



Mr. Warfield

W

WEN SAN WANG & ASSOCIATES

Mr. George A. Doole, Jr
Civil Air Transport
815 Connecticut Avenue, N. W.
Washington, D. C.

PLEASE REPLY TO:

Berkeley, 1 October 1966

Dear George:

Thanks for the delicious dinners, thanks for the pleasant chats and thanks for taking me to the National Airport shortly after our informal meeting held on Monday, September 26th.

On the eve of my return to Taipei I'd like to jot down/a hodgepodge of observations, remarks and recommendations, most of which has been disclosed to you verbally. I don't claim I am right but what I am writing here does reflect my personal and honest opinion.

First of all, it is frequently said that our company is losing money. Statistically, it may be so. To be frank, our statistics, like many other statistics, cannot be expected to reveal the whole truth. Let us take the fiscal year, 1965/1966, for instance. During this year AACL has paid CATCL an indemnity in the amount of \$700,532. Due to tax adjustment the net loss of our company is \$237,364. This, I consider, is only part of the truth but not the whole truth. To reveal the whole truth we have to take the following factors into consideration:

- a) During the period under review CATCL carried on its international scheduled flights 16,878 non-revenue passengers— all being personnel of our inter-company system; and on its domestic scheduled flights 15,441 non-revenue passengers— also personnel of our inter-company system. Computing on a 50% round trip fare basis CATCL could have earned \$1,417,408.40 from the former group of passengers and \$123,771.44 from the latter group, totalling \$1,541,179.84.
- b) During the same period under review the 20% low fare on CATCL for our inter-company system passengers amounts to \$262,966. Again, computing on a 50% round trip fare basis it could have yielded CATCL \$586,639 or \$332,673 more than what is recorded in the Statistics.
- c) During the same period under review our inter-company cargoes were carried free of charge by CATCL. Computing on a 50% reduced tariff, it could have yielded our company \$141,609.
- d) During the same period under review our inter-company system personnel travelling on other carriers (Lufthansa, Air India, NWA, etc.) on reduced or special tariff spent about \$700,000. They may have to spend more, once they lose their status of being employees of a certificated international carrier CATCL.

Abner



WENSAN WANG & ASSOCIATES

Mr. George A. Doole, Jr
Berkeley, Oct. 1, 1966
page two

PLEASE REPLY TO:

e) During the same period under review CATCL's prorata share in the inter-company system general and administrative expenses is approximately \$1,000,000. Could AACL save one million dollars after the phasing out of CATCL?

The monetary considerations mentioned above are by no means exhaustive, as there are many other items which should be credited to CATCL's account by a mere change of bookkeeping entries in our inter-company accounting practice. Whenever I raise this question at a board meeting I am given the impression that our system is being operated like a tripod supported on three legs, each being supplementary to the other two. Someone would say what difference does it make since we have a common pool of resources? Should I drive the question too far, I would probably be accused for having an eye on the 10% profits per Services Contract signed between CATCL and AACL in March, 1955.

Secondly, there are still other considerations which are even more important than dollars and cents. CATCL, as the designated flag carrier of the Republic of China, has been enjoying a number of facilities that are necessary to insure its smooth performance of duties. Such facilities, concurrently enjoyed by AACL either because of, or in the name of CATCL, may be restricted, once our company phases out.

Thirdly, it is frequently said that the Government is hostile or unfriendly to our company. Frankly, I don't think so. From our numerous friends who hold high positions in the Government I learn one thing, that is, none of our responsible officials ~~have~~ has ever been seriously trying to force us out of business. Yes, there are many complaints and criticisms, but mostly of a constructive nature. I believe Mrs. Anna Chennault must have the same sort of feeling every time when she visits Taipei.

Sometimes one would argue that MOC's award of Kuala Lumpur rights to CAL constitutes an unfriendly act, for after all it was CATCL, not CAL, which did all the preparatory work leading to the consummation of the event. But we must not forget that a few months prior to such an award the MOC Minister has twice (not once) alerted us to the effect that we could have ~~have~~ Kuala Lumpur if we were to signify our willingness to add to our fleet just one more jetplane.

True, some legislators have been very unkind to us at their ruan meetings following the B-908 accident. This can be normally regarded as prerogatives of law-makers- something to be expected in a democracy.



WENSAN WANG & ASSOCIATES

Mr. George A. Doole, Jr
Berkeley, Oct. 1, 1966
page three

PLEASE REPLY TO:

It is also true that the Control Yuan was not too happy with us, considering its "Proposal of Corrective Measures" sent to the Executive Yuan. But remember its major theme is an attempt to urge ~~both~~ corrections or improvements. While I do not fully concur with the Control Yuan in its Proposal, I think, however, that we do have room for improvements with ~~the~~ particular reference to the issue of capital structure of our company.

Ever since January, 1964 I have been talking and writing to our esteemed colleagues including your goodself about the necessity of raising money from among Chinese (local and overseas) a large sum of equity money to be invested in CATCL, thereby making the company truly "substantially owned" by the nationals of the flag it flies. Such a step, if properly taken with the consent of our shareholders, would not only knit CATCL and AACL together by means of a new Services Contract, but also make our position in the Republic of China invulnerable.

Fourthly, I usually watch with admiration the normal functioning of our corporate hierarchy both for its devotion and for its integrity. But I would not be frank if I fail to mention from my casual observations (a) that it does not profess enough warmth in its relationship with the key personnel, (2) that it attempts to know every detail of the trees but not the forest, and (c) that it is not responsive enough to take advantage of many opportunities available from time to time. I may be wrong in my observations but the following seemed to be based on facts.

There was a time when we should have given up our domestic scheduled service for monetary considerations. With the exception of the ferry service between Taipei and Tainan, the domestic flights have been a white elephant to us. For example, our losses were: \$277,654 for 1961/1962; \$369,611 for 1962/1963; \$497,390 for 1963/1964, etc.

There was a time when we should have given up our domestic scheduled service for political considerations. For example, in the early part of April, 1964 CAL, apparently with the blessings of CAF, came to us, hoping to work out a division-of-labor program whereby they were to fly all domestic routes but the ferry service, and we were to fly all international routes plus a certain form of guarantee. Had we been more responsive to take advantage of this offer, we could have saved [^] a lot of money but also we could have been spared of the misfortunes of the B-908 accident, I mean time-wise, for the tragedy took place about 70 days later.



WEN SAN WANG & ASSOCIATES

Mr. George A. Doole, Jr
Berkeley, Oct. 1, 1966
page four

PLEASE REPLY TO:

There was a time when we could have had a projection whereby to generate a yearly income in the neighborhood of sixteen million dollars by fully utilizing two jet planes, or by adding to our fleet just one more jet.

These remarks, not intended to hurt the pride of our corporate hierarchy, are but a surface manifestation of my deep concern as I review our company's situation.

Fifthly, I do not wish to enter into controversy about the merits or demerits of Admiral Stump's aide-memoire for the simple reason that it has become a matter of fait accompli. There is nothing we can do about/to honor it, In the future we must try to avoid making more of a mess of things than it needed be. That is why at our informal meeting of September 26 I attempted to emphasize on the importance of issuing Taipei Office a clear-cut MASTER DIRECTIVE outlining among other things that, in order to succeed in attaining such and such desired objectives, CATCL's phasing out be taken place gradually and orderly in consonance with CAL's flight capability, to wit /but

- a) that in the event CAL has acquired its first jet CATCL will give up (x) routes but continue to operate (y) and (z) routes,
- b) that in the event CAL has acquired its second jet CATCL will give up (y) routes but continue to operate (z) routes plus contract flights to Southeast Asia in order maintain an average of not less than 8 utilization hours per day.
- c) that in the event CAL has acquired its third jet CATCL will give up (z) routes.

Once CAL has a fleet of three jet planes it will have the full capability to operate all international routes that are available to ROC's carrier(s) today. It goes without saying that our company will/have to phase out completely. This, I believe, is in /then keeping with the letter and the spirit of Admiral Stump's aide-memoire, although I have not yet read its original text.

Sixthly, at our last board meeting we have discussed at length (a) on^{to} reduce the possible impact created by the aide-memoire on the morale of our employees in general and of our traffic and sales force in particular, and (b) on how to successfully maintain "business as usual" during the period of transition. It is very likely that AACL can absorb a great number of CATCL's personnel when the latter phases out next year or the year after next. It is



WENSAN WANG & ASSOCIATES

Mr. George A. Doole, Jr
Berkeley, Oct.1, 1966
page five

PLEASE REPLY TO:

also likely that a small number of our people will have to be terminated. To these people we recommend some special consideration be given- at least- their surplus pay should be higher than the existing practice, if it is within the limit of our financial capability. And their "longevity"- from CAT to CATCL- must be recognized.

Incidentally, we have talked about the timing of my prospective retirement and I'd continue to talk with our Managing Director upon my return to Taipei. In deference to your suggestion I may have to postpone the date but some basic understanding should be reached prior to July 30, 1967.

Lastly, I make no secret of another small project that is being sponsored by a small group of people including myself, who, originally interested in enlarging CATCL's capital structure, are willing to buy the MANDARINJET and the trade name of CAT (not CATCL) about six months prior to the complete phasing out of CATCL.

Like many other CATers I always take pride in CAT and in its past twenty years of accomplishment. To perpetuate its name is a part of my life-long ambition.

With kindest regards and warmest greetings.

Sincerely,

Wensan Wang
Wensan Wang