

Thanks to all!

Our equipment planning for 1977 (formulated several years ago), our marketing efforts supported by improved performance by all employe groups and the national and international economies came together to give us a banner 1977.

Our momentum which has been accelerating over the past seven years, thanks to all hands, is beginning to reflect itself in a number of ways as shown in stories in this issue.

At this month's board of directors meeting, a resolution was unanimously passed thanking all employes for their efforts.

In the next several years, we will be facing the heaviest competition of our lives from trunk airlines and from intrastate airlines like PSA.

But that is another story for the end of 1978. In this issue we're wrapping up 1977. Thanks to all!

Russell V. Stephenson

Russell V. Stephenson
President

Operating profit every month

Record \$8.2 million profit attained in '77

We reported a preliminary net profit of \$8.2 million for 1977—more than double 1976 earnings of \$3.6 million and the highest in six consecutive profitable years.

"We committed ourselves to increasing capacity and improving service in competitive markets and it paid off," said Russell V. Stephenson, president.

Our bottom-line achievement was without the benefit of any major new route awards outside our system in the last six years," he said.

Stephenson attributed Hughes Airwest's emergence in 1977 as one of the country's fastest growing airlines to the introduction of additional jets into scheduled service, judicious scheduling and promotional fares, and increased professionalism of the more than 4,400 employees.

"A resurgent economy, especially in the first half of the year, also was a contributing factor," he said.

Stephenson said he does not expect 1978 to be on a par with 1977 because of higher interest expenses resulting from equipment acquisitions, rising fuel costs and a less certain economy.

Revenues in 1977 climbed to an all-time high of \$253 million from \$202.2 million in 1976, up 25 per cent.

Passengers produced \$223.2 million in revenues, cargo \$8.7 million and charter operations \$7 million. In 1976, passenger revenues totaled \$178.5 million, cargo \$7 million and charters \$3.3 million.

Also contributing to 1977 profit before taxes were \$2.3 million from the sale of two surplus aircraft and parts and \$1.1 million from the airline's international aviation assistance programs in Saudi Arabia, Mauritania, Nepal and Argentina.

Not included is an additional \$1.3 million due from delayed federal air mail reimbursements for 1977 and prior years.

The company had an operating profit for the first time every month in 1977 to end the year with a record \$14.8 million, compared with \$6.7 million in 1976, up 121 per cent.

Operating expenses were \$238.2 million, compared with \$195.5 million the previous year, up 22 per cent.

We reported our first profit of \$1.9 million in 1972 under the Hughes management, which purchased the assets of the company in 1970.

More reports on 1977 throughout this issue

BU-LETIN

We get Des Moines, Milwaukee—July 1 start

We will inaugurate daily roundtrip service to Des Moines and Milwaukee from Phoenix on July 1.

The Civil Aeronautics Board announced award of the route to us on Jan. 27. They are the first U.S. cities to be added to our system since 1967.

(Continued on back page)



The 'continental' look



"Continental" describes the look of the new men's flight attendant uniform to be donned soon. It's modeled by Tony McMahon, San Francisco, and Jacob Golan, Phoenix. Golan's jacket, trousers and vest are SolarTan. Shirts and McMahon's serving vest are blue. The ensembles were designed by Mario Armond Zamparelli.

1977 traffic growth an industry leader

Record-setting passenger traffic in 1977 established Hughes Airwest as one of the two fastest growing airlines in the United States.

Revenue passenger miles (RPMs), which the industry considers the most significant yardstick of economic growth, jumped 23.1 per cent to 2,056,762,500 from 1,654,563,200 in 1976.

This increase is among the highest percentage improvements of any certificated U.S. carrier and the first time we have exceeded the two billion mark.

Texas International led the airline industry, outpacing Hughes Airwest by only two tenths of a percentage point increase. We flew 57 per cent more RPMs than the Houston-based regional, however.

Passenger boardings at our 55 cities reached an all-time high of 4,850,614—

(Continued on next page)

A lot of new competition, too

Bilaterals give us 5 more Mexico resorts, No. California gateways

We could get five more Mexico destinations and two new gateways as a result of U.S.-Mexico bilateral agreements initiated Dec. 19.

"We are very pleased with what came out of the negotiations," said Russell V. Stephenson, president. "Improved authority in current markets plus the new gateways will help us in developing the new destinations."

"There will be a lot of new competition, but we've got what it takes to meet it head on," he added.

Oakland and San Jose are the new gateways. The new destinations are Mexico City, Acapulco, Manzanillo, Loreto and Zihuatanejo.

Technicalities still must be worked out before final ratification of the agreement by both countries. The Civil Aeronautics Board then is expected to approve the authorities under relatively simple "show cause" procedures.

Conclusion of these steps is not expected before mid-1978, according to John S. Meadows, staff vice president-Washington, D.C. affairs, who represented us during the negotiations.

Under the agreement, we would be allowed to fly:

- Nonstop from Phoenix and Tucson to all 11 Mexico destinations, including the six cities we now serve (we are now required to make intermediate stops be-

tween Phoenix and Guadalajara and between Tucson and Puerto Vallarta);

- Nonstop from Oakland and San Jose to Guaymas, La Paz, Cabo San Lucas, Manzanillo, Zihuatanejo and Loreto;

- One-stop from Oakland and San Jose to Mexico City, Acapulco and Guadalajara, via Phoenix and Tucson.

- Nonstop from Oakland and San Jose to Puerto Vallarta starting in October 1981 and to Mazatlan in October 1982, until which dates flights can be operated one-stop via Phoenix or Tucson.

(All of the U.S.-Mexico city pairs are considered as one route. Except where the agreement indicates otherwise, the cities can be combined in any order and cities can be omitted on flights, provided one is in the U.S.)

Two new routes also were established. The CAB will select U.S. carriers to fly:

- Los Angeles to Mazatlan, Puerto Vallarta, Manzanillo and Zihuatanejo; and

- Los Angeles and San Diego to Loreto, La Paz and Cabo San Lucas.

We intend to apply for both. Western Airlines and

(Continued on back page)

Nevada banking executive named to board of directors

Elmer R. Vacchina of Reno, senior vice president of the First National Bank of Nevada, has been elected a member of Hughes Airwest's board of directors.

He also is head of statewide trust activities for the bank, which the court appointed as co-administrator for the Hughes estate in Nevada. He has been associated with First National for 30 years.

Vacchina is a member of Rotary International and has served many youth groups, including Boy Scouts of America, Boys Club and Junior Achievement. He was a member of JA's national board of directors from 1967 to 1969.

He also has been active in United Way of Northern Nevada, and the American Bankers Association Trust Division. He served in 1969 and 1970 as a gubernatorial appointee from Clark County to the Nevada State Board of Education.

Vacchina also holds directorships with other firms, including DeLuca Importing Co. of Las Vegas, Hughes Properties, Inc. and Summa Corporation, our parent company.



Vacchina

SERVICE ANNIVERSARIES

THIRTY YEARS
PHOENIX—Jack Zogg, maintenance control supervisor.

TWENTY-FIVE YEARS
SAN MATEO—Keith Hansen, flight coordinator. PHOENIX—Robert Manning, captain. LAS VEGAS—Lionel Leonard, captain.

TWENTY YEARS
SAN FRANCISCO—Wallace Jee, assistant maintenance manager. HIRO Tsukimura, lead maintenance technician. LAS VEGAS—Ronald Gelineau, captain. PHYLLIS Oldham, secretary, flight operations. STOCKTON—Larry Shephard, station manager. SAN MATEO—William Lawson, flight coordinator. OAKLAND—Wallace Nutt, chief station agent. SEATTLE—Merrill Hodges, Robin Pulsifer, Donald Ballew and James Vandebiesen, captains. PHOENIX—Richard Tribe, captain. Allen Hawkins, component overhaul technician. Iris Housholder, telephone sales agent.

FIFTEEN YEARS
PHOENIX—David McClendon, maintenance supervisor. Jack Hooper, station agent. Dixie Karber, telephone sales agent. Helen Francisco, flight attendant. SEATTLE—Analy McPherson, chief telephone sales agent. Richard Owen, captain. LOS ANGELES—Joe Cadenhezd, district sales manager. LAS VEGAS—John Makela, maintenance technician.

TEN YEARS
PHOENIX—Albert Davies, Doris Graves, Virginia Magouirk, Pat Moriarty and Elouise Trauernicht, telephone sales agents. Barbara Handley and Catherine Reimann, flight attendants. John Crable, prop training supervisor. PHOENIX—William Wall, James Grissom and Chester Rettig, captains. Brian Beulen, Raymond Bevins, Earl Gentry, Van Heywood, Jerry Robertson and Richard Rohn, first officers. LAS VEGAS—Marvin Kelley, ground host. Mildred Robertson, flight attendant. Stanley Kompst, first officer. David Harris, captain. SAN FRANCISCO—Larry Brown, first officer. SEATTLE—Richard Porter, first officer. Earl Shadle, station agent. ORANGE COUNTY—Joe Journiette, district sales manager. Richard Vankoeverying, station agent. BURBANK—Richard Bounds, station agent. LOS ANGELES—Billi Goforth, chief station agent. Sandra Luciano, telephone sales agent. TUCSON—Ken Moroney, sales representative. Daniel Rodriguez, station agent. ONTARIO—Forney Burns, station agent. YUMA—Allan Leonard, station agent. SAN MATEO—Susan Nazy, telephone sales agent. EL CENTRO—Gene Pepper, sales and service manager. PALM SPRINGS—Donald Webber, station agent. PORTLAND—Gene Tracewell and Kenneth Luthie, station agents. RENO—Neil Cowley, station agent. PASCO—Mark Hinkle, station agent. POCATELLO—Robert McKay, station agent. SALT LAKE CITY—Claudia Dixon, station agent.

FIVE YEARS
PHOENIX—Donald Townsend, hangar maintenance technician. Michael Matera, engine technician. Juan Salcido, cleaner. Kenneth Toth, senior programmer. SAN MATEO—Kalma Keonig, intermediate revenue accounting clerk. Deanna Link, secretary, passenger services. TUCSON—Ronald Fulton, station agent.



The eighth and last 1977 class of flight attendants was graduated Dec. 14 at international headquarters ceremonies.

Kip Wharton, sales and service vice president, addressed the class and presented diplomas. The graduates were pinned by their instructor, Marian Money-maker, San Francisco flight attendant.

Ray Nickels was class valedictorian. The 24 graduates—all assigned to Las Vegas—are (seated, from left with hometown): Kathy Vegher, Huntington Beach, Calif.; Jacki Doty, Scottsdale, Ariz.; Kay Bassett and Claudia Brockway, Phoenix; Denise Newman, Mesa, Ariz.; Rosa Garza, Sunnyvale, Calif.; and Tucker Eiring, Seattle.

Middle row: Steve Farmer, Kirkland, Wash.; Rafael Alterio, San Francisco; Kelly McDonnell and Lily Partida, Seattle; Cheryl Fenske, San Jose; Karen Hallagan, Sacramento; Ray Nickels, Berkeley, Calif.; Teri Baxter, Huntington Beach, Calif.; Barbara Dickerson, Scottsdale, Ariz.; and Ernie Logerquist, San Diego.

Back row: Elaine Hansen, Renton, Wash.; Diane Shelton, Santa Clara, Calif.; Jane Tucker, Phoenix; Lorraine Rees, Belmont, Calif.; Beth Scott, Burlingame, Calif.; Nancy Roll, Seattle; and Trudy Tiernan, Long Beach, Calif.

Also participating in the ceremony were Tom Bennis, flight attendant training manager, Carol Gagnard, supervisor, and Carol Wade, coordinator.

PEOPLE POTPOURRI

Christine Hardt, former Hughes Airwest flight attendant, has been elected treasurer of the Seattle chapter of the Stewardess Emeritus Association. She is the wife of Neal Hardt, Seattle ticket agent.

The Air Transport Association has announced appointment of representatives to its councils for 1978, including Edwin N. Altman, operations vice president, to the operations and technical council, and John S. Meadows, Washington, D.C. affairs staff vice president, to the government and public affairs council. Robert T. Bauter, corporate security and safety senior director, has been elected to the ATA industrial safety and health committee.

Howard Parker, Santa Barbara sales and service manager, and Don Cooper, Boise district sales manager, have been elected to three-year terms on their Chamber of Commerce boards of directors.

Larry Litchfield, public relations manager, has been elected to the board of directors

of the San Francisco Peninsula chapter of the Public Relations Society of America. He also is vice president of the San Francisco Peninsula Press Club, the highest office that can be held by a non-media member.

HEIR FARE

To Mario and Yvonne Gomez, customer service agent, Puerto Vallarta; a girl, Erika Lilianna, 7 lbs.; Nov. 18.

To Kathy and John Lick, station agent, Stockton; a girl, Stacey Ann, 5 lbs. 5 oz.; Dec. 7.

To Consuelo and Richard Camargo, personnel services & EEO manager, San Mateo; a boy, Mateo Vicente, 8 lbs.; Dec. 16.

To Kay and Mike Acres, station agent, Las Vegas; a boy, Christopher Alan, 8 lbs. 10½ oz.; Jan. 19. (Grandmother is Marilyn Acres, station clerk typist, Las Vegas.)

RPMs up 25.9% in December; record density

(Continued from front page)

20.1 per cent more than 1976's 4,038,811 passengers.

Available seat miles climbed 20.9 per cent to 3,758,505,700 from 3,108,913,800.

The length of an average passenger journey was extended the farthest ever—to 419.9 miles from 1976's mark of 409.4.

Density (the average number of passengers flying per mile) jumped to an all-time high of 51.0 from 47.2.

The average load factor (percentage

TRANSITION

WELCOME ABOARD

Judith Trettenero, Sylvia Leonhardt and Annick Rohda, junior revenue accounting clerks, San Mateo. Colette Palmer, junior general accounting clerk, San Mateo. Bonnie Perkes and Geraldine Epstein, telephone sales agents, Phoenix. Ann Guinn, legal, and Martha Kling, employment, secretaries, San Mateo. Noranna Daly, Thomas Meyer, Kathy Webber, Sarah Padia and Deborah Hackett, telephone sales agents, Los Angeles. Jon Wenger, Daryl Trefz, Ronald Beamsley and James McGinty, station agents, Los Angeles. Shirley Moore, treasury, Donna Eghbal, pass bureau, Jacqueline Weiss, word processing, and Kathleen Richardson, purchasing, clerk typists, San Mateo. Robert Bergren and William Frias, hangar maintenance technicians, Phoenix. Judith LaDrew, executive secretary, Washington, D.C. Bobby Butler, station agent, Burbank. Harold Reinke, station agent, San Francisco. Richard Fagan, cleaner, San Francisco. Bud Robinson, station agent, Edmonton. Credit Union, Phoenix: Pamela Scott, collector & loan interviewer.

PROMOTIONS

Norita Bell to senior transcription operator, San Mateo. John E. Jones to chief station agent, Los Angeles. Ronald Row to chief station agent, Edmonton. Michael Hayes to check second officer, Las Vegas. Christina Estebanez to intermediate clerk, tax administration, San Mateo. Sheila Wolcott, Anita Yock, Dorothy Cauthen, Christine Connolly, Toni DeLoura to senior revenue accounting clerks, San Mateo. Billy Moore to senior revenue accounting clerk, San Mateo. Dyane Rigas to sales representative, Los Angeles. Lari Tonti to sales representative, Las Vegas. Darwin Cyr to lead hangar maintenance technician, Phoenix. Wesley Goodman to quality control technician, Phoenix. Terry Zeiger to lead maintenance technician, Las Vegas. Ray Artolachipe to lead maintenance technician, Orange County.

RETIREMENTS

Charles Holman, captain, San Francisco, after more than 28 years with the company (Southwest, 1949). Wayne Taylor, captain, Las Vegas, 25½ years (Bonanza, 1952). Les Womack, base overhaul technician, Phoenix, 23 years (Southwest, 1955). Don McCraven, captain, Las Vegas, 20 years (Bonanza, 1957). Duane Dyas, captain, Phoenix, 20 years (Bonanza, 1957). John Thomas, captain, San Francisco, 11½ years (Pacific, 1966).

of seats filled) increased to 54.2 per cent from 53.

December performance

We logged a record number of revenue passenger miles (RPMs) and extended the average passenger journey to all-time monthly highs in December.

RPMs jumped 25.9 per cent to 197-843,900 from 157,148,000, while the average length of a passenger trip rose slightly to 446.1 miles from 444.2.

Passenger boardings increased 25.4 per cent to 443,515 from 353,783.

Available seat miles were boosted 16.1 per cent to 339,860,800 from 292,841,600.

Density increased to a record high of 56.2 passengers from 48.9, while the average load factor rose to 58.2 per cent from 53.7.

RPMs on Dec. 23 reached the highest daily level ever—9,502,500. The previous daily record was 9,308,700 set Jan. 2, 1977.

Daily boardings reached a near-record of 19,542 on Dec. 23, only exceeded by 20,771 Thanksgiving travelers on Nov. 27.

DECEMBER 727 PERFORMANCE

Scheduled service*	Dec.	Year-end
Passenger boardings	18,751	204,199
Load factor	48.7%	48.8%
Density	75.5	75.1
Average trip miles	903	795
*YEG-YJC-LAS-LAX/PHX		
Charter service	Dec.	Year-end
Passenger boardings	2,471	54,196
Charter miles flown	22,005	577,938
Average trip miles	1,134	1,301

FINANCIAL RESULTS

	Preliminary		% Change
	Dec. '77*	Dec. '76*	
Operating revenue—scheduled	\$ 23,871	\$ 18,555	+ 28.7
—charter	407	280	+ 45.4
Operating expense—scheduled	21,724	17,430	+ 24.6
—charter	597	265	+125.3
Operating earnings	1,957	1,140	
Non-operating earnings (loss)	(582)	(425)	
Provision for taxes	392	(818)	
Net earnings	983	1,533	
YEAR-END			
	Preliminary 1977*	1976*	% Change
Operating revenue—scheduled	\$245,968	\$198,850	+ 23.7
—charter	7,000	3,312	+111.4
Operating expense—scheduled	231,461	192,761	+ 20.1
—charter	6,745	2,728	+147.3
Operating earnings	14,762	6,673	
Non-operating earnings (loss)	(3,688)	(1,629)	
Provision for taxes	2,871	1,400	
Net earnings	8,203	3,644	

*All data in thousands (add 000).

TRAFFIC SCOREBOARD

	Dec. '77	Dec. '76	% Change
Passengers	443,515	353,783	+ 25.4
Revenue passenger miles	197.8 mil.	157.1 mil.	+ 25.9
Available seat miles	339.9 mil.	292.8 mil.	+ 16.1
Load factor	58.2%	53.7%	-
Passenger density	56.2	48.9	+ 14.9
Average trip miles	446.1	444.2	+ 0.4
Charter passengers	6,821	8,308	- 17.9
Charter miles flown	77,818	39,588	+ 96.6
Cargo ton miles	1,060,051	881,811	+ 20.2
Cargo tons boarded	2,435	2,049	+ 18.8
On-time performance	72.5%	75.6%	-
YEAR-END			
	Dec. '77	Dec. '76	% Change
Passengers	4,850,674	4,038,811	+ 20.1
Revenue passenger miles	2,037 bil.	1,655 bil.	+ 23.1
Available seat miles	3,759 bil.	3,109 bil.	+ 20.9
Load factor	54.2%	53.2%	-
Passenger density	51.0	47.2	+ 8.1
Average trip miles	419.9	409.7	+ 2.5
Charter passengers	135,268	88,321	+ 53.2
Charter miles flown	1,161,451	543,542	+113.7
Cargo ton miles	10,211,442	8,890,177	+ 15.0
Cargo tons boarded	23,477	21,115	+ 11.2
On-time performance	82.9%	84.8%	-

Accomplishments of 1977

Eighteen aircraft by 1980 highlight fleet plans—gain of 4 in '77 starts us off

Themes for 1977 might have included "a seat a day." We had 365 more seats in scheduled and charter service at year's end than on Jan. 1.

Announced fleet expansion plans involved delivery of 18 aircraft by 1981. Net gain in 1977 was four.

We received five DC-9-30 series jets from Eastern Airlines and sold two DC-9-10s to the Bank of Mexico. Plans to sell a DC-9-15 last month were cancelled because of our tremendous growth last year and expansion plans for 1978.

Our fourth Boeing 727-200 was delivered in November and leased to Aerolineas Argentinas in December because we were unable to place it in service at Orange County due to airport restrictions. (We also continued lease of three F-27s to Saudi Arabian Airlines.)

Here's how the fleet mix looked at the end of 1977 (numbers in parentheses are for 1976):

	In service	Leased	Total
DC-9-30s	26 (21)	0 (0)	26 (21)
DC-9-10/15s	11 (13)	0 (0)	11 (13)
727-200s	3 (3)	1 (0)	4 (3)
F-27s	5 (5)	3 (3)	8 (8)
Total	45 (42)	4 (3)	49 (45)

Here's what's coming:

- Five more DC-9-30 series jets from Eastern in 1978;
- One 727, to be used in charter service, in May of this year;

Sales and service—employees in newest, biggest division have busy year

A new division—sales and service—was formed last year and C. E. "Kip" Wharton was elected its vice president.

More than half of the entire workforce is in sales and service—stations, telephone sales, flight attendants, inflight service and sales.

Following are some highlights from the year for our newest division.

- Telephone sales agents in Seattle, Los Angeles, Phoenix and San Francisco serviced more than eight million calls last year—almost 11 per cent more than in 1976.

Work continued to fully develop new capabilities resulting from our hook-up to the Eastern Airlines communications computer. Instant worldwide booking of Holiday Inn rooms began and the Ramada Inn and Western International chains were added this month. Others will join them soon.

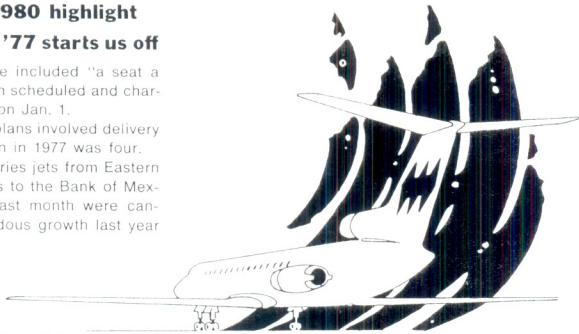
Flight information on other airlines and credit card verification for Carte Blanche and MasterCard also were added to the system.

Planning continued for a new telephone sales office in Los Angeles.

- Station renovation continued in Reno (new operations and air freight facility), Calgary (terminal and air freight), Twin Falls (baggage make-up and air freight), Portland (terminal remodeling including new ticket counter), Santa Barbara (terminal remodeling and new holding room), Burbank (new air freight office) and Lewiston (terminal renovation in progress).

Seven stations completed 30 or 25 years of service. Flights were inaugurated in 1947 at Eugene and North Bend and in 1952 at Blythe, El Centro, Orange County, Yakima and Yuma. Civic observances were held in several.

Oakland boarded nearly three times as many pas-



- Two 727s in March 1979; and
- Four 727s, on option, in late 1979 and 1980 for a total of 11 trijets by 1981.

The company plans to continue sale of surplus DC-9-10s and -15s as larger aircraft replace them. One will be sold in September of this year.

Regulation—we continue to encourage reform bills

Hughes Airwest was an industry maverick in its early support of regulatory reform.

The company's position was that if reform is gradual and includes safeguards, it will provide timely opportunities for route improvements and increased traffic, employment and revenues. It also will create the atmosphere for more effective planning.

In general, we support the Cannon-Kennedy bill in the Senate and the Anderson bill in the House. The company will continue to encourage improvements in both bills.

Other airlines supporting reform—including United, Pan Am and Frontier—have joined us in making our position known to government leaders and the public.



sengers in 1977 as in 1976, leading our 55 stations in rate of increase.

Las Vegas remained the busiest station with almost 564,000 boardings for scheduled flights—more than 12 per cent of the total.

Twenty-five stations exceeded the systemwide 20.1 per cent rate of passenger growth. Ten of these were smaller, intermediate cities.

- A special effort went into group travel. Seventeen field salesmen booked more than 9,000 group passengers for May and September alone, two of our traditionally weaker months.

A new sales office was opened in the Midwest (Milwaukee) and sales services were contracted in Europe and South America.

- The company welcomed 192 new flight attendants. They were graduated from eight classes.

Sixty-seven flight attendants were recipients of the "Top Banana" award recognizing outstanding customer service.

- In October, we added new beverage service—canned Heineken beer (a Hughes Airwest exclusive) and individual bottles of premium California wine.



There are 332 more of us . . .

Public contact employees were the focus of manpower expansion during 1977.

The total number of employees grew by 332 to 4,422, an increase of more than 8 per cent.

Public contact ranks expanded by more than 14 per cent. There were 775 flight attendants by year's end (up 20.7%), 423 telephone sales agents (up 13.7%) and 1,028 station and ticket agents (up 9.9%).

Other representative increases included: maintenance technicians and cleaners, 618 (up 6.7%); pilots, 571 (up 5.9%); and clerical employees, 292 (up 4.3%).

For the first time in five years, all labor agreements were settled at year's end. We are experiencing the longest span of time between negotiations in Hughes Airwest history.

Collective bargaining agreements were successfully renegotiated with the pilots in March and with the flight attendants in September. The other four labor agreements, covering ground employees, are negotiable during the second half of this year.

The number of employees covered by collective bargaining agreements—more than 85 per cent of our total workforce—expanded at a 10.4 per cent rate in 1977.

Assistance continues in Nepal, Saudi Arabia, Mauritania, Argentina

Forty-four employees continue assignment to our overseas technical assistance programs. They are joined by 58 family members at the projects, in Saudi Arabia, Mauritania, Nepal and Argentina.

The Saudi Arabian Airlines (Saudia) project, started in 1975, includes lease of three F-27s and assignment of 30 pilots, maintenance employees and administrative personnel. The contract continues through May of this year with an option to extend it until November.

Ten maintenance and administrative employees are assigned to the Air Mauritanie project. The program started with four in 1974. The contract expires at the end of this year.

Three employees assisted Royal Nepal Airlines with maintenance of its 727-100. Our successful technical assistance and training for the past five years has allowed the Nepalese to begin taking over their own maintenance.

Two employees now are there and one will remain as a technical advisor after May 31 until the project ends in June 1979.

One maintenance technical advisor is in Argentina as part of our lease of a 727-200 to Aerolineas Argentinas. The aircraft is being flown between Buenos Aires and Rio de Janeiro. The 17-month lease began in December.

Improved communications . . .

The company took several major steps to improve communications:

- "Teleflash"—instant relay of timely messages to employees—was established by the public relations department. A total of 168 messages were sent last year.
- Management information services (MIS) moved

to larger facilities in Phoenix. It houses a new computer to give management more timely access to decision-making data.

- An electronic word processing center was established for more efficient handling of written communications.

More '77 reports: turn two pages

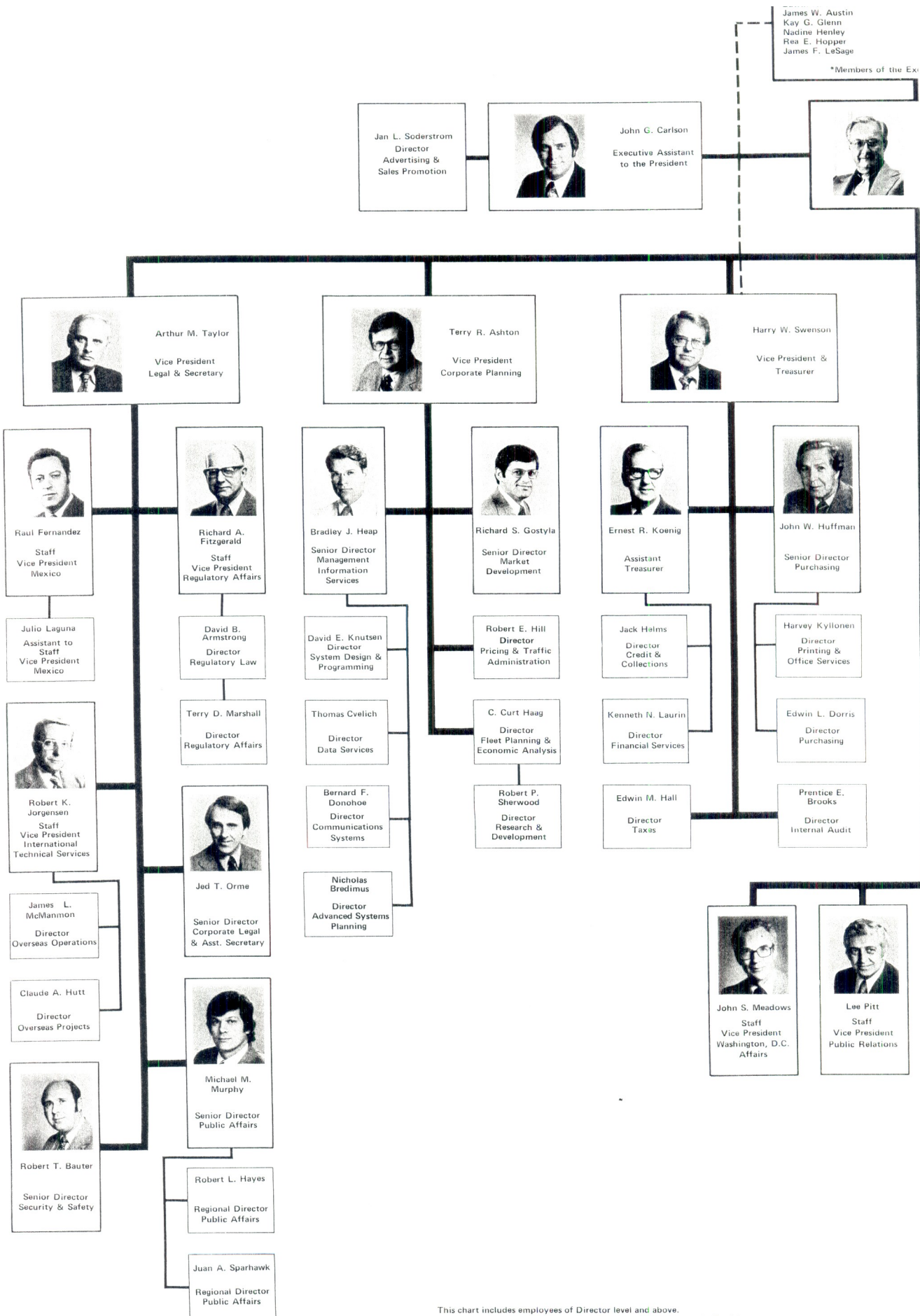


Personnel programs continue expansion . . .

Personnel programs developed at a fast clip in 1977:

- For the first time, all employees have a comprehensive group insurance and pensions handbook.
- The first new-hire orientation booklet was published and briefing programs were established for new employees.
- More than 150 employees, including management and chief agents, attended special training classes on such topics as supervisory interaction skills, time management, training trainers and affirmative action. A management practices questionnaire also was utilized to aid small group communications.
- A retired employee organization was established.
- Four more employee dependents were awarded scholarships (16 now are receiving them) and a management fellowship program was started.
- Regular labor-management meetings with all union groups were initiated to improve communications.
- The personnel department staff was expanded to increase responsiveness.





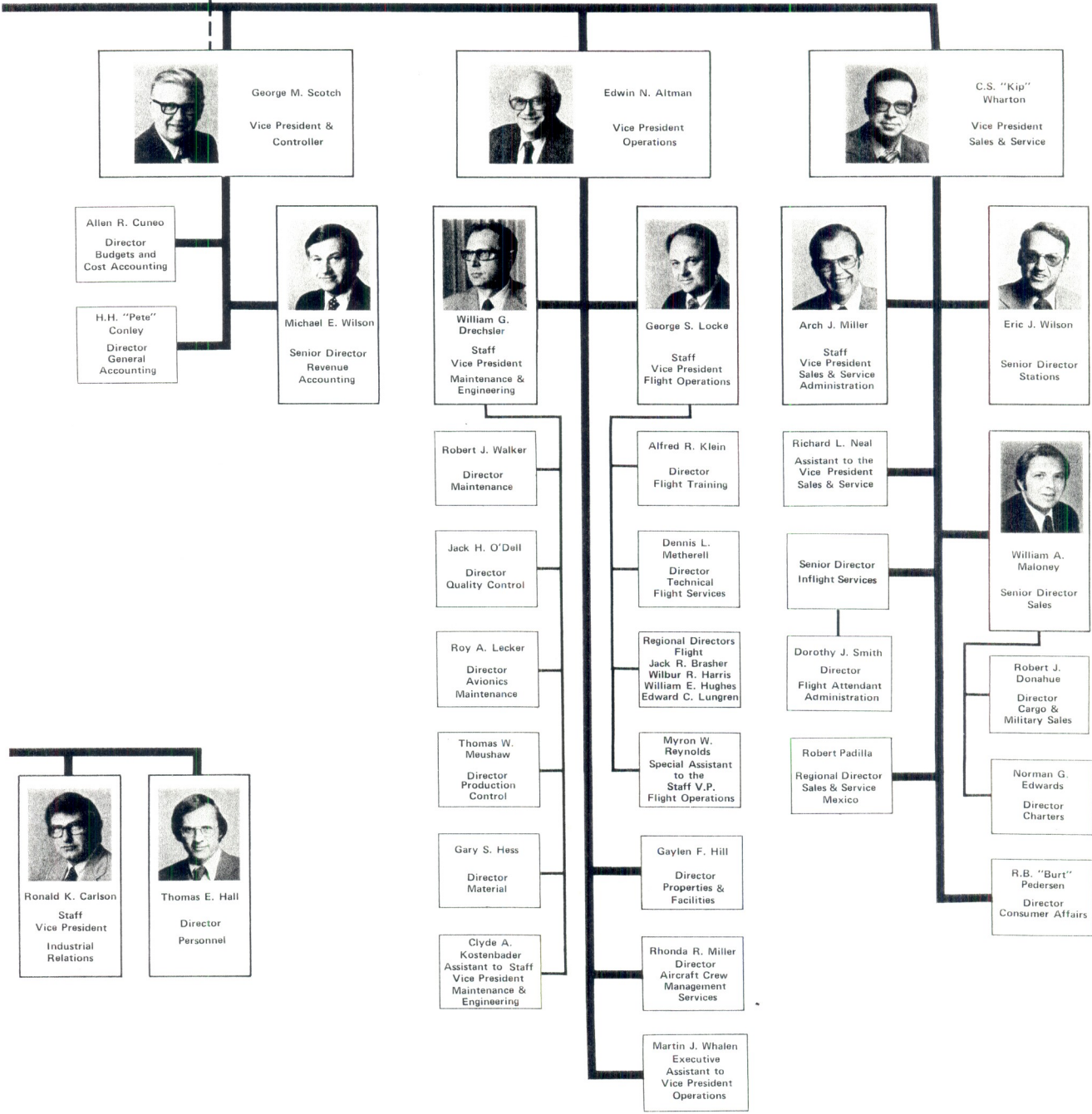
This chart includes employees of Director level and above. Photos are shown for Senior Directors and above and others who report directly to the President.

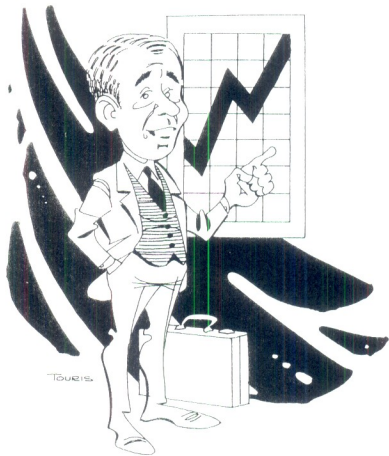
Harry W. Swenson
Arthur M. Taylor
Elmer R. Vacchina
Wilton H. West, Jr.*
Advisive Committee



Russell V. Stephenson
President and
Chief Executive Officer

Carmen L. Aitken
Administrative
Assistant to
the President





We had a 'heavy' year in cargo, too; revenues \$8.3 million, up 26 per cent

We packed a lot of weight last year. A record 23,500 tons of cargo were flown 10,211,500 miles—farther than in any previous year. It was the first time we've surpassed the 10 million cargo ton mile mark.

"Added capacity, a concentrated sales and service effort with shippers and a generally stronger economy contributed to our record year," said Robert Donahue, cargo sales director. "This year should be even better."

Last year's results exceeded by 11.2 per cent the 21,100 tons boarded in 1976 and by 15 per cent the 8,880,100 ton miles logged.

Cargo revenues reached a record \$8.3 million, or 26 per cent more than 1976's \$6.7 million.

In December, cargo ton miles increased 20.2 per cent to an all-time high of 1,060,100 from 881,800 in December 1976.

The previous monthly cargo ton mile record of 994,900 was set in December 1975.

We boarded 23,500 tons of cargo last month, up 18.8 per cent from 21,100 in December 1976.



Sales effort books 9,000 in groups

Seven winners in the 1977 group sales competition were recently honored at an international headquarters luncheon. As a result of the contest, 17 field sales employees booked more than 9,000 group passengers who traveled during May and September, two traditionally weaker months. These groups represented \$870,000 in revenue.



Pictured are (from left): Jesse James, Las Vegas-based regional marketing manager, whose region booked the most passengers; and district sales managers John Kozma, Phoenix (now in Milwaukee); Carol Burgess, Nevada, the top winner; Dave Buskirk, Oakland (now in Phoenix); Bud Stokes, Seattle; and Rob Priest, Spokane. (Not pictured: Walt Steckline, Portland.)

Almost a fourth of us were 'pinned' last year—here are the latest

Nearly one out of every four employees received the "Top Banana" pin last year for mention in a complimentary letter. The award was for letters dated after Jan. 1, 1977.

It was earned by 1,072 employees, representing many departments of the company.

The "Top Banana" trophy—for five mentions—was awarded to 75 employees. The latest recipients are:

- Paul Shoaff, sales and service manager, Twin Falls—the first management recipient;
- David Clasby and Shelley Holmes, flight attendants, Seattle;
- Christine Commons and Joyce Haggard, flight attendants, Las Vegas;
- Suzanne Branch, Christine Coffey and Don Mc-



Clure, flight attendants, Phoenix; and
 • Renee Haney, Pamela Lamberti, Stephanie Smith and Bonnie Starr, flight attendants, San Francisco.

The latest pin recipients are:

- Dennis Adams, Evelyn Bagley, Marilyn Bancroft, Duke Briscoe, R. B. Brooks, Chris Canale, Glenn Carlson, Jack Cluff, Monty Coleman.
- Dan Donnelly, Mary Duggan, Olivia Duvall, Laura Edwards, Jerry Evans, Madelyn Farrell, Alvis Fawcett, Barry Flowers.
- Opal Gilmore, Tim Hanan, Sue Harshbarger, Ferdie Hasler, Jerry Helme, David Hunter, Richard Hunter, Marlane Jackson, Ruth Jordan.
- Sylvia Karas, Kenneth Keim, Gary Kent, Harry Kilbride, Jane Knoll, J. Kross, John Lesser, Stella Marinos, Jack Markham, James Martineau, Anne Mayberry.
- Milton Park, Cary Pawluk, Tom Reedy, Jacelyn Reeves, John Russell, Rafael Sanchez, Alberta Saye, Mary Scarborough, Nancy Simpson, Byron Smith, Kathryn Snider, Barbara Stowell, Mark Strussenberg.
- Jack Vanlonkhuyzen, Stanley Wagner, Carol Westgate.

NEWS IN BRIEF

Travel benefits

We have been advised by the Civil Aeronautics Board that travel benefits extended to family members of deceased employees and deceased retired

employees must be changed.

The Federal Aviation Act, Section 403(b), provides, in part: "... Carriers may issue and interchange passes for the widows, widowers and minor chil-

dren of employees killed in the line of duty with the carrier..."

According to Kip Wharton, sales and service vice president, the board ruled that if cause of death was not duty related, carriers may grant passes only for a period long enough to permit relocation of the family.

Tennis team challenges

Open challenges are being held for the 1978 Hughes Airwest women's flight attendant tennis team.

A challenge ladder and rules are posted at each domicile.

Last year's team played in the Stewardess/Celebrity and Springmaid International tournaments.

Details are available from Alice Herdman, San Francisco (telephone 415-344-1259).

Scholarship reminder

All application material for the company's four scholarships for employee dependents must be filed by March 1.

Winners of the awards—to begin next fall—will be announced by May 1.

More information is available from Jim Hauptert, employee and management development manager, San Mateo.

Employe board officers

The Employe Club systemwide executive board has elected officers for 1978. They are:

- President—Paul Wheetly, analyst, maintenance material, Phoenix;
- Vice president—Linda Turnbull, telephone sales agent, Los Angeles;
- Secretary—Irene Hood, intermediate clerk, flight operations, San Mateo;
- Treasurer—Guy Simpson, analyst, production control, Phoenix.

P. E. Brooks—audit, cost control director

Prentice E. Brooks has joined the company as director of internal audit and cost control.

He has been affiliated with us since 1969 as a senior accountant and manager with Haskins & Sells of San Francisco, our certified public accountants. Brooks, 31, received a bachelor of science degree in industrial administration from Iowa State University in 1968.



Brooks

He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

He is based at international headquarters in San Mateo and reports to the finance vice president.

TRAVEL BARGAINS

Most of the 57 **Marriott Hotels** continue to offer 50% year-round discounts. (A few do not have the discount or offer 25% during peak periods.) Reserve through individual hotel or call toll-free 800-228-9290. For details and directory, write Travel Industry Sales, 5161 River Road, Washington, D.C. 20016.

Aloha has Neighbor Island Interline Tours in conjunction with 50% reduced rate travel, 2-day/1-night tours to **Kauai, Maui** or **Hawaii** are \$43 per person/double, including.

(Continued on back page)



We boarded our one millionth passenger in Tucson on Dec. 14. Service was started there in 1968. Kathy Fowler was the honoree. Shown with her (from left) are: Chuck Broman, airport authority general manager; Mayor Lew Murphy; George Fowler; and Bob Hayes, our regional public affairs director. Refreshments were served to more than 400 guests, including other business and airport officials. According to Ken Moroney, sales representative there, Tucson is the first Hughes Airwest city to board a million passengers in less than 10 years of service. (This black-and-white photo was made from a color negative, causing the unusual, reversed color scheme to the model airplane.)



engines, C checks—good news topics in Phoenix

Maintenance and up-grading of our fleet made news headlines in Phoenix last year.

Plans for a \$7.9 million expansion of the Phoenix maintenance and pilot training facility were kicked off with construction to begin this year. Completion is expected by the end of 1979.

Installation of enclosed overhead storage modules on all DC-9-30s was announced. These, along with new trapezoidal fabrics, will give the aircraft a mini-widebodied appearance.

Conversion of DC-9 jets to JT8D-15 engines began and received enthusiastic response from pilots. The -15s increase sea static rating to 15,500 pound-thrust from 14,000 in the JT8D-7. This increases boost power during take-off from hot weather airports. (Scheduling of these aircraft using their added power started Jan. 15 of this year.)

The FAA granted us two C check extensions—from once every 2,000 operating hours to once annually on DC-9s and from 1,600 to 2,000 hours on 727s. These extensions between major maintenance inspections allow for additional flying time and more orderly scheduling of maintenance.

The cost of fuel continued to be a controlling factor in our operation. This expense increase—almost 14 per cent—was the most significant in 1977.



New service, nonetheless . . .

We weren't kept from improving service by the lack of new route authority outside our current system.

The only new service approved last year were our interchange agreement with Frontier Airlines and Spokane-Los Angeles nonstops.

Many civic events in Denver and Burbank celebrated start-up of the first interchange service between two regional airlines—linking Orange County and Burbank with the Colorado capital.

Ribbon-cutting ceremonies and a civic luncheon in Spokane kicked off nonstops to Los Angeles.

Gift and resolution exchanges in all six cities saluted start-up of Salt Lake City-Burbank, San Francisco-Pasco and Oakland-Phoenix nonstops.

We inaugurated flights to Cabo San Lucas, our sixth Mexico destination, through the new airport at San Jose del Cabo. Twenty U.S. news media representatives were our guests for inaugural celebrations at the tip of Baja.

Other new service included: San Diego-Tucson flights (originating in Alberta and Spokane); introduction of 727 service on Alberta-Las Vegas-Los Angeles/Phoenix routes; and direct service from San Francisco and Monterey to Guaymas, also serving Mazatlan.

Many route applications filed, pending

Decisions remained imminent at year's end on two important route cases—Phoenix to Des Moines and Milwaukee and nonstop authority to link Alberta with San Francisco and Los Angeles. (See page one)

We were recommended for both routes by the CAB's bureau of operating rights (BOR) and by administrative law judges (ALJ). The cases were under active consideration by the board. Award of the Alberta route also must be approved by the President.

New routes

We received approval and began service in two key markets:

- Burbank and Orange County to Denver under an interchange agreement with Frontier Airlines; and
- Nonstop from Spokane to Los Angeles.

Service was suspended at Cedar City and Page.

Applications

Among applications for new authority submitted last year were:

- Minneapolis/St. Paul to Las Vegas, Phoenix and San Diego (the board has selected this case for processing and we are awaiting announcement of a hearing date);
- Oakland to Chicago, Denver, Albuquerque-Dallas/Houston and to Minneapolis/St. Paul, Kansas City and St. Louis, via Reno and Salt Lake City.
- Nonstop from Reno to Spokane and Los Angeles;
- San Francisco, Oakland and San Jose to St. Louis and on to Louisville.

- Portland and San Francisco to Anchorage (the BOR has recommended Alaska Airlines from Portland and Western and Northwest from San Francisco); and
- Oakland nonstop to Seattle and Portland.

Pending

Also still pending at year's end were:

- Sacramento-Phoenix/Seattle and Fresno-Portland (this was designated last month by the CAB for non-hearing consideration, including a Western Airlines' bid for Sacramento-Seattle rights);
- Spokane-Vancouver;
- Los Angeles-Indianapolis/Dayton/Cincinnati/Columbus;
- Los Angeles-Louisville/Nashville;
- Las Vegas/Phoenix/Tucson-Southern Texas/New Orleans;
- Las Vegas-Dallas (ALJ has recommended Braniff).

Route protection

The company continued to be involved in a number of cases where it is defending authority. Some are:

- Las Vegas-Reno/Phoenix, both monopoly routes—BOR has recommended Delta to Reno and Continental to Phoenix. (Intrastate Las Vegas-Reno applications also are pending.)

• PSA Interstate Application—The CAB has begun investigation into the intrastate carrier's application to serve Las Vegas and Reno from California cities, including flights in several of our markets.

• Arizona Service—CAB consideration is being given to Cochise Airlines' application for interstate authority between 16 cities in Arizona, Southern California and Nevada, including service at eight of our cities.

• Trunk Route Realignment—We have asked the CAB to reconsider its approval of Western's realignment, which gives it new or improved authority in some of our markets, including Alberta-California. (As part of that action, the board improved our authority at Great Falls, Idaho Falls and Pocatello. We have asked for reduced stops in markets where Western received nonstop authority.)

Other pending cases include Salt Lake City-Phoenix (Western has applied for this monopoly route) and San Diego-Tucson (Frontier has applied).

Charters 'mature'—revenues double

We more than doubled our charter revenue in 1977—the second full year of operation. Sales were \$7 million, compared with \$3.3 million in 1976.

The growth can be attributed to a maturing of our charter sales program, increased Hughes Airwest identity with charter travel and higher aircraft utilization, said Norm Edwards, charter director.

Last year, we boarded 135,268 charter passengers (53.2 per cent more than in 1976) and flew them more than 1.1 million aircraft miles (113.7 per cent farther).

More than 60 per cent of the miles involved at least one city outside our system. These "off route" miles almost tripled compared with 1976.

Charter aircraft flew throughout the U.S. and into Mexico. About 70 per cent of the charter activity involved Las Vegas.

Forty-three states were visited by charter aircraft. The most distant points included Miami, Manchester, N.H., Boston and New York City on the East Coast and Cold Bay, Alaska, in the Aleutians, and Zihuatanejo, Mexico, in the West.

(In St. Louis, our aircraft were seen so often that a permanent Hughes Airwest sign has been put up above the check-in counter used for our flights.)

The longest nonstop trip—2,090 miles—was a military charter from San Diego to Tampa, Florida.

Aircraft utilization was improved by overnighting aircraft east of the Rocky Mountains instead of in Las Vegas as was done in 1976, according to Jim Rylander, charter administration manager.

By doing this, planes were available first thing in the morning in the east to make a westbound trip.

A flight could then be operated the same day eastbound with a returning group and sometimes even a second westbound trip could be flown in the early evening. This scheduling enabled us to accommodate more groups at the time of day they wished to travel.

Charter trips were flown with one 727 five days a week all year and a DC-9 daily for seven months of 1977. A second DC-9 was operated on Saturdays only, beginning in July.

These aircraft made 1,665 passenger-carrying departures plus another 757 fuel stop and positioning (or "ferry") departures. (Including positioning flights, charter aircraft flew 1.6 million miles.)

Aircraft flew almost 4,000 hours in charter service last year. Nearly 3,000 of those were passenger-carrying.

During one 64-hour period in August, one charter 727 flew 38 hours making 21 departures from 17 different cities across the U.S. It boarded 1,265 passengers including military, firefighters and the San Diego Chargers football team. There were six crew changes—in Dallas, Oakland, Pittsburgh, again in Dallas, and in Las Vegas and Boise.

Rylander noted that Las Vegas employes have done an "outstanding job" in handling the bulk of our charter passengers, often under "trying conditions".

A second 727 is scheduled to be added to charter service in May. Forecast for 1978 is \$11.6 million in charter revenue, or about 65 per cent more than last year.

Many kudos, too

There were many accolades from outside the company in our year:

- The "Top Banana in the West" advertising and sales promotion campaigns won numerous awards, including the "Oscar" of the advertising industry—the "Addie".
- "Souper Snack" received the "Golden Key"—the top national premium incentive award.
- This newspaper was selected as the best regional airline publication in an Air Transport Association editor's competition.
- Our Grand Canyon exhibit at the *Travel Age East* trade show won the top transportation group award and a Hughes Airwest display at the 75-exhibit Airline International '77 convention placed second.

Oakland, San Jose new Mexico gateways

San Diego to Guadalajara, Mexico City and Acapulco. (Western would be prohibited from serving Guadalajara nonstop from San Francisco and San Diego. It also could not fly nonstop between San Francisco and Mexico City until October 1981 or until both Mexican airlines begin serving the route, whichever happens first.)

The agreement will result in increased competition from the Mexican airlines, Mexicana and Aeromexico. The following cities are among those that also would be served by a Mexican carrier:

- Phoenix and Tucson to all 11 of the cities in Mexico for which we would have authority (Aeromexico);

- San Diego to Mexico City, Acapulco and Guadalajara (carrier to be designated by Mexican government.)

Other airlines will receive authority between cities throughout both countries, including routes to cities in Mexico where we are now the only U.S. carrier. This will have an effect on our revenue from interline traffic connecting in Phoenix and Tucson.

New service could begin as early as this coming fall, according to Arthur M. Taylor, vice president-legal. Following final ratification, time will be needed for start-up preparation. (For example, San Jose does not yet have passenger customs clearance, which prohibits northbound nonstop flights from Mexico.)

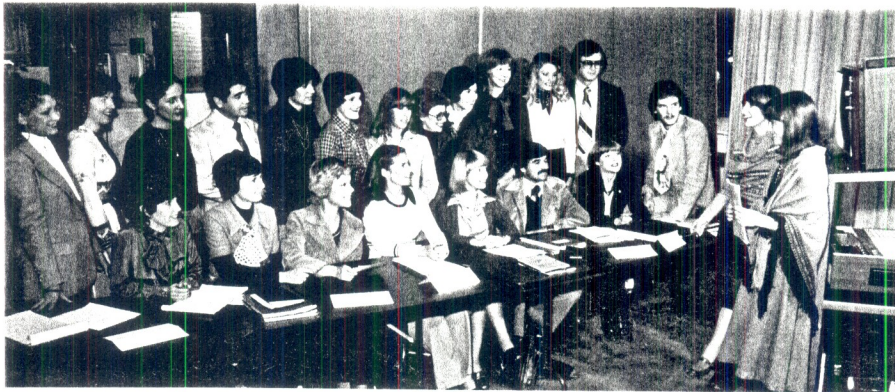
transport agreement of Aug. 19, 1980. It will remain in force until Dec. 31, 1982.

The bilateral delegations also reached "understandings" regarding reduced fares and rates and charter services.

In addition, the two governments agreed that airline schedules, travel brochures, pamphlets, posters and other similar printed material could be imported from a carrier's homeland free from customs duties, excise taxes, inspection fees and other national duties and charges.

These various charges on material not printed in Mexico have limited our ability to distribute them in that country.

21 flight attendants instructed in inflight instruction



Twenty-one flight attendants received three weeks of training in inflight instruction this month. They will serve as initial, recurrent and 727 instructors as needed. From left, seated, are: Susan Maloy and Ruth Cowan, Phoenix; Jeannie Koreltz and Pam Littleton, Las Vegas; Pam Flores, Jacob Golan and Annette Williams, Phoenix. Standing are: Linda Giles, Las Vegas; Carol Wade and Renata Pagliaro, San Francisco; Ivan Sordo and Mary K. Stewart, Phoenix; Teri Bohlander, Seattle; Morgan Godare, Phoenix; Wendy Carroll, Seattle; Joyce Schmidt, Natalie Loader and Nancy Harris, San Francisco; John Crocker, Las Vegas; and Kirk Graham, Seattle. (Not pictured: Marian Moneymaker, San Francisco.) At right are the instructors' instructors, Carol Gagnard, flight attendant training supervisor, and Susan Schoenberger, flight safety supervisor.

Des Moines, Milwaukee

(Continued from front page)

when we were awarded Tucson.

Initially, the flights will be nonstop to Des Moines, continuing to Milwaukee. Two round-trips will be offered by the end of the summer.

A third daily flight, nonstop from Phoenix to Milwaukee, will be inaugurated Oct. 30. This will be our longest nonstop segment—1,465 statute miles. More details later.

TRAVEL BARGAINS

(Continued from inside)

ing hotel and sightseeing; all three islands, 4-day/3-night, \$126. Single, triple and child rates also available. Employee/spouse/dependent children. For brochure, contact nearest sales office (SFO, LAX, SEA) or write Interline Dept., 2222 Kalakaua Ave., #1212, Honolulu 96815.

An 8-day Paris/Chateau Country tour is offered by World-Wide Interline Tours. Includes roundtrip air fare from NYC, hotels, ground transportation, most meals: \$370 each/double, \$445/single. Departures March-May & Sept-Nov. For brochure: P.O. Box 28034, Atlanta, Ga. 30328; (404) 255-5669. (Also has similar 10-day Russia tour.)

CUSTOMERS' ROSES AND THORNS

From a businessman with offices in San Francisco, Eugene and Seattle: "... We are highly pleased with the treatment we have received from your air freight personnel in Eugene. Ron Ness (station agent) and his crew are thoughtful, considerate and helpful in every way. ... As a result of treatment received from these personnel, I can be found flying Hughes Airwest from San Francisco north to Seattle. ..."

From a passenger returning from Puerto Vallarta, about the Phoenix crew: "... it was the nicest and most interesting flight I have ever been on. The captain (David Meade), first officer (Robert Scott) and flight attendants (Mary Ann Fowles, Linda C. Smith and John Marmaduke) ... were the most considerate folks I have ever met. ... When we landed, there was a round of applause and it was well deserved. ..."

From a businessman flying with us the first time: "I rang the bell and the flight attendant came rushing up to me saying in a highly discourteous voice, 'What do you want?'. Quite shocked, I requested pillows. She stated 'If you don't like that seat, why don't you get another one?', and disappeared. ... The plane was much dirtier than any I've ever been on ... at least five ants around the seats. ... It will be a long time before I try Hughes Airwest again. ... I will not recommend your airline to anyone."

From a businessman, about Joan Mosbruck, ticket agent, Pasco: "... My appreciation for the courteous, innovative manner in which she handled a potentially inconvenient experience. ... The two competitor airlines were unable to match her efficient manner. ..."

From a Sattle-Salt Lake City passenger: "I had promised myself I would never fly again on your airline because your agents worked against me. ... This trip was flawless; service better than any I have experienced; personnel, helpful and pleasant. Your personnel in Salt Lake City booked me on another airline because your flight was running late. Their consideration was very special. ... really cared about getting their passengers where they were going. ... I hope to be able to fly Hughes Airwest on my next trip."

From a passenger who chose to fly to Medford after being told flights to Eureka were full: "You can only imagine the frustration when the flight to Medford stopped in Eugene. Your ticket agent clearly made a mis-

take. Please refund the fare difference."

From a businessman whose position "requires 100 per cent travel, especially on your airline": "... There are not many airline employees who will go out of their way to help. ... Not only did one of yours, Rich Adams (station agent, San Francisco), help me beyond my wildest expectations, but I did not even have to ask; he sensed my dilemma and resolved my problem. ... He certainly is a credit to your airline."

From a businessman who travels "all over the U.S.": "... the most enjoyable flight of my career ... plane was clean ... meal the best I have ever had; didn't believe it was served to me in-flight. ... Flight attendants Mary McArthur, Sandy Barrett and Ma-

noie Hendershot (Seattle) provided the most fantastic service with the most pleasant and cordial attitude I have ever experienced. ... This is the first airline thank you letter I've ever written because it's the first perfect flight I've been on."

From a Salt Lake City to San Diego passenger: "Hoorahs and huzzahs to you. Your competitor goofed my reservation and I had to rush down and board your flight. I say 'had to' as I had been avoiding you due to some unpleasant experiences. I was more than pleasantly surprised at the royal treatment. ... The sumptuous meal and all the niceties made me feel like I was riding first class. The attentiveness of flight attendant Bonni Kleid (Seattle) was more than I'd experienced in years. It's the Top Banana for me from now on. ..."

From a couple traveling to Sunriver, Oregon: "I do want to commend your personnel for their consideration and the courteous and helpful way they tried to help us solve our problem. ... We had been told that the nearest airport (to our destination) was Bend. ... Your telephone sales agent said you didn't fly to Bend, but did serve North Bend. ... Thank you for providing Sundancer. I noticed on the route map (in flight) that though our destination was in central Oregon, we were being routed to the coast. We deplaned in Eugene and drove 145 miles to Redmond. ... Our dependence on your telephone sales department subjected us to extreme and unnecessary inconvenience, discomfort and expense. ... (Editor's note: Bend is 16 miles south of Redmond, which we serve as "Redmond/Bend". North Bend is 150 miles west of Bend.)

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