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HR70-14

22 January 1963

MEMORANDUM TO: Marvin L. Evans
Assistant General Counsel

SUBJECT: Review of Air Support Activities: -
A. Southern Air Transport, Inc.
B. Southern Air Holding Corp.

1. This is in further response to your request dated 15 August 1962. Our earlier reply, dated 7 November 1962, dealt primarily with the Air Support Activities of The Pacific Corporation and its subsidiaries, Air America, Inc., Air Asia Company Limited, and Civil Air Transport Company Limited. It should be noted, however, that some of the information submitted herein was included in that reply. (Paragraph numbers utilized below are those in your request.)
2. (a) On August 5, 1960 the Agency entered into an agreement to purchase all the capital stock of Southern Air Transport, Inc. and Southern Air Holding Corp., both Florida corporations. This purchase was proposed and sponsored by Deputy Director Support and was principally for the purpose of acquiring the certificate of convenience and necessity issued under Part 42 of CAB regulations held by Southern Air Transport, Inc. The need for such a carrier arose because MATS, which had previously awarded the Inter-Island Contract to Air America, Inc., an Agency proprietary operating under Part 45 of the CAR, changed its contracting policies so that only Part 42 carriers were eligible to obtain these contracts. Thus, in order for the Agency to continue the Inter-Island operation which it found desirable, the acquisition of a Part 42 certificated carrier was essential. Although its name might suggest otherwise, Southern Air Holding Corp. owns none of the capital stock of Southern Air Transport, Inc. 100% of the common shares of each of the two corporations is held separately by the Agency.

(b) The original date of Project approval was 10 December 1960. Agency expenditures made from inception to date total This is the total cost for the purchase of all of the capital stock of the two companies. This expenditure was made in the fiscal year ended June 30, 1961.

(c) No Agency expenditures are budgeted for this Project for either FY 1963 or FY 1964.

(d) All personnel are straight proprietary hires. As of October 31, 1962 employees totaled 189 of which 114 were located in the Far East area (Pacific Division) and 75 in the Miami and Caribbean area (Atlantic Division). Categories for personnel are as follows: -

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Pacific Division:		
Personnel		1
Aircraft Maintenance		11
General Maintenance		1
Traffic		34
Operations		<u>67</u>
	Total	114

Atlantic Division:		
Flight		16
Other		<u>59</u>
	Total	75

Total Employees 189

(e) Aircraft utilized by Southern Air Transport, Inc. are as follows: -

Pacific Division:		
2	C-118/DC-6AB - owned	
2	C-118/DC-6AB - leased from Air America, Inc.	

Atlantic Division:		
3	C-46/CW-20 - owned	
<u>1</u>	C-45/D18S - owned	

Total 8

- (f) Southern Air Transport, Inc.'s operating property and equipment totaling \$1,139,443 net, broken down as flight equipment and other property, is itemized in its balance sheet which is attached as Exhibit A. Southern Air Holding Corp.'s only fixed asset is leasehold improvements having a net value of \$27,391. It holds a lease expiring December 31, 1976 on four acres of land in the Northwest Maintenance Area of Miami International Airport, which it subleases to Southern Air Transport, Inc. Southern Air Holding Corp.'s balance sheet is attached as Exhibit C.
- (g) Southern provides flying services to MATS under the Inter-Island Contract in an overt manner and at competitive prices.
- (h) The four DC-6AB aircraft owned and leased by Southern are currently used to carry out the MATS Inter-Island Contract. Southern uses its three C-46F aircraft to provide cargo charter and airway-billed cargo services in the Caribbean. It uses its C-45R aircraft to provide passenger and cargo charters in the Miami-Caribbean area.
- (i) As stated in item (b) above, the Agency's total investment in the companies is all of which was paid for the purchase of 100% of the shares of the two corporations in FY 1961.

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- (j) Southern Air Transport, Inc. and Southern Air Holding Corp. were organized under the laws of the State of Florida on October 31, 1949 and December 7, 1956, respectively, several years before their acquisition by the Agency. The Articles of Incorporation of both companies are broad enough to allow them to engage in practically any business activity, the principle objective being, however, to carry on an air transportation business. Southern Air Holding Corp.'s activities have, in practice, been limited to holding the lease referred to in item (f) above and subleasing the leased property to Southern Air Transport, Inc.
- (k) Overall direction is provided for Southern Air Transport, Inc. from the office of the Chief Executive Officer of Air America, Inc., an Agency proprietary. Further, the Pacific Division of Southern Air Transport is, in fact, operated by the executives of and by personnel provided from Air America, Inc. Southern has no other relationship with proprietaries.
- (l) Southern Air Transport, Inc.'s Profit and Loss Statement for the eleven months ended November 30, 1962 is attached as Exhibit B. Total operating revenues for the eleven months were about \$5,180,001. Of this amount, \$4,371,291 was generated by the MATS Inter-Island Contract; \$640,886 was received for cargo charter and airway-billed services provided in the Caribbean; \$86,404 for maintenance services in Miami and \$81,888 from other sources. No element of Agency subsidy is involved, although a small portion of the revenues, less than \$5,000, received during the eleven months resulted from the performance of services for other Agency activities.


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