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TAGS:

SUBJECT: FY 76 AIR TRANSPORTATION SERVICES

REF: A. STATE 41251

B. STATE 41618

1. WE ARE SURPRISED THAT WE WERE NOT CONSULTED BY AID ON SUCH AN IMPORTANT DECISION AS TO THE PROVISION OF FUTURE AIR SERVICES TO CAMBODIA. WE HAVE VERY STRONG RESERVATIONS ABOUT A CAMBODIA ONLY AIR CONTRACT. WHILE WE RECOGNIZE THAT SENSITIVITIES OF THE GVN MAY BE INVOLVED, WE URGE THAT THE SUCCESSOR CONTRACT TO AIR AMERICA BE RETURNED TO AN INDOCHINA CONCEPT WITH PROVISION FOR ALL QUALIFIED U.S. FIRMS TO PARTICIPATE ON A COMPETITIVE BASIS.

2. OUR PROBLEMS WITH A CAMBODIA ONLY AIR CONTRACT ARE NUMEROUS:

A. LOSS OF PLANE FLEXIBILITY. UNDER THE PRESENT VERY SATISFACTORY ARRANGEMENTS WITH AIR AMERICA, WE CAN DRAW UPON A WIDE VARIETY OF AIRCRAFT INCLUDING C-123, CARIBOU, C-46, C-47, PORTERS, VOLPARS AND HELICOPTERS. WHILE THE OVERALL HOURS FLOWN IN BOTH VIETNAM AND CAMBODIA CAN JUSTIFY THIS RANGE OF AIRCRAFT, A CAMBODIA ONLY CONTRACT WOULD PROBABLY RESULT IN A VERY MUCH REDUCED SELECTION OF AIRCRAFT AND WOULD UNDOUBTEDLY REMOVE THE C-123 WHICH WE HAVE FOUND TO BE AN EXTREMELY EFFECTIVE AIRCRAFT FOR REFUGEE WORK IN THE PAST.

B. BASE OF OPERATIONS. UNDER THE PRESENT ARRANGMENTS, SAIGON IS THE BASE OF OPERATIONS FOR AIRCRAFT SCHEDULING, PARKING AND MAINTENANCE, AS WE NOW UNDERSTAND THE GROUND RULES, NO U.S. LINE OTHER THAN POSSIBLY CONTINENTAL WOULD BE PERMITTED TO OPERATE OUT OF SAIGON, PHNOM PENH WOULD BE OUT OF THE QUESTION BECAUSE OF LEGISLATIVE PERSONNEL CEILING. THIS THEN LEAVES BANGKOK AS THE ONLY POSSIBLE OPERATION SITE. WHILE EMBASSY BANGKOK IS IN A BETTER POSITION TO COMMENT, WE WOULD GUESS THAT THE RTG WOULD BE AT BEST SKITTISH ABOUT PERMITTING A U.S. LINE TO SERVICE CAMBODIA TO SET UP AIR OPERATIONS IN BANGKOK PARTICULARLY IF IT

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BECAME KNOWN AS AN AIR AMERICA SUCCESSOR OPERATION. THE THAIS MAY WELL REQUIRE A THAI ARRANGED CONNECTION AS THEY RECENTLY DID IN THE CASE OF THE BIRD CONTRACT. WHILE IT IS TRUE THAT CONTINENTAL AIR SERVICES NOW ENJOYS THAI LANDING RIGHTS (WHICH WOULD GIVE CONTINENTAL AN ADVANTAGE IN COMPETITION) THE CONTRACT FACILITY WOULD HAVE TO BE CONSIDERABLY ENLARGED INCLUDING MAINTENANCE FACILITIES. THIS, OF COURSE, WOULD MEAN DUPLICATION OF MAINTENANCE FACILITIES ALREADY IN EXISTENCE IN SAIGON.

C. HIGHER COSTS. ASSUMING THAT NEGOTIATIONS COULD BE SUCCESSFULLY CARRIED OUT TO USE BANGKOK AS A BASE, THE COST OF THE CONTRACT TO THE U.S. WOULD BE HIGHER THAN FROM SAIGON AS EACH FLIGHT WOULD REQUIRE APPROXIMATELY TWO HOURS MORE POSITIONING TIME. ADDITIONALLY THE LOWER NUMBER OF HOURS FLOWN IN CAMBODIA THAN IN THE OVERLL INDOCHINA CONTRACT WOULD RESULT IN HIGHER PER HOUR RATE NOT ONLY IN CAMBODIA BUT PRESUMABLY FOR VIETNAM AS WELL.

D. MANAGEMENT. GIVEN OUR 200-MAN CEILING WE HAVE BEEN ABLE TO DEVOTE VERY LITTLE TIME TO THE DAY-TO-DAY OPERATIONS MANAGEMENT THAT IS IMPORTANT TO SUCCESSFUL CONTRACT OPERATIONS. MANY OF THESE FUNCTIONS HAVE BEEN VERY ABLY CARRIED OUT BY USAID/SAIGON AIR OPERATIONS OFFICE. THE PROPOSED CAMBODIA AIR CONTRACT WOULD PLACE AN INTOLERABLE MANAGEMENT RESPONSIBILITY UPON OUR ALREADY OVERBURDENED STAFF.

E. AIR CONTACT WITH VIETNAM. THE EXISTING AIR AMERICA CONTRACT HAS PROVIDED US WITH A VERY FLEXIBLE LINK WITH SAIGON FOR THE SHIPMENT OF SUPPLIES, MOVEMENT OF FREQUENT TDY PERSONNEL, OCCASIONAL MEDEVAC AND UPCOUNTRY ELEMENTS OF OUR E&E PLAN. A LOSS OF THE INDOCHINA CONTRACT WOULD UNDOUBTEDLY SEVER MOST, IF NOT ALL, OF THESE AIR CONNECTIONS. 3. IF WE UNDERSTAND CORRECTLY, THE PROPOSED SUCCESSOR TO AIR AMERICA IS SCHEDULED TO BE AIR VIETNAM IN JOINT VENTURE WITH CASI, SUCH A JOINT VENTURE COULD WELL POSE PROBLEMS IN CAMBODIA. AIR AMERICA HAS TACTICAL AIR CLEARANCE AND CAN OPERATE FULLY WITHIN CAMBODIA. IT IS UNLIKELY THAT CAMBODIA WOULD GRANT SUCH CLEARANCE TO AIR VIETNAM. ANOTHER POSSIBLE PROBLEM RELATES TO LEGAL RECOURSE. IT WOULD BE ADVISABLE IN ANY CONTRACT TO DESIGNATE THE AMERICAN COMPANY AS THE ONE HAVING PRIMARY RESPONSIBILITY AND TO WHOM WE WOULD TURN TO FOR SATISFACTION.

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4, IN SUMMARY, A SEPARATE CONTRACT FOR AIR SERVICES IN CAMBODIA IS NOT FEASIBLE. A JOINT VENTURE WHICH WOULD INCLUDE AIR VIETNAM MAY WELL NOT BE ACCEPTABLE TO THE CAMBODIANS. IN VIEW THEREOF WE BELIVE IT IS NECESSARY TO RETURN TO AN INDOCHINA AIR SERVICES CONTRACT TO INCLUDE BOTH VIETNAM AND CAMBODIA, WITH CARRIERS THAT WILL BE ACCEPTABLE TO BOTH COUNTRIES. THE ADVANTAGES OF THIS WOULD BE (A) LOWER COSTS TO BOTH COUNTRIES AND (B) CENTRALIZED MANAGEMENT AND MAINTENANCE.
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