

HR70-14

Mr. Warfield

PS

8 June 70

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APPROVED FOR
RELEASE DATE:
24-Sep-2009

8 June 70

SAT -

1. Under the SAT contract with MAC the number of flying hours per day for use of the two Boeing 727's has dropped to 5.2 hours for the two ships. To meet expenses and other overhead each ship must be operated at least 7 hours per day. The flying use of the two Boeing 727's has been dropping consistently with the curtailment of operations in Vietnam. For example, in December 1969 flying hours were 11.6 hours, for January 1970, 10.4 hours and scheduled for February 5.2 hours. There is every indication that the number of flying hours for the next several months will be at the 5 hour per day level.

2. Operation of a Boeing 727 equates to about \$1,000 per flying hour and a reduction for the two ships to 5.2 hours per day equates to almost an \$8,000 loss per day.

3. If other use for the Boeing 727's cannot be found to maintain them in a profitable operation we must make other arrangements such as dry-leasing out on a long term basis or disposing of them by sale. These two alternatives would tend to deny us the use of the Boeing 727's for any operational requirements that may develop particularly in the Far East. Another alternative would be to wet-lease the two planes to Royal Air Laos and Air Vietnam and we would envision their use respectfully at 3.5 hours and 6.5 hours per day. It is believed that Air Laos and Air Vietnam would be interested in such an arrangement and under such an arrangement we could continue to fly the 5.2 hours per day for MAC without difficulty.

4. The Air Force has informed us that our contract for air services between Japan, Korea and Okinawa will expire on 30 June 1970. Under the contract we employ two DC 6's and two DC 4's for the total and SAT operations, the latter involving two Boeing 727's. We employ in the Japan area 93 Americans and 304 foreign nationals (Japanese and Chinese). This will represent a substantial stand-down in both flying activities and flying hours.

INCOME STATEMENT
GROUP II AND GROUP III AIR CARRIER

AIR CARRIER SOUTHERN AIR
OPERATION TRANSPORT, INC.
PERIOD ENDED February 28, 1970
PACIFIC DIVISION

OPERATING REVENUES	REF.	ONE MONTH
TRANSPORT:		
PASSENGER	P-3 8901	
UNITED STATES MAIL	P-3 8902	
FOREIGN MAIL	P-3 8908	
PROPERTY	P-3 8906	
CHARTER AND SPECIAL	P-3 8907	\$ 211,961.88
OTHER	P-3 8919	
TOTAL TRANSPORT REVENUES	8999	\$ 211,961.88
NON-TRANSPORT:		
FEDERAL SUBSIDY	4100	
INCIDENTAL REVENUES (NET)	P-4 4600	\$ 7,752.97
TOTAL NON-TRANSPORT REVENUES	4900	\$ 7,752.97
TOTAL OPERATING REVENUES	4999	\$ 219,714.85
OPERATING EXPENSES		
FLYING OPERATIONS	P-5.2 5100	\$ 258,171.10
MAINTENANCE	P-6 5400	22,041.02
PASSENGER SERVICE	P-6 5500	21,833.62
AIRCRAFT AND TRAFFIC SERVICING	P-7 & P-8 6400	45,053.58
PROMOTION AND SALES	P-7 & P-8 6700	
GENERAL AND ADMINISTRATIVE	P-7 6800	10,995.67
DEPRECIATION AND AMORTIZATION	P-8 7000	
TOTAL OPERATING EXPENSES	7199	\$ 364,290.89
OPERATING PROFIT OR LOSS	7999	(144,576.04)
NON-OPERATING INCOME AND EXPENSE - NET	P-8 8100	\$ 14,169.92
NET INCOME BEFORE INCOME TAXES	8999	(130,406.12)
INCOME TAXES FOR CURRENT PERIOD	9100	
NET INCOME BEFORE SPECIAL ITEMS	9699	(130,406.12)
SPECIAL ITEMS:		
SPECIAL INCOME CREDITS AND DEBITS (NET)	P-4 9796	
SPECIAL INCOME TAX CREDITS AND DEBITS (NET)	P-4 9797	
NET INCOME AFTER SPECIAL ITEMS	9799	(130,406.12)
UNAPPROPRIATED RETAINED EARNINGS:		
BEGINNING OF PERIOD	9810	\$2,376,974.10
CASH DIVIDENDS AND OTHER ASSET DISTRIBUTIONS	P-4 9830	
STOCK DIVIDENDS AND RETAINED EARNINGS ADJUSTMENTS	P-4 9840	
END OF PERIOD (INCLUDING NET INCOME)	9899	\$2,246,568.28

* DENOTES INVERSE AMOUNT; IN ACCOUNTS 8100, 9700, AND 2940, DENOTES DEBIT AMOUNT.