



Bulletin

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AIR CANADA REPORT 1969

Canada's publicly-owned airline, Air Canada, recorded in 1969 a profit of \$1,548,000 and a return on investment of 4.8 per cent, compared to \$8,184,000 and 6.3 per cent in 1968. These figures are contained in the company's annual report tabled recently in the House of Commons by Transport Minister Donald Jamieson.

The marginal profit was the result of a strike by the International Association of Machinists and Aerospace Workers, Chairman and Chief Executive Officer Yves Pratte stated in the report.

Among other factors contributing to a disappointing financial year were deep penetration into the Atlantic market by non-scheduled carriers, rising costs and a slowing-down of the Canadian economy,

Operating revenues rose a modest 4 per cent to \$404,652,000, while operating expenses increased by 7 per cent to \$386,188,000. The IAM and AW strike, which grounded all aircraft for a month, cost the company about \$40 million, and financial impact was not limited to the period of the strike. Following resumption of operations, it became apparent that a substantial volume of summer traffic had been lost to other carriers.

A three-day work stoppage in the autumn by airport electrical technicians and threat of strike action in December by air-traffic controllers (all employees of the Department of Transport) also had a serious impact.

Passenger revenues, which account for four-fifths of total, increased by only 1 per cent during the year. The average return a passenger-mile fell from 5.84 cents to 5.80 cents, owing largely to a wider use of youth and senior-citizen standby fares, which depressed the North American revenue yield; Southern and Atlantic yields were higher.

The report points out that passenger fares within Canada remained unchanged during 1969, although domestic airline fares in the United States increased by about 10 per cent.

Revenues from charter operations increased by 73 per cent to \$8,837,000 over those of the previous year. Freight revenues were up 19 per cent and mail revenues up 10 per cent, with the rate a ton-mile of mail on North American services dropping from 50 cents to 48 cents. Express revenues showed no advance.

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EXPENDITURES

Salaries and wages, the largest single expenditure, accounting for 42 per cent of the total increase in operating costs, rose by 8 per cent. At the end of 1969, Air Canada employed 17,138 persons, an average increase of 3 per cent for the year, compared to 6 per cent in 1968.

Federal, provincial and municipal taxes, excluding the provision for deferred income taxes, totalled \$16.3 million, an increase of 9 per cent over 1968 taxes.

Capital expenditures for property and equipment totalled \$131.2 million, of which almost 90 per cent related to the acquisition of aircraft. This outlay was financed partly by internally generated funds, with the remaining \$75 million borrowed from the Government at an average interest rate of 7.8 per cent.