

APPROVED FOR RELEASE
 DATE: 21-Oct-2009

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14 MAY 1974

MEMORANDUM FOR: Deputy Director for Management and Services

SUBJECT : Air Support for South Vietnam

1. The attached proposal stems from the meeting held in your office following the Executive Committee meeting on 30 April 1974. If you will recall at that time, Mr. Shackley suggested that in order for Continental or any other contractor to be in a position to take over the AID VN-1029 contract in Vietnam by 1 January 1975, that a RFP would need to be issued about 1 September 1974.

2. Following this discussion I received a phone call from Chief, EA Division who stated that he had indications that CASI would be lean and hungry by virtue of reduction in flying service in Laos after 1 July 1974, and may be interested in taking over the AID VN-1029 contract at that time rather than in January 1975. My understanding of Mr. Shackley's call was that unless CASI could move into Vietnam sooner than 1 January 1975, they may not be interested in bidding on this contract. My response to Mr. Shackley was that it would appear to be in our interest that another contractor would take over the entire contractual responsibility for all operations in Vietnam as an ongoing contract, rather than facing contract termination and rebid on the AID contract as of 1 January 1975 and a subsequent contract termination and rebid on the ICSS contract on 1 March 1975. The rationale for this follows:

a. The G&A costs and most of the ground service and maintenance personnel of Air America contribute jointly both to AID VN-1029 contract as well as the ICSS contract. Neither of these contracts, standing alone, would have much economical viability for a commercial contractor.

b. CASI has experience in fixed-wing operations of the type required in South Vietnam but would need both equipment and personnel to handle the rotary wing operation relating to both VN-1029 and the ICSS contract. Takeover of the existing contracts by CASI (or other qualified air contractor) would appear to offer the best opportunity for continued employment of American, TCN and indigenous personnel currently on Air

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America roles on fulfillment of these contracts. Hence, employee termination costs to Air America would be minimized under such an arrangement.

3. Subsequent to this telephone conversation with Chief, EA Division, Mr. Shackley suggested and I did participate in further discussions along these lines with [] C/ [] [] conclusion coincided with my comments in that it would be in our interest if an alternate contractor could take over both contracts on an ongoing basis. Coupled with our past difficulties of payment under the ICOS contract, a package deal with CASI, wherein the existing contracts were novated, would make an attractive proposition from our viewpoint.

4. Following my discussions with Mr. [] Mr. [] (EA/VNO) telephoned and related the substance of the attached memorandum. I concurred generally in the proposal, with the exception that the prime role in negotiation with CASI would probably have to be carried out by AID in view of the fact that they are the contract signator and the majority party in terms of requirements and funding. Our role would be that of the COTR for Agency requirements plus sharing in the decision to go on a sole-source, negotiated procurement basis. Assuming CASI would be willing to accept the terms of the existing contracts and in view of CASI's demonstrated performance for both AID, the Agency and the DOD in Laos, we believe the solution would be acceptable to AID. CASI is the only American contractor other than Air America who has performed this type of service in SEA.

5. In view of the foregoing, I recommend your concurrence on the attached proposal. It is understood that timing on proceeding with this proposal is an especially critical factor in view of the fact that Continental is facing a decision on their future in SEA following 1 July 1974. Additionally, it is understood that the President of Continental and other key members of that organization will be immediately available for discussions for only the next seven days because of travel commitments. I also understood from discussions with [] that the DCI had discussions last week with CASI officials relating to their future in SEA.

6. In regard to your note on DD/M&S participation in this proposal as stated in Paragraph 3, such participation was limited to discussions by myself as noted above, with the addition that Mr. [] of my office participated in the discussions with Mr. [] It had been my understanding from

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Mr. [redacted] that the memo would be routed to me at which time I had planned to brief you on my participation. This specifically has not been discussed with any officer within Air America since it appears we should have a solid Agency position prior to any such discussion.

[redacted]

[redacted]

Executive Officer, OL

Att

O-SA-DD/M&S:EXO/OL: [redacted] (14 May 1974)

Distribution:

Orig. - Addressee
1 - [redacted]
✓ 1 - DD/M&S Subject [redacted]
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3 MAY 1975

MEMORANDUM FOR: Director of Central Intelligence

VIA : Acting Deputy Director for Operations

SUBJECT : Air Support for South Vietnam

1. Action Requested: This memorandum contains a recommendation for your approval in paragraph 4.

2. Background:

A. Air America is currently disengaging from operations in Laos and Thailand. Upon expiration of their current contract with USAID/Vietnam 31 December 1974 and the ICCS contract in Vietnam 28 February 1975, Air America will be completely out of operation. Continental Air Services, Inc. (CASI) has established a minimal foothold in South Vietnam by virtue of a joint agreement with Air Vietnam. CASI flight operations in Laos will be significantly reduced and they consequently are reviewing their ability to remain profitably viable in the area.

B. The EA Division and USAID will require continuing contractor air support for operations in South Vietnam and Cambodia after Air America's disengagement. To meet this requirement USAID will need to offer Requests for Proposal (RFP's) to air contractors by September in order to have time to process and accept bids for follow on air support beginning 1 January 1975. The dollar value of USAID's contract for Calendar Year 1975 will be approximately ten million, of which some [redacted] is for EA Division's requirements in Vietnam and Cambodia. Additionally, the State Department has identified \$2.4 million for the ICCS contract for FY 1975, which may or may not be performed by the same contractor.

C. In addition to Air America, CASI has been the only other American operator of any significance providing air support in Southeast Asia to the U.S. Government outside of the Military Airlift Command. With



the planned dissolution of Air America by the end of December 1974 in any case, we believe it in the best interest of the U.S. Government and the Agency to take advantage of CASI's desire to maintain its viability and thereby ensure a capability to meet continuing air support requirements in Vietnam and Cambodia. Air America's current contract with USAID has a provision for a six month extension (to 1 July 1975) if USAID desires. We propose that a team composed of appropriate representatives from the DDO and DDM&S (and USAID as appropriate) be established for discussions and negotiations with CASI immediately to accomplish the following:

1. Provide CASI with specific information on follow on mission air support requirements in Vietnam and Cambodia.

2. Work out arrangements for CASI to take over Air America's contracts in South Vietnam by 1 July 1974 or as soon thereafter as feasible.

3. Work out arrangements with USAID and other concerned mission elements and DDO for the orderly transfer of contractor responsibility from Air America to CASI, including Government furnished equipment and facilities.

D. In arranging for CASI to take over Air America's operations this summer, rather than awaiting the outcome of bidding on the USAID contract for operations beginning in January 1975, the U.S. Government would be assured of a contractor capability to meet air support requirements in Southeast Asia. Longer term job opportunities would be afforded for many of Air America's experienced personnel, particularly helicopter pilots. Air America's equipment which would be surplus to CASI's requirements could be disposed of earlier, thereby hastening the dissolution of that company.

E. Since CASI would need to make a substantial investment; e.g., as much as a million dollars in working capital, to take over Air America's contracts for only a few months and there is a possibility, and risk, that they might not obtain the USAID contract to be awarded for Calendar Year 1975, we propose that CASI be permitted to purchase or to lease with the option to purchase by

31 December 1974 required Air America equipment at acceptable rates.

F. Regarding the ICCS contract we propose that in coordination with the State Department CASI be induced to take over this contract either under CASI or through a new subsidiary.

3. Staff Position: Representatives of EA Division, [redacted] and DDM&S participated in preparation of this proposal.

4. Recommendation: It is requested that you approve the establishment of a negotiation team to meet with CASI as soon as possible with the objective of transferring Air America's contract operations in South Vietnam and Cambodia to CASI as proposed in this memorandum at the earliest feasible date.

[redacted]
Theodore G. Shackley
Chief, East Asia Division [redacted]

cc: DDCI

CONCUR:

[redacted]
Acting Deputy Director for Operations

9 May 1974
Date

Deputy Director for Management & Services _____ Date

APPROVED:

Director of Central Intelligence _____ Date

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| UNCLASSIFIED | CONFIDENTIAL | SECRET | |
| OFFICIAL ROUTING SLIP | | | |
| TO | NAME AND ADDRESS | DATE | INITIALS |
| 1 | Mr. [redacted] Mr. [redacted] | [redacted] | 5/14 |
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| ACTION | DIRECT REPLY | PREPARE REPLY | |
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| CONCURRENCE | INFORMATION | SIGNATURE | |
| Remarks: | | | |
| <p>1. - I believe Air America should be involved.</p> <p>2. - There should be some "quid pro quo" for turning over the contract to CHSI, such as taking over our personnel and equipment.</p> <p>3. - We should consider at least handling the turnover on a</p> | | | |
| FOLD HERE TO RETURN TO SENDER | | | |
| FROM: NAME, ADDRESS AND PHONE NO. | | | DATE |
| [redacted] | | | 14 MAY 1974 |
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Mr. [redacted] comments re the paper frm C/EA.

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