

## Marked Improvement

# Flying Tigers Posts Record Profit For First Quarter; TI Reports Gain

Tiger International, Inc. has reported a first quarter profit of \$4,845,000, or \$.15 per share, sharply improved from last year's net loss of \$34,156,000, or \$1.11 per share. Revenues were \$265,313,000 in the first quarter 1987 compared

to \$263,173,000 for the same period last year.

### Flying Tigers

Flying Tigers had a pretax profit of \$13,025,000 compared to a pretax loss of \$27,909,000 in the same period last year, a \$40,934,000 im-

provement. Revenues were \$256,205,000 compared to \$254,362,000 a year earlier.

### Employee Partnership Program

"These first quarter results are the first to be directly affected by the Employee Partnership Program which was initiated during the fourth quarter of last year," said Stephen M. Wolf, chairman, president and chief executive officer of Tiger International and Flying Tigers. "This program encompasses the reduction of operating expenses to more reasonable levels, coupled with the provision of profit sharing and stock ownership plans for all participating employees. The current quarter's results also benefited from favorable fuel prices and increased transpacific export/import traffic compared to last year," he said.

In January 1987, Flying Tigers secured yen-denominated revenue commitments which are part of a hedging transaction involving its

yen-denominated debt. As a result, foreign exchange gains and losses on this debt are being amortized over the life of the debt. The first quarter 1987 amortization of such amounts was not significant. The first quarter 1986 results included a charge of \$13,200,000 relating to this debt.

### Memento for Achievement

In conjunction with the announcement of Flying Tigers' first quarter record profit and substantial improvement over the first quarter of 1986, a *Special Bulletin* was issued systemwide to all employees with a message from Mr. Wolf stating: "Although a great many positive steps have been taken over the past few months, there remains one primary reason for Flying Tigers' vastly improved performance and that is employee commitment as represented by our Employee Partnership Program."

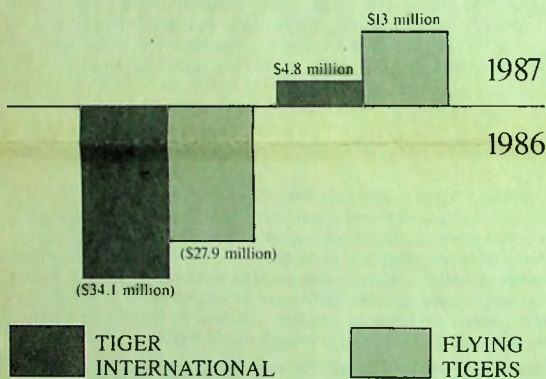
"As a memento of this record achievement, each employee in the

Company will be given a hat with Flying Tigers' name and logo in recognition of their effort to reposition Flying Tigers into a viable carrier. Ultimate success in this awesomely competitive environment rests with the ability for each of us to understand that we must do our respective jobs to the best of our ability. That understanding was certainly demonstrated during the first quarter of this year and it is reflected in Flying Tigers' financial performance.

"I want to repeat, this hat is a memento, a very small but sincere thank you for a very fine first quarter effort. Everyone should be as proud of our accomplishment as I am of the people who produced it," he said.

Warren Transport's revenues were \$9,108,000 in the first quarter, up three percent from revenues of \$8,811,000 for the year-earlier period. Pretax profits for the first quarter 1987 were \$465,000 compared to \$561,000 in the same period last year.

## FIRST QUARTER PROFIT



## May Schedule

# Domestic Service Enhanced; Two New Aircraft Cities

Flying Tigers' operating schedule for May will include an expansion of domestic services with the inauguration of B-727 flights to San Diego and Phoenix, and improved aircraft operating schedules at the Columbus hub.

Beginning May 4, Flying Tigers will launch daily all-cargo service utilizing a B-727 aircraft on a San Diego-Phoenix-Columbus and return routing. The Company previously served those markets with dedicated truck service.

"The addition of B-727 service to these markets confirms the Company's commitment to serving the domestic marketplace, and underscores the importance of our efforts to continue to develop an efficient, worldwide, full-service on-line cargo system," said Chairman Stephen M. Wolf. "The new aircraft service will enable us to provide shippers with next day service to significantly more destinations throughout the United States."

To support the service expansion, the Company will launch an advertising campaign in the San Diego

and Phoenix markets that will feature direct mail as well as newspaper and radio advertisements.

In addition to the new flights, the aircraft operating schedule into the Columbus hub has been moved up more than an hour earlier in order to expand the hub "window" to allow for earlier arrival times into destination cities.

"Beginning in May, aircraft operating out of the hub for destinations in the United States will be arriving in those cities 45 minutes to an hour earlier," explained Larry Goodwin, vice president-market planning.

"Earlier arrivals into destinations will provide a dramatic increase in the number of points served by our guaranteed Priority service—our highest yielding domestic product—while also providing for increased reliability improvement opportunities," he said.

The May schedule calls for an operating fleet consisting of 16 747, 10 727 and 6 DC-8 jetfreighter aircraft along with 2 747 passenger aircraft assigned to the Military Airlift Command.



Washington Visit... Flying Tigers Chairman Stephen Wolf met with California Senator Pete Wilson, above left, seated, during Mr. Wolf's recent trip to Washington to discuss with Congressional leaders pending trade legislation and the implications of an amendment drafted by Flying Tigers to the International Air Transportation Com-petition Act of 1974. Sen. Wilson stepped out of the Senate Chambers during the recent Highway veto override debate to meet with Mr. Wolf. Sen. Wilson's legislative aide, Larry Goldzband, standing, listens as Mr. Wolf makes a particular point. For more on this story, see page 4.

## Roy King Named VP Atlantic Division

Roy A. King was named vice president-Atlantic Division for Flying Tigers in March, reporting to Ned Wallace, senior vice president-international sales and service.

In his new position, Mr. King has responsibility for the Company's European network which includes aircraft and trucking operations in the United Kingdom, Germany, France, Switzerland, Italy and the Benelux countries as well as the Middle East. Based in Frankfurt, Mr. King, a 29-year employee of Flying Tigers, previously served as general manager-Japan for the Company.

"Mr. King is a seasoned airline executive who brings an abundance of international operational experience to bear in the highly competitive transatlantic arena," said Flying Tigers Chairman Stephen M. Wolf. "The transatlantic region represents the world's largest airfreight market and his vast experience in the intensive Pacific Basin environment will be beneficial to our European operation."

Born and raised in England, Mr. King joined the airline in 1957 as a traffic agent in London and has



Roy King

subsequently served in various terminal operations and management positions for the Company throughout Europe, Asia and the United States.

In January 1971, Mr. King was named general manager for Hong Kong & Southeast Asia and in October 1980, was appointed to his most recent position of general manager-Japan.

## New, Joint Around-the-World Service Launched

Flying Tigers and Canadian Airlines International Ltd., (formerly known as CP Air), launched joint, around-the-world B-747 jettfreighter service April 10, providing new scheduled all-cargo service from Asia to Canada.

The new service provides Flying Tigers with initial entry of scheduled service into Canada. This joint venture marks the first time that two major air carriers from two countries have combined resources to provide a global air cargo service for the worldwide shipping community.

"The addition of Canada to our worldwide network is but another milestone in our on-going implementation of a strategic marketing

plan for Flying Tigers," said Chairman Stephen Wolf. "The new joint venture will enable Flying Tigers to provide weekly jettfreighter service from Asia into Eastern Canada—the largest airfreight market in that country."

The first-of-its-kind service commenced with the departure of Flying Tigers B-747 jettfreighter aircraft from Asia and will operate on a Hong Kong-Seoul-Anchorage-Montreal-New York-London-Brussels-Dubai-Bangkok-Hong Kong routing. The two companies will share aircraft capacity equally and compete independently for cargo on the route. Flying Tigers will provide the B-747 jettfreighter aircraft and flight crews.



Tiger International's 1986 annual report was sent out via U.S. mail to shareholders in early April. The publication features a Form 10-K, a document filed with the U.S. Securities and Exchange Commission, and a letter from Chairman Stephen Wolf to shareholders. The letter highlights the revitalization efforts taken by Flying Tigers and Tiger International employees and includes a brief description of last year's financial performance. Reprints of the cover and Chairman's letter were distributed via company mail during April to provide employees with the opportunity to read the publication's contents. Three copies of the cover of Tiger International's 1986 annual report, which features Flying Tigers re-introduced Circle T aircraft tail symbol, are shown fanned out, above.

## The Chairman's Column

by Stephen M. Wolf

One of our priority corporate projects is to enable Flying Tigers to attract and "grow" our own cadre of future managers and professionals. To help accomplish this goal, we are launching in June a Management Internship Program. (see question below). I had the rewarding opportunity earlier this month to spend a late afternoon and evening with approximately 50 graduate students at the Wharton Graduate School of Management at the University of Pennsylvania in Philadelphia. I was impressed with their quick intellect, the high quality of their academic preparation and the strength of their commitment to business careers. At the meeting, I was invited to talk about the airline industry as a whole, the current challenges facing Flying Tigers and my management style and philosophy—and to answer questions about any of these subjects.

I spent some time at Wharton because we need to attract quality business school graduates and do a better job of creating upward career mobility for ambitious existing employees. We will talk more about the latter in the future.

Our objectives for managing the Company remain unchanged and we are starting to meet with some success. We will continue our efforts to reduce costs, implement our Employee Partnership Program, secure a more flexible and lower-cost debt structure and finalize a focused marketing plan while being fully cognizant of the economic and competitive realities of our industry.

**Q. With more and more emphasis placed on the Columbus hub, is there any possibility of Company headquarters relocating there?**

**A.** We will continue to develop our Columbus hub facility as an international distribution point. This effort was substantially enhanced with the recent U.S. Department of Commerce designation of Rickenbacker airport as a free trade zone and the exclusive assignment of U.S. Customs inspectors to our hub operation. We recently completed refurbishing of three hangars located adjacent to our hub sort facility which are used for maintenance of 727 aircraft and ground support equipment. It is possible that we may expand our maintenance program at the hub to support increased flight activity and certainly we hope for ever expanding cargo volumes, but there are no plans whatsoever to relocate the Company headquarters from Los Angeles to Columbus. Such a relocation would be expensive and we would lose many valuable employees who could not move for personal reasons.

**Q. Mergers and acquisitions continue to dominate the airline industry. What effect does the consolidation of the industry have on Flying Tigers?**

**A.** Free market conditions in the airline industry have forced successful companies to offer better products and customer services; resulted in increased competition and new entrants; placed greater pressures on pricing and margins; caused combinations of companies and name changes; and required that successful managers focus on cost-effective programs. In the face of these new "realities," we are aggressively adopting programs which build revenues, reduce costs, strengthen our financial structure and attract and hold good people. The strongest and smartest organizations in this deregulated environment will thrive in the future. Conversely, the financially weak or mismanaged will perish. We are aggressively taking steps to ensure Flying Tigers is one of the organizations with the potential to succeed. I believe that objective is possible but will only be realized if each and every one of us is committed and united behind our efforts.

**Q. What is the status of our financial restructuring program on which you reported in the last issue of Flying Tigers Review?**

**A.** As you know from previous communications, we are refinancing a large portion of Flying Tigers' debt, to give us greater flexibility for future capital investment in our Company, and to take advantage of lower interest rates and higher market values of our 747 aircraft in today's financial markets. Part of this refinancing involves the public offering of \$140 million of secured debt, which has been registered with the Securities and Exchange Commission (SEC). This registration became effective April 15, 1987 and the complete restructuring of this debt, including an additional \$150 million of private placement debt, closed on April 23. These transactions will reduce our principal and interest costs by approximately \$100 million over the next five years. I should add this was neither a simple nor easy transaction. A number of our folks in finance and legal put forth an incredible effort to finally close this transaction.

**Q. What is our new management training program and how does it work?**

**A.** A new Management Internship Program is being introduced this summer with the objective of bringing Master's level business school graduates and graduate industrial engineers into Flying Tigers as part of a two-year combination formal and on-the-job training program. In the first year, we expect to hire approximately 10 Master's of Business Administration (MBA) graduates and graduate industrial engineers for this program. Over an initial two-year period, these management trainees will be rotated through as broad an exposure to this Company and our five corporate divisions as possible. Along with identifying internal candidates, these recent graduates will substantially support our revitalization efforts.

**Q. I understand that employees are being paid bonuses to assist in recruiting qualified data processing professionals to join Flying Tigers. What is this program and why is the Company undertaking an endeavor like this at the present time?**

**A.** We are reinstating the SHARP Program. SHARP is an acronym for Systems Hiring Applicant Referral Program and is the Company's way of seeking assistance from our own employee base to help recruit competent individuals to work in our information systems group. There remains a major shortage of data processing professionals and we, like most other companies, have had to rely heavily on employment "head hunters" and "search firms" to find qualified employees. Rather than pay professional employment agencies, we prefer to use our employees as a resource to find competent programming personnel and reward those employees for doing so. The data processing profession is highly competitive and many times word-of-mouth referral is the best way to find quality employees for this area. Any full-time, permanent Flying Tigers employee who refers qualified individuals that are hired in the information systems group will receive a \$1500 "locate fee" for each new hire (substantially less than what we would have to pay a recruiter). Corporate officers and management employees of the Personnel Department may not participate in the SHARP program.

**Q. For many years, the Company has maintained a boat—the Sea Tiger—which was frequently used to host customer and employee groups. Is it true that the Sea Tiger was sold and if so why did the Company choose to sell it?**

**A.** Yes, the Sea Tiger was recently sold to a private party. We also sold our leasehold interest in a mooring on Catalina Island. With our comprehensive employee partnership and cost reduction program, I did not feel it was in the best interest of employees who are making a personal commitment to the airline going forward to operate a corporate boat. It is a luxury that, quite frankly, is inappropriate to support.

**Q. You continue to stress not only the need to reduce costs but to improve operating efficiencies wherever possible. Would you provide a current example of steps taken to achieve this goal?**

**A.** The most significant current example would be our May operating schedule which reflects adjustments in our aircraft flight patterns that will improve fleet utilization and thus increase revenue opportunities. Basically, aircraft schedules and procedures in our common carriage, MAC and charter operations were tightened which will provide better utilization of our flight crews and in turn more block hours flown for the month of May employing the same amount of flight personnel. By making minor changes such as adjusting departure times of certain flights and scheduling extra section flight activity through crew layover points, we were able to take advantage of revenue opportunities that were not previously exercised. In essence, our pilots and flight attendants do not want to be away from home any longer than necessary to accomplish their flight activity and they would rather be productive than dead head. Our May schedule is more efficient and yes, there is certainly room to improve it further, which we will continue to work on.

**Q. When will you hold your next series of Chairman's Conferences and will you continue to answer questions from employees as you did previously?**

**A.** We are working on finalizing a calendar of Chairman's Conferences which will be announced shortly and start in May. Employees have indicated that they found the question and answer portion to be a valuable aspect of the Chairman's Conferences and therefore questions from employees will continue to be an integral part of the program.

Questions from employees to the Chairman should be directed to the Corporate Communications Department, HDQ 905, IIDQSRFT.

# Marketing; Service Enhancements Outlined by Senior VP James Cronin

James A. Cronin is senior vice president-marketing, responsible for worldwide market development including product definition, strategic planning, scheduling, and pricing as well as customer service, sales and terminal service activities in the United States market. Mr. Cronin joined the Company in 1980 and was previously senior vice president-U.S. Division prior to being named to his current position in January of this year. He has received a Master's in Business Administration degree from the University of California at Berkeley and a Bachelor of Arts degree from the University of California at Los Angeles. Mr. Cronin was interviewed by Flying Tigers Review on April 3.

**Q. Although you are senior vice president-marketing, you also have responsibility for terminal operations. Isn't that unusual?**

**A.** There is a difference between the marketing function and the marketing department. The marketing department has responsibility for certain marketing activities, but all employees involved with servicing our customers are involved in marketing. We are in the service business, where operations is a pivotal function. It not only creates the product but is responsible for its delivery. While it is true our long-term success is dependent on how well we identify our customers' needs and create services to meet those needs, it is equally true that our success is dependent on controlling our product quality and consistency.

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**Q. Have we defined our marketing niche?**

**A.** Although we have not finalized our marketing plan, we have expended a fair amount of effort in defining the demands of each of our geographical markets and matching what services we should offer to fill those demands. Generally speaking, we are targeting the top 1,500 to 2,000 global business-to-business shippers of shipments weighing fifty pounds and above. Our core product offering is the movement of goods between two points, but we also offer various ancillary services to our customers. These include billing and documentation, management reports and proof of delivery. In many instances, developing a competitive advantage involves achieving superior performance on these ancillary services. Getting repeat business is often more important to our marketing success than winning new customers. Our sales group has done a good job of attracting new accounts, but due to non-competitive service levels, we continue to experience a high customer turnover rate.

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**Q. What is our greatest marketing challenge?**

**A.** Although we have made real progress in reducing our costs and therefore can offer much more competitive pricing, we are still not a low cost operator, either internationally or domestically, and consequently cannot compete on the basis of low prices. There is no "black box" solution or magic answer to strengthening our competitive position. The real issue is to consistently and reliably meet our customers' distribution needs. This includes the current services we offer and the introduction of new products to meet changing market demands. Reliable, quality service depends on how our employees perform each of their jobs: answering phones, servicing aircraft and engines, building up freight, damage-free handling, operating on-time schedules, prompt pick-ups and deliveries, accurate billing and timely follow-through on receivables. In total, it's the manner in which we treat our customers, and how easy we make their jobs, that is going to make us successful.

**Q. What product improvements have been introduced which enhance customer service?**

**A.** A major enhancement of our cargo handling and distribution capabilities was the opening of our Hub facility in Columbus in 1986. For the first time we have a dedicated facility which offers controlled and centralized opportunities to significantly improve customer service. Our previous operation at O'Hare faced many physical and operational constraints. Frankly, it's a wonder that our people there performed so well under such constraints. Columbus, with its large potential for efficient expansion, has given us a quantum jump in being a competitive operator.

The introduction of the six DC-8s during the first quarter of 1987 is another major improvement. Before their return to our fleet, we were demanding far too much of our 747 aircraft. With no mid-size aircraft available, we were not able to schedule them where or as efficiently as we would like. Because of a somewhat different customer base, superior international service requirements tend to emphasize lift capability, aircraft routings and proper documentation. Domestic services tend to require much tighter delivery standards, which are often measured in terms of hours or even minutes. With 747s routed around the world, it's difficult to consistently hit the critical hub sort window. So we brought in the DC-8 aircraft, which allows us to offer greater flexibility in matching international and domestic cargo requirements, and provide added capacity to meet both domestic and international customers' needs on medium load lane segments.

A third area of product improvement is overall customer support. Our ability to provide proof of delivery (POD) information has shown dramatic improvement. Many of the customers that use domestic airfreight for guaranteed products must also be able to prove that their shipment was delivered. This is particularly important when you get into high-tech, high-value, and apparel industries.

Another area of service reliability is MIS support. Many major international and domestic customers look for Electronic Data Interchange (EDI) support, which covers everything from automated customer reliability reports to electronic billing and message switching. We have made a lot of progress in the Company in the last year in developing a number of these services. It's allowed us to actually track and measure the causes of service failures. Significant strides have been made in the last 12 months in identifying problems and solving them. Our door-to-door service reliability runs in the low to mid 90's, which is markedly better than it was but remains noticeably inferior to some of our competitors.

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**Q. What are the next steps in improving service reliability?**

**A.** We are establishing service standards for our international and domestic forwarder-based business, and programs to monitor and cor-

rect problems for our airport-to-airport customers. We expect that these service standards will be in place by the fourth quarter of 1987.

Service reliability involves everyone. It's what we are all about. It requires the matching of what customers expect from us with what we can provide. The key, of course, is to provide a number of services, without overpromising or raising unrealistic expectations. There are really 40-plus factors which constitute good service reliability and we must monitor and fine-tune each one of them. These factors include many of the basic elements mentioned earlier.

Both in the past and, for the most part now, our monitoring systems are largely manual, which means that we can react to and understand what has happened in the past, but not necessarily correct service failures as they occur. We are putting a variety of automated reliability tools in place in 1987—such as bar code technology and automated labeling systems—so that we will be better able to identify and correct service failures as they happen before they impact our customers.

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**Q. In addition to service reliability improvements, what other new services are being launched and over what time period?**

**A.** There will be a continuous flow of product, system and service upgrades in the future. If we talk about a market plan that is evolutionary and moves forward as an ongoing process, there is no start or end to what we want to do. Our customers' needs are always changing. Each of our major markets has different strengths, weaknesses and requirements. For example, the Asia market is going through significant changes: largely fundamental, macro-economic changes. Japan, which has been traditionally our strength in Asia, will see declining export growth as opposed to other markets in Asia which are enjoying significant growth. We are seeing a lot of manufacturing and production capability being relocated from Japan to other areas in Asia, such as Korea, Taipei, and Hong Kong. Many of these changes are being driven by fluctuations in the value of the Japanese yen to the U.S. dollar. To compete in the Asian marketplace, we need to monitor (1) where the source of the product is coming from and (2) increased competition in Asia. We will see additional competition in terms of capacity, whether it be Northwest adding additional 747 freighter capacity, or Nippon Cargo Airlines adding additional frequencies, or Federal Express possibly starting DC-10 service to Japan. By emphasizing a highly reliable product, we will be able to differentiate ourselves from the competition in Asia. In the past we largely differentiated ourselves from the competition by having almost exclusive cargo authority and a fleet of 747 freighter aircraft. In the future, we must distinguish ourselves by providing a superior level of service which requires considerable commitment.

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**Q. What about the U.S.?**

**A.** One of our challenges in 1987 is to capitalize on our capabilities at our interior non-gateway cities. Historically we have experienced our greatest service reliability problems and customer delays at the traditional gateways.

In servicing customers coming to the U.S., we realize that U.S. Customs is becoming less flexible. It's taking a longer time to clear through Customs. During the peak fourth quarter season it is not unusual at the gateways for it to take 4-5 days to clear freight. However, we've addressed this problem and have an edge over the competition with the establishment of our Columbus Hub. We have recently been instrumental in having the Rickenbacker Airport designated as a Foreign Trade Zone. We are also expecting to be named as a Container Freight Station and will soon have the ability to provide Customs brokerage services at CMH to our customers. These capabilities, in combination with reimbursable Customs inspectors at CMH, offers our customers significant service advantages. One of the competitive advantages we have is the ability to take an international product into Columbus, clear it the same day, and then either move it by air on our domestic flight schedule or on the ground through a truck network to either a traditional gateway or to the interior point where the traffic is destined. Where we have expedited Customs clearance capability, we are going to be able to save that forwarder, and his ultimate shipper and consignee, a significant amount of time in getting their products to market.

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**Q. What is the goal for having the Customs brokerage service in place or at least the initial start-up of it?**

**A.** Hopefully before the end of the second quarter. We have been conducting a series of interviews with a number of Customs brokerage houses to determine how best to provide brokerage services to our customers.

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**Q. We're not going to be pulling out of any traditional gateways, are we?**

**A.** No. The issue here is really one of market expansion and customer definition. Our customers have been asking us to expand our geographic base. We've already added new service to Bangkok, the DC-8 flights to Zurich and Milan, and scheduled Asia-Europe service. We're looking at the Canadian marketplace where we have just introduced a joint venture service with Canadian International Airlines (CP Air). Domestically, we will add a San Diego-Phoenix flight leg in May. We're also looking at providing air service

to Portland, Oregon and to Nashville and Richmond to service the Virginia and Tennessee markets. We've added a flight back to Syracuse to offer greater service into upper New York state. We are trying to fill in the gaps in our service coverage and taking better advantage of our competitive strengths worldwide. In the U.S. we're targeting the top 75 airfreight markets that generate close to 90 percent of the total U.S. domestic and international airfreight volumes.

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**Q. The ad in USA Today outlines the prices of some of our domestic competitors. We are competitive, but we're starting to see significant price competition. Are we going to remain competitive by reducing prices?**

**A.** The domestic airfreight market, like all airfreight markets, is extremely price competitive. The reason is that the top eight or ten competitors in the domestic airfreight market largely offer a very similar product and it is very difficult for competitors to differentiate the quality of their service. So, the market has become one that is largely based upon rate competition, with consistent service a given. The concept of ratio discounting is largely a myth. It isn't that we're discounting the rates in order to give the business away, the rates are set by low cost competitors in the marketplace. We are at a particular disadvantage because our service level has not been competitive with what our competitors are offering. We will continue to remain competitive when it comes to rates, however it is critical that we become fully competitive in all elements of our service.

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**Q. What is the market expansion potential in Asia, Europe and Latin America?**

**A.** The major market opportunity in Asia is to continue to move our capacity into growth markets. As I mentioned earlier, we see a declining or slowing of growth in the Japan market. However, we also see rapid growth in Hong Kong, Taipei, and Seoul and to a lesser extent growth in Kuala Lumpur, Manila and Bangkok. Over the long term, mainland China offers significant expansion opportunities. Our opportunities in Asia are not limited to only market development; we have significant opportunities to add new products such as Tiger Gateway Service to established markets, and to add new service between existing markets such as our recently introduced Asia-Europe and Asia-Canada service. We have significant growth opportunities in Latin America and Europe where schedule frequency and reliability play a significant role in maintaining market share. Not only will the hub serve as a vital tool in providing superior service for our Asian customers, but will also be highly effective for our shippers in Europe and Latin America. For example, during 1987 we plan on introducing flights directly from the hub to Europe. We have only begun to utilize the capabilities of our hub, and the impact of our facility will continue to be felt in all our worldwide markets. In the March issue of *Flying Tigers Review*, Ned Wallace addressed our international environment in detail and I want to be careful not to repeat what he discussed.

Continued on Page 4.



Houston IAM-represented employees who participated in the sponsorship of a radio advertisement promoting Flying Tigers included, above, kneeling l-r: Robert Knight, ramp serviceman; David Lynn, traffic agent and Will Jones, ramp serviceman. Second row: l-r, Greg Fronzak and Roger Armstrong, rsm; Neil Connelly, traffic agent; Joe Chiasson, lead rsm; Bill Malin, traffic agent; Roger Bauer, rsm; Jesse Benton and Donald Fuzland, lead rsm; and Aaron Lee, rsm. Not pictured: Traffic Agents Stephen Hagelauer and Max Avaria; Mike Maher, lead rsm; and Ramp Servicemen Jack Henson, Roy Schwartz, John Sternik and Red Wilson.

## IAM Employees take Tiger Spirit to the Air in Houston

Flying Tigers employees in Houston who are represented by the International Association of Machinists (IAM) sponsored a radio advertisement in the Houston area during March to thank customers for using Flying Tigers' service. The advertisement, which was initiated and paid for by the Company's Houston-based IAM employees, was featured on Houston country western radio station KLPR. It was broadcast a total of 23 times over a 7 day period and read as follows:

"Thank you. It's a phrase we all need to say more often. This is a special thank you to everyone who has shipped on Flying Tigers, the world's largest all-cargo airline.

"Flying Tigers ships all over the United States and the world. Over the years, Flying Tigers has moved enough whales, dolphins, lions, tigers, cattle, black rhinos, sheep

and other critters to fill an ark.

"They've moved enough heavy machinery and energy-related equipment to fill the (Houston) Astro Dome 100's of times over. Flying Tiger Line appreciates your business, from the single piece of mail to oversized packages, from helicopters to households. If you've needed it shipped, Flying Tigers has come through. Flying Tigers, 230-1930. So, from the folks on the dock, in the jets and in the office, thank you. Sponsored by Flying Tigers ramp and related employee members of the International Association of Machinists and Aerospace Workers."

(Sound effects consisting of animal noises and machines were played as a background accompaniment each time the ad was broadcast.)

Flying Tigers' Chairman Stephen Wolf, upon hearing of the employ-

ees' sponsorship of the ad, sent a message to those responsible to thank them for their efforts. The message read, "I was surprised and delighted to learn of the personal contribution made by our IAM-represented employees in Houston who initiated a radio advertisement on KLPR on behalf of the company and all of its employees. I extend to you my personal appreciation for sharing the pride you have in your company, and I can only say that I am proud to be associated with such a fine group of professional, dedicated employees.

"I am more confident with each passing day as I see examples of dedicated, committed employees such as yourself that Flying Tigers will indeed be successful in repositioning itself in this intensely competitive marketplace. You truly represent what the Tiger Spirit is all about."

## Cronin Interview...

Continued from Page 3.

**Q. Along with the need to re-educate the customer, what about the employees?**

A. Each employee must recognize that our success as a company and his or her personal success is dependent upon how well each of us does our job. The closer you get to the customer, the more important superior service is. The difficult part for everyone to recognize is that every day we're only as good as the last shipment that we moved, and every day we create the opportunity to be successful by delivering the next shipment on time. We need to demonstrate to customers that we can deliver their product on a consistent basis. Probably the best example of what we can accomplish is the successful development of the ICI-Limited traffic in Columbus which has become a major piece of business for us.

**Q. Didn't the ICI business start out slowly? Wasn't there a test**

**program for several months?**

A. Yes, it started out slowly, then grew very quickly. Because of the high level of service we were able to provide, our ICI-Limited traffic will double this year. This traffic represents a significant piece of business. As a result of the service advantages we can offer, we have discussed a similar product with a number of other companies similar to ICI who are considering establishing operations at the Rickenbacker Air Industrial Park.

**Q. What about your responsibility for our customer service function?**

A. Customer service employees, and our pick-up and delivery operation, have more daily contact with our customers than any other area of the Company, including our sales area. The customer service employees are involved in everything — rate quotes, service assurance, follow-up, proof of delivery, and generation of revenue. Customer

service is critically important in convincing the customer that Flying Tigers can meet their needs and is easy to do business with. It pulls together both the services side and sales side of the house, and coordinates these two efforts. In my opinion, we have one of the best customer service organizations in the airfreight industry. A super group of people who do an excellent job.

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**Q. And the sales force? Wasn't the sales group recently re-organized?**

A. In January, we consolidated the sales force in the United States to eliminate duplication of sales account coverage. U.S. sales activities have been unified, with those responsible for handling domestic or U.S. export accounts together under one group. The reorganization of our highly skilled sales group is consistent with our need to respond to individual markets as well as our global service capabilities.

## CEO Wolf Leads FT Delegation to the Nation's Capital

Chairman Stephen M. Wolf led a Flying Tigers delegation to Washington, D.C. earlier this month to meet with aviation leaders of Congress and administration officials — including Department of Transportation Secretary Elizabeth Hanford Dole — on pending trade legislation and an amendment proposed and drafted by Flying Tigers to the International Air Transportation Act of 1974 (IATCA).

As a result of this visit, an amendment (H.R. 1972) was introduced in the U.S. House of Representatives on April 8. The amendment, sponsored by the leadership of the Public Works and Transportation Committee of the U.S. House of Representatives and co-sponsored by an additional 27 Congressmen, will dramatically improve the methods of redressing or eliminating restrictive and discriminatory trade practices.

"Under IATCA, a U.S. carrier that believes it is the subject of discriminatory or unfair practices abroad, may petition the Department of Transportation for relief," said Chairman Stephen M. Wolf. "The Secretary has wide discretion in fashioning relief, and a six-month time period in which to act.

"Our amendment modifies the provisions of the IATCA law to make it responsive to the needs of U.S. international air carriers in three discrete but nonetheless significant areas," he said.

First, the amendment would reduce the time period to 90 days from the existing 180 days that the Secretary of Transportation has to take action on an IATCA complaint.

Second, under current law, the Department of Transportation must solicit the views of the Department of State before resolving any issues brought to it through the IATCA complaint procedure. However, Flying Tigers believes that in order to structure an effective relief mechanism in response to a complaint, it would be beneficial to have additional trade expertise included in the process. Therefore, the amendment states that the Department of Transportation solicit not only the views of the State Department, but also those of the U.S. Trade Representative and the Department of Commerce.

Third, the present law states that the Department of Transportation is required to report to Congress annually on specific complaints brought under the IATCA procedure. The amendment, if passed, would change the reporting procedure by having the Department report to the Committees of the Congress with direct oversight jurisdiction within 120 days on the specific action it has taken to resolve the problems raised.

"The amendment is currently working its way through Congress as part of the omnibus trade legislation (H.R. 3) and we are hopeful that this amendment will be passed into law," Mr. Wolf said.

In addition to Mr. Wolf, the Flying Tigers' delegation to the nation's Capital included Lawrence M. Nagin, senior vice president-administration and general counsel, secretary; Cyril D. Murphy, vice president-international and governmental affairs; and Kathy J. Williams, manager-international and governmental affairs.

In addition to meeting with Secretary Dole, the intensive three-day visit was comprised of meetings with Senators Alan Cranston-Calif.; Pete Wilson-Calif.; Lloyd Bentsen-Tex.; Ernest Hollings-S. Carolina; and Frank Murkowski-Alaska. Aviation leaders of the House of Representatives who sponsored the bill were Representatives Norman Minetta-Calif.; James Oberstar-Minn.; William Clinger-Penn.; Newt Gingrich-Georgia; James Howard-N.J.; and John Paul Hammerschmidt-Ark.

## Hub Named Foreign Trade Zone

Flying Tigers' air cargo hub in Columbus, Ohio has truly become an international gateway for world commerce as the result of the designation of Columbus as a Foreign Trade Zone on March 20, announced Stephen Wolf, chairman, president and chief executive officer.

"The designation of Rickenbacker Air Industrial Park in Columbus, Ohio as a Foreign Trade Zone, coupled with our hub operations, provides the worldwide shipping community that we serve the opportunity to import goods into the zone, and then export those goods to other foreign or domestic points via one air carrier," Mr. Wolf said.

"Additionally, the Foreign Trade Zone complements the many import services we provide shippers, including the fact that we have U.S. Customs inspectors assigned exclusively to Flying Tigers' hub operation. Not only does the zone increase the attractiveness of Columbus, it enhances the services we can provide our global shippers."

A Foreign Trade Zone (FTZ) is a secured area within the United States which is considered to be legally outside U.S. Customs territory. The primary advantage of using a FTZ is deferral of duty payments for goods brought into the U.S. to be assembled or processed. Duty is paid after the goods actually enter into the United States. Importers can select the lowest duty to be applied, based on the entering merchandise's original foreign components or the final product. If a product is re-exported, the duty can be avoided altogether.

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