

CABLE SECRETARIAT DISSEMINATION

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~~SECRET~~ 210745 Z MAY 68 CITE

DIRECTOR INFO VIENTIANE SAIGON TAIPEI

21 MAY 68

SECTION ONE OF TWO

REF A (NOT SENT VIENTIANE SAIGON) (IN

B DIRECTOR (NOT SENT VIENTIANE SAIGON)

C (NOT SENT VIENTIANE SAIGON) (IN

D (NOT SENT VIENTIANE)

REF C COL LAI DIRECTOR OF CCAA WROTE OFFICIAL LETTERS TO HIS COUNTERPARTS IN LAOS, THAILAND, S. VIETNAM, HONGKONG AND JAPAN EXACTLY AS WE HAD DRAFTED THEM, INCLUDING THE ONE PROVIDING FOR REVENUE CARGO SERVICES TO SAIGON, AND HANDED THE LETTERS TO US FOR MAILING OR HAND CARRYING TO THE SEVERAL DCA'S AS WE THOUGHT BEST. WE POSTED THE LETTERS TO ALL DCA'S EXCEPTING LAOS THINKING THAT THEY WOULD APPEAR SOMEWHAT MORE FORMAL AND OFFICIAL THAN IF WE HAND CARRIED THEM IN A SELF SERVING MANNER. HOWEVER, WE WILL HAVE REPRESENTATIVES ON HAND WITH COPIES TO PROMPT APPROVAL ABOUT THE TIME WE THINK THE OFFICIAL LETTERS WILL HAVE ARRIVED. THE LAOS LETTER WILL BE HAND CARRIED AS THE DCA THERE, PRINCE SISOUPHANNOUVONG, HAD PREVIOUSLY INVITED US TO GET SUCH A LETTER AFTER WHICH, HE OPINED, HE PROBABLY WOULD

APPROVED FOR RELEASE DATE: 25-Aug-2009

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BE IN A POSITION TO APPROVE. RATHER THAN HAVE THE LETTER ENTER CHANNELS AT A LOWER LEVEL AND POSSIBLY ATTRACT NEGATIVE RECOMMENDATIONS FROM STAFF, IT APPEARS BETTER TO ACCEPT THE PRINCE'S INVITATION AND HAND IT TO HIM. WE ANTICIPATE ROUTINE APPROVALS IN HONGKONG, JAPAN. A QUESTION MAY ARISE (PARTICULARLY IN BKK) OVER REVENUE CARGO AND NON REVENUE PASSENGER CARRIAGE BETWEEN VIENTIANE AND BANGKOK AS SO FAR THIS HAS BEEN A "CLOSED" ROUTE FOR THAI AIRWAYS AND RAL. WE HEAR THAT THAI INTERNATIONAL IS ABOUT TO TAKE OVER THIS ROUTE, WHICH IS INTERNATIONAL, FROM TAC AND THE QUESTION SHOULD BE RELIEVED AT THAT POINT, SHOULD ONE ACTUALLY ARISE NOW, SAIGON MAY PRESENT A PROBLEM.

2. AVNS CHIEF OF TECHNICAL SERVICES, MR. VIET, VISITED TAIPEI AND TAINAN LAST WEEK AND STATED A DESIRE FOR AIR ASIA TO PROVIDE FULL TECHNICAL SUPPORT FOR AVN'S BOEING 727 OPERATION TO INCLUDE ENGINE AND COMPONENT OVERHAUL, HEAVY SERVICES ON THE ACFT AND AN ENGINEERING SUPPORT SERVICE TO KEEP TRACK OF COMPONENT TIMES, SERVICE BULLETINS ETC. HE EXPLAINED THAT PANAM WAS PROVIDING SUCH SERVICES NOW FROM EUROPE BUT THAT WAS TOO FAR AWAY AND THEY WANTED A SUPPORT SOURCE CLOSE TO HOME AND

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LIKED WHAT THEY SAW AT AIR ASIA. THEY ALSO HAD LOOKED AT JAL
BUT FOUND THE PRICES HIGH AND THE SOURCE STILL RATHER FAR AWAY.
 A DRAFT CONTRACT HAD BEEN DRAWN UP BY AIR ASIA IN ANTICIPATION OF
 MR. VIETS VISIT. IT WAS GONE OVER WITH HIM AND ITS CONTENTS
 SEEMED GENERALLY ACCEPTABLE, IN MR. VIETS OPINION. IT HAD
 BEEN AIMED PRIMARILY AT ENGINE AND COMPONENT OVERHAUL BUT
 IS BEING EXPANDED TO PROVIDE FOR THE ENGINEERING SUPPORT AND
 ACFT SERVICES NOW DESIRED BY AVN AND IS SHORTLY TO BE PRESENTED
 TO AVN. BARRING SOME INTDYMOL AVN VSO OR POLITICAL CONSIDERATION
 IT WOULD APPEAR TO HAVE A GOOD CHANCE OF ACCEPTANCE, ESPECIALLY
 IF MR. VIET HAS HIS WAY. MR. VIET EXPLAINED THAT WHILE ACTUALLY
 AVN WANTED TO DEVELOP THEIR OWN BOEING 727 SUPPORT THEY WERE
 LOSING PEOPLE TO THE DRAFT, THEY ALREADY HAD MORE THAN THEY COULD
 HANDLE AND THE SITUATION IN SVN WAS SO BAD THAT IN HIS OPINION
 THEY SIMPLY COULD NOT DO IT NOW AND SO WANTED TO BUY PACKAGED
 SUPPORT UNTIL THINGS IMPROVED TO A POINT WHERE THEY COULD UNDER-
 TAKE IT. WE OFFERED TO HELP TRAIN SOME OF AVN'S PEOPLE FOR THE
DAY WHEN THEY COULD TAKE OVER. IF CATCL COULD KEEP IATA MEM-
BERSHIP PAYMENT WOULD NOT BECOME A PROBLEM AS IT COULD BE HANDLED
VIA THE IATA CLEARING HOUSE. THE POINT OF THIS EXPLANATION IS

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THAT SHOULD WE ASSOCIATE IN THIS MANNER WITH AVN IT MIGHT EASE THE WAY FOR SOME OF THE THINGS WE WANT IN SVN TO SUPPORT OUR OWN ACTIVITIES THERE.

3. WE AIRMAILED TO WASH ON 11 MAY A SEPARATE OVERT REPORT, WITH A COPY OF A PROPOSAL GIVEN TO RAL, ON NEGOTIATIONS WITH ROYAL AIR LAOS TOWARDS AIR ASIA FURNISHING A DC-6B ON WET LEASE (WITH AIR ASIA PROVIDED MAINTENANCE) TO RAL FOR OPERATION OF THEIR SERVICES AMONGST VIENTIANE/SAIGON/BANGKOK AND HONGKONG WITH CERTAIN SEATS AND CARGO WEIGHT RESERVED FOR USE BY AIR ASIA AND ITS ASSOCIATED COMPANIES. AT THE DIRECTION OF RAL'S NEW DIRECTOR GENERAL MR. NIKORN, RAL'S TECHNICAL DIRECTOR MR. SOMCHIT, A FRENCH EDUCATED AERONAUTICAL ENGINEER, VISITED TAIPEI AND EXAMINED THE OFFERED DC-6 (AND SAID HE LIKED IT) AND WENT ON TO TAINAN WHERE HE WAS MOST IMPRESSED WITH WHAT HE SAW, HE SAID, RAL IS TRYING TO BUILD UP THEIR MAINTENANCE AT VIENTIANE AND WE OFFERED TO ASSIST TO THE EXTENT OF TRAINING RAL PEOPLE AT TAINAN. WE MADE RAL WHAT, IN OUR OPINION WAS AN ESPECIALLY ATTRACTIVE OFFER TO THEM. IT IS ATTRACTIVE TO US TOO IN THE SENSE THAT IT WOULD PROVIDE DECENT QUALITY DIRECT ROUTE, GOOD FREQUENCY, CONNECTIONS BETWEEN VIENTIANE/SAIGON/BANGKOK/HONGKONG

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FOR OUR PEOPLE AND GOODS AND THE SAVINGS IN PURCHASED TRANSPORTATIONS, HOTEL EXPENSES AND EXTRA TIME TAKEN TO GET FROM PLACE TO PLACE THE CURRENT WAY WOULD OFFSET THE ATTRACTIVE RATES OFFERED RAL. WE GAINED THE IMPRESSION THAT MR. SOMCHIT WOULD RECOMMEND TO RAL'S DIRECTOR GENERAL ACCEPTANCE OF AIR ASIA'S OFFER. WHETHER OTHER CONSIDERATIONS WILL PREVAIL OR HOW LONG IT MAY TAKE FOR RAL TO DECIDE, WE ARE NOT SURE.

4. DURING NEGOTIATIONS WITH RAL THEY INDICATED INTEREST IN AIR ASIA/CATCL HELPING THEM DEVELOP A BETTER QUALITY FLIGHT SERVICE AND IMPROVED MARKETING ARRANGEMENT. IN THIS CONNECTION, RAL SPECIFICALLY ASKED WHETHER CATCL COULD TAKE THEIR GSA IN SAIGON AND HONGKONG. THEY SAY THEY FEEL THEY ARE NOT GETTING GOOD REPRESENTATIONS FROM AIR FRANCE THEIR CURRENT GSA IN HONGKONG, AND OLD TIES NO LONGER PREVAIL.

5. ALSO, IN CONNECTION WITH CATCL REPRESENTATION OF OTHER CARRIERS, AVN HAS ASKED FOR PROPOSALS ON GROUND HANDLING AT TAIPEI AND TOKYO AND ASKED WHETHER CATCL WOULD BE INTERESTED IN TAKING AVN'S KOWLOON GSA (AIR FRANCE WOULD CONTINUE WITH THEIR "18 YEAR" GSA COMMITMENT ON THE HONGKONG SIDE ALTHOUGH AVN SPEAK, LIKE RAL, OF DISENCHANTMENT WITH AIR FRANCE).

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AVN ALSO HAS ASKED CATCL'S INTEREST IN TAKING THEIR GSA IN TAIPEI
AS, ALTHOUGH THEY HAVE A RECIPROCAL GSA WITH CAL, CAL OPERATES
THEIR OWN SALES OFFICE IN SAIGON AND AVN ACCUSE CAL OF DIVERTING
AVN PASSENGERS TO CAL SERVICES IN TAIPEI. AVN RECOGNIZE THE NEED
FOR THEM TO DO A BETTER MARKETING JOB TO SUPPORT THEIR 727'S,
YET ARE UNABLE TO GET EXIT PERMITS FOR VIETNAMESE AND SO MUST
TURN TO AGENTS TO REPRESENT THEM ABROAD. CATCL/AIR ASIA MIGHT
HELP THEM SUBSTANTIALLY.

6. WE HAD PREVIOUSLY REPORTED AN APPROACH BY PANAM'S LOCAL
 MANAGER ASKING ABOUT CATCL'S WILLINGNESS TO TAKE ON PANAM'S
GSA IN TAIWAN. THIS WOULD AUTOMATICALLY INCLUDE AMERICAN AIRLINES.
WE SUSPECT WE COULD GET THE LUFTHANSA GSA FOR TAIWAN. WESTERN
AIRLINES ALSO ASKED CATCL TO TAKE THEIR TAIWAN GSA.

7. THIS IS TO REQUEST GUIDANCE ON WHETHER WE MAY PURSUE
 THESE SEVERAL REQUESTS FOR GSA AND HANDLING SERVICES. WE RE-
 COMMEND THAT WE DO, AS ANY CONNECTIONS WHICH RESULT WILL, WE
 ESTIMATE, NOT ONLY BRING IN SUFFICIENT INCOME TO MORE THAN DEFRAY
 THE COST OF MAINTAINING THE CAPABILITY BUT ALSO HELP DEFRAY
 THE COST OF HANDLING EMPLOYEE TRAVEL (AS ALL COULD BE HANDLED
 WITH COMMON PEOPLE AND FACILITIES) AND UNDOUBTEDLY PRODUCE MANY

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FREE RIDES AND PERHAPS BETTER RAPPORT IN PLACES LIKE S VIETNAM AND LAOS WHICH COULD RESULT FROM SUPPORT OF THEIR CARRIERS. THE PANAM GSA COULD BE A MONEY MAKER, OF COURSE, AND PROVIDE AN "IN" WITH PANAM WHICH MIGHT PRODUCE MANY FREE RIDES WHICH OTHERWISE WOULD BE PAID FOR BY OUR COMPANIES OR BY EMPLOYEES WHO HAVE LOST SOMETHING ATTRACTIVE IN THE PHASE OUT OF CATCL PASSENGER CARRIAGE.

8. EARLY ADVISE WOULD BE APPRECIATED SO OUR PEOPLE WHO WILL BE IN SAIGON AND VIENTIANE THIS WEEK FOLLOWING UP COL LAI'S LETTERS CAN ALSO RESPOND TO AVN AND RAL.

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