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PRIORITY DIRECTOR \_\_\_\_\_

SECTION ONE OF FOUR

1. ON 1 MAY COL LAI PHONED MR. GRUNDY ASKING IF HE COULD MEET WITH LAI ON 2 MAY.

APPROVED FOR RELEASE DATE: 05-May-2009

2. AT THAT MEETING:

A. COL LAI SAID (1) MOC HAD DIRECTED THAT CAA DISCUSS WITH CATCL CATCL'S PETITIONS C-5725007 OF 2 MARCH AND C5725085 OF 12 MARCH AND SEE WHAT CAA COULD DO TO HELP CATCL WITH ITS DIFFICULTIES SET FORTH THEREIN.

(2) THE GOVERNMENT DID NOT REQUIRE THAT CATCL CHANGE ITS NAME OR REORGANIZE.

(3) GOVERNMENT WILL APPROVE CATCL'S PROPOSAL FOR NON-SCHEDULED CARGO SERVICES IF THE SPECIFICATION OF MAXIMUM ASSISTANCE OF GRC WITH FOREIGN GOVERNMENTS CONTAINED IN CATCL'S PETITION C5725007 COULD BE DELETED OR ALTERED-THAT MOC HAD SAID THAT CAA SHOULD ASSIST CATCL AS MUCH AS IT COULD BUT GRC DID NOT WANT TO COMMIT MINISTRY OF FOREIGN AFFAIRS TO TOTAL SUPPORT ON A FORMAL DIPLOMATIC BASIS-HE WENT ON TO SAY THAT CATCL/AIR ASIA/AIR AMERICA OBVIOUSLY HAD GOOD RELATIONS ABROAD AND UNDOUBDETTY COULD ARRANGE CLEARANCES LOCALLY AND SO WHY NOT DELETE THE REQUIREMENT AS

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SUGGESTED BY MOC.

(4) THE CAA WOULD HELP CATCL AS MUCH AS POSSIBLE ON A DCA  
 TO DCA BASIS AND HE WAS READY TO WRITE TO THE DCAS IN LAOS,  
 THAILAND, VIETNAM, HONGKONG AND JAPAN REQUESTING THAT CATCL BE  
 PERMITTED TO OPERATE CARGO SERVICES AND ALSO CARRY THE EMPLOYEES  
 OF CATCL AND ITS ASSOCIATED COMPANIES ON A NON REVENUE BASIS.  
 HE INVITED MR. GRUNDY TO DRAFT THE LETTERS CATCL DESIRED CAA TO  
 SEND, AND SUGGESTED THAT THEY AVOID SPECIFYING WHETHER THE CARGO  
 SERVICES PROPOSED TO BE OPERATED WOULD BE SCHEDULED OR NON  
 SCHEDULED. (HE WAS SAYING OBLIQUELY THAT THE FOREIGN GOVERNMENTS  
 WOULD NOT OBJECT TO SCHEDULED CARGO SERVICES BUT HE COULD NOT  
 LABEL THEM AS SUCH FOR HOME CONSUMPTION).

(5) WHAT DIFFICULTIES WOULD CATCL AND AIRASIA HAVE IN CATCL  
 ADOPTING AN "ACCUMULATING" SYSTEM FOR THEIR OWN EMPLOYEES AND  
 SUPPLIES AND OPERATING A SPECIAL FLIGHT, WHICH ~~CAA~~<sup>HE</sup> COULD SEEK  
 CLEARANCES FOR, WHEN A FULL LOAD HAD BEEN ASSEMBLED, MEANWHILE  
 PURCHASING TRANSPORTATION FOR EMPLOYEES AND CARGO WHICH HAD  
 TO MOVE ON A PRIORITY BASIS.

A. KEYING TO COL LAI'S POINTS MR GRUNDY RESPONDED

(3). OUR COMPANIES WOULD NOT BE ABLE TO ARRANGE RIGHTS

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WITH LOCAL GOVERNMENTS IN MOST CASES AS AIR RIGHTS WERE, BASICALLY, GOVERNMENT NOT CARRIER RIGHTS AND THAT WHILE THERE MIGHT BE CASES, SUCH AS HONGKONG AND LAOS, WHICH DO NOT HAVE DIPLOMATIC RELATIONS WITH ROC, WHERE THE CARRIER COULD DO THE NEGOTIATING, THAT GENERALLY WOULD NOT BE SO AND CATCL WOULD BE HELPLESS AND COULD NOT CONTINUE WITHOUT GRC SUPPORT. HOWEVER, THE FORM THAT GRC SUPPORT TOOK WOULD NOT BE SO IMPORTANT AS THE RESULT<sup>S</sup> THAT IF CAA TO CAA CONTACT ACHIEVED THE DESIRED CLEARANCES THAT PROBABLY WOULD BE SATISFACTORY.

(4) WE WOULD BE GLAD TO PREPARE THE DRAFT LETTERS AS REQUESTED.

(5) "ACCOMULATION" WOULD NOT WORK BECAUSE FREQUENCY OF MOVEMENT OF ACFT PARTS AND EMPLOYEES, RATHER THAN BULK, WAS A SALIENT REQUIREMENT AND A KEYSTONE OF CATCL'S EARLIER PROPOSALS. THE NEED FOR PEOPLE TO MOVE PROMPTLY BETWEEN TAIWAN AND FOREIGN BASES, ESPECIALLY THOSE IN SEA, AND SPEND A MINIMUM OF TIME DOING THE JOB THEY TRAVELED TO DO WAS EMPHASIZED ALONG WITH EXPLAINING THAT ACFT MIGHT BE GROUNDED AWAITING PARTS FROM TAINAN AND SO SUCH PARTS HAD TO MOVE PROMPTLY. THE COSTS IN TERMS OF EFFICIENCY AND DOLLARS WERE POINTED OUT OF

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(A) HAVING PEOPLE SPEND A WEEK WAITING FOR THE NEXT PLANE WHEN THE JOB THEY WERE GOING TO DO MIGHT ONLY TAKE TWO DAYS

(B) KEEPING AN AIRPLANE OUT OF SERVICE FOR SEVERAL DAYS WAITING ARRIVAL OF A NEEDED PART ON THE "ACCUMULATION" FLITHE <sup>GNT</sup>  BOTH OPERATING A SUPPORT SERVICE AND ALSO BUYING TRANSPORTATION ON A VOLUME BASIS.

MR. GRUNDY ALSO EMPHASIZED THAT AIR ASIA TAINANS EFFORTS WERE ALMOST TOTALLY ON EXPORT PRODUCT-THAT VERY LITTLE WAS EARNED IN TAIWAN-THAT MILLIONS UPON MILLIONS OF U S DOLLARS HAD BEEN BROUGHT TO TAIWAN BY AIR ASIA THROUGH AIR AMERICA'S EFFORTS AND IF AIR ASIA'S MEANS OF MOVING ITS PEOPLE AND THE PARTS IT PROCESSED WERE CUT OFF AIR ASIA WOULD BE RENDERED SO MUCH LESS USEFUL TO AIR AMERICA THAT AIR AMERICA WOULD HAVE LITTLE CHOICE BUT TO LOOK ELSEWHERE FOR ITS WORK, SOMEPLACE CLOSER TO ITS FOCAL POINT OF OPERATIONS. LAI SAID HE AGREED BUT THOUGHT ALL THIS WAS NOT CLEAR TO THE MOC AND SOME OTHER GRC FUNCTIONS AND SUGGESTED A PAPER BE PREPARED FOR MINISTER SUN WITH A COPY TO LAI. WE WILL <sup>Do</sup> CO.

3. FOLLOWING THE MEETING COL LAI DISPATCHED THE FOLLOWING  
 - (OVER COPY IS PRIVATE)

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LETTER FROM CCAA DIRECTOR COL. LAI TO MR SHAO-HUAN CHEN,  
 DIRECTOR OF NAVIGATION & AVIATION, MINISTRY OF COMMUNICATIONS,  
 DATED MAY 2, 1968:

DEAR DIRECTOR SHAO-HUAN,

I HAVE TAKEN NOTE OF CATCL'S RECOMMENDATION THAT THE CHINESE GOVERNMENT MAKE REPRESENTATION WITH FOREIGN GOVERNMENTS TO ADVISE THE LINE OF BUSINESS CATCL IS AUTHORIZED TO DO, SO THAT CATCL AND ITS ASSOCIATE COMPANIES CAN ENJOY TRAFFIC RIGHTS IN MOVING THEIR OWN PERSONNEL AND SUPPLIES TO AND FROM THESE FOREIGN COUNTRIES IN ACCORDANCE WITH INTERNATIONAL PRACTICE.

YOU ADVISED ME YESTERDAY THAT THE CHINESE GOVERNMENT CAN HARDLY DO AS RECOMMENDED AND ASKED ME TO COORDINATE WITH CATCL. ACCORDINGLY, I ASKED MR HUGH GRUNDY, MANAGING DIRECTOR OF CATCL, TO COME TO MY OFFICE AT 9:00 A M TODAY FOR A TALK. FOLLOWING IS A RECAP OF OUR TALK:

1. MR GRUNDY EXPRESSED THAT CATCL AND ITS ASSOCIATE COMPANY IN TAINAN FREQUENTLY REQUIRE TO MOVE THEIR PERSONNEL AND SUPPLIES. IF SUCH TRANSPORTATION IS CONSIGNED TO OTHER SCHEDULED CARRIERS, THE COST INVOLVED WOULD BE TOO HIGH AND CATCL AND ITS ASSOCIATE COMPANY COULD NOT MEET IT. THEREFORE, MR GRUNDY ADDED, IF THE

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CHINESE GOVERNMENT CANNOT MAKE REPRESENTATION WITH RELEVANT FOREIGN GOVERNMENTS TO SPECIFY TRAFFIC RIGHT FOR CATCL TO TRANSPORT ITS OWN PERSONNEL AND SUPPLIES, CATCL'S DIFFICULTY WILL CONTINUE TO PREVAIL.

2. PURSUANT TO MR. GRUNDY'S EXPRESS<sup>0</sup>IONS, I ADVISED HIM ON TWO SCORES:

(A) CATCL AND ITS ASSOCIATE COMPANY ADOPT AN "ACCUMULATING SYSTEM" IN TRANSPORTING THEIR OWN PERSONNEL AND SUPPLIES. THE AMOUNT OF SUCH TRANSPORTATION NEEDED SHOULD BE PLANNED IN ADVANCE, AND CCAA WILL, ON BEHALF OF CATCL AND ITS ASSOCIATE COMPANY, APPLY TO DCAS OF OTHER RELEVANT GOVERNMENTS IN THE NAME OF SPECIAL FLIGHTS TO TRANSPORT NON-REVENUE, COMPANY EMPLOYEES AND SUPPLIES.

(B) CCAA WILL WRITE TO DCA AUTHORITIES OF VARIOUS FOREIGN GOVERNMENTS TO ADVISE THAT CATCL WILL PROBABLY ENGAGE PURELY IN CARGO TRANSPORT IN THE FUTURE AND INQUIRE WHETHER THEY WOULD AGREE TO ALLOW CATCL SCHEDULED CARGO FLIGHTS TO CARRY COMPANY EMPLOYEES AND SUPPLIES.

3. MR GRUNDY THEN INDICATED THE FOLLOWING: CATCL WILL IMMEDIATELY CONSIDER POINT (A) AS RAISED BY CCAA BUT WORRIES THAT

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WHETHER SUCH APPLICATION WILL ABSOLUTELY HAVE NO DIFFICULTY IN GETTING THE REQUIRED APPROVAL. REGARDING POINT (B) AS RAISED BY CCAA, MR. GRUNDY SAID THAT CATCL HOPES CCAA WILL IMMEDIATELY PROCEED TO WRITE TO INQUIRE FOREIGN DCA AUTHORITIES AS MENTIONED. HE ADDED THAT IF ALL THE FOREIGN DCA AUTHORITIES ARE AGREEABLE, CATCL WILL IMMEDIATELY REVISE THE WORDING OF ITS RECOMMENDATION IN THIS RESPECT.

THE ABOVE IS FOR YOUR INFORMATION AND REFERENCE.

(SIGNED) S. Y. LAI

4. THE FOLLOWING LETTERS HAVE BEEN DRAFTED FOR COL LAI:  
FOR DCA LAOS

CIVIL AIR TRANSPORT COMPANY LIMITED (CAT) HAS WITH YOUR KIND PERMISSION OPERATED CARGO SERVICES TO/FROM AND THROUGH VIENTIANE.

DUE TO PREVAILING CIRCUMSTANCES CAT IS ADJUSTING ITS SCOPE OF OVERALL OPERATIONS TO CONCENTRATE ON THE DEVELOPMENT AND OPERATION OF CARGO SERVICES. CAT HAS A VALID NEED TO CARRY ITS OWN COMPANY PERSONNEL AND EQUIPMENT AS WELL AS THE PERSONNEL AND EQUIPMENT OF ITS ASSOCIATED COMPANIES ON SERVICES THAT IT OPERATES. THIS REQUIREMENT IS ESPECIALLY TRUE FOR ITS OPERATION

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BETWEEN TAIWAN AND SOUTHEAST ASIA AND APPROVAL WILL, IN OUR VIEW, FACILITATE GREATER USE OF TAIWAN'S AVIATION CAPABILITY TO MEET AVIATION REQUIREMENTS AND ASSIST LAOS IN ITS DEVELOPMENT OF ITS AVIATION INDUSTRY. ACCORDINGLY, YOUR ASSISTANCE IN PERMITTING CAT TO ACCOMPLISH THIS OBJECTIVE ON CARGO SERVICES OPERATING TO/FROM OR THROUGH VIENTIANE WILL BE DEEPLY APPRECIATED.

AIRCRAFT USED BY CAT FOR ITS CARGO SERVICES<sup>5</sup> WILL HAVE LIMITED ACCOMODATIONS FOR PASSENGERS EVEN THOUGH PRIMARILY CONFIGURED TO ACCOMMODATE THE MOVEMENT OF CARGO AND WILL COMPLY WITH APPLICABLE SAFETY REGULATIONS<sup>6</sup> FOR THE CARRIAGE OF PASSENGERS. WE WOULD APPRECIATE YOUR EARLY CONFIRMATION OF AUTHORITY FOR CAT TO CONDUCT SUCH OPERATIONS SUBJECT OF COURSE TO THE RESTRICTIONS THAT PASSENGERS CARRIAGE WILL BE LIMITED TO NON-REVENUE PASSENGERS WHO QUALIFY FOR NON-REVENUE TRANSPORTATION AS DEFINED BY THE INTERNATIONAL AIR TRANSPORT ASSOCIATION IN ITS RESOLUTION NO. 200.

YOURS VERY TRULY,

(DRAFT LETTER PROPOSED TO BE SUBMITTED BY COL. LAI.)  
FOR DCA-THAILAND

CIVIL AIR TRANSPORT COMPANY LIMITED (CAT) HAS, DUE TO

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PREVAILING CIRCUMSTANCES FOLLOWING THE CRASH OF ITS BOEING 727 AIRCRAFT ON 16 FEBRUARY 1968, SUSPENDED ITS INTERNATIONAL PASSENGER SERVICES.

CAT WILL IN ITS IMMEDIATE FUTURE OPERATIONS DEVOTE ITS EFFORTS TO THE DEVELOPMENT AND OPERATION OF CARGO SERVICES. IT HAS, HOWEVER, A CONTINUING REQUIREMENT TO TRANSPORT NON-REVENUE PERSONNEL AND THEIR DEPENDENTS ON THE SAID ALL-CARGO SERVICES. THE AIRCRAFT USED FOR SUCH SERVICE WILL OF COURSE CONTINUE TO HAVE LIMITED PASSENGER ACCOMMODATION AND WILL MEET APPLICABLE SAFETY STANDARDS FOR THE CARRIAGE OF PASSENGERS EVEN THOUGH SUCH CARRIAGE WILL BE LIMITED AS JUST STATED.

WE WILL DEEPLY APPRECIATE YOUR ASSISTANCE AND CONFIRMATION OF PERMISSIONS FOR CAT'S CARGO SERVICES TO/FROM BANGKOK TO CARRY NON-REVENUE PASSENGERS PROVIDING THE CARRIAGE OF SUCH PASSENGERS BY CAT ON ITS CARGO SERVICES IS LIMITED TO NON-REVENUE PERSONNEL AS DEFINED IN IATA RESOLUTION 200

YOURS VERY TRULY,  
 (DRAFT LETTER PROPOSED TO BE SUBMITTED BY COL. LAI.)  
 FOR DCA S VIETNAM

CIVIL AIR TRANSPORT COMPANY LIMITED (CAT) OPERATED CARGO

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SERVICES BETWEEN TAIWAN AND BANGKOK VIA HONGKONG AND VIENTIANE AND HAS AN URGENT NEED TO INCLUDE SAIGON IN THE ROUTING OF SUCH SERVICES.

YOUR ASSISTANCE IS REQUESTED IN GRANTING PERMISSION FOR CAT TO CALL AT SAIGON TO ONLOAD AND OFFLOAD CARGO ONLY AND IMPLANE AND DEPLANE NON-REVENUE EMPLOYEE PASSENGERS OF CAT AND ITS ASSOCIATED COMPANIES ONLY. CAT PLANS TO IMPLEMENT THE CALL AT SAIGON AS SOON AS PERMISSIONS ARE GRANTED.

AIRCRAFT USED BY CAT FOR ITS CARGO SERVICES WILL HAVE LIMITED ACCOMMODATIONS FOR PASSENGERS EVEN THOUGH PRIMARILY CONFIGURED TO ACCOMMODATE THE MOVEMENT OF CARGO AND WILL COMPLY WITH APPLICABLE SAFETY REGULATIONS FOR THE CARRIAGE OF PASSENGERS. WE WOULD APPRECIATE YOUR EARLY CONFIRMATION OF AUTHORITY FOR CAT TO CONDUCT SUCH OPERATIONS SUBJECT OF COURSE TO THE RESTRICTIONS THAT PASSENGERS CARRIAGE WILL BE LIMITED TO NON-REVENUE PASSENGERS WHO QUALIFY FOR NON-REVENUE TRANSPORTATION AS DEFINED BY THE INTERNATIONAL AIR TRANSPORT ASSOCIATION IN ITS RESOLUTION NO. 200.

YOURS VERY TRULY,

(DRAFT LETTER PROPOSED TO BE SUBMITTED BY COL. LAI.)

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ALTERNATE FOR DCA SAIGON

CIVIL AIR TRANSPORT COMPANY LIMITED (CAT) OPERATES CARGO SERVICES BETWEEN TAIWAN AND BANGKOK VIA HONGKONG AND VIENTIANE AND HAS AN URGENT NEED TO INCLUDE SAIGON IN THE ROUTING OF SUCH SERVICES.

SINCE THE EXISTING AGREEMENT UNDER WHICH AIR SERVICES ARE OPERATED BETWEEN THE REPUBLIC OF SOUTH VIETNAM AND THE REPUBLIC OF CHINA DOES NOT PROVIDE FOR THE OPERATION OF AIR SERVICES BY TWO <sup>OR</sup> PUBLIC OF CHINA AIR CARRIERS, YOUR ASSISTANCE IN GRANTING PERMISSION FOR CAT TO CALL AS SAIGON ON A NON-REVENUE TRAFFIC BASIS ONLY IS REQUESTED.

CAT PLANS TO CALL AT SAIGON ON SERVICES OPERATED BETWEEN TAIWAN AND BANGKOK AND/OR VIENTIANE TO ONLOAD AND OFFLOAD ITS OWN COMPANY PERSONNEL AND EQUIPMENT TOGETHER WITH THE PERSONNEL AND EQUIPMENT OF ITS ASSOCIATED COMPANIES AS SOON AS APPROVED. AIRCRAFT USED BY CAT FOR ITS CARGO SERVICES WILL HAVE LIMITED ACCOMMODATIONS FOR PASSENGERS EVEN THOUGH PRIMARILY CONFIGURED TO ACCOMMODATE THE MOVEMENT OF CARGO AND WILL COMPLY WITH APPLICABLE SAFETY REGULATIONS FOR THE CARRIAGE OF PASSENGERS. WE WOULD APPRECIATE YOUR EARLY CONFIRMATION OF AUTHORITY FOR CAT

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TO CONDUCT SUCH OPERATIONS SUBJECT OF COURSE TO THE RESTRICTIONS THAT PASSENGERS CARRIAGE WILL BE LIMITED TO NON-REVENUE PASSENGERS WHO QUALIFY FOR NON-REVENUE TRANSPORTATION AS DEFINED BY THE INTERNATIONAL AIR TRANSPORT ASSOCIATION IN ITS RESOLUTION NO. 200.

YOURS VERY TRULY,

(DRAFT LETTER PROPOSED TO BE SUBMITTED BY COL LAI)

FOR DCA HONGKONG

CIVIL AIR TRANSPORT COMPANY LIMITED (CAT) HAS, DUE TO PREVAILING CIRCUMSTANCES FOLLOWING THE CRASH OF ITS BOEING 727 AIRCRAFT ON 16 FEBRUARY 1968, SUSPENDED ITS INTERNATIONAL PASSENGER SERVICES.

CAT WILL IN ITS IMMEDIATE FUTURE OPERATIONS DEVOTE ITS EFFORTS TO THE DEVELOPMENT AND OPERATION OF CARGO SERVICES. IT HAS, HOWEVER, A CONTINUING REQUIREMENT TO TRANSPORT NON-REVENUE PERSONNEL AND THEIR DEPENDENTS ON THE SAID ALL-CARGO SERVICES. THE AIRCRAFT USED FOR SUCH SERVICES WILL OF COURSE CONTINUE TO HAVE LIMITED PASSENGER ACCOMMODATION AND WILL MEET APPLICABLE SAFETY STANDARDS FOR THE CARRIAGE OF PASSENGERS EVEN THOUGH SUCH CARRIAGE WILL BE LIMITED AS JUST STATED.

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WE WILL DEEPLY APPRECIATE YOUR ASSISTANCE AND CONFIRMATION OF PERMISSIONS FOR CAT'S PROPOSED CARGO SERVICES TO/FROM AND THROUGH HONGKONG TO CARRY NON-REVENUE PASSENGERS PROVIDING THE CARRIAGE OF SUCH PASSENGERS BY CAT ON ITS CARGO SERVICES IS LIMITED TO NON-REVENUE PERSONNEL AS DEFINED IN IATA RESOLUTION 200.

YOURS VERY TRULY,

(DRAFT LETTER PROPOSED TO BE SUBMITTED BY COL LAI.)

FOR DCA JAPAN

CIVIL AIR TRANSPORT COMPANY LIMITED (CAT) HAS, DUE TO PREVAILING CIRCUMSTANCES FOLLOWING THE CRASH OF ITS BOEING 727 AIRCRAFT ON 16 FEBRUARY 1968, SUSPENDED ITS INTERNATIONAL PASSENGER SERVICES.

CAT WILL IN ITS IMMEDIATE FUTURE OPERATIONS DEVOTE ITS EFFORTS TO THE DEVELOPMENT AND OPERATION OF CARGO SERVICES. IT HAS, HOWEVER, A CONTINUING REQUIREMENT TO TRANSPORT NON-REVENUE PERSONNEL AND THEIR DEPENDENTS ON THE SAID ALL-CARGO SERVICES. THE AIRCRAFT USED FOR SUCH SERVICES WILL OF COURSE CONTINUE TO HAVE LIMITED PASSENGER ACCOMODATIONS AND WILL MEET APPLICABLE SAFETY STANDARDS FOR THE CARRIAGE OF PASSENGERS EVEN THOUGH

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SUCH CARRIAGE WILL BE LIMITED AS JUST STATED.

WE WILL DEEPLY APPRECIATE YOUR ASSISTANCE AND CONFIRMATION OF PERMISSIONS FOR CAT'S PROPOSED CARGO SERVICES TO/FROM JAPAN TO CARRY NON-REVENUE PASSENGERS PROVIDING THE CARRIAGE OF SUCH PASSENGERS BY CAT ON ITS CARGO SERVICES IS LIMITED TO NON-REVENUE PERSONNEL AS DEFINED IN IATA RESOLUTION 200.

YOURS VERY TRULY,

(DRAFT LETTER PROPOSED TO BE SUBMITTED BY COL LAI)

WE PROPOSE TO OFFER THE DRAFT PROVIDING FOR REVENUE CARGO TO SAIGON. IN THE EVENT IT IS REJECTED, WHICH IT MAY BE, THE ALTERNATIVE WILL BE PRESENTED)

APPROVALS OR DESIRED AMENDMENTS ARE REQUESTED.

5. ON 8 MAY WE HAVE RECEIVED A PRIVATE COPY OF THE FOLLOWING: NOTE FROM MR SHAO-HUAN CHEN, DIRECTOR OF NAVIGATION & AVIATION OF THE MINISTRY OF COMMUNICATIONS, TO COL. S. Y. LAI, DIRECTOR OF CCAA, DATED MAY 8, 1968:

DEAR DIRECTOR LAI,

I HAVE READ YOUR LETTER OF MAY 2ND AND NOTED THE TWO ALTERNATIVES WHICH YOU HAVE RECOMMENDED IN REGARD TO HOW TO

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ACQUIRE THE TRAFFIC RIGHTS AS NEEDED BY CATCL IN TRANSPORTING ITS OWN PERSONNEL AND SUPPLIES AS WELL AS THOSE OF ITS ASSOCIATE COMPANIES TO AND FROM VARIOUS COUNTRIES AFTER CATCL'S PHASING OUT ITS PASSENGER SERVICES.

I HAVE NOW RECEIVED INSTRUCTION TO THE EFFECT THAT THIS MATTER BE HANDLED IN ACCORDANCE WITH ALTERNATIVE ONE AS YOU HAVE RECOMMENDED.

I WILL APPRECIATE IT IF YOU WILL AGAIN MEET AND TALK WITH CATCL'S MANAGING DIRECTOR, MR. GRUNDY, TO SEE WHETHER THIS MAY SOLVE CATCL'S DIFFICULTIES AFTER ITS DISCONTINUATION OF PASSENGER SERVICES.

KINDLY HANDLE THIS MATTER AND LET ME KNOW THE RESULT SO THAT I MAY REPORT THE SAME FOR ACTION.

(SIGNED) SHAO-HAUN CHEN

COL LAI HAS REQUESTED ANOTHER MEETING WITH MR. GRUNDY AT 0900L 9 MAY. WE ASKED FOR A POSTPONEMENT OF TWO DAYS TO PERMIT COMPLETION OF INHOUSE REVIEW OF LETTER DRAFTS. MEETING NOW IS 0900L 11 MAY.

6. WE HAVE PRESENTED INFORMALLY TO CAA 8 MAY A DRAFT OF OUR PROPOSED LETTER ESTABLISHING 24 MAY AS THE DATE FOR SUSPENDING CATCL'S DOMESTIC SERVICES. CAA APPROVED THE DATE,

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SAYING THEY AND CAL NEEDED TWO WEEKS TO PREPARE. IT IS PLANNED TO SUBMIT THE LETTER FORMALLY BY 10 MAY. IT READS:

"PURSUANT TO PRIOR DISCUSSIONS OF THE MATTER WE WISH TO ADVISE YOU OF CATCL'S PLANS TO SUSPEND ITS DOMESTIC SERVICES UPON COMPLETION OF FLIGHT CT106 ON 24 MAY 1968."

WE WILL ATTEMPT TO MAKE A DEAL WITH CAL WHEREIN IN EXCHANGE FOR GROUND HANDLING THEIR FLIGHTS AT TAINAN THEY WILL CARRY WITHOUT CHARGE BETWEEN TAINAN AND TAIPEI CATCL/AIR ASIA AND ASSOCIATED COMPANY CARGO AND EMPLOYEES AND DEPENDENTS THE COMPANIES ARE OBLIGED TO CARRY (BUSINESS AND AGREED LEAVE TRAVEL) ON A PRIORITY EQUAL TO REVENUE CARRIAGE AND CARRY ON A NO CHARGE SPACE AVAILABLE BASIS OTHER COMPANY EMPLOYEES AND DEPENDENTS TO WHOM AIR ASIA HAS NO OBLIGATION BUT TO WHOM SUCH TRAVEL PRIVILEGE LONG HAVE BEEN PROVIDED VIA CATCL SERVICES NOW BEING SUSPENDED. THIS ARRANGEMENT, IF IT CAN BE MADE, WILL BE VALUABLE TO THE RETENTION OF LABOR AT TAINAN, AND THE CAL SERVICE AT OUR PLANT WILL BE HANDY. CAL MAY BE INTERESTED AS THEY ARE SHORT OF CASH GROUND HANDLING WOULD NOT INCLUDE MAINTENANCE EXCEPT "KICKING THE TIRES". OTHER MAINTENANCE WOULD BE CHARGED TIME AND MATERIAL.

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7. APPRECIATE EARLY ADVICE. CAA IS URGING WE SUBMIT DRAFT LETTERS AND LET LAI DISPATCH THEM BEFORE HE HAS TO ANSWER MORE MOC INQUIRIES. WE WOULD LIKE TO HAND IN NLT OUR 10 MAY.

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