

CAT - Honolulu - ~~to~~ make Ready

UNRRA AIR TRANSPORT  
NINTH FLOOR - ALOHA TOWER  
Honolulu, T. H.

6 June 1947

Major General Claire L. Chennault  
Mr. Whiting Willauer  
9 The Bund - Room 42  
Shanghai, China

Dear Sirs:

Mr. Milton M. Wisser, Washington UNRRA Auditor, started his audit this operation June 2, 1947 and expects to complete it by approximately 15 June 1947. From questions and conversations, I gather that UNRRA Washington is bothered by the following:

1. Clause in our Make Ready and Delivery Contract that states that CAT is responsible for all Administrative, Supervisory and Office costs.
2. Vouchers paid M. P. Woolley for services and payrolls on a cost-plus-15% tax and overhead charge plus a 10% profit.

In regard to paragraph one, this has been at all times a field operation with no administration involved in Honolulu. The administration of this project has been at all times in our Shanghai and Washington offices, as I interpret it.

Mr. Wisser in his cost analysis is at the present charging the following salaries and subsistence to CAT on an Administrative, Supervisory or Office basis.

|                   |                          |
|-------------------|--------------------------|
| Rossi or Suol     | - Chief Pilot            |
| Freeman           | - Manager                |
| Wheate            | - Director of Operations |
| Wingfield         | - Procurement Officer    |
| Williams          | - Communications Officer |
| Clayton           | - Chief Engineer         |
| Goetz or Glass    | - Superintendent         |
| Joe Pollock       | - Secretary              |
| Virginia S. Sauer | - Typist                 |

APPROVED FOR  
RELEASE DATE:  
23-Sep-2009

Naturally if these people are charged to CAT so will be vehicles that were used by them.

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In regard to the above salaries, all except Pollock and Swisher would eventually come out of our Home Allotment Fund in Washington which has been set up by UNRRA. Washington-UNRRA Cable, Shanghai 5903, repeated Honolulu 137, Manila 1295 states that our Home Allotment Fund has been debited to \$270,000.00, so that, at least a part and possibly all has already been charged against us through this medium.

Mr. Wisser has gone through the first 21 statements which involves roughly \$75,000.00 and finds that CAT will be charged between \$12,000.00 and \$14,000.00. This entire operation has over 90 statements.

Naturally the question comes up of "Contract Intent" and that can only be settled where it was made, -Shanghai. I have assured everyone here that the real intent of our Make Ready and Delivery Contract was on a non-profit basis. All personnel and every phase of this project was necessary to complete our mission.

To my knowledge, we have never had any U. S. dollars with which to operate and it is not possible at this time to effect any foreign exchange.

My last CAT financial statement shows we have less than \$600.00 here and that is more than committed for. From telecom with Doreen last Saturday there are no CAT funds available in Washington. At the present time we have approximately \$55,000.00 in outstanding bills against the name of UNRRA Air Transport. These debts, and the credit that has been advanced to us, were on the understanding that UNRRA would reimburse CAT. Many of our creditors are small business firms that need their money. I find it most embarrassing to keep putting them off.

In regard to paragraph two, Mr. Wisser, Jones and myself are going to call on Mr. Woolley in the near future to discuss, and if possible, recover from him items that Mr. Wisser claims are not proper charges. It is most unfortunate that UNRRA did not send Dewey Jones, as he requested, a competent auditor or disbursement officer. If this had been done we would not be having our present difficulty. It brings to mind the old adage "Locking the stable after the horse has been stolen" and then blaming the men that did not have the keys in the first place. For my part, I have never had the experience of disbursing and accounting for government funds before.

All of our financial agreements and arrangements that involved any considerable amounts of monies were always discussed by Rossi, Clayton and/or Wheate, myself, Jones, Bolman and Mills (as was the agreement to pay Woolley a 15% tax-and-overhead charge plus a 10% profit charge on payroll). I am sure that Wheate can give you a very clear picture of our hectic and anxious endeavors to get these planes into China in the quickest possible time.

We appreciated the fact that our organization was, to say the least, loose. That we were paying a lot in some cases and getting breaks and good deals in others. Those are conditions one expects to run into in an operation of this type and I am sure that we have had a similar experience in Manila and China.

The fifteen C-46's that we delivered to China plus approximately 250 tons of spare parts average approximately \$40,000.00 for each plane. The other day a man called Dewey Jones and asked if he were interested in the purchase of C-46 airplanes priced: Cargo \$96,000.00 each, Passenger \$75,000.00 each, with no spare parts.

On the whole operation I feel that we have had a most reasonable operation and, under the circumstances, one we can be proud of.

Please bear in mind the fact that I am most anxious to get to China and start my duties there. It appears now that there is going to have to be a settlement affected in Shanghai and Washington and that it will take some time after Mr. Wisser's report goes in.

I shall keep you informed on developments here.

Sincerely yours,

W. G. Freeman

cc: Doreen