

12 July, 1947.

Colonel J. S. Thorp,
United Nations Relief & Rehabilitation,
SINGAPORE, CHINA.

Subject: UNRRA Contract for C.A.T. Gasoline.

Present Situation:- UNRRA has contracted equally with Texas Oil Company, Standard Vacuum Oil Company and Shell Oil Company to furnish Aviation P.O.L. to C.A.T. in the total amount of US \$ 224,897.75. P.O.L. furnished to date by the three companies will not exceed in value approximately US \$ 100,000.

UNRRA utilization of C.A.T. service has been continually increasing. Not only has C.A.T.'s monthly Ton Miles been increasing by rapid strides but the percentage of total Ton-Miles used by UNRRA has likewise been increasing as follows:-

	<u>Total Ton Miles flown</u>	<u>Percentage of UNRRA/UNRRA utilization</u>
March	91,343	32.4%
April	109,317	44.3%
May	205,349	42.0%
June	302,820	50.2%

The emergencies created by the floods and the continued Civil War indicate that this upward trend of utilization by UNRRA and UNRRA will extend at least until the termination of the oil contracts.

We estimate that our utilization of gasoline for the following months will be the following amounts:-

July	300,000 gallons
August	450,000 "
September	600,000 "

Compared to this proposed utilization there is only approximately 400,000 gallons left under the three contracts still to be delivered so that the gasoline, if it is still to be supplied under the UNRRA Contract will be used up some time early in August.

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The total amount of gasoline under the contract is approximately 770,000 gallons.

Through June 30, C.A.T. had consumed a total of 325,000 gallons and adding this amount to the expected consumption for July, August and September, C.A.T. will, by the end of September, have consumed 1,530,000 gallons.

It can easily be seen that by some time in the middle of September, C.A.T. will have used a total of 1,530,000 gallons of gas. This figure is 1,530,000, in double the USRA Contract quantity of 770,000 gallons. Therefore by the middle of September C.A.T. will have bought an amount of gasoline equal to USRA's gasoline and the 50% ratio will be worked up.

Prior to the departure of Mr. Ritchie Davis for the United States I was of the opinion that USRA should stop furnishing gasoline to C.A.T. under the contract until C.A.T. had purchased on its own account an equal amount of gasoline to that furnished by USRA. Mr. Davis' reason which he stated for this, was that he did not know whether C.A.T. would be forced to furnish its proper percentage of gasoline within the probable limit of C.A.T.'s facilities. Since the figures now show that the gasoline proportions will be worked up within three months I feel this objection is no longer valid.

Unless the furnishing of gas under the USRA Contract can be continued during the next three months C.A.T. will be placed under a very serious financial handicap. There follows a schedule of comparative prices which will have to be paid by C.A.T. under the USRA Contract, and under straight purchase through the oil companies:

	Gas furnished under USRA Contract plus local transportation charges.	Gasoline purchased by direct purchase
	USC	OSC
BERMUDA	3,000	7,000
CAIRNEY	4,720	8,300
LONDON	8,600	11,700
REARON	5,000	15,000

At a glance it can be seen that the average increased cost to C.A.T. will be in the neighborhood of 50% unless USRA gasoline can continue.

As you are no doubt aware these early months of operation have been very costly because of the necessity for construction of bases and because of procurement costs which we have been forced to bear ourselves. C.A.T. also in its early stages encountered considerable difficulty due to Government impounding of its aircraft. There is now a very marked inflation which has raised our OSC costs about triple in the last few months.

While I do not maintain that the problem as to this gasoline cost situation will cause C.A.T. to become insolvent, I do believe that it will

put a very serious strain on C.A.T.'s finances at this particular point and may endanger the efficiency of the operations and the ability of C.A.T. to pay maturation charges.

There is another very important factor which you should consider which is that although costs have gone up markedly, C.A.T.'s rates to USRA are tied to the official rate of exchange.

In view of the now demonstrated usefulness of C.A.T. to the Pollar Program, I think that it should be USRA's policy to support C.A.T. fully in matters of this kind in order that C.A.T. can continue to be a credit to the USRA Program.

I therefore request that instructions be issued to Mr. Churchill that USRA F.O.L. Contracts should be continued in operation until full deliveries are completed.

Sincerely,

W.W.
WILLIAM W. WILLIAMS