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North Central's
Hal N. Carr



North Central In Dual Turbine Switch, Eyes New Routes To Stay Profitable

Despite a late start, Hal Carr's airline programs an accelerated transition from all-piston to 580s and DC-9s within 24 months

By Joseph S. Murphy
From Minneapolis

EARLY THIS MONTH, for the second time in about 160 days, North Central Airlines will be introducing a new turbine airplane into service. In April it was the Allison Convair 580. Now it's the Douglas DC-9.

By U. S. regional airline standards, the event might mistakenly be classed as an anti-climax. After all, the other 12 regionals already are operating turbines of one breed or another. One of them, Mohawk, has been flying jets for more than two years.

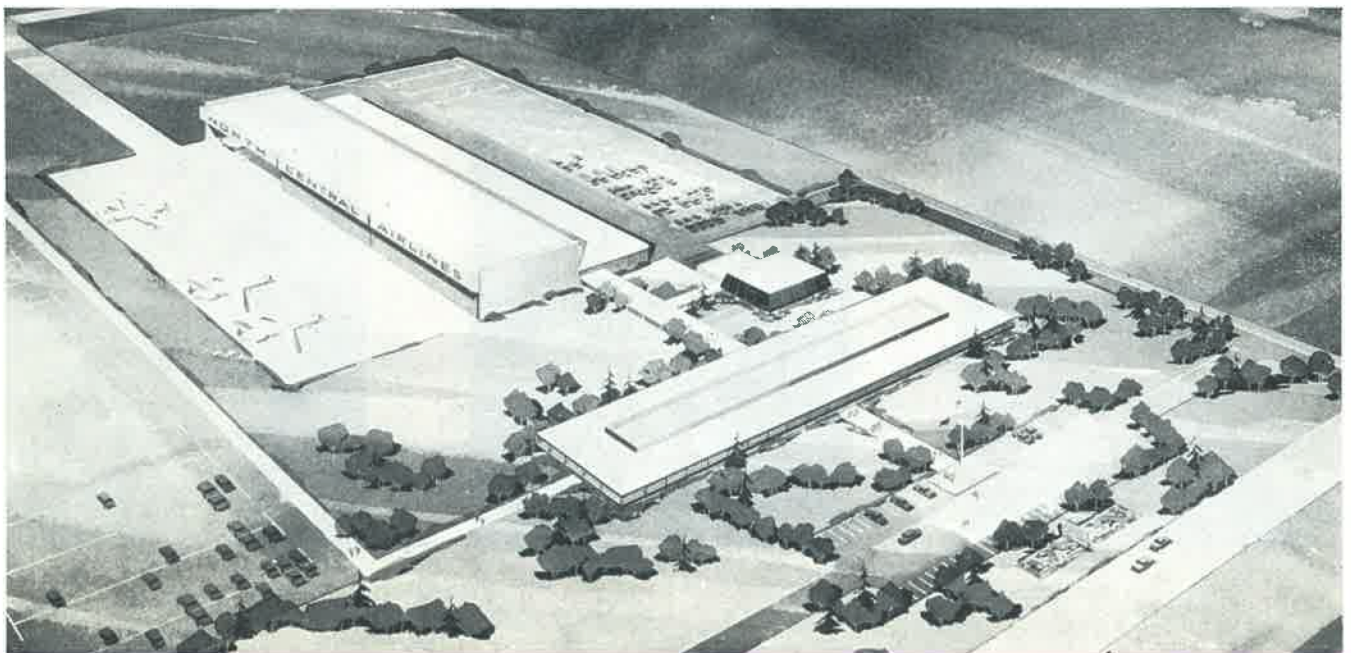
But don't be fooled by the seemingly late start of one of the biggest and best run regionals into the transition to turbines. That's pretty much the way it was planned, except for a few more months tacked on as a result of delivery delays both at PacAero on the 580s and Douglas on the DC-9s.

The big reason for the tardy start is that there is no room

for equipment mistakes in the economics of running North Central Airlines and Hal Carr, its president, isn't about to let any be made. As a result, he held off on the 580 until it was well proven in service by several other regionals. Similarly, although forced to order the smaller DC-9s for delivery advantages, he quickly shifted to the larger but later-arriving -30 because of the much improved economics it offers over the smaller version operating on regional routes for the past 18 months.

It has been this kind of conservatism which has symbolized Carr's approach to running North Central since he took over and rescued it from the brink of bankruptcy in 1954. And it is the tightknit management team which Carr has developed over 13 successive profitable years which makes North Central probably better equipped than any other

Artist's view of headquarters facility now underway. It can be expanded to meet airline's needs until 1989.





New exec. VP Bernard Sweet now runs the day-to-day operation. He was VP-financial until last April.

decisions in running the airline, he recently named his former vp-financial, 43-year-old Bernard "Bud" Sweet, to the post of executive vp.

Actually, route development was Carr's first specialty when he entered the airline business with TWA back in 1943. Now it is North Central's No. 1 requirement to keep profitable in the tightening squeeze between rising costs and declining subsidy for regionals.

To illustrate just how real the problem is, Carr points to the \$6-million deterioration in earnings of the regionals for the first five months of this year versus 1966. Instead of a \$3.38 million profit as in 1966, they are showing a \$2.7 million loss. North Central and Central are the only two showing an improvement over 1966, and North Central's is in the form of a reduced loss from \$93,500 to \$34,432.

Thus, with an estimated 15 to 20% increase in revenues, the regionals will be fortunate to match their \$12 million profit of 1966 with a strong second half in 1967.

For North Central, with a 91-mile average hop and 172-mile passenger haul both ranking near the bottom among all regionals, the need for stronger route authority is obvious. The recent Detroit-Toronto award obviously will help some, but North Central still lags far behind such other big regionals as Allegheny, Mohawk, Piedmont and Frontier in route expansion in recent years.

For example, during the 1960 to 1964 period, Allegheny was certified by new authority for 37% of its 1964 total passenger miles and Mohawk for 21%. In this same period, North Central realized only 5%.

Although a good share of the cures for North Central's route ills could come from the CAB's proposed liberalization of nonstop authority in the area it now serves, Carr sees some bonus potential to become subsidy-free from signs that CAB intends to explore the need for competition in a number of major markets now served exclusively by a single trunk.

A way off subsidy

Along these lines, North Central has applied for Twin Cities-New York, Milwaukee-New York, Boston and Washington/Baltimore. As Carr views these, North Central could operate them at a profit from the start by concentrating on peak period flights when the public demand is not now being met.

Thus, instead of the regionals going into all-out, possibly suicidal, competition with the big trunks, they instead might serve somewhat as "scheduled supplementals" by confining

their flights mostly to prime traffic times. What's more, for the first time in their history, they have the equipment with which to do it.

But whether or not Hal Carr and North Central realize any or all of their route ambitions, you can look for some real performance in turbine economics from the transition now taking place.

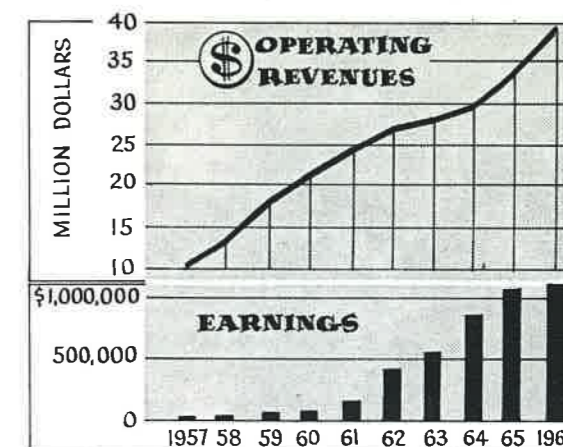
The 580, says Carr, is doing a tremendous job, North Central figured its costs would run about 15¢ a plane-mile below its piston Convair 440s but, during the first three months, it averaged 31¢ below. North Central now has six in service with 20 conversions committed for and another 11 on option. Assuming it will exercise the option, its last piston airplane will disappear in early 1969.

And from all indications, the DC-9 should do a similar job. Here, North Central already is showing some impressive results in its approach to training.

To pave the way for this program, Carr sent his VP-flight operations G. F. "Red" Wallis and manager-flight training, Pete Wahl through TWA's DC-9 transition program at Kansas City. As a result of what they learned, North Central has been putting its pilots through about 20 hours in a new \$35,000 Gemco procedures trainer which Douglas pilots say is saving the regional airline about four flight hours per pilot in the transition to DC-9s.

As another outgrowth of the TWA exercise by Wallis and

10 Year Finances At North Central



Year	Opn. Rev. (000)	Exp. (000)	Earnings (000)	Year	Opn. Rev. (000)	Exp. (000)	Earnings (000)
1957	\$10,733	\$10,720	\$12.5	1962	\$26,870	\$25,603	\$439.9
1958	13,049	12,983	15.0	1963	27,877	26,431	521.7
1959	18,518	18,099	33.0	1964	29,715	27,682	844.6
1960	21,602	21,357	15.0	1965	33,891	31,325	1,138.7
1961*	24,841	24,209	204.0	1966	39,613	37,296	1,154.6

*Start of local service class mail rate.

regional to take on a dual turbine transition simultaneously and phase out pistons entirely inside 24 months.

In fact, the turboprop and jet transitions are just two of a fistful of big new developments at North Central. Last month it inaugurated service between Detroit and Toronto on the first significant new route it has been awarded since way back.

Only two months ago (July), it announced the go-ahead on construction of a new \$15-million headquarters facility which it will occupy in the latter part of 1968 and which is designed for expansion to suit its needs through 1989.

And while all this is going on, North Central is engaged in the most extensive route development program in its history. It now serves 90 cities in 10 states and Canada and is vying for routes which would add more than 8500 miles plus 11 new cities in six states and the District of Columbia.

It is in this area of route expansion where the key to future regional profits lie and North Central's Hal Carr is giving it his personal attention. To free himself of day-to-day

Top man in flight operations is G. F. Wallis who started flying for North Central in 1947. He's 44.



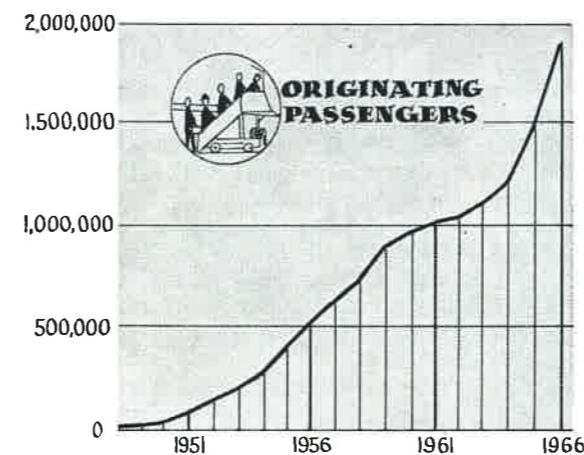
L. J. Keely, VP-maintenance and engineering, came to North Central from Braniff in 1960.



T. M. Neeham hails from TWA. He is VP-ground operations, has been with airline since '48.



Traffic Growth—1948-1966



Year	Originating Passengers	Revenue Passenger Miles	No. of Acft.	Freight Ton Miles	Total Employees
1948	11,386	1,953,000	3	.....	152
1949	32,625	4,950,000	6	.....	210
1950	48,791	7,764,000	6	.....	228
1951	96,265	15,302,000	6	.....	289
1952	150,852	25,236,000	10	.....	481
1953	216,386	37,626,000	19	.....	615
1954	283,588	47,457,000	18	.....	639
1955	430,605	67,096,000	18	.....	831
1956	548,244	83,053,000	23	.....	976
1957	652,583	100,744,000	27	.....	1,232
1958	737,635	117,574,000	32	.....	1,399
1959	894,953	153,894,000	37	220,006	1,897
1960	958,976	168,881,000	39	508,773	2,152
1961	1,005,584	187,823,000	41	851,295	1,995
1962	1,038,187	191,113,000	47	1,024,194	2,065
1963	1,115,618	203,829,000	47	1,240,482	1,985
1964	1,236,911	230,233,000	43	1,514,659	2,023
1965	1,480,302	273,209,000	44	2,073,559	2,171
1966	1,882,016	354,633,000	45	2,579,716	2,406
1967	(through August)		49		2,650

Wahl, North Central's training center now boasts four classrooms that are wired for monitoring student response used in the highly-effective programmed instruction approach to ground school training.

At 46, Hal Carr is a 13-year veteran regional airline head. The rest of his management team today is pretty young, too. Sweet, his new No. 2 man, is only 43 but has been with the airline 19 years.

Sweet started as general accountant, was named asst. treasurer in 1950 and acting treasurer in 1953 before getting the title secretary-treasurer the next year. He was named VP in 1959.

Corporate financing and budgets have been two of his key jobs in his former post, giving him a broad feel for all aspects of North Central's operation. Before moving up to executive VP, he had begun an equipment refinancing now in the final stages of completion which will amount to about \$62 million (with no new equity) and will fill the airline's needs through the end of 1969.

Despite retirement of two of his early key men, A. D. Niemeyer and R. H. Bendio, and the death late last year of Frank Buttomer, Carr has maintained continuity in management by grooming young replacements who are highly experienced in their jobs.

Wallis, who is 44, started flying for North Central in 1949. He joined management in 1954 as chief pilot and progressively moved to flight operations manager and director of flight operations before becoming VP-flight operations in 1965 when Niemeyer retired.

Trunk technical knowhow

Bendio, who retired last month as VP-special projects, was North Central's former head of engineering and maintenance. With the shift to Convairs, he hired L. J. "Les" Keely who was Braniff's northern supt. of line maintenance as his understudy. From mgr.-maintenance and engineering in 1960, Keely moved to director in 1961 and VP in 1965.



New head of sales is David E. Moran, 36, who despite his youth is a 13-year veteran with the airline.



D. F. May, North Central's treasurer, has been named to head department formerly run by Sweet.



A. E. Schwandt, VP industrial relations, has built a "no strike" record to date at North Central.

Today, at 52, he is a 30-year airline technical veteran with the better part of it involving trunk airline types of aircraft which more and more are becoming the way of life with the regionals.

In sales, David E. Moran, who at 36 is a 13-year veteran at North Central, was named director-traffic and sales following the death of VP Frank Buttomer late last November. A former special asst. to Buttomer as far back as 10 years ago, Moran did a two-year stint in South America as marketing and sales adviser to Bolivia's LAB under a management contract North Central undertook from 1963 to 1965.

In ground operations, VP T. M. Needham worked with Carr at TWA in Washington as far back as the mid-'40s and came with North Central in February 1948. From supt. of stations until 1959, he became director-grounds operations and in 1965 VP of that department. He turns 53 this month.

One of North Central's oldest employes, dating back to when it was started by FWD (Four Wheel Drive) in Clintonville, Wisc., is A. E. Schwandt, age 57. Today he handles the job of VP-industrial relations and quite effectively so considering that North Central has never experienced a labor shutdown. There have been some close calls, such as the recent IAM mechanic's contract upon which agreement was reached on July 27 just 24 hours shy of a strike deadline. But close calls don't count and North Central's no-strike record stands as one to be envied in the airline business.

A high-morale airline

And it probably is no accident. Morale runs high at North Central both among employes and throughout top management. Carr travels quite a bit over the system and often tells employes being pinned for anniversaries to drop in to see him if they're in Minneapolis. Some take him up on it and oft times to their surprise he sees every one of them.

Among his VP's, Carr ranks as a president who knows how to delegate both the responsibility and the authority that has to go with it.

A good example is maintenance. "We emphasize it," says Carr and more than once he has answered a letter from a disgruntled delayed passenger with a set of comparative charts showing his airline's mechanical delay rate at less than half that of other big regionals. If Les Keely feels he needs better tools to do the job, such as four new \$17,000 Yankee Walter mobile deicing units acquired last year to cut down on icing delays and cancellations, he gets them. Keely attributes North Central's operating record to the close-knit

cooperation that exists between operations and maintenance.

Carr takes particular pride in North Central's schedule completion factor which, despite a day to day exposure to what is probably the roughest winter weather in the U. S., stood at a healthy 98.4% for 1966. This placed North Central No. 5 among the top 24 scheduled airlines in the U. S., many of which aren't hampered by consecutive weeks of sub-zero temperatures to plague their winter schedules.

And a good financial record

Last, but hardly the least of Carr's successes at North Central, has been his astute financial management of the airline. From the time he came aboard early in 1954 with the airline only weeks away from bankruptcy, he has shown a profit. He even salvaged a profit that first year, despite heavy losses in the first few months.

Last year Hal Carr hurdled what probably loomed as one of his biggest obstacles on the future horizon of the airline he built to profitability. Upon the death of former chairman Arthur E. Mueller, about 5 million of North Central's 8.7 million shares outstanding, or a controlling 55% interest, went to Mueller's estate.

In late '65, the family decided to dispose of the stock selling 2.5 million units comprised of one share of stock and a warrant exercisable within three years for one additional share at \$3.25. The offering was quickly subscribed to, boosting the number of stockholders from 6000 to about 25,000. Subsequently, Carr and four other directors purchased the warrants from the Mueller estate which, with stock previously held, gives them roughly a 40% controlling interest in North Central today.

With the uncertainties of ownership of his airline resolved, Carr now concentrates on the long-range plans for North Central. He has even sold out his interests in a highly successful local bank of which he was co-founder and president. The decisions on new equipment and new facilities already are behind him and a bigger share of new routes hopefully ahead.

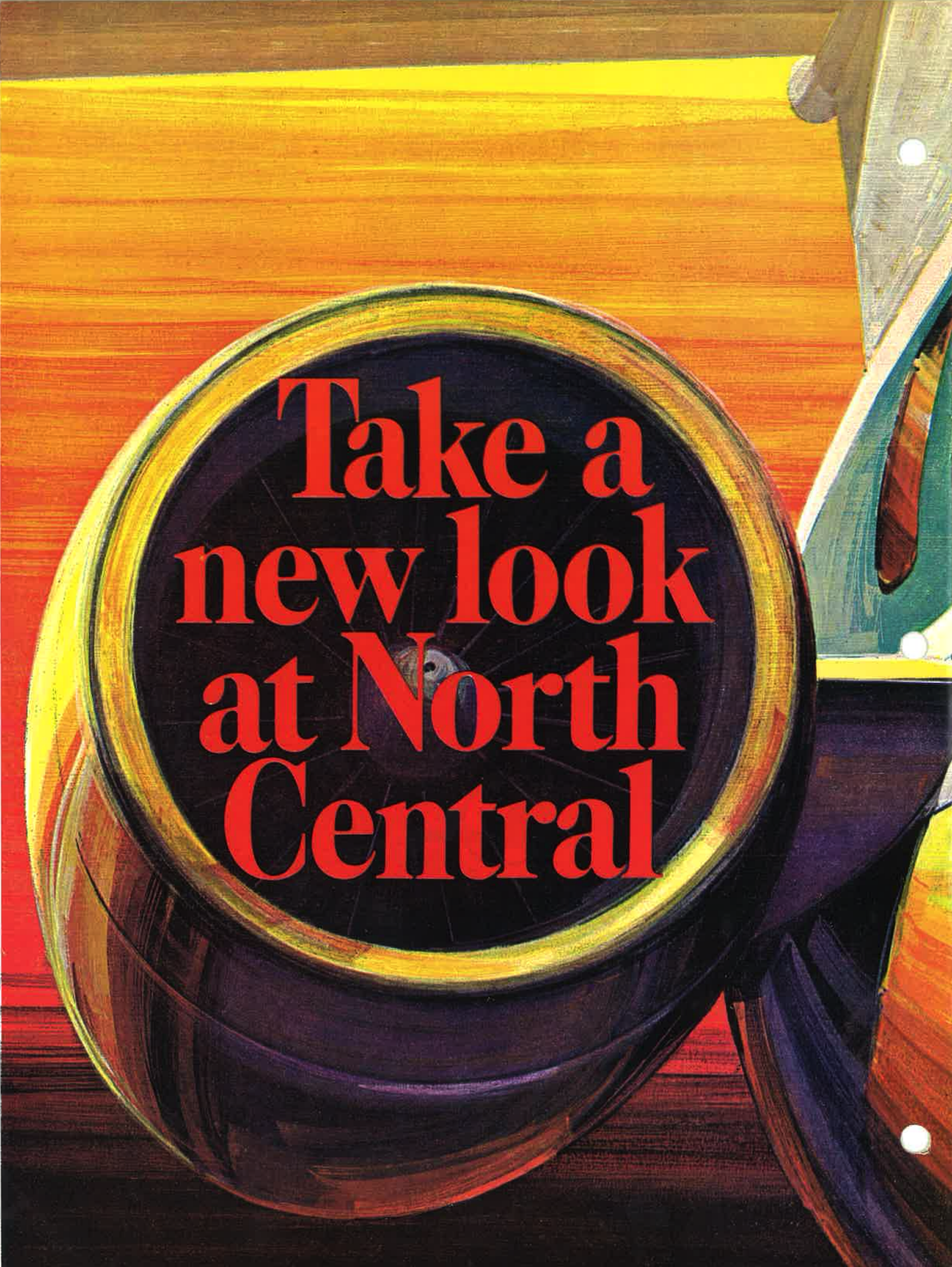
It was no easy task keeping morale high on an all-piston regional when all the others were shifting to turbines. But that problem, too, is behind Hal Carr now and his staff, both management and employes, has so much to do and talk about with the 580s, DC-9s and a superb future office building, they'll have little time to think about their morale.

And just in case they run out of ideas, Hal Carr might happen along and remind them that every two days their airline is enplaning just about the same number of passengers it carried in its whole first year of operation. ●



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new look
at North
Central