

~~SECRET~~

16

13 March 1951

MEMORANDUM FOR: THE FILES

SUBJECT:

The writer attended a meeting today with Mr. (pseudo) and Mr. Shaw. has just returned to this country for a temporary visit to safe-hand certain documents from the field office of CAT, Inc. A number of things were discussed, and the following things came to light:

1. The application for flying rights to Okinawa must be referred to CAB according to the local military authorities there. Shaw did not understand exactly why CAB had jurisdiction over this matter and will look into it. * The question of CAB's jurisdiction over UN Trust Territories is a somewhat virgin matter and as long as a flight does not touch U. S. Territories or Possessions and is not a continuation of Interstate Commerce under the "flow of goods" theory, there would apparently be no cognizance in CAB. Apparently this matter could be determined by the SCAP authorities on Okinawa. Reference is made to Shaw's brief regarding the general question of CAB jurisdiction in relation to foreign areas concerned, trust territories, enemy areas occupied by U. S. troops, etc.

2. informed us that CAT is the "designated" carrier of the Chinese Nationalists. Shaw was somewhat surprised to learn this since CAT, of course, is a U. S. line. (This may be the product of the confusion inherent in the Chinese approach to "CAT" as a generic description of the activities regardless of the legal nationality at the present moment.)

3. Regarding CAB control of CAT operations, it may become necessary to consider the formation of a Chinese corporation, a subsidiary of CAT, Inc. with a tacit understanding with the U.S. State Department not to look beyond the corporate nationality and inspect the identity of actual ownership, providing this comes within the general bi-lateral agreements between nations in regard to air transportation. This may be a practical expedient to avoid some of the complexities of CAB jurisdiction.

4. stated that a bank account was opened in the Hong Kong-Shanghai Bank since the Chase Branch was closed. It was recognized at the time that the Hong Kong-Shanghai Bank is probably under Communist control, but this was the only bank willing to accept the account in view

APPROVED FOR RELEASE

□ DATE: 30-Apr-2009

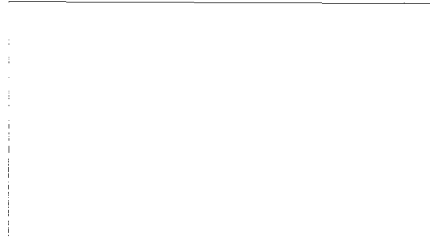
~~SECRET~~

~~SECRET~~

of the sudden increase in business resulting from the unstable conditions presently existing. At any rate, only a nominal amount more or less for housekeeping purposes will be deposited. This was taken up at the February Board Meeting overseas. (It is noted from the Minutes that an account was also established in the _____ Bank of California.

5. The so-called [] contract with the Air Force dated 10 September 1950 was originally undertaken as a Letter of Intent for []. While the Letter of Intent was signed by Civil Air Transport, Inc., the contract itself has been executed by CAT, Inc. and apparently the Air Force is agreeable to the substitution.

6. In regard to the election of BATT as a member of the Board and appointment as Chairman, there was no meeting held on 13 December. (At the present time BATT is not therefore a Director, although certain letterheads apparently indicate that he is Chairman of the Board.)



* Subsequent to the date of this conversation, Shaw was informed by the State Department and CAB that they had no record of the application. Query: Has this been "lost" and if so, how? Waivers for the two overseas meetings of 13 and 14 November 1950 and 9 February 1951, were executed by the State-side Directors and returned to Mr. Shaw.

~~SECRET~~