

19 FEB 1974

MEMORANDUM FOR: Director of Central Intelligence  
SUBJECT : Disposition of Air America

1. OPERATIONAL SUMMARY

The attached memorandum to the 40 Committee contains a recommendation for the disposition of Air America, Inc. by CIA.

CIA has attempted, since the summer of 1973, to disengage from ownership of Air America through sale of the company on a competitive basis. CIA received three bids in response to its Invitation to Bid of 20 August 1973. None of the bids was responsive to the conditions spelled out in the Invitation and CIA still owns Air America. We still wish to divest ourselves of this proprietary and believe it can be done if it is done in a way giving due concern to the practical and political problems which would be involved in a rapid dissolution of the company. Of particular concern is the morale and retention of key employees, the quality of maintenance, and the safety record which might be jeopardized if this matter is not handled properly. The program for divestiture of Air America is set forth below and it is proposed that the 40 Committee be briefed as to this program.

a. CIA plans to sell the Air Asia maintenance facility on Taiwan in a separate transaction which should be viewed as the first in a series of steps designed to liquidate CIA's interest in Air America.

b. CIA plans to sell those Air America aircraft that are surplus to the contractual requirements of Air America.

c. Air America would divest itself of property and equipment and release all personnel in Laos as soon as possible but no later than 30 June 1974.

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d. Air America would decline to bid on any contracts in Thailand after 30 June 1974 and with the approval of the U.S. Government, Air America would offer to turn over its assets and capabilities at Udorn to a chosen instrumentality of the Thai Government on a going concern basis. This would be done in sufficient time to allow the acquiring instrumentality to bid on the maintenance portion of the 0002 contract for FY 75. Air America would remain in Thailand-only for such length of time as necessary to effect a smooth turnover of the facility.

e. Air America would continue to carry out its flying contracts in South Vietnam and Cambodia through 31 December 1974 and would not bid on any extensions of the contract. It would be Air America's intention to close out its operation in Vietnam within 90 days after the last contract is completed. In the interim period CIA will seek a way to insure that needed air services in Southeast Asia will continue to be available to all U.S. customers.

f. Other Air America personnel would be released and assets disposed of during this period of time and the company would be liquidated as soon after 31 December 1974 as feasible.

2. SECURITY, COVER AND PERSONNEL

There are no security, cover or personnel matters involved in the attached proposal.

3. COORDINATION

