

*Scudder  
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Banc  
rover*

*3<sup>rd</sup>*  
**ANNUAL  
REPORT**  
**1954 - 1966**

*no call no*

**NEW YORK AIRWAYS, INC.**

— THE FIRST HELICOPTER AIRLINE







# NEW YORK AIRWAYS, INC.

THE FIRST HELICOPTER AIRLINE

3<sup>rd</sup>

ANNUAL  
REPORT  
1954

# NEW YORK AIRWAYS, INC.

Incorporated under the Laws of the State of Delaware

## Directors

(as of April 4, 1955)

|                         |                      |
|-------------------------|----------------------|
| Hoyt Ammidon            | Robert G. Goelet     |
| Paul E. Battilana       | Knox Ide             |
| Robert E. Blum          | Grover Loening       |
| Horace Brock            | Samuel C. Park, Jr.  |
| Robert L. Cummings, Jr. | William Shields, Jr. |
| Robert W. Dowling       |                      |

## Officers

|                         |                |
|-------------------------|----------------|
| Robert L. Cummings, Jr. | President      |
| Horace Brock            | Vice President |
| William W. Hogan        | Treasurer      |
| Marshall K. Skadden     | Secretary      |

## Transfer Agent

The Chase Manhattan Bank

## Registrar

Federation Bank and Trust Co.

## Auditors

Loomis, Suffern & Fernald

## Counsel

Skadden, Arps & Slate

## TO THE STOCKHOLDERS AND EMPLOYEES OF NEW YORK AIRWAYS, INC.

Your Company's operations were commenced at the end of 1952, with service confined to the carriage of mail among the metropolitan airports serving New York and Newark. Our services have since been steadily expanded and by the end of 1954 had reached the position shown by the map presented with this Report.

Developments during 1954 included the inauguration of scheduled passenger service to the capital of New Jersey and to other cities in New York, New Jersey and Connecticut; commencement of passenger service at night among the metropolitan airports; and the initiation of inter-airport and suburban air express service. The Company's inter-city passenger operations were the first in the United States and our night passenger operations are the first to be conducted anywhere in the world.

### Operating Results

The Company's progress in 1954 is shown by the following comparison with 1953:

|                                                          | 1954      | 1953      |
|----------------------------------------------------------|-----------|-----------|
| Revenue passengers* .....                                | 8,758     | 1,513     |
| Express (lbs.)* .....                                    | 159,450   | —         |
| Freight (lbs.) .....                                     | 359,360   | 141,116   |
| Mail (lbs.) .....                                        | 2,354,464 | 3,347,456 |
| Scheduled revenue ton miles carried .....                | 53,314    | 43,926    |
| Revenue load factor (%) .....                            | 34.04     | 32.87     |
| Scheduled miles flown .....                              | 391,435   | 334,100   |
| Schedule completion factor (%) .....                     | 84.21     | 82.72     |
| Daily revenue utilization per helicopter<br>(hrs). ..... | 4:32      | 4:43      |

\* Passenger service was commenced in July, 1953 and express service in October, 1954

The Company's daily revenue utilization per helicopter is the highest yet achieved in this field. Three of our helicopters have now accumulated more operating hours than any other equipment of this type either in civil or military service.

Our schedule completion factor reflects the high weather limits we have adopted to insure maximum safety. As further experience accrues, these limits can be reduced consistently with conservative operating practice. Measures taken to increase regularity of operations include installation of air-ground radio facilities in the tower of the Chrysler Building (which have greatly improved communications between our helicopters and our operating base at LaGuardia Field) and extensive research in the largely unexplored fields

of amphibious landing gear and all-weather flight techniques suitable for civil helicopter use in the New York area.

### **Labor Relations**

In the fall of 1953 the Air Line Pilots Association invoked the procedures established by Federal statute for recognition as the collective bargaining representative of the Company's pilot personnel. After extended negotiations (including the mediation services of the National Mediation Board) a contract between the Company and the Association was concluded. In January 1955 both the Company and the Association requested changes in the contract and, as a result, this matter is again under negotiation.

### **Financial Results**

As shown by the financial statements presented with this Report the Company earned a net profit of \$69,306 for the year 1954, as compared with \$48,241 previously reported for 1953 and \$3,284 for 1952.

The bulk of our revenues now consists of subsidy payments fixed by the Civil Aeronautics Board in amounts intended to provide for the development of our operations in the national interest. While substantial need for Federal subsidy will continue for a considerable period, your management has placed primary emphasis on the generation of revenues from the transportation of passengers, express and freight, as well as other non-subsidy income sources. The decrease in mail loads carried during 1954 was primarily attributable to the discontinuance of helicopter mail service between LaGuardia and New York International Airports.

The results attained are encouraging. The Company's 1954 non-subsidy revenues show an increase of more than 400 percent over 1953. The growth of these revenues and, particularly, the improvement in earning capacity which will be made possible as advanced helicopters become available, will accelerate our progress toward the ultimate goal of self-sufficiency.

### **Flight Equipment**

Our operations have so far been conducted with five S-55 helicopters. While this equipment is the best now available, it has been economically handicapped by limited speed and capacity. Even so, it has performed yeoman service in demonstrating the value of metropolitan helicopter transportation.

Helicopters with greatly increased payload and speed as well as other superior operating and economic characteristics are expected to become available for civil use in the near future. As a result of the Company's financing program completed early in 1953 we are in a strong position to take advantage of this improved equipment, as shown by the balance sheet presented herewith.



### Future Prospects

The Company has been authorized by the Civil Aeronautics Board to provide scheduled helicopter transportation in the greatest metropolitan area in the world. Our services are responsive to the needs not only of the 15,000,000 residents of this area, but also of the very large volume of traffic originating elsewhere in the United States and abroad and flowing to or through New York.

It is anticipated that during 1955 our operations will be extended to Manhattan Island, thus for the first time providing direct access by certificated air transportation to the heart of this congested center. In addition, scheduled passenger operations to northern New Jersey are expected to be inaugurated within the next several weeks.

Joint fare arrangements are under discussion with the fixed-wing airlines serving New York and Newark. The first such arrangement is now in effect with Northwest Orient Airlines, under which passengers traveling between U. S. and foreign points on Northwest's routes, and points on the Company's routes, are provided with through service for a single fare; thus marking an important advance in the integration of our services with the domestic and international air transport network.

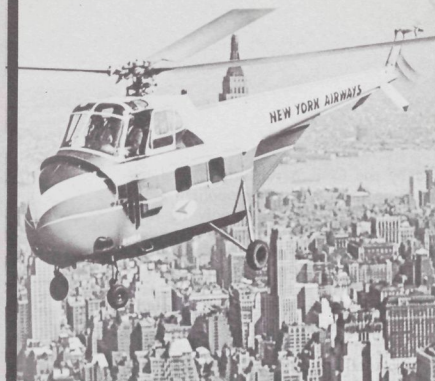
To be sure, the immense potential of helicopter service in the New York metropolitan area will not be realized over night. However, the progress made to date and, particularly, the high degree of public acceptance and support which your Company has enjoyed, indicate that while many technical and economic problems remain for solution, solutions can and will be found.

Finally, I would like to take this opportunity to express my appreciation of the devoted services performed by our personnel, to whom a large share of the credit for the Company's accomplishments is justly due.

By Order of The Board of Directors

  
President

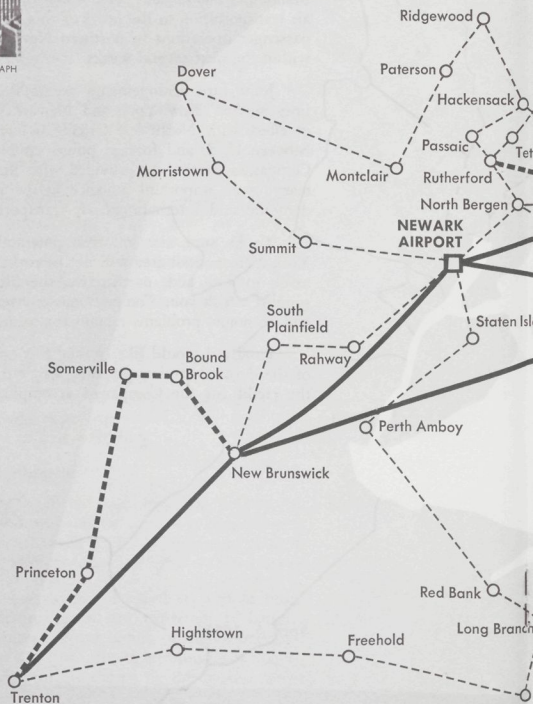
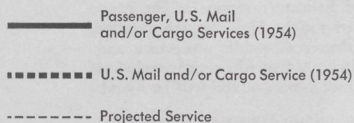
April 5, 1955

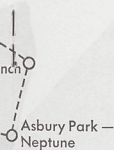


NEWSWEEK MAGAZINE PHOTOGRAPH

## NEW YORK AIRWAYS, INC.

### *Certificated Area*





## NEW YORK

## COMPARATIVE

December 31, 1954 and

## ASSETS

|                                                                                                                                                        | December 31, 1954 | December 31, 1953 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Current assets:                                                                                                                                        |                   |                   |
| Cash on hand and on deposit in banks .....                                                                                                             | \$ 83,994.39      | \$ 22,173.01      |
| United States Treasury Bills, at cost plus accrued interest<br>(maturity value, December 31, 1954 - \$675,000;<br>December 31, 1953 - \$550,000) ..... | 674,062.28        | 549,414.16        |
| Short-term Commercial Paper, at cost plus accrued interest<br>(maturity value - \$725,000) .....                                                       | 718,937.87        | —                 |
| Note receivable .....                                                                                                                                  | —                 | 752.29            |
| Accounts receivable:                                                                                                                                   |                   |                   |
| United States Government .....                                                                                                                         | 189,034.48        | 785,844.82        |
| Traffic .....                                                                                                                                          | 18,781.21         | 2,863.00          |
| Other current receivables .....                                                                                                                        | 19,511.03         | 10,201.47         |
| Materials and miscellaneous supplies, at cost .....                                                                                                    | 46,134.28         | 30,297.39         |
| Prepaid insurance .....                                                                                                                                | 35,093.18         | 67,011.98         |
| Total current assets .....                                                                                                                             | \$1,785,548.72    | \$1,468,558.12    |
| Investments and special funds:                                                                                                                         |                   |                   |
| Investments in and advances to subsidiary and<br>related service companies .....                                                                       | 922.22            | 470.00            |
| Deposit under equipment purchase agreement .....                                                                                                       | 20,000.00         | 20,000.00         |
|                                                                                                                                                        | \$ 20,922.22      | \$ 20,470.00      |
| Operating property and equipment (stated at cost):                                                                                                     |                   |                   |
| Flight equipment .....                                                                                                                                 | 999,176.83        | 977,047.07        |
| Less — Reserve for depreciation (see Note 3) .....                                                                                                     | 426,486.08        | 245,574.51        |
|                                                                                                                                                        | \$ 572,690.75     | \$ 731,472.56     |
| Ground property and equipment .....                                                                                                                    | 114,726.91        | 89,460.32         |
| Less — Reserve for depreciation (see Note 3) .....                                                                                                     | 28,831.31         | 14,834.85         |
|                                                                                                                                                        | \$ 85,895.60      | \$ 74,625.47      |
| Construction work in progress .....                                                                                                                    | 13,221.64         | 4,031.18          |
| Operating property and equipment,<br>less reserves for depreciation .....                                                                              | \$ 671,807.99     | \$ 810,129.21     |
| Deferred charges:                                                                                                                                      |                   |                   |
| Extension and development costs (see Note 4) .....                                                                                                     | 120,003.88        | 173,338.86        |
| Other deferred charges .....                                                                                                                           | 23,033.24         | 12,259.98         |
|                                                                                                                                                        | \$ 143,037.12     | \$ 185,598.84     |
| Total assets .....                                                                                                                                     | \$2,621,316.05    | \$2,484,756.17    |

See notes herewith relating to financial statements



# AIRWAYS, INC.

## BALANCE SHEET

December 31, 1953

### LIABILITIES, CAPITAL AND SURPLUS

|                                                                                                                           | December 31, 1954     | December 31, 1953     |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Current liabilities:                                                                                                      |                       |                       |
| Accounts payable:                                                                                                         |                       |                       |
| General .....                                                                                                             | \$ 52,658.08          | \$ 87,719.28          |
| Collections as agent .....                                                                                                | 8,486.04              | 6,732.44              |
| Airline traffic .....                                                                                                     | 903.14                | 463.80                |
| Accrued salaries and wages .....                                                                                          | 11,825.10             | 7,689.74              |
| Accrued vacation pay (see Note 6) .....                                                                                   | 18,539.19             | —                     |
| Accrued interest .....                                                                                                    | —                     | 1,430.00              |
| Accrued taxes (see Note 2) .....                                                                                          | 168,029.33            | 5,498.51              |
| Other current and accrued liabilities .....                                                                               | 8,788.98              | 2,777.22              |
| Total current liabilities .....                                                                                           | \$ 269,229.86         | \$ 112,310.99         |
| Long-term debt — note payable, due February 7, 1962,<br>bearing interest at 4% per annum (paid in cash May 7, 1954) ..... | —                     | 90,000.00             |
| Deferred credits .....                                                                                                    | —                     | 7,706.66              |
| Reserve for aircraft overhaul .....                                                                                       | 24,885.62             | 15,788.00             |
| Capital and surplus:                                                                                                      |                       |                       |
| Capital stock, par value \$1.00 per share:                                                                                |                       |                       |
|                                                                                                                           | <u>1954</u>           | <u>1953</u>           |
| Shares authorized .....                                                                                                   | 300,000               | 300,000               |
| Shares reserved for conversion<br>under right of note holder .....                                                        | —                     | 9,000                 |
| Shares reserved pursuant to<br>Employees' Stock Option Plan<br>(see Note 5) .....                                         | 15,000                | 15,000                |
| Shares issued and outstanding .....                                                                                       | 238,500               | 238,500               |
| Capital surplus (Paid-in) .....                                                                                           | 1,968,925.30          | 1,968,925.30          |
| Earned surplus — per statement herewith .....                                                                             | 119,775.27            | 51,525.22             |
| Total capital and surplus .....                                                                                           | <u>\$2,327,200.57</u> | <u>\$2,258,950.52</u> |
| Total liabilities, capital and surplus .....                                                                              | <u>\$2,621,316.05</u> | <u>\$2,484,756.17</u> |

which are an integral part of this statement.



# NEW YORK AIRWAYS, INC.

## COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years ended December 31, 1954 and 1953

|                                                                        | Year ended<br>December 31, 1954 | Year ended<br>December 31, 1953 |
|------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Operating revenues:                                                    |                                 |                                 |
| Passenger .....                                                        | \$ 62,055.80                    | \$ 10,553.36                    |
| United States mail (see Note 2) .....                                  | 1,431,359.12                    | 1,216,803.00                    |
| Express .....                                                          | 2,326.00                        | —                               |
| Freight .....                                                          | 16,421.77                       | 4,683.42                        |
| Excess baggage .....                                                   | 905.20                          | 110.95                          |
| Non-scheduled transport services .....                                 | 13,689.81                       | 7,724.26                        |
| Other revenues .....                                                   | 25,408.32                       | 4,514.69                        |
| Total operating revenues .....                                         | <u>\$1,552,166.02</u>           | <u>\$1,244,389.68</u>           |
| Operating expenses:                                                    |                                 |                                 |
| Flying operations .....                                                | \$ 279,426.31                   | \$ 231,802.60                   |
| Direct maintenance — flight equipment .....                            | 243,696.80                      | 214,981.87                      |
| Depreciation — flight equipment (see Note 3) .....                     | 214,994.35                      | 228,908.89                      |
| Ground operations .....                                                | 194,234.40                      | 165,735.44                      |
| Ground and indirect maintenance .....                                  | 127,122.19                      | 87,583.42                       |
| Passenger service .....                                                | 14,103.67                       | 11,552.52                       |
| Traffic and sales .....                                                | 67,405.74                       | 26,645.41                       |
| Advertising and publicity .....                                        | 30,024.94                       | 17,169.27                       |
| General and administrative .....                                       | 193,876.00                      | 156,758.24                      |
| Depreciation — ground equipment .....                                  | 17,983.24                       | 13,631.30                       |
| Total operating expenses .....                                         | <u>\$1,382,867.64</u>           | <u>\$1,154,768.96</u>           |
| Net operating profit .....                                             | \$ 169,298.38                   | \$ 89,620.72                    |
| Non-operating income (including interest and cash discounts) .....     | 8,901.02                        | 16,684.71                       |
|                                                                        | <u>\$ 178,199.40</u>            | <u>\$ 106,305.43</u>            |
| Non-operating expense:                                                 |                                 |                                 |
| Extension and development expense (see Note 4) .....                   | \$ 56,768.32                    | \$ 53,319.07                    |
| Other (including interest and loss on retirement<br>of property) ..... | 9,294.69                        | 4,745.21                        |
| Total non-operating expense .....                                      | <u>\$ 66,063.01</u>             | <u>\$ 58,064.28</u>             |
| Net profit before provision for<br>Federal income taxes .....          | \$ 112,136.39                   | \$ 48,241.15                    |
| Provision for Federal income taxes (see Note 2) .....                  | 42,830.76                       | —                               |
| Net profit for year .....                                              | <u>\$ 69,305.63</u>             | <u>\$ 48,241.15</u>             |

See notes herewith relating to financial statements which are an integral part of this statement.

# NEW YORK AIRWAYS, INC.

## STATEMENT OF EARNED SURPLUS

For the Year ended December 31, 1954

|                                                                                                                                           |                      |                            |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------|
| Balance, December 31, 1953 .....                                                                                                          |                      | \$ 51,525.22               |
| Sundry net credit adjustments made in 1954, relating to revenue and expenses for the 2½ months ended December 31, 1952 (see Note 2) ..... |                      | 373.67                     |
| Adjustments made in 1954, relating to revenue and expenses for the year ended December 31, 1953 — credit (charges):                       |                      |                            |
| Vacation pay earned by employees in 1953 (see Note 6) .....                                                                               | \$(10,985.86)        |                            |
| Sundry net charges .....                                                                                                                  | ( 152.90)            |                            |
|                                                                                                                                           | <u>\$(11,138.76)</u> |                            |
| Less—Difference between adjustment of mail pay and of related estimated Federal income tax (see Note 2) .....                             | 9,709.51             | (1,429.25)                 |
| Earned surplus, January 1, 1954, as adjusted .....                                                                                        |                      | \$ 50,469.64               |
| Net profit — year 1954 — per statement herewith .....                                                                                     |                      | <u>69,305.63</u>           |
| Earned surplus, December 31, 1954 — per Comparative Balance Sheet .....                                                                   |                      | <u><u>\$119,775.27</u></u> |

See notes herewith relating to financial statements which are an integral part of this statement

**NEW YORK AIRWAYS, INC.**  
**NOTES RELATING TO FINANCIAL STATEMENTS**

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith. The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue of \$1,431,359.12 for the transportation of United States mail (representing service pay of \$79,878.85 and subsidy of \$1,351,480.27) is reflected herein, for the year 1954, on the basis of a final past period rate for the four months ended April 30, 1954 and a final future period rate effective on and after May 1, 1954, established by the Civil Aeronautics Board in its order issued on August 20, 1954.

No amount for Federal income taxes was included in the Statements of Profit and Loss for the 2½ months ended December 31, 1952 or for the year 1953, as explained in the Company's report for 1953. In 1954, additional mail pay was received, including amounts in reimbursement of estimated income taxes for the prior periods; the net effect of such mail pay and estimated tax is included as an adjustment in the Statement of Earned Surplus herewith. The amount of \$168,029.33 described in the Balance Sheet herewith as "Accrued taxes", includes \$161,174.10 for estimated Federal income tax of which \$8,862.88 relates to income earned in the 2½ months ended December 31, 1952, \$109,480.46 relates to income earned in the year 1953 and \$42,830.76 relates to the year 1954. The relatively large amount of tax estimated for 1953 is due principally to the expectation that lower depreciation charges for that period will be allowed as deductions in computing Federal income taxes, than were deducted in computing net income in the Statement of Profit and Loss for 1953, to be offset by higher depreciation in subsequent periods.

3. Reserves for depreciation have been provided at rates which have been approved for mail rate purposes by the Civil Aeronautics Board. In 1954, depreciation has been provided on certain flight equipment at rates generally lower than those previously used. However, inasmuch as the new rates were recognized by the Board in its determination of final mail pay applicable to the year 1954, the change in depreciation rates has no significant effect on the net profit for the year 1954 nor on the comparability of such net profit with that of the preceding year.

4. The deferred charge described in the Balance Sheet herewith as "Extension and development costs" represents costs and expenses incurred or accrued during the Company's pre-operating period, less amortization from October 15, 1952. Such amortization (\$53,319.07 in 1953 and \$53,334.98 in 1954) has been provided on the basis of writing off these costs and expenses by charges to expense over a period of 53½ months ending March 31, 1957, the date of expiration of the Company's Temporary Certificate of Public Convenience and Necessity.

5. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1952, options may be granted to certain officers and employees of the Company to purchase up to an aggregate of 15,000 shares of its Capital Stock. The options permit the purchase of such shares at a price determined by a disinterested committee of the Company's Board of Directors but at not less than 95% of the fair market value as at the effective date of the option. Pursuant to this Plan, prior to December 31, 1954 options had been granted (effective January 19, 1953) to 5 persons to purchase an aggregate of 10,000 shares of Capital Stock at a price of \$11.87½ per share. On January 19, 1955, 20% of such options became exercisable, making a total of 40% then exercisable.

6. In 1954, the Company commenced recording the cost of employees' vacations in the year in which earned instead of when paid. The adjustments made in the accounts and reflected in the financial statements herewith, to record the liability for accrued vacation pay and the corresponding expense charges, were based on the Company's vacation policy and employment contract with pilots.

7. At December 31, 1954, the Company had a commitment in the form of a purchase agreement amounting to \$283,500.00 for the purchase of two Sikorsky S-55 helicopters against which a deposit of \$20,000.00 had been made. This commitment will require cash of \$263,500.00 in 1955 unless the Company's right to cancel is exercised prior to July 1, 1955.

Examination of the Company's Federal income tax return for the year 1952 has been started but not completed. No such examination has been made for subsequent years.

Other known contingent liabilities did not involve amounts large enough to be significant.

**LOOMIS, SUFFERN & FERNALD**  
CERTIFIED PUBLIC ACCOUNTANTS  
80 BROAD STREET  
NEW YORK 4

April 4, 1955

**TO THE BOARD OF DIRECTORS OF  
NEW YORK AIRWAYS, INC.**

We have examined the Balance Sheet of New York Airways, Inc., as at December 31, 1954 and the related Statements of Profit and Loss and of Earned Surplus for the year ended on that date. 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 reviewed and tested available records to satisfy ourselves that the accounts receivable were fairly stated, although it was not practicable to obtain confirmation of the balances. We had previously examined and reported upon the Balance Sheet as at December 31, 1953 and the Statement of Profit and Loss for the year ended on that date, which are included for purposes of comparison.

In our opinion, the accompanying Comparative Balance Sheet and Comparative Statement of Profit and Loss and Statement of Earned Surplus, together with the related notes, present fairly the financial position of New York Airways, Inc., as at December 31, 1954 and December 31, 1953 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles which, except as to changes in which we concur which are referred to in Notes Relating to Financial Statements, have been applied on a consistent basis for the two years.

LOOMIS, SUFFERN & FERNALD

*Certified Public Accountants*







*4<sup>th</sup>*

**ANNUAL  
REPORT  
1955**

**NEW YORK AIRWAYS, INC.**

---

THE FIRST HELICOPTER AIRLINE





# **NEW YORK AIRWAYS, INC.**

---

THE FIRST HELICOPTER AIRLINE

*4th*

**ANNUAL  
REPORT  
1955**

# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **Directors**

*(as of March 28, 1956)*

|                         |                      |
|-------------------------|----------------------|
| Hoyt Ammidon            | Robert G. Goelet     |
| Robert E. Blum          | Knox Ide             |
| Horace Brock            | Grover Loening       |
| Robert L. Cummings, Jr. | Samuel C. Park, Jr.  |
| Robert W. Dowling       | William Shields, Jr. |

## **Officers**

Robert L. Cummings, Jr., *President*  
Horace Brock, *Vice President*  
William W. Hogan, *Treasurer*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Loomis, Sufferin & Fernald

## **Counsel**

Skadden, Arps, Slate & Timbers



## To the Stockholders and Employees of NEW YORK AIRWAYS, INC.

---

During the year under review, your Company:

- Showed an increase in net profit of 52%
- Carried 181% more passengers
- Lifted 330% more cargo
- Entered into joint fare arrangements with most of the international and domestic airlines serving New York
- Contracted for the acquisition of substantially improved flight equipment

The principal 1955 operations were the scheduled services between the New York Metropolitan Airports (LaGuardia, New York International and Newark) and between these airports and urban points in Connecticut, New Jersey, and New York. To meet the public demand, the inter-airport frequencies were increased until service is now operated every hour on the hour between 7 in the morning and 11 at night.

As in prior years, the Company's scheduled operations were conducted with a fleet of five S-55 helicopters. By the end of 1955, 130 employees were engaged in the performance of these services.

**1955 OPERATIONS.** The Company earned a net profit of \$105,078 for the year, as compared with \$69,306 previously reported for 1954, and \$48,241 for 1953. Net worth at December 31, 1955 was increased to \$2,432,279,—or \$10.20 per share as compared with \$9.76 per share at the end of 1954. The following table indicates the other results obtained:

|                                                         | 1955      | 1954      | 1953      |
|---------------------------------------------------------|-----------|-----------|-----------|
| Revenue passengers* .....                               | 24,569    | 8,758     | 1,513     |
| Express (lbs)* .....                                    | 1,758,534 | 159,450   | —         |
| Freight (lbs) .....                                     | 473,785   | 359,360   | 141,116   |
| Mail (lbs) .....                                        | 1,412,181 | 2,354,464 | 3,347,456 |
| Scheduled revenue ton miles carried ...                 | 79,313    | 53,314    | 43,926    |
| Revenue load factor (%) .....                           | 51.13     | 34.04     | 32.87     |
| Scheduled miles flown .....                             | 387,773   | 391,435   | 334,100   |
| Schedule completion factor (%) .....                    | 82.07     | 84.21     | 82.72     |
| Daily revenue utilization<br>per helicopter (hrs) ..... | 4:23      | 4:32      | 4:43      |

\*Passenger service was commenced in July, 1953 and express service in October, 1954.

As in 1954 the scheduling of operations for greater passenger convenience (in coordination with the Post Office and the Civil Aeronautics Board) resulted in a decline in the mail volume. Today your Company is carrying United States mail at the rate of approximately one million pounds a year. It is believed that the mail volume will be stabilized at this level until the inauguration of service to Manhattan, when a substantial increase should be experienced.

**TRAFFIC REVENUES.** The number of passengers carried in 1955 represents an increase of 181% over those carried in 1954. This growth has resulted in near-capacity loads on many schedules day-in and day-out. Of primary importance in this connection are the joint fare arrangements recently concluded by New York Airways with fourteen of the international and domestic airlines. These provide for use of the Company's services on flights to and through the New York Metropolitan Area from cities all over the world. A similar program establishing joint rates for air freight has been inaugurated. The resulting integration of the Company's operations with the domestic and international air transport network is one of the most significant steps yet taken in helicopter transportation.

Your Company has also made a concentrated effort to develop other commercial revenue sources. Our 1955 express and freight traffic increased 330% over 1954. Charter operations have expanded as well. 1955 charter hours increased 169% over 1954. In addition to non-scheduled operations with our S-55's, charters have been flown with a leased Bell 47, a 3-place helicopter. The demand for special charter service has proved to be such that we have recently purchased an improved version of the Bell 47, in order further to develop revenues from this source.

In 1955 our non-subsidy revenues (*i.e.* from passenger, cargo, charter and mail traffic) increased 56% over 1954. The relation between subsidy and non-subsidy revenues since the commencement of our operations is as follows:

|       | Total<br>Revenues | Subsidy    | Non-Subsidy | Ratio<br>Non-Subsidy<br>to Subsidy |
|-------|-------------------|------------|-------------|------------------------------------|
| 1952* | \$ 140,885        | \$ 133,779 | \$ 7,105    | 5.31%                              |
| 1953  | 1,363,578         | 1,232,839  | 130,739     | 10.60                              |
| 1954  | 1,552,166         | 1,351,480  | 200,686     | 14.85                              |
| 1955  | 1,749,793         | 1,436,600  | 313,193     | 21.80                              |

\*Operations were commenced in October 1952.

While our non-subsidy revenues are, to say the least, modest when compared with those of the major fixed-wing airlines, they greatly exceed anything yet attained by any other certificated helicopter carrier.



BELL 47-H



SIKORSKY S-58

**NEW EQUIPMENT.** The record of the S-55's as the first certificated transport helicopter is outstanding. Nonetheless, their limited capacity has for some time prevented your Company from satisfying the rapidly growing public demand for helicopter transportation in the New York Metropolitan area. To meet this problem, we have contracted for the purchase of larger, more powerful and more efficient equipment—the Sikorsky S-58. Three of these helicopters are scheduled for delivery in 1956 (at an aggregate price, including spares, exceeding \$1,000,000) and the Company has an additional four under option. The S-58 has been in volume production for some time for the military, but releases for civil use have only recently been obtained. The initial delivery to the Company, currently scheduled for June of this year, will be the first to any civil buyer.

The S-58 is a twelve passenger helicopter and will provide twice the capacity of the S-55. In addition, the S-58 will cruise at considerably higher speeds and will offer substantial advances in passenger comfort and convenience. As a result, New York Airways will shortly be in a position greatly to improve its service to the public.

**SUBSIDY REQUIREMENTS.** Air carrier subsidies are provided under the Civil Aeronautics Act in aid of the national interest in a sound air transport system. These payments enable the helicopter carriers to pioneer this entirely new type of transportation. As in the earlier years of fixed-wing transportation, without such support the results already attained would not have been possible. Without continuation of this support realization of the potential of the helicopter would be equally impossible.

The Company's subsidy rates are now under review by the Civil Aeronautics Board. This review will cover our subsidy requirements for the current operations as well as those projected. While the enlarged capacity of the S-58's will generate marked improvements in seat-mile costs and revenue potential, inauguration of service with this equipment may entail an increase in the Company's overall subsidy needs. However, final Board action on this matter may not be forthcoming for some time.

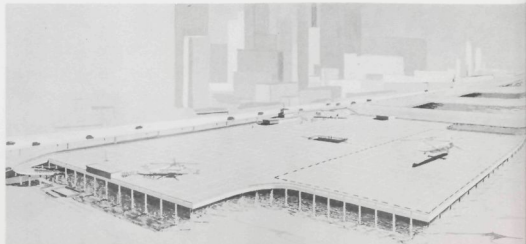
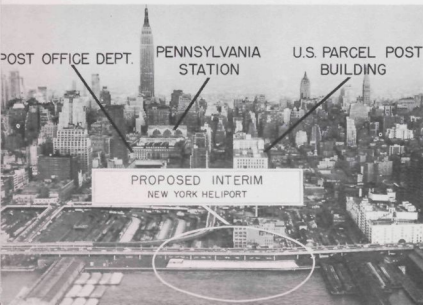
**MANHATTAN HELIPORT.** From the outset your Company has pressed for heliports on Manhattan Island which would provide direct access by air to the heart of this congested center. Over two years ago, New York Airways had completed its arrangements for such a facility at 30th Street on the Hudson River—some five minutes from the General Post Office and Pennsylvania Station and located centrally to the travel, hotel and commercial concentration on the West Side of Manhattan.

The prompt commencement of operations at 30th Street has long been urgently required, not only for service to the public and the Post Office, but to provide the experience essential to intelligent planning of the over-all metropolitan heliport pattern. While there is no disagreement as to the necessity for such a heliport, its actual construction has been delayed pending the conclusion of final agreements between the interested government agencies. A satisfactory solution of this matter now appears imminent.

The inauguration of operations to Manhattan should result in the establishment of similar heliport facilities at other locations not only on Manhattan, but in Brooklyn, Staten Island and additional traffic centers within New York City.

**FUTURE PROSPECTS.** The Company's Certificate of Public Convenience and Necessity, issued in 1952 by the Civil Aeronautics Board for a five-year term, will technically expire at the end of March 1957. A renewal application will, of course, be made, and under the applicable statutes the Company's operating authority will continue while this application is under adjudication. In light of its record of pioneering accomplishment and community service, your Company is confident of its ability to demonstrate to the Civil Aeronautics Board that the public interest requires the renewal of this certificate.

New York Airways was the first to inaugurate scheduled helicopter passenger and freight service; it was the first helicopter carrier to conduct scheduled passenger operations at night; it was the first to enter into joint fare arrangements with the fixed-wing carriers; it has developed commercial revenues far beyond anything yet approached in this field; and it has taken a leading part in the development of new operating techniques and equipment for helicopter transportation.



Typical Future Heliport—Artist's Rendering



New York Airways helicopter backing across  
Brodhead Creek at Stroudsburg, leading a  
telephone cable from the East Stroudsburg  
side after the August 1955 floods.



*Courtesy the Bell Telephone Co. of Pennsylvania*

New York Airways has also furnished other vital services, including participation in the Civil Defense, military and aeronautical research programs of the federal government. During the 1955 flood disasters your Company provided emergency relief operations in Connecticut, New Jersey, New York and Pennsylvania. In addition to flying many rescue missions in devastated areas and providing isolated communities their only link with the outside world, the Company's helicopters flew many hours in the restoration of telephone, power and rail utilities.

Advances in design and public acceptance are taking place so swiftly that progress of the helicopter toward economic self-sufficiency seems likely to be more rapid than in the older forms of transportation. More effective equipment with increased capacity, lower noise levels and greatly reduced maintenance costs is forecast for the not too distant future. Discussions are already taking place looking toward the acquisition by your Company of helicopters equipped with multiple turbines and a seating capacity of from twenty to twenty-five passengers, capable of cruising at about 125 miles per hour. Such equipment is expected to be available by 1960.

Sincere appreciation is extended to the Company's personnel, who, together, have made possible our accomplishments to date, and to our many stockholders for their constructive and helpful interest in our progress.

By Order of The Board of Directors

*Robert H. Hummingbird, Jr.*

*President*

March 29, 1956



# NEW YORK AIRWAYS, INC.

## COMPARATIVE

### Assets

|                                                                                                                                      | At December 31        |                       |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                                                      | 1955                  | 1954                  |
| <b>CURRENT ASSETS:</b>                                                                                                               |                       |                       |
| Cash on hand and on deposit in banks .....                                                                                           | \$ 145,760.97         | \$ 83,994.39          |
| Marketable securities, at cost plus accrued interest on U. S. Treasury Bills and Commercial Paper or Minus amortization of premiums: |                       |                       |
| U. S. Government securities (market value December 31, 1955—\$548,700) .....                                                         | 549,202.34            | 674,062.28            |
| Other securities (market value December 31, 1955—\$720,800) .....                                                                    | 721,908.38            | 718,937.87            |
| Accounts receivable:                                                                                                                 |                       |                       |
| United States Government .....                                                                                                       | 219,843.82            | 189,034.48            |
| Traffic .....                                                                                                                        | 44,948.90             | 18,781.21             |
| Other current receivables .....                                                                                                      | 7,738.23              | 19,511.03             |
| Materials and miscellaneous supplies, at cost .....                                                                                  | 47,714.34             | 46,134.28             |
| Prepaid insurance .....                                                                                                              | 62,027.72             | 35,093.18             |
|                                                                                                                                      | <u>\$1,799,144.70</u> | <u>\$1,785,548.72</u> |
| <b>INVESTMENTS AND SPECIAL FUNDS:</b>                                                                                                |                       |                       |
| Investments in and advances to subsidiary and related service companies .....                                                        | \$ 947.22             | \$ 922.22             |
| Deposit against equipment purchase contract .....                                                                                    | 202,473.75            | 20,000.00             |
|                                                                                                                                      | <u>\$ 203,420.97</u>  | <u>\$ 20,922.22</u>   |
| <b>OPERATING PROPERTY AND EQUIPMENT (stated at cost):</b>                                                                            |                       |                       |
| Flight equipment .....                                                                                                               | \$1,025,934.35        | \$ 999,176.83         |
| Less—Reserve for depreciation (see Note 1) .....                                                                                     | 603,797.96            | 426,486.08            |
|                                                                                                                                      | <u>\$ 422,136.39</u>  | <u>\$ 572,690.75</u>  |
| Ground property and equipment .....                                                                                                  | \$ 151,074.50         | \$ 114,726.91         |
| Less—Reserve for depreciation (see Note 1) .....                                                                                     | 45,813.57             | 28,831.31             |
|                                                                                                                                      | <u>\$ 105,260.93</u>  | <u>\$ 85,895.60</u>   |
| Construction work in progress .....                                                                                                  | \$ —                  | \$ 13,221.64          |
| Operating property and equipment, less reserves for depreciation                                                                     | <u>\$ 527,397.32</u>  | <u>\$ 671,807.99</u>  |
| <b>DEFERRED CHARGES:</b>                                                                                                             |                       |                       |
| Extension and development costs (see Note 3) .....                                                                                   | \$ 70,964.44          | \$ 120,003.88         |
| Other deferred charges .....                                                                                                         | 24,634.72             | 23,033.24             |
|                                                                                                                                      | <u>\$ 95,599.16</u>   | <u>\$ 143,037.12</u>  |
| Total assets .....                                                                                                                   | <u>\$2,625,562.15</u> | <u>\$2,621,316.05</u> |

See notes herewith relating to financial statements

# BALANCE SHEET December 31, 1955 and December 31, 1954

## Liabilities, Capital and Surplus

|                                              | At December 31        |                       |
|----------------------------------------------|-----------------------|-----------------------|
|                                              | 1955                  | 1954                  |
| <b>CURRENT LIABILITIES:</b>                  |                       |                       |
| Accounts payable:                            |                       |                       |
| General .....                                | \$ 56,078.82          | \$ 52,658.08          |
| Collections as agent .....                   | 17,890.16             | 8,486.04              |
| Airline traffic .....                        | 654.98                | 903.14                |
| Accrued salaries and wages .....             | 13,759.97             | 11,825.10             |
| Accrued vacation pay .....                   | 25,340.36             | 18,539.19             |
| Accrued taxes (see Note 5) .....             | 58,900.92             | 168,029.33            |
| Other current and accrued liabilities .....  | 10,901.58             | 8,788.98              |
|                                              | <hr/>                 | <hr/>                 |
| Total current liabilities .....              | \$ 183,526.79         | \$ 269,229.86         |
|                                              | <hr/>                 | <hr/>                 |
| <b>RESERVE FOR AIRCRAFT OVERHAUL .....</b>   | <b>\$ 9,756.40</b>    | <b>\$ 24,885.62</b>   |
|                                              | <hr/>                 | <hr/>                 |
| <b>CAPITAL AND SURPLUS:</b>                  |                       |                       |
| Capital stock, par value \$1.00 per share:   |                       |                       |
| Authorized .....                             | 300,000 shares        |                       |
| Reserved pursuant to Employees'              |                       |                       |
| Stock Option Plan (see Note 4) .....         | 15,000 shares         |                       |
| Issued and outstanding .....                 | <u>238,500 shares</u> | \$ 238,500.00         |
| Capital surplus (Paid-in) .....              | 1,968,925.30          | 1,968,925.30          |
| Earned surplus .....                         | 224,853.66            | 119,775.27            |
|                                              | <hr/>                 | <hr/>                 |
| Total capital and surplus .....              | <u>\$2,432,278.96</u> | <u>\$2,327,200.57</u> |
|                                              | <hr/>                 | <hr/>                 |
| Total liabilities, capital and surplus ..... | <u>\$2,625,562.15</u> | <u>\$2,621,316.05</u> |

which are an integral part of this statement.

# NEW YORK AIRWAYS, INC.

## Comparative Statement of Profit and Loss and Earned Surplus

|                                                                       | For Years ended December 31 |                       |
|-----------------------------------------------------------------------|-----------------------------|-----------------------|
|                                                                       | 1955                        | 1954                  |
| <b>OPERATING REVENUES:</b>                                            |                             |                       |
| Passenger .....                                                       | \$ 179,683.81               | \$ 62,055.80          |
| United States mail (see Note 2) .....                                 | 40,274.57                   | 79,878.85             |
| Express .....                                                         | 29,023.26                   | 2,326.00              |
| Freight .....                                                         | 23,277.67                   | 16,421.77             |
| Excess baggage .....                                                  | 2,408.17                    | 905.20                |
| Non-scheduled transport services .....                                | 34,932.50                   | 13,689.81             |
| Federal subsidy (see Note 2) .....                                    | 1,436,599.59                | 1,351,480.27          |
| Other revenues—net .....                                              | 3,593.16                    | 25,408.32             |
| Total operating revenues .....                                        | <u>\$1,749,792.73</u>       | <u>\$1,552,166.02</u> |
| <b>OPERATING EXPENSES:</b>                                            |                             |                       |
| Flying operations .....                                               | \$ 289,877.90               | \$ 279,426.31         |
| Direct maintenance—flight equipment .....                             | 287,430.16                  | 243,696.80            |
| Depreciation—flight equipment .....                                   | 220,067.46                  | 214,994.35            |
| Ground operations .....                                               | 248,152.75                  | 194,234.40            |
| Ground and indirect maintenance .....                                 | 141,645.63                  | 127,122.19            |
| Passenger service .....                                               | 10,601.92                   | 14,103.67             |
| Traffic and sales .....                                               | 106,322.34                  | 67,405.74             |
| Advertising and publicity .....                                       | 30,981.63                   | 30,024.94             |
| General and administrative .....                                      | 201,245.47                  | 193,876.00            |
| Depreciation—ground equipment .....                                   | 23,620.77                   | 17,983.24             |
| Total operating expenses .....                                        | <u>\$1,559,996.03</u>       | <u>\$1,382,867.64</u> |
| Net operating profit .....                                            | \$ 189,796.70               | \$ 169,298.38         |
| <b>NON-OPERATING INCOME</b> (including interest and cash discounts)   |                             |                       |
|                                                                       | 22,747.44                   | 8,901.02              |
|                                                                       | <u>\$ 212,544.14</u>        | <u>\$ 178,199.40</u>  |
| <b>NON-OPERATING EXPENSE:</b>                                         |                             |                       |
| Extension and development expense (see Note 3) .....                  | \$ 57,085.88                | \$ 56,768.32          |
| Other non-operating expense .....                                     | 675.68                      | 9,294.69              |
| Total non-operating expense .....                                     | <u>\$ 57,761.56</u>         | <u>\$ 66,063.01</u>   |
| Net profit before provision for                                       |                             |                       |
| Federal income taxes .....                                            | \$ 154,782.58               | \$ 112,136.39         |
| <b>PROVISION FOR FEDERAL INCOME TAXES</b> (see Note 5) .....          |                             |                       |
|                                                                       | 49,704.19                   | 42,830.76             |
| Net profit for year .....                                             | <u>\$ 105,078.39</u>        | <u>\$ 69,305.63</u>   |
| <b>EARNED SURPLUS AT BEGINNING OF YEAR</b> .....                      |                             |                       |
|                                                                       | 119,775.27                  | 51,525.22             |
| <b>ADJUSTMENTS RELATING TO PRIOR YEARS</b> —(net debit) .....         |                             |                       |
|                                                                       | —                           | (1,055.58)            |
| Earned surplus at end of year—<br>per Comparative Balance Sheet ..... | <u>\$ 224,853.66</u>        | <u>\$ 119,775.27</u>  |

See notes herewith relating to financial statements which are an integral part of this statement.

## Notes Relating to Financial Statements

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation have been provided at rates which have been approved for mail rate purposes by the Board. The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenues of \$40,274.57 for the transportation of United States mail and \$1,436,599.59 for Federal subsidy are reflected herein, for the year 1955, on the basis of final mail rates which were in effect throughout the year. On February 3, 1956, the Company was served by the Civil Aeronautics Board with an order instituting proceedings reopening the then current final mail rates and directing the Company to show cause why the Board should not fix (effective on and after the date of service of the order) lower temporary rates pending the determination of new final mail rates. The Company is contesting this order.

3. The deferred charge described in the balance sheet herewith as "Extension and development costs" represents costs and expenses incurred or accrued during the Company's pre-operating period less amortization to date. Except as to \$2,761.50 of expenses incurred for a route not yet activated, these costs and expenses are being amortized over the remaining life of the Company's Temporary Certificate of Public Convenience and Necessity which expires on March 31, 1957; amortization charges to expense amounted to \$54,562.44 in 1955 and \$53,334.98 in 1954.

4. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1952, options may be granted to certain officers and employees of the Company to purchase up to an aggregate of 15,000 shares of its Capital Stock. The options permit the purchase of such shares at a price determined by a disinterested committee of the Company's Board of Directors but at not less than 95% of the fair market value as at the effective date of the option. Pursuant to this plan, options have been granted to 6 persons to purchase an aggregate of 13,000 shares of Capital Stock at a price of \$11.87½ per share. At December 31, 1955, such options were exercisable to the extent of 4,000 shares.

5. The amount of Accrued Taxes in the balance sheet as at December 31, 1955 includes an estimated liability of \$49,704.19 for Federal income taxes. The low estimate for Federal income taxes, in relation to net profit before such taxes for the year 1955, is due principally to the expectation that (a) charges in excess of reserves provided in the 1955 accounts for aircraft overhaul and (b) depreciation charges higher than those recorded in the 1955 accounts, will be allowed as deductions in 1955 by the Internal Revenue Service. The higher depreciation deductions expected to be allowed for 1955 offset, in part, depreciation deductions in prior years which were lower than those in the accounts.

The amount of Accrued Taxes, \$168,029.33, in the balance sheet herewith as at December 31, 1954, includes \$161,174.10 for estimated Federal income taxes of which \$8,862.88 relates to income earned in the 2½ months ended December 31, 1952, \$109,480.46 relates to income earned in the year 1953 and \$42,830.76 relates to the year 1954.

6. At December 31, 1955, the Company had a commitment amounting to \$809,895.00 for the purchase of three Sikorsky S-58 helicopters against which a deposit of \$202,473.75 had been made; this commitment will require cash of \$607,421.25 in 1956, and in addition approximately \$200,000.00 will be required for spare parts not yet ordered. Also requiring cash of \$72,550.00 and \$42,628.26 respectively, in 1956, are two purchase orders which were initiated in December, 1955 for two Curtiss-Wright cyclone engines and one Bell 47-H helicopter.

Examination of the Company's Federal income tax return for the year 1952 has been completed. No such examination has been made for subsequent years.

Other known contingent liabilities did not involve amounts large enough to be significant.



LOOMIS, SUFFERN & FERNALD  
CERTIFIED PUBLIC ACCOUNTANTS  
80 BROAD STREET  
NEW YORK 4

March 28, 1956

TO THE BOARD OF DIRECTORS OF  
NEW YORK AIRWAYS, INC.

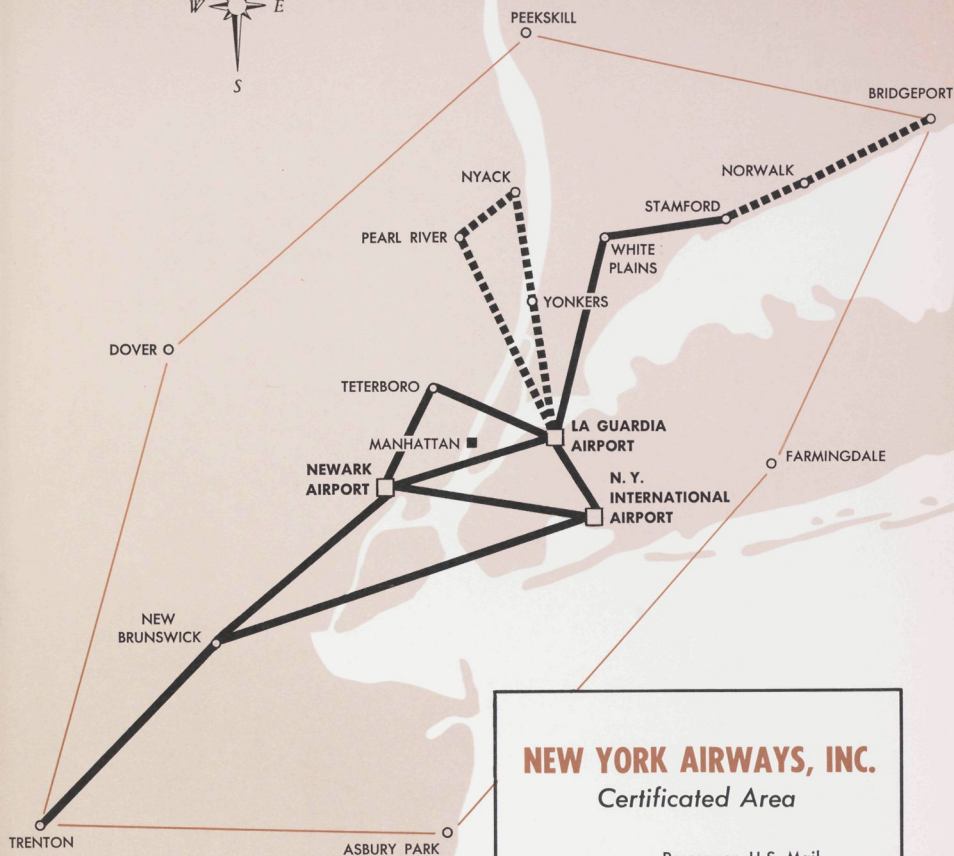
We have examined the Balance Sheet of New York Airways, Inc., as at December 31, 1955 and the related Statement of Profit and Loss and Earned Surplus for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; we reviewed and tested available records to satisfy ourselves that the accounts receivable were fairly stated, although it was not practicable to obtain confirmation of the balances. We had previously examined and reported upon the Balance Sheet as at December 31, 1954 and the Statement of Profit and Loss and Earned Surplus for the year ended on that date, which are included for purposes of comparison.

In our opinion, the accompanying Comparative Balance Sheet and Comparative Statement of Profit and Loss and Earned Surplus, together with the related notes, present fairly the financial position of New York Airways, Inc., as at December 31, 1955 and December 31, 1954 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis for the two years.

LOOMIS, SUFFERN & FERNALD

*Certified Public Accountants*





## NEW YORK AIRWAYS, INC.

### *Certificated Area*

- Passenger, U.S. Mail and/or Cargo Service
- - - - - U.S. Mail and/or Cargo Service



*5<sup>th</sup>*  
ANNUAL  
REPORT  
1956

NEW YORK AIRWAYS, INC.

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THE FIRST HELICOPTER AIRLINE







# **NEW YORK AIRWAYS, INC.**

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THE FIRST HELICOPTER AIRLINE

*5<sup>th</sup>*  
**ANNUAL  
REPORT  
1956**



# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **Directors**

*(as of April 16, 1957)*

|                         |                     |
|-------------------------|---------------------|
| Hoyt Ammidon            | Fred M. Glass       |
| Robert E. Blum          | Robert G. Goelet    |
| Horace Brock            | Knox Ide            |
| Robert L. Cummings, Jr. | Grover Loening      |
| Robert W. Dowling       | Samuel C. Park, Jr. |
| William Shields, Jr.    |                     |

## **Officers**

Robert L. Cummings, Jr., *President*  
Horace Brock, *Vice President*  
William W. Hogan, *Treasurer*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Loomis, Suffern & Fernald

## **Counsel**

Skadden, Arps, Slate & Timbers

## To the Stockholders and Employees of NEW YORK AIRWAYS, INC.

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The year 1956 may be characterized primarily as a period of preparation for the further development of your Company's operations. The principal events of the period under review were the acquisition of improved Sikorsky S-58 helicopters and the inauguration of service to Manhattan Island.

Other steps included the installation of a passenger reservation system directly integrated with all domestic and most international airlines serving New York; the establishment of a facility at the Company's main base adequate to accommodate airframe and major component overhauls previously "farmed out"; and the opening of separate ticket counter facilities at the three major airports in the New York Metropolitan Area.

Your management has also pressed its program for the acquisition of even more efficient helicopters and heliport facilities, with a view to advancing the time at which civil transportation by helicopter may be placed on a self-sustaining basis.

The public interest in our forward planning along these lines was stressed in a letter addressed to your management on February 25, 1957 by Mr. Austin J. Tobin, Executive Director of The Port of New York Authority. Mr. Tobin stated in part:

"I cannot overemphasize the importance the Port Authority attaches to the development of a reliable helicopter transport system. As a result of careful studies over the years, we are convinced that the helicopter system now being created is a vital link in the overall transportation complex of our community and of the nation. We understand, of course, that such a program now looks primarily to the future and that the successful development of the program will require time, patience and strenuous efforts by your management as well as ourselves and the other interested governmental agencies."

**1956 OPERATIONS.** The operations conducted during 1956 are shown by the map set forth at the end of this Report. These services were flown with the fleet of five Sikorsky S-55 helicopters acquired in 1952-1953 and (toward the latter part of 1956) with the new Sikorsky S-58 helicopters. In addition to these scheduled services, in the interests of maximum utility to the public, your Company has continued the development of its charter operations. Charter services were provided both with the helicopters employed in scheduled operations and with a three-place Bell 47-H helicopter utilized for pilot training as well as other technical purposes.

The operating record in 1956 and prior years was as follows:

|                                              | 1956      | 1955      | 1954      | 1953      |
|----------------------------------------------|-----------|-----------|-----------|-----------|
| Revenue passengers* .....                    | 43,205    | 24,569    | 8,758     | 1,513     |
| Express (lbs)* .....                         | 1,907,373 | 1,758,534 | 159,450   | —         |
| Freight (lbs) .....                          | 607,023   | 473,785   | 359,360   | 141,116   |
| Mail (lbs) .....                             | 1,159,704 | 1,412,181 | 2,354,464 | 3,347,456 |
| Scheduled revenue<br>ton miles carried ..... | 108,306   | 79,313    | 53,314    | 43,926    |
| Revenue load factor (%) .....                | 52.21     | 51.13     | 34.04     | 32.37     |
| Scheduled miles flown .....                  | 429,224   | 387,773   | 391,435   | 334,100   |
| Schedule completion factor (%)               | 77.23     | 82.07     | 84.21     | 82.72     |
| Charter hours flown .....                    | 209       | 149       | 167       | 52        |

\*Passenger service was commenced in July, 1953 and express service in October, 1954.

Thus, in 1956, the Company's passenger traffic increased 76% over 1955, cargo traffic increased 13%, and charter hours flown increased 40%. The volume of mail has begun a marked upturn as a result of the inauguration of service to Manhattan. As contrasted with the monthly total of 96,642 pounds averaged during 1956, mail loads are now running at the rate of some 200,000 pounds per month.

The rapid growth of your Company's passenger traffic was due primarily to our success in achieving public acceptance of New York Airways' services and our ability to increase frequencies as required by the demand. In large measure this growth was also attributable to the program, commenced in 1955, for the establishment of joint fare arrangements with the fixed-wing airlines serving New York. Such arrangements have been consummated with sixteen international and domestic airlines, thus integrating your Company's operations into both the air transportation system of the United States and the international route network.

**NEW EQUIPMENT.** During the latter part of 1956 your Company took delivery of three Sikorsky S-58 helicopters for which commitment had been made in 1955. These are the largest and most advanced helicopters now in civil operation anywhere in the world, and New York Airways was the first to inaugurate scheduled service with this equipment. As compared with the maximum of seven passengers which can be accommodated on the older S-55's, the S-58's provide seating capacity for twelve passengers. This new equipment also offers a substantial improvement in operating efficiency and passenger comfort, including greatly reduced noise and vibration levels.



The West 30th Street Heliport



S-58 Over West 30th Street Heliport

While acquisition of the S-58's marks an important advance in scheduled helicopter transportation, this development has involved major outlays. The purchase of these three aircraft (including spare engines and parts) has required a capital commitment of some \$1,200,000. In addition, the flight and maintenance costs of the new equipment have also increased over those required for the smaller helicopters previously in operation, and substantial training and other integration expenses have been incurred with respect to these new units of the Company's fleet.

In order to increase the utility of the S-58's on our routes, your Company, in cooperation with the manufacturer, has developed a program for converting these helicopters to amphibious configuration. Although difficult engineering problems have been encountered, it is now anticipated that this program will be completed during the Spring of 1957.

As a result of your Company's sound financial position, the substantial capital outlays needed for the acquisition of these new helicopters have been financed entirely on a cash basis, and no resort to borrowings has been required.

**MANHATTAN HELIPORT.** In the latter part of 1956 your Company inaugurated operations to the first commercial heliport to be established on Manhattan Island, located at 30th Street and the Hudson River. As reported in prior years, the establishment of such a facility has, from the beginning, been a principal objective of your management. That this objective has now been attained is an impressive testimonial to the interest of The Port of New York Authority (which has committed some \$500,000 to this project), of the City of New York, and of the other governmental agencies concerned with development of scheduled helicopter transportation.

The 30th Street heliport is only a beginning. It is planned that additional heliports will be constructed at other central locations in the New York Metropolitan Area. The present plans of The Port of New York Authority with respect to these additional facilities are shown by the inset map. The Port Authority is prepared to make a further capital investment exceeding \$15,000,000 for the development of these plans, together with enlargement of the 30th Street facility.

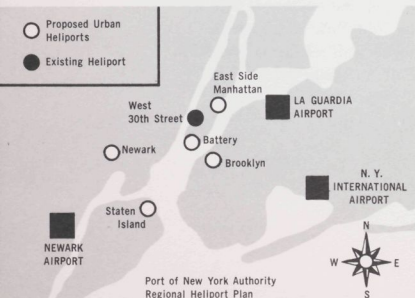


**NON-SUBSIDY REVENUES.** Your Company has succeeded in increasing its commercial revenues (i.e., from sources other than government subsidy) to levels not previously attained in scheduled helicopter transportation. In 1956, these revenues increased 40% over 1955, and since 1954 (the first full year of passenger operations) they have increased 119%.

It is expected that this growth will continue. Nonetheless, the additional expenses involved in the conduct of the Company's expanded services mean that for some time to come the Company will remain dependent for the bulk of its revenues on subsidy payments by the Civil Aeronautics Board. Under the Civil Aeronautics Act, these payments are made available to air carriers which are not yet in a position to operate on a self-sustaining basis through the generation of commercial revenues alone, and are provided in the form of payments for the carriage of the United States mail.

**SUBSIDY POSITION.** During 1955, the Company had been operating under a rate of mail payment established by the Civil Aeronautics Board in the Summer of 1954. In the fore part of 1956, the Board reopened this rate for review and redetermination, effective from February 3, 1956 forward. In the meantime, the Company has been operating under temporary mail rates. These temporary rates have not been adequate to cover the increased expenses resulting from the acquisition of new equipment and the expansion of operations previously described. However, they serve only as a basis for interim payment pending retroactive adjustment upon completion of the review proceedings.

These proceedings are still pending. Accordingly, it is not yet possible to present a definitive profit and loss statement for the year 1956, since the Company's actual mail revenues cannot now be ascertained. When the final results are known,







any additional mail pay provided in respect of 1956 will, of course, be attributed to that year and the accounts (which, in accordance with customary accounting practices, reflect only temporary mail pay from February 3, 1956) will be adjusted accordingly.

**FUTURE PROSPECTS.** Although the Company's Temporary Certificate of Public Convenience and Necessity (issued in 1952 by the Civil Aeronautics Board for a five-year term) technically expired on March 31, 1957, an application for renewal has been filed, and under the law the Company's operating authority is continued in effect until a final decision is rendered on this application. Your management is confident that in view of the Company's record and the future prospects of helicopter service in the New York Metropolitan Area, this operating authority will be renewed.

In addition to the service furnished to the traveling public, your Company's operations provide a developmental laboratory in which long-range improvements in helicopter technique are being worked out. The results being obtained are making a significant contribution to the advance of this important new form of transportation, for military as well as civil purposes. It is now anticipated that by 1960 or 1961, 20 to 25 passenger helicopters, powered by multiple turbines, and having technical and economic characteristics far in advance of anything now in operation, will be available for civil use.

Finally, I would like to express my sincere appreciation of the devoted services performed by our personnel, and to our more than six hundred stockholders for their enthusiastic patronage and support.

By Order of The Board of Directors

President

April 16, 1957

## Assets

|                                                                                                                                      | At December 31        |                       |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                                                      | 1956                  | 1955                  |
| <b>CURRENT ASSETS:</b>                                                                                                               |                       |                       |
| Cash on hand and on deposit in banks .....                                                                                           | \$ 409,493.23         | \$ 145,760.97         |
| Marketable securities, at cost plus accrued interest on U. S. Treasury Bills and Commercial Paper or minus amortization of premiums: |                       |                       |
| U. S. Government securities (market value December 31, 1956—\$249,300) .....                                                         | 249,508.77            | 549,202.34            |
| Other securities .....                                                                                                               | —                     | 721,908.38            |
| Accounts receivable:                                                                                                                 |                       |                       |
| United States Government .....                                                                                                       | 222,291.97            | 219,843.82            |
| Traffic .....                                                                                                                        | 53,470.13             | 44,948.90             |
| Estimated refund of Federal income tax based on carry-back of loss to 1954 under the Internal Revenue Code .....                     | 138,000.00            | —                     |
| Other current receivables .....                                                                                                      | 21,152.50             | 7,738.23              |
| Materials and miscellaneous supplies, at cost .....                                                                                  | 75,679.16             | 47,714.34             |
| Prepaid insurance .....                                                                                                              | 83,794.86             | 62,027.72             |
|                                                                                                                                      | <u>\$1,253,390.62</u> | <u>\$1,799,144.70</u> |
| <b>INVESTMENTS AND SPECIAL FUNDS:</b>                                                                                                |                       |                       |
| Investments in and advances to subsidiary and related service companies .....                                                        | \$ 972.22             | \$ 947.22             |
| Deposits against equipment purchase contracts .....                                                                                  | 69,305.75             | 202,473.75            |
|                                                                                                                                      | <u>\$ 70,277.97</u>   | <u>\$ 203,420.97</u>  |
| <b>OPERATING PROPERTY AND EQUIPMENT (stated at cost):</b>                                                                            |                       |                       |
| Flight equipment .....                                                                                                               | \$1,872,114.15        | \$1,025,934.35        |
| Less—Reserves for depreciation (see Note 1) .....                                                                                    | 824,950.56            | 603,797.96            |
|                                                                                                                                      | <u>\$1,047,163.59</u> | <u>\$ 422,136.39</u>  |
| Ground property and equipment .....                                                                                                  | \$ 278,865.17         | \$ 151,074.50         |
| Less—Reserves for depreciation (see Note 1) .....                                                                                    | 78,175.45             | 45,813.57             |
|                                                                                                                                      | <u>\$ 200,689.72</u>  | <u>\$ 105,260.93</u>  |
| Operating property and equipment less reserves for depreciation .....                                                                | <u>\$1,247,853.31</u> | <u>\$ 527,397.32</u>  |
| <b>DEFERRED CHARGES:</b>                                                                                                             |                       |                       |
| Extension and development costs (see Note 3) .....                                                                                   | \$ 60,439.46          | \$ 70,964.44          |
| Other deferred charges .....                                                                                                         | 44,462.34             | 24,634.72             |
|                                                                                                                                      | <u>\$ 104,901.80</u>  | <u>\$ 95,599.16</u>   |
| Total assets .....                                                                                                                   | <u>\$2,676,423.70</u> | <u>\$2,625,562.15</u> |

# BALANCE SHEET December 31, 1956 and December 31, 1955

## Liabilities, Capital and Surplus

At December 31

### CURRENT LIABILITIES:

Accounts payable:

|                                             | 1956         | 1955         |
|---------------------------------------------|--------------|--------------|
| General .....                               | \$ 98,146.10 | \$ 56,078.82 |
| Collections as agent .....                  | 12,621.09    | 17,890.16    |
| Airline traffic .....                       | 3,521.27     | 654.98       |
| Accrued salaries and wages .....            | 20,498.44    | 13,759.97    |
| Accrued vacation pay .....                  | 30,204.42    | 25,340.36    |
| Accrued taxes .....                         | 9,690.93     | 58,900.92    |
| Other current and accrued liabilities ..... | 18,249.68    | 10,901.58    |

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Total current liabilities ..... | \$ 192,931.93 | \$ 183,526.79 |
|---------------------------------|---------------|---------------|

DEFERRED FEDERAL INCOME TAXES (see Notes 2 and 3) .....

|              |      |
|--------------|------|
| \$ 68,900.00 | \$ — |
|--------------|------|

RESERVE FOR AIRCRAFT OVERHAUL .....

|              |             |
|--------------|-------------|
| \$ 12,463.55 | \$ 9,756.40 |
|--------------|-------------|

### CAPITAL AND SURPLUS:

Capital stock, par value \$1.00 per share:

|                                                                                                      | 1956           | 1955           |               |               |
|------------------------------------------------------------------------------------------------------|----------------|----------------|---------------|---------------|
| Shares authorized .....                                                                              | 300,000        | 300,000        |               |               |
| Shares reserved pursuant to Employees' Stock Option Plan and Incentive Stock Plan (see Note 4) ..... | 22,750         | 15,000         |               |               |
| Shares issued and outstanding .....                                                                  | <u>240,750</u> | <u>238,500</u> | \$ 240,750.00 | \$ 238,500.00 |

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Capital surplus (Paid-in) ..... | 1,968,925.30 | 1,968,925.30 |
|---------------------------------|--------------|--------------|

|                                             |            |            |
|---------------------------------------------|------------|------------|
| Earned surplus—per statement herewith ..... | 192,452.92 | 224,853.66 |
|---------------------------------------------|------------|------------|

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Total capital and surplus ..... | \$2,402,128.22 | \$2,432,278.96 |
|---------------------------------|----------------|----------------|

|                                              |                |                |
|----------------------------------------------|----------------|----------------|
| Total liabilities, capital and surplus ..... | \$2,676,423.70 | \$2,625,562.15 |
|----------------------------------------------|----------------|----------------|

See notes herewith relating to financial statements which are an integral part of this statement.

# NEW YORK AIRWAYS, INC.

## Comparative Statement of Profit and Loss and Earned Surplus

|                                                                                                                                                                              | For Years ended December 31 |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------|
|                                                                                                                                                                              | 1956                        | 1955                  |
| <b>OPERATING REVENUES:</b>                                                                                                                                                   |                             |                       |
| Passenger .....                                                                                                                                                              | \$ 317,764.75               | \$ 179,683.81         |
| United States mail (see Note 2) .....                                                                                                                                        | 32,033.12                   | 40,274.57             |
| Express .....                                                                                                                                                                | 24,529.68                   | 29,023.26             |
| Freight .....                                                                                                                                                                | 28,932.21                   | 23,277.67             |
| Excess baggage .....                                                                                                                                                         | 2,600.67                    | 2,408.17              |
| Non-scheduled transport services .....                                                                                                                                       | 28,323.83                   | 34,932.50             |
| Federal subsidy (see Note 2) .....                                                                                                                                           | 1,402,647.72                | 1,436,599.59          |
| Other revenues—net .....                                                                                                                                                     | 4,788.10                    | 3,593.16              |
| Total operating revenues .....                                                                                                                                               | <u>\$1,841,620.08</u>       | <u>\$1,749,792.73</u> |
| <b>OPERATING EXPENSES:</b>                                                                                                                                                   |                             |                       |
| Flying operations .....                                                                                                                                                      | \$ 336,261.27               | \$ 289,877.90         |
| Direct maintenance—flight equipment .....                                                                                                                                    | 294,853.85                  | 287,480.16            |
| Depreciation—flight equipment .....                                                                                                                                          | 262,989.88                  | 220,067.46            |
| Ground operations .....                                                                                                                                                      | 318,072.40                  | 248,152.75            |
| Ground and indirect maintenance .....                                                                                                                                        | 157,190.32                  | 141,645.63            |
| Passenger service .....                                                                                                                                                      | 14,103.62                   | 10,601.92             |
| Traffic and sales .....                                                                                                                                                      | 195,894.88                  | 106,322.34            |
| Advertising and publicity .....                                                                                                                                              | 31,326.24                   | 30,981.63             |
| General and administrative .....                                                                                                                                             | 261,186.58                  | 201,245.47            |
| Depreciation—ground equipment .....                                                                                                                                          | 36,699.78                   | 23,620.77             |
| Total operating expenses .....                                                                                                                                               | <u>\$1,908,578.82</u>       | <u>\$1,559,996.03</u> |
| Net operating profit (loss) .....                                                                                                                                            | \$ (66,958.74)              | \$ 189,796.70         |
| <b>NON-OPERATING INCOME</b> (including interest and cash discounts)                                                                                                          | 22,184.43                   | 22,747.44             |
|                                                                                                                                                                              | <u>\$ (44,774.31)</u>       | <u>\$ 212,544.14</u>  |
| <b>NON-OPERATING EXPENSE:</b>                                                                                                                                                |                             |                       |
| Extension and development expense (see Note 3) .....                                                                                                                         | \$ 56,880.06                | \$ 57,085.88          |
| Other non-operating expense .....                                                                                                                                            | 5,744.56                    | 675.68                |
| Total non-operating expense .....                                                                                                                                            | <u>\$ 62,624.62</u>         | <u>\$ 57,761.56</u>   |
| Net profit (loss) before Federal income tax ....                                                                                                                             | \$ (107,398.93)             | \$ 154,782.58         |
| <b>FEDERAL INCOME TAX</b> —Credit, in 1956, for portion of estimated carry-back refund applicable against above 1956 loss; and charge, in 1955, for Federal income tax ..... |                             |                       |
|                                                                                                                                                                              | 62,000.00                   | 49,704.19             |
| Net profit (loss) for year .....                                                                                                                                             | <u>\$ (45,398.93)</u>       | <u>\$ 105,078.39</u>  |
| <b>EARNED SURPLUS</b> —at beginning of year .....                                                                                                                            |                             |                       |
| Adjustments of prior years' Federal income taxes .....                                                                                                                       | 224,853.66                  | 119,775.27            |
|                                                                                                                                                                              | <u>12,998.19</u>            | <u>—</u>              |
| Earned surplus at end of year—<br>per Comparative Balance Sheet .....                                                                                                        | <u>\$ 192,452.92</u>        | <u>\$ 224,853.66</u>  |

See notes herewith relating to financial statements which are an integral part of this statement.



## Notes Relating to Financial Statements

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed, generally in the Company's accounts and in the financial statements herewith and reserves for depreciation have been provided at rates which are used or expected to be used for mail rate purposes by the Board. The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenues for the transportation of United States mail and Federal subsidy are reflected herein, for the period from January 1, 1956 to February 2, 1956, on the basis of final mail rates which were in effect during that period as well as during the year 1955. Such revenues for the period from February 3, 1956 to December 31, 1956 are based on temporary mail rates set forth in Civil Aeronautics Board orders adopted June 18, 1956 and April 11, 1957. These temporary rates serve only as an interim basis of payment, until such time as final rates are fixed, for the portion of the total mail pay classified as Federal subsidy and amounts so received are subject to retroactive adjustment upon the fixing of final rates; the portion of total mail pay representing revenue for the transportation of United States mail is not affected by the above-mentioned orders.

In its order to show cause adopted April 11, 1957, which the Company intends to accept pending settlement of final rates, the Board increased the temporary rates for the period from February 3, 1956 to December 31, 1956, by an amount of \$99,654.23. This amount, although reflected in the statement herewith as 1956 Federal subsidy, will be treated for Federal income tax purposes as income in 1957; consequently, an amount equal to the estimated tax thereon is included in the amount described in the balance sheet as "Deferred Federal income taxes".

3. The deferred charges described in the balance sheet herewith as "Extension and development costs" represent (a) costs and expenses incurred or accrued during the Company's pre-operating period less amortization to date which costs and expenses, except as to \$2,761.50 for a route not yet activated, are being amortized over the remaining life of the Company's Temporary Certificate of Public Convenience and Necessity which technically expired on March 31, 1957; and (b) developmental, training and other costs incurred in connection with the introduction into service of new Sikorsky S-58 helicopters less amortization provided on the basis of writing off these costs over a period of 5 years from October 1, 1956. Amortization charges to expense amounted to \$56,880.06 in 1956 and \$54,562.44 in 1955.

The deferred costs referred to in (b) above are being

treated for Federal income tax purposes as tax deductions in the years in which they were incurred; the resulting tax savings have been set aside in "Deferred Federal income taxes" account to be offset against higher taxes in future years when amortization deductions are taken in the accounts but not in the tax returns.

4. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1952, options may be granted to certain officers and employees of the Company to purchase up to an aggregate of 15,000 shares of its Capital Stock. The options permit the purchase of such shares at a price determined by a disinterested committee of the Company's Board of Directors but at not less than 95% of the fair market value as at the effective date of the option. Pursuant to this plan, options have been granted to 6 persons to purchase an aggregate of 13,000 shares of Capital Stock at a price of \$11.87½ per share. At December 31, 1956, such options were exercisable to the extent of 6,600 shares.

In 1956, an Incentive Stock Plan was adopted by the Board of Directors and approved by the stockholders of the Company. This plan, administered by a committee of Directors not eligible to participate therein, runs through December 31, 1960 and provides for the issuance and sale subject to certain restrictions of 10,000 shares of Capital Stock (but not more than 3,000 shares in any calendar year) to selected officers and other key employees of the Company at a price of \$1.00 per share (par value). At December 31, 1956, 2,250 shares had been issued and sold pursuant to this plan.

5. At December 31, 1956, the Company had commitments amounting to \$271,540.00, against which deposits of \$69,305.75 had been made, for the purchase of a new Sikorsky S-58 aircraft and Curtiss-Wright engine which was ordered to replace one of its three Sikorsky S-58 helicopters destroyed in a training accident; this accident was fully covered by insurance and an insurance recovery of \$265,000.00 (\$270,000.00 insurance value of the helicopter less \$5,000.00 deductible) has been received. The Company also had commitments for the purchase of spare parts and accessories which will require additional cash of approximately \$125,000.00 in 1957.

The Company's Federal income tax returns for the years 1953 and 1954 have been examined but have not been finally passed upon by representatives of the Internal Revenue Service; no such examination has been made for the year 1955.

Other known contingent liabilities not covered by insurance did not involve amounts large enough to be significant.

**LOOMIS, SUFFERN & FERNALD**

CERTIFIED PUBLIC ACCOUNTANTS

80 BROAD STREET

NEW YORK 4

April 15, 1957

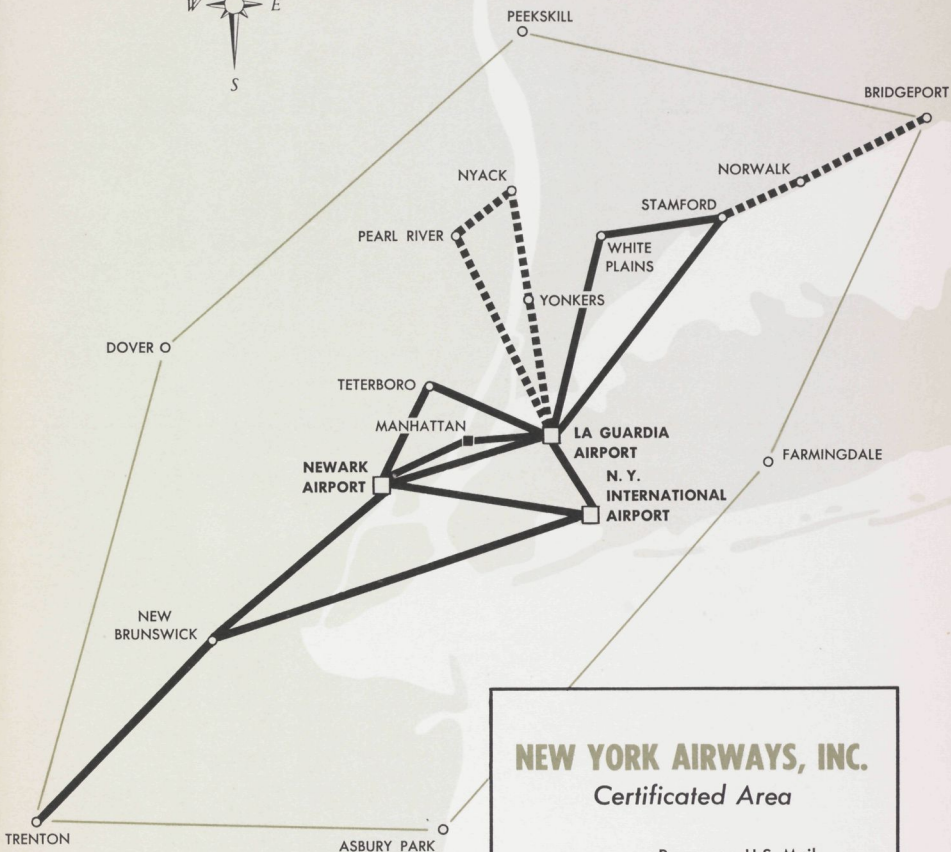
TO THE BOARD OF DIRECTORS OF  
NEW YORK AIRWAYS, INC.

We have examined the Balance Sheet of New York Airways, Inc., as at December 31, 1956 and the related Statement of Profit and Loss and Earned Surplus for the year ended on that date. 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; although it was not practicable to obtain confirmation of the balances receivable from the United States government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated. We had previously examined and reported upon the Balance Sheet as at December 31, 1955 and the Statement of Profit and Loss and Earned Surplus for the year ended on that date, which are included for purposes of comparison.

Subject to determination of the amount of Federal subsidy for the year 1956, with regard to which information is presented in Note 2 of Notes Relating to Financial Statements, in our opinion the accompanying Comparative Balance Sheet and Comparative Statement of Profit and Loss and Earned Surplus, together with the related notes, present fairly the financial position of New York Airways, Inc., as at December 31, 1956 and December 31, 1955 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis for the two years.

LOOMIS, SUFFERN & FERNALD

*Certified Public Accountants*



## NEW YORK AIRWAYS, INC.

*Certificated Area*

- Passenger, U.S. Mail and/or Cargo Service
- - - - - U.S. Mail and/or Cargo Service

**1956**





*6<sup>th</sup>*  
ANNUAL  
REPORT  
1957

NEW YORK AIRWAYS, INC.

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THE FIRST HELICOPTER AIRLINE





# NEW YORK AIRWAYS, INC.

THE FIRST HELICOPTER AIRLINE

6<sup>th</sup>

ANNUAL  
REPORT  
1957

# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **Directors**

*(as of April 15, 1958)*

|                         |                      |
|-------------------------|----------------------|
| Hoyt Ammidon            | Fred M. Glass        |
| Robert E. Blum          | Robert G. Goelet     |
| Horace Brock            | Grover Loening       |
| Robert L. Cummings, Jr. | Samuel C. Park, Jr.  |
| Robert W. Dowling       | William Shields, Jr. |

## **Officers**

Robert L. Cummings, Jr., *President*  
Horace Brock, *Vice President*  
J. E. Gallagher, *Vice President*  
William W. Hogan, *Treasurer*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Loomis, Suffern & Fernald

## **Counsel**

Skadden, Arps, Slate & Timbers



# To the Stockholders and Employees of NEW YORK AIRWAYS, INC.

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**THE YEAR IN REVIEW.** During 1957, your Company continued to record gains in all major transport revenue categories. Concurrently, plans were made to strengthen your Company's position by obtaining a fleet of Vertol tandem rotor helicopters with built-in amphibious capabilities. Equipment standardization, increased capacity and superior passenger comfort will result.

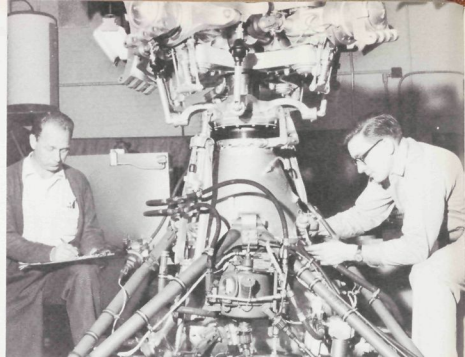
Significantly, operating revenues of a non-subsidy nature aggregated \$721,500 for 1957, as compared with the \$438,973 generated from the same sources in 1956, representing a 64% increase. However, your Company remains dependent upon financial support in the form of subsidy payments by the Civil Aeronautics Board. Despite the substantial increase in the public service furnished (one aspect being mail pounds handled—2,550,907 in 1957 as compared with 1,159,704 in 1956) federal subsidy thus far received for last year was up only 14% over 1956.

Since February 1956 (when the Board took action to reopen our mail pay rate for review and redetermination) subsidy payments have been received on a temporary or interim basis, subject to retroactive adjustment. The delay of more than two years in securing definitive action by the Board has had far-reaching consequences. The resulting uncertainty has led your Company, on two occasions, to suspend service to certain points on our system and sharply to curtail the passenger schedules to the Manhattan Heliport.

In addition, the inadequacy of the temporary subsidy revenues received has caused New York Airways to report a net loss of \$117,227 for 1957 and a net loss of \$32,401 for 1956. However, the reported results for both 1956 and 1957 are subject to modification arising from any retroactive adjustments in subsidy mail pay that may be made.



Vertol 44-B



Maintenance

**1957 OPERATIONS.** The traffic gains and operating results for 1957, with comparisons since 1953 (the first complete year of operations), are indicated as follows:

|                                             | 1957      | 1956      | 1955      | 1954      | 1953      |
|---------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue passengers* .....                   | 68,694    | 43,205    | 24,569    | 8,758     | 1,513     |
| Express (lbs.)* .....                       | 1,499,811 | 1,907,373 | 1,758,534 | 159,450   | —         |
| Freight (lbs.) .....                        | 698,258   | 607,023   | 473,785   | 359,360   | 141,116   |
| Mail (lbs.) .....                           | 2,550,907 | 1,159,704 | 1,412,181 | 2,354,464 | 3,347,456 |
| Scheduled revenue<br>ton miles carried..... | 158,068   | 108,306   | 79,313    | 53,314    | 43,926    |
| Revenue load factor (%) .....               | 39.81     | 52.21     | 51.13     | 34.04     | 32.87     |
| Scheduled miles flown.....                  | 464,333   | 429,224   | 387,773   | 391,435   | 334,100   |
| Schedule completion factor (%) .....        | 79.82     | 77.23     | 82.07     | 84.21     | 82.72     |
| Charter hours flown.....                    | 213       | 209       | 149       | 167       | 52        |

\*Passenger service was commenced in July, 1953 and express service in October, 1954.

The number of revenue passengers carried during 1957 increased to 68,694, a new peak, and representing a gain of 59% over 1956.

The volume of express handled declined in 1957 largely due to a strike curtailing the operations of the Railway Express Agency during part of the year.

Freight business continues to show steady improvement. Another new high was established in 1957, with a gain of 15% being recorded over 1956.

Mail volume for 1957 made a rapid recovery. While more than double the amount carried in 1956, the 1957 total is still short of the 1953 volume. However, with the introduction of the new Vertol fleet, additional capacity will permit your Company to surpass even the level reached in 1953.

The 1957 decline in revenue load factor reflects the difficulties encountered in the mixed-fleet operation conducted during the year with flight equipment of radically different capacity and performance characteristics.

**EQUIPMENT PROGRAM.** While junior to the other certificated helicopter operators by several years, in July of 1953 New York Airways inaugurated the first scheduled helicopter passenger service, employing the Sikorsky S-55 helicopter. The development of the Sikorsky S-58 helicopter, affording increased capacity and improved standards of operating efficiency and passenger comfort, was another major advance. Commitments for the S-58's were made in 1955, and in 1956 service was inaugurated with these helicopters. The traffic and revenue gains achieved by your Company since that time have been a direct result of introduction of the S-58's into commercial service.

As a continuing process, your management has studied designs or prototypes of advanced helicopters, both in the United States and abroad. As an outgrowth of a study commenced in August 1957 in collaboration with Vertol Aircraft Corporation, agreements have now been reached covering the purchase of five Vertol 44-B helicopters. Thus, your Company will benefit from standardizing its operations on one type and size of flight equipment.

The acquisition of these helicopters (including spares, training, and other transitional expenses) will entail a capital expenditure of about \$2.2 million.

An integral part of this re-equipment program is the acceptance by Vertol Aircraft Corporation, under a trade-in arrangement, of our present fleet and related spares. The amounts thus realized by your Company will aggregate between \$1.1 and \$1.2 million, representing full recovery of the net book value.

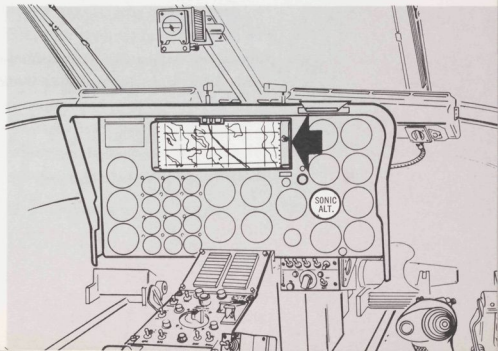
The balance required to purchase the Vertol equipment, about \$1 million, is expected to be financed by a line of bank credit which will be extended to your Company (by The Chase Manhattan Bank, The Hanover Bank, Federation Bank & Trust Company, and United States Trust Company of New York) upon favorable action by the Civil Aeronautics Board under the Aircraft Purchase Loan Guaranty statute enacted by the last session of Congress. This legislation enables the Board to facilitate the purchase of improved flight equipment by certificated carriers such as New York Airways, through Government guarantees of loans to the carriers for this purpose.

Your Company's proposals in this matter now stand submitted to the Civil

**Vertol Cabin Interior**

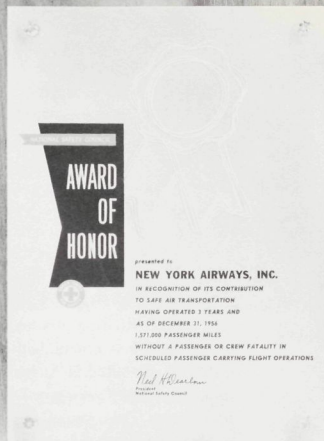


**NYA-Vertol Instrument Panel Showing Bendix-Decca Navigator**





Passenger Counter  
La Guardia Airport



Aeronautics Board, and a decision is being currently awaited.

The acquisition of the Vertol 44-B's, while desirable in itself on technical and economic grounds, becomes even more attractive from the viewpoint of timing. Your Company is in a position to obtain delivery from the manufacturer's production line during the second quarter of 1958.

The Vertol helicopter has a demonstrated record of reliability in military operations, having accumulated more than 200,000 hours of flying time. The model being purchased by your Company, the Vertol 44-B, can accommodate up to 15 passengers. This new fleet will provide a capacity of more than 5.5 million passenger seat miles annually in your Company's operations—an increase of 51% over the present fleet. Moreover, the amphibious characteristics of the Vertol broaden its capabilities on the Company's routes (substantial portions of which are flown over water) thus enabling the immediate resumption of hourly service to and from Manhattan, and its tandem-rotor configuration will greatly simplify the weight and balance control procedures necessary in loading passengers and cargo.

In addition, and of considerable importance for our future, these helicopters will be capable of conversion to multiple turbine power when the necessary power plants become available to commercial operators for this purpose. Such a conversion — of which prototypes are already in the air — will double the productivity of these helicopters in your Company's operations.

These new helicopters will, in the opinion of management, contribute to your Company's attainment of economic self-sufficiency at an earlier date than would otherwise be possible, through the generation of broader traffic volumes for the



helicopter in the New York common carrier market. Further, the experience to be gained in this operation will assist both your Company and the helicopter manufacturers in the development of still more effective equipment.

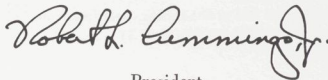
**AIRWAYS MODERNIZATION BOARD.** With the availability of the Vertols, your management has entered into a two-year project with the Airways Modernization Board under which the Bendix-Decca Navigation System will be examined to determine the extent to which any hyperbolic system would expedite helicopter operations. This will deal with a live evaluation program on navigation and traffic control techniques. As it involves operational problems in a high-density, multi-airport terminal area, the findings of this evaluation will be of benefit both to the Government and the helicopter industry generally.

**FUTURE PROSPECTS.** As noted in our 1956 Annual Report, proceedings are pending before the Civil Aeronautics Board with respect to renewal of your Company's Temporary Certificate of Public Convenience and Necessity. Public hearings in these proceedings are now scheduled to be held in June, 1958. In view of your Company's record of achievement and the potentials of broadening helicopter service in the New York Metropolitan Area, your management is confident of a favorable decision by the Board. Renewals have already been granted to the carriers performing the same type of service in the Los Angeles and Chicago areas.

It is anticipated that within the next four years, 20 to 25 passenger helicopters, powered by multiple turbines, and having technical and economic characteristics greatly superior to anything now in operation, will become available for civil use. With the advent of this equipment it appears reasonable to expect that metropolitan helicopter service can be placed on a self-sustaining basis. Something of the scope of your Company's growth prospects is indicated by the fact that The Port of New York Authority, based on studies carried on over the past several years, foresees a possible need for a capital outlay of close to \$20 million for the construction of heliport facilities within the Metropolitan Area. These will be in addition to those now in operation on the West side of Manhattan and at La Guardia, New York International and Newark airports.

The continued growth of your Company is attributable in great measure to the hard work and enthusiasm of its personnel and to the support that has been extended by its numerous stockholders.

By Order of The Board of Directors



President

April 15, 1958

# NEW YORK AIRWAYS, INC.

## COMPARATIVE

### Assets

|                                                                                                                                                   | At December 31               |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
|                                                                                                                                                   | 1957                         | 1956                         |
| <b>CURRENT ASSETS:</b>                                                                                                                            |                              |                              |
| Cash on hand and on deposit in banks.....                                                                                                         | \$ 222,901.60                | \$ 409,493.23                |
| Special deposits .....                                                                                                                            | 2,203.09                     | 2,432.00                     |
| United States Government securities, at cost plus accrued interest<br>on U. S. Treasury Bills (market value<br>December 31, 1957—\$324,500) ..... | 324,251.56                   | 249,508.77                   |
| Accounts receivable:                                                                                                                              |                              |                              |
| United States Government .....                                                                                                                    | 206,779.56                   | 224,942.68                   |
| General traffic .....                                                                                                                             | 72,159.54                    | 53,470.13                    |
| Estimated refund of Federal income tax based on carry-back<br>of loss under the Internal Revenue Code.....                                        | 50,306.00                    | 138,000.00                   |
| Other current receivables .....                                                                                                                   | 23,906.51                    | 18,501.79                    |
| Flight equipment expendable parts.....                                                                                                            | 93,895.17                    | 75,679.16                    |
| Prepaid insurance .....                                                                                                                           | 68,106.52                    | 83,794.86                    |
| Total current assets .....                                                                                                                        | <u>\$1,064,509.55</u>        | <u>\$1,255,822.62</u>        |
| <b>INVESTMENTS AND SPECIAL FUNDS:</b>                                                                                                             |                              |                              |
| Investments in and advances to subsidiary and<br>related service companies .....                                                                  | \$ 998.47                    | \$ 972.22                    |
| Deposits against equipment purchase contracts.....                                                                                                | —                            | 69,305.75                    |
|                                                                                                                                                   | <u>\$ 998.47</u>             | <u>\$ 70,277.97</u>          |
| <b>OPERATING PROPERTY AND EQUIPMENT</b> (stated at cost):                                                                                         |                              |                              |
| Flight equipment .....                                                                                                                            | \$2,268,598.69               | \$1,872,114.15               |
| Less—Reserves for depreciation and maintenance<br>(see Note 1) .....                                                                              | 1,113,828.99                 | 837,414.11                   |
|                                                                                                                                                   | <u>\$1,154,769.70</u>        | <u>\$1,034,700.04</u>        |
| Ground property and equipment.....                                                                                                                | \$ 335,751.08                | \$ 278,865.17                |
| Less—Reserves for depreciation (see Note 1) .....                                                                                                 | 138,482.04                   | 78,175.45                    |
|                                                                                                                                                   | <u>\$ 197,269.04</u>         | <u>\$ 200,689.72</u>         |
| Operating property and equipment, less reserves<br>for depreciation and maintenance.....                                                          | <u>\$1,352,038.74</u>        | <u>\$1,235,389.76</u>        |
| <b>DEFERRED CHARGES:</b>                                                                                                                          |                              |                              |
| Developmental and pre-operating costs (see Note 3) .....                                                                                          | \$ 116,859.02                | \$ 75,376.00                 |
| Other deferred charges (see Note 5) .....                                                                                                         | 87,651.64                    | 27,093.80                    |
|                                                                                                                                                   | <u>\$ 204,510.66</u>         | <u>\$ 102,469.80</u>         |
| Total assets .....                                                                                                                                | <u><u>\$2,622,057.42</u></u> | <u><u>\$2,663,960.15</u></u> |

# BALANCE SHEET December 31, 1957 and December 31, 1956

## Liabilities, Capital and Surplus

|                                                                                                      | At December 31        |                       |
|------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                      | 1957                  | 1956                  |
| <b>CURRENT LIABILITIES:</b>                                                                          |                       |                       |
| Accounts payable—general .....                                                                       | \$ 146,916.55         | \$ 114,973.44         |
| Collections as agent:                                                                                |                       |                       |
| Traffic .....                                                                                        | 19,879.62             | 3,521.27              |
| Other .....                                                                                          | 15,017.03             | 12,621.09             |
| Accrued personnel compensation .....                                                                 | 20,841.50             | 20,498.44             |
| Accrued vacation liability .....                                                                     | 41,797.42             | 30,204.42             |
| Accrued taxes .....                                                                                  | 6,944.51              | 9,690.93              |
| Other current liabilities .....                                                                      | 113.44                | 1,422.34              |
| Total current liabilities .....                                                                      | <u>\$ 251,510.07</u>  | <u>\$ 192,931.93</u>  |
| <b>DEFERRED CREDITS:</b>                                                                             |                       |                       |
| Deferred Federal income taxes (see Note 3) .....                                                     | \$ 32,400.00          | \$ 68,900.00          |
| Other deferred credits (see Note 5) .....                                                            | 53,246.55             | —                     |
|                                                                                                      | <u>\$ 85,646.55</u>   | <u>\$ 68,900.00</u>   |
| <b>CAPITAL AND SURPLUS:</b>                                                                          |                       |                       |
| Capital stock, par value \$1.00 per share:                                                           |                       |                       |
|                                                                                                      | 1957                  | 1956                  |
| Shares authorized .....                                                                              | 300,000               | 300,000               |
| Shares reserved pursuant to Employees' Stock Option Plan and Incentive Stock Plan (see Note 4) ..... | 20,750                | 22,750                |
| Shares issued and outstanding .....                                                                  | <u>240,750</u>        | <u>240,750</u>        |
| Capital surplus (Paid-in) .....                                                                      | 1,968,925.30          | 1,968,925.30          |
| Earned surplus—per statement herewith .....                                                          | 75,225.50             | 192,452.92            |
| Total capital and surplus .....                                                                      | <u>\$2,284,900.80</u> | <u>\$2,402,128.22</u> |
| Total liabilities, capital and surplus .....                                                         | <u>\$2,622,057.42</u> | <u>\$2,663,960.15</u> |

See notes herewith relating to financial statements which are an integral part of this statement.

# NEW YORK AIRWAYS, INC.

## Comparative Statement of Profit and Loss and Earned Surplus

|                                                                                                                        | For Years ended December 31 |                        |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------|
|                                                                                                                        | 1957                        | 1956                   |
| <b>OPERATING REVENUES:</b>                                                                                             |                             |                        |
| Transport revenues:                                                                                                    |                             |                        |
| Passenger .....                                                                                                        | \$ 517,820.21               | \$ 317,764.75          |
| United States mail (see Note 2) .....                                                                                  | 50,115.00                   | 32,033.12              |
| Express .....                                                                                                          | 20,811.59                   | 24,529.68              |
| Freight .....                                                                                                          | 36,401.32                   | 28,932.21              |
| Non-scheduled services .....                                                                                           | 42,424.46                   | 28,323.83              |
| Other transport revenues .....                                                                                         | 3,255.36                    | 2,600.67               |
| Non-transport revenues:                                                                                                |                             |                        |
| Federal subsidy (see Note 2) .....                                                                                     | 1,598,642.76                | 1,402,647.72           |
| Incidental revenues—net .....                                                                                          | 50,672.29                   | 4,788.10               |
| Total operating revenues .....                                                                                         | <u>\$2,320,142.99</u>       | <u>\$1,841,620.08</u>  |
| <b>OPERATING EXPENSES:</b>                                                                                             |                             |                        |
| Flying operations .....                                                                                                | \$ 526,663.15               | \$ 344,292.10          |
| Maintenance .....                                                                                                      | 668,936.03                  | 496,810.46             |
| General services and administration .....                                                                              | 955,748.08                  | 767,786.60             |
| Amortization—developmental and pre-operating costs .....                                                               | 23,710.91                   | 56,880.06              |
| Depreciation—flight equipment .....                                                                                    | 320,038.09                  | 262,989.88             |
| Depreciation—ground property and equipment .....                                                                       | 60,405.81                   | 36,699.78              |
| Total operating expenses .....                                                                                         | <u>\$2,555,502.07</u>       | <u>\$1,965,458.88</u>  |
| Net operating profit (loss) .....                                                                                      | <u>\$ (235,359.08)</u>      | <u>\$ (123,838.80)</u> |
| <b>NON-OPERATING INCOME AND EXPENSE—NET:</b>                                                                           |                             |                        |
| Interest income .....                                                                                                  | \$ 11,416.57                | \$ 21,537.88           |
| Other non-operating income and (expense)—net .....                                                                     | 6,634.93                    | (5,098.01)             |
| Total non-operating income and expense—net .....                                                                       | <u>\$ 18,051.50</u>         | <u>\$ 16,439.87</u>    |
| Net profit (loss) before Federal income tax .....                                                                      | <u>\$ (217,307.58)</u>      | <u>\$ (107,398.93)</u> |
| <b>FEDERAL INCOME TAX</b> —Credit for portion of estimated carry-back<br>refunds applicable against above losses ..... | 95,000.00                   | 62,000.00              |
| Net profit (loss) for year .....                                                                                       | <u>\$ (122,307.58)</u>      | <u>\$ (45,398.93)</u>  |
| <b>SPECIAL ITEMS</b> —Adjustments of prior years' Federal income taxes .....                                           | 5,080.16                    | 12,998.19              |
| Net profit (loss) for year and special items .....                                                                     | <u>\$ (117,227.42)</u>      | <u>\$ (32,400.74)</u>  |
| <b>EARNED SURPLUS</b> —at beginning of year .....                                                                      | 192,452.92                  | 224,853.66             |
| Earned surplus at end of year—<br>per Comparative Balance Sheet .....                                                  | <u>\$ 75,225.50</u>         | <u>\$ 192,452.92</u>   |

See notes herewith relating to financial statements which are an integral part of this statement.



## Notes Relating to Financial Statements

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation and maintenance have been provided at rates which are used or expected to be used for mail rate purposes by the Board. The changes made in the accounts to reflect revisions of the Uniform System of Accounts, effective January 1, 1957, did not have a significant effect on the financial statements for the year 1957. Reclassifications of certain 1956 items have been made where appropriate for purposes of comparison.

The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue classified as Federal subsidy is reflected herein, for the period from January 1, 1956 to February 2, 1956, on the basis of final rates which were in effect during that period. Such revenue for the period from February 3, 1956 to December 31, 1956 and for the year 1957 is based on temporary rates set forth in Civil Aeronautics Board orders. These temporary rates serve only as an interim basis of payment, until such time as final rates are fixed, and amounts so received are subject to retroactive adjustment upon the fixing of final rates. Revenue for the transportation of United States mail, as stated, to December 31, 1957, is not expected to be affected by future orders of the Board.

3. The deferred charges, at December 31, 1957, described in the balance sheet herewith as "Developmental and pre-operating costs" represent (a) unamortized costs and expenses incurred during the Company's pre-operating period for a route not yet activated; (b) developmental, training and other costs incurred in connection with the introduction into service, in 1956, of Sikorsky S-58 helicopters less amortization provided on the basis of writing off these costs over a period of 5 years from October 1, 1956; (c) developmental and other costs incurred in connection with the planned introduction into service, in 1958, of new Vertol helicopters and Decca flight instruments; and (d) expenses incurred with respect to the Company's application for renewal of its Temporary Certificate of Public Convenience and Necessity.

The deferred costs referred to in (b) and (c) above are being treated for Federal income tax purposes as tax deductions in the years in which they were incurred; the resulting tax savings in such years, carried in "Deferred Federal income taxes" account, are being applied proportionately to Federal income taxes for subsequent years when amortization deductions are taken in the accounts but not in the tax returns.

4. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1952, options have been granted to 6 persons to purchase an aggregate of 13,000 shares of Capital Stock at a price of \$11.87½ per share. At December 31, 1957 such options were exercisable to the extent of 9,200 shares.

In 1956, an Incentive Stock Plan was adopted by the Board of Directors and approved by the stockholders of the Company. This plan, administered by a committee of Directors not eligible to participate therein, runs through December 31, 1960 and provides for the issuance and sale

subject to certain restrictions of 10,000 shares of Capital Stock (but not more than 3,000 shares in any calendar year) to selected officers and other key employees of the Company at a price of \$1.00 per share (par value). Pursuant to this plan, 2,250 shares were issued and sold in 1956 and an additional 2,650 shares were offered on April 4, 1958.

5. The City of New York has served the Company with a Notice of Determinations covering alleged sales and/or compensating use tax and business tax deficiencies totalling \$46,294.79 for various periods between June 1, 1954 and June 30, 1957. On advice of counsel, the Company is contesting these determinations and no entries have been made in the accounts as at December 31, 1957 to provide for this liability.

Included in "Other deferred charges" at December 31, 1957, are costs and expenses aggregating \$59,653.58 for repairs to two helicopters damaged in accidents which were caused by mechanical failures. Additional repairs to be made in 1958 as a result of these accidents are expected to cost approximately \$30,000.00. These accidents are covered by insurance to an extent not yet determined and in addition the final cost thereof may be the subject of a claim against Sikorsky Aircraft Division of United Aircraft Corporation. That portion of the repairs performed by Sikorsky Aircraft Division, amounting to \$53,246.55 at December 31, 1957, is being carried in "Other deferred credits".

The Company's Federal income tax return for the year 1955 has been examined by representatives of the Internal Revenue Service and a report has been received from the District Director stating that "no change is necessary to the tax reported". Such examination for the year 1956 was completed subsequent to December 31, 1957; proposed adjustments would not have any material effect on the financial statements herewith.

At December 31, 1957, other known contingent liabilities not covered by insurance did not involve amounts large enough to be significant.

Subsequent to December 31, 1957 a purchase agreement aggregating approximately \$2,065,000 was entered into for five new Vertol helicopters and spare parts, to be delivered in 1958. Expenses, the amount of which cannot now be determined, are expected to be incurred for training of personnel, etc., in connection with placing the new equipment in service. Payment for the new equipment is to be made in part by trade-in of Sikorsky helicopters which the Company now owns and the remainder is to be paid in cash. To obtain the required cash the Company now plans to enter into a credit agreement with The Chase Manhattan Bank, The Hanover Bank, Federation Bank & Trust Company and United States Trust Company of New York, under which amounts not in excess of \$1,000,000 may be borrowed on notes secured by a chattel mortgage on the new flight equipment to be acquired by the Company. These notes would be repayable in 57 consecutive monthly instalments, with interest at 5¼% per annum from which the lending banks will be required to remit approximately ¾ of 1% to the Civil Aeronautics Board as a guarantee fee. The effectiveness of the purchase agreement and the credit agreement is subject to action by the Civil Aeronautics Board guaranteeing 90% of the loan and either approving the trade-in arrangement or disclaiming jurisdiction to approve it.

**LOOMIS, SUFFERN & FERNALD**

CERTIFIED PUBLIC ACCOUNTANTS  
80 BROAD STREET  
NEW YORK 4

April 15, 1958

TO THE BOARD OF DIRECTORS OF  
NEW YORK AIRWAYS, INC.

We have examined the Balance Sheet of New York Airways, Inc., as at December 31, 1957 and the related Statement of Profit and Loss and Earned Surplus for the year ended on that date. 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; although it was not practicable to obtain confirmation of the balances receivable from the United States government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated. We had previously examined and reported upon the Balance Sheet as at December 31, 1956 and the Statement of Profit and Loss and Earned Surplus for the year ended on that date, which are included for purposes of comparison.

Subject to determination of the amount of Federal subsidy for the years 1956 and 1957, with regard to which information is presented in Note 2 of Notes Relating to Financial Statements, in our opinion the accompanying Comparative Balance Sheet and Comparative Statement of Profit and Loss and Earned Surplus, together with the related notes, present fairly the financial position of New York Airways, Inc., as at December 31, 1957 and December 31, 1956 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis for the two years.

LOOMIS, SUFFERN & FERNALD

*Certified Public Accountants*



## NEW YORK AIRWAYS, INC.

————— Passenger, U.S. Mail  
and/or Cargo Service

..... U.S. Mail and/or  
Cargo Service

1957







*7<sup>th</sup>*  
**ANNUAL  
REPORT  
1958**

**NEW YORK AIRWAYS, INC.**

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THE FIRST HELICOPTER AIRLINE





# **NEW YORK AIRWAYS, INC.**

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THE FIRST HELICOPTER AIRLINE

*7<sup>th</sup>*  
**ANNUAL  
REPORT  
1958**

# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                         |                      |
|-------------------------|----------------------|
| Hoyt Ammidon            | Fred M. Glass        |
| Robert E. Blum          | Robert G. Goelet     |
| Horace Brock            | Grover Loening       |
| Robert L. Cummings, Jr. | Samuel C. Park, Jr.  |
| Robert W. Dowling       | William Shields, Jr. |

## **Officers**

Robert L. Cummings, Jr., *President*  
Horace Brock, *Vice President*  
J. E. Gallagher, *Vice President*  
William W. Hogan, *Treasurer*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate & Timbers



*To the stockholders and employees of:*

**NEW YORK AIRWAYS, INC.**

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**Developments of the Year**

*Net Income.* Net income for the year, 1958 amounted to \$113,697 or 47 cents per share on 243,400 shares of common stock outstanding. This compared with 1957 net income of \$78,010 or 32 cents per share on 240,750 shares outstanding.

*Commercial Revenues.* Commercial revenues were at a new high level, reaching \$843,892 as compared with \$698,254 for 1957, representing a 21% increase.

Furthermore, New York Airways' service was substantially improved during 1958 through the purchase of more advanced equipment and a broadened schedule pattern. Nonetheless, New York Airways still requires continued financial support in the form of Federal subsidy payments by the Civil Aeronautics Board. This circumstance has been recognized by the Board and resulted in total subsidy payments of \$2,214,690 for 1958, an increase of 12% over those shown for 1957. However, your Company is pleased to report a continuing drop in Federal subsidy received in terms of units of service performed.

An example of the progress made by your Company in decreasing its relative dependence upon Federal subsidy is evident in the 321% increase in commercial revenues for 1958 as compared to 1954—the first full year of passenger service. During this same five year period, federal subsidy increased 64% as contrasted with the 837% increase in revenue passenger miles flown.

*Business Volume.* A healthy improvement in revenue load factors is being experienced. The load factor for 1958 averaged 44.6%, up from 39.8% for 1957. The number of revenue passengers carried during 1958 increased to 91,114, a new high, and a gain of 32.6% over 1957.



Vertol 44-B

Express and freight volume declined slightly during 1958. Strikes against some of the connecting airlines and limited available cargo space on the Company's passenger flights contributed to this decrease. Express tonnage is expected to show an increase for 1959 due to the inauguration of air express service at Bridgeport late last year. Capacity loads have been experienced in this service on night schedules where space is not pre-empted by mail demands.

Mail volume remains stable and is expected to increase as all-weather operational reliability is improved.

*Fleet Conversion.* The transition to the fleet of 15-passenger Vertol tandem rotor transports as projected in the 1957 annual report was effected successfully. Introduced into service during June, 1958, this modern equipment has importantly increased New York Airways' capacities and reliability of operations. Public acceptance of the Vertol fleet has been most gratifying, enabling your Company to accelerate its gains in commercial revenues.

To facilitate the financing of the Vertol fleet, in May, 1958, your Company obtained a guaranty by the United States Government, acting through the Civil Aeronautics Board, of a \$1,000,000 loan from three New York banks. This government guaranty was the first to be accomplished under the Aircraft Purchase Loan Guaranty statute enacted by Congress in 1957.

In approving the guaranty of your Company's loan, the Civil Aeronautics Board stated in part:

"The new equipment with the additional service to Manhattan will result in an increase in subsidy over the subsidy that would be required if [New York] Airways continued to use its present fleet to perform its existing service. However, the new equipment and the new service to Manhattan will involve much less subsidy than would be required if Airways were fully to serve Manhattan as well as its present route with its present equipment. The new equipment will,



**Fairey Rotodyne**

therefore, reduce the subsidy needed to provide the total service required by the public convenience and necessity. We, therefore, conclude that the equipment is needed for and will result in the improvement of the efficiency of operation of Airways..."

***Subsidy Rates.*** In association with this guaranty, in August, 1958 the Civil Aeronautics Board issued a final subsidy rate order for each of the five fiscal years beginning July 1, 1958 (covering the period in which the loan is scheduled to be repaid), based on your Company's projections. On April 3, 1959 the Board issued a further order providing for an upward adjustment in order to increase the profit element reflected in the amounts fixed last August. These long-term rates have done much to afford your Company a stable base from which to project its future operations. Results thus far indicate achievement of the objectives conceived by the Company and supported by the Board.

As indicated in our 1956 and 1957 annual reports, on February 3, 1956, the Civil Aeronautics Board reopened your Company's previous subsidy rates for redetermination. As a result subsidy payments received from that date up to and including June 30, 1958 were of a temporary nature and incomplete. The inauguration of service with the Vertol fleet served as a cut-off date in establishing permanent rates for the forward period starting July 1, 1958.

The inadequacy of the temporary payments for the twenty-nine months to June 30, 1958 previously caused your Company to report tentative losses (before surplus adjustments) of \$45,399 for 1956, \$122,308 for 1957, and an interim loss of approximately \$177,000 for the first six months of 1958. However, as explained below, these temporary losses have now been eliminated, and profits are reported herewith for each of these periods.

Since 1956 New York Airways has sought to conclude a settlement of this matter. Unfortunately, until very recently, this was precluded by procedural delays beyond your Company's control. However, on April 13, 1959, the Civil Aeronautics Board issued an order

providing for an award to New York Airways of \$893,062 in retroactive payments for the 1956-8 past period. This supplements the compensation heretofore received and reported for the period from February 3, 1956 through June, 1958.

As a consequence, your Company can now present revised accounts for 1956 and 1957. Instead of the tentative net losses previously shown for those years, proper allocation of the retroactive award described above now results in net income of \$64,192 for 1956 and \$78,010 for 1957. The interim loss for the first six months of 1958 has also been eliminated.

## **Service Plans**

From the beginning, your management has pursued an aggressive policy of equipment modernization, so as to make advanced aircraft and facilities available to the public as soon as technological and economic factors permit.

***Initial Fleets.*** New York Airways was the first airline to inaugurate scheduled passenger service with helicopters. This was accomplished in July, 1953 with a fleet of Sikorsky S-55's. As improved standards of operating efficiency and passenger comfort became evident in the Sikorsky S-58, arrangements were made which resulted in their introduction into service in 1956.

***Vertol Fleet.*** To improve its service to the public, in 1958 your Company purchased five Vertol 44-B helicopters. They are the largest rotary-winged aircraft in commercial service anywhere in the world. The acquisition of this Vertol fleet (including spares, training and other transitional expenses) entailed a capital expenditure of about \$2.3 million. The previously operated Sikorsky fleet was accepted at net book value by Vertol Aircraft Corporation in a trade-in arrangement. The balance was financed through the government loan guaranty, as detailed earlier in this report.

In its continuing evaluation of flight equipment, your management is examining the possibility of converting the existing Vertol fleet to multiple-turbine power as soon as this becomes feasible. While this conversion can serve to extend the useful life of the V44-B's and materially increase their productivity, it now appears that the engineering and certification costs may be such that successful completion of the program will require the participation of other operators.

***Turbine Fleet.*** To meet the demands of the growing communities in the New York/New Jersey/Connecticut metropolitan area, your Company must project long-range plans anticipating developments in the aeronautical field and capitalizing on technological gains.

A number of aircraft manufacturers have, in the prototype stage, rotary-wing passenger transports and other types of aircraft capable of vertical flight, which hold consider-



able promise for your Company's requirements. Thus, your Company is considering the acquisition of multiple turbine helicopters having a capacity of at least 25 passengers with resultant sharp reductions in seat mile costs and the performance capability—for the first time—of conducting all-weather operations. These advanced helicopters are expected to become available in early 1961.

*The Rotodyne.* Beyond this, New York Airways has signed a letter of intent with the Fairey Aviation Company of England covering the right to purchase a fleet of five 65-passenger Fairey Rotodyne airliners and a preferred production line position for fifteen additional aircraft. Present plans call for initial deliveries to commence in 1964. When the Company exercises these very favorable rights, it will, of course, become necessary to arrange additional financing.

The potential for expansion and improvement represented by this equipment (the United States licensee for which is the Kaman Aircraft Corporation) has far-reaching importance. It offers the prospect of significant advantages in operating costs and speed as well as greatly increased capacity to meet the rapidly growing demand for the Company's services.

*Heliport Facilities.* Service development at the West 30th Street Heliport in Manhattan continues. While this facility is ideal for the provision of mail service (being only five minutes from the General Post Office) and for service to passengers, freight and express originating from or destined to the west side of Manhattan, in view of the very severe and growing surface congestion on Manhattan Island, it will be necessary to provide additional heliport facilities.

With the cooperation of the City of New York, The Port of New York Authority has undertaken to construct a second Manhattan heliport, and plans are being made for New York Airways to inaugurate service to this facility late this summer. Initially, this heliport will be situated at what is known as East River Pier 6—just below the foot of Wall Street. This temporary facility will be replaced by a permanent installation extending over most of the area between Piers 5 and 8.

The Port Authority also intends to construct another heliport on the east side of midtown Manhattan, as well as similar facilities in Brooklyn, Staten Island and Newark; and to enlarge the West 30th Street Heliport. The execution of this program will require the commitment by the Authority of capital funds aggregating some \$20,000,000.

*All-Weather Aids.* Realization of the full capability of the flight equipment now in prospect requires development of the operating techniques needed to convert from the present dependence on the so-called visual flight rules (to which all scheduled helicopter operations have hitherto been subject), to all-weather operations under full instrument flight conditions.

Your management has participated in a number of important projects to this end. These include work on low-altitude sonic and radar altimeters which (unlike conventional barometric altimeters) are accurate within a tolerance of inches; as well as evaluation of a down-to-ground electronic navigation system which will greatly aid in the full development of

helicopter and similar low-altitude operations. For this purpose, special airborne equipment is currently installed in all of your Company's line aircraft. The experience thus being accumulated will benefit both the Government and the industry.

### **Renewal Proceeding**

Of major importance is the proceeding now pending before the Civil Aeronautics Board with respect to your Company's application for renewal of its operating authority—which was originally granted for a five-year term. In March, 1959 hearings were held in New York City before Chief Examiner Francis W. Brown of the Civil Aeronautics Board. Final Board action is expected this year.

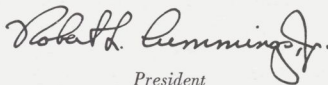
In previous renewal proceedings covering the helicopter carriers in Los Angeles and Chicago, the Civil Aeronautics Board extended the operating authorizations of these companies on a temporary basis—for a seven year term subject to further renewal at the end of that time. In the New York Airways renewal case, your Company has taken the position that the public interest requires the Board to renew its operating authority not on a temporary, but on a permanent basis.

In this connection, Mr. Austin J. Tobin, Executive Director of The Port of New York Authority, appeared at the renewal hearing and testified before the Chief Examiner as follows:

“... The Port of New York Authority urges that you recommend to your Board that the Certificate of Public Convenience and Necessity held by New York Airways be made permanent \* \* \*. We believe that such a recommendation on your part, if adopted by the Board, will enable New York Airways to go forward with its service which has been of such importance in the past and which has demonstrated an enormous future potential for the benefit of the New York/New Jersey metropolitan region and the nation as a whole.”

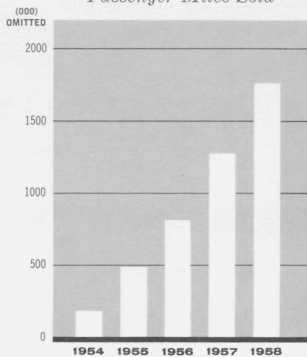
The results obtained by your Company since the commencement of its operations are attributable in no small part to the untiring efforts of its employees. Their initiative, cooperation and hard work have been outstanding and invaluable. The enthusiasm shown by the many communities interested in our services, the growing patronage of the traveling and shipping public, and the confidence of the stockholders are most gratifying.

BY ORDER OF THE BOARD OF DIRECTORS

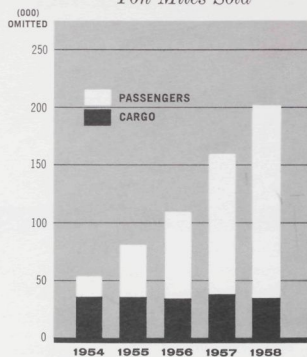
  
President

April 14, 1959

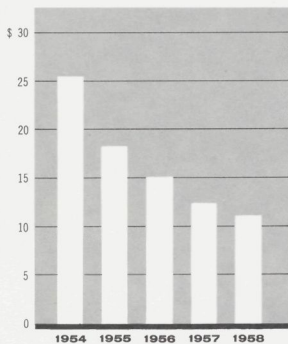
*Passenger Miles Sold*



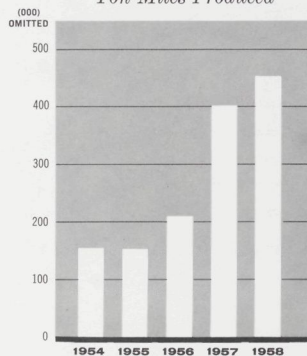
*Ton Miles Sold*



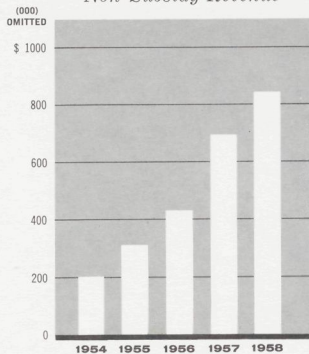
*Subsidy Received  
per Scheduled Ton Mile*



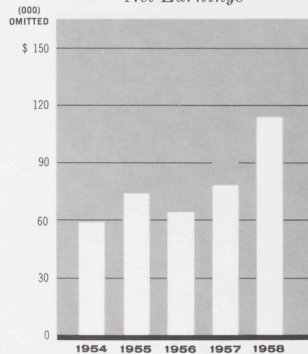
*Ton Miles Produced*



*Non-Subsidy Revenue*



*Net Earnings*



**COMPARATIVE OPERATING**
*Five year period 1954-1958*
**OPERATING REVENUES:**

|                       | <b>1958</b> | <b>1957</b> |
|-----------------------|-------------|-------------|
| Commercial .....      | \$ 843,892  | \$ 698,254  |
| Federal subsidy ..... | 2,214,690   | 1,977,126   |
| Total .....           | 3,058,582   | 2,675,380   |

**OPERATING EXPENSES:**

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Depreciation and amortization ..... | 417,168   | 404,155   |
| All other .....                     | 2,378,009 | 2,128,101 |
| Total .....                         | 2,795,177 | 2,532,256 |

|                                             |          |         |
|---------------------------------------------|----------|---------|
| Net operating income .....                  | 263,405  | 143,124 |
| Non-operating income or (expense)—net ..... | (27,921) | 18,052  |
| Federal income tax .....                    | 121,787  | 83,166  |
| Net income for the year .....               | 113,697  | 78,010  |
| Earnings per share .....                    | .47      | .32     |

**FINANCIAL POSITION (at December 31):**

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Working capital .....                | 963,577   | 1,122,907 |
| Long-term debt .....                 | 719,298   | —         |
| Stockholders' equity—total .....     | 2,682,720 | 2,566,373 |
| Stockholders' equity—per share ..... | 11.02     | 10.66     |
| Outstanding shares .....             | 243,400   | 240,750   |

**OPERATING AND TRAFFIC STATISTICS:**

|                                                           |           |           |
|-----------------------------------------------------------|-----------|-----------|
| Revenue passengers .....                                  | 91,114    | 68,694    |
| Express (lbs.)* .....                                     | 1,376,880 | 1,499,811 |
| Freight (lbs.) .....                                      | 612,099   | 698,258   |
| Mail (lbs.) .....                                         | 2,242,311 | 2,550,907 |
| Scheduled revenue ton miles carried .....                 | 199,342   | 158,068   |
| Revenue load factor (%) .....                             | 44.62     | 39.81     |
| Scheduled miles flown .....                               | 386,050   | 464,333   |
| Schedule completion factor (%) .....                      | 78.58     | 79.82     |
| Charter and other non-scheduled revenue hours flown ..... | 238       | 213       |



## AND FINANCIAL RECORD

*Calendar years ended December 31*

| 1956             | 1955             | 1954             |
|------------------|------------------|------------------|
| \$ 435,770       | \$ 313,193       | \$ 200,686       |
| <u>1,642,672</u> | <u>1,436,600</u> | <u>1,351,480</u> |
| 2,078,442        | 1,749,793        | 1,552,166        |
| 356,570          | 300,774          | 289,746          |
| <u>1,605,687</u> | <u>1,316,308</u> | <u>1,149,890</u> |
| 1,962,257        | 1,617,082        | 1,439,636        |
| 116,185          | 132,711          | 112,530          |
| 16,440           | 22,072           | (394)            |
| 68,433           | 80,643           | 52,811           |
| 64,192           | 74,140           | 59,325           |
| .27              | .31              | .25              |
| 1,170,050        | 1,615,618        | 1,516,319        |
| —                | —                | —                |
| 2,488,363        | 2,421,921        | 2,347,782        |
| 10.34            | 10.15            | 9.84             |
| 240,750          | 238,500          | 238,500          |
| 43,205           | 24,569           | 8,758            |
| 1,907,373        | 1,758,534        | 159,450          |
| 607,023          | 473,785          | 359,360          |
| 1,159,704        | 1,412,181        | 2,354,464        |
| 108,306          | 79,313           | 53,314           |
| 52.21            | 51.13            | 34.04            |
| 429,224          | 387,773          | 391,435          |
| 77.23            | 82.07            | 84.21            |
| 209              | 149              | 167              |

For comparative purposes, this summary reflects the restatement of income and expense (including Federal income taxes) indicated in the Notes Relating to Financial Statements.

\*Express service commenced in October, 1954.

## BALANCE SHEETS

| ASSETS                                                                                                                                                        | 1958                      | 1957                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>CURRENT ASSETS:</b>                                                                                                                                        |                           |                           |
| Cash on hand and on deposit in banks . . . . .                                                                                                                | \$ 424,027                | \$ 222,902                |
| Special deposits . . . . .                                                                                                                                    | 7,912                     | 2,203                     |
| United States Government securities, at cost plus accrued interest<br>on U. S. Treasury Bills (\$24,900. at December 31, 1958<br>market quotations) . . . . . | 24,895                    | 321,252                   |
| Accounts receivable:                                                                                                                                          |                           |                           |
| United States Government (Note 2) . . . . .                                                                                                                   | 1,135,148                 | 825,286                   |
| General traffic . . . . .                                                                                                                                     | 106,231                   | 72,160                    |
| Estimated refund of Federal income tax based on carry-back<br>of loss under the Internal Revenue Code . . . . .                                               | —                         | 50,306                    |
| Other current receivables . . . . .                                                                                                                           | 84,795                    | 23,906                    |
| Flight equipment expendable parts . . . . .                                                                                                                   | 36,020                    | 93,895                    |
| Prepaid insurance . . . . .                                                                                                                                   | 116,282                   | 68,106                    |
| Total current assets . . . . .                                                                                                                                | <u>\$1,935,310</u>        | <u>\$1,683,016</u>        |
| <b>INVESTMENTS AND SPECIAL FUNDS:</b>                                                                                                                         |                           |                           |
| Investments in and advances to subsidiary and<br>related service companies . . . . .                                                                          | \$ 1,023                  | \$ 998                    |
| <b>OPERATING PROPERTY AND EQUIPMENT (stated at cost):</b>                                                                                                     |                           |                           |
| Flight equipment . . . . .                                                                                                                                    | \$2,147,060               | \$2,268,599               |
| Less—Reserves for depreciation and maintenance (Note 1) . .                                                                                                   | 224,643                   | 1,113,829                 |
|                                                                                                                                                               | <u>\$1,922,417</u>        | <u>\$1,154,770</u>        |
| Ground property and equipment . . . . .                                                                                                                       | \$ 404,659                | \$ 335,751                |
| Less—Reserves for depreciation (Note 1) . . . . .                                                                                                             | 185,373                   | 138,482                   |
|                                                                                                                                                               | <u>\$ 219,286</u>         | <u>\$ 197,269</u>         |
| Operating property and equipment, less reserves<br>for depreciation and maintenance . . . . .                                                                 | <u>\$2,141,703</u>        | <u>\$1,352,039</u>        |
| <b>DEFERRED CHARGES:</b>                                                                                                                                      |                           |                           |
| Developmental and pre-operating costs (Note 3) . . . . .                                                                                                      | \$ 259,588                | \$ 116,859                |
| Unamortized expense on debt . . . . .                                                                                                                         | 32,442                    | —                         |
| Other deferred charges . . . . .                                                                                                                              | 9,052                     | 87,652                    |
|                                                                                                                                                               | <u>\$ 301,082</u>         | <u>\$ 204,511</u>         |
| Total assets . . . . .                                                                                                                                        | <u><u>\$4,379,118</u></u> | <u><u>\$3,240,564</u></u> |

December 31, 1958 and 1957

**LIABILITIES**

**CURRENT LIABILITIES:**

|                                            | 1958              | 1957              |
|--------------------------------------------|-------------------|-------------------|
| Long-term debt, due within one year.....   | \$ 210,526        | \$ —              |
| Accounts payable—general.....              | 188,354           | 146,917           |
| Collections as agent:                      |                   |                   |
| Traffic .....                              | 10,267            | 19,880            |
| Other .....                                | 19,349            | 15,017            |
| Accrued personnel compensation.....        | 27,671            | 20,841            |
| Accrued vacation liability.....            | 42,883            | 41,797            |
| Accrued Federal income taxes (Note 2)..... | 463,991           | 308,599           |
| Other accrued taxes.....                   | 7,029             | 6,945             |
| Other current liabilities.....             | 1,663             | 113               |
| Total current liabilities.....             | <u>\$ 971,733</u> | <u>\$ 560,109</u> |

**LONG-TERM DEBT**, less portion included in current liabilities:

|                                                                                |            |      |
|--------------------------------------------------------------------------------|------------|------|
| Notes payable to banks, 5¼%, due in installments to May 21, 1963 (Note 5)..... | \$ 719,298 | \$ — |
|--------------------------------------------------------------------------------|------------|------|

**DEFERRED CREDITS:**

|                                    |                 |                   |
|------------------------------------|-----------------|-------------------|
| Deferred Federal income taxes..... | \$ 5,367        | \$ 60,836         |
| Other deferred credits.....        | —               | 53,246            |
|                                    | <u>\$ 5,367</u> | <u>\$ 114,082</u> |

**STOCKHOLDERS' EQUITY**

**CAPITAL STOCK**, par value \$1.00 per share:

|                                                                                                 | 1958           | 1957           |
|-------------------------------------------------------------------------------------------------|----------------|----------------|
| Shares authorized .....                                                                         | 300,000        | 300,000        |
| Shares reserved pursuant to Employees' Stock Option Plan and Incentive Stock Plan (Note 4)..... | 18,100         | 20,750         |
| Shares issued and outstanding.....                                                              | <u>243,400</u> | <u>240,750</u> |

**CAPITAL PAID-IN**, in excess of par value of capital stock.....

|  |            |            |
|--|------------|------------|
|  | \$ 243,400 | \$ 240,750 |
|  | 1,968,925  | 1,968,925  |

**RETAINED EARNINGS**—per statements herewith.....

|  |         |         |
|--|---------|---------|
|  | 470,395 | 356,698 |
|--|---------|---------|

|                                                 |                    |                    |
|-------------------------------------------------|--------------------|--------------------|
| Total stockholders' equity .....                | <u>\$2,682,720</u> | <u>\$2,566,373</u> |
| Total liabilities and stockholders' equity..... | <u>\$4,379,118</u> | <u>\$3,240,564</u> |

The accompanying notes are an integral part of these statements.

# NEW YORK AIRWAYS, INC.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

*For the years ended December 31, 1958 and 1957*

|                                                                    | 1958               | 1957               |
|--------------------------------------------------------------------|--------------------|--------------------|
| <b>OPERATING REVENUES:</b>                                         |                    |                    |
| Transport revenues:                                                |                    |                    |
| Passenger .....                                                    | \$ 656,859         | \$ 494,575         |
| United States mail .....                                           | 45,989             | 50,115             |
| Express .....                                                      | 20,450             | 20,812             |
| Freight .....                                                      | 31,150             | 36,401             |
| Non-scheduled services .....                                       | 40,568             | 42,424             |
| Other transport revenues .....                                     | 3,913              | 3,255              |
| Non-transport revenues:                                            |                    |                    |
| Federal subsidy (Note 2) .....                                     | 2,214,690          | 1,977,126          |
| Incidental revenues—net .....                                      | 44,963             | 50,672             |
| Total operating revenues .....                                     | <u>\$3,058,582</u> | <u>\$2,675,380</u> |
| <b>OPERATING EXPENSES:</b>                                         |                    |                    |
| Flying operations .....                                            | \$ 666,289         | \$ 526,663         |
| Maintenance .....                                                  | 680,977            | 668,936            |
| General services and administration .....                          | 1,030,743          | 932,502            |
| Amortization—developmental and pre-operating costs .....           | 25,425             | 23,711             |
| Depreciation—flight equipment .....                                | 329,128            | 320,038            |
| Depreciation—ground property and equipment .....                   | 62,615             | 60,406             |
| Total operating expenses .....                                     | <u>\$2,795,177</u> | <u>\$2,532,256</u> |
| Net operating income .....                                         | <u>\$ 263,405</u>  | <u>\$ 143,124</u>  |
| <b>NON-OPERATING INCOME AND (EXPENSE)—NET:</b>                     |                    |                    |
| Interest income .....                                              | \$ 3,995           | \$ 11,417          |
| Interest expense .....                                             | (35,218)           | —                  |
| Other non-operating income and (expense)—net .....                 | 3,302              | 6,635              |
| Total non-operating income and (expense)—net .....                 | <u>\$ (27,921)</u> | <u>\$ 18,052</u>   |
| Net income before Federal income tax .....                         | <u>\$ 235,484</u>  | <u>\$ 161,176</u>  |
| <b>FEDERAL INCOME TAX</b> (Note 2) .....                           | 121,787            | 83,166             |
| <b>NET INCOME FOR YEAR</b> .....                                   | <u>\$ 113,697</u>  | <u>\$ 78,010</u>   |
| <b>RETAINED EARNINGS</b> —at beginning of year (Note 2) .....      | 356,698            | 278,688            |
| Retained earnings at end of year—per Balance Sheets herewith ..... | <u>\$ 470,395</u>  | <u>\$ 356,698</u>  |

The accompanying notes are an integral part of these statements.



## NOTES RELATING TO FINANCIAL STATEMENTS

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation and maintenance have been provided at rates which are used for mail rate purposes by the Board. Certain amounts shown for the year 1957 have been restated to reflect additional Federal subsidy and adjustments for Federal income taxes as outlined in Note 2 and to reclassify minor items for comparative purposes.

The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue classified as Federal subsidy is reflected herein, for the first six months of 1958, on the basis of final past period rates (referred to in the following paragraph) and, for the last six months of that year, on the basis of final future period rates fixed by the Civil Aeronautics Board in its order No. E-12875 issued August 11, 1958.

In its order to show cause, CAB order No. E-13735 adopted April 13, 1959, which the Company does not intend to contest, the Board fixed final past period rates for the period from February 3, 1956 through June 30, 1958. The additional Federal subsidy covered by this order amounting to \$893,062 has been apportioned to the period from February 3, 1956 through December 31, 1956, the year 1957 and the period of six months ended June 30, 1958, on an appropriate basis.

The amounts shown in the income statement herewith as Federal subsidy and Federal income tax for the year 1957 have been restated to include \$378,483 and \$178,166 respectively applicable to that year, with a resulting increase of \$200,317 in net income. The balance of retained earnings, as at January 1, 1957, has been restated to reflect additional Federal subsidy (\$240,024) apportioned to 1956 less adjustments of Federal income taxes (\$153,789) applicable to that year and preceding years increasing such retained earnings by \$86,235. Appropriate restatements of balances have been made in the balance sheet herewith as at December 31, 1957.

3. The deferred charges, at December 31, 1958, described in the balance sheet herewith as "Developmental and pre-operating costs" represent (a) developmental, training and other costs incurred in connection with the introduction into service, in 1958, of 5 Vertol V-44B helicopters less amortization provided on the basis of writing off these costs over a period of 5 years from July 1, 1958; (b) expenses incurred with respect to the Company's application for renewal of its Certificate of Public Convenience and Necessity; (c) pre-operating costs incurred in connection with the project to evaluate the Bendix-Decca navigational system less amortization provided on the basis of writing off these costs over a period of 2 years from April 1, 1958; and (d) un-amortized costs and expenses incurred during the Company's pre-operating period for a route not yet activated.

4. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1952, options were granted to 6 persons to purchase an aggregate of 13,000 shares of Capital Stock at a price of \$11.87½ per share. All such options expired January 18, 1959 without being exercised, except one option to purchase 3,000 shares which became exercisable to the extent of 2,400 shares on April 4, 1959 and which becomes fully exercisable one year from that date.

On April 6, 1959, the Board of Directors of the Company adopted a new Employees' Stock Option Plan effective as of that date subject to ratification by the stockholders, under which options have been granted to 7 persons to purchase an aggregate of 13,800 shares of Capital Stock at a price of \$11.87½ per share. With respect to one of these options, the number of shares under option will be reduced to the extent that the remaining option in effect under the old plan is exercised.

In 1956, an Incentive Stock Plan was adopted by the Board of Directors and approved by the stockholders of the Company. This plan runs through December 31, 1960 and provides for issuance and sale subject to certain restrictions of 10,000 shares of Capital Stock (but not more than 3,000 shares in any calendar year) to selected officers and other key employees of the Company at a price of \$1.00 per share (par value). Pursuant to this plan, 2,650 shares were issued and sold in 1958 making a total of 4,900 shares so issued and sold to December 31, 1958.

5. Notes payable to The Hanover Bank, Federation Bank & Trust Company and United States Trust Company of New York are secured by a chattel mortgage on the Company's five Vertol helicopters and accessory equipment and are guaranteed by the Civil Aeronautics Board to the extent of 90% of the unpaid principal amount. The credit agreement covering the notes payable provides, among other things, (1) for the maintenance by the Company of working capital of not less than the greater of \$550,000 prior to March 31, 1959 and \$700,000 on and after that date or 25% of 12 months' cash operating expenses (as defined); (2) for the maintenance by the Company of an excess of tangible assets over total liabilities of at least \$1,700,000 prior to March 31, 1959 and \$2,000,000 on and after that date; and (3) for certain restrictions upon cash dividends and acquisitions or retirements of the Company's capital stock. As a result of the foregoing provision approximately \$352,000 of retained earnings at December 31, 1958 was so restricted.

6. The Company's Federal income tax returns for the years 1956 and 1957 have been examined by representatives of the Internal Revenue Service; proposed adjustments would not have any material effect on the financial statements herewith.

At December 31, 1958, other known contingent liabilities not covered by insurance did not involve amounts large enough to be significant.

LYBRAND, ROSS BROS. & MONTGOMERY  
CERTIFIED PUBLIC ACCOUNTANTS

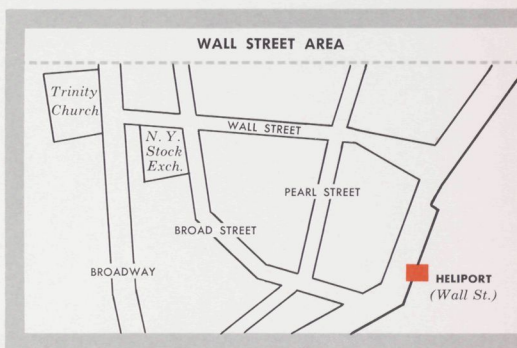
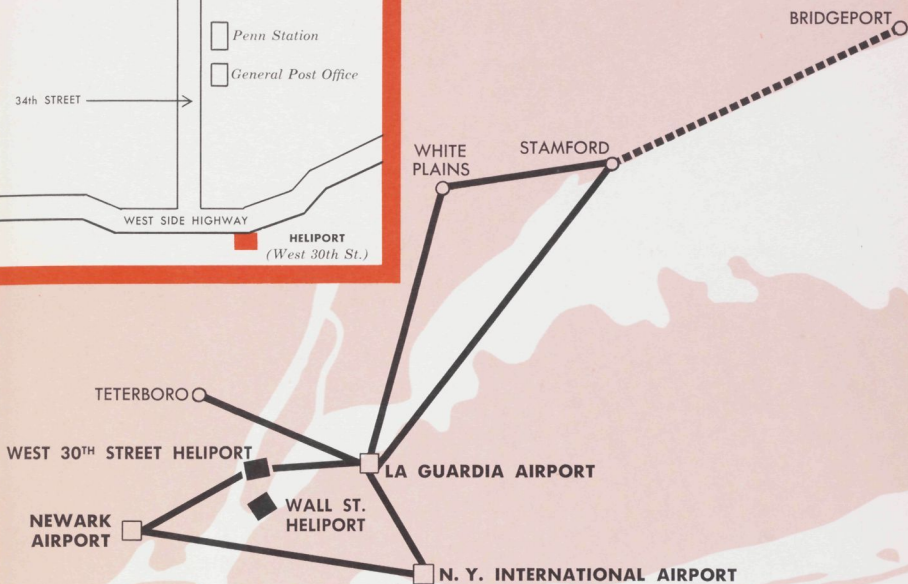
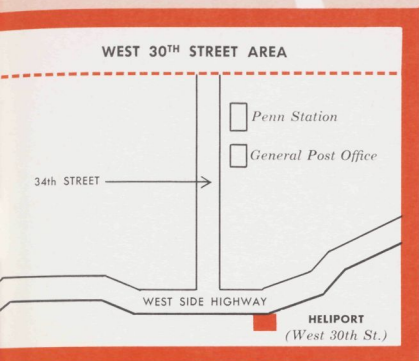
TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the Balance Sheets of New York Airways, Inc., as at December 31, 1958 and December 31, 1957 and the related Statements of Income and Retained Earnings for the years 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; although it was not practicable to obtain confirmation of the balances receivable from the United States government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated.

In our opinion, the accompanying Balance Sheets and Statements of Income and Retained Earnings present fairly the financial position of New York Airways, Inc., as at December 31, 1958 and December 31, 1957 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis for the two years.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, April 14, 1959.



## NEW YORK AIRWAYS, INC. — 1958

- Passenger, U.S. Mail and/or Cargo Service
- ..... U.S. Mail and Cargo Service





*8th*  
ANNUAL  
REPORT  
1959

NEW YORK AIRWAYS, INC.

---

THE FIRST HELICOPTER AIRLINE





# NEW YORK AIRWAYS, INC.

---

THE FIRST HELICOPTER AIRLINE

*8th*

ANNUAL  
REPORT  
1959

# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                         |                      |
|-------------------------|----------------------|
| Hoyt Ammidon            | Fred M. Glass        |
| Robert E. Blum          | Robert G. Goelet     |
| Horace Brock            | Grover Loening       |
| Robert L. Cummings, Jr. | Samuel C. Park, Jr.  |
| Robert W. Dowling       | William Shields, Jr. |

## **Officers**

Robert L. Cummings, Jr., *President*  
William W. Hogan, *Vice President and Treasurer*  
John E. Gallagher, *Vice President*  
Glen B. Eastburn, *Vice President*  
John H. Slate, *Secretary*  
Leslie G. Carter, *Ass't. Vice President*  
Ray de Haan, *Ass't. Vice President*  
Richard Wheatland, *Ass't. Vice President*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate & Timbers



*To the stockholders and employees of:*  
**NEW YORK AIRWAYS, INC.**

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**Developments of 1959**

New York Airways continued its progressive development during 1959 while advancing preparations for future expansion.

Operations were inaugurated October 15, 1952 with an airmail service on the "inter-airport route" connecting La Guardia, New York International (Idlewild) and Newark airports. In July, 1953 your Company started passenger service on the same inter-airport route, becoming the first regularly scheduled certificated helicopter passenger airline anywhere. From this initial inter-airport route, the Company's service pattern has been substantially expanded. Starting with the five-passenger Sikorsky S-55—the best then available but limited as to speed and capacity—New York Airways has consistently upgraded its equipment to its existing fleet of fifteen-passenger Vertol tandem rotor transports with new high standards in passenger comfort. Only in this manner could successive new gains be achieved in traffic volumes and revenues.

Despite the developmental nature of its operations, for the seventh consecutive year, from its first full year of service through the 1959 year-end, New York Airways has operated at a profit.

**Net Income.** For 1959, net income amounted to \$25,153 or 10 cents per share on 243,400 shares of common stock outstanding. This compared with 1958 net income of \$113,697 or 47 cents per share on the same number of shares outstanding.

**Commercial Revenues.** Commercial revenues again established a new peak, aggregating \$1,086,981 in 1959, a gain of 29% over 1958.

New York Airways, nevertheless, remains dependent upon Federal subsidy payments by the Civil Aeronautics Board for financial support. Such aid has been a material factor in permitting your Company to broaden its operations with the most advanced equipment available. Under a previously established rate order, a total of \$2,242,355 in Federal subsidy was received in 1959.

The significant progress attained in decreasing relative dependency upon Federal subsidy is self-evident in the 442% increase in commercial revenues for 1959 as compared with 1954—the first full year of passenger service. During this same six-year period, Federal subsidy increased but 66%.

The measure of public acceptance of its services at a reducing unit cost in Federal subsidy in this same six-year period is highlighted by the following comparisons:

|                                                   | <u>1959</u> | <u>1954</u> | <u>% Change</u> |
|---------------------------------------------------|-------------|-------------|-----------------|
| Revenue Passengers Carried . . . . .              | 124,999     | 8,758       | +1,327%         |
| Scheduled Revenue Ton-Miles Carried . . . . .     | 262,265     | 53,314      | +392%           |
| Subsidy Received Per Scheduled Ton-Mile . . . . . | \$8.55      | \$25.35     | — 66%           |

**Business Growth.** In exceeding one million dollars in commercial revenues for the first time in its history, New York Airways carried 124,999 passengers during 1959 for a new record total, an increase of 37.2% over 1958. For the third successive year, a healthy improvement in load factors was experienced. For 1959, the average load factor was 49.2%, up from 44.6% for 1958 and 39.8% for 1957.

Freight shipments continue to show consistent gains and reached new highs in volume. They accounted for \$39,314 in revenues, a gain of 26% over 1958. While volume of express movements declined slightly from 1958, an improved rate structure resulted in a 28% increase in revenues to \$26,176 for 1959.

Limited available cargo space on the Company's passenger flights tends to restrict the full measure of growth currently attainable in freight and express shipments. Your Company's advanced equipment program and broadened operational service pattern should encourage further gains in freight and express shipments.

Primarily as a result of aggressive promotion of sight-seeing and charter flights, revenues from non-scheduled services were at an all-time high in 1959, aggregating \$62,106 and representing an increase of 53% over revenues derived from the same source in 1958.

Mail volume remained stable during 1959. All-weather operational reliability in equipment is essential if any appreciable gains are to be made in the volume of mail to be handled.

## **Regulatory**

**Renewal of Certificate.** As indicated in previous annual reports, your Company's original operating authority was covered by a Temporary Certificate of Public Convenience and Necessity for a five-year term which technically expired on March 31, 1957. This was in keeping with the original grants awarded other helicopter carriers. The two other certificated helicopter airlines, in Los Angeles and Chicago, had their operating authorizations extended on a temporary basis for seven-year terms subject to further renewal at the end of that time.

Your Company felt that its record of accomplishments and trend of operations fully justified permanent certification and therefore urged the Civil Aeronautics Board to renew its operating authority without the usual time limitations. Moreover, to reflect the rapid change in the technological art, your Company also applied for the removal of restrictions which confined operations to rotary-wing-type equipment. Sufficient progress in vertical take-off and other direct-lift aircraft has been achieved so that your Company should be in a position to acquire such equipment if and when it becomes operationally and economically desirable to do so.



**Twin Turbine Boeing - Vertol V-107**

Hearings on the above issues in the Company's application for renewal were held in New York City in March, 1959 before Chief Examiner Francis W. Brown of the Civil Aeronautics Board.

After examining the detailed evidence as presented by New York Airways and other interested parties, Chief Examiner Brown, in August, 1959, recommended that your Company's operating authority be made permanent and that the then prevailing equipment restrictions be removed.

The full Civil Aeronautics Board in its determination, issued March 17, 1960, affirmed the Chief Examiner's recommendation as to the removal of equipment restrictions. In this respect, the Board declared:

"...if the type of service now being offered by conventional helicopters can be provided more effectively with equipment not technically qualifying as rotary-winged aircraft, there is no sound reason to deny the use of such equipment."

Your Company is accordingly now free to acquire vertical takeoff, short takeoff or other direct-lift aircraft, when, in its judgment, this will prove to be advantageous.

The Civil Aeronautics Board differed with its Chief Examiner as to the matter of permanency of the operating authority for New York Airways. Instead, the Board renewed this franchise for a period of seven years, such award being effective to May 16, 1967.

The Board summarized its findings in this respect by declaring:

"Seven-year renewal of New York Airways' authority should afford the necessary stability to the carrier's operations; will permit inauguration and use in scheduled service of new multi-turbine engine 25-seat helicopters; and affords reasonable period in which to test utility of new aircraft, and to measure benefit to the public of the service against its cost to the Government."

The Board in its decision, in part, also asserted:

"We recognize that the interairport shuttle service and the suburban airport-feeder service offered by New York Airways in the New York metropolitan area provides substantial public benefits and that probable improvement in the carrier's total subsidy position may occur if the larger capacity direct lift equipment presently in the developmental stage proves feasible for commercial use."

*Subsidy Mail Rates.* As noted in the 1958 annual report, along with your Company's financing of its Vertol equipment fleet, the United States Government, acting through the Civil Aeronautics Board, guaranteed an equipment loan granted in the original amount of \$1,000,000 from three New York banks.

In related actions, the Civil Aeronautics Board issued a final subsidy rate order for each of the five fiscal years beginning July 1, 1958 which encompasses the period in which the loan is scheduled for repayment. These subsidy rates enabled the Company to project its near-term operations more effectively under the then known operating conditions.

Conditions beyond the control of your Company, however, have increased operating expenses in excess of the levels envisioned by Management and the Civil Aeronautics Board when the existing subsidy rate orders were declared effective.

Moreover, in renewing its operating authority recently, the Board extended your Company's service pattern entailing an increase in operating costs without adequate offsetting commercial revenues.

Further, to best attain its long-range objectives, New York Airways is now moving to the next phase of its planned re-equipment program. By introducing a new fleet of multi-turbine helicopters, the subsidy requirements ultimately will be reduced, albeit initially there will be an increase in this need for government support. The equipment transition will most significantly broaden the Company's capacities and assure an improved degree of all-weather reliability in its operations. In the process, too, the subsidy cost to the government on a scheduled ton-mile basis should drop to new low levels.

To meet the circumstances above enumerated, your Company, on April 1, 1960, petitioned the Civil Aeronautics Board for interim increased subsidy mail rate support. The amount of additional subsidy requested will vary with the number and type of helicopters operated on schedule patterns adjusted to conform with the service demands placed upon New York Airways.

## **Equipment Progress**

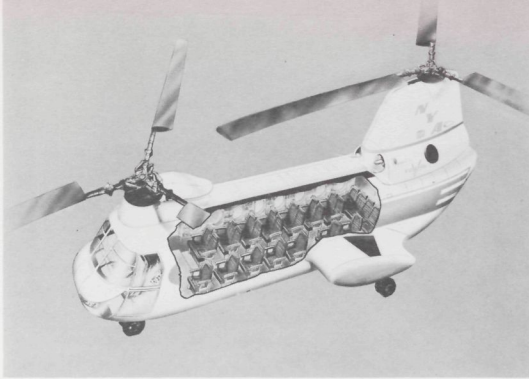
The objectives sought by the introduction of a fleet of five Vertol 44B fifteen-passenger helicopters, about two years ago, are being attained. This modern equipment—the most advanced available—has importantly increased your Company's capabilities and acceptance. Considerable new traffic, heretofore never moving by helicopter, has been attracted to New York Airways. The gains achieved during 1959 were facilitated by the capacity and attractiveness of this equipment.

Nevertheless, the growth potential of New York Airways can not begin to be served adequately by existing operational helicopters.

The perfection of the aircraft turbine engine and its incorporation as the power-plant in advanced type helicopters should permit the most significant gains to date, technologically and economically.

Your Company, after searching evaluations both in the United States and elsewhere, has entered into an arrangement to acquire a fleet of ten twin-turbine tandem rotor Vertol 107 helicopters. This rotary-wing transport is designed to carry 25 passengers and to cruise in





**25 Passenger, 150 m.p.h. V-107**

excess of 150 miles per hour.

The Vertol 107, in addition to its greater capacity and speed, will afford improved passenger appeal and comfort. Most importantly, lower seat-mile and ton-mile costs are expected to result from the operation of this advanced equipment.

Ultimate instrumentation will permit New York Airways to fly with minimum interference from the weather and thus bring reliability of operations to a new high standard.

With its inherent dependability, the twin-turbine V-107, by flying in a more direct course, will compound its speed advantage by avoiding the circuitous routing pattern now mandatory for the slower, single-engined piston-powered helicopters.

It is the intention of your Company to introduce five of the V-107's into service by the Spring of 1961. The acquisition of these aircraft will entail a capital expenditure of about \$4.5 million. In part payment, the Vertol Division of the Boeing Airplane Company has agreed to accept, at book value, your Company's present fleet of five Vertol 44B helicopters and spare parts. The balance of funds required are expected to be obtained through a government loan guaranty administered by the Civil Aeronautics Board.

The delivery schedule for the remaining five V-107's will be dictated by traffic requirements. Your Company will by that time have fully explored the desirability of such additional financing as may be required.

Looking still further ahead, the availability of the Fairey Rotodyne—a 65-passenger Direct Service airliner—in 1965 should place New York Airways in an improved position to meet the growing demand for its services on an economically sound basis. Your Company has signed a letter of intent with the Fairey Aviation Company of England covering the right to buy five of these machines along with a preferred production line position for fifteen additional aircraft of this type should circumstances warrant.

### **Heliport Facilities**

Operations to Manhattan have been confined to the West 30th Street Heliport. Only five minutes from the General Post Office, this facility is ideal for the provision of mail

service as well as the movement of passengers, freight and express originating from or destined to the West Side of Manhattan. The growing surface congestion in the city, however, has long pointed to the need for additional heliport facilities thus extending the usefulness of New York Airways to a larger segment of the traveling public.

In keeping with previous plans and through the co-operation of the City of New York and the Federal Aviation Agency, The Port of New York Authority is commencing the construction of a second Manhattan heliport. This heliport will be located just below the foot of Wall Street and your Company plans to inaugurate scheduled operations through this facility in 1960. There is every reason to anticipate that the convenience of this location will substantially stimulate passenger and Post Office demand for New York Airways' scheduled service.

The Port of New York Authority, as noted in our previous annual reports, has announced its intention to construct other heliports to be located on the East Side of midtown Manhattan, in Brooklyn, Staten Island and in Newark. The completion of such facilities will importantly broaden the opportunities of New York Airways to provide improved service to and from the Manhattan metropolitan area.

### **Outlook**

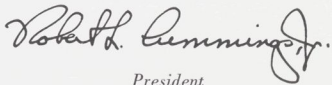
The public usefulness of your Company's service is well established. New York Airways is proud to participate and make its contributions in facilitating the benefits of jet transportation.

The time-saving and comforts of Trans-Atlantic and Trans-continental airline jet movements may be largely minimized by the congestion in surface travel to and from the New York International Airport (Idlewild)—far removed from the centers of population in the metropolitan area. By providing an effective "direct service" operation in this area, New York Airways eliminates the exasperation and time-consuming delays which frequently accompany trips by surface means to and from the airport.

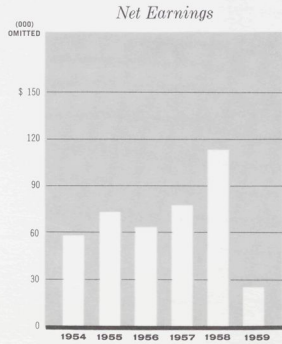
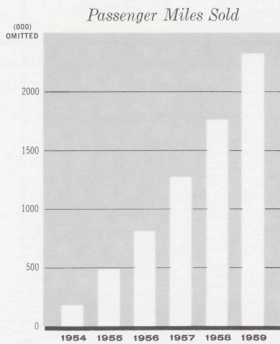
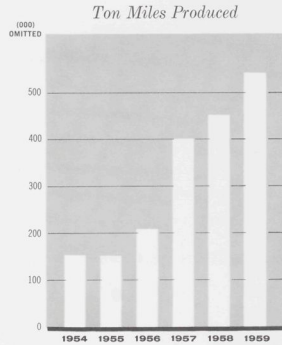
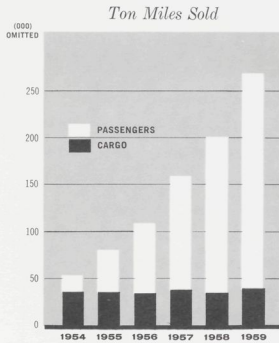
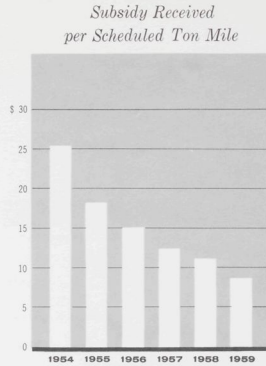
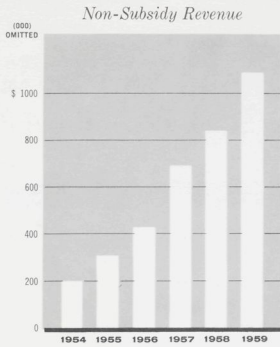
Your Company has established joint fare arrangements with 23 international and domestic airlines serving the New York market, thus becoming an integral part of extensive international and domestic air route patterns.

New York Airways continues to be dedicated to its mission of serving the area to which it is certificated. The success of New York Airways reflects the enthusiastic support of the communities served and the growing volume of business from the traveling and shipping public plus the devoted efforts of an experienced complement of employees and the loyal support and confidence of its stockholders.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in dark ink, reading "Robert H. Cumming, Jr." in a cursive style.

*President*



## COMPARATIVE OPERATING

*Six year period 1954-1959*

## OPERATING REVENUES:

|                       | 1959        | 1958       |
|-----------------------|-------------|------------|
| Commercial .....      | \$1,086,981 | \$ 843,892 |
| Federal subsidy ..... | 2,242,355   | 2,214,690  |
| Total .....           | 3,329,336   | 3,058,582  |

## OPERATING EXPENSES:

|                                            |           |           |
|--------------------------------------------|-----------|-----------|
| Depreciation and amortization.....         | 531,822   | 417,168   |
| All other .....                            | 2,730,461 | 2,378,009 |
| Total .....                                | 3,262,283 | 2,795,177 |
| Net operating income .....                 | 67,053    | 263,405   |
| Non-operating income or (expense)—net..... | (26,109)  | (27,921)  |
| Federal income tax.....                    | 15,791    | 121,787   |
| Net income for the year.....               | 25,153    | 113,697   |
| Earnings per share.....                    | .10       | .47       |

## FINANCIAL POSITION (at December 31):

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Working capital .....               | 982,279   | 963,577   |
| Long-term debt .....                | 508,771   | 719,298   |
| Stockholders' equity—total .....    | 2,707,873 | 2,682,720 |
| Stockholders' equity—per share..... | 11.13     | 11.02     |
| Outstanding shares .....            | 243,400   | 243,400   |

## OPERATING AND TRAFFIC STATISTICS:

|                                                          |           |           |
|----------------------------------------------------------|-----------|-----------|
| Revenue passengers .....                                 | 124,999   | 91,114    |
| Express (lbs.)* .....                                    | 1,306,507 | 1,376,880 |
| Freight (lbs.) .....                                     | 751,356   | 612,099   |
| Mail (lbs.) .....                                        | 2,209,959 | 2,242,311 |
| Scheduled revenue ton miles carried.....                 | 262,265   | 199,342   |
| Revenue load factor (%).....                             | 49.20     | 44.62     |
| Scheduled miles flown.....                               | 392,858   | 336,050   |
| Schedule completion factor (%).....                      | 76.53     | 78.58     |
| Charter and other non-scheduled revenue hours flown..... | 569       | 238       |



# AND FINANCIAL RECORD

*Calendar years ended December 31*

| 1957       | 1956       | 1955       | 1954       |
|------------|------------|------------|------------|
| \$ 698,254 | \$ 435,770 | \$ 313,193 | \$ 200,686 |
| 1,977,126  | 1,642,672  | 1,436,600  | 1,351,480  |
| 2,675,380  | 2,078,442  | 1,749,793  | 1,552,166  |
| 404,155    | 356,570    | 300,774    | 289,746    |
| 2,128,101  | 1,605,687  | 1,316,308  | 1,149,890  |
| 2,532,256  | 1,962,257  | 1,617,082  | 1,439,636  |
| 143,124    | 116,185    | 132,711    | 112,530    |
| 18,052     | 16,440     | 22,072     | (394)      |
| 83,166     | 68,433     | 80,643     | 52,811     |
| 78,010     | 64,192     | 74,140     | 59,325     |
| .32        | .27        | .31        | .25        |
| 1,122,907  | 1,170,050  | 1,615,618  | 1,516,319  |
| —          | —          | —          | —          |
| 2,566,373  | 2,488,363  | 2,421,921  | 2,347,782  |
| 10.66      | 10.34      | 10.15      | 9.84       |
| 240,750    | 240,750    | 238,500    | 238,500    |
| 68,694     | 43,205     | 24,569     | 8,758      |
| 1,499,811  | 1,907,373  | 1,758,534  | 159,450    |
| 698,258    | 607,023    | 473,785    | 359,360    |
| 2,550,907  | 1,159,704  | 1,412,181  | 2,354,464  |
| 158,068    | 108,306    | 79,313     | 53,314     |
| 39.81      | 52.21      | 51.13      | 34.04      |
| 464,333    | 429,224    | 387,773    | 391,435    |
| 79.82      | 77.23      | 82.07      | 84.21      |
| 213        | 209        | 149        | 167        |

\*Express service commenced in October, 1954.

**ASSETS****1959****1958****CURRENT ASSETS:**

|                                                                                                                                                              |                    |                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash on hand and on deposit in banks . . . . .                                                                                                               | \$ 384,033         | \$ 424,027         |
| Special deposits . . . . .                                                                                                                                   | 8,904              | 7,912              |
| United States Government securities, at cost plus accrued interest<br>on U.S. Treasury Bills (\$348,967 at December 31, 1959<br>market quotations) . . . . . | 348,953            | 24,895             |
| Other temporary investments, at cost (\$400,625 at December 31,<br>1959 market quotations) . . . . .                                                         | 396,799            | —                  |
| Accounts receivable:                                                                                                                                         |                    |                    |
| United States Government . . . . .                                                                                                                           | 202,994            | 1,135,148          |
| General traffic . . . . .                                                                                                                                    | 108,927            | 106,231            |
| Other current receivables . . . . .                                                                                                                          | 161,523            | 84,795             |
| Flight equipment expendable parts . . . . .                                                                                                                  | 79,486             | 36,020             |
| Prepaid insurance . . . . .                                                                                                                                  | 104,008            | 116,282            |
| Total current assets . . . . .                                                                                                                               | <u>\$1,795,627</u> | <u>\$1,935,310</u> |

**INVESTMENTS AND SPECIAL FUNDS:**

|                                                                                      |                  |                 |
|--------------------------------------------------------------------------------------|------------------|-----------------|
| Investments in and advances to subsidiary and<br>related service companies . . . . . | \$ 1,049         | \$ 1,023        |
| Deposits against equipment purchase contracts . . . . .                              | 30,000           | —               |
|                                                                                      | <u>\$ 31,049</u> | <u>\$ 1,023</u> |

**OPERATING PROPERTY AND EQUIPMENT (stated at cost) :**

|                                                                                               |                    |                    |
|-----------------------------------------------------------------------------------------------|--------------------|--------------------|
| Flight equipment . . . . .                                                                    | \$2,241,477        | \$2,147,060        |
| Less—Reserves for depreciation and maintenance (Note 1) . .                                   | 545,302            | 224,643            |
|                                                                                               | <u>\$1,696,175</u> | <u>\$1,922,417</u> |
| Ground property and equipment . . . . .                                                       | \$ 419,814         | \$ 404,659         |
| Less—Reserves for depreciation (Note 1) . . . . .                                             | 237,464            | 185,373            |
|                                                                                               | <u>\$ 182,350</u>  | <u>\$ 219,286</u>  |
| Operating property and equipment, less reserves<br>for depreciation and maintenance . . . . . | <u>\$1,878,525</u> | <u>\$2,141,703</u> |

**NON-OPERATING PROPERTY AND EQUIPMENT**

(stated at cost) (Note 3) :

|                                                                                   |                  |          |
|-----------------------------------------------------------------------------------|------------------|----------|
| Flight equipment . . . . .                                                        | \$ 71,486        | —        |
| Less—Reserves for depreciation (Note 1) . . . . .                                 | 16,566           | —        |
| Non-operating property and equipment,<br>less reserves for depreciation . . . . . | <u>\$ 54,920</u> | <u>—</u> |

**DEFERRED CHARGES:**

|                                                          |                    |                    |
|----------------------------------------------------------|--------------------|--------------------|
| Developmental and pre-operating costs (Note 4) . . . . . | \$ 345,266         | \$ 259,588         |
| Unamortized expense on debt . . . . .                    | 25,097             | 32,442             |
| Other deferred charges . . . . .                         | 13,468             | 4,590              |
|                                                          | <u>\$ 383,831</u>  | <u>\$ 296,620</u>  |
| Total assets . . . . .                                   | <u>\$4,143,952</u> | <u>\$4,374,656</u> |

December 31, 1959 and 1958

# **LIABILITIES**

## **CURRENT LIABILITIES:**

|                                           | 1959              | 1958              |
|-------------------------------------------|-------------------|-------------------|
| Long-term debt, due within one year ..... | \$ 210,527        | \$ 210,526        |
| Accounts payable—general .....            | 256,682           | 183,354           |
| Collections as agent:                     |                   |                   |
| Traffic .....                             | 9,854             | 10,267            |
| Other .....                               | 29,049            | 19,349            |
| Accrued personnel compensation .....      | 34,106            | 27,671            |
| Accrued vacation liability .....          | 53,733            | 42,883            |
| Accrued Federal income taxes .....        | 206,975           | 463,991           |
| Other accrued taxes .....                 | 10,121            | 7,029             |
| Other current liabilities .....           | 2,301             | 1,663             |
| Total current liabilities .....           | <u>\$ 813,348</u> | <u>\$ 971,733</u> |

## **LONG-TERM DEBT**, less portion included in current liabilities:

|                                                                                   |                   |                   |
|-----------------------------------------------------------------------------------|-------------------|-------------------|
| Notes payable to banks, 5¼%, due in instalments to May 21,<br>1963 (Note 6) ..... | <u>\$ 508,771</u> | <u>\$ 719,298</u> |
|-----------------------------------------------------------------------------------|-------------------|-------------------|

## **DEFERRED CREDITS:**

|                                     |                   |               |
|-------------------------------------|-------------------|---------------|
| Deferred Federal income taxes ..... | <u>\$ 113,960</u> | <u>\$ 905</u> |
|-------------------------------------|-------------------|---------------|

# **STOCKHOLDERS' EQUITY**

**1959      1958**

## **CAPITAL STOCK**, par value \$1.00 per share:

|                                                                                                        |                |                |            |            |
|--------------------------------------------------------------------------------------------------------|----------------|----------------|------------|------------|
| Shares authorized .....                                                                                | 300,000        | 300,000        |            |            |
| Shares reserved pursuant to Employees'<br>Stock Option Plan and Incentive Stock<br>Plan (Note 5) ..... | 16,800         | 18,100         |            |            |
| Shares issued and outstanding .....                                                                    | <u>243,400</u> | <u>243,400</u> | \$ 243,400 | \$ 243,400 |

|                                                                        |           |           |
|------------------------------------------------------------------------|-----------|-----------|
| <b>CAPITAL PAID-IN</b> , in excess of par value of capital stock ..... | 1,968,925 | 1,968,925 |
|------------------------------------------------------------------------|-----------|-----------|

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| <b>RETAINED EARNINGS</b> —per statements herewith ..... | <u>495,548</u> | <u>470,395</u> |
|---------------------------------------------------------|----------------|----------------|

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Total stockholders' equity ..... | <u>\$2,707,873</u> | <u>\$2,682,720</u> |
|----------------------------------|--------------------|--------------------|

|                                                 |                    |                    |
|-------------------------------------------------|--------------------|--------------------|
| Total liabilities and stockholders equity ..... | <u>\$4,143,952</u> | <u>\$4,374,656</u> |
|-------------------------------------------------|--------------------|--------------------|

The accompanying notes are an integral part of these statements.

# NEW YORK AIRWAYS, INC.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

*For the years ended December 31, 1959 and 1958*

|                                                          | 1959               | 1958               |
|----------------------------------------------------------|--------------------|--------------------|
| <b>OPERATING REVENUES:</b>                               |                    |                    |
| Transport revenues:                                      |                    |                    |
| Passenger .....                                          | \$ 856,982         | \$ 656,859         |
| United States mail .....                                 | 48,883             | 45,989             |
| Express .....                                            | 26,176             | 20,450             |
| Freight .....                                            | 39,314             | 31,150             |
| Non-scheduled services .....                             | 62,106             | 40,568             |
| Other transport revenues .....                           | 5,363              | 3,913              |
| Non-transport revenues:                                  |                    |                    |
| Federal subsidy (Note 2) .....                           | 2,242,355          | 2,214,690          |
| Incidental revenues—net .....                            | 48,157             | 44,963             |
| Total operating revenues .....                           | <u>\$3,329,336</u> | <u>\$3,058,582</u> |
| <b>OPERATING EXPENSES:</b>                               |                    |                    |
| Flying operations .....                                  | \$ 825,066         | \$ 666,289         |
| Maintenance .....                                        | 813,352            | 680,977            |
| General services and administration .....                | 1,092,043          | 1,030,743          |
| Amortization—developmental and pre-operating costs ..... | 40,610             | 25,425             |
| Depreciation—flight equipment .....                      | 429,466            | 329,128            |
| Depreciation—ground property and equipment .....         | 61,746             | 62,615             |
| Total operating expenses .....                           | <u>\$3,262,283</u> | <u>\$2,795,177</u> |
| Net operating income .....                               | <u>\$ 67,053</u>   | <u>\$ 263,405</u>  |
| <b>NON-OPERATING INCOME AND (EXPENSE)—NET:</b>           |                    |                    |
| Interest income .....                                    | \$ 17,865          | \$ 3,995           |
| Interest expense .....                                   | (50,806)           | (35,218)           |
| Other non-operating income and (expense)—net .....       | 6,832              | 3,302              |
| Total non-operating income and (expense)—net ..          | <u>\$ (26,109)</u> | <u>\$ (27,921)</u> |
| Net income before Federal income tax .....               | <u>\$ 40,944</u>   | <u>\$ 235,484</u>  |
| <b>FEDERAL INCOME TAX</b> .....                          | 15,791             | 121,787            |
| <b>NET INCOME FOR YEAR</b> .....                         | <u>\$ 25,153</u>   | <u>\$ 113,697</u>  |
| <b>RETAINED EARNINGS</b> —at beginning of year .....     | <u>470,395</u>     | <u>356,698</u>     |
| Retained earnings at end of year — per Balance           |                    |                    |
| Sheets herewith .....                                    | <u>\$ 495,548</u>  | <u>\$ 470,395</u>  |

The accompanying notes are an integral part of these statements.



## NOTES RELATING TO FINANCIAL STATEMENTS

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation have been provided at rates which are used for mail rate purposes by the Board.

The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue classified as Federal subsidy is reflected herein, on the basis of final rates which were in effect throughout the year.

3. Non-operating property, at December 31, 1959, reflected in the balance sheet herewith, represents one Bell 47-J helicopter which was removed from regular service on November 16, 1959 pending sale; allowances for depreciation expense were discontinued on the same date.

4. The deferred charges, at December 31, 1959, described in the balance sheet herewith as "Developmental and pre-operating costs" represent (a) developmental, training and other costs incurred in connection with the introduction into service, in 1958, of 5 Vertol V-44B helicopters less amortization provided on the basis of writing off these costs over a period of 5 years from July 1, 1958; (b) expenses incurred with respect to the Company's application for renewal of its Certificate of Public Convenience and Necessity; (c) expenses incurred in connection with future aircraft and route development; and (d) unamortized costs and expenses incurred during the Company's pre-operating period for a route not yet activated.

5. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1952, options were granted to 6 persons to purchase an aggregate of 13,000 shares of Capital Stock at a price of \$11.87½ per share. All such options expired January 18, 1959 without being exercised, except one option to purchase 3,000 shares which became exercisable to the extent of 2,400 shares on April 4, 1959 and which becomes fully exercisable one year from that date.

Under a new Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1959, options have been granted to 7 persons to purchase an aggregate of 13,800 shares of Capital Stock at a price of \$11.87½ per share. With respect to one of these options, the number of shares under option will be reduced to the extent

that the remaining option in effect under the old plan is exercised. The options granted under this new plan will become exercisable during the 5 year period beginning April 4, 1960.

In 1956, an Incentive Stock Plan was adopted by the Board of Directors and approved by the stockholders of the Company. This plan runs through December 31, 1960 and provides for issuance and sale subject to certain restrictions of 10,000 shares of Capital Stock (but not more than 3,000 shares in any calendar year) to selected officers and other key employees of the Company at a price of \$1.00 per share (par value). Pursuant to this plan, a total of 4,900 shares have been sold at December 31, 1959.

6. Notes payable to the Hanover Bank, Federation Bank & Trust Company and United States Trust Company of New York are secured by a chattel mortgage on the Company's five Vertol helicopters and accessory equipment and are guaranteed by the Civil Aeronautics Board to the extent of 90% of the unpaid principal amount. The credit agreement covering the notes payable provides, among other things, (1) for maintenance by the Company of working capital of not less than the greater of \$700,000 or 25% of 12 months' cash operating expenses (as defined); (2) for the maintenance by the Company of an excess of tangible assets over total liabilities of at least \$2,000,000; and (3) for certain restrictions upon cash dividends and acquisitions or retirements of the Company's Capital Stock. As a result of the foregoing provision approximately \$370,000 of retained earnings at December 31, 1959 was so restricted.

7. On January 12, 1960 the Company entered into an agreement with Vertol Aircraft Corporation (which is scheduled to become a division of Boeing Airplane Company on or about March 31, 1960 as a result of purchase of Vertol Aircraft Corporation by Boeing Airplane Company) to purchase ten twin-engine, tandem rotor V-107, Model II-2 helicopters, five for anticipated delivery during the Spring of 1961, and five to be delivered at mutually agreeable future dates. The base price for the first five aircraft is \$2,363,125 subject to adjustment for engines, installed and spare, optional equipment for installation in the aircraft, spare parts and ground support equipment. Payment for the new equipment is to be made in part by sale or trade-in to the Vertol Division of Boeing Airplane Company of the 5 Vertol 44B helicopters and spare parts which the Company now owns and the remainder is to be paid in cash.

At December 31, 1959, other known contingent liabilities not covered by insurance did not involve amounts large enough to be significant.

LYBRAND, ROSS BROS. & MONTGOMERY  
CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the Balance Sheets of New York Airways, Inc., as at December 31, 1959 and December 31, 1958 and the related Statements of Income and Retained Earnings for the years 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; although it was not practicable to obtain confirmation of the balances receivable from the United States government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated.

In our opinion, the accompanying Balance Sheets and Statements of Income and Retained Earnings present fairly the financial position of New York Airways, Inc., as at December 31, 1959 and December 31, 1958 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis for the two years.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 31, 1960.



## **NEW YORK AIRWAYS, INC.**

Operating Authority  
granted by the  
Civil Aeronautics Board

**March 17, 1960**







*9th*  
ANNUAL  
REPORT  
1960

NEW YORK AIRWAYS, INC.

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THE FIRST HELICOPTER AIRLINE





TO THE STOCKHOLDERS OF

NEW YORK AIRWAYS, INC.

PER ORDER OF

THE BOARD OF DIRECTORS

## NEW YORK AIRWAYS, INC.

THE FIRST HELICOPTER AIRLINE

The regulations of each State and each Country's Bureau, it will be the basis of this type of service.

Since 1957 the Company's aircraft have been the V440 helicopter. The Company's proposals featured in the 1958-59 and Model V440 helicopter manufacturing Company.

The Company has a 10% stake in the company will operate at 125,000-130,000

*9th*

**ANNUAL  
REPORT  
1960**

# NEW YORK AIRWAYS, INC.

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                         |                     |
|-------------------------|---------------------|
| Hoyt Ammidon            | Robert W. Dowling   |
| Robert E. Blum          | Robert G. Goelet    |
| Horace Brock            | Grover Loening      |
| Robert L. Cummings, Jr. | Samuel C. Park, Jr. |
| William Shields, Jr.    |                     |

## **Officers**

Robert L. Cummings, Jr., *President*  
William W. Hogan, *Vice President and Treasurer*  
John E. Gallagher, *Vice President*  
Glen B. Eastburn, *Vice President*  
Richard Wheatland, *Vice President, Sales and Services*  
John H. Slate, *Secretary*  
Leslie G. Carter, *Ass't. Vice President*  
Ray de Haan, *Ass't. Vice President*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate, Meagher & Flom



*To the stockholders and employees of:*

## **NEW YORK AIRWAYS, INC.**

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### **1960 Summary**

The salient developments covered by this Report are as follows:

- Civil Aeronautics Board approval has now been secured for the conversion of your Company's services to a new fleet of twin-turbine Boeing Vertol 107 helicopters—representing the most important operating and economic advance ever attained in this field.
- Major ground facility improvements have also been accomplished—including a second Manhattan heliport and provisions for new bases at New York International and La Guardia Airports.
- The Company's re-equipment program will make it possible, for the first time, to improve and extend operations both in the New York/New Jersey/Connecticut Metropolitan Area and to other urban centers where our services can be of public utility. During 1960, New York Airways filed applications with the Civil Aeronautics Board for operating authority in the Washington/Baltimore area as well as between New York and Philadelphia.
- The financial results recorded at the date of this Report indicate a provisional loss for 1960. However, these do not yet reflect the definitive subsidy revenues receivable. Restatement of the accounts to include these revenues when finally determined is expected to show a profit for the year.

### **The New Fleet**

The acquisition of multi-turbine equipment will mark the most significant advance in your Company's history. It will, in fact, transform both the operating and the economic bases of this type of service.

Since 1958 the Company's scheduled operations have been maintained with five single piston-engine V44B helicopters. The Civil Aeronautics Board has now approved the Company's proposals (outlined in our 1959 Annual Report) for replacement of these aircraft with Model V107 helicopters manufactured by the Vertol Division of Boeing Airplane Company.

The Boeing Vertol 107's will be powered by twin General Electric T-58 turbines and will cruise at 155 MPH—an improvement of 70% over the V44B's.

The initial fleet of five V107's is to be delivered to New York Airways during the Summer and Fall of this year, and will be the first such aircraft available for civil use. The agreements we have secured from the manufacturers also include long-term protective provisions on costs and performance as well as options to purchase such additional aircraft as may be needed to meet our increasing service requirements.

The new aircraft will accommodate 25 passengers (as against the present maximum of 15) at the highest standards of airline comfort. Due to their increased speed, capacity and other improved operating characteristics, the first five units will quadruple the passenger seat-mile productivity of the existing fleet, while at the same time providing for additional mail, express and freight loads.

Since the twin-turbine installation will enable this equipment to maintain altitude with one engine inoperative, our services can be advanced, within the near future, from the present visual contact flight restrictions (under which schedule regularity has been seriously impaired by adverse weather) to all-weather instrument procedures.

In addition, for the first time in the history of the helicopter (or any other civil aircraft type) the V107's will permit the routine conduct of true vertical operations. The lack of this capability has limited the utility of previous helicopters, which have been restricted to circuitous horizontal approaches and departures in congested areas. Now, however, it will be possible to provide the direct service to the heart of urban centers which represents the unique contribution of VTOL air transport.

Equally fundamental economic changes are in prospect. The flight equipment heretofore available for the Company's operations has generally been incapable of realizing commercial revenues equalling direct operating costs. As a result, the rapidly growing public demand for our services could not be met without subsidy increases which the Civil Aeronautics Board has been unwilling to grant.

This deadlock has now been broken. For the improved productivity of the new aircraft will reverse the formerly adverse relation between subsidy and operating volume, so that additional service can be provided as needed without increased dependence on federal support.

The public utility of these services has long been established. The forthcoming economic transformation will complete the foundation for their mature development.

## Financing

The capital financing required has been obtained on favorable terms.

The purchase price of the initial V 107 fleet (including spares) will aggregate some \$4.3 million and an additional \$1.2 million is currently estimated to be required for related facilities, equipment, development costs, and increased working capital. A credit up to \$3.8 million (to be guaranteed by the Civil Aeronautics Board) has been secured from the Hanover Bank, Federation Bank and Trust Company and United States Trust Company of New York. Funds borrowed under this credit are repayable over a period of six years, with interest at 5.3375%.

The additional capital requirements will be provided from the proceeds of a trade-in arrangement with the airframe manufacturer under which New York Airways will realize the net book value of the present fleet.



**Opening of Downtown Manhattan Heliport**

## **Heliports**

Provision has also been made for the expansion and improvement of ground facilities.

Of first importance is the new Downtown Manhattan Heliport (established by The Port of New York Authority in co-operation with the City of New York) at which scheduled service was inaugurated by New York Airways in December, 1960. Located near the foot of Wall Street, this facility has already demonstrated its usefulness in that densely populated area.

The decentralization of the new fixed-wing terminals at New York International Airport has required a corresponding reorganization of the Company's operations—which had formerly been based at an increasingly inadequate site oriented to the old temporary passenger terminal.

Since the new American Airlines Terminal was located most conveniently for the largest single group of our passengers, by arrangement with that carrier and The Port of New York Authority, a New York Airways operating and traffic base has been established in the American terminal. It is also planned to provide service at other suitable locations on the Airport. In the meantime, other airline terminals continue to be connected directly to the operation by a special bus service.

The reconstruction of La Guardia Airport has required similar measures. Our schedules are now handled at the temporary American Airlines facility. When the permanent construction is completed next year, the New York Airways service base will be transferred to a central location.

Significant progress has also been made at other cities. Downtown heliports have been provided by Stamford, Bridgeport and Paterson, and a similar facility will be established this Fall at New Haven. It is anticipated that other key communities will follow suit.

## **Operating Authority**

As set forth in greater detail in our 1959 Annual Report, early last year the Civil Aeronautics Board renewed the Company's basic operating authorizations. The scope of the Board's grant is shown by the map on the inside back cover of this Report.

The Board also extended our operating area to Danbury and New Haven, and removed a former restriction which would have limited our operations to "rotary winged aircraft."

Thus, as New York Airways progresses, the Company will be in a position to select the aircraft best suited to the service requirements from time to time, whether these are conventional helicopters or one of the more advanced VTOL designs now under development.

### **New Services**

As already indicated, the Boeing Vertol 107 equipment will, for the first time, enable New York Airways to provide service commensurate with the demand.

As a result of doubling the frequency with the new, larger helicopters on the central Airport/Manhattan routes the seat mile availability will be increased by some 400%. Added capacity and frequency will also be provided to the outlying communities. Service will be inaugurated this Fall to Paterson, Danbury, New Haven and suburban Long Island, reaching a new passenger market numbering in the millions.

Two other developments indicate that New York Airways may be able to provide additional service in the public interest.

The construction of Dulles International Airport (to be completed in mid 1962) has suggested the need for helicopter service between downtown Washington, Baltimore, Dulles International, Friendship International and Washington National Airports.

In addition, the City of Philadelphia has recently inaugurated a downtown heliport. A proving flight conducted on this occasion with the V107 prototype demonstrated the feasibility and usefulness of high frequency helicopter service between downtown Philadelphia and downtown Manhattan. The scheduled flight time would be approximately 30 minutes.

New York Airways has filed applications with the Civil Aeronautics Board for authority to provide service both in the Washington/Baltimore area and between Philadelphia and New York. Proceedings on our Washington application (along with a number of other competitive applications) have been commenced by the Board, and public hearings are scheduled for September.

### **Traffic**

Although necessarily restricted by the limitations of the present equipment, the Company's traffic has continued to show encouraging growth.

1960 passenger volume increased 17.4% over 1959. The passenger revenue load factor was 53.4%, up from 48.9% for 1959, 44.8% for 1958 and 37.5% for 1957. Aggregate mail, express and freight loads were maintained close to 1959 levels.

These traffic gains were, of course, reflected by a corresponding commercial revenue increase. In 1960 these revenues aggregated \$1,240,019—14.1% above 1959.

### **Subsidy and Net Income**

At the date of this Report, New York Airways had received 1960 subsidy mail pay aggregating \$2,240,657.

As detailed in the financial statements submitted herewith, beginning April 1, 1960, these payments have been made on an interim basis, subject to retroactive adjustment.

It is anticipated that on final determination of the amounts due for 1960 operations, the provisional net loss indicated by these statements will be extinguished, and that the result-





Interior view of Boeing Vertol 107

ing restatement of the accounts will show a profit for the year. However, the amount of this profit cannot yet be determined.

Civil Aeronautics Board proceedings are now in progress to determine definitive subsidy rates both for the V44B operations from April 1, 1960 and for the operations to be commenced this Fall with the new V107 equipment.

### Outlook

Jet speeds and the growing congestion of urban areas have sharply focussed public attention on the deficiencies of city to airport and airport to airport ground transport.

The fact that terminal time not uncommonly approaches that required for a transcontinental or over-ocean flight has become a notorious anomaly of air transportation. VTOL operations offer a practical solution of this vexing problem.

In the near future direct city-center to city-center VTOL service is also expected to become a principal means of short-haul air travel.

New York Airways is uniquely qualified to meet these requirements. The necessary flight equipment is now at hand, and ground facility construction is keeping pace.

The significance of these matters is dramatically underscored by the recently announced plan for a World Trade Center to be located in lower Manhattan.

As shown by the drawing set out in this Report, a central feature of this plan consists of an enlargement of the Wall Street heliport at which New York Airways recently inaugurated service.

Prospects of this sort leave no room for doubt as to the successful completion of your Company's development from the modest beginnings of the "experimental" years to an established transportation system of the first rank.

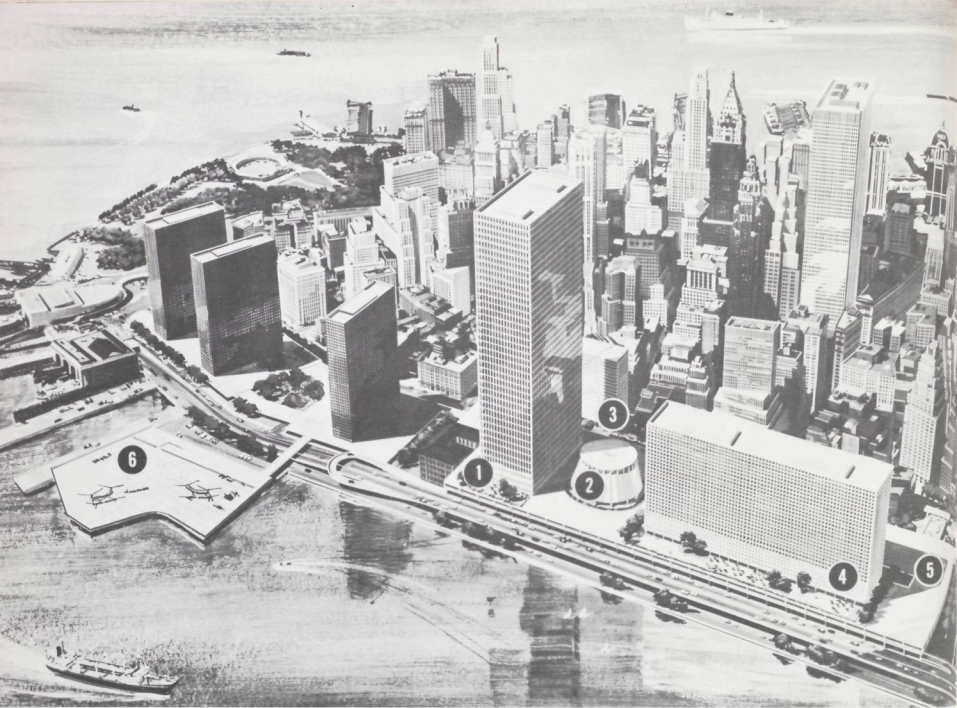
As always, the accomplishments of New York Airways and its expectations of the future depend upon the public acceptance of its services, the confidence of its stockholders and the loyalty of its staff.

BY ORDER OF THE BOARD OF DIRECTORS

*Robert H. Cummings Jr.*

President

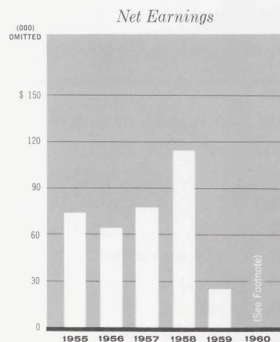
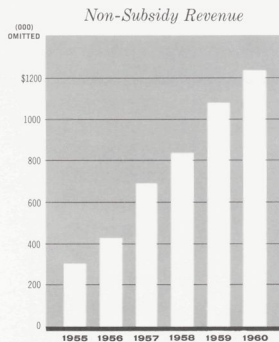
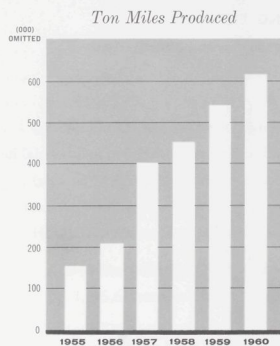
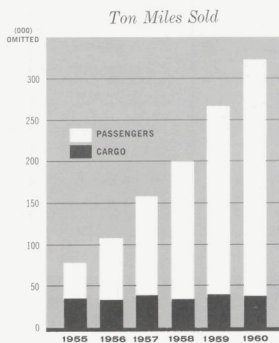
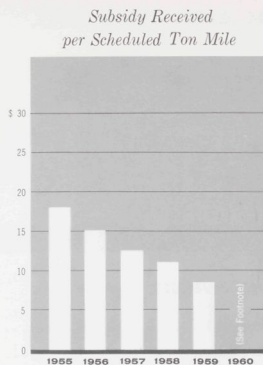
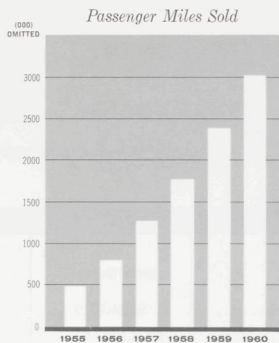




Artist's rendering of a panoramic view of downtown Manhattan with architectural concept of \$355,000,000 Port of New York-New Jersey World Trade Center as recommended in the Port of New York Authority's report to the Governors of the two states and the Mayor of the City of New York. The 16-acre site recommended for the development borders on the East River and is bounded by Old Slip on the south, Fulton Street on the north, and Pearl and Water Streets on the West. It is adjacent to the traditional core of world trade activity in lower Manhattan.

The proposed World Trade Center would include (1) a 72-story World Trade Mart; (2) a circular 8-story Securities Exchange; (3) a 20-story Trade Center Gateway, seen partially in rear of Trade Mart; (4) a 30-story World Commerce Exchange. The Development, rising from (5) a 5-level 1,600-foot-long enclosed concourse and landscaped plaza, would be served by a new three-lane 2,000-foot north-south roadway along the concourse next to the existing East Side Elevated Highway.

The ultimate development of the existing Port Authority-Downtown Manhattan Heliport is shown to the left (6). The existing facility now links lower Manhattan with the major airports in the Metropolitan area, as well as neighboring cities and towns in New Jersey, Connecticut, and New York.



Footnote: Final subsidy to be received in 1960 not yet determined. See note 2 to "Notes Relating to Financial Statements".

## COMPARATIVE OPERATING

Six year period 1955-1960

## OPERATING REVENUES:

|                                               | 1960        | 1959        |
|-----------------------------------------------|-------------|-------------|
| Commercial .....                              | \$1,240,019 | \$1,086,981 |
| Federal subsidy ( <i>See Footnote</i> ) ..... | 2,240,657   | 2,242,355   |
| Total .....                                   | 3,480,676   | 3,329,336   |

## OPERATING EXPENSES:

|                                                                      |           |           |
|----------------------------------------------------------------------|-----------|-----------|
| Depreciation and amortization .....                                  | 568,095   | 531,822   |
| All other .....                                                      | 2,985,433 | 2,730,461 |
| Total .....                                                          | 3,553,528 | 3,262,283 |
| Net operating income (or loss) ( <i>See Footnote</i> ) .....         | (72,852)  | 67,053    |
| Non-operating income or (expense) and (special items 1960)—net ..... | (47,220)  | (26,109)  |
| Federal income tax (or refund) ( <i>See Footnote</i> ) .....         | (48,946)  | 15,791    |
| Net income (or loss) for the year ( <i>See Footnote</i> ) .....      | (71,126)  | 25,153    |
| Earnings (or deficit) per share ( <i>See Footnote</i> ) .....        | (.29)     | .10       |

## FINANCIAL POSITION (at December 31):

|                                                              |           |           |
|--------------------------------------------------------------|-----------|-----------|
| Working capital ( <i>See Footnote</i> ) .....                | 1,119,590 | 982,279   |
| Long-term debt .....                                         | 298,245   | 508,771   |
| Stockholders' equity—total ( <i>See Footnote</i> ) .....     | 2,636,747 | 2,707,873 |
| Stockholders' equity—per share ( <i>See Footnote</i> ) ..... | 10.83     | 11.13     |
| Outstanding shares .....                                     | 243,400   | 243,400   |

Footnote: Final subsidy to be received in 1960 not yet determined. See note 2 to "Notes Relating to Financial Statements".

## OPERATING AND TRAFFIC STATISTICS:

|                                                           |           |           |
|-----------------------------------------------------------|-----------|-----------|
| Revenue passengers .....                                  | 146,775   | 124,999   |
| Express (lbs.) .....                                      | 1,214,058 | 1,306,507 |
| Freight (lbs.) .....                                      | 712,869   | 751,356   |
| Mail (lbs.) .....                                         | 2,220,715 | 2,209,959 |
| Scheduled revenue ton miles carried .....                 | 316,738   | 262,265   |
| Revenue load factor (%) .....                             | 52.80     | 49.20     |
| Scheduled miles flown .....                               | 453,844   | 392,858   |
| Schedule completion factor (%) .....                      | 82.50     | 76.53     |
| Charter and other non-scheduled revenue hours flown ..... | 472       | 569       |

# AND FINANCIAL RECORD

*Calendar years ended December 31*

| 1958             | 1957             | 1956             | 1955             |
|------------------|------------------|------------------|------------------|
| \$ 843,892       | \$ 698,254       | \$ 435,770       | \$ 313,193       |
| <u>2,214,690</u> | <u>1,977,126</u> | <u>1,642,672</u> | <u>1,436,600</u> |
| 3,058,582        | 2,675,380        | 2,078,442        | 1,749,793        |
| 417,168          | 404,155          | 356,570          | 300,774          |
| <u>2,378,009</u> | <u>2,128,101</u> | <u>1,605,687</u> | <u>1,316,308</u> |
| 2,795,177        | 2,532,256        | 1,962,257        | 1,617,082        |
| 263,405          | 143,124          | 116,185          | 132,711          |
| (27,921)         | 18,052           | 16,440           | 22,072           |
| 121,787          | 83,166           | 68,433           | 80,643           |
| 113,697          | 78,010           | 64,192           | 74,140           |
| .47              | .32              | .27              | .31              |
| 963,577          | 1,122,907        | 1,170,050        | 1,615,618        |
| 719,298          | —                | —                | —                |
| 2,682,720        | 2,566,373        | 2,488,363        | 2,421,921        |
| 11.02            | 10.66            | 10.34            | 10.15            |
| 243,400          | 240,750          | 240,750          | 238,500          |
| 91,114           | 68,694           | 43,205           | 24,569           |
| 1,376,880        | 1,499,811        | 1,907,373        | 1,758,534        |
| 612,099          | 698,258          | 607,023          | 473,785          |
| 2,242,311        | 2,550,907        | 1,159,704        | 1,412,181        |
| 199,342          | 158,068          | 108,306          | 79,313           |
| 44.62            | 39.81            | 52.21            | 51.13            |
| 386,050          | 464,333          | 429,224          | 387,773          |
| 78.58            | 79.82            | 77.23            | 82.07            |
| 238              | 213              | 209              | 149              |



**ASSETS****1960****1959****CURRENT ASSETS:**

|                                                                                                                                                          |                  |                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Cash on hand and on deposit in banks .....                                                                                                               | \$ 459,915       | \$ 384,033       |
| Special deposits .....                                                                                                                                   | 9,726            | 8,904            |
| United States Government securities, at cost plus accrued interest<br>on U.S. Treasury Bills (\$149,104 at December 31, 1960<br>market quotations) ..... | 449,033          | 348,953          |
| Other temporary investments, at cost .....                                                                                                               | —                | 396,799          |
| Accounts receivable:                                                                                                                                     |                  |                  |
| United States Government .....                                                                                                                           | 223,481          | 202,994          |
| General traffic .....                                                                                                                                    | 130,983          | 108,927          |
| Estimated refund of Federal income tax based on carry-back<br>of loss under the Internal Revenue Code .....                                              | 57,268           | —                |
| Other current receivables .....                                                                                                                          | 202,196          | 161,523          |
| Flight equipment expendable parts and supplies .....                                                                                                     | 100,616          | 79,486           |
| Prepaid insurance .....                                                                                                                                  | 41,879           | 104,008          |
| Total current assets .....                                                                                                                               | <u>1,675,097</u> | <u>1,795,627</u> |

**INVESTMENTS AND SPECIAL FUNDS:**

|                                                                                  |               |               |
|----------------------------------------------------------------------------------|---------------|---------------|
| Investments in and advances to subsidiary and related service<br>companies ..... | 1,074         | 1,049         |
| Deposits against equipment purchase contracts .....                              | 30,000        | 30,000        |
|                                                                                  | <u>31,074</u> | <u>31,049</u> |

**OPERATING PROPERTY AND EQUIPMENT (stated at cost):**

|                                                                                           |                  |                  |
|-------------------------------------------------------------------------------------------|------------------|------------------|
| Flight equipment .....                                                                    | 2,289,644        | 2,241,477        |
| Less—Reserves for depreciation and maintenance (Note 1) ..                                | 968,853          | 545,302          |
|                                                                                           | <u>1,320,791</u> | <u>1,696,175</u> |
| Ground property and equipment .....                                                       | 439,587          | 419,814          |
| Less—Reserves for depreciation (Note 1) .....                                             | 276,299          | 237,464          |
|                                                                                           | <u>163,288</u>   | <u>182,350</u>   |
| Operating property and equipment, less reserves<br>for depreciation and maintenance ..... | <u>1,484,079</u> | <u>1,878,525</u> |

**NON-OPERATING PROPERTY AND EQUIPMENT (stated at cost):**

|                                                                               |              |               |
|-------------------------------------------------------------------------------|--------------|---------------|
| Flight equipment .....                                                        | 2,000        | 71,486        |
| Less—Reserves for depreciation .....                                          | 342          | 16,566        |
| Non-operating property and equipment,<br>less reserves for depreciation ..... | <u>1,658</u> | <u>54,920</u> |

**DEFERRED CHARGES:**

|                                                      |                    |                    |
|------------------------------------------------------|--------------------|--------------------|
| Developmental and pre-operating costs (Note 3) ..... | 392,539            | 345,266            |
| Unamortized expense on debt .....                    | 22,710             | 25,097             |
| Other deferred charges .....                         | 24,974             | 13,468             |
|                                                      | <u>440,223</u>     | <u>383,831</u>     |
| Total assets .....                                   | <u>\$3,632,131</u> | <u>\$4,143,952</u> |

# December 31, 1960 and 1959

## LIABILITIES

### CURRENT LIABILITIES:

|                                              | 1960           | 1959           |
|----------------------------------------------|----------------|----------------|
| Long-term debt due within one year . . . . . | \$ 210,527     | \$ 210,527     |
| Accounts payable—general . . . . .           | 174,496        | 256,682        |
| Collections as agent:                        |                |                |
| Traffic . . . . .                            | 8,335          | 9,854          |
| Other . . . . .                              | 36,186         | 29,049         |
| Accrued personnel compensation . . . . .     | 46,408         | 34,106         |
| Accrued vacation liability . . . . .         | 65,631         | 53,733         |
| Accrued Federal income taxes . . . . .       | —              | 206,975        |
| Other accrued taxes . . . . .                | 4,717          | 10,121         |
| Other current liabilities . . . . .          | 9,207          | 2,301          |
| Total current liabilities . . . . .          | <u>555,507</u> | <u>813,348</u> |

### LONG-TERM DEBT, less portion included in current liabilities:

|                                                                                     |                |                |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Notes payable to banks, 5¼%, due in installments to May 21, 1963 (Note 5) . . . . . | <u>298,245</u> | <u>508,771</u> |
|-------------------------------------------------------------------------------------|----------------|----------------|

### DEFERRED CREDITS:

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Deferred Federal income taxes . . . . . | <u>141,632</u> | <u>113,960</u> |
|-----------------------------------------|----------------|----------------|

## STOCKHOLDERS' EQUITY

1960 1959

### CAPITAL STOCK, par value \$1.00 per share:

|                                                                             |                |                |         |         |
|-----------------------------------------------------------------------------|----------------|----------------|---------|---------|
| Shares authorized . . . . .                                                 | 300,000        | 300,000        |         |         |
| Shares reserved pursuant to Employees' Stock Option Plan (Note 4) . . . . . | 10,500         | 16,800         |         |         |
| Shares issued and outstanding . . . . .                                     | <u>243,400</u> | <u>243,400</u> | 243,400 | 243,400 |

|                                                                    |           |           |
|--------------------------------------------------------------------|-----------|-----------|
| CAPITAL PAID-IN, in excess of par value of capital stock . . . . . | 1,968,925 | 1,968,925 |
|--------------------------------------------------------------------|-----------|-----------|

|                                                              |                |                |
|--------------------------------------------------------------|----------------|----------------|
| RETAINED EARNINGS—per statements herewith (Note 5) . . . . . | <u>424,422</u> | <u>495,548</u> |
|--------------------------------------------------------------|----------------|----------------|

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Total stockholders' equity . . . . . | <u>2,636,747</u> | <u>2,707,873</u> |
|--------------------------------------|------------------|------------------|

|                                                      |                    |                    |
|------------------------------------------------------|--------------------|--------------------|
| Total liabilities and stockholders' equity . . . . . | <u>\$3,632,131</u> | <u>\$4,143,952</u> |
|------------------------------------------------------|--------------------|--------------------|

The accompanying notes are an integral part of these statements.

# NEW YORK AIRWAYS, INC.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

*For the years ended December 31, 1960 and 1959*

|                                                                                                                              | 1960              | 1959              |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>OPERATING REVENUES:</b>                                                                                                   |                   |                   |
| Transport revenues:                                                                                                          |                   |                   |
| Passenger .....                                                                                                              | \$1,039,732       | \$ 856,982        |
| United States mail .....                                                                                                     | 56,713            | 48,883            |
| Express .....                                                                                                                | 38,540            | 26,176            |
| Freight .....                                                                                                                | 40,828            | 39,314            |
| Non-scheduled services .....                                                                                                 | 56,784            | 62,106            |
| Other transport revenues .....                                                                                               | 5,190             | 5,363             |
| Non-transport revenues:                                                                                                      |                   |                   |
| Federal subsidy (Note 2) .....                                                                                               | 2,240,657         | 2,242,355         |
| Incidental revenues—net .....                                                                                                | 2,232             | 48,157            |
| Total operating revenues .....                                                                                               | <u>3,480,676</u>  | <u>3,329,336</u>  |
| <b>OPERATING EXPENSES:</b>                                                                                                   |                   |                   |
| Flying operations .....                                                                                                      | 806,830           | 825,066           |
| Maintenance .....                                                                                                            | 970,208           | 813,352           |
| General services and administration .....                                                                                    | 1,208,395         | 1,092,043         |
| Amortization—developmental and pre-operating costs .....                                                                     | 50,423            | 40,610            |
| Depreciation—flight equipment .....                                                                                          | 463,407           | 429,466           |
| Depreciation—ground property and equipment .....                                                                             | 54,265            | 61,746            |
| Total operating expenses .....                                                                                               | <u>3,553,528</u>  | <u>3,262,283</u>  |
| Net operating income (loss) .....                                                                                            | <u>(72,852)</u>   | <u>67,053</u>     |
| <b>NON-OPERATING INCOME AND (EXPENSE)—NET:</b>                                                                               |                   |                   |
| Interest income .....                                                                                                        | 16,228            | 17,865            |
| Interest expense .....                                                                                                       | (39,760)          | (50,806)          |
| Other non-operating income and (expense)—net .....                                                                           | (12,578)          | 6,832             |
| Total non-operating income and (expense)—net ..                                                                              | <u>(36,110)</u>   | <u>(26,109)</u>   |
| Net income (loss) before Federal income tax ...                                                                              | (108,962)         | 40,944            |
| <b>FEDERAL INCOME TAX</b> —(Carry-back credit in 1960) .....                                                                 | (48,946)          | 15,791            |
| <b>NET INCOME (LOSS) FOR YEAR</b> .....                                                                                      | <u>(60,016)</u>   | <u>25,153</u>     |
| <b>SPECIAL ITEMS</b> —Additional assessment of New York City gross receipts tax (net of Federal income tax, \$12,036.) ..... | (11,110)          | —                 |
| <b>NET INCOME (LOSS) FOR YEAR</b> and special items .....                                                                    | <u>(71,126)</u>   | <u>25,153</u>     |
| <b>RETAINED EARNINGS</b> —at beginning of year .....                                                                         | <u>495,548</u>    | <u>470,395</u>    |
| Retained earnings at end of year — per Balance Sheets herewith .....                                                         | <u>\$ 424,422</u> | <u>\$ 495,548</u> |

The accompanying notes are an integral part of these statements.

## NOTES RELATING TO FINANCIAL STATEMENTS

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation have been provided at rates which are used for mail rate purposes by the Board.

The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue classified as Federal subsidy is reflected herein, for the period from January 1, 1959 to March 31, 1960, on the basis of final rates which were in effect during that period. Such revenue for the period from April 1, 1960 to December 31, 1960 is based on temporary rates set forth in Civil Aeronautics Board orders. These temporary rates serve only as an interim basis of payment, until such time as final rates are fixed, and amounts so received are subject to retroactive adjustment upon the fixing of final rates. Additional comment regarding revenue from Federal subsidy is given on page 6 of the President's letter. Revenue for the transportation of United States mail, as stated, is not expected to be affected by future orders of the Board.

3. The deferred charges, at December 31, 1960, described in the balance sheet herewith as "Developmental and pre-operating costs" represent (a) developmental, training and other costs incurred in connection with the introduction into service, in 1958, of 5 Vertol V-44B helicopters less amortization provided on the basis of writing off these costs over a period of 5 years from July 1, 1958; (b) developmental, training and other costs incurred in connection with the planned introduction into service, in 1961, of Boeing Vertol 107 helicopters; (c) expenses incurred in connection with future aircraft and route development; (d) expenses incurred with respect to the Company's application for renewal of its Certificate of Public Convenience and Necessity less amortization provided on the basis of writing off these costs over a period of 7 years from May 16, 1960, to coincide with the term of the renewed certificate; and (e) un-amortized costs and expenses incurred during the Company's pre-operating period for a route not yet activated.

4. Under an Employees' Stock Option Plan, adopted by the Board of Directors of the Company and approved by the stockholders in 1959, options have been granted to 7 persons to purchase an aggregate of 13,800 shares of Capital Stock at a price of \$11.87½ per share. The options granted under this plan are exercisable during the 5 year period beginning April 4, 1960. During 1960 an option for 3,300 shares lapsed due to the resignation of one person. At December 31, 1960 no options have been exercised under this plan.

5. Notes payable to the Hanover Bank, Federation Bank & Trust Company and United States Trust Company of New York are secured by a chattel mortgage on the Company's five Vertol helicopters and accessory equipment and are guaranteed by the Civil Aeronautics Board to the extent of 90% of the unpaid principal amount. The credit agreement covering the notes payable provides, among other things, (1) for maintenance by the Company of working capital of not less than the greater of \$700,000 or 25% of 12 months' cash operating expenses (as defined); (2) for the maintenance by the Company of an excess of tangible assets over total liabilities of at least \$2,000,000; and (3) for certain restrictions upon cash dividends and acquisitions or retirements of the Company's Capital Stock. As a result of the foregoing provision approximately \$320,000 of retained earnings at December 31, 1960 was so restricted.

6. On January 18, 1961 the Company entered into an agreement (superseding the agreement of January 12, 1960) with Boeing Airplane Company, Vertol Division to purchase five dual-engine, tandem rotor Boeing Vertol 107 helicopters, spare engines, spare parts and ground support equipment. The price for these aircraft and related equipment is approximately \$4,350,000 subject to certain adjustments. It is anticipated that the helicopters will be delivered during the period July-September, 1961. The agreement also includes options to acquire additional helicopters. Payment for the new equipment is to be made in part by sale or trade-in to the Vertol Division of Boeing Airplane Company of the 5 Vertol V-44B helicopters and spare parts which the Company now owns and the remainder is to be paid in cash. To obtain the required cash the Company now plans to enter into a credit agreement with the Hanover Bank, Federation Bank & Trust Company and United States Trust Company of New York, under which amounts not in excess of \$3,800,000 may be borrowed on notes secured by a chattel mortgage on the new flight equipment to be acquired by the Company. These notes would be payable in 72 consecutive monthly installments, with interest at 5.3375% per annum from which the lending banks will be required to remit .3375% to the Civil Aeronautics Board as a guarantee fee. The effectiveness of the purchase agreement and the credit agreement is subject to action by the Civil Aeronautics Board guaranteeing 90% of the loan, although an order granting such guarantee has not been issued the Board has announced approval in principle of the Company's application in its press release dated January 31, 1961.

At December 31, 1960 management is of the opinion that other known contingent liabilities not covered by insurance will not be such as to change materially the Company's financial position.

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the Balance Sheets of New York Airways, Inc., as at December 31, 1960 and December 31, 1959 and the related Statements of Income and Retained Earnings for the years 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; although it was not practicable to obtain confirmation of the balances receivable from the United States government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated.

Subject to the determination of the amount of Federal subsidy for the period April 1, 1960 to December 31, 1960, with regard to which information is presented in Note 2 of Notes Relating to Financial Statements, in our opinion, the accompanying Balance Sheets and Statements of Income and Retained Earnings present fairly the financial position of New York Airways, Inc., as at December 31, 1960 and December 31, 1959 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis for the two years.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 31, 1961.





**NEW YORK AIRWAYS, INC.**

Operating Authority  
granted by the  
Civil Aeronautics Board

**March 17, 1960**



*10<sup>th</sup>*  
**ANNUAL  
REPORT  
1961**

**NEW YORK AIRWAYS, INC.**

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THE FIRST HELICOPTER AIRLINE







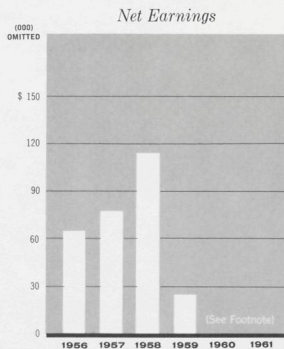
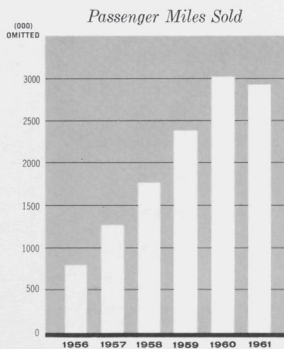
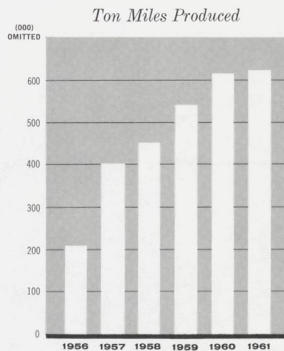
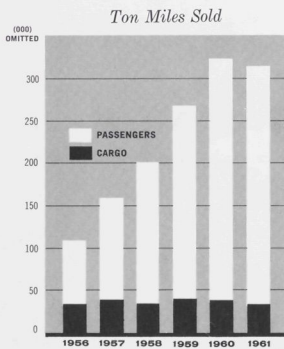
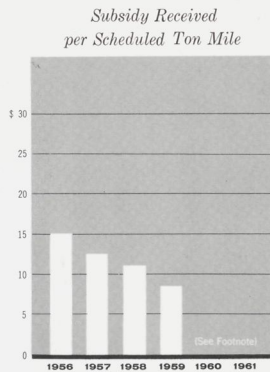
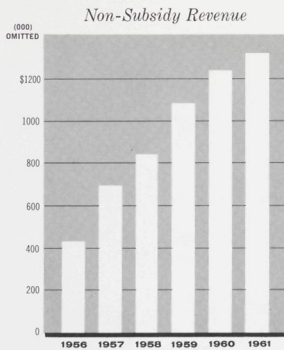
# NEW YORK AIRWAYS, INC.

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THE FIRST HELICOPTER AIRLINE

*10<sup>th</sup>*  
**ANNUAL  
REPORT  
1961**





Footnote: Final subsidy to be received for 1960 and 1961 not yet determined. See note 2 to "Notes Relating to Financial Statements".

*To the stockholders and employees of:*

## **NEW YORK AIRWAYS, INC.**

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On March 30, 1962, final approval by the Civil Aeronautics Board was secured for the conversion of your Company's services to a new fleet of four Boeing V107 twin-turbine helicopters.

This approval by the Board represents the successful culmination of more than two years of effort by New York Airways. As set forth in greater detail in prior Annual Reports, in January, 1960 the Company entered into the initial V107 purchase contracts with Vertol Aircraft Corporation (now the Vertol Division of The Boeing Company). In January, 1961, New York Airways secured informal approval by the Board of the Company's then proposals for the replacement of its present fleet of five V44B single piston-engine helicopters with a fleet of five Boeing V107's. At that time it was anticipated that this conversion would be completed by the Fall of 1961.

However, two developments intervened to prevent the prompt and full implementation of this plan.

Delivery of the new aircraft was postponed because of a series of costly production delays and, as a result, operations are still being conducted with the smaller, less efficient, and less economical piston-engine fleet which has been in service since 1958.

Moreover, in the Summer of 1961, Congress reduced the funds available to the Civil Aeronautics Board for Federal subsidy payments to the three certificated helicopter carriers in New York, Chicago and Los Angeles substantially below the levels which the Board itself had endorsed as being necessary for the support of these carriers. In consequence of this action, it has been necessary for New York Airways and the other two carriers to conduct extended proceedings before the Board (which are still pending) with respect to the allocation of the reduced funds made available by Congress; and to effect retrenchments both in current and in prospective operations in order to adjust to the new subsidy levels.

Thus, New York Airways has been required to suspend operations with the present piston-engine helicopters at four suburban points (i.e., White Plains, Teterboro, Stamford and Bridgeport) and at the West 30th Street heliport on Manhattan. In addition, the Company's program for immediate conversion to twin-turbine operations has been modified to provide for the introduction (commencing this Spring) of four of the five new Boeing V107 helicopters on order. Delivery of the fifth V107 has been postponed to the Spring of 1963 and its use in subsidized operations will require further Board approval.

## **Capital Financing**

The four Boeing V107's to be delivered to New York Airways this year will be financed largely through a credit of \$3.2 million from the Empire Trust Company, Manufacturers Hanover Bank and the United States Trust Company of New York. This loan—guaranteed by the Civil Aeronautics Board by its action taken on March 30, 1962—is to be repayable over the next seven years. Further, the Boeing Company will accept, at net book value, the present fleet of V44B's as a trade-in credit against our commitments to purchase the V107's.

## **1961 Operating Results**

Despite a lower schedule completion factor due largely to abnormal weather conditions, the number of passengers carried during 1961 was 149,846, up 2.1%. Mail, express and freight volume aggregated 3,495,195 pounds during 1961, down from the volume moved in 1960. Nevertheless, passenger and commercial revenues (excluding subsidy) advanced to \$1,295,000 for 1961, or up 4.4% over the previous year.

However, the growth in revenues did not keep pace with the increased costs incurred in 1961. Revenue development was inhibited by the limited capacity of the piston-engine flight equipment still in use. At the same time additional costs were incurred as a result of the increasing maintenance requirements of this same equipment, the built-in cost effects of employee collective bargaining agreements, and the postponements to which our operational planning was subjected during the year.

It is not yet possible to report the final financial results of 1961 operations. Since April of 1960, operations have been conducted under tentative subsidy rates of U.S. mail pay. The final amounts of these payments due for V44B operations from that date are now under adjudication by the Civil Aeronautics Board. However, these proceedings have not yet been concluded.

In consequence, the financial statements submitted herewith (which show tentative losses for both 1960 and 1961) will require restatement when these revenues have been finalized. Subsidy rates for the forthcoming Boeing V107 operations are also still to be determined by the Civil Aeronautics Board.

## **Washington-Baltimore Helicopter Case**

During the latter part of 1961, in hearings before a Civil Aeronautics Board Examiner, your Company presented its case in support of the pending application for authority to provide a certificated helicopter service in the Washington-Baltimore area. A final determination in this proceeding may be forthcoming this year.

The area proposed to be served encompasses downtown Washington and Baltimore and the three adjacent major fixed-wing airports—Dulles International, Washington National and Friendship International (at Baltimore). If granted this operating authority, New York Airways is confident that it can bring a high standard of efficient service to the Nation's capital and the surrounding area.



**Boeing Vertol 107**

### **Other Services**

The Company's case for authorization to conduct the Washington-Baltimore service rests in large part upon the desirability of broadening employment of the substantial body of experience already accumulated in the course of the past ten years in the New York-New Jersey-Connecticut operations. The unique value of this experience has already been accorded significant recognition in other areas.

Thus, the Company has made field surveys and prepared detailed operating and economic reports at the request of the Pakistan and Portuguese airlines concerning the feasibility of establishing helicopter services in East Pakistan and the Madeira Islands, respectively. In the case of the East Pakistan survey, this work was undertaken under subcontract with Pan American World Airways, Inc. in association with the Agency for International Development of the United States Government.

As set forth in our 1960 Annual Report, the Company has also applied to the Civil Aeronautics Board for authorization to extend its services from New York to Philadelphia. However, the proceedings on this application have not yet been set down for hearing.

### **The Twin-Turbine Service**

The salient development of 1961 was the Congressional action reducing the level of Federal subsidies available for the support of the certificated helicopter carriers. The immediate problems brought about by this action have been met by the operational and planning changes discussed above. While the effects of these readjustments will be reflected both in currently reported and in prospective results, the revolutionary service breakthrough which will be made possible by the new turbine-powered fleet should overcome these initial reverses in the near future.

The first of the Company's new Boeing V107's is scheduled for delivery in the next several weeks, and it is anticipated that by this Fall all of the present piston-engine helicopters will have been replaced by V107's.

These new services will be provided first on the Company's inter-airport and Manhattan routes. By the end of this year, service is also scheduled to be resumed with the new aircraft on the Company's presently suspended route to Stamford and Bridgeport and extended to New Haven and Paterson.

This transition will mark the most important advance since the commencement of our operations in 1952. The Boeing V107's will accommodate twenty-five passengers (as against the present maximum of fifteen) at the highest standards of airline comfort. Due to their increased speed, capacity, and other improved operating characteristics, the first *four* units of this new equipment will *triple* the passenger seat-mile productivity of the existing fleet of *five* V44B's.

Since the twin-turbine installation will enable this equipment to maintain altitude with one engine inoperative, our services can be advanced, within the near future, from the present visual contact flight restrictions (under which schedule regularity has been seriously impaired) to all-weather instrument procedures.

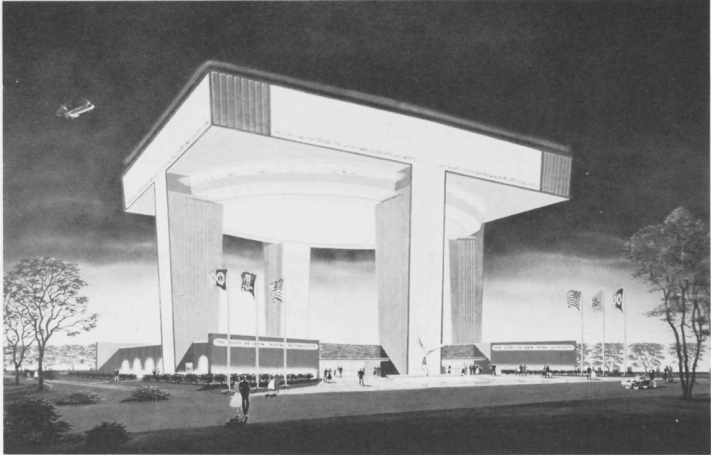
In addition, for the first time in the history of the helicopter, the V107's will permit the routine conduct of true vertical operations. The lack of this capability has limited the utility of previous helicopters, which have been restricted to circuitous horizontal approaches and departures in congested areas. Now, however, it will be possible to provide the *direct* service to the heart of urban centers (despite surrounding obstructions and with minimum exposure to the ever increasing difficulties of ground transport) which represents the unique contribution of VTOL air transport.

With this new operating versatility, it has now become feasible to formulate concrete plans for the conduct of reliable, high capacity helicopter service from centrally located facilities both at the ground level and on roof-tops. Several such possibilities are now in prospect. Thus, arrangements are in process looking toward the conduct of service from a heliport atop the world's newest and largest office building—the Pan Am Building, now being constructed over Grand Central Station in Manhattan. Plans for roof-top operations at the

**Manhattan City Center Heliport**







1964-1965 World's Fair Heliport

1964-1965 New York World's Fair and in the city center of New Haven, Conn. are also in preparation. In addition, it will now be possible to provide service to the city center heliports at Paterson, N. J. and Bridgeport, Conn.

Equally fundamental economic changes are in prospect. The flight equipment heretofore available for the Company's operations has generally been incapable of realizing commercial revenues equalling direct operating costs. As a result, the rapidly growing public demand for our services could not be met without subsidy increases. Now, however, the improved productivity and efficiency of the new aircraft will reverse the formerly adverse relation between subsidy and service, so that the volume of service provided can generally be made directly responsive to the public demand.

Once again, your Company gratefully acknowledges the interest and cooperation of its employees and stockholders, whose support is essential to our continued progress.

BY ORDER OF THE BOARD OF DIRECTORS,

*Robert H. Lemming, Jr.*  
President

## COMPARATIVE OPERATING

Six year period 1956-1961

## OPERATING REVENUES:

|                                               | 1961             | 1960             |
|-----------------------------------------------|------------------|------------------|
| Commercial .....                              | \$1,294,747      | \$1,240,019      |
| Federal subsidy ( <i>See Footnote</i> ) ..... | <u>2,304,785</u> | <u>2,240,657</u> |
| Total .....                                   | 3,599,532        | 3,480,676        |

## OPERATING EXPENSES:

|                                                                      |                  |                  |
|----------------------------------------------------------------------|------------------|------------------|
| Depreciation and amortization .....                                  | 602,570          | 568,095          |
| All other .....                                                      | <u>3,408,923</u> | <u>2,985,433</u> |
| Total .....                                                          | 4,011,493        | 3,553,528        |
| Net operating income (or loss) ( <i>See Footnote</i> ) .....         | (411,961)        | (72,852)         |
| Non-operating income or (expense) and (special items 1960)—net ..... | (26,201)         | (47,220)         |
| Federal income tax (or refund) ( <i>See Footnote</i> ) .....         | (195,961)        | (48,946)         |
| Net income (or loss) for the year ( <i>See Footnote</i> ) .....      | (242,201)        | (71,126)         |
| Earnings (or deficit) per share ( <i>See Footnote</i> ) .....        | (1.00)           | (.29)            |

## FINANCIAL POSITION (at December 31):

|                                                              |           |           |
|--------------------------------------------------------------|-----------|-----------|
| Working capital ( <i>See Footnote</i> ) .....                | 557,619   | 1,119,590 |
| Long-term debt .....                                         | 87,718    | 298,245   |
| Stockholders' equity—total ( <i>See Footnote</i> ) .....     | 2,394,546 | 2,636,747 |
| Stockholders' equity—per share ( <i>See Footnote</i> ) ..... | 9.84      | 10.83     |
| Outstanding shares .....                                     | 243,400   | 243,400   |

Footnote: Final subsidy to be received for 1960 and 1961 not yet determined. See note 2 to "Notes Relating to Financial Statements".

## OPERATING AND TRAFFIC STATISTICS:

|                                                           |           |           |
|-----------------------------------------------------------|-----------|-----------|
| Revenue passengers .....                                  | 149,846   | 146,775   |
| Express (lbs.) .....                                      | 1,059,924 | 1,214,058 |
| Freight (lbs.) .....                                      | 643,188   | 712,869   |
| Mail (lbs.) .....                                         | 1,792,083 | 2,220,715 |
| Scheduled revenue ton miles carried .....                 | 310,860   | 316,738   |
| Revenue load factor (%) .....                             | 50.90     | 52.80     |
| Scheduled miles flown .....                               | 455,276   | 453,844   |
| Schedule completion factor (%) .....                      | 79.10     | 82.50     |
| Charter and other non-scheduled revenue hours flown ..... | 578       | 472       |

# AND FINANCIAL RECORD

*Calendar years ended December 31*

| 1959             | 1958             | 1957             | 1956             |
|------------------|------------------|------------------|------------------|
| \$1,086,981      | \$ 843,892       | \$ 698,254       | \$ 435,770       |
| <u>2,242,355</u> | <u>2,214,690</u> | <u>1,977,126</u> | <u>1,642,672</u> |
| 3,329,336        | 3,058,582        | 2,675,380        | 2,078,442        |
| 531,822          | 417,168          | 404,155          | 356,570          |
| <u>2,730,461</u> | <u>2,378,009</u> | <u>2,128,101</u> | <u>1,605,687</u> |
| 3,262,283        | 2,795,177        | 2,532,256        | 1,962,257        |
| 67,053           | 263,405          | 143,124          | 116,185          |
| (26,109)         | (27,921)         | 18,052           | 16,440           |
| 15,791           | 121,787          | 83,166           | 68,433           |
| 25,153           | 113,697          | 78,010           | 64,192           |
| .10              | .47              | .32              | .27              |
| 982,279          | 963,577          | 1,122,907        | 1,170,050        |
| 508,771          | 719,298          | —                | —                |
| 2,707,873        | 2,682,720        | 2,566,373        | 2,488,363        |
| 11.13            | 11.02            | 10.66            | 10.34            |
| 243,400          | 243,400          | 240,750          | 240,750          |
| 124,999          | 91,114           | 68,694           | 43,205           |
| 1,306,507        | 1,376,880        | 1,499,811        | 1,907,373        |
| 751,356          | 612,099          | 698,258          | 607,023          |
| 2,209,959        | 2,242,311        | 2,550,907        | 1,159,704        |
| 262,265          | 199,342          | 158,068          | 108,306          |
| 49.20            | 44.62            | 39.81            | 52.21            |
| 392,858          | 386,050          | 464,333          | 429,224          |
| 76.53            | 78.58            | 79.82            | 77.23            |
| 569              | 238              | 213              | 209              |

## BALANCE SHEETS

(Subject to revision upon determination)

| ASSETS                                                                                                                                                         | 1961               | 1960               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT ASSETS:</b>                                                                                                                                         |                    |                    |
| Cash on hand and on deposit in banks . . . . .                                                                                                                 | \$ 294,671         | \$ 459,915         |
| Special deposits . . . . .                                                                                                                                     | 11,232             | 9,726              |
| United States Government securities, at cost plus accrued interest<br>on U.S. Treasury Bills (\$49,849, at December 31, 1961 mar-<br>ket quotations) . . . . . | 49,850             | 449,033            |
| Accounts receivable:                                                                                                                                           |                    |                    |
| United States Government . . . . .                                                                                                                             | 213,178            | 223,481            |
| General traffic . . . . .                                                                                                                                      | 117,474            | 130,983            |
| Estimated refund of Federal income tax based on carry-back<br>of loss under the Internal Revenue Code . . . . .                                                | 268,212            | 57,268             |
| Other current receivables . . . . .                                                                                                                            | 46,444             | 155,574            |
| Flight equipment expendable parts and supplies . . . . .                                                                                                       | 121,567            | 100,616            |
| Prepaid expenses . . . . .                                                                                                                                     | 71,571             | 88,501             |
| Total current assets . . . . .                                                                                                                                 | <u>1,194,199</u>   | <u>1,675,097</u>   |
| <b>INVESTMENTS AND SPECIAL FUNDS:</b>                                                                                                                          |                    |                    |
| Investments in and advances to subsidiary and related service<br>companies . . . . .                                                                           | 3,237              | 1,074              |
| Other investments, at cost . . . . .                                                                                                                           | 2,000              | —                  |
| Deposits against equipment purchase contracts . . . . .                                                                                                        | 30,000             | 30,000             |
|                                                                                                                                                                | <u>35,237</u>      | <u>31,074</u>      |
| <b>OPERATING PROPERTY AND EQUIPMENT (stated at cost):</b>                                                                                                      |                    |                    |
| Flight equipment . . . . .                                                                                                                                     | 2,322,537          | 2,289,644          |
| Less—Reserves for depreciation and maintenance (Note 1) . .                                                                                                    | <u>1,337,737</u>   | <u>968,853</u>     |
|                                                                                                                                                                | 984,800            | 1,320,791          |
| Ground property and equipment . . . . .                                                                                                                        | 500,672            | 439,587            |
| Less—Reserves for depreciation (Note 1) . . . . .                                                                                                              | <u>312,739</u>     | <u>276,299</u>     |
|                                                                                                                                                                | 187,933            | 163,288            |
| Construction work in progress . . . . .                                                                                                                        | 365,546            | —                  |
| Operating property and equipment, less reserves<br>for depreciation and maintenance . . . . .                                                                  | <u>1,538,279</u>   | <u>1,484,079</u>   |
| <b>NON-OPERATING PROPERTY AND EQUIPMENT (stated at cost):</b>                                                                                                  |                    |                    |
| Flight equipment . . . . .                                                                                                                                     | —                  | 2,000              |
| Less—Reserves for depreciation . . . . .                                                                                                                       | <u>—</u>           | <u>342</u>         |
| Non-operating property and equipment,<br>less reserves for depreciation . . . . .                                                                              | <u>—</u>           | <u>1,658</u>       |
| <b>DEFERRED CHARGES:</b>                                                                                                                                       |                    |                    |
| Developmental and pre-operating costs (Note 3) . . . . .                                                                                                       | 521,832            | 392,539            |
| Unamortized expense on debt . . . . .                                                                                                                          | 43,047             | 22,710             |
| Other deferred charges . . . . .                                                                                                                               | 9,993              | 24,974             |
|                                                                                                                                                                | <u>574,872</u>     | <u>440,223</u>     |
| Total assets . . . . .                                                                                                                                         | <u>\$3,342,587</u> | <u>\$3,632,131</u> |

# December 31, 1961 and 1960

of the final amounts of Federal subsidy. See Note 2.)

| <b>LIABILITIES</b>                                                                     | <b>1961</b>        | <b>1960</b>        |
|----------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT LIABILITIES:</b>                                                            |                    |                    |
| Long-term debt due within one year . . . . .                                           | \$ 210,527         | \$ 210,527         |
| Accounts payable—general . . . . .                                                     | 227,664            | 174,496            |
| Collections as agent:                                                                  |                    |                    |
| Traffic . . . . .                                                                      | 14,693             | 8,335              |
| Other . . . . .                                                                        | 33,222             | 36,186             |
| Accrued personnel compensation . . . . .                                               | 68,383             | 46,408             |
| Accrued vacation liability . . . . .                                                   | 74,712             | 65,631             |
| Accrued taxes (other than Federal income taxes) . . . . .                              | 4,764              | 4,717              |
| Other current liabilities . . . . .                                                    | <u>2,615</u>       | <u>9,207</u>       |
| Total current liabilities . . . . .                                                    | <u>636,580</u>     | <u>555,507</u>     |
| <b>LONG-TERM DEBT</b> , less portion included in current liabilities:                  |                    |                    |
| Notes payable to banks, 5¼%, due in installments to May 21,<br>1963 (Note 5) . . . . . | <u>87,718</u>      | <u>298,245</u>     |
| <b>DEFERRED CREDITS:</b>                                                               |                    |                    |
| Deferred Federal income taxes . . . . .                                                | <u>223,743</u>     | <u>141,632</u>     |
| <b>STOCKHOLDERS' EQUITY</b>                                                            | <b>1961</b>        | <b>1960</b>        |
| <b>CAPITAL STOCK</b> , par value \$1.00 per share:                                     |                    |                    |
| Shares authorized . . . . .                                                            | 300,000            | 300,000            |
| Shares reserved pursuant to Employees'                                                 |                    |                    |
| Stock Option Plan (Note 4) . . . . .                                                   | 10,500             | 10,500             |
| Shares issued and outstanding . . . . .                                                | <u>243,400</u>     | <u>243,400</u>     |
| <b>CAPITAL PAID IN</b> , in excess of par value of capital stock . . . . .             | 1,968,925          | 1,968,925          |
| <b>RETAINED EARNINGS</b> —per statements herewith (Note 5) . . . . .                   | <u>182,221</u>     | <u>424,422</u>     |
| Total stockholders' equity . . . . .                                                   | <u>2,394,546</u>   | <u>2,636,747</u>   |
| Total liabilities and stockholders' equity . . . . .                                   | <u>\$3,342,587</u> | <u>\$3,632,131</u> |

The accompanying notes are an integral part of these statements.



**STATEMENTS OF INCOME AND RETAINED EARNINGS**

(Subject to revision upon determination of the final amounts of Federal subsidy. See Note 2.)

*For the years ended December 31, 1961 and 1960*

**OPERATING REVENUES:**

Transport revenues:

|                                | <b>1961</b> | <b>1960</b> |
|--------------------------------|-------------|-------------|
| Passenger .....                | \$1,102,401 | \$1,039,732 |
| United States mail .....       | 50,559      | 56,713      |
| Express .....                  | 27,536      | 38,540      |
| Freight .....                  | 38,521      | 40,828      |
| Non-scheduled services .....   | 62,201      | 56,784      |
| Other transport revenues ..... | 6,365       | 5,190       |

Non-transport revenues:

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Federal subsidy (Note 2) ..... | 2,304,785        | 2,240,657        |
| Incidental revenues—net .....  | <u>7,164</u>     | <u>2,232</u>     |
| Total operating revenues ..... | <u>3,599,532</u> | <u>3,480,676</u> |

**OPERATING EXPENSES:**

|                                                          |                  |                  |
|----------------------------------------------------------|------------------|------------------|
| Flying operations .....                                  | 849,917          | 806,830          |
| Maintenance .....                                        | 1,111,633        | 970,208          |
| General services and administration .....                | 1,447,373        | 1,208,395        |
| Amortization—developmental and pre-operating costs ..... | 59,076           | 50,423           |
| Depreciation—flight equipment .....                      | 490,347          | 463,407          |
| Depreciation—ground property and equipment .....         | <u>53,147</u>    | <u>54,265</u>    |
| Total operating expenses .....                           | <u>4,011,493</u> | <u>3,553,528</u> |
| Net operating income (loss) .....                        | <u>(411,961)</u> | <u>(72,852)</u>  |

**NON-OPERATING INCOME AND (EXPENSE)—NET:**

|                                                    |                 |                 |
|----------------------------------------------------|-----------------|-----------------|
| Interest income .....                              | 8,941           | 16,228          |
| Interest expense .....                             | (29,942)        | (39,760)        |
| Other non-operating income and (expense)—net ..... | <u>(5,200)</u>  | <u>(12,578)</u> |
| Total non-operating income and (expense)—net ..    | <u>(26,201)</u> | <u>(36,110)</u> |
| Net income (loss) before Federal income tax ...    | (438,162)       | (108,962)       |

**FEDERAL INCOME TAX** — (Carry-back credit) .....

|  |                  |                 |
|--|------------------|-----------------|
|  | <u>(195,961)</u> | <u>(48,946)</u> |
|--|------------------|-----------------|

**NET INCOME (LOSS) FOR YEAR** .....

|  |                  |                 |
|--|------------------|-----------------|
|  | <u>(242,201)</u> | <u>(60,016)</u> |
|--|------------------|-----------------|

**SPECIAL ITEMS** — Additional assessment of New York City gross receipts tax (net of Federal income tax, \$12,036.) .....

|                                                     |                  |                 |
|-----------------------------------------------------|------------------|-----------------|
|                                                     | <u>—</u>         | <u>(11,110)</u> |
| <b>NET INCOME (LOSS) FOR YEAR</b> and special items | <u>(242,201)</u> | <u>(71,126)</u> |

**RETAINED EARNINGS**—at beginning of year .....

|  |                |                |
|--|----------------|----------------|
|  | <u>424,422</u> | <u>495,548</u> |
|--|----------------|----------------|

Retained earnings at end of year — per Balance Sheets herewith .....

|  |                   |                   |
|--|-------------------|-------------------|
|  | <u>\$ 182,221</u> | <u>\$ 424,422</u> |
|--|-------------------|-------------------|

NEW YORK AIRWAYS, Inc.  
POST OFFICE BOX 426  
LA GUARDIA AIRPORT STATION  
FLUSHING 71, NEW YORK

April 18, 1962

TO THE STOCKHOLDERS AND EMPLOYEES OF NEW YORK AIRWAYS, INC.

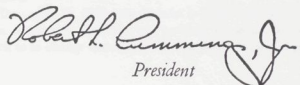
The purpose of this letter is to supplement our 1961 Annual Report.

In that Report, it was pointed out that the financial statements submitted therewith (showing tentative losses for both 1960 and 1961) would require restatement when the final amounts of federal subsidy due for operations since April of 1960 had been determined by the Civil Aeronautics Board.

It is now possible to effect such a restatement for the year 1960. On April 16, 1962 the Board issued an Order to Show Cause (which is to become final before the end of this month) providing additional retroactive subsidy of which \$203,489 is allocable to the period between April 1 and December 31, 1960. As a result the 1960 net loss of \$71,126 previously reported may now be restated as a profit of \$34,263.

The Board's Order of April 16 also provided for \$113,449 of additional subsidy allocable to the operations conducted during the first six months of 1961, thus reducing to \$155,862 the tentative loss of \$242,201 previously reported for that year. However definitive restatement of 1961 financial results still awaits the conclusion of the pending proceedings before the Board for the determination of final subsidy rates for operations from July 1, 1961.

Very truly yours,

  
President



## NOTES RELATING TO FINANCIAL STATEMENTS

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation have been provided at rates which are used for mail rate purposes by the Board.

The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue classified as Federal subsidy is reflected herein, for the period from January 1, 1960 to March 31, 1960, on the basis of final rates which were in effect during that period. Such revenue for the period from April 1, 1960 to December 31, 1961 is based on temporary rates set forth in Civil Aeronautics Board orders. These temporary rates serve only as an interim basis of payment, until such time as final rates are fixed, and amounts so received are subject to retroactive adjustment upon the fixing of final rates. Additional comment regarding revenue from Federal subsidy is given on page 4 of the President's letter. Revenue for the transportation of United States mail, as stated, is not expected to be affected by future orders of the Board.

3. The deferred charges, at December 31, 1961, described in the balance sheet herewith as "Developmental and pre-operating costs" represent (a) developmental, training and other costs incurred in connection with the introduction into service, in 1958, of 5 Vertol V-44B helicopters less amortization provided on the basis of writing off these costs over a period of 5 years from July 1, 1958; (b) developmental, training and other costs incurred in connection with the planned introduction into service, in 1962, of Boeing Vertol 107 helicopters; (c) expenses incurred in connection with future aircraft and route development; (d) expenses incurred with respect to the Company's application for renewal of its Certificate of Public Convenience and Necessity less amortization provided on the basis of writing off these costs over a period of 7 years from May 16, 1960, to coincide with the term of the renewed certificate; and (e) un-amortized costs and expenses incurred during the Company's pre-operating period for a route not yet activated.

4. At December 31, 1961, 10,500 shares of Capital Stock are reserved for the remaining options granted under the 1959 Employee's Stock Option Plan. The options are exercisable during the 10 year period beginning April 6, 1960, at a price of \$11.87½ per share. At December 31, 1961 no options have been exercised under this plan.

5. Notes payable to the Manufacturers Hanover Trust Company, Federation Bank & Trust Company and United States Trust Company of New York are secured by a chattel mortgage on

the Company's 5 Vertol helicopters and accessory equipment and are guaranteed by the Civil Aeronautics Board to the extent of 90% of the unpaid principal amount. The credit agreement covering the notes payable provides, among other things (1) for maintenance by the Company of working capital of not less than the greater of \$700,000, or 25% of 12 months' cash operating expenses (as defined) (however the Company is not complying with this provision at the present time); (2) for the maintenance by the Company of an excess of tangible assets over total liabilities of at least \$2,000,000; and (3) for certain restrictions upon cash dividends and acquisitions or retirements of the Company's Capital Stock. As a result of the foregoing provision the entire amount of retained earnings at December 31, 1961 was so restricted.

6. On January 18, 1961 the Company entered into an agreement (amended on February 6, 1962 and superseding the agreement of January 12, 1960) with Boeing Airplane Company, Vertol Division, to purchase 5 dual-engine, tandem rotor Boeing Vertol 107 helicopters, spare engines, spare parts and ground support equipment. The price for these aircraft and related equipment is approximately \$4,500,000 (subject to certain adjustments), of which approximately \$272,000 has been acquired at December 31, 1961. It is anticipated that the helicopters will be delivered during the period April, 1962—April, 1963. The agreement also includes options to acquire additional helicopters. Payment for the new equipment is to be made in part by sale or trade-in to the Vertol Division of Boeing Airplane Company of the 5 Vertol 44-B helicopters and spare parts which the Company now owns and the remainder is to be paid in cash. To obtain the required cash the Company has entered into credit agreements with the Manufacturers Hanover Trust Company, Empire Trust Company and United States Trust Company of New York the effectiveness of which is subject to Civil Aeronautics Board loan guarantees, under which amounts not in excess of \$3,500,000 may be borrowed on notes secured by a chattel mortgage on the new flight equipment to be acquired by the Company. These notes would be payable in 79 consecutive installments, commencing September 30, 1962, with interest at 5.3375% per annum, from which the lending banks will be required to remit .3375% to the Civil Aeronautics Board as a guarantee fee. In its Order No. E-18173, dated March 30, 1962, the Civil Aeronautics Board has approved the Company's application for a guarantee of 90% of \$3,200,000 of the loan covered by the credit agreements. The remaining \$300,000 of the loan covered by the credit agreements is subject to further approval by the Civil Aeronautics Board for a similar guarantee.

At December 31, 1961 management is of the opinion that other known contingent liabilities not covered by insurance will not be such as to change materially the Company's financial position.

LYBRAND, ROSS BROS. & MONTGOMERY  
CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the Balance Sheets of New York Airways, Inc., as at December 31, 1961 and December 31, 1960 and the related Statements of Income and Retained Earnings for the years 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; although it was not practicable to obtain confirmation of the balances receivable from the United States government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated.

Subject to the determination of the amount of Federal subsidy for the period April 1, 1960 to December 31, 1961, with regard to which information is presented in Note 2 of Notes Relating to Financial Statements, in our opinion, the accompanying Balance Sheets and Statements of Income and Retained Earnings present fairly the financial position of New York Airways, Inc., as at December 31, 1961 and December 31, 1960 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis for the two years.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 31, 1962.



## **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

### **Directors**

|                         |                      |
|-------------------------|----------------------|
| Hoyt Ammidon            | Robert G. Goelet     |
| Robert E. Blum          | Grover Loening       |
| Horace Brock            | Samuel C. Park, Jr.  |
| Robert L. Cummings, Jr. | Dickran M. Sarkisian |
| Robert W. Dowling       | William Shields, Jr. |

### **Officers**

Robert L. Cummings, Jr., *President*  
William W. Hogan, *Vice President and Treasurer*  
John E. Gallagher, *Vice President*  
Glen B. Eastburn, *Vice President*  
Richard Wheatland, *Vice President, Sales and Services*  
John H. Slate, *Secretary*  
Leslie G. Carter, *Ass't. Vice President*  
Ray de Haan, *Ass't. Vice President*

### **Transfer Agent**

The Chase Manhattan Bank

### **Registrar**

Federation Bank and Trust Co.

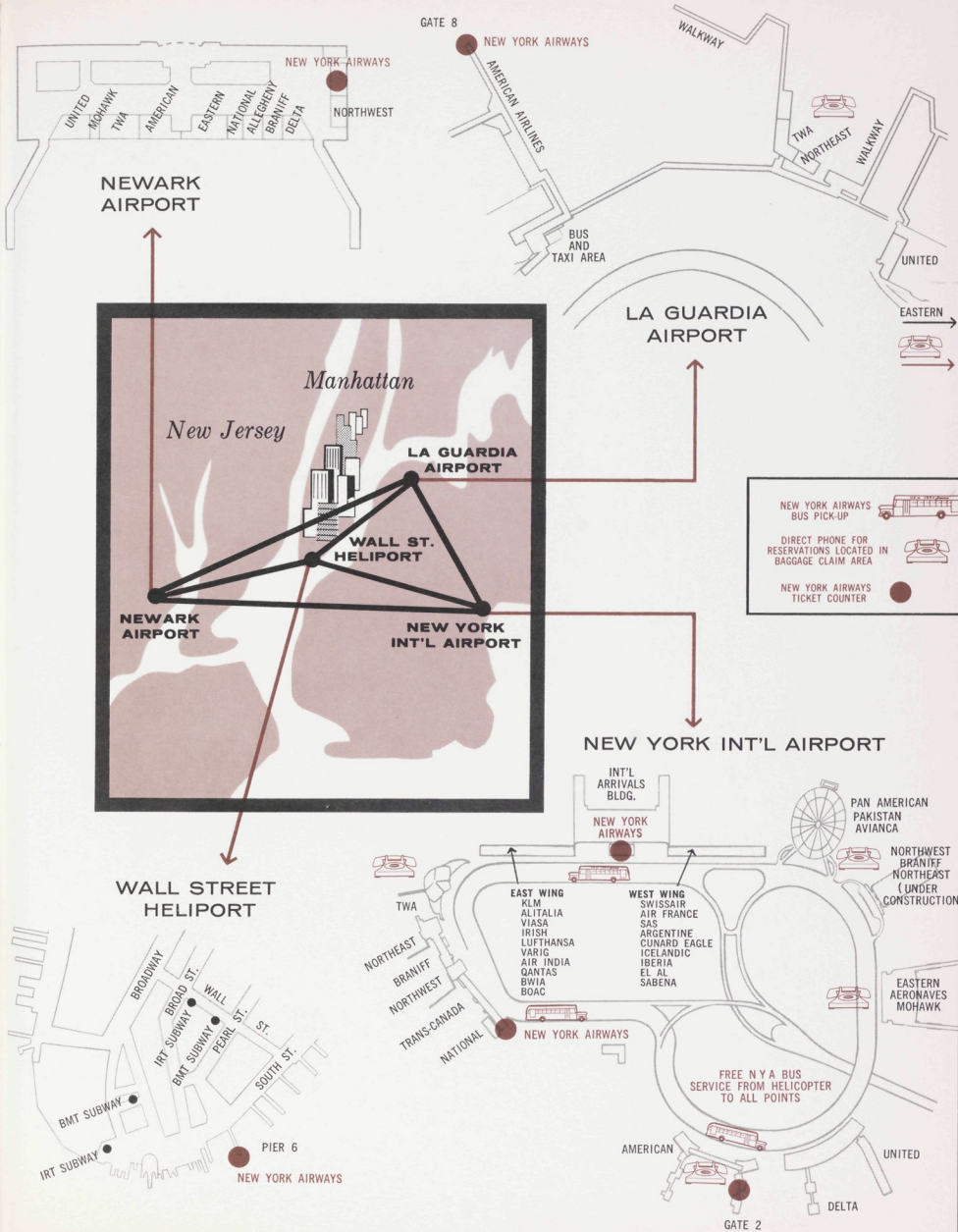
### **Auditors**

Lybrand, Ross Bros. & Montgomery

### **Counsel**

Skadden, Arps, Slate, Meagher & Flom







*11<sup>th</sup>*  
ANNUAL  
REPORT  
1962

NEW YORK AIRWAYS, INC.

---

THE FIRST HELICOPTER AIRLINE







# NEW YORK AIRWAYS, INC.

THE FIRST HELICOPTER AIRLINE

*11<sup>th</sup>*

**ANNUAL  
REPORT  
1962**

# NEW YORK AIRWAYS, INC.

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                    |                      |
|--------------------|----------------------|
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John E. Gallagher, *Vice President*  
Glenn B. Eastburn, *Vice President*  
Richard Wheatland, *Vice President, Sales and Services*  
Ray deHaan, *Vice President, Maintenance*  
Edwin N. Baur, *Vice President, Flight Operations\**  
John H. Slate, *Secretary*

\*Elected April 1, 1963

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate, Meagher & Flom

## **General Offices**

LaGuardia Airport, New York, N. Y.

*To the stockholders and employees of:*

## **NEW YORK AIRWAYS, INC.**

---

### **Highlights of 1962**

During the year under review your Company:

- Received delivery of the first four Boeing V-107 helicopters and retired the former V-44 operating fleet, thus becoming the first all twin-turbine helicopter airline;
- Achieved a 29.5% increase in passenger traffic despite unprecedented operational difficulties; but
- Nonetheless incurred a net loss of \$377,629 as a combined result of the untimely reduction of Federal subsidy support and the extraordinary transitional problems encountered in carrying out this re-equipment program.

### **Operational Developments**

New York Airways has now effected the most significant transition in its entire history. In May, 1962, delivery was received of the first of our new fleet of Boeing V-107 tandem-rotor helicopters and delivery of the fourth was made seven months later. The twin-turbine Boeings have now replaced the previous fleet of five Vertol V-44 helicopters which had been in operation since 1958. The Company will have realized some \$785,000 from retirement of the V-44 fleet, representing its aggregate book value.

The Boeing V-107's accommodate 25 passengers and operate at a cruising speed of 155 miles per hour, as compared with the V-44's which were limited to 15 passengers and cruised at only 90 miles per hour. These new helicopters are powered by two General Electric CT-58-110 turbine engines, each of which is now rated at 1250 horsepower.

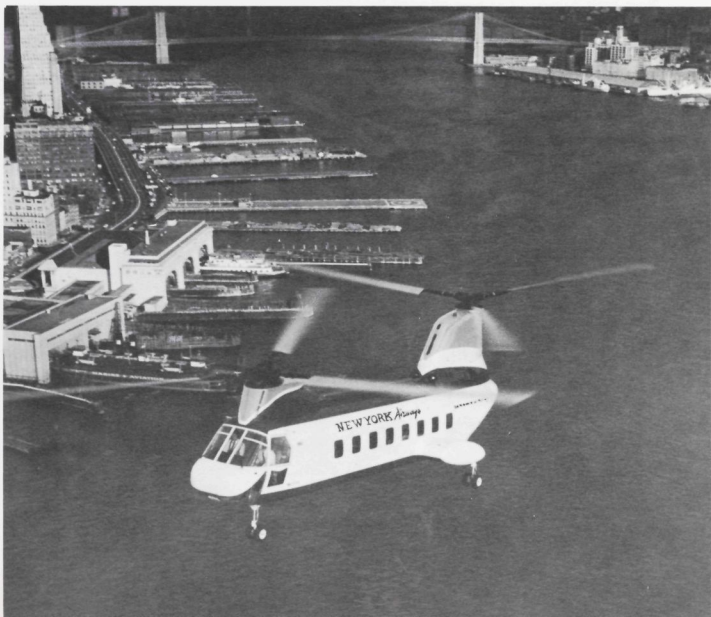
The multi-engine installation will enable the Boeing V-107's to qualify for operation under instrument flight conditions which was not possible with the single engine V-44's. It is anticipated that, within the current year, the Federal Aviation Agency will grant New York Airways authority to conduct flight operations under most of the adverse weather conditions which have in the past caused the cancellation of a substantial number of schedules. This authority will enable your Company to provide a schedule completion reliability approaching that achieved by the fixed-wing carriers. The importance of realizing on this new operating potential is demonstrated by the fact that during the past winter months, the visual flight rules required cancellation of 19% of our schedules because of adverse weather conditions. If full instrument operations had been possible the weather cancellations would have been reduced to 5%. The beneficial impact this development will have on all phases of our commercial business cannot be over-emphasized.

In addition, for the first time in the history of the helicopter, the V-107's permit the routine conduct of *true vertical* operations. The lack of this capability has limited the utility of previous helicopters, which have been restricted to circuitous horizontal approaches and departures in congested areas. Now, however, it will be possible to provide the direct service to the heart of urban centers, despite surrounding obstructions, which constitutes the unique contribution of the new concept of Vertical Take-Off and Landing (VTOL) air transport.

### **Present Services**

Your Company's Boeing equipment is now providing scheduled services on an average frequency of 30 minutes (between 7 a.m. and 11 p.m.) primarily on the routes between New York International and Newark Airports and the Downtown Manhattan Heliport near the foot of Wall Street. Pending completion of the major reconstruction program which is now in progress at LaGuardia Airport scheduled service at that facility has been temporarily curtailed.

In order to broaden the market for its services, New York Airways is also equipping its V-107 aircraft with the special gear necessary for the conduct of "flying crane" operations on a commercial basis, and has obtained the first Federal Aviation Agency certification for this purpose. In the first operation of this type thirty-two tons of air conditioning equipment were airlifted on and off the roof of a large industrial plant on Long Island in a series of lifts some of which approached 7,000 lbs. each.





### **The Pan Am Building Heliport**

The new vertical flight capability of the Boeing equipment has made it feasible to conduct high capacity helicopter service from centrally located roof-top facilities. Arrangements are in process looking toward the conduct of such a service from the heliport atop the world's newest and largest office building—the Pan Am Building, adjacent to Grand Central Station in Manhattan. The flight time of the new Boeing aircraft between this facility and (for example) New York International Airport will be seven minutes.

### **The Washington-Baltimore Case**

As previously reported, the Company is one of eight applicants before the Civil Aeronautics Board for authorization to provide helicopter service in the Washington-Baltimore area. In July 1962, the Board's Hearing Examiner rendered his Initial Decision in which he made a general recommendation against such a grant on the ground that the required Federal subsidy support would not be justified at this time. However, the Examiner also found as follows:

“The choice of the most fitted carrier points overwhelmingly to New York [Airways]. This carrier has provided scheduled helicopter service in the New York area under a certificate of public convenience and necessity over a 10-year period. It has an established organization which has met the problems of helicopter operations in scheduled service. Combining the two cities under one operating unit would bring cost savings in overhead and fleet utilization; its status as an established operator would enable it to develop traffic and revenue faster. New York [Airways] could establish service faster and would require less additional subsidy than any other applicant. Looked at in comparison with New York [Airways] the experience of the other applicants in helicopter operations is inconsequential.”

Exceptions have been taken to the Examiner's negative recommendation on the general question of Washington-Baltimore authorization and the case now stands submitted to the Board for final decision.

### **Other Service Prospects**

Plans are also in preparation (in coordination with The Port of New York Authority) for the conduct of rooftop operations at the 1964-1965 New York World's Fair which is expected to be visited by some seventy million persons. In addition, as previously reported, your Company's forward planning includes the provision of service to the World Trade Center to be constructed on lower Manhattan; the provision of service to Philadelphia; and the resumption of service to key communities in Connecticut, New Jersey and New York.

## Capital Financing

The additional capital financing required for the purchase of the first four Boeing V-107's and related spare engines and parts was secured through the bank loan described in greater detail in our 1961 Annual Report and in the financial statements presented herewith. A fifth V-107 is expected to be delivered within the next several months. The Company also holds favorable options from The Boeing Company for the purchase of additional V-107's as the growth of our services may require. Negotiations are in progress with a number of capital sources with a view to securing the financing required for fleet expansion purposes.

## Financial Results

Operations during the year under review have resulted in a net loss of \$377,629. The Company's services were inaugurated in the latter part of 1952 and for that partial year, and for each of the succeeding eight calendar years, our final financial statements showed modest profits. This represented an outstanding accomplishment. For example, during the same nine years, of the fifteen other subsidized air carriers performing helicopter and local services, only one had a similarly unbroken record of profitable operations. Now, however, this favorable record has been interrupted as a combined result of transitional equipment difficulties and the untimely reduction by the Federal government of subsidy support.

As previously reported, in January, 1960, your Company entered into contracts with Vertol Aircraft Corporation (since merged into The Boeing Company) for the purchase of the V-107's. In order to take full advantage of this new equipment during the high traffic season of 1961, these contracts called for delivery of the initial fleet in the spring of that year. However, equipment deliveries were subjected to repeated delays, with the result that the first aircraft delivery eventually fell behind the original schedule by almost a year and the fourth by nearly a year and a half. This resulted in the necessity of continuing operations with the obsolete V-44's as well as loss of effective access to the high season traffic both in 1961 and in 1962.

In addition, still more adverse developments were in store. By the end of January 1961 an informal approval had been secured from the Civil Aeronautics Board of our Boeing V-107 conversion program. It was understood that this approval was to be followed promptly by a formal Board order providing some \$3.4 million in Federal subsidy support for the first year of operations with the new fleet.

If the V-107's had been ready for delivery at that time, there is no reason to doubt that the subsidy order would have been issued in the spring of 1961 as originally planned. However, this action was never taken. In the summer of that year Congress imposed a drastic reduction of the appropriations available for subsidy support of the helicopter services in New York, Los Angeles and Chicago, which (as previously reported) required the three carriers to effect a retrenchment of both their existing and prospective operations. Moreover, in 1962 Congress reduced the helicopter subsidy appropriation still further. As a result, the subsidy available to New York Airways in support of the initial V-107 operations has now been cut from the \$3.4 million which was to have been provided pursuant to the Board's approval of January 1961, to the amount of \$2,019,000—a reduction of more than \$1.3 million or 40%.

Any re-equipment program such as this entails expense increases in advance of revenue growth—since the resulting capacity increase must necessarily “lead” the traffic response. Thus, there would have been a revenue-expense imbalance during 1962 even if this transition had progressed normally. However, the normally expected impact of transitional problems was unusually severe. For example, during 1962 “mechanical” cancellations of the V-107 schedules (i.e. those required for reasons other than weather) amounted to 26% of the total.

The results were compounded in the revenue and expense experience. The inability to maintain regular schedules prevented effective development of the revenue potential of the new equipment. At the same time, the expenses were increased. In short, the reduction in subsidy which was imposed by Congress *came at the very time that the support need of these operations actually reached its all-time high.*

### **Prospects**

The financial results reported herewith were thus the result of a series of factors which would not normally be expected to coincide in a single period. In fact, the very nature of this coincidence indicates that so far as concerns the operations themselves, the worst is now behind us.

There is already evidence to support this view. The mechanical problems which so severely impaired the regularity of our services during 1962 are now well on the way to solution. By March 1963 schedule cancellations of this character had already been reduced to 2.5% from the high of 54% experienced during August 1962. In addition, the continuing growth of passenger traffic suggests the attainability of load factors representing satisfactory utilization of the increased capacity of the new fleet. Thus, our passenger traffic during 1962, which, as indicated above, was a year of mixed operations with the old and new equipment, increased 29.5% over 1961.

Nonetheless, the fact remains that for the time being your Company's prospects still depend on the Congress. The recent appropriation reductions reflected dissatisfaction with the continuing subsidy dependence of the helicopter carriers and the apparent lack of a realistic program for reduction of this dependence. However, the V-107's appear capable of a significant break-through in the *economic* as well as the operational characteristics of these services. Their increased productivity has already brought about the reduction of our direct operating costs per available seat mile to 14 cents, as compared with the 31 cents experienced in 1962 with the V-44's. Commercial revenue gains are also significant. In 1954 (the first full year of passenger service) the Company's non-subsidy revenues equalled only 14% of the total operating costs. Now, however, the Boeings are already earning 42% of these costs from non-subsidy sources.

As noted above, these improved results have been achieved despite the difficulties of the transitional period. When the full potential of this fleet is realized, it will be possible for the first time to provide increased services responding to the public demand while at the same time reducing (rather than increasing) the need for subsidy support. In view of the variety of service opportunities outlined above, the prospects for sound growth of this type now appear

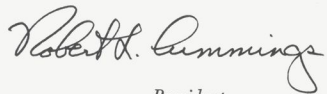
to be favorable. That this *will require time as well as adequate interim subsidy support* is apparent. However, this is not inconsistent with the development of an orderly subsidy reduction program.

It is hoped that the most earnest consideration will be given in this session of Congress to the satisfactory resolution of these difficult problems. The result of the recent appropriation cuts has been to impose crippling handicaps on the ability of the helicopter carriers to progress toward self-sufficiency and to imperil the substantial governmental and private investments in the development of these operations just as the full public benefits of the helicopter program are about to be realized.

At stake is a unique public service which is in the interest of the nation as a whole. The value of these operations to the Armed Forces of the United States in expediting improvements in the areas of helicopter design, maintenance, spare parts procurement and flying techniques is self-evident. Furthermore, virtually all travelers utilizing the certificated helicopter services do so in connection with long haul air transportation throughout the United States and around the world. In the case of New York Airways, a majority of its passengers reside outside the New York Metropolitan Area and represent not only each of the fifty states but also many areas overseas.

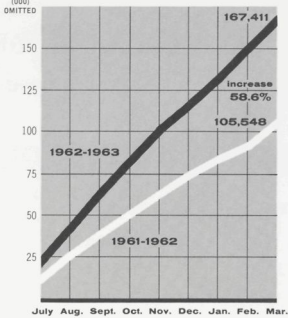
Your Company gratefully acknowledges the patronage of its many passengers, the interest of its stockholders and the devoted efforts of its employees without which its continued progress would not be possible.

BY ORDER OF THE BOARD OF DIRECTORS

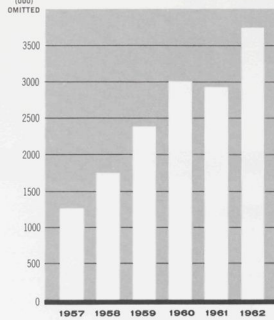
Robert H. Cummings

President

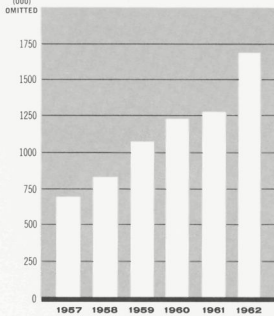
*Comparison of Passenger Growth*



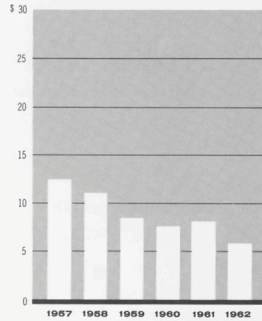
*Passenger Miles Sold*



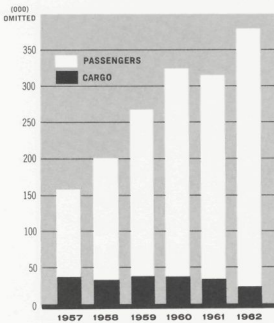
*Non-Subsidy Revenue*



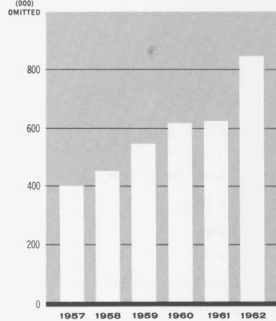
*Subsidy Received per Scheduled Ton Mile*



*Ton Miles Sold*



*Ton Miles Produced*





# NEW YORK AIRWAYS, INC.

## COMPARATIVE OPERATING

*Six year period 1957-1962*

### OPERATING REVENUES:

|                       | 1962        | 1961        |
|-----------------------|-------------|-------------|
| Commercial .....      | \$1,694,188 | \$1,294,747 |
| Federal subsidy ..... | 2,215,832   | 2,587,111   |
| Total .....           | \$3,910,020 | \$3,881,858 |

### OPERATING EXPENSES:

|                                                                      | 1962        | 1961        |
|----------------------------------------------------------------------|-------------|-------------|
| Depreciation and amortization .....                                  | 602,429     | 602,570     |
| All other .....                                                      | 3,811,560   | 3,431,073   |
| Total .....                                                          | \$4,413,989 | \$4,033,643 |
| Net operating income (or loss) .....                                 | (503,969)   | (151,785)   |
| Non-operating income or (expense) and (special items 1960)—net ..... | (148,366)   | (26,201)    |
| Federal income tax (or credit) .....                                 | (274,706)   | (92,393)    |
| Net income (or loss) for the year .....                              | (377,629)   | (85,593)    |
| Earnings (or deficit) per share .....                                | (1.55)      | (.35)       |

### FINANCIAL POSITION (at December 31):

|                                      | 1962      | 1961      |
|--------------------------------------|-----------|-----------|
| Working capital .....                | 230,725   | 819,616   |
| Long term debt .....                 | 2,574,553 | 87,718    |
| Stockholders' equity—total .....     | 2,278,914 | 2,656,543 |
| Stockholders' equity—per share ..... | 9.36      | 10.91     |
| Outstanding shares .....             | 243,400   | 243,400   |

### OPERATING AND TRAFFIC STATISTICS:

|                                                           | 1962      | 1961      |
|-----------------------------------------------------------|-----------|-----------|
| Revenue passengers .....                                  | 194,184   | 149,846   |
| Express (lbs.) .....                                      | 1,084,621 | 1,059,924 |
| Freight (lbs.) .....                                      | 661,503   | 643,188   |
| Mail (lbs.) .....                                         | 554,986   | 1,792,083 |
| Scheduled revenue ton miles carried .....                 | 371,470   | 310,860   |
| Revenue load factor (%) .....                             | 45.00     | 50.90     |
| Scheduled miles flown .....                               | 437,083   | 455,276   |
| Schedule completion factor (%) .....                      | 77.60     | 79.10     |
| Charter and other non-scheduled revenue hours flown ..... | 690       | 578       |

# AND FINANCIAL RECORD

*Calendar years ended December 31*

| 1960             | 1959             | 1958             | 1957             |
|------------------|------------------|------------------|------------------|
| \$1,240,019      | \$1,086,981      | \$ 843,892       | \$ 698,254       |
| <u>2,444,146</u> | <u>2,242,355</u> | <u>2,214,690</u> | <u>1,977,126</u> |
| \$3,684,165      | \$3,329,336      | \$3,058,582      | \$2,675,380      |
| 568,095          | 531,822          | 417,168          | 404,155          |
| <u>2,985,433</u> | <u>2,730,461</u> | <u>2,378,009</u> | <u>2,128,101</u> |
| \$3,553,528      | \$3,262,283      | \$2,795,177      | \$2,532,256      |
| 130,637          | 67,053           | 263,405          | 143,124          |
| (47,220)         | (26,109)         | (27,921)         | 18,052           |
| 49,154           | 15,791           | 121,787          | 83,166           |
| 34,263           | 25,153           | 113,697          | 78,010           |
| .14              | .10              | .47              | .32              |
| 1,224,979        | 982,279          | 963,577          | 1,122,907        |
| 298,245          | 508,771          | 719,298          | —                |
| 2,742,136        | 2,707,873        | 2,682,720        | 2,566,373        |
| 11.27            | 11.13            | 11.02            | 10.66            |
| 243,400          | 243,400          | 243,400          | 240,750          |
| 146,775          | 124,999          | 91,114           | 68,694           |
| 1,214,058        | 1,306,507        | 1,376,880        | 1,499,811        |
| 712,869          | 751,356          | 612,099          | 698,258          |
| 2,220,715        | 2,209,959        | 2,242,311        | 2,550,907        |
| 316,738          | 262,265          | 199,342          | 158,068          |
| 52.80            | 49.20            | 44.62            | 39.81            |
| 453,844          | 392,858          | 386,050          | 464,333          |
| 82.50            | 76.53            | 78.58            | 79.82            |
| 472              | 569              | 238              | 213              |

| <b>ASSETS</b>                                                                                  | <b>1962</b>        | <b>1961</b>        |
|------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT ASSETS:</b>                                                                         |                    |                    |
| Cash on hand and on deposit in banks .....                                                     | \$ 316,033         | \$ 294,671         |
| Special deposits .....                                                                         | 14,739             | 11,232             |
| United States Government securities, at cost plus accrued interest .....                       |                    | 49,850             |
| Accounts receivable:                                                                           |                    |                    |
| United States Government .....                                                                 | 335,752            | 698,993            |
| General traffic .....                                                                          | 193,311            | 117,474            |
| Refund of Federal income tax based on carry-back of loss under the Internal Revenue Code ..... |                    | 66,544             |
| Other current receivables (Note 6) .....                                                       | 168,649            | 46,444             |
| Flight equipment expendable parts and supplies .....                                           | 194,501            | 121,567            |
| Prepaid expenses, principally insurance .....                                                  | 111,195            | 71,571             |
| Total current assets .....                                                                     | <u>1,334,180</u>   | <u>1,478,346</u>   |
| <b>INVESTMENTS AND SPECIAL FUNDS:</b>                                                          |                    |                    |
| Investments in and advances to subsidiary and related service companies .....                  | 3,508              | 3,237              |
| Other investments, at cost .....                                                               | 2,000              | 2,000              |
| Deposits against equipment purchase contracts (Note 6) .....                                   | 193,221            | 30,000             |
|                                                                                                | <u>198,729</u>     | <u>35,237</u>      |
| <b>OPERATING PROPERTY AND EQUIPMENT (stated at cost):</b>                                      |                    |                    |
| Flight equipment .....                                                                         | 3,682,165          | 2,322,537          |
| Less, Reserves for depreciation and maintenance (Note 1) ..                                    | 180,879            | 1,337,737          |
|                                                                                                | <u>3,501,286</u>   | <u>984,800</u>     |
| Ground property and equipment .....                                                            | 638,914            | 500,672            |
| Less, Reserves for depreciation (Note 1) .....                                                 | 342,358            | 312,739            |
|                                                                                                | <u>296,556</u>     | <u>187,933</u>     |
| Construction work in progress .....                                                            | 71,806             | 365,546            |
| Operating property and equipment, less reserves for depreciation and maintenance .....         | <u>3,869,648</u>   | <u>1,538,279</u>   |
| <b>DEFERRED CHARGES:</b>                                                                       |                    |                    |
| Developmental and pre-operating costs (Note 3) .....                                           | 636,623            | 521,832            |
| Unamortized expense on debt .....                                                              | 58,001             | 43,047             |
| Other deferred charges .....                                                                   | 10,446             | 9,993              |
|                                                                                                | <u>705,070</u>     | <u>574,872</u>     |
| Total assets .....                                                                             | <u>\$6,107,627</u> | <u>\$3,626,734</u> |

*December 31, 1962 and 1961*

**LIABILITIES**

**CURRENT LIABILITIES:**

|                                                       |                  |                |
|-------------------------------------------------------|------------------|----------------|
| Notes payable, bank .....                             | \$ 75,000        |                |
| Long-term debt due within one year .....              | 490,391          | \$ 210,527     |
| Accounts payable, general .....                       | 267,159          | 227,664        |
| Collections as agent:                                 |                  |                |
| Traffic .....                                         | 14,258           | 14,693         |
| Other .....                                           | 35,295           | 33,222         |
| Accrued personnel compensation .....                  | 62,633           | 68,383         |
| Accrued vacation liability .....                      | 79,515           | 74,712         |
| Accrued taxes (other than Federal income taxes) ..... | 45,214           | 26,914         |
| Other current liabilities .....                       | 33,990           | 2,615          |
| Total current liabilities .....                       | <u>1,103,455</u> | <u>658,730</u> |

**LONG-TERM DEBT**, less portion included in current liabilities (Note 5)

2,574,553                      87,718

**DEFERRED CREDITS:**

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Deferred Federal income taxes ..... | <u>150,705</u> | <u>223,743</u> |
|-------------------------------------|----------------|----------------|

**STOCKHOLDERS' EQUITY**

**1962      1961**

**CAPITAL STOCK**, par value \$1.00 per share:

|                                                                         |                |                |         |         |
|-------------------------------------------------------------------------|----------------|----------------|---------|---------|
| Shares authorized .....                                                 | 300,000        | 300,000        |         |         |
| Shares reserved pursuant to Employees' Stock Option Plan (Note 4) ..... | 10,500         | 10,500         |         |         |
| Shares issued and outstanding .....                                     | <u>243,400</u> | <u>243,400</u> | 243,400 | 243,400 |

**CAPITAL PAID IN**, in excess of par value of capital stock .....

1,968,925                      1,968,925

**RETAINED EARNINGS**, per statements herewith (Note 5) .....

66,589                      444,218

Total stockholders' equity .....

2,278,914                      2,656,543

Total liabilities and stockholders' equity .....

\$6,107,627                      \$3,626,734

The accompanying notes are an integral part of these statements.

# NEW YORK AIRWAYS, INC.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

*For the years ended December 31, 1962 and 1961*

|                                                                    | 1962             | 1961              |
|--------------------------------------------------------------------|------------------|-------------------|
| <b>OPERATING REVENUES:</b>                                         |                  |                   |
| Transport revenues:                                                |                  |                   |
| Passenger .....                                                    | \$1,499,013      | \$1,102,401       |
| United States mail .....                                           | 16,538           | 50,559            |
| Express .....                                                      | 21,848           | 27,536            |
| Freight .....                                                      | 38,402           | 38,521            |
| Non-scheduled services .....                                       | 103,942          | 62,201            |
| Other transport revenues .....                                     | 4,707            | 6,365             |
| Non-transport revenues:                                            |                  |                   |
| Federal subsidy (Note 2) .....                                     | 2,215,832        | 2,587,111         |
| Incidental revenues, net .....                                     | 9,738            | 7,164             |
| Total operating revenues .....                                     | <u>3,910,020</u> | <u>3,881,858</u>  |
| <b>OPERATING EXPENSES:</b>                                         |                  |                   |
| Flying operations .....                                            | 851,937          | 849,917           |
| Maintenance .....                                                  | 1,195,966        | 1,111,633         |
| General services and administration .....                          | 1,763,657        | 1,469,523         |
| Amortization, developmental and pre-operating costs .....          | 71,499           | 59,076            |
| Depreciation, flight equipment .....                               | 464,498          | 490,347           |
| Depreciation, ground property and equipment .....                  | 66,432           | 53,147            |
| Total operating expenses .....                                     | <u>4,413,989</u> | <u>4,033,643</u>  |
| Net operating (loss) .....                                         | <u>(503,969)</u> | <u>(151,785)</u>  |
| <b>NON-OPERATING INCOME AND EXPENSE, NET:</b>                      |                  |                   |
| Interest income .....                                              | 10,642           | 8,941             |
| Interest expense .....                                             | (101,756)        | (29,942)          |
| Other non-operating income and expense, net .....                  | (57,252)         | (5,200)           |
| Total non-operating income and expense, net ...                    | <u>(148,366)</u> | <u>(26,201)</u>   |
| Net (loss) before Federal income tax .....                         | <u>(652,335)</u> | <u>(177,986)</u>  |
| <b>FEDERAL INCOME TAX CREDIT</b> .....                             | <u>274,706</u>   | <u>92,393</u>     |
| <b>NET (LOSS) FOR YEAR</b> .....                                   | <u>(377,629)</u> | <u>(85,593)</u>   |
| <b>RETAINED EARNINGS</b> at beginning of year .....                | <u>444,218</u>   | <u>529,811</u>    |
| Retained earnings at end of year per Balance Sheets herewith ..... | <u>\$ 66,589</u> | <u>\$ 444,218</u> |

The accompanying notes are an integral part of these statements.



## NOTES TO FINANCIAL STATEMENTS

1. The Uniform System of Accounts for Air Carriers, prescribed by the Civil Aeronautics Board, has been followed generally in the Company's accounts and in the financial statements herewith and reserves for depreciation have been provided at rates which are used for mail rate purposes by the Board.

Under the Revenue Act of 1962, the Company is entitled to an investment credit of approximately \$234,000. Since the Company has no income taxes payable, the investment credit has not been entered into the accounts at December 31, 1962.

The amounts set forth on the usual historical accounting basis which has been followed are not intended to represent present or future values.

2. Revenue classified as Federal subsidy is reflected herein on the basis of final rates which were in effect during both years.

The financial statements for the year ended December 31, 1961 have been restated to give effect to retroactive adjustments, including determination of Federal subsidy by the Civil Aeronautics Board for the period April 1, 1960 to December 31, 1961 and certain other events occurring subsequent to December 31, 1961. The above-mentioned restatement resulted in the net loss for the year ended December 31, 1961, being reduced by \$156,608 and retained earnings at December 31, 1960, being increased by \$105,389.

3. Deferred charges at December 31, 1962, described in the balance sheet herewith as "Developmental and pre-operating costs" are comprised as follows:

|                                                                                                                                                                                                                                                                                                                   |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Developmental, training and other costs incurred in connection with the introduction into service, in July, 1962, of the Boeing V-107 helicopters, less amortization provided on the basis of writing off these costs over a period of ten years . . . . .                                                        | \$304,787        |
| Expenses incurred with respect to the Company's application for renewal of its Certificate of Public Convenience and Necessity, less amortization provided on the basis of writing off these costs over a period of seven years from May 16, 1960, to coincide with the term of the renewal certificate . . . . . | 112,642          |
| Expenses incurred in connection with the Company's participation as an applicant in Washington-Baltimore Area Helicopter Service Case pending before the Civil Aeronautics Board . . . . .                                                                                                                        | 168,137          |
| Expenses incurred in connection with other route development projects subject to authorization of government agencies . . . . .                                                                                                                                                                                   | 51,057           |
|                                                                                                                                                                                                                                                                                                                   | <u>\$636,623</u> |

4. At December 31, 1962, 10,500 shares of capital stock are reserved for the remaining options granted under the 1959 Employees' Stock Option Plan. The options are exercisable during the 10-year period beginning April 6, 1960, at a price of \$11.87½ per share. At December 31, 1962, no options have been exercised under this plan.

5. Long-term debt at December 31, 1962 is comprised of notes payable to banks, with interest at 5.3375%, due in equal monthly instalments to March 31, 1969. These notes are secured by a chattel mortgage on the Company's four Boeing V-107 helicopters and accessory equipment and are guaranteed by the U. S. Government to the extent of 90% of the unpaid principal amount. The credit agreement (as amended) covering the notes payable provides, among other things (1) for the maintenance by the Company of working capital (defined for credit agreement purposes only as the excess of current assets over current liabilities after deducting from current liabilities the "Long-term debt due within one year") of not less than \$400,000 to June 30, 1963, and at all times thereafter of not less than \$1,000,000; (2) for the maintenance by the Company of an excess of tangible assets over total liabilities of at least \$1,400,000 through June 30, 1963, \$2,000,000 from July 1, 1963 to December 31, 1963, and at all times thereafter \$2,400,000; and (3) for certain restrictions upon additional indebtedness, cash dividends and acquisitions or retirements of the Company's capital stock. As a result of the foregoing provisions the entire amount of retained earnings at December 31, 1962 was so restricted.

6. The Company has on order a fifth Boeing Vertol 107 helicopter. The base price of this aircraft is \$644,070 (subject to certain adjustments); at December 31, 1962, the Company had made a down payment thereon in the amount of \$193,221. In a letter to the Civil Aeronautics Board dated February 5, 1962 the Company agreed that the use and disposition of the fifth V-107 would be subject to further Board consideration and approval.

The Company is committed to purchase additional spare parts and ground support equipment for the Boeing V-107 helicopters in the amount of \$133,000.

The Company expects to complete in 1963 the trade-in of the remaining Vertol 44B helicopter spare parts and related equipment which the Company now owns and carries on its books, the majority of which is included in other current receivables at a net cost of \$81,343.

7. At December 31, 1962, management is of the opinion that other known contingent liabilities not covered by insurance will not be such as to change materially the Company's financial position.

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the balance sheets of New York Airways, Inc., as at December 31, 1962 and December 31, 1961 and the related statements of income and retained earnings for the years 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; although it was not practicable to obtain confirmation of the balances receivable from the United States Government, we reviewed and tested available records to satisfy ourselves that such balances were fairly stated.

Subject to such adjustment, if any, as may be required upon resolution of the Washington-Baltimore Area Helicopter Case as described in Note 3, in our opinion, the accompanying balance sheets and statements of income and retained earnings present fairly the financial position of New York Airways, Inc., as at December 31, 1962 and December 31, 1961 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis for the two years.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 29, 1963.





*12<sup>th</sup>*  
**ANNUAL  
REPORT  
1963**

**NEW YORK AIRWAYS, INC.**

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THE FIRST HELICOPTER AIRLINE







# NEW YORK AIRWAYS, INC.

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THE FIRST HELICOPTER AIRLINE

*12<sup>th</sup>*

ANNUAL  
REPORT  
1963

# NEW YORK AIRWAYS, INC.

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                    |                           |
|--------------------|---------------------------|
| *Hoyt Ammidon      | John E. Gallagher         |
| Robert E. Blum     | Robert G. Goelet          |
| Horace Brock       | Grover Loening            |
| Robert L. Cummings | Samuel C. Park, Jr.       |
| Robert W. Dowling  | Dickran M. Sarkisian, Jr. |
|                    | William Shields, Jr.      |

*\*Subject to Civil Aeronautics Board approval.*

## **Executive Officers**

Robert L. Cummings, *President*  
William W. Hogan, *Vice President and Treasurer*  
John E. Gallagher, *Vice President*  
Edwin N. Baur, *Vice President, Flight Operations*  
Ray deHaan, *Vice President, Maintenance*  
Richard Wheatland, *Vice President, Sales and Services*  
Glenn B. Eastburn, *Vice President*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate, Meagher & Flom

## **General Offices**

LaGuardia Airport, New York, N. Y.

*To the stockholders and employees of:*

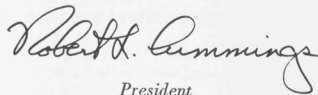
**NEW YORK AIRWAYS, INC.**

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Enclosed herewith are audited Financial Statements for the year ended December 31, 1963. These are reported along with those for the previous year for comparative purposes. Subsequent to the Combined Annual and Special meeting of stockholders to be held April 21, 1964, you will receive, after examination by the Securities and Exchange Commission, a Prospectus which will offer stockholders rights to purchase subordinated convertible debentures. The Prospectus which you will receive will give you information as to the use of the proceeds of the offering and statements concerning the Company's business including the acquisition of additional helicopters and the provision of service for the World's Fair. The offering will be made only by means of the Prospectus.

*Stockholders who do not expect to attend the Meeting but wish to have their shares voted should therefore return their proxies promptly.*

BY ORDER OF THE BOARD OF DIRECTORS

  
President

**ASSETS****1963****1962****CURRENT ASSETS:**

|                                                                 |                |                  |
|-----------------------------------------------------------------|----------------|------------------|
| Cash .....                                                      | \$ 213,828     | \$ 316,033       |
| Accounts receivable:                                            |                |                  |
| United States Government .....                                  |                | 335,752          |
| General traffic .....                                           | 181,302        | 193,311          |
| Other .....                                                     | 73,337         | 168,649          |
| Flight equipment expendable parts and supplies, at average cost | 135,165        | 194,501          |
| Prepaid expenses, principally insurance .....                   | 144,877        | 125,934          |
| Total current assets .....                                      | <u>748,509</u> | <u>1,334,180</u> |

**INVESTMENTS AND SPECIAL FUNDS:**

|                                                                                                                |                |                |
|----------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Investments in and advances to wholly-owned subsidiaries not consolidated, at cost, approximately equity ..... | 2,962          | 2,934          |
| Other investments, at cost .....                                                                               | 2,571          | 2,574          |
| Deposit on aircraft rental lease (Note 1) .....                                                                | 186,335        |                |
| Deposits against equipment purchase contracts .....                                                            |                | 193,221        |
|                                                                                                                | <u>191,868</u> | <u>198,729</u> |

**OPERATING PROPERTY AND EQUIPMENT (at cost) :**

|                                                                                       |                  |                  |
|---------------------------------------------------------------------------------------|------------------|------------------|
| Flight equipment .....                                                                | 3,135,457        | 3,682,165        |
| Less, Reserves for depreciation and maintenance .....                                 | 395,946          | 180,879          |
|                                                                                       | <u>2,739,511</u> | <u>3,501,286</u> |
| Ground property and equipment .....                                                   | 632,720          | 638,914          |
| Less, Reserves for depreciation .....                                                 | 386,089          | 342,358          |
|                                                                                       | <u>246,631</u>   | <u>296,556</u>   |
| Construction work in progress .....                                                   | 51,369           | 71,806           |
| Operating property and equipment, less reserve for depreciation and maintenance ..... | <u>3,037,511</u> | <u>3,869,643</u> |

|                                        |                    |                    |
|----------------------------------------|--------------------|--------------------|
| <b>DEFERRED CHARGES</b> (Note 2) ..... | 509,215            | 705,070            |
| Total assets .....                     | <u>\$4,437,103</u> | <u>\$6,107,627</u> |



December 31, 1963 and 1962

| LIABILITIES                                                           |                | 1963               | 1962               |
|-----------------------------------------------------------------------|----------------|--------------------|--------------------|
| CURRENT LIABILITIES:                                                  |                |                    |                    |
| Notes payable, bank                                                   |                |                    | \$ 75,000          |
| Long-term debt due within one year (Note 3)                           |                | \$ 305,556         | 490,391            |
| Accounts payable, general                                             |                | 379,851            | 267,159            |
| Collections as agent                                                  |                | 68,497             | 49,553             |
| Accrued salaries and wages                                            |                | 45,277             | 62,633             |
| Accrued vacation liability                                            |                | 86,949             | 79,515             |
| Accrued taxes (other than Federal income taxes)                       |                | 40,343             | 45,214             |
| Other current liabilities                                             |                | 25,039             | 33,990             |
| Total current liabilities                                             |                | <u>951,512</u>     | <u>1,103,455</u>   |
| LONG-TERM DEBT, less portion included in current liabilities (Note 3) |                |                    |                    |
|                                                                       |                | <u>1,403,997</u>   | <u>2,574,553</u>   |
| DEFERRED CREDITS:                                                     |                |                    |                    |
| Deferred Federal income taxes                                         |                | <u>46,894</u>      | <u>117,029</u>     |
| COMMITMENTS (Notes 1 and 4) :                                         |                |                    |                    |
|                                                                       |                |                    |                    |
| STOCKHOLDERS' EQUITY                                                  |                | 1963               | 1962               |
| CAPITAL STOCK, par value \$1.00 per share (Notes 5 and 6) :           |                |                    |                    |
| Shares authorized                                                     | 300,000        | 300,000            |                    |
| Shares issued and outstanding                                         | <u>243,400</u> | <u>243,400</u>     |                    |
|                                                                       |                | 243,400            | 243,400            |
| PAID-IN CAPITAL                                                       |                | 1,968,925          | 1,968,925          |
| RETAINED EARNINGS (Deficit) (Note 7)                                  |                |                    |                    |
|                                                                       |                | (127,625)          | 100,265            |
| Total stockholders' equity                                            |                | <u>2,084,700</u>   | <u>2,312,590</u>   |
| Total liabilities and stockholders' equity                            |                | <u>\$4,437,103</u> | <u>\$6,107,627</u> |

The accompanying notes are an integral part of these statements.

# NEW YORK AIRWAYS, INC.

## STATEMENT OF INCOME AND RETAINED EARNINGS

*For the years ended December 31, 1963 and 1962*

### OPERATING REVENUES

#### Transport revenues:

|                                | 1963        | 1962        |
|--------------------------------|-------------|-------------|
| Passenger .....                | \$1,978,352 | \$1,499,013 |
| United States mail .....       | 39,857      | 16,538      |
| Express .....                  | 18,203      | 21,848      |
| Freight .....                  | 39,431      | 38,402      |
| Non-scheduled services .....   | 140,787     | 103,942     |
| Other transport revenues ..... | 10,804      | 4,707       |

#### Non-transport revenues:

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Federal subsidy .....          | 1,956,493        | 2,215,832        |
| Other, net .....               | 10,396           | 9,738            |
| Total operating revenues ..... | <u>4,194,323</u> | <u>3,910,020</u> |

### OPERATING EXPENSES:

|                                                                                              |                  |                  |
|----------------------------------------------------------------------------------------------|------------------|------------------|
| Flying operations .....                                                                      | 845,560          | 851,937          |
| Maintenance .....                                                                            | 1,372,376        | 1,195,966        |
| Aircraft, passenger and traffic servicing, selling and general administration expenses ..... | 1,742,928        | 1,763,657        |
| Amortization, developmental and pre-operating costs .....                                    | 56,636           | 112,853          |
| Depreciation .....                                                                           | 395,244          | 530,930          |
| Total operating expenses .....                                                               | <u>4,412,744</u> | <u>4,455,343</u> |
| Operating (loss) .....                                                                       | <u>(218,421)</u> | <u>(545,323)</u> |

### NON-OPERATING INCOME AND EXPENSE, NET:

|                                         |                  |                  |
|-----------------------------------------|------------------|------------------|
| Interest income .....                   |                  | 10,642           |
| Interest expense .....                  | (160,814)        | (101,756)        |
| Other, net .....                        | 4,372            | (15,898)         |
| Total non-operating (expense) net ..... | <u>(156,442)</u> | <u>(107,012)</u> |
| (Loss) before Federal income tax .....  | <u>(374,863)</u> | <u>(652,335)</u> |

### FEDERAL INCOME TAX CREDIT

|                           |                  |                  |
|---------------------------|------------------|------------------|
| NET (LOSS) FOR YEAR ..... | 7,914            | 274,706          |
|                           | <u>(366,949)</u> | <u>(377,629)</u> |

### SPECIAL ITEMS:

|                                                                                                                                                    |                  |                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Excess of insurance proceeds over depreciated cost of destroyed aircraft .....                                                                     | 246,679          |                  |
| Write-off of expenses incurred in connection with a route application denied by a governmental agency, net of Federal income tax of \$62,221 ..... | (107,620)        |                  |
| NET (LOSS) AND SPECIAL ITEM .....                                                                                                                  | <u>(227,890)</u> | <u>(377,629)</u> |

### RETAINED EARNINGS at beginning of year (Note 7) .....

|                                                                              |                    |                  |
|------------------------------------------------------------------------------|--------------------|------------------|
| Retained earnings (deficit) at end of year per Balance Sheets herewith ..... | <u>100,265</u>     | <u>477,894</u>   |
|                                                                              | <u>(\$127,625)</u> | <u>\$100,265</u> |

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

1. The Company has leased one Boeing V-107 helicopter with radio equipment and a spare engine for a term of 8 years from November 27, 1963. Under the terms of the lease the Company deposited an advance rental of \$218,248 which sum is used to reduce equally monthly rental payments. Gross rental expense will amount to \$118,952 per year over the term of the lease. The Company has an option to purchase the leased equipment, at declining prices, after the first two years of the lease.

In January, 1964, the Company entered into an agreement to lease two fully-equipped Boeing V-107 helicopters and all related spare parts for a term from the delivery dates of the respective aircraft to October 31, 1967. To the extent that the aircraft are used to render a service to the lessor, monthly rental payments to the close of the New York World's Fair in 1965 will equal the excess (up to approximately \$45,000) of revenue from these aircraft over direct and indirect operating costs. Rental payments from that time to the expiration of the lease will be determined at the rate of 2.067% per month of the lessor's cost of the leased equipment. The maximum monthly rent payable under this lease is estimated to be \$45,000. The obligations of both parties to this agreement are contingent upon the Pan Am Building Heliport becoming legally available for helicopter operations. Under the agreement, the Company received an option to purchase the leased equipment between October 31, 1965 and October 31, 1967 at lessor's cost less a portion of rents received by the lessor. The Company has also entered into agreements with the owner of the Pan Am Building covering the use of the rooftop heliport and related service space, contingent upon the heliport becoming legally available for helicopter operations, for a period of 20 years at a minimum annual rental of approximately \$66,000. In addition, the Company has agreed to pay \$260,000 of the construction costs of the heliport when the agreements become effective.

### 2. Deferred charges at December 31, 1963 consisted of:

#### Developmental and pre-operating costs:

|                                                                                                                                                                                                                                |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Developmental, training and other costs incurred in connection with the Boeing V-107 helicopters, less amortization, provided on the basis of writing off these costs over a 10-year period ending in December, 1972 . . . . . | \$289,863 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                              |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Expense of renewal of the Company's Certificate of Public Convenience and Necessity, less amortization provided on the basis of writing off this cost over the term of the certificate, seven years from May, 1960 . . . . . | 86,902 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                           |        |
|---------------------------------------------------------------------------------------------------------------------------|--------|
| Expenses incurred in connection with route development projects subject to authorization of government agencies . . . . . | 53,590 |
|---------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                             |        |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Unamortized debt expense, less amortization provided on the basis of writing off these costs over the period of the related loans . . . . . | 68,471 |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                  |           |
|----------------------------------|-----------|
| Other deferred charges . . . . . | 10,389    |
|                                  | \$509,215 |

3. Long-term debt at December 31, 1963 consisted of notes payable to banks, \$1,709,553 (of which \$490,391 was payable within one year) due in equal monthly instalments to March 31, 1969, with interest at 5.3375% per annum. On January 31, 1964, the Company obtained a new bank loan of \$2,000,000 payable in 72 equal monthly instalments to January 31, 1970, with interest at 5% per annum. Part of the proceeds of the new loan was used to repay the balance of the notes due to March 31, 1969. In the accompanying balance sheet, the amount of long-term debt due within one year is that which is payable under the new loan.

The new loan is secured by a chattel mortgage on all flight equipment and accessories owned and to be owned by the Company while the mortgage is in effect including its rights under a contract with Kawasaki Aircraft Co., Ltd. to purchase a Boeing V-107 helicopter. The credit agreement provides, among other things, (1) for the maintenance by the Company of working capital (as defined) equal to 9% of operating expenses (as defined) for a twelve-month period to be determined, but not less than \$350,000, (2) that the aggregate amount of unpaid notes will never exceed the lesser of 110% of the Company's net worth (as defined) or the sum of 66% of the depreciated cost of the mortgaged property plus advance deposits with manufacturers for flight equipment, and (3) for certain restrictions upon additional indebtedness, new leases, cash dividends and acquisitions or retirements of the Company's capital stock.

4. The Company has on order from Kawasaki Aircraft Co., Ltd., Japan, a Boeing V-107 helicopter. The price of this aircraft is \$846,300 (subject to certain adjustments) plus import duties not to exceed \$30,000; during January, 1964, the Company made a down payment thereon in the amount of \$279,279.

On February 3, 1964, the Company entered into agreements to operate a helicopter sightseeing service during the period of the World's Fair operation in 1964 and 1965 and, in connection therewith, to purchase three Sikorsky S-61N helicopters for a total price of \$2,529,966, subject to adjustments for additions or deletions of optional equipment and for interest until paid in full. Monthly payments of \$13,000, of which \$4,000 shall be for interest, per helicopter shall be made from month of delivery until October 17, 1965 when the balance due on each helicopter shall become payable. These helicopters are scheduled for delivery in March, April and July, 1964, but the Company will not receive title to them until they are fully paid for. In the event of a default in payment, the seller's only remedy is to repossess the helicopters by cancelling the unpaid balance of the purchase price.

In connection with the sightseeing service, the Company will operate the rooftop heliport and lounge at the Port of New York Authority Heliport and Exhibit Building in the World's Fair. Under the terms of the agreement, the seller will reimburse the company for the net costs incurred thereunder (after crediting thereto the net proceeds from revenue services, if any, other than sightseeing) and will pay the company a management fee for its services.

5. At December 31, 1963, 10,500 shares of capital stock were reserved for the remaining options granted under the 1959 Employees' Stock Option Plan, exercisable at a price of \$11.87½

## NOTES TO FINANCIAL STATEMENTS (Continued)

per share. These options will terminate if not exercised by April 5, 1969; none had been exercised to December 31, 1963.

6. On January 23, 1964, the Company entered into an agreement with certain of its stockholders under which the Company received an option, exercisable within nine months, to borrow an aggregate of \$208,000 to be evidenced by 5% convertible subordinated notes, due November 30, 1964, convertible at the holders' option into 33,280 shares of the Company's capital stock. The Company has the right to prepay the indebtedness at any time before conversion. The Company also agreed to sell to the participating stockholders 8,324 shares of its capital stock for \$41,620; these shares were issued during January, February and March 1964. In the same period, using the stockholders' commitments as security, the Company borrowed from a bank an aggregate

of \$208,000 repayable October 8, 1964 with interest at 5% per annum.

7. Retained earnings at the beginning of 1962 have been restated to reflect a reduction of \$33,676 of deferred Federal income taxes applicable to the year 1961.

8. At December 31, 1963 the Company had unused carry-forward losses amounting to approximately \$521,000 which are available as income tax deductions and expire as follows: December 31, 1968, \$65,000; 1969, \$242,000; 1970, \$214,000. In addition, the Company is entitled to an investment credit carry-forward of approximately \$198,000 for the years 1962 and 1963. Since the Company had no income taxes payable for those years, the investment credit has not been recorded in the accounts.

LYBRAND, ROSS BROS. & MONTGOMERY  
CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the balance sheet of New York Airways, Inc., as of December 31, 1963, 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. We had previously made a similar examination for 1962.

In our opinion, the accompanying statements present fairly the financial position of New York Airways, Inc., as at December 31, 1963 and December 31, 1962 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 12, 1964.





**1964**  
**ANNUAL**  
**REPORT**

**NEW YORK AIRWAYS, INC.**

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THE FIRST HELICOPTER AIRLINE





# **NEW YORK AIRWAYS, INC.**

THE FIRST HELICOPTER AIRLINE

**1964  
ANNUAL  
REPORT**

# NEW YORK AIRWAYS, INC.

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                    |                           |
|--------------------|---------------------------|
| Robert E. Blum     | Robert G. Goelet          |
| Horace Brock       | Grover Loening            |
| Robert L. Cummings | Samuel C. Park, Jr.       |
| Robert W. Dowling  | Dickran M. Sarkisian, Jr. |
| John E. Gallagher  | William Shields, Jr.      |

## **Executive Officers**

Robert L. Cummings, *President*  
William W. Hogan, *Vice President and Treasurer*  
John E. Gallagher, *Vice President*  
Edwin N. Baur, *Vice President, Flight Operations*  
Ray deHaan, *Vice President, Maintenance*  
Richard Wheatland, *Vice President, Sales and Services*  
Glenn B. Eastburn, *Vice President*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate, Meagher & Flom

## **General Offices**

LaGuardia Airport, New York, N. Y.



## *To the stockholders and employees*

The year 1964 saw New York Airways continue its upward progress from the low financial point of 1962.

The public reliance on New York Airways' services as evidenced by the rapidly increasing number of passengers is a sound basis for confidence in the future potential of your Company. The technological and economic advances made possible by the transition to twin-turbine flight equipment (replacing the previous single-engine piston-powered helicopters) have established these services as an integral part of the air transportation system of the United States.

This has been recognized both by the traveling public and by the other airlines serving the New York area. The Company now has joint fare agreements with thirty-two airlines serving every corner of the world, and has obtained unprecedented arrangements with major trunk air carriers covering new flight equipment financing and the provision of service from the heliport on the top of the Pan Am Building in midtown Manhattan. It has also obtained operating facilities at no cost, and revenue guarantees on certain of the Company's operations. Moreover, the existing agreements represent only a beginning. Based on discussions already underway, the prospects for additional agreements of a similar nature are favorable.

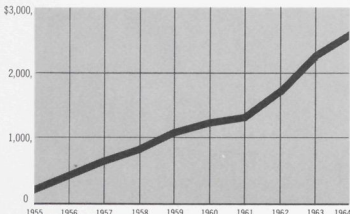
As previously reported, since 1961 New York Airways has been confronted with the necessity of continuing its operations under a declining scale of arbitrarily restricted federal subsidy support. As a result, the Company has recorded a loss for 1964. As shown by the financial statements submitted herewith, this loss amounted to \$189,950 or 75c per share. In 1963 the loss amounted to \$227,890 or 94c per share and in 1962 \$343,953 or 141c per share.

The operating and financial results for 1964 show significant improvements over those for prior years. Although the Company received \$56,486 less subsidy for 1964 than for 1963, its net loss (before "Special Items") was \$176,999 less. Similarly, despite a subsidy reduction of \$315,825 from the amount received in 1962, the 1964 loss was \$154,003 less than in the earlier year.

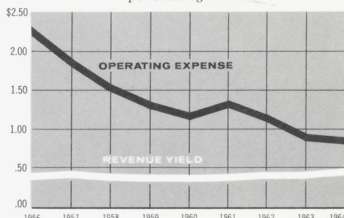
Commercial (non-subsidy) revenues earned during 1964 totaled \$2,628,601 as compared with \$2,237,830 for 1963 and \$1,694,188 for 1962—or increases of 17% and 55%, respectively. Unit operating costs were also significantly reduced. Thus, in 1962 and 1963, the Company's operating cost per passenger mile amounted to 116c and 87c respectively. This figure was reduced to 83c in 1964.

1000  
OMITTED  
\$3,000

*Commercial Revenue Earned*



*Total Operating Expense vs. Revenue Yield  
per Passenger Mile*



These statistics confirm New York Airways' forecasts of reduced unit costs and increased revenues as a result of converting from piston-powered single-engined helicopters to the twin-turbine aircraft.

The encouraging trends thus evidenced will continue with the improved efficiency of the present equipment and the expansion of our fleet of twin-turbine helicopters so that, with continued development of the order now being accomplished, we may reasonably look forward to an economically self-sustaining operation no later than 1970. In addition, the next generation of helicopters, carrying upwards of 60 passengers at a cruising speed approaching 200 miles an hour, will make its appearance in scheduled service early in the next decade and will offer new horizons of opportunity, including high-frequency, inter-city *sky bus* and *sky truck* service from as far south as Richmond and Norfolk, Virginia, and north to New England.

However, the overriding considerations now affecting the Company's prospects (as well as those of the other subsidized helicopter carriers operating in the Los Angeles and Chicago areas) arise from the questions currently pending in Washington with respect to continuation of federal subsidy support.

The following sections of this Report will cover these matters in greater detail.

BY ORDER OF THE BOARD OF DIRECTORS

*Robert H. Cummings*

President



## **Routes and Services**

During the period under review the Company's scheduled services were conducted primarily with a fleet of four Boeing twin-turbine V-107 helicopters on the routes between Kennedy International and Newark Airports and between these airports and The Port of New York Authority downtown Manhattan heliport in the Wall Street area.

Throughout the 1964 season of the New York World's Fair, New York Airways conducted sightseeing operations from the rooftop heliport on The Port of New York Authority Exhibit Building at the Fair (as well as schedules between that heliport and the Trans World Airlines terminal at Kennedy International Airport) with a fleet of three Sikorsky S-61 twin-turbine helicopters provided for this purpose by United Aircraft Corporation.

Scheduled operations at LaGuardia Airport which were suspended in 1963 due to the reconstruction program there will be resumed on April 25, 1965. For this purpose, American Airlines has agreed to provide centrally-located gate and other operating facilities without charge (as it has also undertaken to do at Kennedy International Airport).

It is anticipated that scheduled operations will shortly be inaugurated from the Pan Am Building heliport in the Grand Central area of Manhattan.

New York Airways continues of the opinion that scheduled helicopter services in the Washington-Baltimore area are required in the public interest and that your Company (by virtue of its experience in the New York area and its proximity to the Washington-Baltimore area) is in a uniquely advantageous position to provide such services. A renewed application for such authority is being filed with the Civil Aeronautics Board.

## **Fleet Development**

New York Airways replaced its previous fleet of five single-engined, piston-powered, 15-passenger Vertol 44 helicopters with a fleet of four twin-turbine 25-passenger Boeing V-107 helicopters during 1962. The additional seating capacity combined with the greater speed of the new equipment, increased the Company's passenger carrying capability by nearly 150%.

The versatility of the Boeing V-107 presented possibilities for development of services which had not previously existed. Its ability to continue in flight on one engine, together with the capability for vertical takeoffs and landings, provided your Company, for the first time, with a means of direct access to the center of Manhattan.

New York Airways' experience in operating these twin-turbine helicopters has indicated that to attain independence of federal subsidy support, a minimum of seven twin-turbine helicopters must be operated at the current fare structure with a daily utilization of five hours each.

During 1963 the Company entered into arrangements with Pan American World Airways under which Pan American agreed to purchase two additional Boeing V-107s and lease them to New York Airways. New York Airways has also contracted to purchase an additional Boeing V-107 helicopter for its own account. The three aircraft would upon delivery bring your Company's fleet of Boeing V-107s to a total of seven.

Following flight experience it became apparent that in order to take full advantage of the increase in operating and economic potential offered by the transition from piston to turbine-powered equipment, a costly and prolonged modification program was necessary.

To bring each of the Boeing V-107 helicopters to its present state of efficiency required 77



modifications in 1962; 111 in 1963; and 53 in 1964—a total of 241. Since all of these modifications were engineered in advance of the first delivery of a production model to the United States Marine Corps, it may reasonably be assumed that the military version benefitted from many of the improvements.

### **Instrument Operations**

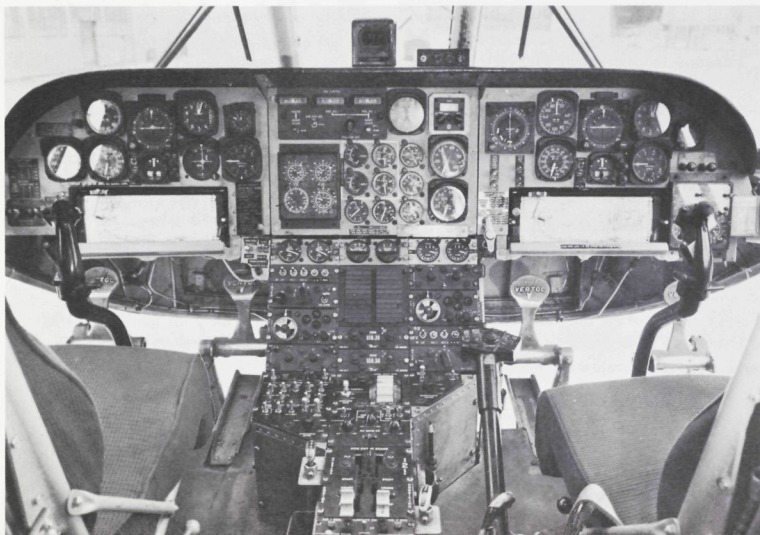
New York Airways on February 16, 1965 received authority from the Federal Aviation Agency for primary instrument flight operation utilizing the Decca Navigator System. This is the first time that such authority has been granted for scheduled common carrier helicopter operations. Accordingly, after an extensive pilot training program, New York Airways will commence scheduled instrument flight operations in the fall of 1965.

The Decca Navigator System shows the pilot visually his geographic location and a stylus inscribes on a local area map the exact path being flown enabling the pilot to fly directly to his des-

tinuation much as a motorist follows a road map. The economic impact of this technological advance will be felt throughout the industry and will be reflected in a marked improvement in New York Airways operating record and earnings position. It is anticipated that with the commencement of instrument operations schedule reliability will be improved to levels comparable with those of the fixed-wing carriers. The beneficial effect upon the Company's ability to generate additional passenger traffic and revenues will be substantial.

New York Airways has been advised that, because of its pioneering work with Decca, when the United States armed services required a helicopter navigation aid which could operate in the hilly terrain of Viet Nam under all weather conditions, it was possible for the government to procure the Decca Navigator System substantially as an "off-the-shelf" item. Without your Company's intensive developmental efforts the procurement of equipment to meet this military requirement would have been delayed a minimum of two years.

**Decca Navigator Presentation, New York Airways V-107 Cockpit**





## City Center Operations

New York Airways has always recognized that to realize its full commercial potential the helicopter must have the capability of landing and taking off in city centers. In New York and other densely populated areas this means the capability for vertical flight and the use of rooftop heliports.

To determine to what extent the proposed rooftop operations might encounter air turbulence, wind tunnel tests were conducted with scale models extending over a period of two years. Under contract to New York Airways, separate and independent studies were conducted at the U. S. Naval Air Engineering Facility at Philadelphia, the Forrester Laboratory at Princeton University and the Grumman Aircraft Corporation.

As a result, detailed and rigorous design criteria for controlling and directing air flow have been developed and incorporated in the new city center heliport on top of the Pan Am Building in the Grand Central area of Manhattan—the largest and most advanced such facility in the world. The design criteria derived from these New York Airways' sponsored studies were also utilized at the Naval Air Engineering Facility in developing air flow control devices for United States Navy aircraft carriers.

Pursuant to contractual arrangements with the owners, entered into while the Pan Am Building was under construction, New York Airways will be the operator both of this facility and of the scheduled helicopter services to be provided therefrom—which are expected to be inaugurated this summer.

The unique contribution of vertical flight lies in the ability of this type of operation to provide *direct* air service to the center of congested communities such as Manhattan, rather than to their periphery. As in the case of the transition to instrument flight operations, this city center service will inaugurate a new era not only in the

Company's operations but in the development of air transportation generally. It will eliminate the present dependence of the air passenger upon time-consuming ground transport between city centers and outlying airports and eventually between city centers as well. As the speed of long-range jet transportation has increased, the increasing ground time has become a notorious contradiction within this country's air transportation system.

Even at off-peak traffic hours, ground transport between mid-Manhattan and Kennedy International Airport requires some forty minutes, and, during the rush hours, can extend to well over an hour. In contrast, New York Airways' helicopter service from the Pan Am Building heliport to Kennedy Airport will require only seven minutes. Since this heliport is situated in the very center of one of the most densely populated areas in the world, the ability of this new service to attract a high level of public patronage seems fully assured.

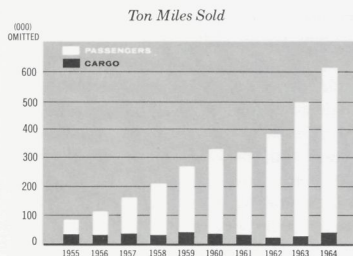
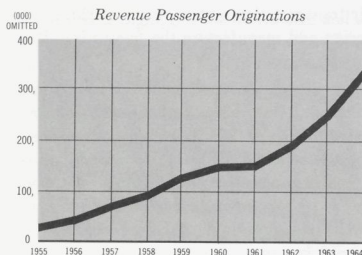
## Traffic Growth

Despite the many operating problems encountered, your Company's traffic results have clearly demonstrated the growing public acceptance of its twin-turbine services.

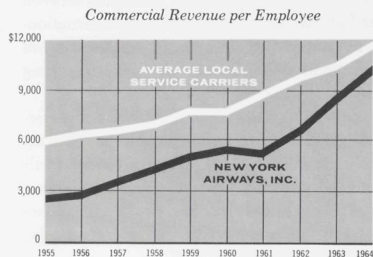
For the calendar year 1961 (the last full calendar year prior to the introduction of twin-turbine flight equipment) New York Airways carried a total of 149,846 revenue passengers. As contrasted with this, in 1963—the first full year of all-turbine service—revenue passengers carried increased to 247,011—a growth of 65% over 1961.

Further impressive gains were recorded for 1964. During that year revenue passengers carried (a total of 330,332) exceeded the 1963 total by 34% and the 1961 total by 120%, and the mail and cargo loads exceeded 1963 by 13%.

In the short space of two and half years the replacement of the Company's previous single-piston engine aircraft with its present fleet of twin-turbine aircraft has resulted in a 93% growth in commercial traffic—a growth without parallel in the air transportation industry.



As another indication of your Company's progress, it is notable that the number of passengers per employee has not only grown faster than, but now substantially exceeds, the local service carrier average. In 1964 the local service carriers averaged 663 passengers per employee, while New York Airways averaged 981. Furthermore, despite the Company's shorter passenger trips, commercial revenue per employee has grown faster than, and already compares favorably with, the local service carrier average.



## Joint Fares and Guaranteed Revenue Agreements

From the commencement of its operations New York Airways has exerted every effort to generate increasing revenues from commercial traffic sources to attain independence from federal subsidy.

One of the principal parts of this program was initiated more than ten years ago, when New York Airways entered into the first joint fare arrangement (with Northwest Airlines) for helicopter/trunk line connecting passengers. Since the Company's original joint fare was inaugurated, arrangements of this type have been completed with thirty-two domestic and foreign-flag fixed-wing carriers serving the New York area.

In addition to these joint fare arrangements, the Company has also pioneered in the development of a new type of guaranteed revenue agreement with the trunk carriers. The first of these was negotiated with Pan American World Airways in 1963 when the flight equipment contracts referred to above were executed.

New York Airways has also negotiated such an agreement with Trans World Airlines, under which helicopter services are to be provided between the Pan Am Building heliport and the TWA terminal at Kennedy International Airport. Similar arrangements for flights between the Pan Am Building and Kennedy International Airport, as well as other possible routes are now under negotiation with other fixed-wing carriers.

Expanding use of this combination of favorable joint fare arrangements and the more direct type of guaranteed service agreement, will materially assist in generating revenue increases of the magnitude required to offset the reduction and ultimate elimination of federal subsidy.

### **The Present Status of Federal Subsidy**

As in the case of other components of the air transportation system of the United States (including for many years the trunk air carriers themselves and, currently, the local service and territorial carriers) federal subsidy payments have been made to the helicopter carriers by the Civil Aeronautics Board pursuant to the congressional mandate set forth in the Federal Aviation Act. This directs that subsidy support be provided to air carriers requiring it in order to "maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the Postal Service, and the national defense."

Even before the enactment of the subsidy provisions of the Federal Aviation Act, the type

of assistance now required by the helicopter industry was provided to the young air transport industry through airmail contracts, a principal feature of which was the provision of financial support in the nature of what is now termed subsidy. It was this policy which has enabled the United States to create the finest air transportation system in the world and to design and manufacture the finest aircraft in the world.

Despite the basic policy directive in the substantive statute defining the Board's powers and duties, since 1961 the annual congressional appropriations to the Board of the funds needed for such payments have included limitations singling out the three subsidized helicopter carriers for previously unprecedented and increasingly severe restrictions.

Under the subsidy provisions of the Act as they have been consistently interpreted since becoming law in 1938, all air carriers requiring such support in the national interest are entitled to receive subsidy payments in amounts sufficient to enable them to realize reasonable returns on their invested capital. However, in the case of the three helicopter carriers, which have been granted Certificates of Public Convenience and Necessity, the Board has been forced, by the recent appropriations restrictions, to reduce subsidies below the statutory standard as previously applied. Thus, your Company has been compelled to continue its operations at substantial losses, even after all feasible measures for reducing expenses and curtailing the operations had been carried out.

The following table sets forth the differences between New York's Airways' "Subsidy Break-even Need" (i.e., the amount of subsidy required to make up the difference between the Company's other revenues and its total operating expenses) and the subsidy actually received for the past five calendar years:

|      | Breakeven<br>Need | Subsidy<br>Received | Difference |
|------|-------------------|---------------------|------------|
| 1960 | \$2,313,509       | \$2,444,146         | \$130,637  |
| 1961 | 2,738,896         | 2,587,111           | (151,785)  |
| 1962 | 2,761,155         | 2,215,832           | (545,323)  |
| 1963 | 2,174,914         | 1,956,493           | (218,421)  |
| 1964 | 1,956,775         | 1,900,007           | (56,768)   |

This table highlights the destructive and arbitrary effect of the subsidy reductions which have been forced by the appropriation restrictions referred to above. In calendar 1960, the last full year before the effect of these reductions began to be felt, the Company received subsidy amounting to \$130,637 in excess of its breakeven need. However, in the following years, although the breakeven need increased, the subsidy decreased with the paradoxical result that, although from an historical point of view New York Airways' breakeven need reached its maximum point in 1962 (as a result of the problems of transition from piston to turbine power), the subsidy it received in that year was actually *less* than the amount received in 1960 when a substantially lower breakeven need had been experienced. In other words, these operations were deprived of the type of support which it had long been the government's policy to provide to developmental air carriers at the very time that the need for this support had reached its peak.

However, the above table also shows that despite untimely subsidy reductions, operating improvements have enabled the Company to narrow the gap between its breakeven need and the subsidy received from the high of \$545,323 experienced in 1962, to less than half that amount in 1963 and, in 1964, to \$56,768. This decline in the breakeven need indicates that given a reasonable additional period of subsidy support, even though on a reducing basis, the continuing development of the Company's operations and the growth of its commercial

revenues is leading to recovery from the serious loss position of the past.

New York Airways has therefore advised the Civil Aeronautics Board and the Congress that it is prepared to make a commitment providing for the elimination of federal subsidy over the next five fiscal years. To this end the Company has filed a Petition with the Board seeking amendment of its basic operating authorizations so as to impose the following ceilings on its *legal eligibility* for subsidy:

| Fiscal Year              | Maximum Subsidy<br>Eligibility |
|--------------------------|--------------------------------|
| 1965                     | \$1,900,000                    |
| 1966                     | 1,860,000                      |
| 1967                     | 1,500,000                      |
| 1968                     | 1,100,000                      |
| 1969                     | 750,000                        |
| 1970                     | 450,000                        |
| (1971 and<br>thereafter) | None                           |

In response to this Petition the Board, in February 1965, issued an Order to Show Cause proposing the adoption of the proposed schedule of maximum subsidy eligibility and further providing for permanent renewal of the Company's Certificate of Public Convenience and Necessity which is now limited to expire in May 1967. The helicopter carriers in Los Angeles and Chicago have likewise entered into parallel proceedings.

With the implementation of this subsidy phaseout program, several vital objectives would be served. First, since it would establish binding restrictions on subsidy eligibility, the program would provide the Congress with an assurance against continuing claims for subsidy in unknown amounts for the indefinite future.

Secondly, from the standpoint of the Civil Aeronautics Board, the program would enable resolution of the conflict which, as noted above, has developed in recent years between the an-



nual appropriation actions and the long-term substantive policy of the government set forth in the Federal Aviation Act with respect to developmental subsidies.

Finally, the program would provide the Company (as well as the other subsidized helicopter carriers) with financial certainty thus enabling its public services to be developed on a sound business basis.

To date, the five-year plan has not yet been endorsed either by the Administration or by the Congress. On the contrary, the budget of the United States Government for fiscal 1966, which was submitted to the Congress with the President's budget message in January, 1965, proposed only half of the aggregate helicopter subsidy contemplated by the plan for that fiscal year. Moreover, it states that in the opinion of the Executive Branch helicopter subsidies should be terminated on December 31, 1965.

In addition, because of appropriation limitations imposed by the last session of Congress, there is presently a deficiency of \$942,000 in the funds available to the Board for payment to the three subsidized helicopter carriers for the current fiscal year, 1965. Although the President has requested a supplemental appropriation to cover the additional amount required to enable the Board to complete the fiscal 1965 payments, the House has enacted a bill omitting the President's request. It is hoped that the House omission will be restored by the Senate. This action will require that the disagreement be resolved in Conference Committee.

Heretofore, the question of continuing helicopter subsidies has been dealt with by the Congress on an *ad hoc*, year-by-year basis. Now, however, measures have been taken to bring this matter before the Congress in a manner enabling an over-all review and long-term policy determination. In order to present the Congress with an adequate record on the critical issues

thus raised, extensive hearings were conducted last month by the Aviation Subcommittee of the Senate Commerce Committee under the Chairmanship of Senator Monroney. This Committee has responsibility for substantive policy questions affecting the federal aviation program as a whole. All interested industry, civic and government agencies were heard and the scheduled helicopter carriers received strong and practical support from the Air Transport Association and the Aircraft Industries Association.

### **"...In the National Interest"**

The technological and economic progress discussed in this and former Annual Reports has been attained through a partnership of private enterprise and government. The results described could not otherwise have been achieved in a similar period of time.

New York Airways has contributed significantly to the position of world leadership which is enjoyed by the helicopter industry of the United States (including the manufacturing organizations). Representatives of many foreign countries have visited your Company to learn how the United States is meeting the need for ultrashort-haul air transportation — particularly where mid-city operations are required; to find out how we have solved the problem of low level instrument flight; to see what we are doing about improving efficiency and lowering costs; and, most importantly, what we plan for the future.

Nonetheless, in spite of this impressive record, New York Airways (as well as the other subsidized helicopter carriers at Los Angeles and Chicago) is today confronted with the most serious challenge of its existence.

It seems inconceivable that the continuation of federal support should *now* be abandoned in the face of the recognized need for the development of vertical air transportation. The sched-



uled helicopter carriers of the United States represent the only organized effort to develop this new dimension of transportation. Their capability for making a substantial contribution to the urgently needed solution of the critical problems of urban ground transport which threaten the economic life of this country is self-evident.

New York Airways is unqualifiedly in agreement with the *objective* of eliminating helicopter subsidy payments. The sole concern is *timing*. The continued progress necessary to place the present helicopter services on a self-sustaining basis and to enable the inauguration of similar services in other communities cannot be accomplished overnight. Your Company believes that the five-year subsidy phase-out program endorsed by the Civil Aeronautics Board allows sufficient time for the orderly conversion to financial independence.

Just as it has required time for the industry to reach the remarkable technological position in which it now finds itself, it will also require time to achieve the point of economic self-sufficiency. This would be available under the five-year plan. On the other hand, the proposal to terminate subsidy payments immediately would cripple, if not entirely destroy, the ability of this industry to capitalize on the technological advances which have now been realized. To compel any such result at the very time that these carriers are at the threshold of economic self-sufficiency would represent a tragic waste of the time and effort as well as the sizeable sums of local, federal government, and private capital which already have been expended to bring the helicopter transportation industry to its present stage of development.

The average annual subsidy per carrier projected as part of the five-year subsidy phase-out program is less than the cost of paving one mile of road under the Federal Highway Program.

It would seem that this payment is more than justified solely in terms of the service that will be provided to the public between now and 1970.

The Federal Government has thus far paid the three helicopter carriers in Los Angeles, Chicago and New York fifty million dollars in subsidy. In return, it has received a combined total of 46 years of concentrated development and research work by these carriers devoted to promoting the "commerce, postal service and national defense" of the United States. For this the government has paid an average of slightly over one million dollars per work year. The helicopter manufacturers have testified that this sum has been recaptured manyfold in the accelerated development of the helicopter for military service. Savings in spare parts and maintenance requirements alone add up to an impressive figure.

From a commercial point of view the helicopter in scheduled transport service is rapidly approaching maturity as a business enterprise, performing a necessary public service. Originally it was thought that the usefulness of the helicopter might be restricted to mail, express and freight. However, with the certification of New York Airways it was recognized that this extraordinary aircraft with the capability for vertical as well as sidewise, backward and forward flight should perform a complete common carrier service in the transportation of passengers and goods. In July 1953 your Company carried the first scheduled passenger by helicopter in the United States. Before the end of the current year, New York Airways will have carried more than 1,500,000 passengers in scheduled service.

During this period of pioneering growth, contributions of the certificated helicopter carriers include equipment improvement, development of mid-town rooftop operations, attainment of a feasible and practical instrument flight sys-

tem and the training of personnel in the unique and exacting requirements of vertical lift operations. Thus, they are creating a pattern making it possible for scheduled helicopter services to be actively planned for other communities on a business basis independent of subsidy.

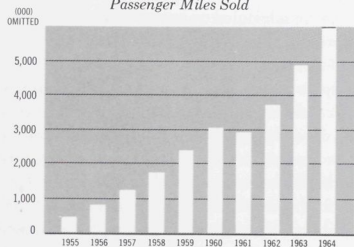
At the same time these operators are coming into their own as an important segment of the air transportation system. Without helicopter service air passengers from New York to Pittsburgh, to Detroit and to Cleveland spend more time on the ground from point of origin to point of destination than in the air. On a trip to Atlanta, surface time accounts for 44% of the total journey. Without helicopter service the time-saving advantage of jet travel is frequently lost.

Looking ahead, with the rapid expansion and consolidation of urban areas now taking place,

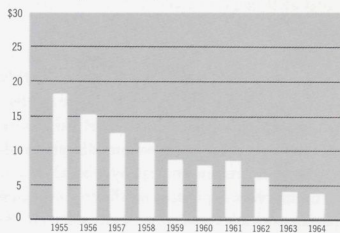
the lives of millions of people will be increasingly handicapped by inadequate and obsolete transportation. The Federal Mass Transportation Program recognizes this as a fact. Even with the full exploitation of all available tools, surface as well as air, the obvious demands of the situation can never be fully satisfied.

In this context it is plain that aircraft with the capability for vertical flight will be called upon to play an ever more important part. The next generation of helicopters (military versions are already flying in this country and abroad) will, in the early 1970s, establish an era in which this new type of air transportation will bring to many communities all over this country and in fact all over the world an economic potential which they do not now possess.

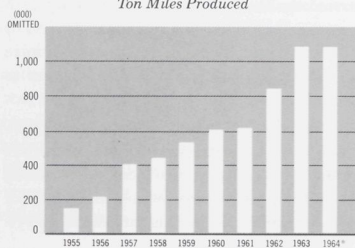
*Passenger Miles Sold*



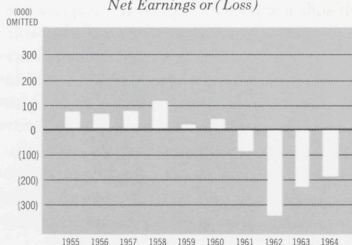
*Subsidy Received per Scheduled Ton Mile*



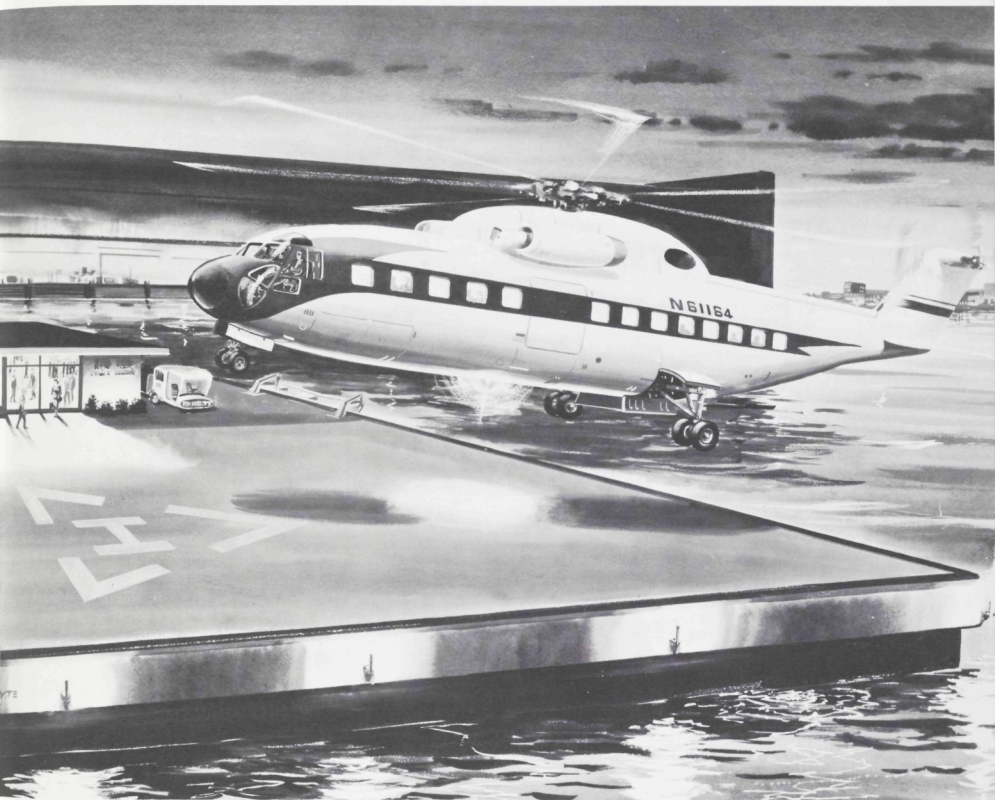
*Ton Miles Produced*



*Net Earnings or (Loss)*



*\*Excluding World's Fair Operations*



The Sikorsky S-65 skybus carrying more than sixty passengers at close to two-hundred miles per hour over ranges up to two-hundred and fifty miles.

## COMPARATIVE OPERATING

*Ten year period 1955-1964***OPERATING REVENUES:**

|                       | <b>1964</b>      | <b>1963</b>      | <b>1962</b>      |
|-----------------------|------------------|------------------|------------------|
| Commercial .....      | \$2,628,601      | \$2,237,830      | \$1,694,188      |
| Federal subsidy ..... | <u>1,900,007</u> | <u>1,956,493</u> | <u>2,215,802</u> |
| Total .....           | 4,528,608        | 4,194,323        | 3,910,000        |

**OPERATING EXPENSES:**

|                                                                    |                  |                  |                  |
|--------------------------------------------------------------------|------------------|------------------|------------------|
| Depreciation and amortization .....                                | 415,247          | 451,880          | 643,703          |
| All other .....                                                    | <u>4,170,129</u> | <u>3,960,864</u> | <u>3,811,560</u> |
| Total .....                                                        | 4,585,376        | 4,412,744        | 4,455,343        |
| Net operating income or (loss) .....                               | (56,768)         | (218,421)        | (545,323)        |
| Non-operating income or (expense) and special items 1963-net ..... | (138,276)        | (17,383)         | (107,012)        |
| Federal income tax or (credit) .....                               | (5,094)          | (7,914)          | (308,382)        |
| Net income or (loss) for the year .....                            | (189,950)        | (227,890)        | (343,950)        |
| Earnings or (deficit) per share .....                              | (.75)            | (.94)            | (1.41)           |

**FINANCIAL POSITION (at December 31):**

|                                      |           |           |           |
|--------------------------------------|-----------|-----------|-----------|
| Working capital .....                | 262,557   | (203,003) | 230,725   |
| Long term debt .....                 | 2,264,706 | 1,403,997 | 2,574,553 |
| Stockholders' equity-total .....     | 1,935,832 | 2,084,700 | 2,312,500 |
| Stockholders' equity-per share ..... | 7.69      | 8.56      | 9.50      |
| Outstanding shares .....             | 251,724   | 243,400   | 243,400   |

**OPERATING AND TRAFFIC STATISTICS:**

|                                                           |           |           |           |
|-----------------------------------------------------------|-----------|-----------|-----------|
| Revenue passengers .....                                  | 330,332*  | 247,011   | 194,130   |
| Express (lbs.) .....                                      | 930,903   | 969,689   | 1,084,623 |
| Freight (lbs.) .....                                      | 541,458   | 590,023   | 661,500   |
| Mail (lbs.) .....                                         | 1,888,396 | 1,420,286 | 554,900   |
| Scheduled revenue ton miles carried .....                 | 523,889*  | 486,943   | 371,470   |
| Revenue load factor (%) .....                             | 49.5      | 46.2      | 45.0      |
| Scheduled miles flown .....                               | 441,222*  | 417,612   | 437,000   |
| Schedule completion factor (%) .....                      | 79.2*     | 80.2      | 77.0      |
| Charter and other non-scheduled revenue hours flown ..... | 1,074     | 653       | 600       |

\*Includes World's Fair operations

# AND FINANCIAL SUMMARY

*Calendar years ended December 31*

| 1961             | 1960             | 1959             | 1958             | 1957             | 1956             | 1955             |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| \$1,294,747      | \$1,240,019      | \$1,086,981      | \$ 843,892       | \$ 698,254       | \$ 435,770       | \$ 313,193       |
| <u>2,587,111</u> | <u>2,444,146</u> | <u>2,242,355</u> | <u>2,214,690</u> | <u>1,977,126</u> | <u>1,642,672</u> | <u>1,436,600</u> |
| 3,881,858        | 3,684,165        | 3,329,336        | 3,058,582        | 2,675,380        | 2,078,442        | 1,749,793        |
| 602,570          | 568,095          | 531,822          | 417,168          | 404,155          | 356,570          | 300,774          |
| <u>3,431,073</u> | <u>2,985,433</u> | <u>2,740,642</u> | <u>2,385,829</u> | <u>2,133,246</u> | <u>1,605,687</u> | <u>1,316,308</u> |
| 4,033,643        | 3,553,528        | 3,272,464        | 2,802,997        | 2,537,401        | 1,962,257        | 1,617,082        |
| (151,785)        | 130,637          | 56,872           | 255,585          | 137,979          | 116,185          | 132,711          |
| (26,201)         | (36,110)         | (26,109)         | (27,921)         | 18,052           | 16,440           | 22,072           |
| (92,393)         | 49,154           | 10,497           | 117,720          | 80,491           | 68,433           | 80,643           |
| (85,593)         | 45,373           | 20,266           | 109,944          | 75,540           | 64,192           | 74,140           |
| (.35)            | .19              | .08              | .45              | .31              | .27              | .31              |
| 819,616          | 1,224,979        | 971,169          | 957,354          | 1,120,437        | 1,170,050        | 1,615,618        |
| 87,718           | 298,245          | 508,771          | 719,298          | —                | —                | —                |
| 2,656,543        | 2,742,136        | 2,696,763        | 2,676,497        | 2,563,903        | 2,488,363        | 2,421,921        |
| 10.91            | 11.27            | 11.08            | 11.00            | 10.65            | 10.34            | 10.15            |
| 243,400          | 243,400          | 243,400          | 243,400          | 240,750          | 240,750          | 238,500          |
| 149,846          | 146,775          | 124,999          | 91,114           | 68,694           | 43,205           | 24,569           |
| 1,059,924        | 1,214,058        | 1,306,507        | 1,376,880        | 1,499,811        | 1,907,373        | 1,758,534        |
| 643,188          | 712,869          | 751,356          | 612,099          | 698,258          | 607,023          | 473,785          |
| 1,792,083        | 2,220,715        | 2,209,959        | 2,242,311        | 2,550,907        | 1,159,704        | 1,412,181        |
| 310,860          | 316,738          | 262,265          | 199,342          | 158,068          | 108,306          | 79,313           |
| 50.9             | 52.8             | 49.2             | 44.6             | 39.8             | 52.2             | 51.1             |
| 455,276          | 453,844          | 392,858          | 386,050          | 464,333          | 429,224          | 387,773          |
| 79.1             | 82.5             | 76.5             | 78.6             | 79.8             | 77.2             | 82.1             |
| 578              | 472              | 569              | 238              | 213              | 209              | 149              |



| <b>ASSETS:</b>                                                                            | <b>1964</b>        | <b>1963</b>        |
|-------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT ASSETS:</b>                                                                    |                    |                    |
| Cash .....                                                                                | \$ 349,550         | \$ 213,828         |
| Accounts receivable:                                                                      |                    |                    |
| United States Government .....                                                            | 164,978            |                    |
| General traffic .....                                                                     | 279,344            | 181,302            |
| Other .....                                                                               | 212,372            | 73,337             |
| Flight equipment expendable parts and supplies, at average cost                           | 199,490            | 135,165            |
| Prepaid expenses .....                                                                    | <u>99,351</u>      | <u>144,877</u>     |
| Total current assets .....                                                                | <u>1,305,085</u>   | <u>748,509</u>     |
| <b>OPERATING PROPERTY AND EQUIPMENT (at cost):</b>                                        |                    |                    |
| Flight equipment (Note 3) .....                                                           | 3,133,927          | 3,135,457          |
| Less, Reserves for depreciation and maintenance .....                                     | <u>566,408</u>     | <u>395,946</u>     |
|                                                                                           | <u>2,567,519</u>   | <u>2,739,511</u>   |
| Ground property and equipment .....                                                       | 665,673            | 632,720            |
| Less, Reserves for depreciation .....                                                     | <u>452,979</u>     | <u>386,089</u>     |
|                                                                                           | <u>212,694</u>     | <u>246,631</u>     |
| Construction work in progress .....                                                       | <u>109,933</u>     | <u>51,369</u>      |
| Operating property and equipment, less reserves<br>for depreciation and maintenance ..... | <u>2,890,146</u>   | <u>3,037,511</u>   |
| <b>OTHER ASSETS:</b>                                                                      |                    |                    |
| Deposits on aircraft lease and purchase contract (Note 1) .....                           | 438,345            | 186,335            |
| Deferred charges (Note 2) .....                                                           | <u>651,290</u>     | <u>514,748</u>     |
|                                                                                           | <u>\$5,284,866</u> | <u>\$4,487,103</u> |

**LIABILITIES:**

**CURRENT LIABILITIES:**

|                                                       | 1964             | 1963           |
|-------------------------------------------------------|------------------|----------------|
| Long-term debt due within one year (Note 3) .....     | \$ 333,336       | \$ 305,556     |
| Accounts payable .....                                | 444,252          | 379,851        |
| Collections as agent .....                            | 75,609           | 68,497         |
| Accrued salaries and wages .....                      | 40,263           | 45,277         |
| Accrued vacation liability .....                      | 93,311           | 86,949         |
| Accrued taxes (other than Federal income taxes) ..... | 32,352           | 40,343         |
| Other current liabilities .....                       | 23,405           | 25,039         |
| Total current liabilities .....                       | <u>1,042,528</u> | <u>951,512</u> |

**LONG-TERM DEBT:**

|                                                                  |                  |                  |
|------------------------------------------------------------------|------------------|------------------|
| Note payable to bank, less amount due within one year (Note 3) . | 1,361,106        | 1,403,997        |
| 6% Convertible Subordinated Debentures due                       |                  |                  |
| June 1, 1979 (Note 4) .....                                      | 903,600          | —                |
|                                                                  | <u>2,264,706</u> | <u>1,403,997</u> |

|                                                     |        |        |
|-----------------------------------------------------|--------|--------|
| <b>DEFERRED FEDERAL INCOME TAXES</b> (Note 2) ..... | 41,800 | 46,894 |
|-----------------------------------------------------|--------|--------|

**COMMITMENTS** (Note 1)

**STOCKHOLDERS' EQUITY:**

**CAPITAL STOCK**, par value \$1.00 per share (Notes 4 and 5) :

|                                     | 1964           | 1963           |
|-------------------------------------|----------------|----------------|
| Shares authorized .....             | 600,000        | 300,000        |
| Shares issued and outstanding ..... | <u>251,724</u> | <u>243,400</u> |
|                                     | 251,724        | 243,400        |

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| <b>PAID-IN CAPITAL</b> (Note 6) ..... | 2,001,683 | 1,968,925 |
|---------------------------------------|-----------|-----------|

|                      |           |           |
|----------------------|-----------|-----------|
| <b>DEFICIT</b> ..... | (317,575) | (127,625) |
|----------------------|-----------|-----------|

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Total stockholders' equity ..... | <u>1,935,832</u> | <u>2,084,700</u> |
|----------------------------------|------------------|------------------|

\$5,284,866                      \$4,487,103

The accompanying notes are an integral part of these statements.

## STATEMENTS OF INCOME AND DEFICIT

*for the years ended December 31, 1964 and 1963*

|                                                                | 1964               | 1963               |
|----------------------------------------------------------------|--------------------|--------------------|
| <b>OPERATING REVENUES:</b>                                     |                    |                    |
| Transport revenues:                                            |                    |                    |
| Passenger .....                                                | \$2,246,219        | \$1,978,352        |
| United States mail .....                                       | 53,801             | 39,857             |
| Express .....                                                  | 19,215             | 18,203             |
| Freight .....                                                  | 44,918             | 39,431             |
| Non-scheduled services .....                                   | 117,043            | 140,787            |
| Other transport revenues .....                                 | 13,740             | 10,804             |
| Non-transport revenues:                                        |                    |                    |
| Federal subsidy .....                                          | 1,900,007          | 1,956,493          |
| Other, net .....                                               | 133,665            | 10,396             |
| Total operating revenues .....                                 | <u>4,528,608</u>   | <u>4,194,323</u>   |
| <b>OPERATING EXPENSES:</b>                                     |                    |                    |
| Flying operations .....                                        | 892,658            | 845,560            |
| Maintenance .....                                              | 1,517,400          | 1,372,376          |
| Aircraft, passenger and traffic servicing, selling and general |                    |                    |
| administration expenses .....                                  | 1,760,071          | 1,742,928          |
| Amortization, developmental and pre-operating costs .....      | 58,248             | 56,636             |
| Depreciation .....                                             | 356,999            | 395,244            |
| Total operating expenses .....                                 | <u>4,585,376</u>   | <u>4,412,744</u>   |
| Operating (loss) .....                                         | <u>(56,768)</u>    | <u>(218,421)</u>   |
| <b>NON-OPERATING (EXPENSE) INCOME, NET:</b>                    |                    |                    |
| Interest expense .....                                         | (158,049)          | (160,814)          |
| Other, net .....                                               | 19,773             | 4,372              |
|                                                                | <u>(138,276)</u>   | <u>(156,442)</u>   |
| (Loss) before Federal income tax .....                         | (195,044)          | (374,863)          |
| <b>FEDERAL INCOME TAX CREDIT (Note 2)</b>                      | 5,094              | 7,914              |
| <b>NET (LOSS) FOR YEAR</b> .....                               | <u>(189,950)</u>   | <u>(366,949)</u>   |
| <b>SPECIAL ITEMS:</b>                                          |                    |                    |
| Excess of insurance proceeds over depreciated cost of          |                    |                    |
| destroyed aircraft .....                                       |                    | 246,679            |
| Write-off of expenses incurred in connection with a route      |                    |                    |
| application denied by a government agency, net of              |                    |                    |
| Federal income tax of \$62,221 .....                           |                    | (107,620)          |
| <b>NET (LOSS) and special items</b> .....                      | <u>(189,950)</u>   | <u>(227,890)</u>   |
| <b>(DEFICIT) RETAINED EARNINGS</b> at beginning of year .....  | (127,625)          | 100,265            |
| <b>(DEFICIT)</b> at end of year .....                          | <u>(\$317,575)</u> | <u>(\$127,625)</u> |

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

1. The Company has leased one Boeing V-107 helicopter with radio equipment and a spare engine for a period expiring November 27, 1971 at an annual gross rental of \$118,952. At December 31, 1964 the unamortized balance of the advance rental deposit was \$186,335 which will be used to reduce equally the remaining monthly rental payments. The Company has an option to purchase the leased equipment, at declining prices, at any time after November 27, 1965.

The Company has also entered into an agreement with Pan American World Airways, Inc. to lease two fully-equipped Boeing V-107 helicopters and all related spare parts for a term from the delivery dates of the respective aircraft to October 31, 1967. These helicopters have not yet been delivered. Rental payments will be determined at the rate of 2.067% per month of the lessor's cost of the leased equipment subject to reduction to the extent that these aircraft are used for the account of lessor. The maximum monthly rent payable under this lease is estimated to be \$45,000. The obligations of both parties to this agreement are contingent upon the Pan Am Building Heliport becoming legally available for helicopter operations. Under the agreement, the Company received an option to purchase the leased equipment between October 31, 1965 and October 31, 1967 at lessor's cost less a portion of rents received by the lessor.

The Company has on order from Kawasaki Aircraft Co., Ltd., Japan, a Boeing V-107 helicopter. The price of this aircraft is \$846,300 (subject to certain adjustments) plus import duties not to exceed \$30,000; during January, 1964, the Company made a down payment thereon in the amount of \$279,279. In view of the limitation on capital expenditure contained in the credit agreement described in Note 3, the Company must obtain permission of the lender for expenditure of the remainder of the purchase price.

The Company has also entered into agreements with the owner of the Pan Am Building covering the use of the rooftop heliport and related service space, contingent upon the heliport becoming legally available for helicopter operations, for a period of 20 years at a minimum annual rental of approximately \$66,000. In addition, the Company has agreed to pay \$200,000 of the construction costs of the heliport when the agreements become effective.

On February 3, 1964 the Company entered into agreements with United Aircraft International (UAI), a subsidiary of United Aircraft Corporation (UAC), and with UAC to operate helicopter sightseeing and other services during the period of the World's Fair operation in 1964 and 1965 and in connection therewith to have the use of three S-61N helicopters, plus spares, under a conditional sales contract with UAC.

During the 1964 season of the Fair, the Company received from UAI the reimbursement of its net cost of operating the sightseeing and other services, plus a management fee and a nominal fee per passenger carried. The reimbursement from UAI included the payments made to UAC under the conditional sales contract for the S-61N helicopters.

The conditional sales contract has been revised to provide for the return of the S-61N helicopters and spares to UAC and the termination of the contract. The operating agreement with UAI is now being revised to provide for the discontinuance of the sightseeing services at the 1965 World's Fair but it is expected that the Company's contractual arrangements with UAI to operate the heliport at the Fair will continue during the 1965 Fair season

and the Company will receive the same management fee as in the 1964 season, a portion of which will be reimbursement for both the cost of operating the heliport on a standby basis and certain deferred costs incurred in 1964.

2. Deferred charges at December 31, 1964 consisted of:

Developmental and pre-operating costs:

|                                                                                                                                                                                                                  |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Developmental, training and other costs incurred in connection with the Boeing V-107 helicopters, less amortization on the basis of writing off these costs over a 10-year period ending in December, 1972 ..... | \$257,355        |
| Expense of renewal of the Company's Certificate of Public Convenience and Necessity, less amortization on the basis of writing off this cost over the term of the certificate, seven years from May, 1960 .....  | 61,162           |
| Expenses incurred in connection with route development and heliport projects subject to authorization of government agencies .....                                                                               | 102,153          |
| Unamortized debt expense, less amortization on the basis of writing off these costs over the original period of the related loans .....                                                                          | 163,522          |
| Other deferred charges .....                                                                                                                                                                                     | 67,098           |
|                                                                                                                                                                                                                  | <u>\$651,290</u> |

Certain of these costs were deducted from taxable income of the years in which they were incurred. The resulting reductions in income taxes for those years have been reflected as deferred federal income taxes in the balance sheet. As these deferred costs are amortized, the deferred tax liability is reduced in the related amount with a corresponding credit to Federal income tax expense.

3. The long-term note held by a bank is payable in monthly instalments of \$27,778 each to January 31, 1970 with interest at 5¼% per annum. In the accompanying balance sheet, the amount payable within one year, \$333,336, is included under current liabilities.

The loan is secured by a chattel mortgage on all flight equipment and accessories owned and to be owned by the Company while the mortgage is in effect including its rights under a contract with Kawasaki Aircraft Co., Ltd. to purchase a Boeing V-107 helicopter. The credit agreement provides, among other things, (1) for the maintenance by the Company of working capital (as defined) equal to 9% of operating expenses (as defined) during the twelve-month period ending one month prior to date of termination, but not less than \$350,000, (2) that the aggregate amount of unpaid notes will never exceed the lesser of 110% of the Company's net worth (as defined) or the sum of 66% of the depreciated cost of the mortgaged property plus advance deposits with manufacturers for flight equipment, (3) that capital expenditures may not exceed \$400,000 per annum or \$200,000 per annum if working capital (as defined) during the prior twelve months was less than 12% of operating expenses, except for expenditures, limited to \$405,000, in connection with the heliport facilities on the roof of the Pan Am Building and new gate facilities at LaGuardia Airport, and (4) for certain restrictions upon additional indebtedness, new leases, cash dividends and acquisitions or retirements of the Company's capital stock. At December 31, 1964, the Company was not in default with respect to any of the foregoing provisions.

4. On June 3, 1964 the Company offered to its stockholders the right to subscribe to \$1,480,700 of 6% Convertible Subordinated Debentures due June 1, 1979 at the rate of \$100 principal amount of debentures for each 17 shares held of record at the close of business on June 3, 1964, and the privilege to subscribe (subject to allotment) at the same subscription price for any principal amount of debentures not subscribed for through the exercise of rights during the subscription offer. This subscription offer expired June 17, 1964.

During the subscription period \$587,600 principal amount was subscribed for upon the exercise of rights and \$44,500 principal amount was subscribed for upon the exercise of the Additional Subscription Privilege. After the subscription period an additional \$271,500 principal amount of debentures was sold, making a total of \$903,600 principal amount sold and leaving an unsold balance of \$577,100 at December 31, 1964.

The 6% Convertible Subordinated Debentures and interest coupons attached thereto are subordinated to all present and future unsubordinated indebtedness for money borrowed. (Amounting at December 31, 1964 to \$1,694,442.) In the absence of a default under the terms of the unsubordinated indebtedness the Company may (a) make timely payments of maturing debenture interest coupons, (b) at its option, redeem the debentures in whole or in part on any date prior to maturity at the following prices: during the twelve-month period beginning June 1, 1964-106%; 1965-105%; 1966-105½%; thereafter at prices decreasing ½ of 1% in each succeeding twelve-month period to 1977, (c) deposit with the trustee on May 31 of each of the years 1970 through 1978, for a sinking fund, a sum sufficient to redeem at 100% and accrued interest 6.0782% of the aggregate principal amount of debentures issued prior to August 1, 1964. The debentures are convertible, at any time prior to maturity or redemption, into capital stock of the Company at the conversion rate of \$8 per share. The indenture relating to the debentures contains restrictive covenants relating to cash dividends and acquisitions and retirements of the Company's capital stock.

5. On April 21, 1964 the stockholders, at a special meeting, approved an amendment to the Certificate of Incorporation increas-

ing the authorized \$1 par value capital shares from 300,000 to 600,000.

Of the 348,276 shares authorized and unissued at December 31, 1964, 112,950 shares are reserved for conversion of the outstanding 6% Convertible Subordinated Debentures due June 1, 1979 and 15,000 shares are reserved for employee stock options.

On December 7, 1964 the Board of Directors amended the 1959 Employees' Stock Option Plan to permit the issuance of qualified stock options. Outstanding restricted options for 10,500 shares of capital stock were surrendered by the holders thereof and canceled. On December 14, 1964, options were granted for 15,000 shares, exercisable at the price of \$6 per share, slightly in excess of the then prevailing market price. These options become exercisable as follows: 8,125 shares on and after December 14, 1965; 3,438 shares on and after December 14, 1966 and 3,437 shares on and after December 14, 1967; they will expire on December 12, 1969. None of the former options was exercised during 1964. The Company will make no charge to income in connection with this plan.

6. The increase of \$32,758 in paid-in capital during 1964 represents the excess of consideration received over the par value of 8,324 shares of capital stock issued during the year, less related legal expenses.

7. On March 30, 1965, the Company received \$122,371 in connection with losses associated with the destruction of one of its aircraft on October 14, 1963 and in connection with two emergency water landings in 1962. This amount is *not* reflected in the financial statements herewith.

8. At December 31, 1964 the Company had unused carry-forward losses amounting to approximately \$629,000 which are available as income tax deductions and expire as follows: December 31, 1968, \$65,000; 1969, \$242,000; 1970, \$100,000; 1971, \$222,000. In addition, the Company has available an investment credit carry-forward of approximately \$250,000 for the years 1962, 1963 and 1964. Since the Company had no income taxes payable for those years, the investment credit has not been recorded in the accounts.



LYBRAND, ROSS BROS. & MONTGOMERY  
CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the balance sheet of New York Airways, Inc., as of December 31, 1964 and the related statement of income and deficit 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. It was not practicable to obtain confirmation of the balance receivable from the United States Government as to which we satisfied ourselves by means of other auditing procedures. We previously examined and reported upon the financial statements of the Company for the year ended December 31, 1963.

In our opinion, the accompanying statements present fairly the financial position of New York Airways, Inc. as at December 31, 1964 and 1963 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

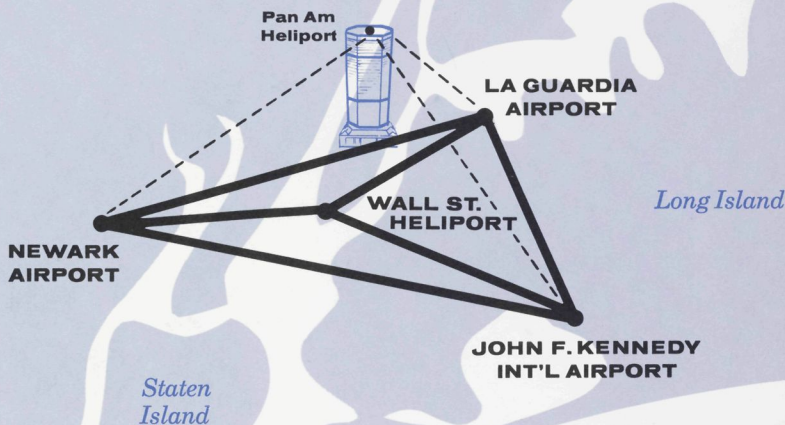
New York, April 1, 1965.



*New Jersey*

*New York*

*Conn.*



### **NEW YORK AIRWAYS, INC.**

Serving New Jersey, New York, Connecticut and air travelers of the world. Joint fare agreements with the following airlines:

|                               |                                 |
|-------------------------------|---------------------------------|
| Aerovías de México            | KLM Royal Dutch Airlines        |
| Air Canada                    | Lufthansa                       |
| Air France                    | Mexicana Airlines               |
| Air India                     | National Airlines               |
| Alitalia                      | Northeast Airlines              |
| Avianca                       | Northwest-Orient Airlines       |
| Braniff International Airways | Pakistan International Airlines |
| British Overseas Airways      | Pan American Airways            |
| Delta Air Lines               | Qantas Empire Airways           |
| Eastern Air Lines             | Sabena Belgian World Airlines   |
| El Al Israel Airways          | Scandinavian Airlines System    |
| Iberia                        | Swireair                        |
| Icelandic Airlines            | Trans Caribbean Airways         |
| Irish Air Lines               | Trans World Airlines            |
| Japan Air Lines               | Varg                            |
|                               | Viasa International Airways     |





**1965**  
**ANNUAL**  
**REPORT**

**NEW YORK AIRWAYS, INC.**  
THE FIRST HELICOPTER AIRLINE





New York

Conn.



New Jersey

**TETERBORO  
AIRPORT**

**PAN AM  
HELIPORT**



**LA GUARDIA  
AIRPORT**

**WALL ST.  
HELIPORT**

**NEWARK  
AIRPORT**

**JOHN F. KENNEDY  
INT'L AIRPORT**

*Long Island*

*Staten Island*

**STAMFORD**

— — — Proposed new routes

### NEW YORK AIRWAYS, INC.

Serving New Jersey, New York, Connecticut  
and air travelers of the world. Joint fare  
agreements with the following airlines:

|                              |                                 |
|------------------------------|---------------------------------|
| Aeronaes de Mexico           | Japan Air Lines                 |
| Air Canada                   | KLM Royal Dutch Airlines        |
| Air France                   | Lufthansa                       |
| Air India                    | Mexicana Airlines               |
| Alitalia                     | National Airlines               |
| American Airlines            | Northeast Airlines              |
| Avianca                      | Northwest-Orient Airlines       |
| Branch International Airways | Pakistan International Airlines |
| British Overseas Airways     | Pan American Airways            |
| British West Indian Airways  | Qantas Empire Airways           |
| Delta Air Lines              | Sabena Belgian World Airlines   |
| Eastern Air Lines            | Scandinavian Airlines System    |
| El-Al Israel Airways         | Swissair                        |
| Iberia                       | Trans Caribbean Airways         |
| Icelandic Airlines           | Trans World Airlines            |
| Irish Airlines               | Varig                           |
|                              | Viasa International Airways     |

# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **1965 ANNUAL REPORT**

### **Directors**

Robert E. Blum  
Horace Brock  
Robert L. Cummings  
Robert W. Dowling  
John E. Gallagher

Robert G. Goelet  
Grover Loening  
Samuel C. Park, Jr.  
Dickran M. Sarkisian, Jr.  
William Shields, Jr.

### **Executive Officers**

Robert L. Cummings, *President*  
John E. Gallagher, *Executive Vice President*  
William W. Hogan, *Vice President and Treasurer*  
Richard Wheatland, *Vice President, Sales and Services*  
Edwin N. Baur, *Vice President, Flight Operations*  
John H. Slate, *Secretary*

### **Transfer Agent**

The Chase Manhattan Bank

### **Registrar**

Federation Bank and Trust Co.

### **Auditors**

Lybrand, Ross Bros. & Montgomery

### **Counsel**

Skadden, Arps, Slate, Meagher & Flom

### **General Offices**

LaGuardia Airport, New York, N. Y.

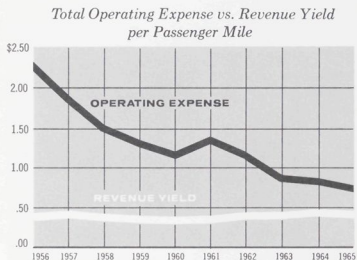
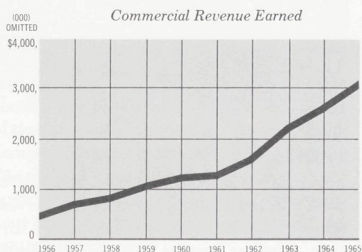


## *To the stockholders and employees:*

Federal subsidy payments which previously constituted a major part of New York Airways' revenues were terminated on April 11, 1965. Subsequently, on June 28, financing and operating support agreements with Pan American World Airways and Trans World Airlines, providing alternate financial means for continuing operations, were given interim approval by the Civil Aeronautics Board. While confronted with these developments your Company continued to increase its service to the public. Traffic records were established and services representing the culmination of years of effort were inaugurated.

### **Traffic and Operating Highlights—1965**

- The Company's operating fleet of four Boeing V-107 twin-turbine helicopters was increased to seven by the addition of three new aircraft acquired by Pan American World Airways for lease to New York Airways.
- The Federal Aviation Agency issued to New York Airways the first authorization for full instrument flight operation, enroute as well as terminal, to be held by a certificated helicopter carrier.
- At year end, the long-awaited service from the new heliport atop the Pan Am Building in midtown Manhattan was successfully inaugurated.
- Passenger traffic for 1965 was up 20%. Revenue passengers carried totaled 306,461 compared to 255,951 during 1964. Cargo transported in 1965 was 905,533 pounds, up 67% over the previous year; express carried in 1965 totaled 1,336,527 pounds, a gain of 44%; United States mail transported in 1965 totaled 2,238,840 pounds, up 19% over 1964.
- As a result of these increases in volume, commercial revenues increased from \$2,628,601 to \$3,025,584. At the same time total costs per passenger mile were reduced from 83¢ in 1964 to 74¢ in 1965.





## **Financial**

During 1965 New York Airways recorded a loss, after giving effect to a special income item, of \$362,246 or \$1.43 per share. Nevertheless, it must be noted that, because of the operating support agreements with Pan Am and TWA, your Company operated with a small profit for the last six months of 1965. The loss referred to above is primarily attributable to the fact that no subsidy payments have been made to your Company since April 11, 1965. If subsidy payments had been continued, at least until the implementation of the TWA operating support agreement on June 28, the financial results for the entire year would have reflected a modest profit. A subsidy claim for the month of April has been filed with the United States Court of Claims and is now pending. If this action is successful, the results reported herein will be adjusted accordingly. Further details may be found in the Notes to Financial Statements.

## **City Center Service**

The single most important technical advance affecting New York Airways has been the production of transport helicopters capable of continuing flight with one engine inoperative. As a result, vertical flight and the conduct of scheduled operations under instrument conditions became possible.

It has long been recognized that, with aircraft having vertical flight capability, common carrier air service to the very center of congested communities would become a reality. Thus, the present dependence of the traveler on time-consuming ground transport between the usual city center and its outlying airport, and eventually between city centers as well, would be substantially reduced. Since December 21, 1965, with the opening of the Pan Am Building Heliport, New York City has benefited from this type service between mid-Manhattan and Kennedy International Airport.

The Pan Am Building Heliport is located in the very heart of the world's busiest city. Within the radius of a ten minute walk, is a business population the size of Denver, Colorado. It sits astride Park Avenue, and is directly above two major railways and three subways. This heliport offers an immense public service potential for vertical flight.

The heliport is specifically designed to produce optimum operating conditions. Piloting techniques and flight paths have been carefully considered from a community compatibility point of view. All feasible measures will continue to be taken to minimize the operating sound levels of these services.

The Pan Am Building Heliport is a modern transportation facility of which Manhattan can well be proud. It has attracted worldwide attention to New York City because of its constructive and imaginative solution to the most frustrating problem in the entire transportation system—the problem of getting to and from city centers. More than 40,000 passengers transited this heliport in the first three months of operation.

New York Airways operates the service between the Pan Am Building Heliport and Kennedy in accordance with a support agreement with Pan American World Airways. All flights are available to passengers connecting with any airline or traveling locally.

Introduction of supersonic transports within the next few years, cutting present jet time by half, makes it mandatory that passenger ground time be reduced. With this unique operation your Company is making a substantial contribution to the nation's air transport system.

## **Traffic**

Currently, your Company provides high frequency inter-airport, common carrier service between Kennedy, LaGuardia and Newark Airports, as well as from the Wall Street Terminal.

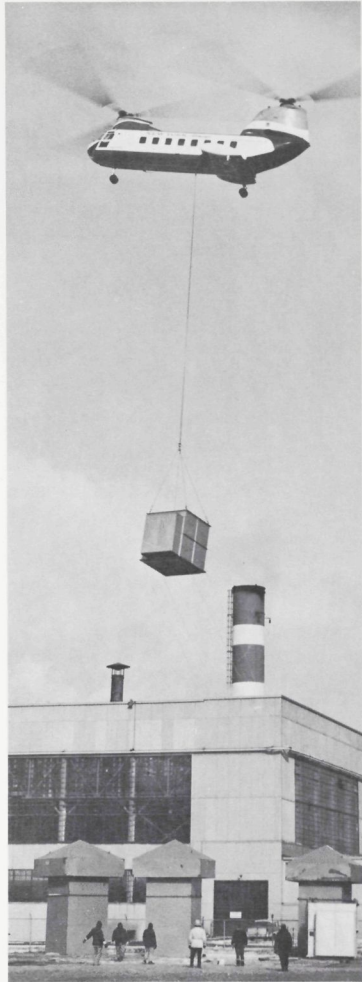


Likewise, seven days a week between 8:30 a.m. and 10:00 p.m., scheduled flights operate almost every half hour between the Pan Am Building and Kennedy International. Within the next several months it seems probable that service between Kennedy and a point in either lower Connecticut or Westchester County, and between Kennedy and a point in northern New Jersey via the Pan Am Building will be inaugurated.

During New York City's 13-day transit strike in January 1966, over 25,000 passengers were carried. This peak transportation challenge was successfully met in spite of the newness of the midtown facilities. During January and February 1966, a total of 83,400 passengers was carried, compared with 36,582 for the same months in 1965.

Your Company's program to increase revenues from commercial traffic sources through joint fare agreements with airlines operating in the New York area continues. Initiated eleven years ago, New York Airways has such agreements with 33 domestic and foreign flag carriers.

In addition to revenues earned through its common carrier operations, your Company receives many requests for industrial charters, including the carriage of external loads. Indications are that earnings from this source can reach substantial volume in years to come. For example, the Ford Motor Company contracted with New York Airways to hoist 100 air-conditioning machinery units, averaging 4,500 pounds each. Your Company's helicopters placed them in precise positions on the roof of a new assembly plant. The performance of this contract provided Ford with important savings of time and cost while earning a profit for your Company. However, the full development of this phase of our business, as well as the very large potential for scheduled cargo operations, must await the availability of additional flight equipment.



## **Operations**

In February 1965, New York Airways received authority from the Federal Aviation Agency for full instrument flight operations, enroute as well as terminal, utilizing the Decca Navigator System. Implementation of this authority, the first to be granted for common carrier helicopter operations, has been delayed because of unforeseen technical problems which now have been solved. After completion of necessary pilot training programs, already well advanced, your Company will commence scheduled instrument flight operations.

As a result of the conduct of operations under instrument conditions, it is anticipated that schedule reliability will be improved to levels comparable to those attained by fixed-wing carriers.

In addition to the economic benefits to New York Airways, your Company takes pride in noting that its 15 years of close collaboration with Decca Navigator System, Inc., including 40,000 hours flight time, contributed importantly to the ready availability of the Decca System for the United States Armed Forces in Vietnam.

## **Regulatory**

As reported in greater detail in prior years, the Congress has, since 1962, been appropriating funds each year for subsidy support of the certificated helicopter carriers on a sharply declining basis. Also, since April 11, 1965, New York Airways has received no Federal subsidy payments, although at that time the Company was still dependent on this source for some 40% of its operating revenue.

In these circumstances, in May and June of 1965, New York Airways entered into financing and operating support agreements with Pan Am and TWA. These agreements received interim approval from the Civil Aeronautics Board on June 28, 1965. Each of the operating support

agreements is for an initial term of one year renewable at the option of the particular trunk carrier for two additional one-year terms.

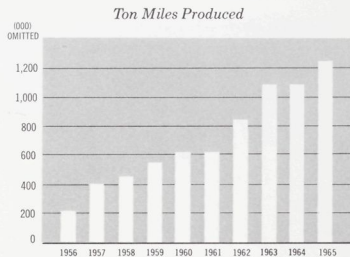
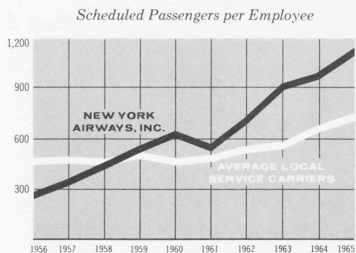
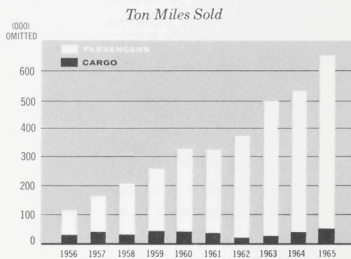
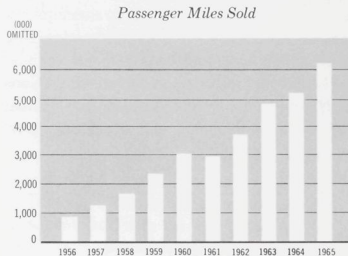
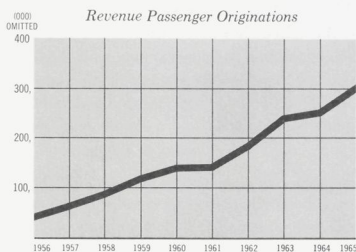
Pursuant to these arrangements essential additional capital funds aggregating \$1.2 million were secured. Likewise, all of your Company's inter-airport and airport-Wall Street services were underwritten on a break-even basis by TWA. At the same time Pan Am agreed, on similar terms, to support the expansion of New York Airways service to include frequent schedules between Kennedy and mid-Manhattan utilizing the new Pan Am Building Heliport when it should become available.

Since the commencement of operations in October 1952, New York Airways' basic operating authority has consisted of a Temporary Certificate of Public Convenience and Necessity issued by the Civil Aeronautics Board in accordance with the provisions of the Federal Aviation Act. This initial Temporary Certificate was renewed in 1960 to expire in the Spring of 1967. In the proceeding which led to that renewal, the Company had petitioned the Board for a Permanent Certificate which the Board denied on the ground that the application was premature.

In a current proceeding before the Board, the New York Airways' Certificate Amendment Case, your Company is again seeking to obtain a Permanent Certificate with the attendant benefits in terms of improved standing in the financial community, and the enhanced ability to make long-range plans and commitments. Furthermore, New York Airways is seeking final approval of the Pan Am and TWA agreements. Hearings on these questions were held before a Civil Aeronautics Board Hearing Examiner in September, 1965. On February 16, 1966, the Examiner issued his Initial Decision favoring the granting of a Permanent Certificate without subsidy eligibility and approving the Pan Am and TWA agreements subject to certain conditions.

Your Company has requested the Board to review the Examiner's finding on the subsidy eligibility question. TWA, Pan Am, the Board's Bureau of Operating Rights and the Executive Branch of the Government have also requested the Board to review certain aspects of the Examiner's Initial Decision.

The Board has the right to adopt the Examiner's Initial Decision as it was issued or to modify it in any way it sees fit. It can reopen the record, have oral argument or simply issue an order. There is no way of forecasting the procedural steps that the Board may adopt, nor of forming an opinion as to what decision the Board may make.



## Employee Relations

On December 31, 1965, New York Airways employed a total of 345 persons.

New agreements were concluded with the Transport Workers' Union representing the maintenance personnel, and with the Air Line Pilots Association representing the pilots and stewardesses. Labor negotiations interrupted no flight schedules.

## Industry Cooperation

It would be difficult to overstate your Company's gratitude to Pan Am and to TWA for entering into financing and operating agree-

ments with New York Airways at the time when the Civil Aeronautics Board failed to make subsidy payments. These companies made it possible for New York Airways not only to continue its operations, but also to plan for the further expansion essential to the attainment of economic self-sufficiency.

Special acknowledgment is also due the many other air carriers each of whom carried on a program of advertising and publicity in behalf of the scheduled helicopter operators and, through increased financial support in the form of improved joint fare agreements, have assisted New York Airways to continue the development of its services.

| Aircraft<br>Type       | Initial<br>Year in<br>Service | Cruising<br>Speed<br>(Miles<br>per hr.) | Seats | Seat-Mile<br>Production<br>per<br>Flight Hour | Direct<br>Cost per<br>Seat-Mile |
|------------------------|-------------------------------|-----------------------------------------|-------|-----------------------------------------------|---------------------------------|
| Sikorsky S-55          | 1952                          | 80                                      | 5     | 255                                           | 47¢                             |
| Sikorsky S-58          | 1956                          | 85                                      | 12    | 796                                           | 24                              |
| Vertol V-44            | 1958                          | 85                                      | 15    | 858                                           | 26                              |
| Boeing V-107           | 1962                          | 155                                     | 25    | 2,483                                         | 18                              |
| Next Generation (Est.) | }                             | 180                                     | 45    | 5,600                                         | 9                               |
|                        |                               | 200                                     | 60    | 8,200                                         | 6                               |

The table above sets forth significant operating information concerning the equipment utilized in New York Airways' services thus far and, in addition, indicates similar results that may reasonably be expected with the next generation of rotary wing aircraft, versions of which are now in military use.

## Outlook

In his recent message to Congress on Transportation, President Johnson said:

"Vital as it is, mammoth and complex as it has become, the American transportation system is not good enough.

"It is not good enough when it offers nearly a mile of street or road for every square mile of land—and yet provides no relief from time-consuming, frustrating and wasteful congestion.

"It is not good enough when it produces sleek and efficient jet aircraft—and yet cannot move passengers to and from the airports in the time it takes those aircraft to fly hundreds of miles."

Until recently the emphasis in the transportation business has been principally on achieving high speed over long distances, while the critical need for constructive action with respect to the growing city center short haul problem has been neglected.

Despite the fact that your Company has no information or knowledge which could lead to a conclusion that the Congressional policy against additional federal subsidy support for helicopters might in any way be modified or reversed, we are, nonetheless, satisfied that a continuing effort in this direction should be made. It is, and always has been, your Company's view that helicopter services can materially aid in relieving the congestion inherent in city center transpor-

tation. A review of the present status and potential of transportation by means of aircraft capable of vertical flight seems appropriate.

New York Airways is doing its utmost to expedite the availability of the next generation of helicopters with sharply improved economic and performance characteristics.

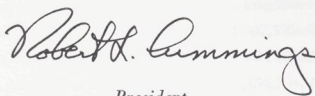
Furthermore, your Company continues to keep abreast of the engineering and operational developments of the STOL (Short Take-off and Landing) and the VTOL (Vertical Take-off and Landing) types of aircraft. French and British, as well as United States produced prototypes of both categories, have been flown by New York Airways' officials.

Your Company's task of achieving self-sufficiency will not be easy. However, subject to the continuation of the essential operating support agreements and with the traffic trends that are indicated, it appears reasonable to assume that the public acceptance of your Company's services will develop at an even faster rate during the next twelve months than in the past.

The record achieved by New York Airways has resulted in no small part from the energetic and loyal efforts of its employees. Their cooperation and initiative during a year marked by financial uncertainties have been outstanding.

The increasing public utilization of our services, together with the constant support and confidence of our stockholders, is most encouraging.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in dark ink, reading "Robert H. Cummings". The signature is fluid and cursive, with the first name "Robert" and last name "Cummings" clearly legible.

President



# NEW YORK AIRWAYS, INC.

## COMPARATIVE OPERATING

*Ten year period 1956-1965*

### OPERATING REVENUES:

|                                    | 1965        | 1964        | 1963        |
|------------------------------------|-------------|-------------|-------------|
| Commercial .....                   | \$3,025,584 | \$2,623,601 | \$2,237,330 |
| Airline operating agreements ..... | 1,090,251   |             |             |
| Federal subsidy .....              | 523,577     | 1,900,007   | 1,956,493   |
| Total .....                        | 4,644,412   | 4,523,608   | 4,194,323   |

### OPERATING EXPENSES:

|                                                                           |           |           |           |
|---------------------------------------------------------------------------|-----------|-----------|-----------|
| Depreciation and amortization .....                                       | 417,238   | 415,247   | 451,380   |
| All other .....                                                           | 4,534,241 | 4,170,129 | 3,960,864 |
| Total .....                                                               | 4,951,479 | 4,585,376 | 4,412,744 |
| Net operating income or (loss) .....                                      | (307,067) | (56,768)  | (218,421) |
| Non-operating income or (expense) and special items 1965 and 1963—net† .. | (62,179)  | (133,276) | (17,333)  |
| Federal income tax or (credit) .....                                      | (7,000)   | (5,094)   | (7,914)   |
| Net income or (loss) for the year and special items 1965 and 1963† .....  | (362,246) | (189,950) | (227,390) |
| Per share .....                                                           | (1.43)    | (.75)     | (.94)     |

### FINANCIAL POSITION (at December 31):

|                                      |           |           |           |
|--------------------------------------|-----------|-----------|-----------|
| Working capital .....                | (322,421) | 262,557   | (203,003) |
| Long term debt .....                 | 2,012,786 | 2,264,706 | 1,403,997 |
| Stockholders' equity—total .....     | 1,584,186 | 1,935,832 | 2,084,700 |
| Stockholders' equity—per share ..... | 6.26      | 7.69      | 8.56      |
| Outstanding shares .....             | 253,049   | 251,724   | 243,400   |

### OPERATING AND TRAFFIC STATISTICS:

|                                                           |           |           |           |
|-----------------------------------------------------------|-----------|-----------|-----------|
| Revenue passengers .....                                  | 306,461   | 255,951*  | 247,011   |
| Express (lbs.) .....                                      | 1,336,527 | 930,903   | 969,689   |
| Freight (lbs.) .....                                      | 905,533   | 541,453   | 590,023   |
| Mail (lbs.) .....                                         | 2,238,840 | 1,888,396 | 1,420,236 |
| Scheduled revenue ton miles carried .....                 | 639,101   | 517,705*  | 486,943   |
| Revenue load factor (%) .....                             | 52.2      | 49.5      | 46.2      |
| Scheduled miles flown .....                               | 481,724   | 413,114*  | 417,612   |
| Schedule completion factor (%) .....                      | 87.4      | 78.5*     | 80.2      |
| Charter and other non-scheduled revenue hours flown ..... | 98        | 366*      | 653       |

†Special income items—1965 \$122,371—1963 \$139,059

\*Excluding World's Fair operations

# AND FINANCIAL SUMMARY

*Calendar years ended December 31*

| 1962             | 1961             | 1960             | 1959             | 1958             | 1957             | 1956             |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| \$1,694,188      | \$1,294,747      | \$1,240,019      | \$1,086,981      | \$ 843,892       | \$ 698,254       | \$ 435,770       |
| <u>2,215,832</u> | <u>2,587,111</u> | <u>2,444,146</u> | <u>2,242,355</u> | <u>2,214,690</u> | <u>1,977,126</u> | <u>1,642,672</u> |
| 3,910,020        | 3,881,858        | 3,684,165        | 3,329,336        | 3,058,582        | 2,675,380        | 2,078,442        |
| 643,783          | 602,570          | 568,095          | 531,822          | 417,168          | 404,155          | 356,570          |
| <u>3,811,560</u> | <u>3,431,073</u> | <u>2,985,433</u> | <u>2,740,642</u> | <u>2,385,829</u> | <u>2,133,246</u> | <u>1,605,687</u> |
| 4,455,343        | 4,033,643        | 3,553,528        | 3,272,464        | 2,802,997        | 2,537,401        | 1,962,257        |
| (545,323)        | (151,785)        | 130,637          | 56,872           | 255,585          | 137,979          | 116,185          |
| (107,012)        | (26,201)         | (36,110)         | (26,109)         | (27,921)         | 18,052           | 16,440           |
| (308,382)        | (92,393)         | 49,154           | 10,497           | 117,720          | 80,491           | 68,433           |
| (343,953)        | (85,593)         | 45,373           | 20,266           | 109,944          | 75,540           | 64,192           |
| (1.41)           | (.35)            | .19              | .08              | .45              | .31              | .27              |
| 230,725          | 819,616          | 1,224,979        | 971,169          | 957,354          | 1,120,437        | 1,170,050        |
| 2,574,553        | 87,718           | 298,245          | 508,771          | 719,298          |                  |                  |
| 2,312,590        | 2,656,543        | 2,742,136        | 2,696,763        | 2,676,497        | 2,563,903        | 2,483,363        |
| 9.50             | 10.91            | 11.27            | 11.08            | 11.00            | 10.65            | 10.34            |
| 243,400          | 243,400          | 243,400          | 243,400          | 243,400          | 240,750          | 240,750          |
| 194,184          | 149,846          | 146,775          | 124,999          | 91,114           | 68,694           | 43,205           |
| 1,084,621        | 1,059,924        | 1,214,058        | 1,306,507        | 1,376,880        | 1,499,811        | 1,907,373        |
| 661,503          | 643,188          | 712,869          | 751,356          | 612,099          | 698,258          | 607,023          |
| 554,986          | 1,792,083        | 2,220,715        | 2,209,959        | 2,242,311        | 2,550,907        | 1,159,704        |
| 371,470          | 310,860          | 316,738          | 262,265          | 199,342          | 158,068          | 108,306          |
| 45.0             | 50.9             | 52.8             | 49.2             | 44.6             | 39.8             | 52.2             |
| 437,083          | 455,276          | 453,844          | 392,858          | 386,050          | 464,333          | 429,224          |
| 77.6             | 79.1             | 82.5             | 76.5             | 78.6             | 79.8             | 77.2             |
| 690              | 578              | 472              | 569              | 238              | 213              | 209              |

**ASSETS:****1965****1964****CURRENT ASSETS:**

|                                                                                   |                  |                  |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Cash .....                                                                        | \$ 245,244       | \$ 349,550       |
| Short -term cash investments, at cost .....                                       | 397,614          |                  |
| Accounts receivable:                                                              |                  |                  |
| United States Government .....                                                    | 6,915            | 164,978          |
| General traffic .....                                                             | 289,764          | 279,344          |
| Airline operating agreements (Note 2) .....                                       | 445,275          |                  |
| Other .....                                                                       | 80,102           | 212,372          |
| Flight equipment expendable parts and supplies,<br>at average cost (Note 4) ..... | 180,133          | 199,490          |
| Prepaid expenses .....                                                            | 119,367          | 99,351           |
| Total current assets .....                                                        | <u>1,764,414</u> | <u>1,305,085</u> |

**OPERATING PROPERTY AND EQUIPMENT (at cost) (Notes 4 & 5):**

|                                                                                           |                  |                  |
|-------------------------------------------------------------------------------------------|------------------|------------------|
| Flight equipment .....                                                                    | 3,272,613        | 3,133,927        |
| Less, Reserves for depreciation and maintenance .....                                     | <u>804,012</u>   | <u>566,408</u>   |
|                                                                                           | <u>2,468,601</u> | <u>2,567,519</u> |
| Ground property and equipment .....                                                       | 694,845          | 665,673          |
| Less, Reserves for depreciation .....                                                     | <u>505,114</u>   | <u>452,979</u>   |
|                                                                                           | <u>189,731</u>   | <u>212,694</u>   |
| Construction work in progress .....                                                       | <u>217,278</u>   | <u>109,933</u>   |
| Operating property and equipment, less reserves<br>for depreciation and maintenance ..... | <u>2,875,610</u> | <u>2,890,146</u> |

**OTHER ASSETS:**

|                                                                                      |                    |                    |
|--------------------------------------------------------------------------------------|--------------------|--------------------|
| Deposits on aircraft lease and, in 1964, on purchase contract<br>(Notes 2 & 3) ..... | 131,798            | 438,345            |
| Deferred charges (Note 9) .....                                                      | <u>946,785</u>     | <u>651,290</u>     |
|                                                                                      | <u>\$5,718,607</u> | <u>\$5,284,866</u> |

December 31, 1965 and 1964

**LIABILITIES:**

**CURRENT LIABILITIES:**

|                                                       | 1965             | 1964             |
|-------------------------------------------------------|------------------|------------------|
| Notes payable (Note 4) .....                          | \$1,141,693      |                  |
| Long-term debt due within one year (Note 5) .....     | 100,000          | \$ 333,336       |
| Accounts payable .....                                | 491,472          | 444,252          |
| Collections as agent .....                            | 78,241           | 75,609           |
| Accrued salaries and wages .....                      | 47,296           | 40,263           |
| Accrued vacation liability .....                      | 105,720          | 93,311           |
| Accrued taxes (other than Federal income taxes) ..... | 14,406           | 32,352           |
| Other current liabilities .....                       | 108,007          | 23,405           |
| Total current liabilities .....                       | <u>2,086,835</u> | <u>1,042,528</u> |

**LONG TERM DEBT:**

|                                                                    |                  |                  |
|--------------------------------------------------------------------|------------------|------------------|
| Notes payable to bank, less amount due within one year (Note 5) .. | 1,119,786        | 1,361,106        |
| 6% Convertible Subordinated Debentures due                         |                  |                  |
| June 1, 1979 (Note 6) .....                                        | 893,000          | 903,600          |
|                                                                    | <u>2,012,786</u> | <u>2,264,706</u> |

|                                              |        |        |
|----------------------------------------------|--------|--------|
| DEFERRED FEDERAL INCOME TAXES (Note 9) ..... | 34,800 | 41,800 |
|----------------------------------------------|--------|--------|

**COMMITMENTS (Note 2)**

**STOCKHOLDERS' EQUITY:**

**CAPITAL STOCK**, par value \$1.00 per share (Notes 4, 6 & 7):

|                                     | 1965    | 1964    |
|-------------------------------------|---------|---------|
| Shares authorized .....             | 600,000 | 600,000 |
| Shares issued and outstanding ..... | 253,049 | 251,724 |

|                                |           |           |
|--------------------------------|-----------|-----------|
| PAID-IN CAPITAL (Note 6) ..... | 2,010,958 | 2,001,683 |
|--------------------------------|-----------|-----------|

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| DEFICIT .....                    | (679,821)          | (317,575)          |
| Total stockholders' equity ..... | <u>1,584,186</u>   | <u>1,935,832</u>   |
|                                  | <u>\$5,718,607</u> | <u>\$5,284,866</u> |

The accompanying notes are an integral part of these statements.

# NEW YORK AIRWAYS, INC.

## STATEMENTS OF INCOME AND DEFICIT

*for the years ended December 31, 1965 and 1964*

### OPERATING REVENUES:

#### Transport revenues:

|                                | 1965        | 1964        |
|--------------------------------|-------------|-------------|
| Passenger .....                | \$2,630,345 | \$2,246,219 |
| United States mail .....       | 69,334      | 53,801      |
| Express .....                  | 24,208      | 19,215      |
| Freight .....                  | 77,912      | 44,918      |
| Non-scheduled services .....   | 101,478     | 117,043     |
| Other transport revenues ..... | 12,614      | 13,740      |

#### Non-transport revenues:

|                                             |                  |                  |
|---------------------------------------------|------------------|------------------|
| Federal subsidy (Note 1) .....              | 528,577          | 1,900,007        |
| Airline operating agreements (Note 2) ..... | 1,090,251        |                  |
| Other, net .....                            | 109,693          | 133,665          |
| Total operating revenues .....              | <u>4,614,412</u> | <u>4,528,608</u> |

### OPERATING EXPENSES:

|                                                                                                 |                  |                  |
|-------------------------------------------------------------------------------------------------|------------------|------------------|
| Flying operations .....                                                                         | 973,606          | 892,658          |
| Maintenance .....                                                                               | 1,639,239        | 1,517,400        |
| Aircraft, passenger and traffic servicing, selling and general<br>administration expenses ..... | 1,921,396        | 1,760,071        |
| Amortization, developmental and other costs .....                                               | 58,248           | 58,248           |
| Depreciation .....                                                                              | 358,990          | 356,999          |
| Total operating expenses .....                                                                  | <u>4,951,479</u> | <u>4,585,376</u> |
| Operating (loss) .....                                                                          | <u>(307,067)</u> | <u>(56,768)</u>  |

### NON-OPERATING (EXPENSE) INCOME, NET:

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Interest expense .....                 | (196,483)        | (158,049)        |
| Other, net .....                       | 11,933           | 19,773           |
|                                        | <u>(184,550)</u> | <u>(138,276)</u> |
| (Loss) before Federal income tax ..... | (491,617)        | (195,044)        |

### FEDERAL INCOME TAX CREDIT (Note 9)

|  |       |       |
|--|-------|-------|
|  | 7,000 | 5,094 |
|--|-------|-------|

### NET (LOSS) FOR YEAR

### SPECIAL ITEM:

|                                                            |                  |                  |
|------------------------------------------------------------|------------------|------------------|
| Settlement in connection with accident in prior year ..... | 122,371          |                  |
| NET (LOSS) AND SPECIAL ITEM .....                          | <u>(362,246)</u> | <u>(189,950)</u> |

|                                      |                     |                     |
|--------------------------------------|---------------------|---------------------|
| (DEFICIT) at beginning of year ..... | (317,575)           | (127,625)           |
| (DEFICIT) at end of year .....       | <u>(\$ 679,821)</u> | <u>(\$ 317,575)</u> |

The accompanying notes are an integral part of these statements.



## NOTES TO FINANCIAL STATEMENTS

1. Although the Civil Aeronautics Board (CAB) had issued, on February 20, 1964, an order with respect to subsidy compensation payable to the Company which by its terms continued in effect until reopened by the CAB or the Company, such subsidy was paid for only a part of April, 1965, and none thereafter, because Congress failed to appropriate sufficient funds.

The Company, on May 25, 1965, filed a petition in the United States Court of Claims to recover the sum of \$94,377.26 representing the unpaid balance of subsidy due for the month of April, 1965. The Company is also contemplating bringing another action against the United States for \$316,667.78, representing unpaid subsidy for the months of May and June, 1965. Neither of these amounts has been reflected in the accompanying financial statements.

The CAB in its tentative approval of the Company's operating agreements with other airlines (described in Note 2) stated as a condition of such tentative approval that the Company would not be eligible for subsidy after the agreements became effective. The Company has taken appropriate action for a review of this condition.

2. On May 27, 1965, the Company agreed to transfer its interest in a Vertol 107 helicopter, then on order, to Pan American World Airways, Inc. (Pan Am), which in turn agreed to assume the Company's obligations with respect thereto and to reimburse the amounts theretofore directly advanced to the manufacturer by the Company in connection with the projected purchase of the helicopter (approximately \$305,000). At the same time this helicopter was included in the lease agreement between the Company and Pan Am previously entered into (and reported in previous Annual Reports) covering two other helicopters.

The lease of the three helicopters and related spares from Pan Am commenced during the latter part of the year and will be coterminous with the operating agreement described below. The rentals on these helicopters and related spares will be approximately \$35,000 per month. The Company has an option to buy these three helicopters and spares at prices based on the cost of the equipment to Pan Am, less the principal portion of the rentals theretofore paid by the Company to Pan Am under the lease; the Company is obligated to exercise the option as to the third helicopter as to which Pan Am assumed the Company's obligations (if the operating agreement with Pan Am is still in effect) in mid-June, 1967.

During June, 1965 the Company entered into operating agreements with Pan Am and Trans World Airlines, Inc. (TWA) under which these companies agreed to underwrite scheduled operations as described on page 6 herein so as to provide the Company with a break-even return on such operations (subject, in TWA's case, to a maximum on its liability), including direct and indirect operating costs and interest expenses. Each of the agreements runs for an initial period of one year, subject to options in TWA and Pan Am, respectively, to extend the agreements for two additional terms of one year each. Operations under the TWA Agreement began at the end of June, 1965; operations under the Pan Am Agreement commenced December 22, 1965. The initial one year term of both agreements expires in the latter part of June, 1966.

3. The agreements previously entered into between the Company and Grand Central Building, Inc., the owner of the Pan Am Building, covering the use of the rooftop heliport and related service space were terminated on December 1, 1965. In lieu thereof the Company entered into an agreement with Pan Am to operate the heliport as the agent of Pan Am and in connection therewith leased certain related service space from Pan Am. At the same time the Company and Pan Am entered into an agreement expiring December 31, 1995, which will come into effect when the operating agreement described above is terminated, covering the operation and use of the heliport by the Company thereafter.

4. On July 1, 1965 the Company issued \$1,200,000 principal amount of its 5% Secured Notes due December 31, 1966 to the following lenders:

|                                                |           |
|------------------------------------------------|-----------|
| Pan American World Airways, Inc. ....          | \$635,000 |
| Trans World Airlines, Inc. ....                | 400,000   |
| John Hay Whitney (Stockholder) .....           | 150,000   |
| Robert C. Goelet (Stockholder and Director)... | 15,000    |

In the accompanying balance sheet, the entire unpaid amount of these notes, \$1,141,693, which is payable within one year is included under current liabilities.

The Notes are secured by a second mortgage on flight equipment owned by the Company and by a first mortgage on other fixed assets and inventories of the Company. In connection with the Notes, the Company issued non-transferable options to the four lenders to acquire an aggregate of 220,326 shares of its capital stock at \$2.50 per share in proportion to the principal amounts of the Notes. These options are exercisable at any time on or before December 31, 1966.

5. The long-term note held by a bank is payable in monthly instalments of \$27,778 each to January 31, 1970, except as modified below, with interest at 5% per annum. The bank consented to the borrowing of \$1,200,000 from Pan Am, TWA and two stockholders on condition that the \$305,000 to be received by the Company from Pan Am upon Pan Am's acquiring the additional helicopter referred to in Note 2 above, be applied in reduction of the note held by it. The bank also agreed to a moratorium on the principal payments due on its note while the \$1,200,000 notes are outstanding (but not for more than two years from May 27, 1965), subject to its right to require that 50% of any depreciation or profit realized during the period of the moratorium be applied equally in reduction of the principal of its note and the \$1,200,000 notes. In the accompanying balance sheet, the estimated amount payable within one year on this basis, \$100,000, is included under current liabilities. The loan is secured by a first mortgage on all flight equipment and accessories owned by the Company while the mortgage is in effect. The credit agreement provides certain requirements as to maintenance of working capital and restrictions on indebtedness, capital expenditures, new leases, cash dividends and acquisitions or retirements of capital stock. At December 31, 1965, the Company was not in default with respect to any of these provisions.

6. The 6% Convertible Subordinated Debentures and interest coupons attached thereto are subordinated to all present and future unsubordinated indebtedness for money borrowed (amounting at December 31, 1965 to \$2,361,479). In the absence of a default under the terms of the unsubordinated indebtedness the Company may (a) make timely payments of maturing debenture interest coupons, (b) at its option, redeem the debentures in whole or in part on any date prior to maturity at the following prices: during the twelve-month period beginning June 1, 1965—105½%; 1966—105½%; thereafter at prices decreasing ½ of 1% in each succeeding twelve-month period to 1977, (c) deposit with the trustee on May 31 of each of the years 1970 through 1978, for a sinking fund, a sum sufficient to redeem at 100% and accrued interest 6.0782% of the aggregate principal amount of debentures issued prior to August 1, 1964. The debentures are convertible at any time prior to maturity or redemption, into capital stock of the Company at the conversion rate of \$8 per share. The indenture relating to the debentures contains restrictive covenants relating to cash dividends and acquisitions and retirements of the Company's capital stock. \$10,600 of these Debentures were surrendered for conversion during the year into 1,325 shares of Capital stock at \$8 per share. The excess of \$9,275 over par value of the Capital stock issued was credited to Paid-in Capital. At December 31, 1965, 111,625 shares of Capital stock were reserved for conversion of the remaining outstanding Debentures.

7. At December 31, 1965, 15,000 shares of Capital stock were reserved for the options granted under the 1964 Employees' Restricted Stock Option Plan, exercisable at a price of \$6 per share. 8,125 shares became exercisable on and after December 14, 1965. 3,438 shares will become exercisable on and after December 14, 1966 and 3,437 shares will become exercisable on and after December 31, 1967. They will expire if not exercised on December 12, 1969. None had been exercised to December 31, 1965.

8. The Company leased in 1963 from Greyhound Leasing & Financial Corporation one Boeing V-107 helicopter with radio equipment and a spare engine for an eight year period expiring November 27, 1971 at an annual gross rental of \$118,952. At December 31, 1965 the unamortized balance of the advance rental deposit was \$159,066, which will be used to reduce equally the remaining monthly rental payments. The Company has an option to purchase the leased equipment, at declining prices, during the remaining life of the lease.

9. Deferred charges at December 31, 1965 consisted of:

|                                                                                                                                                                                                   |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Developmental, training and other costs incurred in connection with the Boeing V-107 helicopters, less amortization on the basis of writing off these costs over a period ending June, 1972 ..... | \$294,804 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                                                                                                                                                               |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Expense of renewal of the Company's Certificate of Public Convenience and Necessity, less amortization on the basis of writing off this cost over the term of the certificate, seven years from May, 1960 .....                                                                                                                                               | 35,422           |
| Development, training and other costs incurred in connection with the Pan Am Building heliport and the route between the Pan Am Building and Kennedy Airport to be written off over a five year period ending December, 1970 .....                                                                                                                            | 195,261          |
| Expenses incurred in the case heard in 1965 before a hearing examiner of the Civil Aeronautics Board on the questions of extending the Company's Certificate of Public Convenience and Necessity for an indefinite duration, the Company's continued eligibility for subsidy and approval of the financing and operating agreements with Pan Am and TWA ..... | 61,570           |
| Expenses incurred in connection with Instrument Flight Rules training of pilots, deferred pending completion of such training, to be amortized from the date IFR operations commence until June, 1972 .....                                                                                                                                                   | 125,525          |
| Unamortized debt expense, less amortization on the basis of writing off these costs over the original period of the related loans .....                                                                                                                                                                                                                       | 174,171          |
| Other deferred charges .....                                                                                                                                                                                                                                                                                                                                  | 60,032           |
|                                                                                                                                                                                                                                                                                                                                                               | <u>\$946,785</u> |

Certain of these costs were deducted from taxable income of the years in which they were incurred. The resulting reductions in income taxes for those years have been reflected as deferred federal income taxes in the balance sheet. As these deferred costs are amortized, the deferred tax liability is reduced in the related amount with a corresponding credit to Federal income tax expense.

10. At December 31, 1965 the Company had unused carry-forward losses amounting to approximately \$1,300,000, which are available as income tax deductions and expire as follows:

|                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 31, 1968, \$65,000; 1969 \$242,000; 1970, \$100,000; 1971, \$118,000; 1972, \$775,000. In addition the Company has available an investment credit carry-forward of approximately \$208,000 for the years 1962, 1963, 1964 and 1965. Since the Company had no income taxes payable for those years, the investment credit has not been recorded in the accounts. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the balance sheet of New York Airways, Inc., as of December 31, 1965 and the related statement of income and deficit 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 previously examined and reported upon the financial statements of the Company for the year ended December 31, 1964.

In our opinion, subject to the ability of the Company to recover through future operations the deferred charges described in Note 9, the aforementioned statements present fairly the financial position of New York Airways, Inc. as at December 31, 1965 and 1964 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 17, 1966



PASSENGERS  
600,000



500,000

1966

400,000

## 1966 ANNUAL REPORT

# NEW YORK AIRWAYS, INC.

THE FIRST HELICOPTER AIRLINE

300,000

200,000

100,000

1956







# **NEW YORK AIRWAYS, INC.**

— THE FIRST HELICOPTER AIRLINE

**1966  
ANNUAL  
REPORT**

# **NEW YORK AIRWAYS, INC.**

*Incorporated under the Laws of the State of Delaware*

## **Directors**

|                    |                           |
|--------------------|---------------------------|
| Robert E. Blum     | Robert G. Goelet          |
| Horace Brock       | Grover Loening            |
| Robert L. Cummings | Samuel C. Park, Jr.       |
| Robert W. Dowling  | Dickran M. Sarkisian, Jr. |
| John E. Gallagher  | William Shields, Jr.      |

## **Executive Officers**

Robert L. Cummings, *President*  
John E. Gallagher, *Executive Vice President*  
William W. Hogan, *Vice President and Treasurer*  
G. Fred Pelham, *Vice President, Sales and Services*  
Edwin N. Baur, *Vice President, Flight Operations*  
Richard Wheatland, *Vice President and Assistant to the President*  
John H. Slate, *Secretary*

## **Transfer Agent**

The Chase Manhattan Bank

## **Registrar**

Federation Bank and Trust Co.

## **Auditors**

Lybrand, Ross Bros. & Montgomery

## **Counsel**

Skadden, Arps, Slate, Meagher & Flom

## **General Offices**

LaGuardia Airport, New York, N. Y.

## *To the stockholders and employees:*

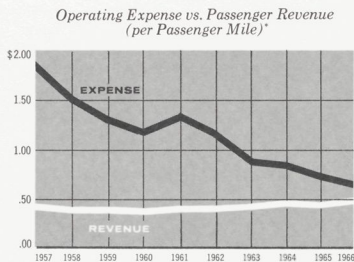
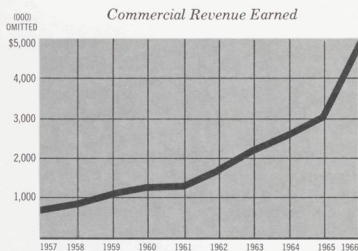
This Report reviews the results attained during the calendar year 1966—the first full year in which New York Airways operated without federal subsidy.

The extraordinary traffic growth in 1966 has reflected the promotional efforts of Pan American World Airways (Pan Am) and Trans World Airlines (TWA) and demonstrated the rapidly growing public demand for your Company's services. Early in 1967 operations were extended to Northern New Jersey and Westchester County, New York.

Despite the fact that the operating expenses of the currently available flight equipment continue at a disappointingly high level the following advances have been made:

### **1966 Advances**

- The Civil Aeronautics Board granted permanent operating authorization to the Company.
- Passenger traffic increased from 306,000 persons in 1965 to a 1966 total of 527,000.
- Revenue passenger miles increased from 6,170,000 in 1965 to 9,370,000.
- Revenue ton miles increased 45% over 1965 and load factors rose from 52.2% to 60.5%, the highest for the year among the domestic trunk, local service and helicopter air carriers of the United States.
- Commercial revenues (before contract payments by Pan Am and TWA) increased from \$3,026,000 in 1965 to \$4,833,000 in 1966—the highest yet attained by a scheduled helicopter carrier.
- On the Company's established interairport and Wall Street routes, the gap between operating revenues (before TWA contract payments) and expenses was reduced by 27%.
- Average fare received per passenger mile was 49¢—an industry record.
- Revenue passengers per employee increased 23% and commercial revenues per employee were up 14%.
- The United States Court of Claims sustained the Company's claim for unpaid subsidy for April 1965. As a result of this decision, together with the additional claim (now also sustained by the Court) for May and June, 1965, the Company's net revenues have been increased by \$354,981.



\*Excludes Pan Am Building service inaugurated December 21, 1965.

## Financial Results

For the calendar year 1966, prior to the inclusion of non-operating expenses, New York Airways herewith reports an operating profit of \$45,460; and a net loss, after such expenses, of \$161,106. However, as a result of "Special Items" a net increase of \$149,379 in stockholders' equity (or \$.37 per share) has been realized.

The principal amount included in the "Special Items" is \$354,981 of additional 1965 subsidy (net of related expenses) to which the Company's claim has now been sustained by the United States Court of Claims.

The Company's 1966 results were adversely and substantially affected by abnormally high billings for aircraft repair and overhaul services. These amounts, which resulted in exclusions from reimbursement under the cost ceiling provisions of the Company's operating agreement with TWA, are being reviewed with the manufacturer (who performed the services).

The sharp 1966 increase in both operating revenues and expenses over 1965 primarily reflects a full year's operation of the Pan Am Building Heliport services which were inaugurated in the last days of the prior year.

## Regulatory

Despite the termination of federal subsidy in 1965 recent actions by the Civil Aeronautics Board have had a favorable effect on your Company's prospects.

### Permanent Certification

Fifteen years ago, in 1952, New York Airways was initially authorized by the Civil Aeronautics Board to operate for a period limited to five years. Upon expiration of this temporary authorization the Company applied for its renewal on a *permanent* basis. However, the Board denied this request and renewed the authorization for another temporary period of seven years.

In its second renewal application the Company again sought permanent authorization. This was finally granted in 1966. At that time the Board issued a Certificate of Public Convenience and Necessity *permanently* authorizing the Company's operations, without subsidy eligibility, on its principal routes to LaGuardia, Kennedy International and Newark Airports, Manhattan, Westchester, Teterboro, and other key outlying communities. The Board also granted a five-year Area Exemption Order authorizing the Company to operate be-



tween *all other* points within the larger New York/New Jersey/Connecticut metropolitan area extending from Trenton to New Haven.

The Board's action in permanently certifying New York Airways has, for the first time, placed the Company on the same basis in this respect as the trunk and local service air carriers and enhanced its corporate and financial standing.

### **Freedom of Aircraft Choice**

Moreover, in the same proceeding the Board confirmed an expansion of these authorizations redefining the Company's mission as the provision of "*community center service and inter-airport service*" rather than just the operation of "rotary wing aircraft" as originally specified.

The effect of this important change was to make clear that the Company's services may be performed not only with helicopters but with *any* type of flight equipment suitable for the authorized mission.

### **Approval of Agreements**

During the year under review the Board also granted final approval of the 1965 transactions and agreements between the Company, Pan Am and TWA—to which only interim approval had previously been extended.

### **Mail Pay**

A proceeding is pending before the Civil Aeronautics Board for review of the rates at which the Company is paid for transporting the United States mail. If any adjustment is made it will be effective retroactively to June 1965. The bulk of any additional award would be applied to reduce payments from TWA in accordance with New York Airways' operating agreement with that Company. However, some amounts may also be received by New York Airways for its own account.

### **Washington/Baltimore Case**

Against the background of the increasingly inconvenient and costly congestion at Washington National Airport, the availability of Friendship International Airport and the underutilization of Dulles International Airport, the Civil Aeronautics Board has instituted a new proceeding to consider the desirability of granting authority for helicopter service in the Washington/Baltimore area.

Recognizing that such a service would not only benefit both the traveling public and the fixed-wing airlines but would also offer valuable economic advantages, New York Airways is currently one of several applicants for such authority. However, the scope of the proceeding and of the Company's participation therein has not yet been finally determined.

### **Operations and Traffic**

During 1966 your Company continued its high-frequency operations between LaGuardia, Kennedy International and Newark Airports as well as to the Wall Street Heliport and between the Pan Am Building Heliport and Kennedy International.

### **Traffic Growth**

Although New York Airways was not among the carriers grounded by the six week airline strike in 1966 during the peak of the summer travel season, the Company's traffic was necessarily affected since many passengers who might normally have flown during this period found other means of transportation and others gave up their travel plans entirely.

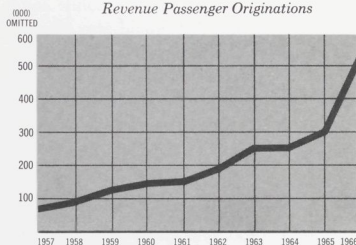
Even so, the 1966 passenger growth was most impressive and clearly demonstrated that the traveling public finds the Company's services of great value. The extraordinary traffic increase recorded during the year despite the strike—an increase of 72% over 1965—re-

flects the intensive developmental efforts of Pan Am and TWA, as well as other airlines with which New York Airways has promotional fare and special traffic handling arrangements. Of the total increase of 221,000 passengers, 149,000 were generated by the Pan Am Building Heliport operations, which were inaugurated on December 21, 1965. The remaining 72,000 increase was attained on the established inter-airport and Wall Street routes—which were up 24% over 1965.

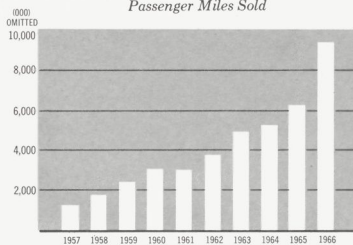
## City-Center Facilities

Common carrier service between the Pan Am Building Heliport in mid-town Manhattan and Kennedy International Airport has developed rapidly. This unique operation presents a prototype of an efficient and imaginative method of transportation to and from congested city centers. It has proven to be a practical and popular means of eliminating long and tedious transport over clogged roads between city and airport at the beginning and end of long-haul

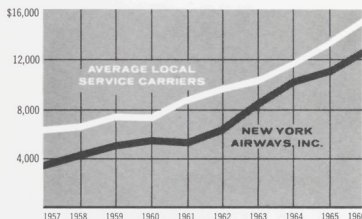
*Revenue Passenger Originations*



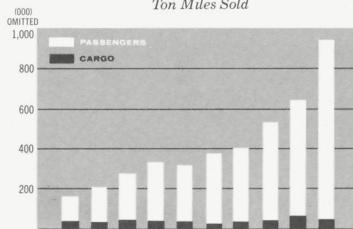
*Passenger Miles Sold*



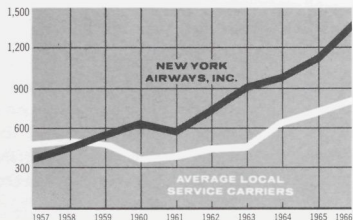
*Commercial Revenue per Employee*



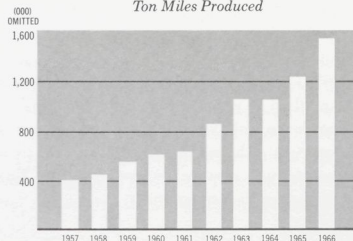
*Ton Miles Sold*



*Scheduled Passengers per Employee*



*Ton Miles Produced*



air travel. Flight paths and operating techniques in this service have been designed with maximum community compatibility as a primary consideration.

To provide additional city-center access by air, New York Airways is also collaborating in the planning of a proposed new air transportation center at the East River between 36th and 38th Streets. With the world's largest public heliport on the roof of an eight-story building, this complex will house a large garage as well as complete passenger and cargo facilities. This heliport is being designed to accommodate simultaneously several helicopters capable of carrying upwards of 100 passengers and "Flying Cranes" carrying trailer-truck size cargo loads. It will further integrate New York City with the air transport network and mark an important advance in meeting the critical and escalating transportation problems of the country's largest Metropolitan Area.

### **Marshaling Centers**

In March 1967 inaugural schedules were commenced between Teterboro Airport and Kennedy (both direct and via the Pan Am Building) and between Westchester County Airport and Kennedy. These new services make possible significant time savings and convenience to the densely populated and prosperous areas of Northern New Jersey, Rockland and Westchester Counties, New York, and Fairfield County, Connecticut. The resident population and the many large industrial firms now located in or moving to these areas will find your Company's improved transportation facilities ready to serve them.

These new services represent a *basic new regional transportation planning concept* that takes advantage of a series of satellite terminals or *Marshaling Centers* channeling air traffic, both passengers and cargo, to and from the principal airport facilities. The objective is the elimination of surface delays and reduction of the frustrating congestion that now threatens the usefulness of all major airports.

### **The Total Transportation System**

Together, all these operations—at principal airports, at city-center facilities, and at Marshaling Centers—will, when fully established, constitute an *integrated airline network* transporting the passenger directly *by air* from a location near his home or other point of origin to another near his destination, rather than just between outlying airports.

### **Subsidy Termination**

The blanket congressional termination of helicopter subsidies in 1965 wilfully ignored a fundamental policy of the United States which was laid down nearly thirty years ago and is still in effect today. This policy, that advances in air transportation are of *national* concern and deserve *national* support, was made explicit in,—and, indeed, was a central feature of,—both the Civil Aeronautics Act of 1938 and the Federal Aviation Act of 1958. Thus, today Congress continues to subsidize many air carriers needing such assistance,—and in very much larger amounts than anything required for essential support of helicopter services.

The belief is shared by many that the 1965 congressional action was a serious error and that it should be reconsidered and reversed. The reasons for this view have been cogently stated by the National Aviation Corporation (a stockholder of your Company) in its 1967 "Commentary on the Airlines and the Aerospace Industries," which reads in part as follows:

"To put the 1966 experience of the Helicopter Airlines in more perspective, it is necessary to recall that Congress in 1965 defaulted in its responsibility under the Federal Aeronautics Act to promote the development of helicopter transportation. It did this by failing to honor the recommendation of the CAB that its historical policy of subsidizing this small, but potentially very valuable, urban service be continued in the public interest.

\* \* \* \*

"It is difficult to understand how the Federal Government could have denied its interest in this promising urban transport service almost concurrently with its recognition that surface traffic problems within and between major metropolitan areas are so threatening as to be an urgent reason for organizing the new DOT. To be sure, the Helicopter Airlines are minute in relation to various modes of mass transportation, even in their separate localities. Also, political awareness of them on a national scale has been limited by their presence in only four major population centers. Nevertheless, the need to weave the unique capability of helicopter service into other means of trying to stave off massive traffic crises in many cities is so great that only the way in which it will be met is in question."

Every effort should and will be made to obtain reconsideration of the Congressional decision of 1965. However, realism obviously dictates that New York Airways must plan to continue without federal subsidy support for the indeterminate future.

### **Trunkline Operating Agreements**

The Company's operations are presently being conducted under the operating agreements with Pan Am and TWA which became effective in June 1965 and were limited to *breakeven* payments by the two trunk carriers enabling continuation of the Company's operations. The initial term of the agreements was for one year (to June 1966) with an option in the two trunklines to extend for one or two additional years. The agreements are now in their second year, which expires in June 1967.

The vital importance to your Company of the Pan Am and TWA agreements is apparent. That these agreements have also proved beneficial to the two trunk carriers is equally evident.

In 1966, 152,000 passengers used the Pan Am and 375,000 passengers the TWA sponsored services. Many travelers inbound as well as outbound who might otherwise have chosen other carriers have availed themselves of the services of TWA and Pan Am because of the convenient time-saving location of New York Airways' facilities at their respective airport terminals.

Obviously, these are merely interim arrangements. Neither New York Airways nor any other company could long exist on a non-profit basis. Every effort must therefore be exerted to develop additional sources of income. Needless to say, future operating arrangements will be entered into on a basis which will include profit allowances.

As indicated above, the Company's commitment to TWA and Pan Am to operate under the present agreements will expire in June 1968. At that time a long-term agreement between the Company and Pan Am will become effective and continue in force through 1995.

This agreement confers on the Company the primary right to conduct any helicopter or other VTOL (Vertical Takeoff and Landing) operations desired by Pan Am to and from the Pan Am Building Heliport and Teterboro Airport and to act as the operator of the heliport itself. The agreement provides that the Company shall be reimbursed its fully allocated costs of performing services thereunder and, in addition, receive fair and reasonable profits.

### **Capital Obligations**

In May 1964 New York Airways borrowed \$2 million from The Chase Manhattan Bank, repayable in monthly installments ending in January 1970. In July 1965 an additional \$1.2 million, due December 31, 1966, was borrowed from Pan Am, TWA and two of the Company's principal stockholders,—Messrs. J. H. Whitney and R. C. Goelet.



The 1965 loans were made to assist the Company in the circumstances of extreme financial stringency resulting from the termination of federal subsidy in the spring of that year. To the same end the Bank granted a two year partial moratorium (until May 1967) on the installment payments of principal otherwise due.

Nonetheless, by the end of 1966 the Company had made installment payments which reduced the Bank debt to \$1,125,458. The 1965 borrowings had also been reduced to \$680,158 through principal prepayments and the exercise by Pan Am and Messrs. Whitney and Goelet of options (granted as part of the consideration for the 1965 loans) to purchase the Company's stock and payment of the option price by reduction of the debt. This balance, which was due on December 31, 1966, has not been paid and is therefore owed on a demand basis.

In the aggregate, then, the \$3.2 million originally borrowed from the Bank and the 1965 lenders had thus been reduced to \$1,805,616—or by almost 44%. The status of these debts is more fully explained in the Notes to the accompanying Financial Statements.

Although marked progress has thus been made in reducing these obligations, the Company's most immediate requirement is to work out a program either to reschedule repayment of the 1965 loans or to refinance the indebtedness.

The Company is also presently obligated to purchase one of the three Boeing V-107 helicopters now leased to it by Pan Am. This obligation will require additional capital of approximately \$750,000 in June 1967.

Discussions are still pending as to alternate means of meeting these immediate capital requirements.

## **Outlook**

In view of the pressing need to broaden its economic base, New York Airways has examined a number of projects with earnings potentials which would take advantage of its long

experience in VTOL operations. Needless to say, additional activities will be undertaken only if consistent with the sound development of the Company's services within the area for which it holds its primary authorization from the Civil Aeronautics Board.

Despite the financial problems requiring immediate resolution and although a clear blueprint for the future cannot yet be drawn, the growing public need highlights the importance of your Company's integral role in the air transportation system of the United States.

A decision with respect to the location of a fourth major airport serving the greater metropolitan New York area is overdue. The capacity of the present airports and terminal air space has virtually been saturated. The only alternative to a fourth airport is the diversion of the growing air traffic to other cities along the eastern seaboard. This would, of course, entail economic dislocations of the first magnitude.

To be sure, VTOL services will meet only part, although a significant part, of the total demand for city-airport transportation. However, the problem is so grave that its solution requires the employment of every available tool and technique—surface and sub-surface as well as air.

Even now the problems of city-airport and interairport transportation are critical. The enormous capacity of projected aircraft such as the Boeing 747, which are expected to commence operations before 1970, could easily overwhelm present air terminal facilities.

Historically, the air transport industry has devoted its attention to faster airport-to-airport transportation and has not, until recently, given full consideration to the passenger's needs for minimum "portal-to-portal" elapsed time. The time savings which could be effected by VTOL services at each end of a long range flight would represent a substantial portion of the total travel time otherwise required, especially when the supersonic transports are put in service.



Helicopters with greater capacities and lower operating costs are obviously destined for a central role in the solution of these problems. The unprecedented use of over 2,000 helicopters in Vietnam, in all types of missions, has demonstrated the fundamental utility of vertical lift aircraft. Just as the experience in maintenance and operations gained by New York Airways in its early years was made available to the manufacturers and the Armed Forces, experience currently being gained under the severe stresses of combat will contribute greatly to future VTOL development. Larger, faster, more efficient, and quieter helicopters will become available much earlier than would otherwise be possible.

So, too, will other equipment types with VTOL capabilities such as compound helicopters, convertiplanes and ducted fans. As noted above, your Company has been authorized by

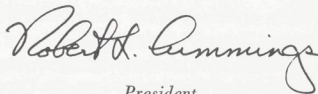
the Civil Aeronautics Board to employ any of these developing aircraft types that are suitable for its needs.

Your Company's paramount problem is the need for an enlarged and improved financial base enabling it to respond to the rapidly growing public demand for its services on an economical and profitable basis. The long-range operating and financial planning is directed to this end.

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Your Management gratefully acknowledges the continuing support and confidence of the stockholders and the assistance of the trunk airlines. Our employees continue their loyal and energetic efforts in behalf of the Company. Recognition is also due to the effective efforts of the Pan Am and TWA organizations.

BY ORDER OF THE BOARD OF DIRECTORS

  
*Robert H. Cummings*

*President*

April 3, 1967

#### **Sikorsky S-65**

Compound helicopter of 65 passenger capacity could be available in early 1970's.

This transport helicopter would have a cruising speed of 260 mph utilizing three

General Electric T-64 engines.

Gross weight: 50,000 lbs.



#### **Lockheed CL-879**

Compound helicopter of 75 to 95 passenger capacity could be available for scheduled service in 1972. This transport helicopter would have a cruising speed of 287 mph

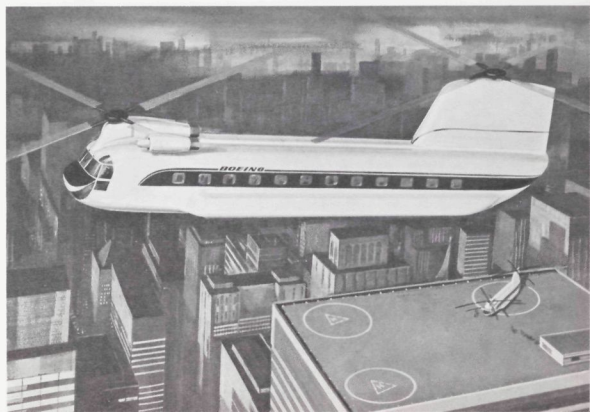
utilizing four General Electric T-64 engines. Gross weight: 68,500 lbs.

#### **Boeing V-167**

Transport helicopter of 72 passenger capacity could be available in 1970.

A cruising speed of 185 mph is anticipated utilizing three Lycoming T-55 engines.

Gross weight: 50,600 lbs.



## COMPARATIVE OPERATING

*Ten year period 1957-1966*

## OPERATING REVENUES:

|                                    | 1966†       | 1965        | 1964        |
|------------------------------------|-------------|-------------|-------------|
| Commercial .....                   | \$4,832,841 | \$3,025,584 | \$2,628,601 |
| Airline operating agreements ..... | 2,893,628   | 1,090,251   |             |
| Federal subsidy .....              |             | 528,577     | 1,900,007   |
| Total .....                        | 7,726,469   | 4,644,412   | 4,528,608   |

## OPERATING EXPENSES:

|                                                                             |           |           |           |
|-----------------------------------------------------------------------------|-----------|-----------|-----------|
| Depreciation and amortization .....                                         | 512,334   | 417,238   | 415,247   |
| All other .....                                                             | 7,168,675 | 4,534,241 | 4,170,129 |
| Total .....                                                                 | 7,681,009 | 4,951,479 | 4,585,376 |
| Operating profit (loss) .....                                               | 45,460    | (307,067) | (56,768)  |
| Non-operating income (expense) and special items 1966, 1965 and 1963—net†   | 98,519    | (62,179)  | (138,276) |
| Federal income tax or (credit) .....                                        | (5,400)   | (7,000)   | (5,094)   |
| Net profit (loss) for the year and special items 1966, 1965 and 1963† ..... | 149,379   | (362,246) | (189,950) |
| Per share—on shares outstanding at year end .....                           | .37       | (1.43)    | (.75)     |

## FINANCIAL POSITION (at December 31):

|                                      |           |           |           |
|--------------------------------------|-----------|-----------|-----------|
| Working capital .....                | (97,756)  | (302,996) | 262,557   |
| Long term debt .....                 | 1,597,758 | 2,012,786 | 2,264,706 |
| Stockholders' equity—total .....     | 2,158,971 | 1,584,186 | 1,935,832 |
| Stockholders' equity—per share ..... | 5.30      | 6.26      | 7.69      |
| Outstanding shares .....             | 407,520   | 253,049   | 251,724   |

## OPERATING AND TRAFFIC STATISTICS:

|                                                           |           |           |           |
|-----------------------------------------------------------|-----------|-----------|-----------|
| Revenue passengers .....                                  | 527,263   | 306,461   | 255,951   |
| Express (lbs.) .....                                      | 1,378,266 | 1,336,527 | 930,903   |
| Freight (lbs.) .....                                      | 871,083   | 905,533   | 541,458   |
| Mail (lbs.) .....                                         | 1,849,854 | 2,238,840 | 1,888,396 |
| Scheduled revenue ton miles carried .....                 | 940,934   | 639,101   | 517,705   |
| Revenue load factor (%) .....                             | 60.5      | 52.2      | 49.5      |
| Scheduled miles flown .....                               | 675,491   | 481,724   | 413,114   |
| Schedule completion factor (%) .....                      | 87.1      | 87.4      | 78.5      |
| Charter and other non-scheduled revenue hours flown ..... | 40        | 98        | 366       |

†Reflects first full year of Pan Am Building operations (inaugurated December 21, 1965)

†Special income and (expense) items—net 1966 \$310,485—1965 \$122,371—1963 \$139,059

# AND FINANCIAL SUMMARY

*Calendar years ended December 31*

| 1963             | 1962             | 1961             | 1960             | 1959             | 1958             | 1957             |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| \$2,237,830      | \$1,694,138      | \$1,294,747      | \$1,210,019      | \$1,086,981      | \$ 843,892       | \$ 698,254       |
| <u>1,956,493</u> | <u>2,215,832</u> | <u>2,587,111</u> | <u>2,444,146</u> | <u>2,242,355</u> | <u>2,214,690</u> | <u>1,977,126</u> |
| 4,194,323        | 3,910,020        | 3,881,858        | 3,684,165        | 3,329,336        | 3,058,582        | 2,675,380        |
| 451,880          | 643,783          | 602,570          | 568,095          | 531,822          | 417,168          | 404,155          |
| <u>3,960,864</u> | <u>3,811,560</u> | <u>3,431,073</u> | <u>2,985,433</u> | <u>2,740,612</u> | <u>2,385,829</u> | <u>2,133,246</u> |
| 4,412,744        | 4,455,343        | 4,033,643        | 3,553,528        | 3,272,464        | 2,802,997        | 2,537,401        |
| (218,421)        | (545,323)        | (151,785)        | 130,637          | 56,872           | 255,585          | 137,979          |
| (17,383)         | (107,012)        | (26,201)         | (36,110)         | (26,109)         | (27,921)         | 18,052           |
| (7,914)          | (308,382)        | (92,393)         | 49,154           | 10,497           | 117,720          | 80,491           |
| (227,890)        | (343,953)        | (85,593)         | 45,373           | 20,266           | 109,944          | 75,540           |
| (.94)            | (1.41)           | (.35)            | .19              | .08              | .45              | .31              |
| (203,003)        | 230,725          | 819,616          | 1,224,979        | 971,169          | 957,354          | 1,120,437        |
| 1,403,997        | 2,574,553        | 87,718           | 298,245          | 508,771          | 719,298          |                  |
| 2,084,700        | 2,312,590        | 2,656,543        | 2,742,136        | 2,696,763        | 2,676,497        | 2,563,903        |
| 8.56             | 9.50             | 10.91            | 11.27            | 11.08            | 11.00            | 10.65            |
| 243,400          | 243,400          | 243,400          | 243,400          | 243,400          | 243,400          | 240,750          |
| 247,011          | 194,184          | 149,846          | 146,775          | 124,999          | 91,114           | 68,694           |
| 969,689          | 1,084,621        | 1,059,924        | 1,214,058        | 1,306,507        | 1,376,880        | 1,499,811        |
| 590,023          | 661,503          | 643,188          | 712,869          | 751,356          | 612,099          | 698,258          |
| 1,420,286        | 554,986          | 1,792,083        | 2,220,715        | 2,209,959        | 2,242,311        | 2,550,907        |
| 486,943          | 371,470          | 310,860          | 316,738          | 262,265          | 199,342          | 158,068          |
| 46.2             | 45.0             | 50.9             | 52.8             | 49.2             | 44.6             | 39.8             |
| 417,612          | 437,083          | 455,276          | 453,844          | 392,858          | 386,050          | 464,333          |
| 80.2             | 77.6             | 79.1             | 82.5             | 76.5             | 78.6             | 79.8             |
| 653              | 690              | 578              | 472              | 569              | 238              | 213              |

**ASSETS:****1966****1965****CURRENT ASSETS:**

|                                                                                   |                  |                  |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Cash .....                                                                        | \$ 299,905       | \$ 245,244       |
| Short-term cash investments, at cost .....                                        |                  | 397,614          |
| Accounts receivable:                                                              |                  |                  |
| United States Government (Note 1) .....                                           | 419,081          | 6,915            |
| General traffic .....                                                             | 466,521          | 289,764          |
| Airline operating agreements (Note 2) .....                                       | 489,307          | 445,275          |
| Other .....                                                                       | 94,583           | 80,102           |
| Flight equipment expendable parts and supplies,<br>at average cost (Note 4) ..... | 249,994          | 180,133          |
| Prepaid expenses .....                                                            | 128,264          | 119,367          |
| Total current assets .....                                                        | <u>2,147,655</u> | <u>1,764,414</u> |

**OPERATING PROPERTY AND EQUIPMENT (at cost) (Notes 4 & 5):**

|                                                                           |                  |                  |
|---------------------------------------------------------------------------|------------------|------------------|
| Flight equipment .....                                                    | 3,598,646        | 3,272,613        |
| Less, Reserves for depreciation .....                                     | <u>1,083,601</u> | <u>804,012</u>   |
|                                                                           | 2,515,045        | 2,468,601        |
| Ground property and equipment .....                                       | 764,854          | 694,845          |
| Less, Reserves for depreciation .....                                     | <u>520,781</u>   | <u>505,114</u>   |
|                                                                           | 244,073          | 189,731          |
| Construction work in progress .....                                       | <u>98,787</u>    | <u>217,278</u>   |
| Operating property and equipment, less<br>reserves for depreciation ..... | <u>2,857,905</u> | <u>2,875,610</u> |

**OTHER ASSETS:**

|                                          |                    |                    |
|------------------------------------------|--------------------|--------------------|
| Deposit on aircraft lease (Note 8) ..... | 104,529            | 131,798            |
| Deferred charges (Note 9) .....          | <u>977,442</u>     | <u>946,785</u>     |
|                                          | <u>\$6,087,531</u> | <u>\$5,718,607</u> |



December 31, 1966 and 1965

**LIABILITIES:**

**CURRENT LIABILITIES:**

|                                                           | 1966             | 1965             |
|-----------------------------------------------------------|------------------|------------------|
| Notes payable (Note 4) . . . . .                          | \$ 680,158       | \$1,141,693      |
| Long-term debt due within one year (Note 5) . . . . .     | 370,000          | 100,000          |
| Accounts payable . . . . .                                | 706,181          | 491,472          |
| Collections as agent . . . . .                            | 59,548           | 78,241           |
| Accrued salaries and wages . . . . .                      | 60,616           | 47,296           |
| Accrued vacation liability . . . . .                      | 133,083          | 105,720          |
| Accrued taxes (other than Federal income taxes) . . . . . | 34,285           | 14,406           |
| Other current liabilities . . . . .                       | 201,510          | 88,582           |
| Total current liabilities . . . . .                       | <u>2,245,411</u> | <u>2,067,410</u> |

**LONG TERM DEBT:**

|                                                                    |                  |                  |
|--------------------------------------------------------------------|------------------|------------------|
| Note payable to bank, less amount due within one year (Note 5) . . | 755,458          | 1,119,786        |
| 6% Convertible Subordinated Debentures due                         |                  |                  |
| June 1, 1979 (Note 6) . . . . .                                    | <u>842,300</u>   | <u>893,000</u>   |
|                                                                    | <u>1,597,758</u> | <u>2,012,786</u> |

**DEFERRED CREDITS:**

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Federal income taxes (Note 9) . . . . . | 29,400        | 34,800        |
| Other . . . . .                         | <u>55,991</u> | <u>19,425</u> |
|                                         | <u>85,391</u> | <u>54,225</u> |

**COMMITMENTS** (Notes 3 and 8)

**STOCKHOLDERS' EQUITY:**

**CAPITAL STOCK**, par value \$1.00 per share (Notes 4, 6 & 7):

|                                         | 1966           | 1965           |         |         |
|-----------------------------------------|----------------|----------------|---------|---------|
| Shares authorized . . . . .             | 600,000        | 600,000        |         |         |
| Shares issued and outstanding . . . . . | <u>407,520</u> | <u>253,049</u> | 407,520 | 253,049 |

**PAID-IN CAPITAL** (Notes 4, 6 & 7) . . . . . 2,281,893 2,010,958

**DEFICIT** . . . . . (530,442) (679,821)

Total stockholders' equity . . . . . 2,158,971 1,584,186  
\$6,087,531 \$5,718,607

The accompanying notes are an integral part of these statements.

## STATEMENTS OF INCOME AND DEFICIT

*for the years ended December 31, 1966 and 1965***OPERATING REVENUES:**

## Transport revenues:

|                                | 1966        | 1965        |
|--------------------------------|-------------|-------------|
| Passenger .....                | \$4,599,501 | \$2,630,345 |
| United States mail .....       | 58,613      | 69,334      |
| Express .....                  | 25,087      | 24,208      |
| Freight .....                  | 86,537      | 77,912      |
| Non-scheduled services .....   | 33,655      | 101,478     |
| Other transport revenues ..... | 15,915      | 12,614      |

## Non-transport revenues:

|                                             |                  |                  |
|---------------------------------------------|------------------|------------------|
| Federal subsidy (Note 1) .....              |                  | 528,577          |
| Airline operating agreements (Note 2) ..... | 2,893,628        | 1,090,251        |
| Other, net .....                            | 13,533           | 109,693          |
| Total operating revenues .....              | <u>7,726,469</u> | <u>4,644,412</u> |

**OPERATING EXPENSES:**

|                                                                                                 |                  |                  |
|-------------------------------------------------------------------------------------------------|------------------|------------------|
| Flying operations .....                                                                         | 1,706,902        | 973,606          |
| Maintenance .....                                                                               | 2,619,947        | 1,639,239        |
| Aircraft, passenger and traffic servicing, selling and<br>general administration expenses ..... | 2,841,826        | 1,921,396        |
| Amortization of development and other costs .....                                               | 110,632          | 58,248           |
| Depreciation .....                                                                              | 401,702          | 358,990          |
| Total operating expenses .....                                                                  | <u>7,681,009</u> | <u>4,951,479</u> |
| Operating profit (loss) .....                                                                   | <u>45,460</u>    | <u>(307,067)</u> |

**NON-OPERATING (EXPENSE) INCOME, NET:**

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Interest expense .....                 | (207,880)        | (196,483)        |
| Other, net .....                       | (4,086)          | 11,933           |
| (Loss) before Federal income tax ..... | <u>(211,966)</u> | <u>(184,550)</u> |
|                                        | (166,506)        | (491,617)        |

**FEDERAL INCOME TAX CREDIT (Note 9)**

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| <b>NET (LOSS) FOR YEAR</b> ..... | 5,400            | 7,000            |
|                                  | <u>(161,106)</u> | <u>(484,617)</u> |

**SPECIAL ITEMS:**

|                                                                |          |           |
|----------------------------------------------------------------|----------|-----------|
| Federal subsidy for 1965, less related expenses (Note 1) ..... | 354,981  |           |
| Adjustments of prior years' revenues and expenses .....        | (44,496) |           |
| Settlement in connection with accident in prior year .....     |          | 122,371   |
| <b>NET (LOSS) AND SPECIAL ITEMS</b> .....                      | 149,379  | (362,246) |

|                                             |                     |                     |
|---------------------------------------------|---------------------|---------------------|
| <b>(DEFICIT) at beginning of year</b> ..... | (679,821)           | (317,575)           |
| <b>(DEFICIT) at end of year</b> .....       | <u>(\$ 530,442)</u> | <u>(\$ 679,821)</u> |

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

1. As was reported in the Company's 1965 Annual Report, on May 25, 1965 New York Airways filed a petition in the United States Court of Claims to recover the sum of \$94,377, representing the unpaid balance of subsidy due for the month of April, 1965. On December 16, 1966, judgment was entered in the Court of Claims in favor of New York Airways against the United States in the amount referred to above. Thereafter, on December 21, 1966 New York Airways filed another petition in the United States Court of Claims to recover the sum of \$316,668, representing unpaid subsidy for the months of May and June, 1965. The Government has authorized payment of the amount of the judgment to New York Airways and is not expected to contest the second petition. Accordingly, New York Airways can reasonably expect the Court of Claims to enter an additional judgment in the amount of \$316,668, which will be paid upon congressional appropriation. This additional 1965 revenue is shown under Special Items as a net figure after deducting related expenses.

2. During June, 1965 the Company entered into operating agreements with Pan American World Airways, Inc. (Pan Am) and Trans World Airlines, Inc. (TWA) under which these companies agreed to underwrite scheduled operations so as to provide the Company with a break-even return on such operations (subject, in TWA's case, to a maximum on its liability). Both agreements, which ran for an initial period of one year, have been extended to June, 1967 and may be extended for an additional year at the option of Pan Am and TWA.

3. The Company has leased three helicopters and related spares from Pan Am. This lease is coterminous with the Pan Am operating agreement described in Note 2. The rental on these helicopters and related spares is approximately \$35,000 per month. The Company has an option to buy these helicopters and spares at prices based on the cost of the equipment to Pan Am, less the principal portion of the rentals theretofore paid by the Company to Pan Am under the lease; the Company is obligated to exercise the option as to one of the three helicopters in June, 1967.

The Company has an agreement with Pan Am to operate the rooftop heliport on the Pan Am Building as the agent of Pan Am. The Company and Pan Am also have an agreement expiring December 31, 1995 which will go into effect when the Pan Am operating agreement described in Note 2 expires, covering the operation and use of the Pan Am Building Heliport, including the provision of helicopter or other VTOL services to and from the heliport (as well as Teterboro, New Jersey) by the Company thereafter. This agreement provides for payments to the Company by Pan Am which are to include fair and reasonable profits for the Company's services in operating the Heliport and for any flight operations to and from the Heliport and/or Teterboro that Pan Am elects to provide or underwrite thereunder.

4. The Company's 5½% Secured Notes issued July 1, 1965 and due December 31, 1966 are secured by a second mortgage on flight equipment owned by the Company and by a first mortgage on other fixed assets and inventories of the Company. In connection with the Notes, the Company issued non-transferable options to the lenders to acquire an aggregate of 220,326 shares of its capital stock at \$2.50 per share in proportion to the principal amounts of the Notes. These options were exercisable by Decem-

ber 31, 1966 and on December 30, 1966 were exercised for 146,884 shares by cancellation of a portion of the Notes aggregating \$367,210, equal to the number of shares purchased multiplied by the option price. The \$220,326 excess over the par value of the capital stock thus issued was credited to Paid-in Capital. (See Notes 6 and 7 for other additions to Paid-in Capital.) All options were exercised except those held by TWA for 73,442 shares which have now expired.

The balance of these Notes although unpaid on the due date are not considered to be in default because none of the holders has made a written demand for payment as provided in the Notes. Should such demand be made and payment is not made, the indebtedness described in Notes 5 and 6 can be declared immediately due and payable by such creditors. The Company is discussing with the note holders possible rearrangement of the terms of these Notes.

5. The long-term note held by a bank is payable in monthly installments of \$27,778 each to January 31, 1970, except as modified below, with interest at 5¼% per annum. In May 1965, the bank agreed to a moratorium on the principal payments due on this note while the 5¼% Secured Notes are outstanding (but not beyond May 27, 1967), subject to its right to require that 50% of any depreciation or profit realized during the period of the moratorium be applied equally in reduction of the principal of its note and the 5¼% Secured Notes. In the accompanying balance sheet, the estimated amount payable within one year on this basis, \$370,000, is included under current liabilities. The loan is secured by a first mortgage on all flight equipment and accessories owned by the Company while the mortgage is in effect. The credit agreement provides certain requirements as to maintenance of working capital and restrictions on indebtedness, capital expenditures, new leases, cash dividends and acquisitions or retirements of capital stock. At December 31, 1966, the Company was not in default with respect to any of these provisions.

6. The 6% Convertible Subordinated Debentures and interest coupons attached thereto are subordinated to all present and future unsubordinated indebtedness for money borrowed (amounting at December 31, 1966 to \$1,805,616). In the absence of a default under the terms of the unsubordinated indebtedness the Company may (a) make timely payments of maturing debenture interest coupons, (b) at its option, redeem the debentures in whole or in part on any date prior to maturity at 105½% during the twelve-month period beginning June 1, 1966 and thereafter at prices decreasing ½ of 1% in each succeeding twelve-month period to 1977, (c) deposit with the trustee on May 31 of each of the years 1970 through 1978, for a sinking fund, a sum sufficient to redeem at 100% and accrued interest 6.0782% of the aggregate principal amount of debentures issued prior to August 1, 1964. The debentures are convertible, at any time prior to maturity or redemption, into capital stock of the Company at the conversion rate of \$8 per share. The indenture relating to the debentures contains restrictive covenants relating to cash dividends and acquisitions and retirements of the Company's capital stock. During 1966, \$50,700 of these Debentures were surrendered for conversion into 6,337 shares of capital stock at \$8 per share. The \$44,359 excess over par value of the capital stock issued was credited to Paid-in Capital. At December 31, 1966, 105,288 shares of capital stock

were reserved for conversion of the remaining outstanding Debentures.

7. At December 31, 1966, 13,750 shares of capital stock were reserved for options granted under the 1964 Employees' Restricted Stock Option Plan, exercisable at a price of \$6 per share. 8,125 shares became exercisable on December 14, 1965 and 3,438 shares on December 14, 1966. 3,437 shares will become exercisable on and after December 31, 1967. These options will expire if not exercised by December 12, 1969. Options for 1,250 shares were exercised during 1966. The \$6,250 excess of proceeds over the par value of these shares was credited to Paid-in Capital.

8. In 1963, the Company leased from Greyhound Leasing & Financial Corporation one Boeing V-107 helicopter with radio equipment and a spare engine for an eight year period expiring November 27, 1971 at an annual gross rental of \$118,952. At December 31, 1966 the unamortized balance of the Company's advance rental deposit was \$131,798 which will be used to reduce equally the remaining monthly rental payments. The Company has an option to purchase the leased equipment, at declining prices, during the remaining life of the lease.

9. Deferred charges at December 31, 1966 consisted of:

Development, training and other costs incurred in connection with the Boeing V-107 helicopters, less amortization on the basis of writing off these costs over a period ending June, 1972. . . . \$250,338

Development, training and other costs incurred in connection with the Pan Am Building heliport and the route between the Pan Am Building and Kennedy Airport, to be written off over a five year period ending December, 1970. . . . \$177,696

Expenses incurred in obtaining extension of the Company's Certificate of Public Convenience and Necessity for an indefinite duration plus unamortized balance of the costs associated with the prior seven year certificate, all to be written off over ten years from September, 1966 \$ 93,572

Expenses incurred in connection with Instrument

Flight Rules training of pilots, deferred pending completion of such training, to be amortized from the date IFR operations commence until June, 1972 . . . . . \$240,672

Unamortized debt expense, less amortization on the basis of writing off these costs over the original period of the related loans. . . . . \$147,703

Other deferred charges . . . . . \$ 67,461

\$977,442

Certain of these costs were deducted from taxable income of the years in which they were incurred. The resulting reductions in income taxes for those years have been reflected as deferred federal income taxes in the balance sheet. As these deferred costs are amortized, the deferred tax liability is reduced in the related amount with a corresponding credit to Federal income tax expense.

10. At December 31, 1966 the Company had unused carry-forward losses amounting to approximately \$1,071,000, which are available as income tax deductions and expire as follows:

December 31, 1969, \$62,000; 1970 \$100,000; 1971 \$118,000; 1972 \$791,000.

In addition the Company has available an investment credit carry-forward of approximately \$220,000 for the years 1962 through 1966. Since the Company had no income taxes payable for those years, the investment credit has not been recorded in the accounts.

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
NEW YORK AIRWAYS, INC.

We have examined the balance sheet of New York Airways, Inc., as of December 31, 1966 and the related statement of income and deficit 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 previously examined and reported upon the financial statements of the Company for the year ended December 31, 1965.

In our opinion, subject to the ability of the Company to recover through future operations the deferred charges described in Note 9, the aforementioned statements present fairly the financial position of New York Airways, Inc. as at December 31, 1966 and 1965 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 22, 1967



## NEW YORK AIRWAYS

### Milestones

|                |                                                                                                                                                                                            |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March, 1952    | The Civil Aeronautics Board awards New York Airways the first helicopter certificate for the carriage of passengers.                                                                       |
| October, 1952  | New York Airways inaugurates scheduled helicopter mail service in the New York area.                                                                                                       |
| January, 1953  | New York Airways inaugurates the world's first scheduled helicopter air freight service.                                                                                                   |
| July, 1953     | New York Airways inaugurates the world's first regularly scheduled helicopter passenger service between New York City's three major airports.                                              |
| August, 1954   | New York Airways becomes the world's first helicopter airline to carry passengers at night.                                                                                                |
| February, 1955 | New York Airways and Northwest Airlines execute the first Joint Fare Agreement involving helicopter/fixed-wing through transportation.                                                     |
| June, 1956     | 50,000th passenger carried on New York Airways scheduled service.                                                                                                                          |
| March, 1963    | New York Airways receives the first Federal Aviation Agency approval of external cargo lift operations.                                                                                    |
| July, 1963     | One millionth passenger carried on New York Airways' scheduled service.                                                                                                                    |
| June, 1964     | New York Airways begins the first scheduled passenger carrying operation from the first rooftop heliport (at the New York World's Fair) to be certificated by the Federal Aviation Agency. |
| February, 1965 | New York Airways is the first helicopter airline certificated by the Federal Aviation Agency for full instrument flight operations.                                                        |
| December, 1965 | New York Airways inaugurates the world's first scheduled mid-city operations between the Pan Am Building rooftop heliport and Kennedy International Airport.                               |
| August, 1966   | New York Airways becomes the first helicopter airline to carry two million passengers in scheduled service.                                                                                |

New York

Conn.



New Jersey

**TETERBORO  
AIRPORT**

**WESTCHESTER  
COUNTY  
AIRPORT**

**STAMFORD**

**PAN AM  
HELIPORT**

**LA GUARDIA  
AIRPORT**

**WALL ST.  
HELIPORT**

*Long Island*

**NEWARK  
AIRPORT**

**JOHN F. KENNEDY  
INT'L AIRPORT**

*Staten  
Island*

### NEW YORK AIRWAYS, INC.

Serving New Jersey, New York, Connecticut and air travelers of the world. Free or reduced fare and special traffic-handling arrangements are available with the following airlines:

- |                               |                                 |
|-------------------------------|---------------------------------|
| Aeronaes de Mexico            | Japan Air Lines                 |
| Air Canada                    | KLM Royal Dutch Airlines        |
| Air France                    | Lufthansa                       |
| Air India                     | Mexicana Airlines               |
| Alitalia                      | Northwest-Orient Airlines       |
| American Airlines             | Olympic Airways                 |
| Avianca                       | Pakistan International Airlines |
| Braniff International Airways | Pan American Airways            |
| British Overseas Airways      | Qantas Empire Airways           |
| Delta Air Lines               | Sabena Belgian World Airways    |
| Eastern Air Lines             | Scandinavian Airlines System    |
| El-Al Israel Airways          | Swissair                        |
| Iberia                        | Trans Caribbean Airways         |
| Icelandic Airlines            | Trans World Airlines            |
| Irish Airlines                | United Air Lines                |
|                               | Varig                           |
|                               | Viasa Intercontinental Airways  |

--- Proposed new route

