

Flying Tigers' Employees Receive \$16.5 Million In Profit Sharing Distribution

Flying Tigers Inaugurates Scheduled Service From U.S. To New Zealand

Flying Tigers inaugurated weekly B-747 service from the United States to Auckland, New Zealand on March 7, 1988, becoming the only all-cargo carrier to provide scheduled B-747 jetfreighter service to New Zealand.

The addition of scheduled wide-body service to Auckland will allow shippers using Flying Tigers' global network in Asia, Europe, South America, the United States and the Middle East to transport freight to New Zealand.

Growing Import Market

"New Zealand is becoming an increasingly important market in the South Pacific. The inauguration of scheduled service to Auckland demonstrates our commitment to continue to expand the level of service we offer to our customers," said James Cronin, Flying Tigers president and chief operating officer.

The inaugural flight, which commenced as Flying Tigers' flight 77, was flown by Captain George Gewehr, First Officer Ralph Call and Second Officer Barbara Ganzkow. Flight 77 will operate weekly on a New York-Los Angeles-Honolulu-Auckland-Sydney routing, departing John F. Kennedy International Airport early Monday morning and arriving in Auckland late Wednesday morning.

During the first month of service, an average of 94,500 pounds

of New Zealand-bound freight has been carried on the flight. Cargo expected to be transported into Auckland includes machinery, electronics, pharmaceuticals, chemicals, computers and live animals.

Peter Cassoff, operations manager—Australia, will handle the administrative and operational duties for Auckland until an office is formally established there in May.

Flying Tigers' officials met with Paul Cleveland, the U.S. Ambassador to New Zealand, and hosted a dinner on March 7th in that nation's capitol, Wellington, for senior New Zealand trade and aviation officials. Representing the Company were Lawrence M. Nagin, senior vice president—administration and general counsel, and Vance Fort, vice president—international and governmental affairs.

Officials in attendance at the dinner representing New Zealand's Department of Transportation included: Derek Homewood, secretary of transport; Air Commodore Stuart McIntyre, director of civil aviation; Barry Cranston, controller of airline standards; and John McIlree, advisory officer. The event was held to express appreciation for the support and assistance of the New Zealand government and U.S. Embassy officials in obtaining rights for Flying Tigers to fly to New Zealand.

Employee Partnership Program Pay-Out Result of Record 1987 Financial Gains

In the first distribution of the Employee Partnership Program's profit sharing plan, employees shared in \$16,516,956 of the airline's 1987 operating profits.

An average of \$3,097 was distributed by check to each of Flying Tigers 5,187 full-time employees, accompanied by a letter of commendation and appreciation from James A. Cronin, Flying Tigers president.

"Dedication and Hard Work Paid Off"

"This pay-back is tangible evidence that our dedication and hard work have paid off. Our financial performance in 1987 was the direct result of the commitment and professionalism of every part of our worldwide organization," Mr. Cronin said.

The Employee Partnership Program offers employees both profit sharing and stock ownership plans. Individual profit sharing amounts are based upon each employee's employment and compensation status. Eligible participating employees share an amount of money equal to 15 percent of the airline's operating profits (as defined in the plan) after the first \$10 million for each of the years ending December 31, 1987, 1988 and 1989 and for the first five months of 1990.

Record Profits and Revenues in 1987

Flying Tigers reported a record pretax profit of \$106,610,000 in 1987 on record revenues of \$1,191,680,000, and achieved operating in-

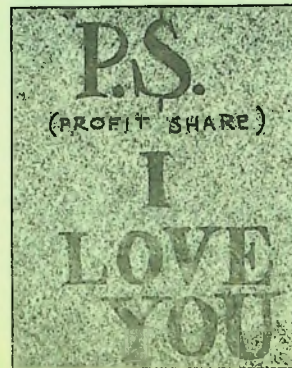
throughout the Company in 1987 and the success of our revenue generation efforts, which resulted in higher revenues in our major geographic regions compared to last year.

"The bottom line is that none of this would have happened without the willing support of our employees," Mr. Cronin said. "While the dollars received are important, the most exciting aspect of this profit sharing for Flying Tigers is that it represents tangible recognition of what our employees have accomplished. We now have in place the fundamental marketing, operating and financial resources to support our continued success."

Commitment to Quality

Since implementing the program in November 1986, Flying Tigers has focused on key parts of the business which have led to stronger revenues, more competitive costs and profitability. At the same time the airline undertook the "commitment to quality" mission designed to build superior service reliability and customer satisfaction.

An employee-drawn sign in the lobby at the airline's headquarters reflected employee attitudes towards the profit sharing distribution. It read, "P.S. (profit share), I love you."



Headquarters Plant Protection Officer Earl "Barney" Bernard penned and displayed the sign, above, on the day profit sharing checks were distributed to employees.

come of \$153,219,000 in 1987, a 12.9 percent margin, compared to \$70,240,000, a 6.5 percent margin, in 1986. Mr. Cronin said that "the airline's higher margins were a result of economies achieved

Columbus Hub Celebrates Second Anniversary

Flying Tigers' Columbus, Ohio airfreight hub celebrated the second anniversary of its operations March 3 and reported that the facility serviced approximately 10,000 flight operations and 300 million pounds of domestic and international airfreight during its second full year of operation.

With the recent inauguration of direct service from Europe to the Columbus facility, Flying Tigers is establishing an international distribution center at Columbus which integrates the airline's global system with its extensive domestic network.

Central Distribution Point

"Our Columbus operation is proving to be an outstanding and ongoing success," James A. Cronin, Flying Tigers president, said. "Columbus has enabled us to expand our domestic coverage in the United States and improve our service levels while providing a direct link to the comprehensive service we provide our customers to Asia, Latin America, Europe, the South Pacific and the Middle

East. Our hub operation coupled with our extensive operating system has allowed our customers to meet their rapidly growing global distribution requirements."

Flying Tigers began flight operations at its facility at Rickenbacker Air National Guard Base outside Columbus, Ohio on March 3, 1986. Located on an 107-acre site, the state-of-the-art complex employs 465 people and includes a 196,000 square-foot cargo sort facility which handles bulk and containerized freight.

On-site Customs, Agriculture Services

The Company's Columbus international distribution center offers a full range of services to international shippers, including U.S. Customs services, brokerage and Department of Agriculture inspection, all at one location. The Rickenbacker airport is also designated as a "foreign trade zone," which is expected to significantly expand the facility's import-export business.

Continued on Page 4.



Minneapolis is On The Move. . . Flying Tigers' Minneapolis terminal relocated to new quarters recently, becoming the first tenant of a new air cargo facility constructed at Minneapolis-St. Paul International Airport. The Company's facility, pictured above, has 20,660 square-feet of space, a 13 percent increase from its previous location. Minneapolis mechanic John Griep says of the new building, "it's really great, we are proud of it here. It is brand new, very convenient and we can do a better job as a result." For more on this story, please see page 2. —Photo by Bill Giannini, manager of terminal services—MSP

Frank Forster Named VP Maintenance and Engineering

Frank L. Forster has been named vice president—maintenance and engineering, reporting to Ronald Marasco, sr. vice president—operations.

In his new position, Mr. Forster will be responsible for the maintenance of the airline's B-747, DC-8 and B-727 aircraft fleet, as well as Facilities, Ground Support Equipment, Engineering, Quality Control, Production Control and Inventory Management functions. He most recently served as an airworthiness inspector for the Federal Aviation Administration in Los Angeles.

"Mr. Forster brings 26 years of management and technical experience in maintenance and engineering to Flying Tigers, which will contribute significantly to our organization," said James Cronin, Flying Tigers president.

Prior to joining the Federal Aviation Administration, Mr. Forster held a number of senior management positions in airline maintenance and engineering areas. He was director of engineering and quality control for Western Airlines. In addition, he spent 19 years with Continental Airlines and held a variety of positions including



Frank Forster

staff vice president-base maintenance, staff vice president-line station maintenance, senior director-field maintenance operations and director-power plant engineering. Prior to Continental, he served in the U.S. Air Force for five years as a captain and maintenance officer in the Military Airlift Command.

Mr. Forster holds a bachelor of science degree in aircraft maintenance engineering from Northrop Institute of Technology.

Facility Upgrades

Minneapolis, Miami Terminals Undergo Relocation, Renovation

Flying Tigers recently opened a new 20,660 square-foot airfreight facility at the Minneapolis-St. Paul International Airport. The new terminal will provide improved service for shippers throughout the Minneapolis-St. Paul area.

This latest facility upgrade in Flying Tigers' domestic system provides 5,516 square feet for office space and 1,680 square feet for aircraft maintenance areas. The previous facility at the airport was situated in the air cargo center warehouse development and required a shuttle truck to transfer

The new building houses Minneapolis' 43 employees. Previously, the maintenance and operations departments were located in separate buildings a distance from one another, requiring employees from each area to travel to a third location, where all aircraft were handled.

Jim Rubino, district sales manager, summarized the move's impact by saying, "we are really thrilled to be back on the airport. We've improved our efficiency greatly by eliminating the need to truck freight to and from the air-



Above, l-r: Miami Customer Service employees Martha Ginory, Toni Arsenault, Mary Van Dover and Dina Cucci pause briefly for a photo in their new office area.

--Photo by Peter Schubert, traffic agent—MIA.

cargo between the warehouse and the aircraft. The new facility eliminates the need for the shuttle by allowing cargo to be loaded directly onto an awaiting aircraft.

"Opening this new facility demonstrates our continued commitment to improving service to our customers. The time-savings gained by not having to shuttle cargo to a separate loading area allows us to extend our close-out time and to provide heightened efficiency to shippers," said Michael Coffman, Flying Tigers vice president—terminal services.

craft. Also, the office areas have been designed to each department's specifications, providing a greatly improved work environment."

Minneapolis-St. Paul is currently the 10th largest U.S. airfreight market.

Miami Gets 'New Look'

A total of 3,300 square-feet of space was completely refurbished at Flying Tigers' Miami terminal during a major renovation project implemented there recently. The entire second floor of the facility,

The Tiger Forum

by James A. Cronin

All Flying Tigers' employees should be proud of the outstanding safety record Flying Tigers has achieved over the years throughout our worldwide system. We have always stressed safe flight operations, diligent maintenance and engineering, and regular safety-related training and indoctrination, as well as sound cargo handling practices on the ground.

We have a highly skilled and experienced team of flight operations and maintenance and engineering employees whose principal tasks are in support of safe practices and operations. The recent addition of Frank L. Forster as vice president—maintenance and engineering reflects the high priority we place on safe operations, both in flight and on the ground.

In the past few months, the safe handling of dangerous goods (known officially as restricted articles) has become an issue of concern for Flying Tigers' management and key employee groups. While specific policies and procedures have been in place for many years which govern the shipment of restricted articles aboard Flying Tigers' aircraft, we have recently directed our attention to this critical area because of the increasing volume of this type of freight, the potential risks associated with the shipments and recent incidents in the passenger industry that have highlighted the need to reemphasize the safe handling of these shipments. During 1987 and 1986, we handled 39,708 dangerous goods shipments and, of those shipments, 99.9 percent were transported without incident. The Company's principal objective is to achieve 100 percent reliability in the handling of these commodities.

In recent years, as our overall worldwide business has grown, we have been asked increasingly to carry freight for which proper handling is essential to public, employee and aircraft safety. We have developed a worldwide reputation for our expertise in handling dangerous cargo. As a result, revenues from this type of airfreight represented approximately 2 percent of our total revenues in 1987. This business obviously has considerable economic significance to us. At the same time, we intend to maintain the highest possible record for safe operations.

In December 1987, in response to expressions of International Association of Machinists (IAM) member concerns, I wrote to Louis Schroeder, IAM District 141 president, and requested that a joint committee of Company and IAM representatives be formed to review all of our current policies, procedures and practices and make recommendations for change where necessary. As a result, the Dangerous Goods Task Force was formed in January 1988.

The group held its third meeting on April 7 in Columbus. The initial Task Force meeting was held in Chicago in January and the second, in February, at JFK. The group will meet on a bi-monthly schedule at various Flying Tigers locations.

The Task Force group includes representatives of senior management, the IAM and ALPA (Air Line Pilots Association), and Company specialists in the handling of dangerous goods. Flying Tigers' senior management representatives are Mike Coffman, vice president—terminal services and Chuck Thomson, vice president—human resources. The IAM representation is headed by Andy Buttafuoco, IAM Assistant General Chairman, and supplemented by local IAM employees based upon each meeting's location. ALPA is represented by Mike Healy, B-747 first officer—SFO. Other employees on the committee are Verne Daker, senior services supervisor—LCK; Bill Rose, manager flight operations—JFK; and headquarters employees Susan Burdett, training specialist; Mike Cukor, general manager—maintenance; and Ken Snow, supervisor of special commodities. Additional support people from the Company, IAM and ALPA are attending the meetings, depending on their areas of expertise and the subjects to be covered.

The focus of the Task Force to date has been in four major areas: (1) Review of current practices and procedures; (2) Review of recent incidents and our responses to them; (3) Upgrading and training for key internal personnel at all locations where restricted articles are handled; and (4) Education and training for shippers and truckers on the proper handling of potentially dangerous goods.

Specific areas under review include trucking and dockside procedures where freight is accepted into our system; the storage of dangerous goods awaiting shipment; the return, movement or disposal of goods which do not conform to our standards; close coordination between customer service and shippers; load build-up procedures and controls; crew inspection and notification; and loading procedures inside the aircraft.

The overriding mission of the Task Force is to ensure procedures which support the ongoing safety of our ground and flight personnel throughout the system while providing the highest level of service possible to our customers. It is significant that the group is undertaking a collaborative effort to make sure that our dangerous goods policies and procedures are complete and consistently well executed.

Three recent Task Force recommendations call for: (1) At the suggestion of Mike Healy, the relocation of dangerous goods cargo with orientation markings (arrows) to the main deck, from the lower deck, to ensure easier accessibility and shipment integrity; (2) Placement of the dangerous goods computer-based program at a designated Latin American terminal to provide additional information to shippers on packaging and documentation; and (3) Developing and monitoring standards for disposal of dangerous goods shipments which are abandoned or damaged at the airline's facilities.

In a related area, I would like to comment on Flying Tigers' compliance with respect to the Federal Aviation Administration's (FAA) Minimum Equipment List (MEL) regulations. The design redundancies associated with aircraft and engine systems are directed to flight integrity and safety. In light of these redundancies, the MEL is a federally published and sanctioned list of instrumentation and systems which are allowed to be inoperative under certain conditions. Much has been written about MEL requirements during the last few months and a new, intensified FAA safety campaign, which has been implemented by Administrator T. Allan McArtor, has received considerable nationwide news coverage during the past two months.

Flying Tigers is a firm supporter of the FAA initiative which is to repair any MEL items as soon as possible, normally at the next layover station. The new MEL procedure in effect requires that items to be corrected are prioritized and repaired based on the following categories: "A" items are to be repaired within a definitive hourly time limit; "B" items must be corrected within three days; and "C" items must be corrected within ten days.

Our Maintenance and Engineering Division is charged with the responsibility of managing Flying Tigers' compliance. They have adopted a very aggressive procedure which involves a detailed reporting and a computer-monitoring program to assist the Maintenance Operation's Control Center in planning and implementing corrective actions at various points throughout the world.

which houses the administration, customer service and sales areas as well as the lunch area and locker room, was reconfigured to allow maximum utilization of available space. In addition, new carpeting was laid and new furniture including cubicle walls, desks and chairs installed as well as new ceiling tiles, lighting and telephone systems.

Actual construction began in October 1987 and continued through the end of November. The last of the new furniture on order for the renovated areas was delivered in March, completing the project.

As a result of the refurbishment, each department has increased its working space substantially and has established a more efficient

set-up of their respective working areas.

According to Ralph Caccia, manager of terminal services in Miami: "This refurbishment has had a major impact on the efficiency of our operations here in Miami. Very simply, the renovation has increased morale substantially and given the employees at Miami a sense of identity. The new decor has created a professional atmosphere."

That statement represents the consensus of opinion of Miami employees. Patricia Dixon, customer service representative, remarked, "the new quarters have made such a difference. It's wonderful that it finally happened. It is

like working in a whole new place."

New Site for JFK Pick-up/Delivery Dept.

Flying Tigers' pick-up and delivery department at JFK has moved to a new location and has been upgraded to provide more efficient service reliability. The new site, which had previously been occupied by another airline, is located in Hangar 6. This move constitutes a 50 percent increase in breakdown capability and a 40 percent increase in truck operations, allowing Flying Tigers to simultaneously handle twelve breakdown areas and ten delivery trucks. This additional capacity has enabled the airline's JFK operation to

Continued on Page 4.

VP Cyril Murphy Outlines Marketing's Function in Company Operations

Cyril D. Murphy serves as vice president—market planning for Flying Tigers, responsible for market development, pricing, industry and product development, marketing services and schedule and capacity planning. Mr. Murphy joined Flying Tigers' maintenance division in 1966 while working his way through college. He was awarded a scholarship from the International Association of Machinists (IAM) and graduated summa cum laude from California State University, Dominguez Hills in 1973 with a bachelor of arts degree in political science. Mr. Murphy took a leave of absence from Flying Tigers to attend Harvard Law School, graduating in 1976. Upon his return to Flying Tigers, he served in a variety of management positions in the marketing and government affairs departments where he participated in the formulation of policy matters regarding regulatory and industry affairs and facilitation. Mr. Murphy was promoted to vice president—international and governmental affairs in March, 1984 and was named to his current position in July, 1987. Previously, he served as senior executive director of government and public affairs. Flying Tigers Review interviewed Mr. Murphy on March 29.



Cyril Murphy

Q. You had previously worked in the marketing department before becoming vice president—market planning last year. What challenges do you face having returned to manage this department?

A. I'm very pleased now to have a second tour of duty in the marketing department. I was in the department back in 1978, when we had a very good and profitable year. Then, the marketing department was very active and well respected in the industry. After 1978, of course, we ran into a number of problems: skyrocketing fuel prices; the advent of high interest rates; and the worst recession in the United States since the Great Depression. In addition, and largely as a result of these developments, the Company ran into some severe financial problems in the early and mid 80's.

Having returned to the marketing department in 1987, after we have gone through all of these difficulties, I have found a department that has been transformed considerably. Most noticeably, the number of people we have in the department is down substantially from 1978 and the focus of the Company has also changed. To summarize our current position, Flying Tigers and the marketing department are now in the midst of an exciting recovery, really a resurgence, from the severe financial and related problems we had.

So it presents a very interesting challenge to return to this department. One way I have looked at that challenge is to see it as an opportunity to restore the marketing department to a position of clear industry leadership. That is one of the things which attracted me to the job in the first place. Having been in this department when it was at the top, I was attracted by the opportunity to be a part of restoring it to that position.

Q. What was the condition of the department when you rejoined it last year?

A. The department was on solid footing when I returned in 1987. Most importantly, I found a strong corps of people around which to rebuild an organization. And I was rather fortunate in having been preceded by two people that have made my life a lot easier, Jim Cronin and Larry Goodwin. In the first part of 1987, they spent a good deal of time and effort developing a comprehensive marketing plan. So I fortuitously came into a situation in which two key factors were already in place: excellent people with a good deal of experience and a marketing plan that we are united in pursuing.

My job has been to take that group of people, those resources, and apply them to the requirements that the marketing plan has laid out for us.

Q. How did you begin to achieve that goal?

A. One of the key tasks we have

focused on is organization. Several years ago, the department had been organized, actually had been decentralized, along geographical lines. In early 1987, we decided to develop a more centralized department. I began by completing that process, which had already been initiated under Jim Cronin. There were still some loose ends that had to be finalized, and we have done that.

Q. Were there any other organizational changes that you have made?

A. We have now organized the department into four functional areas. The first area, marketing programs, is headed by Greg Smith. The basic purpose of this group is to focus on the tactical implementation of marketing plans and programs. The primary responsibility of the marketing programs group is to interface with the other departments in the Company, with the field organization and with other divisions within the marketing department itself. This responsibility is very much hands on and tactical. The group makes sure that the programs that we already have in place are working. And if they are not working, the group comes up with solutions for fixing those programs.

The marketing programs group will work closely with the pricing and industry affairs group, which is headed by Dick Brannon. This group is also responsible for a very tactical orientation, the day-to-day pricing of our current products. In essence, the ultimate mission of the pricing group and the marketing programs group is to focus on our current operations and programs, ensuring that we are maximizing the revenue that can be earned by the assets the Company has employed in the marketplace.

Then we've developed two other groups. The first one is marketing communications and administration, headed by Carl Asmus. In this group we have consolidated a number of functions that are essential, again, to the day-to-day operation of the Company: the market forecasting group, which provides us with the basis for future planning; marketing information systems, which provides a basis for analyzing what has happened historically and what is happening today, in terms of the results we are producing; schedule planning, which looks both to the day-to-day operation and to the future in terms of planning our schedules and the deployment of our aircraft; advertising and sales promotion, which interfaces with the sales department in terms of supporting such things as trade shows and other sales activities, and also supports our sales efforts in developing advertising, both print and radio, and other collateral material.

Finally, we have a fourth group, the product and market development group, headed by Gene Ochi. This group can be considered the heart and soul of any marketing department, because it is principal-

ly responsible for developing the products and the markets that will ensure that we have a future. And while they work as a support group for other groups in the marketing department and in the Company, their primary responsibility is to look to the future. This group is charged with developing innovative programs, products and new markets to ensure that as the world changes, and the marketplace changes, Flying Tigers is going to be able to stay in front of that change, and in some cases, shape that change.

Q. What changes in the airfreight marketplace are most affecting our marketing operations?

A. The traditional approach to providing airfreight transportation is rapidly changing. This traditional approach involved a multi-party transaction made up of the shipper, a middleman in the form of a forwarder or a cargo agent, and then a line-haul operator in the form of an air carrier. Changes are occurring at both ends of this transaction. The shipper on the one hand is looking to develop a more comprehensive approach to logistics distribution. He's not simply looking at doing business with an air carrier or with a trucker or with a steamship line. He's looking at developing a transportation department that on a global scale will allow him to maximize his ability to get his products to market on a timely and economical basis. That's a much more professional, cohesive approach to logistics distribution.

In the past the shipper tended to look to the carriers or to the middleman, the agents and forwarders, for that kind of expertise. Today he's developing his own expertise.

The carriers, on the other hand, have developed their own innovations. Probably the best example is the kind of integrated carrier that performs both the role of line haul carrier and the middleman and integrates that function together to achieve certain efficiencies. Integration allows carriers to hold out a higher level of service to the customer, the shipper.

So you have these two forces coming together. The shipper on the one hand, who's developing a more professional approach to logistics, and the carriers on the other hand, who are engaging in their own innovations to provide a higher level of service. Any carrier, forwarder, or agent who doesn't recognize the changes that are taking place is likely to get left by the wayside.

Q. What is Flying Tigers doing to meet this challenge?

A. At Flying Tigers, we have been well aware of this change. We are well aware of it because we are very much involved in the domestic marketplace where it originated. And we see the changes now spreading out into the international marketplace, which is the key market for Flying Tigers.

We have been working very hard to develop a competitive response to these innovations, and fortunately, the Company's renewed financial strength is going to give us the resources to be able to adapt, to be able to change. Without that financial strength we may well see the future, but be powerless to do anything about changing to meet it. With the restored financial profitability, we are now able to look at the future and invest in changes to ensure that we are going to remain competitive by responding to and shaping that future.

Q. What specific changes are we initiating?

A. The first program we have to respond to these kind of innovations is the development of an international distribution center. Essentially we are developing our domestic and international systems into an overall, globally integrated network of transportation services, focused on our hub operations in Columbus, Ohio. Two years ago, when we began operating our Columbus hub facility, it was primarily a domestic hub operation, and was focused as such. We are now in the process of adding international operations at Columbus, and as we integrate those two, we have the capability to flow goods through any point in the world to which we provide service, and to some points which we don't provide direct service (offline points). We are also going to be providing service through a network of agents and interline operations, and flow those goods into and out of the United States through Columbus and through the domestic system that we have developed around Columbus. That is really the essence of our new operation, the integration of those two systems in a way that has not been done before.

Q. What will be the benefits of these changes?

A. This integration gives Flying Tigers certain competitive advantages. There is no other U.S. carrier or foreign carrier that has what Flying Tigers already has, a fully developed international and domestic system. And there is no other carrier, we believe, that is in a position to integrate those two into a combination of viable, operating realities as Flying Tigers is able to do with Columbus. So we are ideally situated to achieve this integration. It is going to be up to us to make it successful, and particularly

it is going to be up to the product and market development group to make it successful.

Q. How soon do we expect to integrate the two systems?

A. We expect that we will be implementing the international distribution center this year. After 1988, the way we operate this Company will be different than anything that went before. It will not be the same kind of operation. It's going to take time to do that, but I believe that 1988 will be seen as the year in which that important process was begun.

Q. What other kinds of marketing changes are we implementing?

A. The second major project that we've assigned to Gene Ochi's group is the development of a yield management system. We are in the process of fully staffing his department for that responsibility. There is no established airfreight yield management system that is available off the shelf. It presents challenges that have been met on the passenger side, but those challenges cannot be met in the same way on the cargo side. We are now working very closely with information systems and one or more outside vendors in conjunction with the marketing department to develop a yield management system that will be an innovation in the industry.

Q. Can we define yield management system?

A. A yield management system really is, in the long run, a yield enhancement system. It offers a method of managing our business that will enhance the return that we get on our assets. This can be accomplished two ways. One is just having better information available to us for decision-making. For example, the pricing department will be able to collect a lot more information than it can today, in terms of pricing a particular product in a particular lane segment in a particular market for a particular customer for a particular size shipment. If all that can be made readily available for the pricing analyst, he should be able to enhance the efficiency of his decisions, and also the effectiveness of his decisions. We expect that just in the area of information enhancement for the pricing analyst, we can achieve a modest improvement in our return. Of

Continued on Page 4.



A comprehensive meeting was held in March at Flying Tigers' facility in Narita, Japan to formulate the airline's 1988 recurrent dangerous goods program for its Asian terminals. In attendance at the meeting, which was conducted by Headquarters employees Mark Taylor, manager—training administration, and Al Hollander, senior dangerous goods instructor, was, above, seated l-r: Yeong-Koo Lee—Seoul; Takashi Matoba—Osaka; Edward Wong—Taipei; Romeo Bautista—Manila; Haruhiko Yamaguchi—Narita; Kia-Sing Boon—Singapore; Yiu-Wing Hui—Hong Kong; and Yoshihiko Okada—Narita. Standing, l-r: Headquarters employees Mark Taylor and Al Hollander.

Personnel Update

Bassett Appointed Regional Director Maintenance for Asia

Jerry Bassett has been named regional director of maintenance—Asia, reporting to Michael Cukor, general manager—maintenance. Most recently maintenance manager at Narita, he will be responsible for all maintenance activities in Asia. A 12-year employee of the airline, Mr. Bassett is based in Tokyo.

Greulich Named Services Director, Central Region

Dave Greulich has been named services director—central region, responsible for the overall terminal services activities within the airline's central region. He reports to Michael Coffman, vice president—terminal services.

Most recently district sales manager in Chicago, Mr. Greulich has been with the Company nine years. He will be based in Chicago.

Lee is Manager Hong Kong

K.L. Lee has been named manager—Hong Kong, reporting to Brooke Harwood, general manager—China and Southeast Asia. Mr. Lee, who previously served as terminal operations manager in Hong Kong, joined Flying Tigers in 1969 as a freight supervisor. He will have responsibility for marketing, sales, government and community affairs in addition to his previous duties of terminal administration and aircraft operations.

Murphy Interview...

Continued from Page 3.

course, this will require investments and new automated systems to provide him with better information upon which to make decisions.

On a longer term basis, the real returns in yield management come in the area of inventory management. That is, we will manage inventory to ensure that we are selling products at the most appropriate price. Today, we have a manual system of controlling the allocations of our capacity. With the inventory management system, we will have better control over that capacity, and will be able to allocate that capacity more closely and link it to the prices it can bring in the marketplace.

The combination of more information being available to the pricing analyst plus more direct control over the inventory that we place in the marketplace should enable us to enhance our yields.

Q. What do we need in order to reach this goal?

A. We face some real challenges. One of the reasons we have not fully staffed for this responsibility yet is the difficulty in finding the right people for the job. They are going to have to create the system from scratch. There isn't a manual for developing sophisticated cargo inventory or yield management systems. So it is going to be a difficult challenge.

Q. At what point of development is the system currently?

A. We explored the various alternative approaches to ensure that we were headed down the right track. We've reached a point where we are ready to move ahead. It is going to

be essential that we now find key people and get them on the job.

Q. Are there any additional computerized systems being developed to aid in marketing our services?

A. Another area of development that we are actively engaged in is the introduction of EDI systems. EDI stands for Electronic Data Interchange. It's essentially defined as computers talking to computers. That is a rather narrow technical term for something that is much broader in scope and actual practice, and has very significant marketing implications.

Information systems programs such as EDI provide high value-added services to customers that combine marketing advantages with improved customer-linked services and operational efficiencies. Our new MICA (Management Information of Core Activities) program supports the marketing, planning and operations aspects of our business, and will be used as the foundation of the Company's operations database. It is based on airbill data, customer information and flight data. Bar coding is a major system in development which, through the use of bar code labels and scanning equipment, captures movement information on domestic and international shipments and paperwork. Our new automatic labelling system provides faster identification and handling of freight and represents a significant customer benefit.

We think the systems we have already developed and are already beginning to install lead the marketplace in terms of what they're

capable of doing for the customer.

Eventually, we envision a system that will allow shippers to talk to agents, agents to talk to carriers, and carriers to talk to government agencies such as the Department of Agriculture or U.S. Customs. We can then in effect operate in a paperless environment, so that the entire processing of an airfreight movement will be an electronic processing. Today we really have a paper processing system designed to complement the physical movement of the freight. In the future, we want to eliminate that system and go to a 100 percent electronic processing system so that a shipper will never see a piece of paper.

Even the ultimate payment will not necessarily involve any paperwork. So one can envision a system in which the physical movement of freight involves no paperwork at all. That is what we're working toward.

In the long run, EDI is one of the most exciting innovations that is going to take place in the industry. If we look back at 1988 as being a historical turning point for Flying Tigers through the integration of its international and domestic systems, I think we'll also probably look at 1988 as when EDI systems came of age.

I believe, in summary, that the organizational changes and innovative developments we are pursuing allow us to move ahead with a good deal of confidence. Clearly we have our work cut out for us, but I feel good about the Company's prospects and the contribution the marketing department can make in achieving our objectives.

Flight Attendant Reunion

The first reunion ever to be held for current and former Flying Tigers flight attendants is scheduled to take place on June 4 and 5, 1988 at the Los Angeles Airport Hyatt Hotel. In preparation for the event, the reunion organizing committee is seeking the assistance of employees who can supply the names and addresses of all former Flying Tigers flight attendants (please underline the family name used when employed with the company). Send information to: Judy Curtis, 22532 Sunlight Creek, El Toro, CA, 92630.

Events planned during the reunion weekend include: Saturday, June 4, 1 p.m.—a tour of Flying Tigers crew control and flight training departments at

the Company's headquarters facility in addition to a tour of the airline's B-747 passenger aircraft LV-MLO. At 5:30 p.m., a no-host cocktail reception will be held at the Hyatt Hotel, followed by dinner. On Sunday, June 5, a champagne brunch is scheduled to begin at 11 a.m. which will feature a fashion show highlighting Flying Tigers flight attendants' uniforms worn through the Company's history.

A memory book covering the pictorial history of the airline's flight attendants will also be for sale at the event. For further information concerning the reunion, please contact: Marge Hough, director of inflight services, mail code HDQ T100, extension 60698.



A Caterpillar 800 kilowatt diesel generator was installed at Flying Tigers headquarters recently to provide a back-up source of power in the event of a commercial power outage. The standby generator, shown above as it is lifted by a 40-ton hydraulic crane into the blockhouse where it will be stationed, will provide back-up power to all computer and communications equipment in the Information Systems Computer Center and the Operations Control Center.

Columbus Anniversary...

Continued from Page 1.

"We continue to enjoy the enthusiastic support of local government and community officials in Columbus." Mr. Cronin said. "The Rickenbacker Port Authority, the Franklin County Board of Commissioners, the State of Ohio and the cities of Columbus and Groveport have all had important roles in the growing success of our hub operation."

Hub employees celebrated the occasion with several cakes displaying the airline's B-747 aircraft and a "Happy Second Anniversary" message. The hub's Director of Terminal Services, James Murray, said of the facility's operation: "It's a great source of pride to work with such a dedicated, highly productive group of employees as we have here in Columbus. We've grown significantly in our first two years of operation, and look forward to many more years of continued growth."

Many "firsts" were recorded during the hub's second year of operation including: 1.4 million pounds of traffic was processed through the hub on December 22, 1987—a

five percent increase over the previous record; 102,722 pounds of traffic was loaded on a DC-8 flight in December—marking the first time a DC-8 aircraft has been loaded to its maximum weight capacity at the hub; and the first scheduled flight operating from an international point directly into Rickenbacker was inaugurated, also in December.

Facility Upgrades...

Continued from Page 2.

expedite shipments processed through this distribution point.

JFK's main objective was to increase operating efficiency and improve service reliability through earlier truck departures. Skip Gee, JFK lead ramp serviceman, played a key role in the planning and follow-up of this project. As a result of this undertaking, optimal time standards for the loading and departure of outbound trucks have been accomplished.

FLYING TIGERS **review**

Published by the Corporate Communications Department, Flying Tigers, 7401 World Way West, P.O. Box 92935, Los Angeles, CA 90009. Co-mail: HDQ-905.

Flying Tigers is a Tiger International Company