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**MEMORANDUM**

TO : Vice Chairman  
FROM : President  
SUBJECT: C46 Fleet - Plans for Disposition

DATE: Sept. 8, 1959

REF. No. P-59-223

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We have discussed on several occasions recently the possibility of reducing our C46 fleet through return of all or part of the group of seven C46s leased from CCAA for the past several years. Utilization of this fleet has never been outstanding and because of reductions in the guaranteed minimum flying under the USGFI60 USAF Contract, as well as reduced prospects in respect of US Army CSG Contract future utilization promises to be even worse. Although no minimum fees are guaranteed to CCAA, the fact of the planes being handy possibly results in some flying of them which would not be done if we didn't have them, (This is, however, watched closely and mostly there is good reason when they are flown.) and additionally appreciable costs are involved in maintaining them operable. One of our problems in getting decent utilization, however, is that we have a number of contracts in different geographical areas which require commitment of aircraft to each, interchangeability for improved utilization usually not being possible despite the fact that none of the individual contracts alone provides good utility of planes assigned. Our ability to assign planes to these several contracts in the quantity wanted by the customers and our ability (?) to accept the sub-standard utilization which results may however contribute to our getting certain work. Whether or not we can afford this comparative luxury is debatable.

A recent review of the possibilities revealed that we could release up to five of the seven leased CCAA planes if:

1. We are able safely to assume that there would be no call for appreciably increased flying under the Contract and no call for a major increase in the number of planes or flying rate which we are under contract to provide. As you know, if the maximum provisions of the contract are met, every C46 which we have now free would be required and even then we would be hard put to meet our obligations. Also, we should note that additional planes must be furnished within time periods which demand that they be available in the Far East. If contract obligations are to be met, certainly there would be no time to procure and fly out here C46s which might be available in the USA. Also, I note that the Government, in disposing of surplus C46s, has agreed to maintain disposal prices at a fixed value which as well as I can recall was US\$60,000 each. The market may be somewhat lower but considering the acquisition or lease costs, ferry costs and integration costs, I seriously doubt that we could obtain planes from the USA as cheaply as we could maintain the status quo here. Possibly the planes which we might return to the CCAA still would be available. But, I suspect

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the CCAA would turn them over in turn to the CAF, or possibly lease some of them to FAT, the latter course being rather unlikely since I can't imagine what they would do with them. And, should the CCAA just store them, rehabilitation costs and time would be involved, if the planes were needed and leased back from CCAA if they hadn't been cared for in storage. Against all these possibilities, of course, is the possibility, even the probability, that Lockheed will not expand.

2. We can assume that CSQ will not call for <sup>more than an occasional</sup> C46s under the CSQ Contract call provisions. There have been unforeseen calls in the past. A number of the observations made in respect of [ ] apply here.
3. The burden of keeping all or some of the CCAA planes outweighs the disadvantages of being unable to pick up the opportunity charters or short term contracts which come up from time to time. There are occasional worthwhile undertakings such as rice drop contracts, seasonal fish fry charters et cetera. If we let five planes go, we will have greatly reduced ability to meet these calls.

Assuming we should return five C46s to CCAA, our C46 Fleet assignment would be:

- 6 to [ ]
- 1 to Okinawa for the OTA Contract (not very good utilization but the revenue is better than none perhaps)
- 1 to domestic schedules
- 1 to Contract 57-060
- 2 to Taipei (or other places) for random charters, back-up and maintenance

Today our needs are:

- 6 to [ ]
- 1 to Okinawa
- 1 to domestic schedule
- 1 to Contract 57-060 (regular)
- 3 to Contract 57-060 (additional - just called for)
- 2 in maintenance No. 4 Services - one having a Cadillac door installed. A second plane is due to have a similar door installed.
- 1 busy on fish fry charters
- 2 extra available, 1 at Kadana and 1 at Tokyo where it stopped after a TPE/TYO/SKL/TYO engine charter.

*This was called for today also after this was typed.*

A charter was just flown from Kadana to Vientiane. At that moment a call came against Contract 57-060 for two more C46s. We were able immediately to turn over the Kadana/Vientiane charter plane upon its arrival in Vientiane. The second one will be the one scheduled to take the Helio Courier to Laos. None of these charters represents important flying, but cumulatively they do represent considerable revenue and it might well be that we would be ill advised to reduce

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our capacity too much, especially now in the face of the Laos situation and the potential it represents.

Would you consider the views expressed here, especially concerning  and let me have your further opinions after which I shall be able to make a firm proposal for return of the leased aircraft?

*Hugh L. Grundy*  
Hugh L. Grundy

cc: File (2)