

CONFIDENTIAL**OFFICE OF SECRETARY - LEGAL COUNSEL**

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INSPECTION REPORT
ON
CAT, AACL, CAL, FAT OPERATIONS
IN
THAILAND, LAOS AND VIETNAM

This report is submitted following an on-the-spot inspection tour of Bangkok, Udorn, Vientiane and Saigon made April 5 through 14, 1966, pursuant to MOC instructions to (1) ascertain any activities over and above commercial operations by Chinese registry aircraft in said area and (2) recommend course of action to be taken.

CATBangkok

CAT's Mandarin Jet (CV-880) is serving Bangkok once weekly on route TPE-HKG-BKK-HKG-TPE. For the sector between Bangkok and Hongkong, there are few passengers, averaging only 20 to 30 per flight. The downtown booking office is for the time being headed by a Thai, Mr. Winton. Although there is a CAT counter in the air terminal, airport handling is being undertaken by Thai Airways under CAT appointment.

Saigon

CAT has currently no traffic rights, hence no scheduled operations, to Saigon. Its downtown booking office (Station Manager: C. W. Bauer) has a staff complement of 10 and takes care of ticketing for itself, TWA, SAT's USAF charter operations, additional to travel handling for Air America personnel in the Saigon area.

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Remarks: This is the report submitted by CCAA officials who recently toured SEA under Company arrangements.

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Claw
for Office of Secretary-Legal Counsel

May 27, 1966

AACL

AACL has currently 23 aircraft (including the C-46s leased from CCAA) and more than 1,500 aviation and technical personnel in Thailand, Laos and Vietnam. These aircraft and personnel, however, are all being loaned or assigned to Air America, AACL having no operations of its own. For Air America's operations in the area, please see attachment.

CAL

Vientiane

CAL has signed a contract with [] to provide six aircraft with crews. Because of poor business in view of political vicissitudes, only one aircraft is being provided under this contract, which may soon come to a close. The majority of CAL personnel in Vientiane are for the performance of a separate contract with Royal Air Laos. RAL has a fleet of one DC-4 and two DC-3s and is enfranchised to operate domestic flights as well as international services to Bangkok, Kuala Lumpur, Saigon and Hongkong. CAL is currently taking care of all RAL's operations and maintenance services with 9 pilots (averaging 90 hours a month) and 19 mechanics (except for Nos. 3 and 4 services, which are performed in Taipei). CAL's Chief Pilot K. C. Jen assigned to Vientiane not only serves as RAL's director of operations but has been appointed check pilot for the Laotian CAA.

Saigon

Due to shortage of planes and crews to perform air transport contracts signed with the US embassy and USAID, Air America has made contractual arrangements with CAL to provide four C-46s, with crews, to assist in the airlift of US government supplies and personnel. For the same reason and purposes, Air Vietnam also has contracts with CAL, under which CAL is providing four C-46s, two C-54s, three C-47s, one C-45, all complete with crews. Additionally, one CAL C-54 is under charter to MAAG in Saigon for performance of non-military airlift operations. A number of CAL pilots (now 12) are further being loaned to Air Vietnam to fly scheduled services, among whom C. K. Kwan has earned the confidence of Air Vietnam and the Vietnamese CAA and been appointed a check pilot by the Vietnamese CAA. CAL has currently 61 air crews (averaging 95 hours a month) and 59 ground crews in the Saigon area. Each CAL aircraft averages 150 hours a month.

FAT

FAT is providing Air Vietnam with one C-47, two C-45s and crews for the airlift of US government supplies and personnel, contracted for performance by Air Vietnam in the same manner as Air America. FAT is stationing in Saigon three pairs of air crews and 8 ground personnel. Its pilots average 90 hours a month.

From the above it may be concluded: (1) that CAT's Bangkok operations consist of scheduled services directly responsible to Taipei head office; (2) that AACL's aircraft and personnel assigned to SEA are furnished for Air America use, AACL itself having not directly accepted airlift contracts or transacted business in said area; (3) that current CAL and FAT activities in the Saigon area, similar to Air America's, are within the scope of commercial operations.

Our observations and recommendations are as follows:

1. No fewer than 438 pilots and skilled workers have been hired by AACL from Taiwan for assignment in SEA to meet operational needs. CAL and FAT personnel in the area total 168. No one receives less than US\$300 monthly and some earn as much as US\$1,000. All are in fine spirits, lead a pleasant life, and are trusted and highly spoken of by local communities, civil aviation authorities and airlines. Recent developments indicate that the airlift operations would further increase, which should provide ample employment opportunities for qualified Chinese personnel. Encouragement and assistance to these operations in the interest of stepping up export of services is recommended.
2. Terrain of the area calls for the utilization of a great number of helicopters and STOL aircraft of various types. This affords Chinese personnel an opportunity to acquire skills for the piloting, dispatching and maintenance of more modern aircraft, skills that would prove useful in air reconstruction upon restoration of the mainland.
3. The limited international and domestic routes available to Chinese carriers on Taiwan do not promise a too bright future for scheduled operations. Now that Air America has acquired a sizable airlift market in SEA, bigger than itself can handle, the Government could perhaps take appropriate steps toward closer cooperation of Taiwan airlines with Air America and AACL. The ample supply and high standards of qualified Chinese personnel, coupled with their preparedness to accept lower pay, should operate to our favor in the working out of cooperation projects.

4. Air America is flying 16,000 hours with an aircraft fleet of 130 to 150. Nos. 3 and 4 services and overhaul work are being performed by AACL in Tainan. AACL has greatly expanded its overhaul facilities and is employing in Tainan a work force of more than 3,000. RAL aircraft are also being serviced in CAL's Taipei plant. Both AACL and CAL are making handsome profits. Furthermore, Air America's Taiwan procurements are beneficial to our economy. Appropriate coordination could be made to step up exports.
5. Chinese pilots serving in Laos are well received by the local government and communities. The check pilot appointment of a Chinese pilot by the Laotian CAA is a rare honor achieved through citizen diplomacy, considering the present political climate. No difficulties have thus far been encountered in the operation of Chinese registry aircraft in Laos and in obtaining entry and exit clearances for a large number of Chinese technical personnel, a favorable situation which could be utilized to greater advantage.
6. The direct or indirect participation in the airlift of US relief supplies and ground support activities in SEA by AACL, CAL and FAL is a significant contribution to the anti-Communist effort and coincides with our national policy of mainland recovery. Active government support to these activities would appear in order.
7. To maintain and enhance the established fine standing of Chinese registry aircraft and Chinese aviation and maintenance personnel in the area, intensified government guidance and encouragement are called for. Our visit was the first of its kind. We have been enabled to gain an intimate knowledge of current conditions regarding aircraft airworthiness, safety of ground facilities, pilot training, physical checkup and flying hour limitations. FAA inspectors visit the area frequently. The civil aviation authorities of Thailand, Laos, and Vietnam have extended a welcome to regular CCAA inspections, which would help to insure equipment efficacy and boost the morale of Chinese personnel in the area.
8. Improvement has been noted in airport facilities at Saigon, Bangkok and Hongkong. Familiarization trips by personnel of our concerned units would prove helpful.

Attachment

AIR AMERICA, INC. - SEA OPERATIONS

1. Air America (AAM) has entered into:
 - (1) Contracts with USMAAC, Thailand, Thai National Police, USAID missions to Thailand, Laos, and Vietnam, and US embassy in Saigon for the airlift of personnel and supplies for these agencies;
 - (2) Contracts with the International Control Commission, Laos for the maintenance of ICC helicopters and other aircraft;
 - (3) Contracts with USAID, Laos for the formation of an Air Transport Operating Group charged with the establishment and operation in Laos of air support facilities including communications, navigation and flight information services; and
 - (4) More recently, contracts with USAF for the establishment of a meteorological network for supply of weather information to USAF.
2. For performance of the aforesaid contracts, AAM has been utilizing an aircraft fleet of 130, consisting of civil aircraft of US, Chinese and Laotian registries as well as USAF and US Army aircraft and helicopters under State Department authorization. AAM has further established a well-equipped maintenance plant and three lesser maintenance plants. It is employing 1,587 skilled personnel of American, Chinese and Philippine nationalities, additional to 1,257 non-skilled Thai, Laotian and Vietnamese nationals. A 16,285-hour monthly operation has been recorded, and annual revenue is estimated at approximately US\$50 million.
3. AAM's senior representative for the Bangkok area is Frank MacCormick. For the performance of contracts with USAID, Thailand and the Thai National Police, 13 aircraft (including AACI's B-827, B-853, B-867) are being based at the Bangkok international airport and used for airlift of relief supplies and police parachute jump training. Of the 191 working personnel, 28 (13 hold Chinese licenses) are pilots and 38 are Chinese skilled or administrative personnel. In March last 870 hours were flown. This figure is expected to be doubled by the end of the year, and AAM is seeking Thai permission to use Chinmai airfield in Central Thailand as a second base

for more efficient and economic operations. The maintenance facilities in Bangkok currently can only handle No. 1 and No. 2 services, it being necessary for helicopters and other aircraft to fly to Udorn or Tainan for No. 3 and No. 4 services or for overhaul. Flight training facilities are also located in this area of relative stability. There are three classrooms and a number of instructors. Except terrain familiarization, class instructions and examinations for new pilots are conducted in Bangkok, the requirement for each trainee being the ability to fly two or more of the various types of aircraft operated.

4. Udorn in northeast Thailand is 300 miles from Bangkok, but only 50 miles from Vientiane. All AAM facilities are located in the base jointly used by USAF and the Thai Air Force. The senior representative is B. Moore. More than 30 aircraft are based at Udorn, mostly UH-34 helicopters (weighing 13,000 lbs. with a payload of 5,000 lbs.) for performance of airlift missions to airfields within a 250-mile radius (some of these airfields are close to China mainland), under contracts with USMAAG, Thailand. Flying hours for March were 5,338. The maintenance plant at Udorn is well-equipped and has been certified by USFAA. Additional to two sizable warehouses and three hangars already standing, two more warehouses and a number of shop buildings are being erected, the costs of all structures within the base (including messhall, club and swimming pool) and all instruments, parts and materials (including PCL) for aircraft maintenance being paid for or supplied by USMAAG under liberal contract terms. This maintenance plant is capable of completely overhauling UH-34 helicopters and performing Nos. 1, 2 and 3 services for Helios and small aircraft. Its capacity is being further expanded. Maintenance of ICC's helicopters and other aircraft is mostly done here. Aviation and technical personnel consist of 152 Americans, 171 Chinese, 150 Filipinos. The total work force numbers 911, including 418 locally hired non-skilled workers. Because of security of location and completeness of facilities (bar, cinema-house, swimming pool), personnel morale is high.
5. AAM operations in the Vientiane area consist of the transport or airdrop of relief supplies under USAID contracts. The senior representative is D. H. Hickler. Thirty-one aircraft, including AACL's 6 Chinese registry planes, are being utilized. Of the total work force of 931, 160 are Americans, 133 are Filipinos, 109 are Chinese, 158 are Thais and 371 are locally hired non-skilled workers. In compliance with CCAA wishes, Chinese registry aircraft have been removed of "B" markings in the light of the prevailing political situation, with only the numbers remaining for purposes of identification. This

deletion, we were told, has resulted in no operational difficulties. An inspection was made of the USAID relief supplies in storage and the loading thereof onto aircraft. These supplies are mainly rice, other commodities being edible oil, pharmaceuticals, cement, auto tires, cigarettes, beer, gasoline and construction materials. Edible oil and gasoline packages airdropped are fitted with parachutes. No ammunition or the likes thereof were noted among supplies in storage. All aircraft are unarmed and all pilots are prohibited to carry firearms, under penalty of dismissal. The airdrop fleet are installed with special devices and loading personnel are well trained. Not all supplies are airdropped. Normal landings are made in certain flights, carrying also USAID authorized personnel, cargo and passenger manifests being prepared and signed by USAID's Air Transport Operating Group. The monthly flying hours are flexible, ranging between 3,200 and 4,500. Because of the political climate, AAM is disinclined toward heavy investment in Vientiane. The maintenance facilities can only handle Nos. 1 and 2 services, necessitating the completion of Nos. 3 and 4 services in either Udorn (for light aircraft) or Tainan. Few aviation facilities being available in Laos in view of the fighting there, USAID has, with Laotian government approval, contracted with AAM for the formation of the Air Transport Operating Group, charged with airlift planning, operation of air base and rescue facilities, collection of aviation data, and running the communications and navigation services. These operations are being performed with the approval of the local government and are therefore entirely legal.

6. AAM currently has contracts with the USAID and US embassy in Saigon for the airlift of personnel and relief supplies and furnishing of ground support services. The aircraft fleet already boasts 54, including 2 from CAL and 10 owned by AACL or leased from CCAA. Flying hours are climbing month by month, logging 5,577 for the month of March last, with 6,596 passengers and 2,800,000 lbs. of cargo carried. Air cargo consists of rice, flour, edible oil, gasoline, refrigerators, communications supplies, and is being airlifted from Saigon and Da Nang to some 180 airfields and landing strips within Vietnam. Airdrop is sometimes resorted to but the quantity involved is small. Further upsurge of flying hours is anticipated and construction work to expand hangar, warehousing, office and shop buildings is in progress. The current work force of 811, including 165 Americans, 120 Chinese, 138 Filipinos, 5 British, 15 Thai, 368 locally hired non-skilled personnel, is expected to be increased to 1,200 by the end of the year. The rapid expansion of AAM operations in the Saigon area has resulted in a shortage of equipment and personnel, the need for which has prompted AAM

to contract with CAL to provide four C-46s with crews. Aircraft in use are being flown back to Tainan for Nos. 3 and 4 services. According to Regional Director M. Hulse, AAM's policy is to procure from Taiwan such supplies as cement, aluminum framing, iron bars and other construction materials, valued at US\$400,000 to US\$500,000 yearly.

7. Other points worthy of note follow:

- (1) Because AAM employers are U.S. or local government agencies, all flight clearances and formalities for importation of aircraft parts and supplies are handled for AAM by the government agencies with promptitude. Income tax exemption has further been granted to AAM personnel.
- (2) Pilot flying hours average 80 in a 30-day period. In no case has the 100-hour limit been exceeded.
- (3) Maintenance of aircraft is performed in accordance with maintenance manuals approved by USFAA, CCAA and USAF.
- (4) New pilots are each given 70 to 100 hours' terrain familiarization flight training before being checked out as pilots-in-command.
- (5) AAM's relatively high accident rate is due to poor conditions of landing strips, turbulence, crosswind and dearth of data. Accident investigation generally cannot follow government or ICAO-established procedures owing to factual limitations, one of which is the need to evacuate scene of accident before sunset.
- (6) USFAA and CCAA-approved medical examiners are stationed at Udorn, Vientiane and Saigon. Facilities are adequate for regular pilot physical checkups and care for other working personnel.
- (7) AAM's facilities in Thailand, Laos and Vientiane can at any time be turned into military bases. American air power has thus been rooted in SEA. The successful maintaining of air power within the framework of civil aviation is an instance we can draw light from.
- (8) AAM's SEA operations are limited to the airlift of relief supplies and personnel and other necessary ground support under contracts with various US government agencies and the Thai government.

- (9) Except operations from Udorn using USAF and US Army aircraft under special authorization the nature of which is not known, all other operations from Bangkok, Vientiane and Saigon with "B" or "XW" registry aircraft were noted from on-the-spot observations as being the airlift or airdrop of relief supplies, the pilots and the aircraft showing no signs of being armed in any way. The situation is similar to civil aircraft charters sponsored by our own government for airlift or airdrop of food or supplies on the mainland following the close of the second world war and prior to evacuation to Taiwan. AAM operations may thus be summarized as (i) normal passenger and cargo services, (ii) transport missions in support of military efforts, (iii) training flights for the Thai, Laotian and Vientiane air forces, and (iv) aircraft maintenance and test flying.
- (10) Despite the absence of diplomatic relations with Laos, no difficulties have been encountered by AAM in the utilization of AACL's B-registry aircraft and Chinese personnel in Vientiane and other places in Laos. The Laotian CAA is treating with kindness technical personnel from this country.
- (11) AAM's communications, weather, flight operations, maintenance and supply facilities within the bases at Bangkok, Udorn, Vientiane and Saigon are highly adequate. Even enemy intelligence for the area concerned is available in detail. Pilots are briefed before going on missions and debriefed upon return therefrom. The operations and facilities are similar to those that would be needed in air combat. Current facilities at these bases could easily support a fighter or bomber wing. Further expansion now in progress would assure still greater support potential.