

**MESABA  
NORTHWEST ORIENT**



To: All Fellow Employees

June 11, 1986

From: Robert D. Swenson  
President and CEO

Congratulations to everyone for our record passenger boarding month in May when we carried 16,853 passengers, up from our previous record of 17,737 passengers in March. In June, we are optimistic that we should carry over 24,000 passengers marking our transition into a larger regional carrier.

In the last employee letter, I stated that it would probably be my last in this format due to our good intention of putting out a scheduled monthly newsletter. Well... due to the workload in Public Relations and Advertising with all of our new market transitions, I am pleased to be writing this letter and I apologize for our delay.

All of our departments have been extremely busy preparing, planning and implementing both the new Metro III programs and executing the closing of six stations and the opening of four new stations during this past 45-day period. This is truly an exciting time for all of us; however, I must admit that there were days when it may have been more exciting than desired.

As you well know, we have exited Mankato, Fairmont and Worthington due to our loss of the Essential Air Service bid. In addition, we left Fort Dodge, Mason City and Omaha once the Department of Transportation informed us that we would not be eligible for further Essential Air Service funding due to Republic Express serving Fort Dodge and Mason City with four daily round-trip flights subsidy-free.

We had served Fort Dodge and Mason City since December of 1982 with a great deal of success. Initially, we received \$775,000 in government subsidy a year. As we began increasing passenger boardings and stimulating traffic, we were able to reduce the EAS funding needs to approximately \$400,000 per year. Last year, with two round-trips and this amount of subsidy, we were able to generate a profit of approximately \$40,000 in those markets.

I am sure that you find it curious, as do I, how it is possible to double the capacity in such a market and be profitable WITHOUT any government aid? I spoke recently with the airport manager in Mason City, who told me that effective July, Republic Express is down to only three round-trips to

Minneapolis/St. Paul - without service to Omaha. With the numbers as they now stand, we anticipate an opportunity to return and serve both Fort Dodge and Mason City at some later date in the future. But, in the short run, the entrance of competition into these Essential Air Service markets has given us the aircraft and capacity available to enter into more lucrative markets such as Cedar Rapids, Moline, Des Moines and Central Wisconsin. We have been moving with positive changes on our route system as rapidly as possible.

How do you like the new F27 paint schemes? We were able to use the five weeks between our fifth F27 delivery and the additional service start-up to design and implement the new scheme. I am very pleased with the results and I appreciate all of the help and support we received with the project. We now have a unified look of which we may all be proud.

A special thanks to all involved with the Metro III program for the successful transition. We have now taken delivery of all seven aircraft and all will be in full service by the 15th of June. These aircraft are an incredible addition to our fleet and I am sure that everyone can see the results beginning to occur.

On the subject of safety, we need to constantly assure ourselves that all areas of operations are conducted safely and, also important, documented with the proper paperwork, records and files. Not only must everything be done safely, properly and to the satisfaction of our specifications and governmental regulations, but everything must be properly recorded and documented. Please pay special attention always to these areas.

On security, please ensure that your badges and ID's are current and properly displayed when necessary on airport property, in Company vehicles or on Company property. Due to FAA requirements, the safety of our passengers, personnel and equipment, I urge you to politely request to see an unfamiliar person's ID or ask politely if you can be of assistance. Then, direct that person or party to the appropriate Company contact. It is important that all of our personnel take an active role in security.

With regards to reliability, I am pleased to report that significant progress has been made and that with some further refinements and improvements, we will be running completion and on-time performance at a high target level for circumstances that we can control. Unfortunately, we are currently taking a high number of ATC delays which are presently accounting for the majority of our delays.

Profitability has been hard to come by during the past six months. Between our own prior cold weather reliability problems, industry-wide fare wars, the weather and new market



start-ups, we have lost several hundred thousand dollars in operations. Last week we released our annual earnings, for the year ended March 31, 1986, which showed a small profit of \$201,000 on sales of \$13.7 million. This is certainly not anywhere near the profits that we need or desire. However, we believe that with our excellent long-term record of reliability on track again, the Metro III's in our fleet, favorable preliminary traffic indications in our new markets and carriers like People's Express returning to more sane pricing strategies, we should be able to return to profitability. I would be the last one to tell you that this is an easy business; however, I believe that our Company possesses the right people and opportunities to be the best in the industry. At a time when many regional/commuter carriers are experiencing difficulties, shutting down, merging, being bought out, laying off people or taking wage cutbacks, we have continued to be one of the top five growth regional airlines in the country while maintaining profitability. With improvements in profitability, we will continue on this track and shine brightly in our industry.

Let us all keep in mind, that with our system-wide capacity more than double what it was last summer, we need to carry alot of passengers. It is important to remember that our passengers pay our wages, pay for our fuel and equipment and that, without them, we would be out of work. When delays occur, or when weather sometimes seems unbearably hot or cold, please remember that our passengers are everything to us and ..."Smiles, everyone, smiles!".

The acquisition of Republic by Northwest is getting closer to approval. The Department of Transportation's legal staff recommended the approval and called the acquisition "Pro-competitive" rather than "Anti-competitive" and stated that they would discuss their opinion with DOJ. It is with great certainty now that the acquisition is moving forward and I would look for combined operations beginning in the early Fall. As you might expect, we believe we will continue as the major feeder for Northwest in its Minneapolis operations and that we will continue to expand.

It is with great sadness, that I inform those of you who are not aware of it, that a fine employee of ours, David Weier, drowned in a tragic canoeing accident on May 12, 1986. David worked with us at our Minneapolis station operations where he had recently gone full-time from part-time. He was a gifted singer, loved the outdoors and wildlife and was working towards becoming an airline pilot. He touched the lives of many and is sadly missed. Should you desire to send something, the family has established a David Weier Memorial Fund for the choir with which he sang at the Holy Trinity United Methodist Church, in Prior lake, Minnesota.

Our hangar project is proceeding along just fine. We

received lease approval from the Metropolitan Airports Commission on May 19th and our plans and blueprints are reaching their final version. The next step for us is to secure financing and begin the bidding process with the contractors. We are hopeful of beginning construction this Fall with occupancy by mid "87".


Alice Ferdinand and our Personnel Department have made another excellent employee benefit available with the addition of our recent Twin City Credit Co-op Union. I hope that those of you interested in this service have either received the information you desire or have enrolled in the program. You may contact Personnel with any questions you might have. In addition, Dave Knudson, the personnel Department and I have begun work on a retirement program that the Board of Directors will be reviewing once it is in its final form. I hope this 401K type program will be in effect by this Fall.

Dee Funton, in charge of our Pass Bureau, (in addition to Reservations), is continually working to add to our pass agreements with other airlines. With several new airlines added to our eligibility list, pass travel is now available almost world-wide. We are still awaiting a response from Aeroflot!

Our Company picnic is scheduled for Saturday, August 2nd and is to be held at Antler Park located in Lakeville, Minnesota (15 miles south of Twin Cities on 35W). It should be a great chance to get together for a day of fun, games and visiting and hopefully the weather will cooperate. More information regarding food and time will be released at a later date.

This has been a long letter, but certainly a necessary one. On behalf of our entire Company, we would like to welcome all of our new employees aboard. Together, let's go out and shatter our old passenger boarding record this month. Best wishes for a great summer!

Best regards,

  
Robert D. Swenson  
President and CEO