

**ANNUAL**  
**REPORT**  
**1961**



**CENTRAL AIRLINES, inc.**





## DIRECTORS

\*F. Kirk Johnson, *Chairman*  
*Fort Worth, Texas*

\*Luther M. Hudson, *Vice Chairman & General Counsel*  
*Fort Worth, Texas*

Eugene T. Adair  
*Fort Worth, Texas*

\*F. E. Howe  
*Fort Worth, Texas*

\*Fred Boston  
*Enid, Oklahoma*

F. Kirk Johnson, Jr.  
*Fort Worth, Texas*

A. A. Bradford  
*Midland, Texas*

\*Keith Kahle  
*Fort Worth, Texas*

\*Thomas S. Byrne  
*Fort Worth, Texas*

Wm. W. McGhee  
*Lake Charles, La.*

W. V. Coffey  
*Fort Worth, Texas*

Tommy G. Mercer  
*Fort Worth, Texas*

J. E. Connally  
*Abilene, Texas*

†William G. Mitsch, Jr.  
*Fort Worth, Texas*

\*Joe C. DeBona  
*Los Angeles, Calif.*

James M. Stewart  
*Beverly Hills, Calif.*

Donald B. Ehrhart  
*Fort Worth, Texas*

\*Robert Thomas  
*Fort Worth, Texas*

Guy Gadbois  
*Los Angeles, Calif.*

R. L. Wageneck  
*Fort Worth, Texas*

R. E. Harding, Jr.  
*Fort Worth, Texas*

Robert L. Wood  
*Midland, Texas*

\**Executive Committee Members*

†*Chairman of Executive Committee*

## OFFICERS

Keith Kahle, *President*

F. E. Howe, *Executive Vice President & Treasurer*

William G. Mitsch, Jr., *Vice President & Assistant to  
Chairman of the Board*

R. L. Wageneck, *Vice President-Operations*

C. E. Lundstrom, *Secretary & Assistant Treasurer*

Joseph A. Cooper, *Assistant Vice President-  
Economic Research*

Alicia H. Pritchett, *Assistant Secretary*

Pearl Crawford, *Assistant Secretary*

Betty D. Gahagan, *Assistant Secretary*

## TRANSFER AGENT

The Fort Worth National Bank  
*Fort Worth, Texas*



## THE PRESIDENT'S LETTER

*To the Stockholders,  
Employees and Friends of  
Central Airlines, Inc:*



This year 1961 was another year of continued and substantial progress and expansion for your Company. New highs were recorded in all phases of our operation.

### FINANCIAL

Net income for the year amounted to \$110,374, equal to 21¢ per share of common stock outstanding. Revenues from all sources totaled \$7,128,393, up 23% over last year's revenues of \$5,815,985.

Operating expenses increased 23% to a total of \$6,994,617, up \$1,307,578 over the \$5,687,039 reported last year. However, the operating cost per mile flown declined to \$1.37 per mile from the previous year's figure of \$1.397. The decline in operating cost per mile was of particular interest since it was accomplished even though service was inaugurated over new routes and new and larger aircraft were placed into operation, factors which historically result in higher than normal operating costs during the introductory period. These higher introductory costs and steadily increasing labor and material costs were more than offset by increased efficiency and greater volume of operation.

### SALES AND SERVICE

The number of passengers flown during the year increased 25% to 210,824, compared to the 168,902 flown last year. Revenue passenger miles flown were also up 25%, from 32,708,000 to 40,993,000. Plane miles flown during the year totaled 5,100,124 in contrast to 4,069,682 the year before, a 25% increase. However, because of the introduction into service of the forty-passenger Convair 240s, available seat miles increased 36% to 115,934,000. A year ago, with an all DC-3 operation, available seat miles totaled 85,180,000. The Convair 240s were in service six and one-half months this year and flew 488,128 miles.

Public acceptance of our new Convair service has been very pleasing. These modern, forty-passenger planes are pressurized, air-cooled and equipped with the latest radar. Despite the relatively short time these aircraft have been in service on our routes, they have almost matched the DC-3 aircraft in percentage of available seats used, even though forty seats are available in the Convair and twenty-one in the DC-3. Nor have these larger loads on the Convair been at the expense of the DC-3 service. The percentage of available seats used in the DC-3 was higher this year than in 1960.

Increases experienced this year in the cargo loads were most gratifying. Airfreight ton miles increased 80% to 237,196 ton miles from 131,415 in 1960. Express ton miles were up 72% to 78,419 from 45,527. Mail ton miles totaled 149,204,



up from 101,268 last year, an increase of 47%. The greater cargo capacity of the Convairs contributed greatly to this outstanding growth.

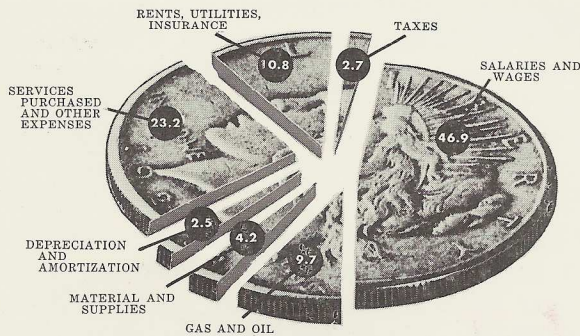
### MAIL RATE

Central's mail rate was reopened on March 13, 1961, and your Company operated on a breakeven, temporary rate during the balance of this fiscal year. It is reasonable to assume that some additional funds will be payable to the Company when this rate has been finalized sometime during 1962.

### NEW EQUIPMENT

Three additional DC-3 aircraft were purchased during the year for use on the new routes in Missouri, Kansas and Colorado. Your Company now owns fifteen DC-3s and has three under lease from the U. S. Department of Navy. Three Convair 240 aircraft were purchased from American Airlines. Subsequent to the end of this fiscal year, in November, 1961, a fourth Convair 240 was purchased from American. Two additional Convairs, on which advance deposits have been made, will be delivered in late Spring, 1962.

## CENTRAL'S EXPENSE DOLLAR



### NEW ROUTE MATTERS

The route awards made to Central in the Kansas-Oklahoma Case increased your Company's unduplicated route mileage from 3,661 miles to 5,127 miles, an increase of 40%. Service was inaugurated over these new routes in two phases. On March 13, 1961, service was inaugurated to Pueblo, Colorado; Dodge City, Garden City, Great Bend, Hutchinson, Independence/Coffeyville/Parsons, Manhattan/Junction City/Fort Riley and Salina, Kansas. On April 3, 1961, service to Goodland, Kansas, was inaugurated. Because of airport requirements, service to Fort Leonard Wood, Missouri, was not begun until April 14, 1961, and Service to Hays, Kansas, until May 8, 1961.

The large Southwestern Area Case, in which Central is an applicant for various new routes in parts of Oklahoma, Colorado, Texas, New Mexico, and Arkansas, has been active during the year. This case affects an area east of the Continental Divide and south of a line roughly from Denver, Amarillo, Oklahoma City, Tulsa, Fort Smith and Little Rock. Hearings in the case have been held and the recommendations of the Civil Aeronautics Board Examiner in the case have been issued. Oral argument before members of the Civil Aeronautics Board was held beginning February 28, 1962. While the Examiner did not recommend any new routes for Central in his initial report, your Company is hopeful that the final decision by the Civil Aeronautics Board, which is not expected before late 1962, will be favorable and provide Central with new and productive route mileage.

Hearings were held before an Examiner of the Civil Aeronautics Board in early 1961 on the Reopened Kansas-Okla-



homa Case which concerns a new route between St. Louis, Missouri, and Tulsa, Oklahoma, via the intermediate points of Springfield and Joplin. Service to Fort Leonard Wood, which Central is presently serving on another route, is also at issue. The Examiner's recommendation in this case was issued on February 26, 1962, and your Company was not recommended for the route. The Examiner did recommend that Central be granted exemption authority to transport groups of eight or more passengers between Fort Leonard Wood and points south of Fort Leonard Wood on regularly scheduled flights between St. Louis and points south of Fort Leonard Wood. A final decision by the Civil Aeronautics Board, which may or may not incorporate the Examiner's recommendation, is not expected until late 1962.

The Hi-Plains Case became active during the year. In this proceeding, Central has applied for authority to serve a number of small cities and towns in Kansas and Colorado between the terminal points of Denver and Kansas City. This case is the first such case wherein the Civil Aeronautics Board will determine whether or not there is need for scheduled air service to small cities and towns which cannot otherwise support scheduled airline service using the larger aircraft now in use on the scheduled airlines. Hearings in the case were held before a Civil Aeronautics Board Examiner and a final decision by the Civil Aeronautics Board is not expected for some time.

Central has also applied for a route between the terminal point Oklahoma City, Oklahoma, the intermediate points Ada and McAlester, Oklahoma, Fort Smith, Arkansas, Muskogee, Oklahoma, and the terminal point Oklahoma City, Oklahoma, which would also be a light twin-engine operation.

Your Company has taken the position in both of these applications that, should the Civil Aeronautics Board find a need for such service, Central is willing to conduct these experimental operations.

## PERSONNEL

Mr. A. S. Aldridge, Vice President-Traffic since January, 1954, and a Director since June, 1957, resigned his vice presidency and directorship effective January 16, 1962. This position has not been filled.

Mr. Harold J. Salfen, employed by Delta Airlines in an executive sales capacity for the past twelve years, joined Central February 1, 1962, as General Sales Manager and assumed the responsibility of your Company's sales program.

## DIVIDENDS

The annual five percent preferred stock dividend, amounting to \$8,165.00, and payable to preferred stockholders of record on January 1, 1962, was paid January 31, 1962.

On February 2, 1962, your Board of Directors declared a stock dividend of one share of common stock for each five shares outstanding, except that no fractional shares were



*Main Entrance, General Offices,  
Carter Field*



issued and a cash dividend was paid in lieu thereof. This stock dividend was paid on February 25, 1962, to stockholders of record February 5, 1962. A total of 104,522 shares of common stock was issued in payment of the dividend, bringing the total number of shares outstanding to 627,400. The par value of the dividend shares issued, \$26,130.50, was transferred from Earned Surplus to Common Stock Capital. Cash dividends paid in lieu of fractional shares amounted to \$107.20.

### OUTLOOK

This has been a productive year for Central Airlines. The support and cooperation of stockholders, employees, directors and friends have made this progress possible and your management is deeply appreciative of this support.

Many problems face Central Airlines and the entire scheduled airline industry in the future but with the continued support and assistance of those who have been so helpful in the past, your Company faces those challenging problems confident that it can and will continue to grow and prosper.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Keith Kahley". The signature is fluid and cursive, with a horizontal line drawn through the middle of the name.

*President*

March 1, 1962



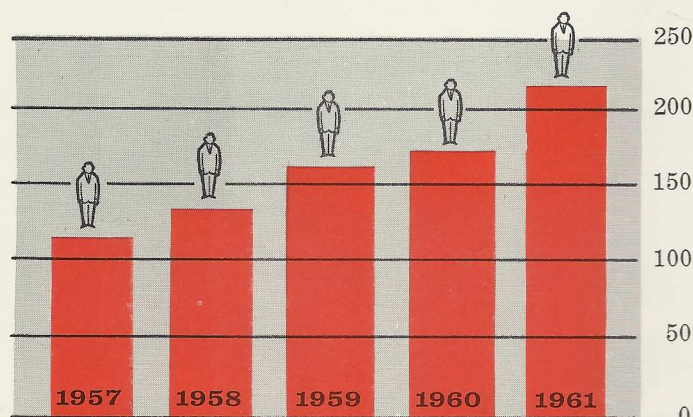
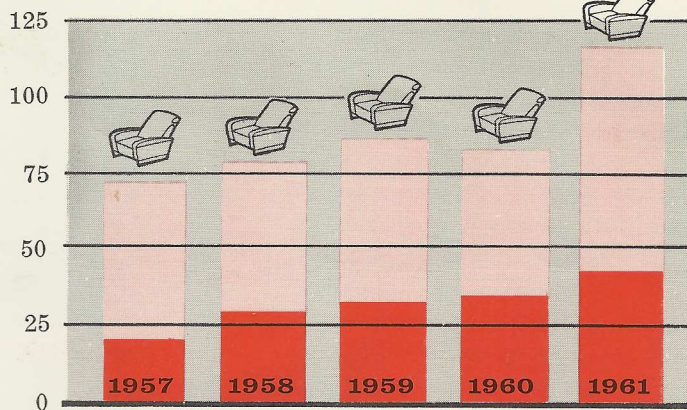
OUR  
TWELFTH YEAR  
OF GROWTH



# AVAILABLE SEAT MILES FLOWN

AVAILABLE SEAT MILES USED

Shown in Millions

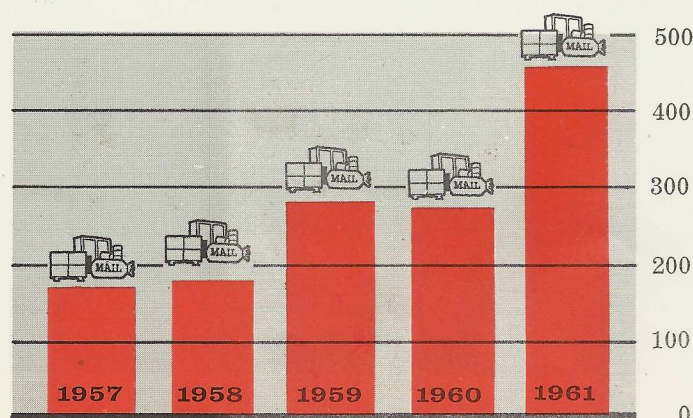


# NUMBER OF PASSENGERS CARRIED

Shown in Thousands

# REVENUE PLANE MILES FLOWN

Shown in Millions



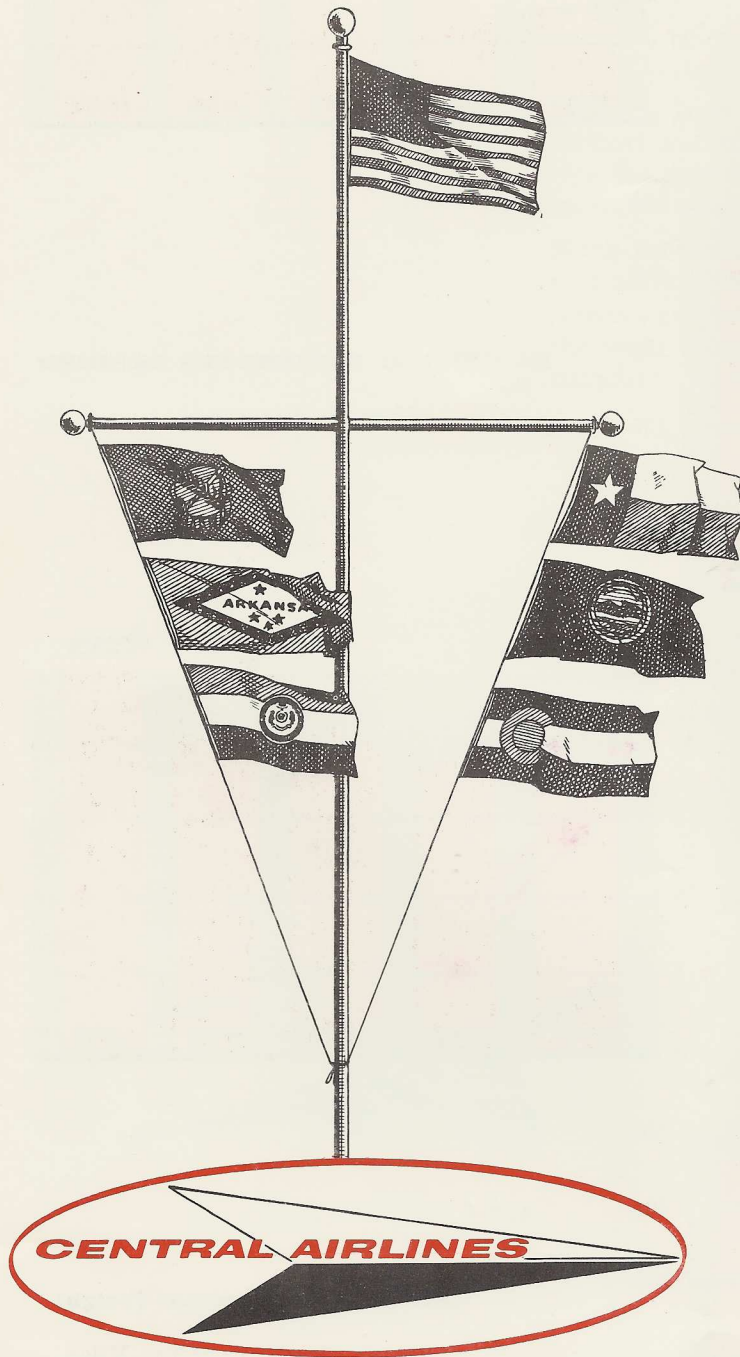
# CARGO - Mail - Express - Freight

Shown in Thousands of Ton-Miles

Year ended September 30, 1961



# YOUR COMPANY AT WORK



*Serving six states in our  
twelfth year of growth*

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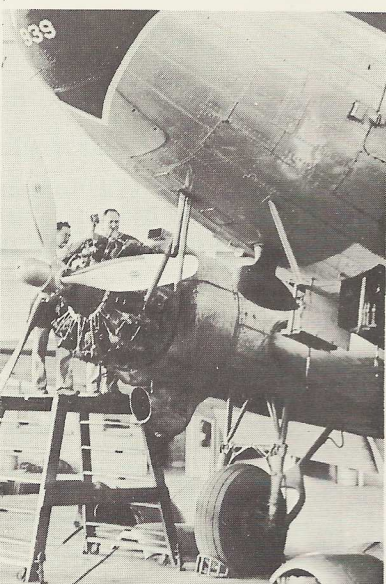
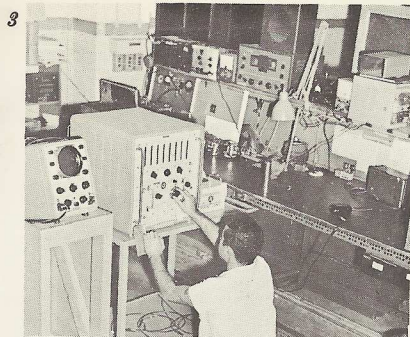


2



1. Central accepts delivery of the first of the 40-passenger, pressurized Radar Convairs which went into service in March, 1961. 2. Pilots ground-check their Convair before take-off.





3. The radio repair shop, one of many modern shops in which Central's specialized equipment is checked and serviced. 4. The flight dispatcher, whose post is the nerve center of the airline, is in communication with all flights at all times. 5. A smiling "Welcome Aboard" by one of Central's 70 personable, well trained stewardesses. 6. Skilled maintenance personnel, using the latest equipment, keep Central's DC-3 and Convair fleet in top flying condition. 7. One of Central's 140 experienced pilots at the controls of a Convair. 8. Courteous, trained reservationists assist passengers with their travel plans. 9. Reservations and ticketing are handled with friendly efficiency at Central ticket counters. 10. Passengers deplaning after a fast, comfortable flight have enjoyed the excellent service made possible by the coordinated efforts of Central's over 700 employees.

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## BALANCE SHEET

### ASSETS

#### CURRENT ASSETS

Cash .....		\$ 369,047.51
Accounts receivable —		
Traffic balances and other receivables .....	\$ 758,160.57	
United States Government .....	576,562.27	
State gasoline tax .....	17,046.94	
Officers and employees .....	18,751.42	1,370,521.20
Replacement parts and operating supplies —		
At average cost .....		208,185.26
Prepaid expenses .....		59,871.05
Total Current Assets .....		<u>2,007,625.02</u>

#### INVESTMENTS AND SPECIAL DEPOSITS

Security investments and advances .....	2,420.00	
Special deposits .....	<u>1,643.53</u>	4,063.53

#### PROPERTY AND EQUIPMENT — At cost

(Fifteen Douglas DC-3, three Convair CV-240 aircraft and certain other flight equipment mortgaged to secure notes payable)

Flight equipment, including spare parts and assemblies .....	2,388,146.04	
Improvements to leased flight equipment .....	102,865.25	
Other operating and service equipment .....	413,945.14	
Improvements to ground facilities not owned .....	<u>18,569.93</u>	
	2,923,526.36	
Less: Accumulated depreciation .....	<u>1,495,684.57</u>	1,427,841.79

#### DEFERRED CHARGES — Note 1

Route development and preoperating costs .....	262,671.43	
Other deferred charges .....	<u>7,147.13</u>	269,818.56
Total .....		<u>\$3,709,348.90</u>



September 30, 1961

## LIABILITIES

### CURRENT LIABILITIES

Current maturities of long term debt .....	\$ 300,833.40	
Note payable — Due in monthly installments of \$5,299.43 plus interest — Secured by chattel mortgage on certain Douglas DC-3 spare parts and assemblies .....		31,796.67
Accounts payable .....		1,188,302.43
Obligations to other carriers and passengers for transportation or refund .....		604,219.26
Air travel contract deposits .....		26,350.00
Other current and accrued liabilities .....		355,459.23
Total Current Liabilities .....		2,506,960.99

### LONG-TERM DEBT

Notes payable — Due in monthly installments amounting to \$25,069.45 plus interest — Secured by chattel mortgages on certain flight equipment	\$ 729,763.85	
Less: Current maturities .....	300,833.40	428,930.45

### STOCKHOLDERS' EQUITY

Preferred stock — 5% Cumulative, non-voting and callable for redemption—Authorized 5,000 shares with par value of \$100 per share — Issued and outstanding — 1,633 shares .....	163,300.00	
Common stock — Authorized 1,000,000 shares with par value of 25 cents per share—Unissued 477,122 of which 15,000 shares are reserved for sale to employees—Issued and outstanding—522,878 shares	130,719.50	
Capital surplus — No change during year .....	390,718.25	
Retained earnings — Page 10 .....	88,719.71	773,457.46

### COMMITMENTS — Note 2 .....

Total .....		<u>\$3,709,348.90</u>
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*The accompanying notes are an integral part of these financial statements.*



# CENTRAL AIRLINES, INCORPORATED

## STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended September 30, 1961

### OPERATING REVENUE

Passenger .....	\$3,181,411.16
Public Service revenue — Note 3 .....	3,514,710.94
Mail .....	117,018.98
Express and freight .....	181,458.54
Other .....	133,793.38
Gross Operating Revenue .....	<u>7,128,393.00</u>

### OPERATING EXPENSE

Operations .....	\$4,587,256.70
Maintenance and repair .....	1,307,457.69
Traffic and advertising .....	520,509.04
General and administrative .....	416,792.10
Depreciation .....	131,292.71
Amortization of route development and preoperating costs .....	31,308.87
Net Operating Income .....	<u>6,994,617.11</u> 133,775.89

### OTHER INCOME

Gain on retirement of equipment .....	5,986.35
Miscellaneous .....	2,272.96
	<u>8,259.31</u> 142,035.20

### OTHER DEDUCTIONS

Interest .....	27,674.36
Miscellaneous .....	3,986.34
	<u>31,660.70</u>

Net Income Before Provision For Federal Income Taxes ....	<u>110,374.50</u>
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### PROVISION FOR FEDERAL INCOME TAXES — Note 4 .....

Net Income to Retained Earnings .....	<u>110,374.50</u>
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### RETAINED EARNINGS (DEFICIT) —

October 1, 1960 .....	<u>(13,489.79)</u>
	96,884.71
Dividends paid on 5% preferred stock ..	<u>8,165.00</u>

### RETAINED EARNINGS —

September 30, 1961 .....	<u>\$ 88,719.71</u>
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**OUR  
TWELFTH YEAR  
OF GROWTH**

*The accompanying notes are an integral part of these financial statements.*



# NOTES TO FINANCIAL STATEMENTS

September 30, 1961

**NOTE 1 - DEFERRED CHARGES:** Route development and preoperating costs include \$69,035 applicable to preoperating expenditures by the Company for new routes for which applications have been made and are pending at September 30, 1961. Route development and preoperating costs for approved routes are being amortized over periods of thirty-six and sixty months from the commencement of operations of such routes. The unamortized portion of these costs amounted to \$193,637 at September 30, 1961. Other deferred charges include costs of moving during 1959 to the Company's new operating base (\$12,200) which costs are being amortized over a period of sixty months from date of occupancy (Note 2). The unamortized portion of these costs amounted to \$7,147 at September 30, 1961.

**NOTE 2 - COMMITMENTS:** Under terms of an agreement dated May 2, 1958 with the City of Fort Worth, Texas, the Company has leased certain real estate and improvements constructed thereon for use as its operating base and general offices. The lease term is for a period of 26 years commencing with occupancy by the Company September 1, 1959. Among other things the lease agreement provides for (a) an annual rental of \$126,240; (b) providing adequate insurance coverage on the leased property and (c) maintenance of the leased property.

**NOTE 3 - PUBLIC SERVICE REVENUE:** Public service revenue in the approximate amount of \$2,140,000 has been accrued for the period March 13, 1961 to September 30, 1961, based on temporary rates established by the Civil Aeronautics Board. Final rates, as ultimately determined, will be effective for such period and may be higher or lower than the temporary rates.

## **NOTE 4 - PROVISION FOR INCOME**

**TAXES:** The Company's financial net income differs from its taxable net income because of (a) net operating loss provisions of the Internal Revenue Code; (b) expensing for income tax purposes of certain costs being amortized for financial purposes and (c) accruals of certain costs and expenses for financial purposes which are not expensed for income tax purposes. As a result of these variances, no provision for income taxes has been included in the accompanying financial statements. In the event that certain or all of the variances mentioned above are reduced because of future operating policies, income taxes may accrue in subsequent periods because of the changes in these variances, but the amount of such income taxes which may accrue in subsequent periods is not determinable at present.

## **ACCOUNTANTS' REPORT**

### **BILLUPS, ARNN & MASCHO**

Certified Public Accountants  
Oklahoma City, Oklahoma  
Dallas, Texas

The Board of Directors  
Central Airlines, Incorporated  
Fort Worth, Texas

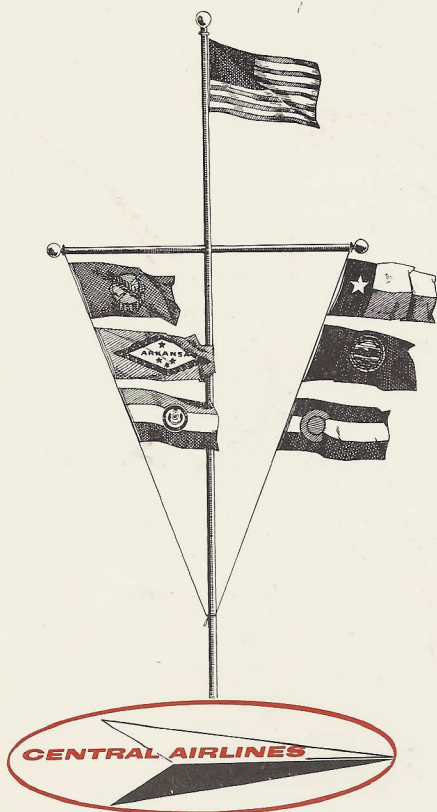
We have examined the balance sheet of Central Airlines, Incorporated, a Nevada corporation, as of September 30, 1961 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statement of income and retained earnings present fairly the financial position of Central Airlines, Incorporated at September 30, 1961 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.

Billups, Arnn & Mascho

Dallas, Texas  
December 11, 1961





*serving six states in our  
twelfth year of growth*

## **ARKANSAS**

FAYETTEVILLE  
FORT SMITH  
HARRISON  
HOT SPRINGS  
LITTLE ROCK

## **COLORADO**

COLORADO SPRINGS  
DENVER  
LAMAR  
PUEBLO

## **KANSAS**

COFFEYVILLE  
DODGE CITY  
FORT RILEY  
GARDEN CITY  
GOODLAND  
GREAT BEND  
HAYS  
HUTCHINSON  
INDEPENDENCE  
JUNCTION CITY  
LIBERAL  
MANHATTAN  
PARSONS  
SALINA  
TOPEKA  
WICHITA

## **MISSOURI**

FORT LEONARD WOOD  
JOPLIN  
KANSAS CITY  
ST. LOUIS

## **OKLAHOMA**

ADA  
ARDMORE  
BARTLESVILLE  
DUNCAN  
ENID  
FORT SILL  
GUYMON  
LAWTON  
McALESTER  
MUSKOGEE  
OKLAHOMA CITY  
PONCA CITY  
STILLWATER  
TULSA

## **TEXAS**

AMARILLO  
BORGER  
DALLAS  
DENISON  
FORT WORTH  
LUBBOCK  
PARIS  
PLAINVIEW  
SHERMAN

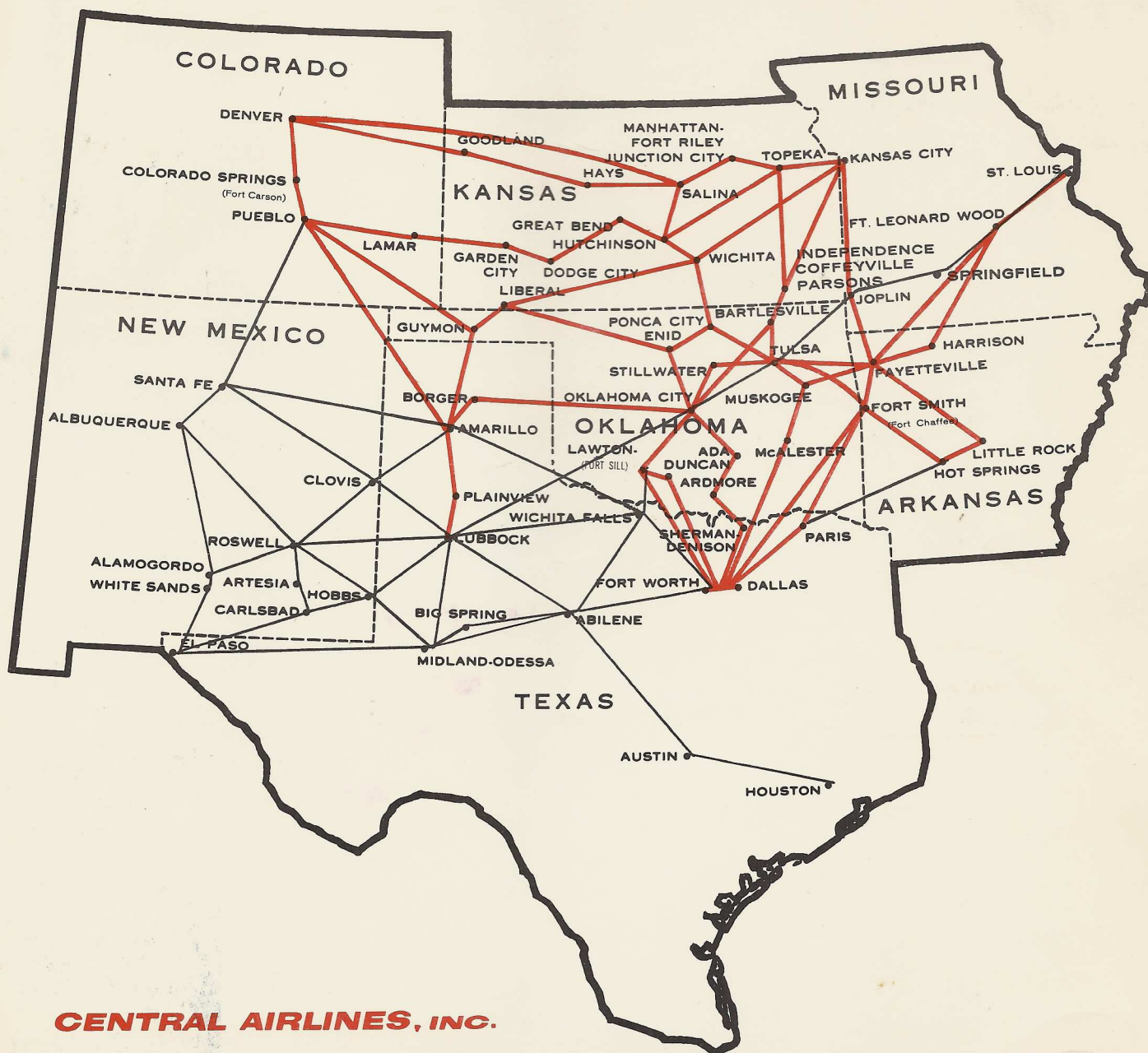




RADAR CONVAIRS



DC-3's



**CENTRAL AIRLINES, INC.**

— PRESENT ROUTES AS FLOWN  
— NEW ROUTES SOUGHT





*Serving six states in our  
twelfth year of growth*

