

DRAFT

~~SECRET~~
May 27, 1966

Our review of SLC-66-173 and General Watson's letter of 12 May indicates to us that the Ryukyuan operation will continue to be a losing proposition after the 15 July increase of 15%. However, prospective benefits of a) airport improvements, b) relief from NAVAID and COMMO responsibility, and c) another 15% increase in revenue from passenger fares at some later time, when the transportation tax is reduced by a similar amount, could permit the operation to become self-supporting.

Since HICOM has not provided any dates fixing the availability of the three above prospective benefits, the requirements of Air America, as stated in its March 10, 1966 letter, have not been met. Air America's losses are immediate, and Air America needs immediate relief. Further, a ceiling has been placed on the amount that the traveling public is to pay; therefore, the second increase in passenger fares may never materialize. HICOM suggests that a solution for keeping passenger fares down while providing Air America with appropriate operating revenue could be the provision by the U.S. Government of a subsidy, as is done in the case of Hawaiian, Alaskan and Local Service air carriers.

Immediate correction of the financial situation by the alternatives of sufficient fare increase or subsidy as given herein and an acceptable timetable for the availability of airport improvements and NAVAID and COMMO facilities would make it possible for Air America to continue. Air America finds it necessary to stay on the timetable given in its March 10 letter. The Office of the Secretary of The Army has been given this message.

APPROVED FOR
RELEASE DATE:
23-Sep-2009