

6 SEP 1968

CIVIL AIR TRANSPORT

Mr. Wapling

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HEAD OFFICE
46 CHUNG SHAN ROAD, NORTH, 2ND SECTION
TAIPEI, TAIWAN
CABLE ADDRESS "CATAIR TAIPEI"

28 August 1968

REC'D WAS AUG 31 1968

Mr. George A. Doole, Jr.
Civil Air Transport
815 Connecticut Avenue, N. W.
Washington, D. C. 20006
U. S. A.

Dear George:

I am due to leave for Tokyo on August 31st since all passenger compensation cases have been satisfactorily settled, excepting 2 dead (Nos. 37, 38 two Chinese children) and 2 injured (No. 14 one Hongkong Chinese and No. 17 one Canadian Japanese).

Where does CAT go from here? This is the question I have often been asked by our Chinese colleagues as well as quite a few Government friends. I wish I could have the answer from you. Perhaps, it is not out of order for me to give for your reference my observations, which, right or wrong, reflect my honest opinion. To me there are four alternatives.

The first alternative: Is AACL ready to completely divest itself of CAT as originally conceived in Admiral Felix Stump's 1966 aide-memoire? If it does, a good many of our Chinese colleagues have signified to me their willingness to buy up the company partly with their own savings and partly with the surplus pay they expect to get from AACL. Based on a gradually accelerated income expectancy from freight, GSA and ground handling and from services to be rendered to AACL, they think they can run the company with one or two piston aircrafts on better than break-even budget. In so doing they could identify themselves more closely with the company because they are to own the company. And yet they will always feel grateful to AACL, which has been, and still is, their benefactor.

Being the only surviving member of CAT's original founders in the company, I am in a position better than any one to know how our Chinese colleagues think and how they feel. And I know they have been faithfully devoting to our company their best ever since they followed us all the way from the Mainland. Unlike the employees of the other two Chinese carriers, they refused in 1949 to defect to the Communists at a time of our national distress. They refused to accept the enemy's very attractive offers. They chose freedom. This is why I take pride both in appointing myself their chief spokesman and in looking after their interests.

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The second alternative: After divesting itself of CAT, AACL can still operate its own aircrafts for its own exclusive use, such as non-revenue company cargo and non-revenue company personnel. This appears to be a practical solution if AACL doesn't care too much about monetary considerations. Under this plan there will be no commercial freight nor GSA income. Over and above that, AACL will have to set aside comparatively more provisions against company personnel travelling on other airlines, some of which may not be able to continue offering them the customary industry discounts.

In case AACL adopts this preference the shareholders of CAT will have to liquidate our company in accordance with pertinent articles of Section 12 of the Chinese Company Law. In that event I wish to make a footnote here that I'll be most willing to buy the company's trade-name on moderate terms, thereby enabling me to continue to fight for CAT's resurrection in the future.

The third alternative: To re-organize CAT as a flag cargo carrier of the Republic of China by increasing its present capital structure from [redacted] to [redacted] HR70-14 of which [redacted] representing the interest of the Chinese and [redacted] of the current American investors. Thus, it would enable the new CAT substantially owned by the nationals of the flag it flies. In the long run it would prove to be advantageous to all parties concerned. And to protect your group's interest some sort of safeguard could be worked out to mutual satisfaction. Personally, I'll pledge my word to the effect that no excessive Chinese domination will happen, if I can buy not less than one million dollars (Taiwan currency) worth of company shares. I am a strong believer in partnership. I mean equal partnership. On this very concept CAT was originally founded. It was a success. We made it before, and there is no reason why we cannot do it again.

Like the Mau-Wang Proposal, I am seeking again a new opportunity whereby CAT can be given a new impetus, a new start, or a new life. But unlike the Mau-Wang Proposal, the new CAT will be recapitalized only at NT\$20,000,000.00, which is to be raised from among company shareholders and personnel. It will be a small flag cargo carrier of the Republic of China whose mission it is to (1) to earn more hard currency for Free China, (2) to serve as AACL's supplementary, and (3) to generate enough revenue to prevent our highly trained and experienced personnel from losing their jobs.

The fourth alternative: For a certain period of time CAT can still maintain itself on status quo basis. But the duration would be short, taking into consideration that the Services Contract in its present form, concluded between CATCL and AACL on March 1, 1955, and renewed on March 1, 1962, can hardly meet the Government's approval for renewal upon its expiration on March 1, 1969.

CAT, in order to operate as a flag cargo carrier of ROC, must sooner or later radically revise the contents of the Services Contract, which in its present form is considered by Control Yuan neither consistent with legislative intent, nor within the limit of the Chinese Civil Aviation Code. Therefore, it appears unlawful even if CATCL concurs in conferring upon AACL an option to renew the

the said Contract as it is for another successive seven-year periods beginning from March 1, 1969.

To reiterate, the first alternative is all Chinese; the second, all American, I mean all AACL; the third, Chinese-American; while the last, status quo plus revision of Services Contract. I'd appreciate if you will kindly indicate to me your decided preference among the four alternatives, or any plan other than the aforementioned, which can shed light on "Where does CAT go from here?".

Another thing: the former MOC Minister asked me casually in April last year that, according to Stateside newspaper reports he has had, a certain American Government agency is involved in CAT and AACL. The same subject was recently brought to my attention again by a well-known legislator, who seems to be very close to the present MOC Minister. Never before have you, or any other Stateside shareholders, discussed with me a subject of this nature. True or false? Perhaps, you are in a position to help clarify it. If it is false, then there is nothing to worry about. But suppose - underscore suppose - it is true, nothing should be encouraged to run counter to the highest interest of our two most friendly countries.

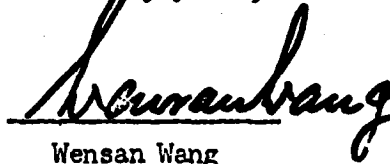
It appears that the highest interest of our two countries in this part of the world can be stated thus: joint maintenance of vigilance on Mainland Communists, joint achievement of socio-economic development in Taiwan, and joint defence of Free China, and so forth. The national interests of both countries being so closely identified, is there any reason why they shouldn't put their heads together and work out an understanding, whereby causes of mutual suspicion and fear, if any, will be removed?

With little imagination, little planning ahead and little more determined effort on the part of our shareholders to take a few corrective measures to meet a changing situation, I think the future of the company complex, with particular reference to AACL, is still bright.

Befitting your convenience, I would like to have a get-together with you in Washington either before I go to the 24th AGM of IATA, or shortly thereafter. You know the AGM of this year will be held in Munich from October 28 to 31.

With kindest regards,

Sincerely yours,


Wensan Wang

cc: Mr. Hugh L. Grundy