

# MESABA ON THE MOVE

A MONTHLY NEWSLETTER PUBLISHED ESPECIALLY FOR EMPLOYEES OF MESABA AIRLINES

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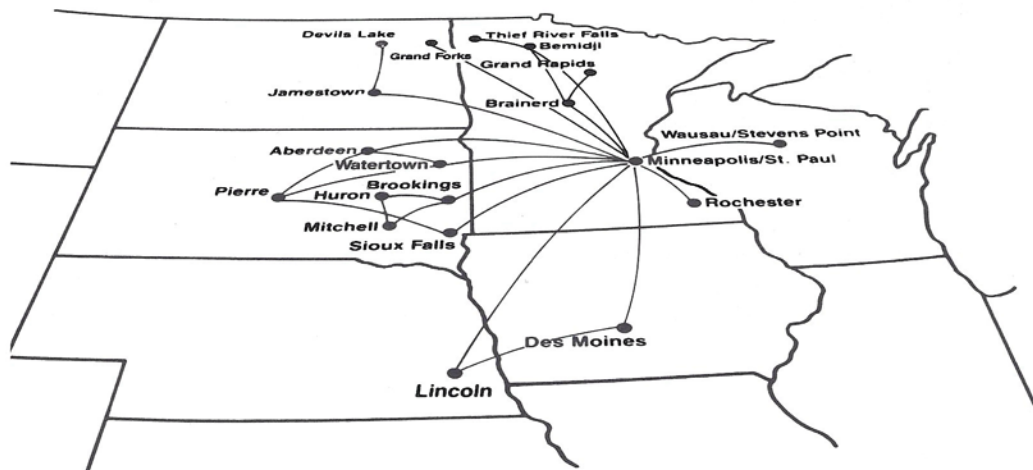
## NEWS UPDATE

### October Route Realignment

Effective October 1, 1986, Mesaba's route system undergoes a significant realignment, a response by the Company to better serve with regional traffic the newly merged route systems of Northwest and Republic Airlines. Included in the change is the addition of the three cities; Lincoln, Nebraska, Grand Forks, North Dakota and Watertown, South Dakota. Cities that Mesaba will discontinue service to include; Hibbing and Duluth, Minnesota, Rapid City, South Dakota, Moline, Illinois and Cedar Rapids, Iowa.

In a release to Mesaba employees, Rob Swenson, President and CEO of Mesaba, said the realignment decision, though difficult, would enable Mesaba to increase its system-wide load factor and revenues. He said, "Our strong markets, improving yields and increasing load factor should enable our new system to have a very favorable impact on Mesaba's bottom-line within a relatively short time."

Essentially, the realignment can be deemed a necessary one for two reasons; First, there was little doubt that Northwest would need to honor its contractual agreements with Phoenix Express, a regional carrier serving Republic Airlines, that it inherited through the acquisition of Republic Airlines. From an efficiency standpoint, markets will be much better served with one regional carrier rather than two and the realignment reflects the positioning on the part of both Mesaba and Phoenix Express. Mesaba maintains its long-held dominance as a regional carrier in the Twin Cities hub and Phoenix



Mesaba route system effective October 1, 1986.

Express moves further west to serve the more competitive Milwaukee and Chicago hubs in addition to some service still into Minneapolis from several markets.

Secondly, in order for Mesaba to continue expanding in its regional service, it becomes important to strengthen the Company's balance sheet. By continuing to strengthen service into the Twin Cities from many good Midwest markets, which the realignment will do, Mesaba will be positioning itself for a stronger financial fiscal year.

### Tax Relief for Metro III's under New Tax Bill

Mesaba has been granted relief, in a transition rule, from changes in the investment tax credit on the new fleet of Metro III aircraft, according to staff members from Senator Jim Abnor's office. Rob Swenson called the relief great news for the Company and a major accomplishment, because, "We were the only Company that the Regional Airline Association knew of that made such an effort to secure a transition rule."

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### Mesaba to emphasize Charter business

Moving quickly to fill a rapidly growing market in the 19- 50 passenger chartered aircraft business, Mesaba Board of Directors committed to beginning working closely with resorts, schools, businesses and other interested parties to secure a full service charter business with the extra aircraft capacity that is available in the Company's fleet of Fokker F27's and Metro III's. The business will be marketed through direct mail and sales contacts.

Philip Swenson, Vice President of Planning, said the charter business is a "solid way to utilize aircraft capacity that is not in scheduled rotation." By using long-range planning, the business could be very successful and aid many interested groups in their travel arrangements. Already, Mesaba has booked a number of groups on both Metro and Fokker charter flights, including several University of Minnesota athletic teams on their out of town games.

For further information on rates and travel accommodations, interested persons should call Dee Chanton, Manager of Reservations and Charter Information at (612)-726-5151 in the Twin Cities or Toll Free in Minnesota at 1-800-662-5782 or in SD, ND, WI, NE and IA at 1-800-346-3540.



# THE EAGLE'S NEST

LETTER FROM THE PRESIDENT

By Robert D. Swenson

## Greetings to All Employees

Greetings to all employees and best wishes for an enjoyable October. During this busy time, I hope everyone is having the chance to enjoy the beginning of the cool fall season.

In August and September, we carried 27,217 and 24,540 passengers respectively. Both were not record months, but being up from 12,952 and 10,953 passengers carried last August and September, you can see the progress we have made in one year's time. With the higher level of passenger traffic, it is important for all of us to continue emphasizing good customer contact with all of our passengers. I realize that with the Northwest/Republic merged operations, some operational areas have been affected short term (e.g. bags, connections . . . etc.) so now it is extra important to give personal friendly service so our passengers realize that we are concerned about giving them the extra 5 yards of service.

At our Fall board meeting, our Company's Board of Directors voted to establish an aircraft charter division within our corporate structure. Basically, what this means is that we have extra aircraft capacity built into our new schedule that will allow us to market group charter sales. We believe there is a real need in the 19-48 passenger level service and we will be meeting that demand.

As many of you have heard, the new tax law, if signed by the President, includes a transition rule which exempts Mesaba from the repeal of Investment Tax Credits retroactive to January 1, 1986. The transition rule means that our lease rates on our Metro III's will remain at current levels, and not increase as they would have with the change in Investment Tax Credits under the new tax law.

Sometime during the next few months, we may be required to relocate our Minneapolis operations from the Gold Concourse to the Green Concourse. As we learn more specifics, we will keep you updated.

Goods news from our Personnel and Finance Departments! Effective January 1, our Company will initiate a Retirement Savings Plan (401.K Plan) for our employees. The plan is designed to allow employees to contribute up to 10% of their income to one or several funds in the investment plan. The following points outline the program:

1. For each payroll deductible dollar an employee contributes, Mesaba will contribute 10% (up to 6% of the employees gross income).
2. After maximum payroll contributions, employees may also make after-tax contributions or roll IRA funds into the plan in an effort to consolidate their programs.
3. The plan will be available for employees who are at least 21 years of age, who have one year of continuous service with Mesaba and who work at least 1000 hours per year.

The money contributed into the program is a pre-tax deduction from gross earnings which reduces state & federal withholding taxes. I believe the program will be a very good savings and retirement program and I hope that all employees will take advantage of the plan. If you have any questions regarding the program, call Alice Ferdinand in Personnel. The program starts January 1, 1986.

Keep up the good work.

Rob

## Newsletter and Winner Named

With popular support, the new title for the newsletter has been chosen as "Mesaba on the Move", a title submitted by Jackie Grothe (Reservations).

According to a panel of non-biased contest officials, the title was chosen for its very recognizable association with Mesaba and the current and future growth of the Company. The name also brings an exciting ring to what we hope will not be a boring newsletter.

The search for a title to the newsletter was certainly not a runaway by any stretch of the imagination. The contest drew 48 suggestions and imagination there was! Submitted by John Burnett (Purchasing), and several others was "As the Propeller Turns". Though, perhaps, applicable for John's departmental newsletter, it was deemed inappropriate for a Company piece. Milton Allen (GPZ CSA) turned in "The Mesaba Excalibur" and Sharon Muga (Personnel) submitted, "Fuselage Fuss" as a possible heading for the publication. Both good, but not chosen. And runner-up title in the contest was Al Michelson and Carl Millikan's (Maintenance) imaginative title, "The Red, White and Blue," reflecting the aircraft fleet's paint scheme. And many, many more!

Congratulations to Jackie and many thanks to all who participated in the contest. We keep looking for suggestions to make the newsletter a better one for everyone.

## Travel Pass Benefits:

### Used correctly; a great benefit

Feel like travelling? Looking forward to getting away this winter? If you are a full-time Mesaba employee and have worked at least three or six months, you should be aware that very attractive pass benefits are currently available to you on at least 32 other major and regional airlines nationwide. But there are a few things that you should know:

The Mesaba monthly newsletter is published, written and circulated by Mesaba's Public Relations department. Any comments regarding the contents of the newsletter may be directed to: Newsletter, Comat MSP, XJ.

1. All employees should have a Pass Policy Booklet that is periodically updated by the Pass Bureau. Each time you receive your revisions, put them in your existing booklet so as to keep your records continuously updated. If you have misplaced your booklet, which explains rules and provisions governing pass benefits, you may receive one by seeing your supervisor or contacting the Pass Bureau.

2. You are responsible for knowing the rules surrounding flying at reduced rate on other airlines. Dress, reservations, check-in and other procedures MUST be followed correctly if the pass benefits are to continue being possible.

3. Plan your own and your family members' itineraries. Pass Bureau will process your and other eligible family member's applications for reduced travel, but they can not help you with your planning. Determine, through your pass booklet, the plans you would like to make, and then send your application for travel into the pass bureau for processing.

Taking advantage of reduced rate travel can be both fun and rewarding. Even part time employees can fly on Mesaba employees at reduced rates. Planned correctly and followed properly, pass benefits can be a great benefit to all employees.

## New Station Managers Named

Effective October 1, under a restructuring process in Station Operations, several Mesaba cities will be headed by new station managers. The changes are as follows:

<i>October 1 Managers</i>	<i>Transferring from</i>
Watertown - Roger Tuttle	Minneapolis
Aberdeen - Pat Burke	Des Moines
Bemidji - Bob Oberstar	Thief River Falls
Brainerd - Spencer Pribble	Duluth
Devils Lake - Eric Lysne	Brainerd
Lincoln - John Kunkel	Moline

Congratulations to each of these persons in their new capacities.

## Employee Pass Benefits Available on the following Airlines:

Northwest Air Midwest\*  
Air Wisconsin\*  
America West\*  
Austin Airways\*  
Big Sky  
Comair Inc.\*  
Midstate\*  
New York Helicopter  
Resort Air  
United\*  
Western\*  
Southwest\*  
Metro\*  
Precision\*  
Atlantic\*  
Mesaba\*

Midway\*  
Trans World Express  
U.S. Air\*  
Fisher Brothers\*  
Piedmont\*  
Mark Air  
Rocky Mountain Airways\*  
Britt  
Aspen\*  
Pacific\*  
Brockway Air\*  
Florida Express\*  
Trans Colorado\*  
Provincetown-Boston\*

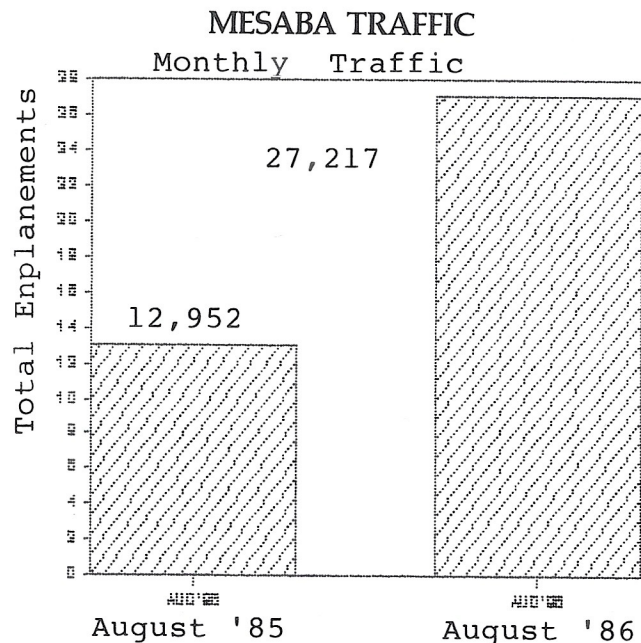
\*Parents eligible for reduced rate travel

## August Traffic up 47%

Mesaba carried 27,217 passengers during the month of August, up 47% over 12,952 passengers carried during the same month last year. Yields continued to be down as a result of industry-wide fare wars but traffic was strong during the typically busy end of summer season.

## TAX, continued

If the tax bill is passed and signed by the President, the transition rule will protect Mesaba from the unforeseen higher lease rates which would have been incurred due to the repeal of the Investment Tax Credit law under the new tax law.





With plans to retire soon, Mr. Neustrom continues to promote his book, "Fly a Seaplane" which has been sold world-wide.

## A Chat with Mesaba's Founder: Gordon Neustrom

*Gordon Neustrom, founder of Mesaba Aviation, Inc., and currently Manager of the Grand Rapids/Itasca County Airport, recently took some time to talk about the early evolution of Mesaba as a Company and an aviation entity on the Iron Range in Northern Minnesota. Mr. Neustrom, nationally well-known aviator whose dedication to the industry got him named Mr. Minnesota Aviation in 1975, has been active in aviation most of his life. For many years an active member of Minnesota Aviation and Trade Association (MATA), he served as President of that organization in 1956 and also spent many years nurturing a growing Company which he incorporated Mesaba Aviation, Inc. Mr. Neustrom (Gordy), who has never been short on words, shares with us his insight on several early experiences with the Company.*

*Could you explain the origin of Mesaba Aviation, Inc.?*

Neustrom: Well, Mesaba Aviation had its beginning on July 4th, 1944. That was the first day of operations anyway. I had been in the service and had been teaching a Navy Class Program in Albert Lea for about two years. When I was discharged, I bought a training airplane — a J3 Cub, and I flew it home to Northern Minnesota to begin work. A friend of mine had been running the airport in Coleraine, Minnesota and he asked me if I would be interested in coming to the airport to begin running an aviation operation. I said yes, so I opened up service in Coleraine. By 1945, I had 2 airplanes there and I said, "Dog-gone-it, if I am going to operate off this field, I'd need a hanger too." So I built one and began running a full-fledged aviation business.

*When did you move your operations to Grand Rapids?*

Neustrom: In 1950, I was approached by about 5 fellas from Grand Rapids, who expressed an interest in my coming to the Grand Rapids airport to take over the facilities and open up my business there. I had had 5 persons working for me in Coleraine, and when I was asked to come to Grand Rapids, there was only one person running the whole airport. And, to make a long story short, I decided to move to Grand Rapids. By 1952, I built a respectable hanger and one year later I built a T-hanger. I paid for it all myself.

*What was majority of your business in the early 50's and 60's?*

Neustrom: Well, in addition to things I was doing in Grand Rapids, I had a flight operation in Deer River too, and I had a lot of students down at Mora, Minnesota, where I used to fly to teach lessons. A good number of my students were G.I.'s who were learning to fly under the G.I. Bill. But we also chartered flights. I remember my first charter aircraft — a Wakko K7 that I bought in 1947. I bought it in Bemidji and I think I paid about \$4200 for it. I used to fly to Minneapolis mostly, but on occasion, I would go to Chicago. The first trip I took to Chicago, I brought a patient to a hospital who had been badly burned in a house fire. I also used to do a lot of work for Blandin Paper Company which does business in Grand Rapids. In fact, Blandin helped me buy my first twin-engine Beech aircraft in 1962. There weren't many trips turned down in that aircraft, I'll tell you that!

*When did you start flying scheduled air service?*

Neustrom: The year was 1967. I was flying between Grand Rapids and Minneapolis, down in the morning and back to Grand Rapids about 3:00 p.m. I was trying everything to get people flying, but back then there were alot of people skeptical of flying, especially small airplanes. I promoted the heck out of our service and with our Cessna 172, which is a bigger plane, business began to take off. We had five or six pilots that alternated between flying scheduled service and giving flight lessons. If I remember right, we charged about \$20.00 round-trip between Grand Rapids and the Twin Cities.

*To help answer an often asked ques-*

*tion, where did the name Mesaba come from?*

Neustrom: Well, in Northern Minnesota, there are alot of Mesaba's with alot of different spellings. For example there is Mesabe with an "e", Mesabi with an "i", and then Mesaba. I just didn't like the looks of Mesabi and I didn't like the looks of Mesabe! So I picked Mesaba. And I thought it was fitting since we were started on the Mesaba Iron Range. In fact, we had the biggest aviation operation on the whole range.

*When and why did you originally sell the Company?*

Neustrom: Well, I had an offer for the whole operation in 1970, and I thought it pretty good so I sold the Company. It was 1970, around the 4th of July. The buyers were the Halversons of Duluth who bought all of my planes — about 15 by then — and I sold them my buildings too. Then I stayed on as General Manager for five years. I still have my business cards as general manager of Mesaba Aviation. Every now and then, I take one out and hand it to someone, just for the fun of it. Then of course, the Swensons bought the Company in 1977 and look where it is today.

*In such a fast changing industry, and you have been witness to many changes. Is there anything during the growth of this Company that particularly sticks in your mind?*

There are so many things but there is one thing I remember especially; The Halversons bought Mesaba's first Beech 99 in 1972. It was airplane #6099R. Later that Beech was repossessed because the Halversons owed too much money on it. Three years ago when Mesaba was beginning to expand, I was out on the airport and here Rob Swenson flew that very same Beech 99, #6099R, back to Mesaba again to add it to the fleet. I don't know how many owners it had had since it had first left the Company, but it had 10,000 more hours on it when it came back.

*In respect to your many successful years in this industry, what is the key to success, in your estimation?*

Neustrom: It takes a lot of dog-gone hard work and promotion, promotion, promotion. You know, a lot of people say you have to be crazy to fly, and if your not, it helps a lot anyhow. I have been crazy about this business for as long as I can remember.