

CAT-Clara-Willauer.

9 September, 1947.

Mr. Harold F. Scariano,
C/o Mrs. Doreen Lonborg,
Suite "B",
Washington Hotel,
WASHINGTON DC.

Dear Hal,

I have been a long time in acknowledging your letter of 6 August but you can imagine how busy we have been.

I have not very much to tell you which I care to put in a letter at this time excepting for the following highspots:-

(1) I have heard nothing further on the banknote thing and I rather imagine that Don King and Langdon have messed it up beyond recall.

(2) The Sinamco reorganization seems to have been completed. They came in to see the General the other day to see in what manner he cared to participate and offered him a proposition which I am quite sure he will turn down.

(3) C.A.T. business is booming but there have been so many changes in freight rates and exchange rates and other miscellaneous problems that from an accounting point of view I am completely at sea to know how we are doing. However we seem to be paying our bills and every once in a while show up with a surplus. We are busy at the present moment trying to pay off our amortization charges in order to get ourselves in a position of at least majority ownership of the line.

Louise writes me that she has seen you in New York and that she will do everything possible to get you together with Tom.

I finally concluded a deal with Kiang on the oil. The only problem now appears to be whether or not Lindus and Marsh can find the oil on the Islands.

I am sure it is still very worthwhile for you to return and the General and I are both looking forward to that time very much.

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F.N. # 135,136

I have passed on the necessary regards to the office and other friends.

Best of luck and please let me know how your plans are developing.

Sincerely,

WHITEY.

Dear Doreen,

This copy of a rather sketchy letter to Mal will give you the highspots of what we are doing now. There are two other matters which you should know about which are of great importance at the moment.

(1) On a trip from Linchow to Chungking about ten days ago carrying a load of banknotes we had an engine failure which necessitated jettisoning the cargo. The plane returned safely to Linchow but the loss to the Central Bank was in excess of US \$ 1,000,000. We were carrying these banknotes under the amendment to our contract which provides for permission to carry cargo of any Government agency inbound from the coast. Our Bill of Lading provided that the shipment would be at the bank's risk and we had a further agreement with the bank whereby in consideration of a reduced rate they would arrange insurance. We have the opinion of Judge Allman that C.A.T. cannot be held responsible for the accident but naturally it worries us. The loss of the engine could not have in any manner been foreseen or prevented. What happened was that a small rubber diaphragm inside the carburettor got ruptured. The carburettor was a new one bought from the U.S. Army and under routine practice is sealed with lead seals and cannot be inspected until it has been flown a certain number of hours.

(2) We are expecting some trouble with UNRRA during the next week in connection with a contract with the Honan Provincial Government whereby we are transporting cotton out from Anyang in Honan together with refugees for account of the Honan Government. The point of departure is a place called Anyang and the destination is Chengchow. We have no control over the cargo or passengers carried. An UNRRA investigators report indicates that the Honan Provincial Government in league with local Military authorities is attempting to profiteer on the sale of passenger tickets and further that there is some attempt being made by the Honan Government to carry military supplies. The report absolves C.A.T. from any responsibility and points out that on one occasion when the Military tried to force their supplies on to one of our planes our Business Manager resisted the Military to the point where they actually beat him up. However I think that UNRRA is going to ask us to cease that contract which incidentally yields a revenue equivalent to US 100,000. Some of our enemies in the local UNRRA office may attempt to use this incident as a stepping stone to limit us from any activities which

might in any way be construed as assistance to the Central Government. General and I feel that were UNRRA to accuse us of assisting the Central Government the effect would be to strengthen our position with the Central Government and therefore be of assistance in our attempt to make this line permanent.

We are trying to pay off amortization as fast as possible and to date we believe that we own approximately 20% of the airline. We are working on a deal with Standard Vacuum which if it materializes in time will bring this percentage up to something in excess of a majority. Simultaneously we are working on a parallel deal with the Yunnan people which would end up with an even higher percentage of ownership. We have been advised that the Ministry of Communications has instructed C.A.T. to prepare a plan for C.A.T.'s future and therefore we are very anxious to be in a majority ownership position before being confronted with a plan.

We have plenty of business, in fact three or four times more than we can handle. Expenses are climbing at an alarming rate chiefly due to the inflation and exchange rate changes recently made. However our rates have been raised although there is always a period of lag between the inflationary raise and the rate raise. We think however that we are definitely now in a moderate profit position although it is difficult to be exact about the situation. We are making many capital improvements and investments out of current income.

Jim Brennan stayed with me for over a month during which time he saw a great deal of the problems of the airline and the action we were taking and stated that he was very pleased and that Tom would be at the showing we were making. I hope that you will have a chance to have a good talk with Jim and also with Tom and will let me know how they feel about things after Jim's return.

Best regards,


WHITLEY.