

Wien Wants Out

Editor's Note: In a June 1 editorial, we expressed our concern, and that of many people living in the villages of Alaska, that the management of Wien Air Alaska was desperately trying to eliminate all but its jet service to the bush, in an apparent effort to commit company resources to establishing a Wien route to Seattle. We feel these fears are further confirmed by a brochure, printed below. The cutback in Wien bush aircraft has already contributed to a deterioration of bush air service.

TO THE OWNERS AND EMPLOYEES OF WIEN AIR ALASKA, INC.:

The strike which began on May 7 against your Company by members of the Air Line Pilots Association has reversed the trend of earnings which we had been experiencing. As a result of this strike, we experienced a second quarter loss, but we anticipate that a favorable trend will commence again in the coming quarter.

Wien Air Alaska has been charged by the Civil Aeronautics Board with the responsibility to "serve the public need and convenience." We have done just that during two very difficult months.

In order to serve the needs of the State of Alaska during a period in which we had only a few pilots available, your company's management made the decision to utilize a full passenger configuration on all Boeing 737 flights. Since we were carrying only passengers and their baggage on Wien flights, other arrangements had to be made to handle the cargo needs. Your Company entered into charter agreements with two Alaskan carriers, which carried mail and freight throughout the Wien system and, during the Bristol Bay fishing season, additional aircraft were chartered to supply the necessary lift to keep the fish from spoiling on the beaches.

In an effort to protect Alaska's tourism industry and our own tour program, a Lockheed Electra was chartered from Evergreen International Airlines. This 94 passenger aircraft was utilized on several daily passenger trips during the month of June.

The strike added other costs to the Company's operations. Security had to be implemented in some areas and increased in others. Legal and professional fees increased due to various actions resulting from the strike. **The Alaskan bush operation was turned over to sub-contractors, with a resulting loss of revenue. We also had to give up the Alyeska Pipeline Contract which utilized our FH-227's.**

As the strike progressed, it became evident to management that steps would have to be taken to increase our ability to serve the public. New pilots were hired. While all those hired were highly qualified, they still had to take costly recurrent and simulator training. With the services of these new pilots, Wien was able to increase scheduled service during the month of June. A new schedule in August will bring your Company back to full utilization of the 737's for both passengers and cargo and will allow us to phase out charter operations. The Evergreen charter has already been terminated.

While incurring additional costs, the Company stepped up its program of cost reduction and control. Over 200 employees were furloughed in May. We have sold one Twin Otter and are in the process of selling three F-27's. A lease-purchase agreement for our two Short Skyvans is also being finalized.

We are pleased to report that the Civil Aeronautics Board has concluded its investigation commenced in March 1976 of your Company's subsidy needs and will continue the present subsidy of \$2,061,893 per year through March 31, 1978. However, the subsidy will then be decreased to \$1,750,048, for the fiscal year ending March 31, 1979, and to \$1,500,059 for fiscal years thereafter. **We feel that your Company has been treated fairly, even though its subsidy will be reduced by a half million dollars by 1980, since this reduction is in line with the CAB's aim of reducing the federal subsidy of all carriers.**

In spite of the loss sustained by your Company in the second quarter, the Board of Directors declared a cash dividend of 4 cents per share payable on July 15, 1977 to all shareholders of record June 30, 1977. This is in line with a policy established in late 1976 by your Board in which it declared that quarterly dividends would be paid to stockholders.

Throughout a very difficult period, your Company and its employees have endeavored to provide service to the communities of Alaska. In chartering aircraft, we not only provided necessary service, but protected our routes against incursion by other carriers. The strike and all its problems are not yet over. **However, the increased utilization of our own aircraft and the continuing ef-**

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forts to hold costs in line point to our third quarter operations being profitable.

On May 12, our shareholders were notified of the merger offer from Alaska Airlines and of the ad hoc committee of Wien Directors established to investigate the offer. The Committee reported to the Board of Directors on June 25, 1977 and, after lengthy discussion, the Board voted unanimously to delay further discussions until the pilot strike against Wien Air Alaska has been resolved.

Raymond I. Petersen
Chairman and Chief Executive Officer