

Thursday, 3 September - 10 a. m.

Colonel White w/Houston

APPROVED FOR
RELEASE DATE:
14-Sep-2009

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DD/S 70

3 SEP 1970

MEMORANDUM FOR: General Counsel

Larry:

The Executive Director reviewed the Air America paper and felt that it was not sufficiently dramatic to carry the message. He suggested that there are a number of incidents in Air America's history which could be mentioned to serve this purpose. He also thought the paper did not spell out how important the operation is to the national security mission.

Additionally, we do not give a reason why we are presenting the paper to the 40 Committee at this time. We could stress its importance as a national asset in the conduct of the war in Laos and Vietnam but note that the level of activity may change with the withdrawal from Vietnam and if some form of peace is arrived at for Laos in which event we could come back to the 40 Committee for guidance as to the continuance of this as a national asset.

SIGNED R. L. Bannerman

R. L. Bannerman

Att: Memo dtd 20 Aug 70 for DCI fr
DD/S, subj: Air America
(DD/S 70)

DD/S:RLB (3 Sep 70)

Distribution:

Orig - GC w/O & 1 ccy DD/S 70

1 - DD/S Subject w/ccy DD/S 70

1 - DD/S Chrono

~~SECRET~~



20 AUG 1970

Mr.

Headquarters

Please hold this for Col. White's
personal review.

SIGNED R. L. Bannerman

R. L. Bannerman

Deputy Director for Support

Headquarters

DD/S:RLB (20 August 1970)

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DD/S 70-3497: Memo for DCI frm DD/S dtd 20 Aug 70 subj: Air America

TRANSMITTAL SLIP

DATE 9 1970

TO: Mr. Bannerman via Mr. [redacted] via
Mr. Brooks

ROOM NO. BUILDING

REMARKS:

Recommend your signature.

[redacted]
AMW

FROM:

ROOM NO. BUILDING EXTENSION

FORM NO. 241
1 FEB 55

REPLACES FORM 36-8
WHICH MAY BE USED.

(47)

~~SECRET~~

DD/S 70-

20 AUG 1970

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Air America

1. This memorandum recommends a course of action for your consideration.

2. At the Conference in March 1970, it was concluded that it would probably be advisable to seek a judgement on Air America as a national asset as was done in 1955 with the Operations Coordinating Board of the National Security Council. Accordingly, the attached briefing paper is submitted.

3. It is recommended that at some appropriate time the attached briefing paper be presented to the members of the "40 Committee" with a view to seeking their endorsement of the continuation of Air America and associated companies in the national interest.

SIGNED R. L. Bannerman

R. L. Bannerman
Deputy Director
for Support

Att.

cc: DDCI

SA-DD/S/AMW (19 Aug. 70)

Distribution:

Orig. - Addressee

1 - ER

✓ - DD/S Subject

1 - DD/S Chrono

1 - OGC

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Reappraisal of Air America and Associated Companies As
A National Asset

1. Acquisition

Civil Air Transport (CAT) was organized shortly after World War II as a domestic air carrier on the mainland of China. Its equipment consisted of surplus U.S. Government aircraft and machine tools used in the area during the War. Its flying personnel were nearly all former U.S. pilots and many of them had served with General Claire Chennault's Flying Tigers. The Kuomintang Chinese Government provided the "rights to fly." CAT was heavily engaged in support of the Chinese National Relief and Rehabilitation Administration (CNRRA) activities and later in the evacuation of Chinese loyalists before the oncoming Communist forces.

CAT was acquired by CIA in 1950, largely to deny to the Chinese Communists the aircraft and inventory of parts which had been evacuated from the mainland to Taiwan. The Department of State concurred in the acquisition, but in light of its policy against government competition with private U.S. business interests, expressed the view that CIA should divest itself of CAT as soon as possible.

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2. Recognition as an Agency Air Support Asset

The Korean War, events in French Indochina, and the continuing threat to the off-shore islands prevented any serious consideration of divestiture for the next five years. CAT had bases, aircraft, cleared American pilots, skilled maintenance personnel, and a Chinese Nationalist Government well disposed to CAT being used as a special purpose airline in support of U.S. interests in the Far East. With such an asset available and owned and controlled by the Agency, it was used extensively for those operations where official U.S. Government involvement could not be openly acknowledged. Recognition of CAT as a necessary air support adjunct to our intelligence operations in the Far East came closely on the heels of its acquisition for denial purposes.

3. Operations Coordinating Board Action in 1955

In the fall of 1955, the Agency examined its need for CAT in the Far East. Revenue producing activities were thin, Agency requirements were sketchy, and an annual subsidy of about seemed indicated for some years to come. The Director brought this to the attention of the Operations Coordinating Board seeking its judgement on whether the assets involved were of sufficient value to the national defense and security as to justify the continued expenditure of such an amount. On 4 November 1955,

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Elmer B. Staats, Executive Officer, OCB, distributed a Supplement to the Minutes of the OCB Meeting of 2 November 1965 which said in part: "The Members of the Board agreed that CAT was useful to the national defense and security, particularly in view of its emergency airlift capacity and that it should be maintained." (See Tab A)

4. Organizational Changes and Corporate Development

A series of organizational changes and changes in names were made between 1950 and 1960 leading to the present structure of:

The holding company - The Pacific Corporation

The American operating company - Air America, Inc.

The Chinese service company - Air Asia Co., Ltd.

The Chinese certificated air carrier - CATCL

Each of these companies was structured to provide a capability for flexible operations in support of clandestine operations should the need arise. As it turned out, the greatest need developed in Southeast Asia for contract flying by Air America.

In FY-58, management was able to turn the business around to the extent that no subsidy was required and no subsidy has been paid since then.

As of 31 December 1969, the Agency's equity in the project amounted to

of which is paid-in capital and the balance of

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[redacted] is retained earnings. These earnings have accumulated over the years and derive from a variety of commercial operations. [redacted]

[redacted]

[redacted] In the

company fiscal year ending 31 March 1969, Flying Services for CIA accounted for [redacted] of revenue, Flying and Other Services for Other U.S.

Government Agencies totaled \$26.7 million, and maintenance for the USAF amounted to \$7.8 million. Over the past ten years, CIA ranks third in volume as a U.S. Government customer. The company's pricing on these Government contracts has been competitive with other commercial companies so there has been no element of subsidy in the contracts with CIA or other agencies, although the company has made a normal or somewhat less than normal profit in accordance with normal commercial practice required to maintain the corporate cover. All U.S. Government contracting with Air America and Air Asia is audited by the Defense Contract Audit Agency and contracts are negotiated on the basis of allowable audited costs.

Retained earnings have been used to add to and modernize the fleet.

Tab B shows the aircraft operated by the project in 1960 and the aircraft

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available today. The maintenance facilities at Tainan have been improved and modernized throughout the years. It is recognized as one of the best equipped and most competent aircraft maintenance facilities in the Far East. The USAF has been and is a major customer and utilizes Air Asia for repair and maintenance of several types of jet fighters. Personnel reached a peak of 11,104 in 1967. Since then, personnel have been reduced to just over 9,000. Tab C shows the personnel strength year by year since 1960 which, in turn, shows the growth of the project in response to requirements of the U.S. Government.

5. Operational Use and Requirements

The project has been used by the U.S. Government in many situations since its beginning. It played a role in the Korean War in support of CIA operations; in the French Indochina War in support of the French, especially at Dien Bien Phu; in the evacuation of refugees from Hanoi; and in the present engagement throughout Southeast Asia. The magnitude of these latter operations is reflected in the statistics for Laos in 1969. 230 pilots in Vientiane and Udorn flew 46 fixed wing and 37 rotary wing aircraft, making 109,000 fixed wing landings and 157,000 helicopter landings. 739,000 passengers and 130,000 tons of cargo were transported.

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The immediate availability of Air America as a commercial air carrier is of assistance to the U.S. Government in situations where the risks involved are too formidable to attract other commercial air carriers. From 1 January 1970 to 30 June 1970, for example, Air America lost nine crew members and nine passengers. It sustained 67 incidents of aircraft being hit by hostile fire, and four of these resulted in loss of life or serious personal injury. Five aircraft were totally destroyed. Other accidents occur which are attributable to the working environment. Fields into which Air America flies are generally short unpaved clearings in the forest or on mountain tops. Such rudimentary aids as windsocks are often not available. Electronic navigational aids are only found at the larger base sites. Weather is a major problem for more than half of the year. These characteristics, added to the presence of hostile forces, make the business of contract flying in Southeast Asia unattractive from a purely commercial standpoint.

Other important contributions by Air America to U.S. Government objectives include:

- a. The training of Chinese, Okinawans, Filipinos, Vietnamese, Thais, Laotians, and others in the shop skills required for automotive and aircraft maintenance.

b. [redacted]

[redacted]

c. Undertaking many housekeeping tasks for the U.S. missions in Southeast Asian countries, e.g., Tactical Air Navigation (TACAN) maintenance and operation; staffing and operation of fire fighting brigades; petroleum, oil, and lubricants (POL) servicing; weather watch service; automotive maintenance and repair; engineering services; and a community school at Udorn.

d. [redacted]

[redacted]

The project has been used in many small but sensitive operations such as the testing of defoliation agents, high altitude VHF radio relay from Laotian roadwatch teams, and the secret movement of defectors and other persons of intelligence interest.

In summary, the project provides the technical competence, cleared personnel, and the equipment and facilities to implement those programs and plans involving air support that the U.S. Government wishes to undertake on a commercial contract basis, which is, however, completely subject to Government control.

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6. Air America's Public Image

As a result of the extensive Air America operations in Southeast Asia, there is a great deal of speculation in the press on the relationship of the company to CIA. That the corporate cover has been maintained is probably best attested by the following excerpt from NEWSWEEK of 6 April 1970:

"Although in practical terms it is an operating arm of the CIA, Air America is owned by a private aviation investment concern called Pacific Corporation."

7. Conclusions

Air America's operations in Southeast Asia as an air support contractor to various U.S. Government agencies are extensive. The company continues to grow in sophistication as new and better equipment becomes available and operating doctrine evolves from area experience. These factors, together with the dramatic nature of Air America's work, inevitably attract the attention of public information media. While the company's value as an air support asset is clear, its lessening utility for truly covert work due to publicity, and the possibility of a need for subsidization in the event of a stand down in Southeast Asia, indicate that a judgement should be sought outside the Agency as to its future

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usefulness to the national defense and security for emergency and other
airlift.

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A

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TAB A

C-O-P-Y

November 4, 1955

MEMORANDUM FOR THE RECORD

SUBJECT: Supplement to the Minutes of the OCB Meeting of November 2, 1955

At the luncheon meeting of the OCB on November 2, there was discussion of the scope and nature and the cost of the operations of CAT in the Far East and of its potentialities. The members of the Board agreed that CAT was useful to the national defense and security, particularly in view of its emergency air lift capacity, and that it should be maintained. With reference to the recommendation made by the Board on May 5, 1954, that arrangements should be made to permit the segregated intensive use of 12 CAT C-46 planes in Southeast Asia, the Board agreed that this specific recommendation had lapsed and was no longer in effect. This agreement was based upon the understanding that CAT was now and would remain able, on short notice, to make available substantial air lift capacity in Southeast Asia.

[Redacted]

Executive Officer

Distribution:

[Redacted]

C-O-P-Y

OCB:BO

[Redacted]

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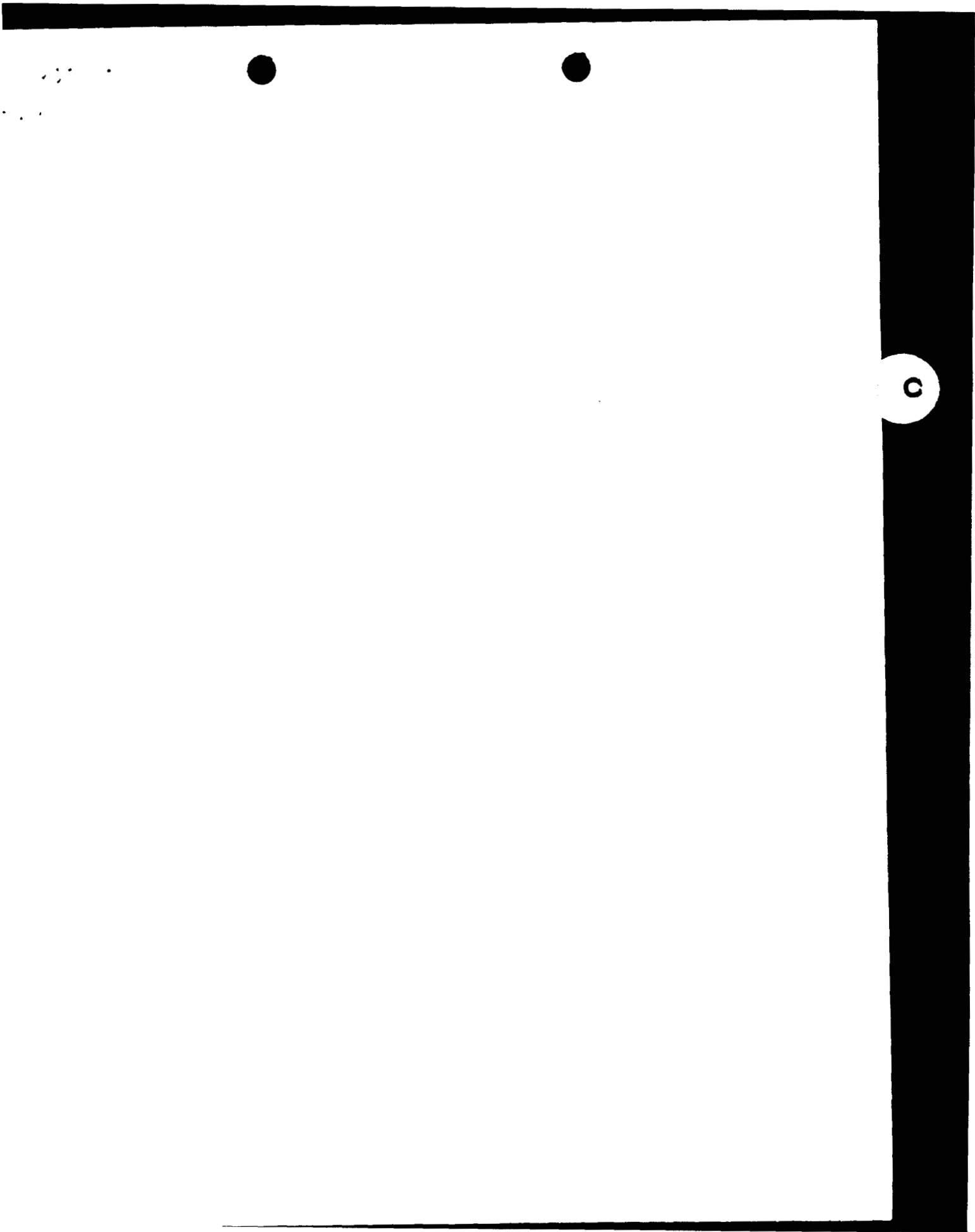
[Redacted]

Copy ___ of ___

B

AIR AMERICA AIRCRAFT

	<u>1960</u>	<u>1979</u>
DC-6	1	5
C-46	18	15
DC-4	3	7
C-47	4	9
PBY	2	
Piper Apache	1	2
Helio Courier	1	16
Bell Helicopter	1	
L-100 (Commercial version of C-130)		3
B-737 (Boeing)		2
C-123K		10
DHC-4 (C-7A) (Caribou)		8
DO-28 (Dornier)		2
VTB (Volpar conversion of C-45)		14
18-2 (Beech)		8
C-45		7
PC-6 (Porter)		26
204B (Bell helicopter)		10
205 (Bell helicopter)		3
UH-34 (Bell military helicopter)		<u>20</u>



AIR AMERICA AND AIR ASIA TOTAL PERSONNEL

December 31, 1960	2, 838
" 1961	3, 395
" 1962	4, 241
" 1963	4, 627
" 1964	4, 875
" 1965	6, 969
" 1966	9, 657
" 1967	11, 104
" 1968	10, 447
" 1969	9, 481