



We have every reason at Piedmont to remember 1986 with fondness. It was more than simply a good year, another year in a growing string of good years for us and our stockholders. It was an exciting year filled with warm remembrances.

For the first time ever, Piedmont became the launch order customer for a new jet aircraft when we bought a fleet of 25 Boeing 737-400s. We became just the sixth U.S. airline in history to enplane two million passengers in a single month. For the first time, Piedmont flew more than 100,000 passengers on a single day. We merged the fine men and women and the fleet of Empire Airlines into the Piedmont system, and achieved this without breaking our stride. And, of course, we positioned Piedmont to become an operator of widebody jets and, almost simultaneously, we asked for authority to fly between Charlotte and London.

We saw the fruition of past efforts. Today we have, for example, one of our industry's most successful and popular frequent flyer programs serving literally hundreds of thousands of

travelers, most of them loyal Piedmont customers. We became the third largest carrier in terms of service to New York City when we began serving Kennedy Airport, along with our growing presence at both LaGuardia and Newark. And we opened attractive new reservations offices at Orlando and Utica-Rome. We became the primary provider of intrastate air service in the nation's fastest growing state, Florida, through The Piedmont Shuttle.

We committed to major expansions of all our hubs—Charlotte, Baltimore/Washington, Dayton and Syracuse—as well as a new maintenance facility at Charlotte.

We also identified a disturbing trend, one we must not ignore. Piedmont no longer stands relatively alone as a successful exponent of a deregulated air transportation industry. The facts are that a growing number of our largest competitors either prospered, merged their resources, or did both. Moreover, all four of our nation's largest and most successful airlines have started major expansions in the heart of the Piedmont system.

Today there is no better quality airline in the skies than Piedmont. There are no better airline employees in the industry than Piedmont's. This is not idle talk. Only Piedmont and its people took a hard look at our industry's deteriorating on-time performance record and opted to help itself rather than keep pressuring only our government for relief. Because of that effort, we have demonstrated the ability to run the best schedule performance of the industry to all the world.

I believe our greatest challenges and greatest successes are still ahead of us. We have every reason to look back upon 1986 with pride, and to look ahead to 1987 with confidence in ourselves and one another. To each and every Piedmont employee I wish personally, and on behalf of your Officers and your Board of Directors, a joyous holiday season and a happy 1987.

William R. Howard
Chairman, President & Chief Executive Officer

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Maintenance puts 2 B737s in our stocking

Christmas packages don't always come with ribbons and bows. Sometimes they come in sheet metal and seat fabric, taking off and landing around our 87 airports and quietly adding to the company's bottom line.

Take, for example, the Christmas "present" being given to Piedmont by our maintenance and engineering department. Announced in time to help foster the holiday spirit, it's a new maintenance program which, in effect, will give the company three 737s over the next 18 months. That's *three* 737s worth at least \$20 million each—quite a present to put under Piedmont's Christmas tree.

Designed by a nine-member Maintenance Programming Committee, the new program will turn the maintenance of our Boeing 737-200s and 737-300s into a phased operation that dramatically improves aircraft utilization without reducing the maintenance performed. By phasing the same total amount of maintenance at regularly scheduled intervals, rather than providing it in a single block of down-time, an aircraft's operational hours are significantly increased—enough so that entire "aircraft" can be added to the fleet in terms of added flight time to our schedule.

Tom Schick, vice president-maintenance and engineering, said the program was born from a single idea: to more efficiently provide the same amount of quality maintenance on our aircraft in order to enhance the company's growth.

"Our challenge was to see if we could repackage our maintenance to achieve this goal," Schick said. "So we formed a committee that developed a program whose efficiency will provide less ground time out of the schedule and more seats in the air. It took creative thinking and solid maintenance and engineering skills—skills that we'll rely heavily upon our mechanics and support groups to perform."

Members of the committee include Al Beamon, manager-maintenance control (chairman); Don Erickson, industrial engineer; Homer Gordon,

manager-maintenance planning; Charles King, manager-line maintenance (GSO); George Liven-good, manager-material planning; Joe Moore, manager-base maintenance (INT); Tommy Redman, supervisor-quality assurance; Bill Sebastian, manager-line avionics (GSO); and Rick Veronen, structures engineer.

Beamon said the program repackages C-checks

into six segments and heavy maintenance into several segments done at different times. Each segment is accomplished overnight, when the aircraft is not needed for flying. Each morning following the maintenance segment, the aircraft is returned to operations for scheduled flights.

"When you consider that the average C-check

continued page 4



Howard

Howard named Chairman, McGee elected Exec. V.P.

William R. Howard was elected to the newly-created position of Chairman of the Board, President and Chief Executive Officer at a meeting of the Piedmont Aviation, Inc., Board of Directors in Winston-Salem on December 3. At the same time, William G. McGee was elected Executive Vice President.

Howard, who joined Piedmont in 1978, had been President and Chief Executive Officer since 1983. McGee, who joined Piedmont in 1947, was Senior Vice President-Marketing.

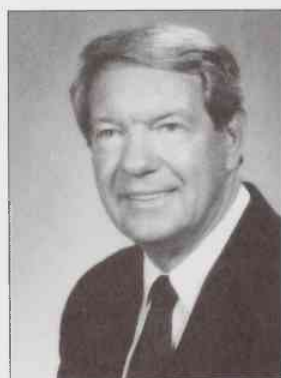
Howard has been widely recognized as the architect of Piedmont's extremely successful strategies in the years following deregulation. Under his leadership, Piedmont has created major air service hubs at Charlotte, Baltimore/Washington, and Dayton and the innovative Piedmont Shuttle serving intra-

state routes in Florida. Piedmont has also acquired three other airlines, merging Empire into the Piedmont system earlier this year, and continuing to operate Henson Aviation and Jetstream International Airways as separate carriers.

Under McGee's leadership, the Piedmont Marketing Department has instituted one of the industry's most successful frequent flyer programs, an innovative approach to pricing each seat on every flight to maximize revenues, and most recently has chaired the highly-successful On-Time Performance Committee.

McGee was elected Senior Vice President-Marketing in 1979. He is a member of the Piedmont Board of Directors and the Henson Board of Directors.

continued on page 5



McGee