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MINUTES OF THE MEETING
OF
THE BOARD OF DIRECTORS
OF
CIVIL AIR TRANSPORT COMPANY LIMITED

22 July 1958

*With transcript
the date 6 Oct 1958*

A meeting of the Board of Directors of Civil Air Transport Company Limited was held at the offices of the Company, 46 Chung Shan Road North, 2nd Section, Taipei, Taiwan, on Tuesday, 22 July 1958, at 2 o'clock p.m. Present were Messrs. Wang Wen-San, Y. C. Chen, H. K. Yuan and Hugh L. Grundy, constituting a quorum of the Board of Directors. Absent was C. L. Chennault. Also present were Messrs. Sherman J. K. Chang, Assistant Secretary, and Glyde S. Carter who acted as Secretary of the meeting.

The Chairman called the meeting to order, and the Secretary was asked to note the presence of a quorum. The Secretary presented the certificate of mailing of notice and stated that a formal notice of the meeting had been directed to all Directors in accordance with the Articles of Incorporation of the Company, and with this certificate presented a copy of the formal notice. The Secretary was directed to file the certificate of mailing of notice together with a copy of the notice with the minutes of the meeting.

The Chairman commented on General Chennault's absence, his fight against cancer and the special act of The Congress and The President of the United States in promoting General Chennault to the rank of Lieutenant General. Then, on motion by the Chairman, seconded by Mr. Grundy and unanimously carried, the Secretary was directed to send the following cable to General Chennault:

"LT GENERAL CHENNAULT CARE OF OCHSNER FOUNDATION CLINIC
NEW ORLEANS LOUISIANA USA

"HO708 CONGRATULATIONS ON THE RECOGNITION YOU ARE RECEIVING
FROM AMERICA THRU THE CONGRESS AND THE PRESIDENT FOR YOUR
LONG AND DEVOTED SERVICE TO THE CAUSES OF PEACE AND HUMAN
DIGNITY STOP YOUR INABILITY TO ATTEND TODAY'S MEETINGS OF
THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CATCL IS SINCERELY
REGRETTED AND EACH OF US FOR OURSELVES AND ON BEHALF OF ALL
COMPANY EMPLOYEES AND YOUR FRIENDS IN THE REPUBLIC OF CHINA
SEND YOU PERSONAL BEST WISHES FOR THE EARLIEST POSSIBLE
RECOVERY TO FULL AND VIGOROUS HEALTH AND RETURN TO TAIWAN

WANG WEN SAN
HUGH L. GRUNDY
YC CHEN
HK YUAN"

APPROVED FOR
RELEASE DATE:
23-Sep-2009

The Secretary then read the minutes of the meeting of the Board of Directors held on 3 January 1958 at 1:30 o'clock p.m., and on motion by Mr. Grundy, seconded by Mr. Yuan, the minutes were unanimously approved as read.

The Chairman then presented to the meeting the letter of resignation of Mr. Ward M. French as Secretary of the Company, and proposed that in conjunction with the acceptance of the letter of resignation the Board consider a resolution of commendation to Mr. French for past services. On motion by Mr. Yuan, seconded by Mr. Grundy, Mr. French's resignation was accepted by vote of all Directors present and the following resolution was unanimously adopted:

RESOLVED, that a message from this Board be conveyed by the Secretary to Mr. Ward M. French expressing its appreciation for the valuable services rendered by him to CIPCL while he served as the Company's corporate Secretary and regretting the severance of the Board's long and happy associations with him brought about by his resignation from that position.

The Board then turned to the election of a new Secretary of the Company. On motion by Mr. Grundy, seconded by the Chairman, Mr. Clyde S. Carter was unanimously elected Secretary of the Company to serve until his successor is elected and qualified.

The Board next turned to receiving reports:

The Secretary presented and read the report of the Supervisor of the Company, Mr. George A. Beale, Jr. Mr. Grundy moved that the Supervisor's report be accepted and that the report be presented by the Chairman to the Fourth Regular Shareholders Meeting. Mr. Chen seconded the motion which was then unanimously carried.

At this point, the Chairman noted that the officers of Asiatic Aeronautical Company Limited had been invited to appear before the meeting of the Directors to report on services to the Company under the Services Contract for the Fiscal Year ended 31 March 1958. Thus, at 2:39 p.m. Mr. G. J. Robertson, Vice President of Asiatic Aeronautical Company Limited, appeared before the Board. Mr. Robertson reported that, whereas for the Fiscal Year ended 31 March 1958 there had been an increase in the international and domestic operations by approximately 238 hours, there had been a decrease in charter operations due to several lower bids by other air carriers and due to the Company's inability to fly across India; that more particularly the charter business for Fiscal Year 1958 had been approximately 20% below that for Fiscal Year 1957. He further reported that all international schedules had been operated with DC-4 equipment except the Yankuni schedule which had been operated with C-46 equipment which latter schedule is now under study with regard to probable discontinuance to effect appreciable savings. He recounted that reductions and consolidations at Hong Kong and Tokyo during the year would result in an estimated saving of some \$125,000 per year, plus intangible and immeasurable savings in administrative duties and functions and would permit increased attention to selling of the Company's products; that during the year the Company's reputation for schedules improved and efforts in this regard are continuing, looking forward to the integration of the DC-8 equipment; that the current trend shows the international and domestic operations are of about equal intensity. Charters are

currently up to about what they were in 1956 and 1957. The current Fiscal Year of 1959 should be the best year from the financial and operating standpoints for the Company. Operations are looking forward to rescheduling the Bangkok service twice a week utilizing the DC-6B but there is still a need for a second DC-6B and studies for its economic utilization and justification are being made. The Chairman thanked Mr. Rosbert for appearing before the meeting and rendering his report.

Mr. R. E. Rousselet, Vice President-Operations of Asiatic Aeronautical Company Limited, then entered the meeting at 2:47 p.m. and submitted his report on operational matters for the 12-month period ended 31 March 1958. Mr. Rousselet thanked the Board for the opportunity to appear before it and stated that for the most part operations were carried out in a routine and satisfactory manner during the year. Operations included the addition of a fourth frequency between Taipei and Hongkong operating an extra section on Mondays, and the domestic operations saw the substitution of C-46 high density equipment for C-47 equipment during the period. With regard to the on-time operational record of the Company for the Fiscal Year under review, Mr. Rousselet noted that substantial credit was to be given to the reliable information received from the weather department of Operations in addition to good ground handling.

Mr. Rousselet also reported the difficulty of obtaining certain charter flights due to the inability to get clearances through India, Burma and certain Middle East countries, noting that such difficulty ruled out the suitability of C-46 aircraft, despite the fact they have installed long range tanks, and makes the operation of DC-4 aircraft relatively uneconomical due to the reduced payloads imposed and increased costs because of the circuitous routings which would be involved. Further, operations does look forward with hope to the clearing up of such operational difficulties although approaches have been made to the International Civil Aviation Organization through the Chinese Civil Aeronautics Administration without effective results. Reiterating his remarks with regard to the weather station data under Operations, he noted that the reliability of that data has permitted effective work and flight schedules and often permits operations by the Company when other air carriers in the area cancel flights. He added the comment that effective dispatching of flights has contributed to the success of the Operations Department during the year. Mr. Rousselet reported that operational facilities (navigational aids, in-flight radio, etc.) improved considerably during the period and he looks forward to continued improvement, all of which result in more economical operations. In connection with these improved aids, aircraft and training programs are kept parallel with trends and accepted practices; for instance, no longer are radio flight operators needed due to voice radio having been installed which is pilot-operated. He stated that in anticipation of the DC-6B Operations has become well prepared. With regard to crew training, seven captains have completed the Douglas pilot familiarization course, and since October 1957 the Company has had its own program for ground training of captains and first pilots. The Chairman discussed with Mr. Rousselet the approach to Mr. Tata of India whom he said has expressed surprise that the Indian Civil Aeronautics Administration had denied technical landing rights in India to the Company, and that Mr. Tata had requested detailed data and promised a reply. The Chairman stated that he was going to India with the Vice President of Traffic and Sales in October and would like to reopen discussions with Mr. Tata. A practical approach to the problem on an airline-to-airline basis was discussed and the Chairman noted that possibly an Indian airline agency in India might be a means through which representation could be directed to the Indian Government. Mr. Rousselet offered any help which he can render to the Chairman and the Board in resolving the problem. Mr. Grundy also participated in the conversation on this point and noted that Mr. Green, Vice President-Traffic and Sales, had been working with Air India who had suggested the possibility of the Company approaching Indian Airways. Mr. Yuan noted that the problem had been considered at length

and that the "right to fly" over or make technical stops in India arises from the basic International Civil Aviation Organization document (or Article 5 of the "Chicago Convention") to which agreement both India and China are parties signatory.

The Chairman thanked Mr. Rousselot for his appearance and his report.

The Vice President-General Affairs of Asiatic Aeronautical Company Limited reported that: The Chinese Government had begun to take concrete measures for building a new terminal building at Sungshan airport, the one international airport of the Island. He reported that plans were to make it attractive by international standards; to do credit from the utilitarian point of view as well as to be an architectural credit to the Republic of China. He noted that the Chinese Civil Aeronautics Administration has been studying designs and seeking advice and that Col. Lai had travelled to Hongkong in June as a guest of the Company to study the proposed Hongkong terminal.

The Chairman thanked Mr. Yuan for this report.

Prior to calling the next officer of AACL, a general discussion was held with regard to the insignia and painting on the empennage of the new DC-6B.

Next to appear before the meeting was Mr. Green, Vice President-Traffic and Sales of Asiatic Aeronautical Company Limited. Mr. Green thanked the Chairman and the Board for the opportunity to make such an appearance. Mr. Green noted that since his last appearance before this Board in the status of an officer of AACL, Traffic and Sales have enjoyed a slight increase in revenue; that such increase was attributable to an increase in tourist business throughout the Pacific area and to the Company's participation in that traffic through interline agreements with other air carriers; that Thai Airways Company had stopped use of Super-constellations during the period under review, having reverted to DC-4's, which had helped the Company considerably, especially with regard to group sales; that there have been several large conferences in the area, such as the Asian games in Tokyo and the Junior Chamber of Commerce conference in Taipei. He further noted that the outlook for July and August, 1958 is not quite as bright for group movements, and consequently there will probably be a slight decline in such business until the Fall of the year. Mr. Green further noted that although no definite date has been set for the integration by AACL of its new DC-6B, he nevertheless hoped that such would be done by October in time to take advantage of the normal upsurge in Fall traffic. With regard to fares, he reported that during the year the low-rate excursion fares between Taipei and Manila, and Taipei and Hongkong had been dropped because they were not actually justified and had resulted in a decrease in revenue, and that there has been no adverse affect as a result from cancellation of such fares. He also noted that the Taipei-Tokyo fares had been increased by approximately ten percent through the International Air Transport Association. With regard to schedules, Mr. Green observed that the current pattern of services will see changes with the integration of the DC-6B which will benefit passengers with regard to both arrivals and departures but that, with only one such aircraft, good utilization thereof cannot possibly satisfy all. With regard to service in general, he noted the good reputation the Company has gained, improved in-flight service, and that these items, stemming from experience, had weighed heavily in the configuration and design of the interior of the DC-6B. As to sales, he noted the research and active studies for better sales programs

and that a Traffic and Sales conference will be held in the middle of August, 1958. By way of recapitulation, Mr. Green stated his feeling that there has been a substantial improvement during the past year and pointed up the following as pertinent factors which had received great consideration during the Fiscal Year under review and which will continue to receive consideration in the future:

1. A realignment of administrative personnel for greater functional efficiency;
2. Renovation of sales offices with stress on the Chinese motif;
3. A revision of the advertising program, also accentuating the Chinese motif;
4. Publicity of the Company utilizing all media, for instance a recent golf tournament sponsored by the Company;
5. A route analysis and economic study with regard to a second DC-6 type aircraft;
6. Analysis of Traffic and Sales operating costs;
7. Preparation for the integration flight of the DC-6B to Bangkok and throughout the international system;
8. A study of the charter market, utilizing DC-4 equipment.

Mr. Green advised that the year ahead will present strong competition on the Company's routes but that he is confident it can and will be successfully met. In response to a question by the Chairman, Mr. Green noted that in the integration of the DC-6B the current plan for publicizing this operation was to place emphasis on the service of the Company in connection with such aircraft and that for its initial flight plans are underway for its short layover at the various stations for purposes of inviting airline agents, members of the press, certain officials and others who are directly concerned with the success of air transportation aboard to demonstrate the Company's services. He noted that the Company's Station Managers are making lists of local officials, members of the press and such agents to whom invitations to visit the aircraft will be extended. Mr. Grundy noted in connection with this that we should contact the Chinese diplomatic representative at each point along the line to assist us in approaching members of the local Chinese community in familiarizing them with the new service of the Company. Mr. Green agreed and noted that the assistance of the Ambassador at Bangkok is being lined up for such purposes. Mr. Green further noted that the emphasis will be on the "Mandarin Flight" and not on the inauguration of the aircraft as such which of course is not new equipment or new to the airline industry or the travelling public. The Chairman thanked Mr. Green for his appearance and report.

Next to report to the Board was the Secretary-Legal Counsel of Asiatic Aeronautical Company Limited, Mr. Carter, who noted that during his brief tenure in the Field with the Company things appeared to him to be going along satisfactorily although room for organizational improvements do exist, and that he had nothing of particular moment to report to the Board at this time. He called upon the Assistant Secretary of AACL, Dr. Chang, for any comments he might have. Dr. Chang noted that during the year the Government had approved the Service Contract between the Company and AACL.

Next of the AACL officers to appear before the meeting was Mr. A. Wueste, Vice President-Technical Services. Mr. Wueste thanked the Board for the opportunity to appear before it. He noted that the maintenance service and supply support of AACL to the Company had been successful for the period under review; that there had been very few maintenance delays during the period and actually few flight discrepancies relating to aircraft maintenance. He noted that CATCL's flying is constant and, therefore, the maintenance and supply support for CATCL operations present no real problem and in fact are only a relatively small part of AACL's Technical Service functions. From a standpoint of quality, standards and cost, he noted that quality had been kept high while the Company also had been able to reduce costs during the last year, whereas similar costs worldwide have been going up. He noted that such cost reductions have occurred in a great variety of ways; for example, by the extension of time on components reducing the necessity for their overhaul and thus reduction of maintenance to the aircraft; the establishment of a strict budget over major cost items, stationery, labor utilized per aircraft, a study of procurement to determine sources of material and parts at less cost which has resulted in converting certain sources from the United States and Hongkong to Taiwan; that a major program of efficiency through standardization has reduced cost and increased efficiency, avoided duplicity of inventory, permitting use of parts over and over again; job studies to effect better and more efficient use of personnel; and various miscellaneous functions with regard to supply and plant maintenance, automotive maintenance, head office and other non-flying functions. He reported that the greater portion of AACL's effort is towards customers' work which results in reduced cost to CATCL for the services performed for CATCL in addition to, of course, improvement in technology with regard to the new and more modern processes permitted by such volume of customer work. For instance, with regard to automotive maintenance over sixty percent (60%) is customer work; with regard to aircraft maintenance only about one-fourth to one-third is CATCL and AACL maintenance while the rest is customer work. He noted that Technical Service is getting ready for the DC-6B operations which is a complex project in itself involving inventories, tools, test equipment, training and the acquisition of ground and ramp equipment for each station.

Mr. Grundy noted that Technical Service operates largely as a backup for airline operations and makes major contributions to the dependability of on-time scheduling, safe operation, attractive aircraft, all of which is material to the airline maintaining a good impression and position even with old equipment and to being able to pull ahead to purchase better equipment.

The Chairman advised Mr. Wueste that he can always count on the Directors for help on any problem such as labor difficulties and is always willing to be called on to help. Mr. Wueste thanked the Chairman and the Board, and the Chairman thanked Mr. Wueste for his appearance and his report.

Next to appear before the Board was Mr. Mitchell, Assistant Treasurer of Asiatic Aeronautical Company Limited. He thanked the Board for the opportunity to appear and noted that he was present due to the Treasurer-Controller's absence on a trip to the United States. The Assistant Treasurer referred to the written report which he had submitted to the Managing Director of CATCL and suggested that rather than comment blankly or openly on the report, he stand by for whatever questions might be asked.

Mr. Grundy commented at this point on the economy program noted by the other AACL officers and that the Assistant Treasurer's data submitted does not show such

although the financial picture of the report is accurate. He gave credit to the Fiscal organization noting that there had been many improvements in the fiscal affairs of the Company in the past year, including such things as better procedures and accounting refinements and that some of the improvements, of course, are not shown in these reports, such as the capability recently demonstrated to close off the books for the Fiscal Year ended 31 March 1958. Mr. Grundy noted that this accounting under the Services Contract and the break-down for CATOL is much better and more accurate than heretofore. He referred to the annual audit recently concluded by the independent auditors of AACL who had analyzed the bank accounts, the accounting procedures and systems and had made helpful suggestions, all of which resulted in a more accurate picture of the overall situation and which enables better planning for the year ahead.

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The Chairman thanked Mr. Mitchell for his appearance and report.

The Board then turned to the matter of old business. The Secretary reminded the Chairman and the Board that according to Article 14 of the Company's Articles of Incorporation, the Fourth Regular Meeting of the Shareholders of the Company normally would be held on Monday, 28 July 1958, but that a notice, calling such meeting for 22 July 1958 had been mailed to all shareholders by the Assistant Secretary of the Company by the order of the Chairman of the Board. Then, on motion duly made and seconded, the date of 22 July 1958 was established as the date for the meeting for the Fourth Regular Meeting of the Shareholders of Civil Air Transport Company Limited, by unanimous vote.

The meeting then turned to the consideration of new business. Mr. Grundy, as Managing Director of the Company, presented the statement of accounts of the Company for the year ended 31 March 1958, which he had received from the Treasurer-Controller of AACL, with letters of transmittal. He noted that an important item was AACL's letter of transmittal which stated its intent to indemnify the Company for the losses incurred under the Services Contract for the year. Mr. Grundy noted that the statement of accounts had been reviewed by AACL's independent auditors, and he proceeded to review the report generally with the Directors, each of whom had been supplied with a copy of it for their study. These financial reports included two items:

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1. The financial data reports covering the operations under the Services Contract for the year ended 31 March 1958; and the
2. Statement of Profit and Loss, Operating Profit, and Balance Sheet of Civil Air Transport Company Limited, for the same period.

Thereupon on motion duly made and seconded, it was unanimously:

RESOLVED, that (1) the financial statements presented by the Managing Director, being data submitted by the Treasurer-Controller of AACL, consisting of a Statement of Operations, a Schedule of Operating Revenue, a Schedule of Flight Operation Expenses, a Schedule of Ground Operation Expenses, a Schedule of Traffic and Sales Expenses, a Schedule of Advertising and Publicity Expenses, and a Schedule of General and Administrative Expenses, under the Services Contract for the year ended 31 March 1958, and (2) the letter of transmittal of such

Handwritten notes:
 In no form as
 Treasurer AACL
 Statements Resolution
 must appropriate
 Review AACL report book
 not accept

financial data, and (3) the financial statement of the Company submitted by the Company's Treasurer-Controller and presented by the Managing Director, consisting of a Statement of Profit and Loss, a Statement of Operating Profit, and a Balance Sheet, of the Company's position as at 31 March 1958, be accepted; and it was further

RESOLVED, that the Secretary of the Company prepare a letter for the Managing Director's signature and addressed to Asiatic Aeronautical Company Limited accepting their offer to indemnify the Company for the losses incurred under the Services Contract for the Fiscal Year ended 31 March 1958.

The Board next turned to the consideration of its report to the Fourth Regular Meeting of the Shareholders. Mr. Grundy, Managing Director, submitted a draft report with copies for each Director for their review, consideration, and such additions or amendments thereto or changes therein as they felt necessary, as the proposed report of the Board to the shareholders.

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Upon consideration of the report, a discussion ensued between the Chairman and the Managing Director of the Company, Mr. Grundy, relative to the Company's latest intentions with regard to service to Saigon. Mr. Grundy reported that the matter has not recently been pressed but that the relations between the governments of the two countries are apparently improving where air traffic rights could possibly be negotiated. Mr. Grundy noted that the matter had not been pressed due to the Company's lack of competitive equipment to operate such route, that if it were to obtain traffic rights into Saigon there would exist some pressure to operate such a route. He also noted that to make such a route economic and feasible the Company would need intermediate points for route support. In this regard he noted that such route support would probably be required through Hongkong which would raise problems; that such rights could ostensibly be obtained if Hongkong Airways, for instance, wants rights at another point north of Taipei. In this regard Mr. Grundy noted the prior difficulties in dealing with the Hongkong Government and Hongkong Airways. He also noted that a second DC-6 was being studied and this route would relate, pointing up the fact that such a route could not be operated now with the one DC-6B to be acquired by AACL.

The Chairman noted that the Company should constantly keep in mind that Peking Airlines, with a DC-4, does impose somewhat of a threat to CAHEL especially with regard to service into an area which we do not now serve and possibly Saigon would present a great potential or future to Peking.

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With regard to air rights, Mr. Grundy noted that the Company is still "buying" some of its air rights into Korea. That the Republic of Korea grants such control to Korean National Airways that they charge the Company for operating two of its three flights per week; that as of this date the Company has not been able to collect from KNA the money they owe to the Company while at the same time paying them (actually charging against KNA's old account) for its operations, which indeed presents a unique situation. Although this repeatedly has been brought to the attention of the Chinese Government, no change has resulted.

Mr. Yuan moved that the draft report submitted by Mr. Grundy be adopted as the report of the Directors to the Fourth Regular Meeting of the Shareholders of the Company and be submitted to the Shareholders at their Fourth Regular Meeting. Mr. Chen seconded the motion, which, on call of the Chairman, was unanimously carried.

The meeting then turned to hear remarks of its Chairman.

The Chairman noted that in view of the close and cordial relationship which exists between AACL and the Company arising out of the Services Contract, he took great pride in noting certain highlights:

- "1. For the first time, the Company has centralized its executive and head office functions under one roof which should result in better coordination and more efficient administration.
- "2. For the first time, it substantially brought down administrative expenses, for instance, through the consolidation of functions at Hongkeng and at Tokyo, which are conservatively estimated to save \$100,000 per year." He noted that this means "we are demonstrating our ability to make better uses of our resources and our talents consistent with sound business principles;
- "3. Tremendous strides have been made in technical services with regard to standardization and quality, and revenues are increasing;
- "4. We have made significant improvements in our translations of English documents and papers into Chinese which enhances our prestige and promotes understanding in the eyes of the Government agencies and officials with whom we correspond and deal directly;
- "5. We have made great progress in the preparation and refinements of our financial reports which give us good presentation of our past operations plus enabling us to make effective forecasts with regard to our future business.

"One thing stands out clearly. Our Company and our sister company AACL have successfully met the challenge of many difficult problems and believe that we can, by the same token, solve our labor and personnel difficulties with the application of rational ideas, with objectivity and with patience and in this regard we should be able to rely on our Government officials for help in the resolution of these problems as well as the full and direct support from the Company's Directors."

Following the Chairman's remarks, and on motion duly made and seconded, the meeting was adjourned by unanimous vote at 5:17 o'clock p.m.

Respectfully submitted,

Clyde S. Carter
Secretary

The cable to General Chempault was dispatched on 22 July 1958. The letter to Mr. French was dispatched on 24 July 1958. The letter to Asiatic Aeronautical Company Limited, accepting its offer of indemnification, was signed by the Managing Director and dispatched 5 August 1958.

Clyde S. Carter
Secretary

Approved by:

Wang Wen-San
Chairman of the Board