

For Jansen  
July 25, 1947.

Mr. P.H. Ho  
Director General  
CNRA  
120 Soochow Road  
SHANGHAI

Dear Mr. Ho,

On February 24, 1947, we wrote you agreeing to rebate the US 90¢ per Ton Mile cargo rate provided under our contract to 60¢ per Ton Mile on condition that CNRA furnish 8,000 Tons of cargo to CNRA Air Transport for carriage from Canton to Kwangsi Province through December, 1947.

Shortly after commencement of operations under this arrangement the then Director of the China Office of UNRRA, Major General Edgerton, requested CNRA to concentrate C.A.T.'s operations from Shanghai to the areas North of the Yangtze instead of out of Canton. CNRA requested C.A.T. to comply with this and disapproved the 8,000 Ton program, and as you know the majority of our cargo is now carried out of Shanghai.

At the time of this change in the operating plan it was verbally agreed that in spite of the fact that CNRA would not be able to furnish 8,000 Tons out of Shanghai C.A.T. would retain the rebated rate as long as possible.

Operating costs, (details set forth below), have increased to the point where it is now necessary for C.A.T. to resume its 90¢ per Ton Mile contract rate. We propose, however, that the cash payment of 30¢ per Ton Mile provided under the 60¢ rebated rate will remain the same for the time being and that the additional 60¢ to make up the total of 90¢ be charged against amortization.

This new arrangement only represents a 50% increase to CNRA and no cash increase.

From an operating cost point of view there are two major items which make up the bulk of our expenses. They are Payrolls and Gasoline. Since February of 1947 these two items have changed as follows:-

1. Payrolls:

Increases ranging from 275% to 312%:-

Chinese Co-Pilots	275%
Lowest Grade Mechanics	296%
Assistant Base Managers and other responsible administrative personnel	310%
Traffic men	310%
Area Managers	312%

APPROVED FOR  
RELEASE DATE:  
29-Sep-2009

C A T MESSAGE CENTER		
IN	JUL 25 1947	OUT
Reg No. 4216		

Maintenance experts, top mechanics,  
stenotypists and other adminis-  
trative personnel

315%

Middle Grade Mechanics, Radio Me-  
chanics, and Radio Operators

318%

Flight Operators

315%

Field Allotments to American Pilots  
and Mechanics

944%

} These last two increases  
were required to conform  
with the practices of the  
other Airlines.

Coolies

416%

Gasoline Cost:

In February we were paying for Gasoline at an average rate of approximately 30¢ per gallon. We have just received a notification from our Gasoline supplier of new gasoline prices which will make an average cost to us for Aviation Gasoline of 83¢, representing an increase of more than 175%.

As you no doubt know the Executive Yuan has, as of July 21, increased the rates of the other two Airlines an average of better than 100% and for some routes as high as 150%. Our proposed adjustment is only 50% and therefore will continue to show a great saving to CNRA over other available of Air Transport. Furthermore you will recollect that when the 60¢ rebated rate was computed the basis of arriving at it was to bring Air Transport rates in line with Land Transport rates. Since that time Land Transport rates have increased from 100 to 150%.

While we regret the necessity of taking this step we are sure you will appreciate the fact that we are making the minimum possible raise under the circumstances and furthermore that we are not asking you to increase your cash outlay.

Trusting that the foregoing meets with your approval.

We are,

Sincerely yours,

C.L. CHENNAULT

WHITING WILLAUER