for service to the Company in its first five years of existence.



Hangar terminal—Newark, New Jersey



Tiger Station—Boston, Mass.



Tiger Station—Detroit, Mich.



Enlarged main base—Burbank, California

FREIGHT REVENUE AND SALES

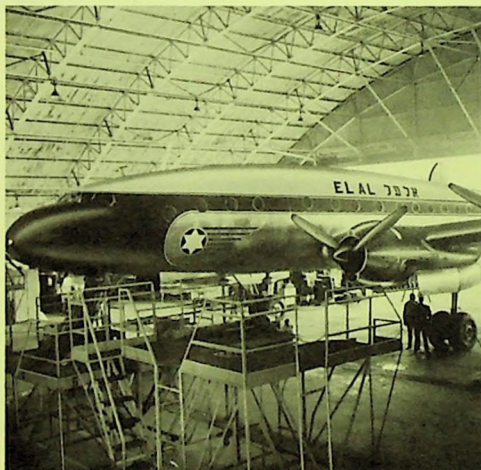
The development of the airfreight movement has proved gratifying over the past year. The system-wide volume for the year rose to 28,125,047 ton-miles, yielding a total revenue of \$4,118,252, as against 15,674,021 ton-miles yielding \$2,386,645 in the preceding year. Of equal importance to profitable operations has been the balancing out of east and westbound traffic, the leveling off of seasonal business, and the build-up of traffic at the various stations.

In December, 1950, the Civil Aeronautics Board granted the last of a series of directional commodity rate tariffs in a program which the Company inaugurated three years ago. These directional rates provide lower tariffs west-to-east for a number of commodities which would not otherwise move in volume as airfreight under the higher general commodity rate. The increase in volume of west-to-east traffic in these commodities has proved spectacular in many instances. Based on five-month comparison periods before and after the new rates, nursery stock shipments spurted from 2,514 to 487,274 pounds; business machines from 15,592 pounds to 167,745 pounds; electronic equipment from 37,300 pounds to 275,000 pounds; cosmetic and toilet preparations from 16,125 pounds to 98,246 pounds; drugs and biologicals from 11,162 pounds to 47,802 pounds.

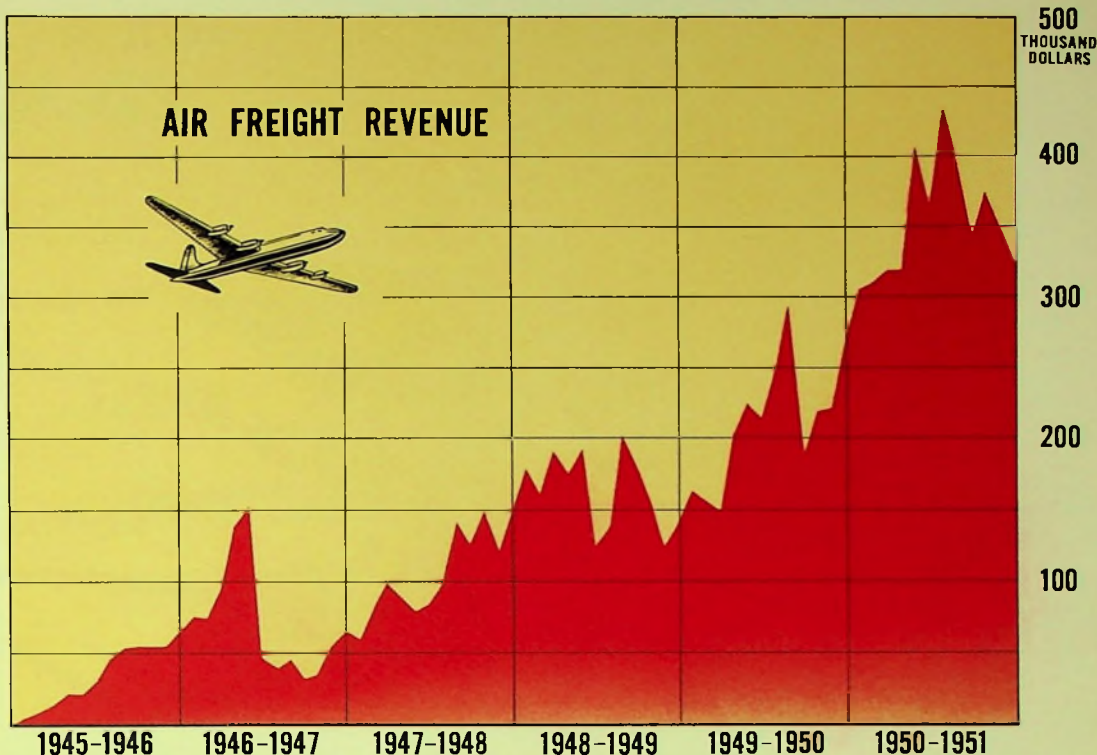
As a result, the over-all load factor in the year increased from 70.2 per cent to 82.5 per cent. In the month of June, 1951, the



A typical freight load



Maintenance performed for other carriers



Company enjoyed one of the highest load factors ever reported by a carrier for a month, 94.6 per cent. Unused space on eastbound flights in the first quarter of 1951, compared to the same quarter of 1950, decreased from 38 per cent to 30.6 per cent. The freight moving under directional rates gained from 18 per cent of total load to 48 per cent, or from 265,000 pounds for the quarter to 1,090,000 pounds.

The year saw a strong reversal of the usual mid-winter letdown in traffic. System freight revenues through the year, with the exception of July, 1950, the first month of the fiscal year, exceeded \$300,000 per month, a monthly mark never before achieved by the Company. January, 1951

proved one of the largest revenue months of the year for domestic freight, totalling \$366,897, while February broke all records with a total of \$433,356. Business in air-freight alone in these two months exceeded the Company's entire revenue in its first year of operation by about \$300,000. A comparison of combined January and February traffic from 1947 graphically illustrates the rate of freight traffic growth, rising successively year by year from \$86,309 to \$181,289 to \$251,037 to \$393,448 to \$800,253 in 1951.

Every station exceeded its 1949-1950 revenue by substantial margins. Boston exceeded its previous volume by 200 per cent, Hartford by 250 per cent, Los Angeles by

AIR FREIGHT LINE *The Flying Tiger*



SEATTLE

• WENATCHEE

• YAKIMA

• LONGVIEW

• PORTLAND

DENVER

SACRAMENTO

OAKLAND

• STOCKTON

• SAN FRANCISCO

• FRESNO

• SALINAS

• MONTERREY

• BAKERSFIELD

• SANTA BARBARA

• LOS ANGELES

• LONG BEACH

• SAN DIEGO

• THERMAL

• BRAWLEY

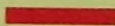
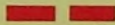
• EL CENTRO

N88552

Flying Tiger Line

ROUTE 100 *Line Inc.*



 ESTABLISHED ROUTES
 PROPOSED ROUTES

70 per cent, and Chicago by 50 per cent.

A total of 80,915 shipments were carried in the year. The average shipment weighed 392 pounds and the revenue averaged \$45.17 per shipment.

Undoubtedly the movement of military airfreight contributed largely to the great increase in traffic. However, civilian traffic has likewise mounted, and it can be anticipated that the experience with airfreight by military suppliers will keep them in the air for civilian freight traffic.

Interline relations were cultivated intensively during the year to build up connecting traffic at major gateways. Interline traffic rose to 13 per cent of the total airfreight volume. Such traffic should develop into an increasing factor in the Company's business.

The sales department continued with a long range program for the development of traffic. During the year customer service bureaus were established in the larger cities served by the Company. A sales office was set up in Washington to handle contracts for military traffic. A foreign freight department was created to develop overseas traffic and to cooperate with carriers handling foreign airfreight. Surveys of traffic potentials at possible additional points of service, such as in the Pacific Northwest, were made.

The customer service bureaus have been particularly successful in telephone solicitation of new accounts. In a single month, one station developed new business by telephone calls exceeding 60,000 pounds. Other promotional activities, such as the use of direct mail, outdoor and space advertising, were expanded.

The sales department is pointing to a heavier traffic year in 1952. The coming year should break all previous records.

CONTRACT SALES

The Company has continued its successful policy of devoting aircraft in excess of its immediate needs for airfreight traffic to contract, charter, and lease operations. Such aircraft have provided a major contribution to the military requirements arising out of the current emergency and have enabled the Company to fulfill one of the prime objectives set forth in the Civil Aeronautics Act, that of providing air transportation for the national defense.

The Company has throughout the year been one of the chief civilian contractors in the Pacific Air Lift to Tokyo, and has provided planes for movement of military personnel between domestic military bases and for contract loads of material. In addition, the Company has cooperated with Government agencies in the mass movement of persons from Puerto Rico to the United States and from this country to Mexico. The Company continued its participation in the group movement of students to Europe and in the contract movement of displaced persons to all parts of the world.

The enlarged maintenance facilities have enabled the Company to expand its outside maintenance service for other airlines and aircraft operators. Approximately 10 per cent of the annual revenue has been derived from this source in the past year. The additional facilities make possible this increased activity while at the same time providing space and facilities to perform maintenance work for the military should such become available.

The purchasing department, intensively engaged in meeting parts shortages, found opportunity to acquire supplies and parts in demand by others. The purchase and re-sale of such parts resulted in a profit more than sufficient to pay the entire cost of operating the department for the year.

NEW EQUIPMENT

While the Company's present equipment is adequate for current needs and is competitive with that of other carriers, the Company has been looking forward to the time when new and lower cost aircraft will be available. Aircraft presently available and projected for the near future have been surveyed and appraised. While military requirements limit the availability of new aircraft for many years to come, a new plane well designed to meet the needs of this Company is available.

At the close of the year the management arranged for the acquisition of new aircraft. A contract was entered into with the Douglas Aircraft Corp. for the delivery to this

Company of seven DC-6A aircraft. Delivery will be effected in 1953. This is the largest order ever placed for cargo planes.

Each airplane will do the work of two C-54 aircraft, or the work of nearly three C-46 aircraft. Carrying nearly twice as much cargo as the C-54, the DC-6A flies 100 miles an hour faster and represents the most modern version of today's cargo aircraft. The DC-6A, a modification of the popular DC-6 passenger model, has been specifically designed for airfreight service.

With the acquisition of the DC-6s the Company will have a well diversified fleet adapted to meet all developments in its rapidly expanding volume of business.



DC-6A—the coming Tiger fleet

CONTRACT OPERATIONS

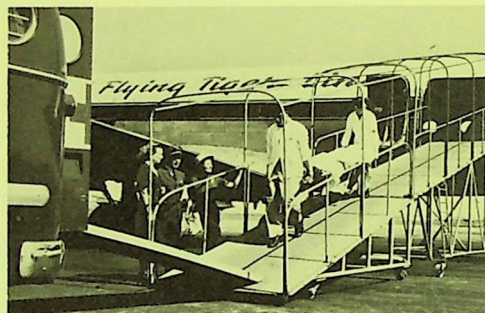
MILITARY LIFT

Throughout the fiscal year the Company has been actively engaged in the Pacific Air Lift to Tokyo. Practically all of its C-54 equipment has been committed to flying the Pacific carrying passengers and materiel for the armed forces. The Company has contributed about 10 per cent of the total lift provided by eighteen carriers. Our participation was 40 per cent greater than that of the so-called "Big Four" domestic passenger carriers. Our loads consisted approximately of two-thirds freight and one-third passengers. This airlift, crossing 8,000 miles of ocean to Japan, is the greatest over-ocean operation ever attempted and was conducted by all operators with complete safety throughout the year.

Flights for troop movements have been conducted by this Company under contracts with the Air Force to a growing extent. In this service Air Force and Army trainees are moved between military bases;

it has been found that the speed and reduction in numerous surface "enroute" costs makes mass movement by air economical and desirable.

Special charters of freight aircraft both to the military and private industry also developed more than a half million dollars in revenue, auxiliary to the Company's common carriage freight operation. And to the extent that aircraft proved available, they were leased to irregular carriers operating



Litter ships from Korea



Engineering, modification and overhau



Pacific air-lift to Tokyo

under their own Letters of Registration issued by the Civil Aeronautics Board.

PIONEERING IN NEW FIELDS

The Company has continued to generate new mass movements.

In the spring of 1951, under a contract approved by the Puerto Rican Labor Department and Air Transport Authority, the Company transported more than 11,000 Puerto Rican farm laborers to the East coast. More than 200 flights was involved, making a substantial contribution to the economic program of Puerto Rico and providing essential farm labor to meet the demands of the eastern markets.

Likewise, the Company undertook a contract with the Immigration and Naturalization Service of the Department of Justice to transport illegal Mexican immigrants from

U. S. border points to the interior of Mexico. This movement proved to be the chief weapon of the governments of the United States and of Mexico in combatting the illegal migration of agricultural workers crossing the border to work in U. S. farm fields at substandard wage and working levels. This government movement commenced in May and has continued into the year 1951-1952. Before completion this will involve more than 400 flights and the transportation of some 24,000 illegal entrants into the United States.

The Company continued the movement of student groups to Europe. At the year end some twenty trans-Atlantic flights from New York to London and Luxembourg were under way. During the year, the Company transported thousands of displaced persons for the International Relief Organization from Europe and Asia to many havens throughout the world.

Trans-Atlantic flights for the military were provided. Domestic contract movements were numerous. As a new development the Company contracted to fly newborn calves. More than 2,000 head were moved in the "calf-lift". In this fashion cattle losses are materially reduced, enroute feeding and attendants are eliminated, and areas burdened with surplus calves find a market in other areas short of good breed dairy stock.



Deportees for American and Mexican Governments



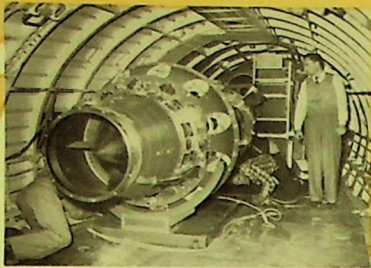
Tiger calf-lift



Special charters of air freight

OVERSEAS AIR

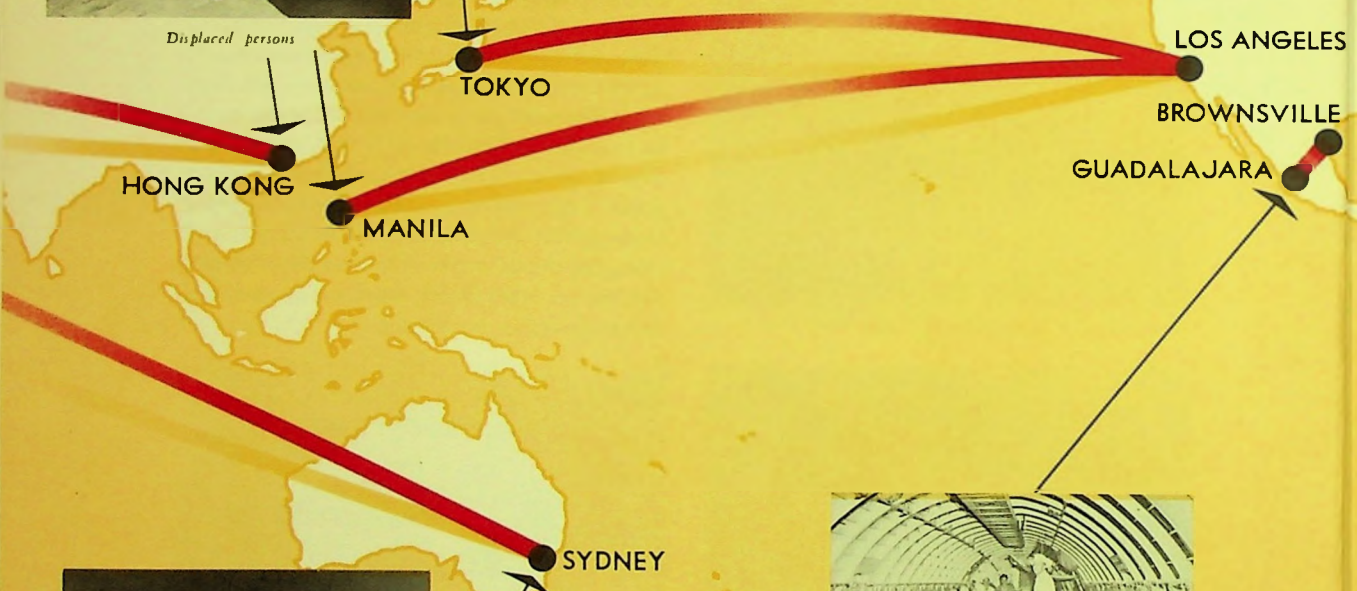
The Flying Tapes



Military equipment



Displaced persons



International Relief Organization movement



Mexican departees

OPERATIONS

er Line Inc.

NEW YORK

PUERTO RICO

FRANKFURT

LUXEMBURG

MUNICH

ISRAEL

BOMBAY



Military movement to Germany



Student groups to Europe



Puerto Rican farm labor



Contract flight—Indian sailors to Bombay

THE OUTLOOK

A forecast of the Company's level of business in the near future is difficult to make. The unsettled conditions worldwide and the Korean conflict directly affect the character of the Company's business and in a large measure its volume. Domestic airfreight, the Company's primary business, during each passing year has demonstrated a sound and healthy growth, and the civilian airfreight picture is bright. The new DC-6A cargo planes now on order by the Company will, once in service, bring costs down well below even present levels and will make possible rates which will permit the tapping of a tremendous volume of traffic now dependent solely on surface shipping. How smoothly the transition to the large-scale operation will be made will be determined in major part by the world events which the Company must both prepare for and plan against.

As long as the present mobilization program continues this Company should be fully engaged in contract operations largely military in character; and a substantial portion of domestic airfreight will be mobilization products. A successful conclusion of the Korean warfare may lessen the need for the Pacific Air Lift, but other military needs to other parts of the world may well occupy the four-motored equipment now on the Pacific. If not, there is a large field of private contract work to be fulfilled throughout the world and the Company is alert to world trends. The completion or curtail-

ment of mobilization activity inside the country will dry up "military airfreight"; however, it may well be that the momentum of airfreight movement will keep the suppliers of the military as air shippers for civilian traffic and will generate both replacement and new tonnage. In any event, the Company stands prepared to expand or contract activities as the need requires.

For the present the only limiting factor on the Company's level of business is the amount of aircraft available. It is not the intention of the Management to increase the number of aircraft of the type now flying to any significant degree. Replacements or additions will be made only when it proves financially advantageous. The financial resources of the Company will be kept as fluid as possible, looking forward to the acquisition of the new DC-6s, and to retrenchment in operations, if that should prove necessary.

In the coming year plans to finance the acquisition of the fleet of new aircraft will be worked out and adopted. It will not be necessary until late in the spring of 1952 to be prepared with an approved plan for this financing. Surveys for new financing are under way. Meanwhile, the Company will accumulate additional earnings and cash from depreciation, strengthening the financial position of the Company and looking to the problems of the future.

Meanwhile, during the past year there have been legislative developments directed

at the existing inequities in the competitive position of the subsidized carriers. Passenger carrying airlines are still subsidized to the disadvantage of the non-mail cargo carriers. However, the air mail pay-subsidy separation bill, discussed in the report of last year, has passed the Senate. It will come before the House of Representatives in the next session of Congress. The Senate version excludes the air-cargo industry from any subsidy support but in requiring the separation of subsidy from mail pay, the proposed legislation is a great stride forward in preventing the reckless use of subsidy for competition in the airfreight business.

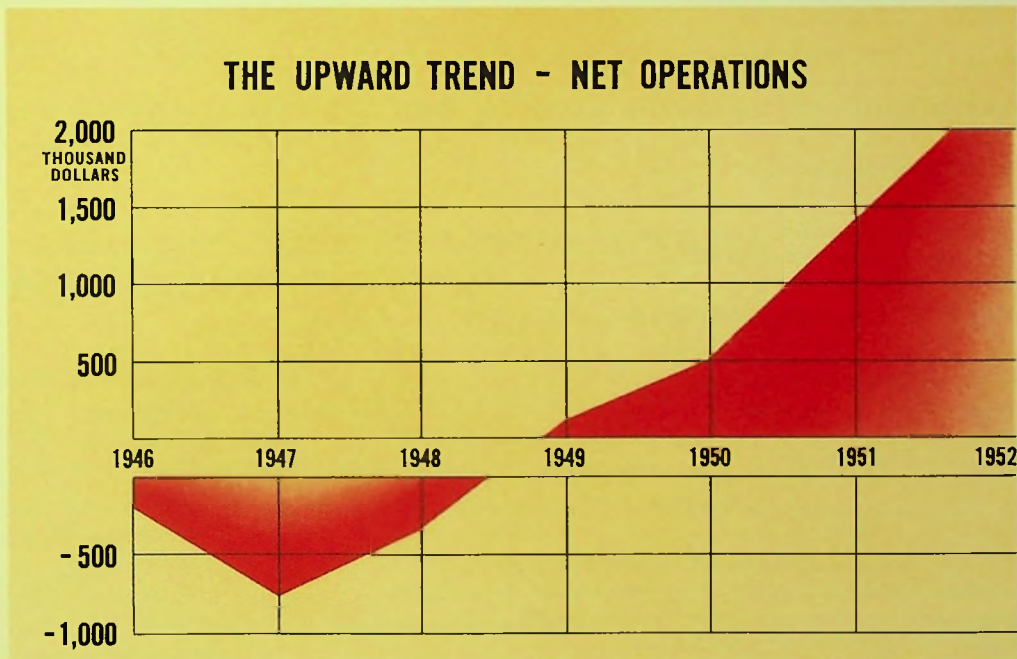
A DAY WITH THE TIGERS

As this report discloses, this Company is busily engaged in diversified activities which span the globe. This can well be illustrated by the activity of a typical day in the spring

of 1951 which found the Company's fleet deployed as follows:

- 12 aircraft flying on the domestic freight system to 24 cities;
- 6 aircraft flying the Pacific Air Lift to Tokyo;
- 2 aircraft carrying Air Force and Army trainees from Texas bases to bases in the east;
- 4 aircraft flying farm labor from Puerto Rico to northern agricultural areas;
- 1 aircraft enroute from Bremen, Germany, to Sydney, Australia, with displaced persons;
- 1 aircraft enroute across the North Atlantic to Europe with student groups;
- 2 aircraft on military and domestic freight charters from the United States to Alaska and from Milwaukee to Twin Falls, Idaho;
- 4 aircraft shuttling from California and Texas into Mexico with illegal immigrants being returned to Mexico by the U. S. Government;
- 2 aircraft in maintenance in Burbank.

In addition to the Tiger planes in maintenance, planes of other carriers had the maintenance facilities at top capacity.



The Flying T

BALANCE SHEETS

ASSETS

CURRENT ASSETS:	June 30, 1951	June 30, 1950
Cash	\$ 1,951,107	\$ 326,454
Receivables—		
Freight customers	\$ 335,551	\$ 233,266
United States Government (charters, Pacific airlift and freight)	970,476	—
Other rentals, charters, etc. (including \$38,303 and \$18,436 from officers and employees at respective dates)	612,000	491,755
Gasoline tax refunds	78,098	44,007
Sale of airplane	—	166,111
	<u>\$1,996,125</u>	<u>\$ 935,139</u>
Less—Reserve for bad debt losses	41,895	37,400
	<u>\$1,954,230</u>	<u>\$ 897,739</u>
Inventories, at cost not in excess of market—		
Materials and supplies	\$ 218,453	\$ 174,078
Outside maintenance work in process	7,214	19,608
	<u>\$ 225,667</u>	<u>\$ 193,686</u>
Total current assets	<u>\$4,131,004</u>	<u>\$1,417,879</u>
PREPAID EXPENSES (insurance, taxes, etc.)	\$ 57,862	\$ 58,192
INVESTMENTS, ETC.:		
Noncurrent receivable	\$ —	\$ 63,889
Investment in and advances to wholly owned subsidiary, at cost less reserve of \$5,369 for operating loss since date of acquisition	73,241	—
	<u>\$ 73,241</u>	<u>\$ 63,889</u>
PROPERTY AND EQUIPMENT (Note 1):		
Cost—		
Aircraft and other flight equipment	\$1,909,183	\$ 921,397
Hangar, shop and ramp equipment	156,965	128,154
Other equipment	160,525	109,685
Buildings and improvements	60,337	189,912
	<u>\$2,287,010</u>	<u>\$1,349,148</u>
Less—Reserves for depreciation, etc.	559,019	611,026
	<u>\$1,727,991</u>	<u>\$ 738,122</u>
Land (in part pledged as security to note payable, per contra)	36,500	—
Modification costs of leased aircraft, being amortized over lives of leases	120,162	165,641
Aircraft engines at residual value plus unflown hours at cost	138,720	156,248
Surplus aircraft and engines, at residual value	—	5,000
	<u>\$2,023,373</u>	<u>\$1,065,011</u>
	<u>\$6,285,480</u>	<u>\$2,604,971</u>

Per Line Inc.

JUNE 30, 1951 & 1950

LIABILITIES

CURRENT LIABILITIES:	June 30, 1951	June 30, 1950
Notes payable—		
5% bank loan (secured by pledge of four airplanes)	\$ —	\$ 224,988
Other (secured by pledge of certain property, per contra)	20,000	6,838
	<u>\$ 20,000</u>	<u>\$ 231,826</u>
Accounts payable	<u>\$1,007,536</u>	<u>\$ 303,737</u>
Accrued liabilities—		
Payroll, vacations and sick leave	\$ 338,907	\$ 102,495
Payroll, transportation and other taxes	70,294	31,031
Rent, insurance, etc.	87,684	25,384
	<u>\$ 496,885</u>	<u>\$ 158,910</u>
Provision for taxes based on income	<u>\$1,491,746</u>	<u>\$ 64,000</u>
Amount withheld from employees for income taxes	<u>\$ 55,096</u>	<u>\$ 16,414</u>
Total current liabilities	<u>\$3,071,263</u>	<u>\$ 774,887</u>

CONTINGENT LIABILITIES AT JUNE 30, 1951

(Notes 2 and 3)

UNEARNED INCOME (equipment rentals and charter revenue applicable to future periods, less provision for income taxes)	<u>\$ 4,500</u>	<u>\$ 134,239</u>
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CAPITAL STOCK EQUITY:

Capital stock of \$1.00 par value (Note 4)—		
Authorized — 1,000,000 shares		
Issued and outstanding — 784,027 and 761,227 shares at respective dates	<u>\$ 784,027</u>	<u>\$ 761,227</u>
Capital surplus (excess of proceeds from sale of capital stock over par value thereof — \$91,200 added in current year)	<u>\$1,728,839</u>	<u>\$1,637,639</u>
Earned surplus (deficit)—		
Balance at beginning of year	\$ 703,021	\$1,203,368
Net income including special items per accompanying statement	1,399,872	500,347
Balance at end of year	<u>\$ 696,851</u>	<u>\$ 703,021</u>
	<u>\$3,209,717</u>	<u>\$1,695,845</u>
	<u>\$6,285,480</u>	<u>\$2,604,971</u>

The Flying Tiger Line Inc.

STATEMENTS OF INCOME FOR THE YEARS ENDED JUNE 30, 1951 AND 1950

	<u>Year Ended June 30</u>	
	<u>1 9 5 1</u>	<u>1 9 5 0</u>
OPERATING REVENUES:		
Common carriage freight	\$ 3,578,863	\$2,169,257
Rentals, charters and service sales	4,510,727	2,794,911
Pacific airlift	7,492,469	—
Total	<u>\$15,582,059</u>	<u>\$4,964,168</u>
OPERATING EXPENSES AND COSTS:		
Flying operations	\$ 6,225,590	\$1,405,082
Ground operations	1,235,999	456,013
Maintenance (including cost of service sales)	4,170,131	1,793,946
Traffic, sales, advertising and publicity	426,055	319,550
General and administrative	836,676	422,892
Depreciation and amortization	280,942	175,938
Total	<u>\$13,175,393</u>	<u>\$4,573,421</u>
Net income from operations	\$ 2,406,666	\$ 390,747
OTHER INCOME (net of interest expense of \$5,402 and \$10,082 in respective years)		
	26,284	16,443
Net income before income taxes and special items	<u>\$ 2,432,950</u>	<u>\$ 407,190</u>
PROVISION FOR TAXES BASED ON INCOME (based on rates currently in effect):		
Federal—		
Normal tax and surtax	\$ 1,131,000	\$ 158,500
Excess profits tax	250,000	—
California franchise tax	27,000	7,000
Total	<u>\$ 1,408,000</u>	<u>\$ 165,500</u>
Net income before special items	\$ 1,024,950	\$ 241,690
SPECIAL ITEMS:		
Profit on aircraft and other equipment disposed of (less applicable income taxes)	374,922	75,157
Reduction in Federal income taxes attributable to carrying forward the loss of a preceding year	—	183,500
Net income including special items	<u>\$ 1,399,872</u>	<u>\$ 500,347</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1 At June 30, 1951, the company was operating a fleet of 34 aircraft as follows:

	Owred	Leased	Total
C-54	3	5	8
C-46	19	7	26
Total	22	12	34

Of the leased aircraft, 4 of the C-54's and 5 of the C-46's were rented from the United States Government under leases expiring December 31, 1954, in the case of the C-54's, and in September 1954 and June 1955 in the case of the C-46's; the remaining leased C-54 was under lease for the duration of the company's participation in the Pacific airlift. All of these leases may be terminated by either party at will. Since June 30, 1951, the company has acquired 1 C-54 aircraft and has been notified that the leases on 3 C-54 aircraft are to be terminated on September 20, 1951. Negotiations regarding a reinstatement of these leases have not been concluded.

2 Since July 1950, the company has participated in the Pacific airlift under a contract with the United States Government, revenue therefrom having been recorded on the basis of rates determined quarterly by negotiation. This contract is subject to the provisions of the Renegotiation Acts of 1948 and 1951. No provision has been made for possible refunds, since it is the opinion of the management that renegotiation will have no material effect on the financial position of the company or on the results of operations for the year ended June 30, 1951.

3 The company has agreed to purchase from a bank, upon demand, three C-54 aircraft should a note held by the bank for \$600,000, which is secured by a chattel mortgage on the three aircraft, go in default. The company's possible liability under this agreement is limited to the balance owing on the note at the time of default, plus unpaid accrued interest. The company is involved in various lawsuits for damages, etc. which in the opinion of the management and legal counsel will not result in any material liability.

4 A total of 180,800 shares of the issued capital stock of the company is held in escrow and cannot be sold or transferred without the written consent of the Commissioner of Corporations of the State of California. These shares will be held in escrow until in the discretion of the Commissioner, upon a satisfactory showing of earnings of the company, they may be released. During the period that these shares are held in escrow the owners of such shares have agreed to (a) waive their right to participate in any distribution of assets of the company until all other stockholders who have paid cash or its equivalent for their shares have received the return of the full amount of the purchase price, and (b) waive all right to receive any dividends until all other shareholders who have paid cash or its equivalent for their shares shall have received dividends in amount not less than 30 cents per share per annum cumulatively from date of issue.

Pursuant to resolutions of the board of directors of the company adopted in February 1946 and November 1950, options were given to 11 administrative and executive employees to purchase a total of 39,500 shares of common stock at \$5.00 per share, including 2,000 shares covered by an option given during the fiscal year 1948 to a retired vice president of the company. Prior to July 1, 1951, the expiration date of all of such options, the holders had exercised their rights to and had purchased 22,800 shares of stock at \$5.00 per share.

ARTHUR ANDERSEN & Co.
ACCOUNTANTS AND AUDITORS

612 SOUTH FLOWER STREET
LOS ANGELES 17

To the Board of Directors,
The Flying Tiger Line Inc.:

We have examined the balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) as of June 30, 1951, and the related statement of income for the year then ended. 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. We were unable to confirm accounts receivable from the United States Government totaling \$689,362, but we applied other auditing procedures with respect thereto. We previously had made a similar examination for the year ended June 30, 1950.

In our opinion, the accompanying balance sheet and statement of income present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1951, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen Co.

Los Angeles, California,
August 28, 1951.

SALES OFFICES

- AKRON-CANTON, Ohio
Akron-Canton Airport
Telephones—North Canton 9-2568
Enterprise 7100
- BOSTON, Mass.
Logan International Airport
Telephone—East Boston 7-6161
- BUFFALO, N. Y.
Hangar No. 6, Municipal Airport
Telephone—Plaza 3071
- CHICAGO, Illinois
6054 South Cicero
Telephones—Portsmouth 7-8200
Portsmouth 7-2406
- CLEVELAND, Ohio
Municipal Airport
Telephone—Winton 1-5777
- DENVER, Colorado
Stapleton Field
Telephone—East 1869
- DETROIT, Mich.
Detroit-Wayne Major Airport
Telephone—Logan 2-9700
- HARTFORD, Conn.
Brainard Field
Telephone—Hartford 2-3145
- LONG BEACH, Calif.
1224 E. Wardlow Road
Telephone—Long Beach 40-1323
- LOS ANGELES, Calif.
Lockheed Air Terminal
Telephone—Stanley 7-3411
- MILWAUKEE, Wis.
Mitchell Field
Telephone—Humboldt 3-5000
- NEWARK, N. J.
Hangar No. 6, Newark Airport
Telephone—Market 3-7466
- NEW YORK, N. Y.
Room 1906, Guardian Life Building
207 Fourth Avenue, New York 3,
Telephone—Spring 7-6260
International Airport
Telephone—Olympia 6-5165
- OAKLAND, Calif.
Hangar No. 27, Municipal Airport
Telephone—Lockhaven 9-1777
- PHILADELPHIA, Penna.
International Airport
Telephone—Saratoga 7-5300
- SAN DIEGO, Calif.
1803 Pacific Highway
Telephone—Franklin 6504
- SAN FRANCISCO, Calif.
Municipal Airport
Telephones—Juniper 7-3662
Delaware 3-6860
- TOLEDO, Ohio
137 Hamilton Avenue,
Telephone—Garfield 4276
- WASHINGTON, D. C.
201 Shoreham Bldg.
Telephone: STerling 5959

SALES AGENCY OFFICES

- PROVIDENCE, R. I.
Dave's Motor Transportation Co.,
189 Charles Street
Telephones—Union 1-3112
Gaspee 1-4653
- ROCHESTER, N. Y.
Endres Delivery Service
22 Edinburgh Street
Telephone—Hamilton 8490



The Flying Tiger Line Inc.
LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA