

# **Chapter 1. Before our founding**

## **1. Towards the open sky:**

**—From the sea to the sky, the curtain rises on  
a new era of cargo transport**

### **Interest in an international air cargo company**

During the age of propeller aircraft, air cargo was limited to mail and goods needing emergency transport that could be stuffed into the narrow spaces under the floors of passenger aircraft. At the beginning of the 1960s, however, narrow-body jet freighters such as the Douglas DC8F and the Boeing B707F appeared. They were able to carry 30 tons of cargo. This completely changed the situation, and air cargo took a major leap forward. In 1960, only about 6,200 tons of air cargo were carried to or from Japan. Five years later, in 1965, that figure reached 35,400 tons, six times as much.

During the late 1950s, as the amount of air cargo increased, the ocean shipping industry began taking a strong interest in establishing an air cargo company. Their aim was to establish a comprehensive cargo system that linked sea and sky.

### **Three shipping lines and Japan Airlines conceive a new company**

In December 1959, Nippon Yusen Kaisha, Osaka Shosen Kaisha, and Mitsui Steamship Co., Ltd. decided to form an air cargo company, with

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cooperation of Japan Airlines. At the time, however, even the USA did not have an international cargo airline, and the establishment of such a company was seen as premature. Furthermore, based on the Japan Airlines Law of the time, the aviation system had one international airline (Japan Airlines) and two domestic airlines (Japan Airlines and All Nippon Airways). This was a major obstacle to the establishment of any new international airline.

### **New movement by two shipping lines and All Nippon Airways**

In September 1969, the US international cargo airline Flying Tiger entered Japan. It began with the 30-ton DC8F, but the wide-body, 100-ton B747F appeared soon after, accelerating the increase in air cargo. Regarding an airline system capable of responding to the rapid increase in demand for international air cargo, the Transport Council reported that it was necessary to quickly examine effective policies and establish a system capable of handling the cargo.

In November 1970, three other companies, Kawasaki Kisen Kaisha, Yamashita-Shinnihon Steamship, and All Nippon Airways decided to undertake a separate initiative to establish their own international cargo airline. Two years later, in November 1972, they agreed to establish Nippon International Cargo Airlines.

Meanwhile, the concept of forming Nippon Cargo Airlines by Nippon Yusen and Mitsui O.S.K. Lines remained in limbo because of Japan Airlines' passive attitude.

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## **2. The 19-year journey from concept to reality: —Restructuring of the group**

### **Making establishment of an international cargo airline a reality**

In February 1974, a four-member group comprising Kawasaki Kisen Kaisha, Yamashita-Shinnihon Steamship, All Nippon Airways, and newcomer Nippon Express submitted a letter of intent and a formal request to the Ministry of Transport for the establishment of Nippon International Cargo Airlines. Two months later, the four companies formed a working group, preparing an organizational structure. The staff worked to prepare license applications for after the airline's establishment and to develop a business plan based on projected air cargo demand. In addition, they worked out the new firm's capitalization, number of employees, flight operations planning, crew planning, and so on. They also toured Narita Airport, which was then under construction, and container berths, and dispatched four fact-finding missions to the United States during 1971–1975.

### **Unification of the two groups**

However, the four-member group's international cargo airline still had difficulty moving beyond the conceptual stage. Progress began again in July 1977 and work on a letter of intent to establish a new company was restarted. During the discussion process, the four-member group worked to bring in the two-member group, firming up the move towards

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unification. Underlying this grand coalition was the Ministry of Transport's view that Japan was not large enough to support two international cargo airlines, so they should unify their efforts. The four-member group thus approached the two member group of Nippon Yusen Kaisha and Mitsui O.S.K. Lines to seek their participation. In December 1977, the heads of the two companies met with their counterpart at the still-passive Japan Airlines to ascertain that company's attitude. Japan Airlines still would not agree to form a new airline. At that point, the two companies immediately turned to the four-member group, and the coalition was formed. During this time, the work to combine the two groups was led by All Nippon Airways Chairman Tokuji Wakasa and Nippon Yusen Kaisha President Shojiro Kikuchi.

In May 1978, the six companies, Kawasaki Kisen Kaisha, Nippon Express, Nippon Yusen Kaisha, Mitsui O.S.K. Lines, Yamashita-Shinnihon Steamship, and All Nippon Airways, reached final agreement on the establishment of Nippon Cargo Airlines. Having reached general agreement on the coalition, the six companies began holding twice-monthly "middle meetings" at the department manager and assistant department manager level. The meetings began concrete examination of issues such as capital ratios and developing a business plan. In June, the coalition, minus Nippon Express, submitted a letter of intent and a formal request to the Ministry of Transport to establish Nippon Cargo Airlines. Nippon Express finally withdrew from the coalition because it was in the process of applying for a consolidated license for Nippon Express USA at the time.

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### 3. On the eve of breaking the international-route monopoly:

—Towards obtaining a license

#### The establishment of Nippon Cargo Airlines Co. Ltd., and its license application

In July 1978, without Nippon Express, the five remaining companies rented an office from All Nippon Airways in Kasumigaseki, Tokyo, and began working on capitalization, personnel, and other issues that are part of the founding of a company. On the personnel side, Takeo Hori, then President of Yamashita-Shinnihon Steamship, became the new company's President, and Shojiro Kikuchi, then President of Nippon Yusen, became Chairman. Top executives of the capitalizing companies became NCA's first Directors. In addition, the five companies decided to put up capital of ¥40 million each, for a total of ¥200 million.

On September 21, 1978, a General Meeting was held to establish the company. Registration was completed six days later on the 27th, marking the official beginning of Nippon Cargo Airlines Company, Limited. In November, NCA submitted an application for a business license for scheduled air transportation to the Ministry of Transport, but the application stalled there. It stalled because transport of fuel, which at the time depended on railways, was limited, and because the Japan-US aviation negotiations had been suspended. The negotiations, which had been opened to correct aviation rights that were markedly in the



Chairman Shojiro Kikuchi



President Takeo Hori

favor of the USA, were just at the point of breaking down. NCA's license application in effect added fuel to the fire.

Showa Line (now Nippon Yusen Kaisha) expressed its desire to join in the new company in December 1981, while Japan Line (now Mitsui O.S.K. Lines) did the same in January 1982. The six shipping company system was complete.

### **The Ministry of Transport holds hearings**

As the year 1982 began, the hearings held by the Ministry of Transport's working group gained momentum. Underlying the Ministry's taking on the major task of overhauling the existing aviation system were a growing trend to reexamine the monopoly on international routes as well as the rapid increase in air cargo demand. The Ministry of Transport held about 10 hearings through March 1983. A particular problem was NCA's plan to operate flights with three-person crews (pilot, co-pilot, and flight engineer). With Japan Airlines operating with five- or six-person crews, the upstart NCA was sharply questioned on using only three crewmembers. NCA answered with figures showing that a cargo airline could not make a profit with larger crews and by indicating that flight crews and mechanics would comprise mainly certified personnel transferred from All Nippon Airways.

### **At long last, consultation in the Transport Council**

Around the same time the hearings began, the Aviation Policy Round Table Conference, a private advisory group to the Minister of Transport,

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held discussions on “The present and future of international air cargo.” The Conference completed its report at the end of March 1983. The report said that air cargo is a field closely connected to the adoption of competitive principles for economic rationalization. During the medium term, average annual growth of 9–11 percent could be expected. Such being the case, ordinarily the Minister of Transport would immediately hold consultations on the license application, leading to a license being granted. This time, however, Japan Airlines was expected to speak in opposition to the license at a public hearing. At the request of the Ministry of Transport, NCA President Takeo Hori met with Japan Airlines President Yasumoto Takagi for talks. Neither side would give in, however, and Japan Airlines remained in opposition until the end. The public hearing was held a little over a month later, on June 9.

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The General Meeting held to establish NCA (in Tokyo in the Hotel Okura’s Akane Room on September 21, 1978)



## **4. Debating the claim of oversupply:**

### **—From the public hearing to the issuance of a license**

#### **Towards the holding of a public hearing**

The public hearing was held before seven members of the Transport Council. After NCA spoke as the applicant and Japan Airlines as an interested party, nine people were to speak for or against the license as members of the general public. The meeting began at 10:00 on the morning of June 9, 1983. NCA President Hori's voice was the first to fill the venue as he read a prepared statement. Mr. Hori gave an overview of NCA's history from conception to founding, the intent of its establishment, its capital, its business plan, its expected income, and so on. Japan Airlines brought out a vast amount of documents as it offered a rebuttal. After a one-hour break for lunch, the meeting resumed with nine general speakers. When they had finished, Japan Airlines' claim of "oversupply" was dominating the room's mood. At that point, the momentum appeared to favor further postponement of the license's approval.

The remaining agenda called for the applicant and the interested party to question each other, for the Council members to question them both, and for the applicant to make a final statement. At 5:40 p.m., Mr. Hori began to speak passionately from his 13- or 14-page written text. As he ended his address after less than 20 minutes, Mr. Hori stood on his experience in the marine shipping industry to argue that the

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establishment of an international cargo airline is a sign of the times. After that, NCA Chairman Kikuchi spoke, and the hearing ended. Since the consultation of April 26, twenty-one discussions were held. After the first public hearing, two more were held on June 21 and 23 for Japan Airlines and NCA to present detailed rebuttal documents to the Council. On August 11, the Council finally submitted its report to Minister of Transport Hasegawa.

On August 13, Minister Hasegawa presented NCA President Hori with a license to operate a scheduled air transport business. It was six years since the formation of the grand coalition in 1977.



Issuing the business license

(from left, Minister of Transport Hasegawa, Chairman Kikuchi, President Hori)

## 5. The long-awaited first flight stretches its wings

—Japan-US aviation talks stall

### Capital is increased to ¥3.2 billion as systems are prepared to begin operations

As the opening of business drew closer, NAC (our English name at the time was Nippon Air Cargo Lines, NAC) established its head office in October 1983 on the 27th floor of the Kasumigaseki Building in Tokyo. The company began with 13 officers, 10 section chiefs, and 3 female employees, for a total of 26 personnel.

Subsequently, paid-in capital was increased to ¥800 million, and the company's English name was changed to the current "Nippon Cargo Airlines" ("NCA"). Capital was increased two more times by March 1984, to ¥3.2 billion. 23 banks, 9 non-life insurance companies, 7 life insurance companies, 19 forwarders, and 8 general trading companies joined NCA's shareholders, swelling the total to 73.

A business plan was in place, but all the preparation needed to actually put B747Fs into the air was still to come. For example, on the question of where to locate NCA's hub in the United States, New York was the first choice, yet staff members had not realized that there were 27 different airports in the New York area alone. A survey team was put together and went to the USA in November 1983 to gather information.



The Kasumigaseki Building, where the Head Office opened

Who to entrust with ground handling and maintenance in the USA was a major issue. At that time, NCA's partner All Nippon Airways still did not operate any scheduled international flights, so it lacked the necessary expertise. As a result of surveys jointly carried out on transport, operations, and maintenance, NCA signed a consignment contract with American Airlines in October 1984.

NCA provided strict training on aircraft, workers, and freight security related to the consignment of handling.

During this period, the fact that the company's personnel were highly skilled and met each other every day while working in a lean organization went a long way towards bringing together the feelings and ideas of those who came from a marine shipping background and those who came from an aviation background. Even the way they handled numbers (the meaning of 100 tons of air freight and 100 tons of ocean freight) was very different.

Serious problems arose on the ANA side at that time as labor and management clashed over crew composition and transfers. In order to form a specialized cargo company that was competitive internationally, NCA needed to raise crew productivity by adopting the single-crew system used by only a few airlines such as Northwest and Flying Tiger. In concrete terms, two B747-200Fs would make six weekly Tokyo–San Francisco–New York roundtrips with minimum crews of one captain, one co-pilot, and one flight engineer. The minimum number of personnel needed would be 46 (17 captains, 13 co-pilots, and 16 flight engineers). NCA presented ANA's crewmembers union with a flight

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pattern where each flight would spend two or three nights in San Francisco, one or two nights in New York, and then one or two nights in San Francisco, for a seven or eight day trip. The union objected that the time difference could damage the crewmembers' health. This issue became entangled with other questions related to crew labor management and agreement with the union was only reached in late March 1985, not long before the inaugural flight was scheduled to take off.

### **A new obstacle to beginning operations: Japan-US aviation negotiations**

Even more problematic than labor-management issues were Japan-US aviation negotiations. They caused the start of operations to be delayed a month beyond the planned date of April 1, 1985.

The story goes back to November 1983. The Japanese government informed the US government of its intention to include NCA as a designated company under the Japan-US Civil Aviation Agreement. At the end of February 1984, NCA applied to the US Civil Aeronautics Board (CAB) for a license. That June, NCA submitted a request for early approval, and in August the Japanese government added a further push through official diplomatic correspondence. Six months after the application was filed, however, there was still no response from the relevant US government agencies and no progress on the license. This was because of opposition from US aviation companies. In particular, Flying Tiger Line was leading the way by engaging in frantic lobbying in order to protect the Pacific route that had become its cash cow.

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In December 1984, informal talks on Japan-US aviation opened in Washington. During the talks, the Japanese side described the unfairness of aviation rights between Japan and the US and asserted that opportunity should be equalized. The Japanese side argued that Nippon Cargo Airlines fully met the conditions of current agreements and that, moreover, there were five US carriers flying Pacific routes but NCA would only be the second Japanese carrier, so of course it should receive a license right away. Opinions differed, however, and the informal talks broke up without reaching an agreement.

Meanwhile, preparations for NCA to commence operations were steadily moving forward. In addition to the Narita Branch, in July 1984 NCA opened branches in New York and San Francisco, and a sales office in Osaka. This was followed by the establishment of the Nagoya Sales Office and the Baraki Office in October and the Manhattan Office in December. In November, after joining the International Air Transport Association (IATA), NCA entered negotiations on an interline contract with Cathay Airways, which has the most extensive route network in Southeast Asia.

The first airplane, which NCA received in December, completed its practice flights and arrived at Narita Airport under the watchful eyes of NCA insiders on January 31, 1985. NCA took delivery of its second plane in February, further advancing preparations for operations along with those for sales.

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## **Towards a system of multiple international carriers**

In January 1985, Japan's Ministry of Transport hardened its policy of cutting the number of Flying Tiger flights to Japan and taking other retaliatory measures against the five US carriers if NCA was not quickly permitted to begin flights to the USA. In response, the US Department of State announced in February that if Japan took retaliatory measures, the US would take its own measures in return. However, the USA consigned transport of military cargo to its bases in Asia to Flying Tiger Line, so finally it was more willing to move towards agreement. In the last ten days of February, Japan-US aviation negotiations in Tokyo reached a provisional agreement. The following were its three main points.

1. NCA would be able to enter the USA on April 1.
2. Restrictions on aircraft types and number of flights on Japan–Micronesia routes would be lifted, and routes from Osaka and Fukuoka Airports to Micronesia would be opened. Multiple carriers from Japan would be among those operating flights on the routes.
3. Three new passenger routes between Japan and the USA would open on April 1, 1986. New carriers would be permitted to participate, and one Japanese and one US carrier would operate on each new route.

NCA and ANA welcomed the revised agreement. In particular, ANA had long hoped for the opportunity to operate scheduled international flights, and permission for multiple carriers to operate between Japan and the USA gave it a foothold in its fight to break down the system of allowing only JAL to operate them.

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In early March, NCA began negotiating with Delta Airlines and other US carriers on interline agreements and reopened contract talks with Cathay Airways, which had been suspended. Meanwhile, in order to expand marketing activities in the USA, NCA placed sales personnel in its Chicago and Los Angeles Sales Offices. In Japan, it worked to acquire consign cargo. In March, it moved its transport and maintenance sectors from the Kasumigaseki Building head office to its base of operations in Narita. With the Narita Branch already ensconced in the #1 Cargo Building, NCA's sales, transport, operations, and maintenance sectors were all in place.

In mid-March, however, the Japan-US aviation negotiations in Washington, where hopes were high for a final agreement, were suspended when Federal Express newly requested entry into the Japanese market. Talks resumed on March 28, but no agreement was signed. At 7:30 a.m. on April 1, NCA had no choice but to cancel its first scheduled flight.

### **The first flight was on May 8, with 50 tons of cargo**

Japan-US negotiations in Tokyo began again on April 29, even though it was a national holiday, and agreement was reached on the night of the 30th. All during that day, however, the negotiations had been tense, because it was uncertain whether Northwest Airlines, which was concerned about protecting its existing rights on Pacific routes, would object, or if some other incident would prevent the signing of an agreement.



The ceremony transferring possession of NCA's first aircraft (Seattle, Boeing's Everett Plant, December 17, 1984)

Under the watchful gaze of NCA personnel, the first flight left Narita Airport at 8:49 p.m. on May 8, just after the Golden Week holidays, with a 50-ton cargo of computers, electrical appliances, machinery, textiles, and so on. The weather over the Pacific was clear, and a 50-knot tailwind made for an efficient flight. The plane arrived in San Francisco at 1:50 p.m. local time. At the airport, an inaugural flight ceremony was held. The airport director made a welcoming speech, flowers were presented, and NCA received many congratulations.



NCA's first aircraft (JA 8167) arrives at Narita Airport

## Column

### Fuselage design

NCA unveiled its fuselage design in June 1984, the year before it began flying.

Company personnel voted for logos and fuselage designs solicited through a competition, with the winner being selected for use. NCA's press release at the time read as follows.

#### **Nippon Cargo Airlines' fuselage design chosen**

“Ocean and sky Now As one”

Blue lines flowing on a white body

NCA Boeing 747-200F

June 13, 1984

Nippon Cargo Airlines (“NCA,” headquarters: Tokyo, President: Takeo Hori), Japan's first cargo airline, is aiming towards its inaugural flight to San Francisco and New York next April. NCA is now in preparation, and it has chosen a fuselage design for its jumbo freighter, a Boeing 747-200F, which will be the “face” of the company.

#### **About the design concept**

NCA was formed by six major ocean shipping companies (Nippon Yusen Kaisha, Kawasaki Kisen Kaisha, Mitsui O.S.K. Lines, Yamashita-Shinnihon Steamship, Showa Line, and Japan Line) and All Nippon Airways, bringing rich experience and expertise with sea and air cargo to the management of the new company. Our basic management policy is to make a broad contribution to Japan's international logistics.

The development concept for the fuselage design is thus based on the above founding principles. The design for the new company is intended to convey the image of “an air cargo specialist representing Japan.” It stands on the following three key concepts:

Trustworthy ——— Safe  
Active ————— Prompt  
Congenial ——— Kind

### About the fuselage design

The central theme and the predominant feature of the fuselage design realized from the design concept are the color bands that run from the bottom of the middle part of the fuselage to the tail.

The thick upper band of deep blue is named NCA Ocean Blue, representing the sea, while the thin lower band of bright blue is named NCA Sky Blue, representing the sky. Together, they symbolize the traditions and harmonious development of NCA's founding companies, the six major ocean shippers and All Nippon Airways.

The white band in the middle is named NCA White Track. It symbolizes the precisely and promptly flown paths of NCA's aircraft as they pass between the sea and the sky.

In addition, a newly designed logo with our English abbreviation, "NCA," appears on the tail at the same angle as the color bands.

On the front of the fuselage, the sharp horizontal NCA Jet Line balances the overall design, creating a unified feeling. Our English name, "Nippon Cargo Airlines," is written above the horizontal line to match the "NCA" on the tail.

### About the designer

The New York based Japanese designer Kyo Takahashi was in charge of



The fuselage design announced in the press release

developing this design that reflects NCA's image and stands out even internationally for its individuality.

***Kyo Takahashi***

- 1952 Graduated from the Applied Arts Course, Faculty of Design, Tokyo Fine Arts School (now the Tokyo National University of Fine Arts and Music)
- 1963 Traveled to the United States, where he majored in Ad Illustration at the Art Center College of Design (Los Angeles)
- 1965 After working as Art Director for J. Walter Thompson Co., became a freelance designer. Lives in New York and is a member of the New York Illustrators.

**Conclusion**

NCA will strive earnestly to be a specialist cargo airline that uses modern systems to satisfy customers all over the world with the “internationalism,” “activity,” and “trustworthiness” expressed in the fuselage design. We ask for your continued cooperation.

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