

CAT

MEMORANDUM

AS

TO : VICE CHAIRMAN OF THE BOARD (via President)

DATE: 27 November 1958

FROM : VPAGM

REF. No. VPAGM-58-83

SUBJECT: NEGOTIATIONS WITH LAOS AIR TRANSPORT

REC'D DCA DEC 5 - 1958

Recently I returned from a trip to Vientiane, where further conversations were engaged in with representatives of LAT. Since then we have had a review of the situation here in Taipei with all concerned. You have seen correspondence in the past concerning this matter and, therefore, I am sending you only the new correspondence which has developed since the last report.

For background it is necessary to know that in the over-all political picture there is quite a bit of friction between the Minister of Defense, who is also the Vice Premier, and the Premier. Specifically concerning air line matters there is also friction because the Minister of Defense is the Chairman of Air Laos and is on the Board of Aigle-Asur. Thus, he receives his private remuneration from the French. The Premier, and the Minister of Public Works, and the Director of Civil Aviation do not like the contractual arrangement between Air Laos and Aigle-Asur. The basic reason for this feeling is that Aigle-Asur is completely French and has, so far, done little to develop the Laos airline industry. In fact, they have siphoned off a lot of money, placing Air Laos in a poor financial position. All of the planes belong to Aigle-Asur and they have attempted to get rid of them by selling them to Air Laos at a very high price. The Premier and several others concerned seem to be sympathetic towards LAT, provided they can show something concrete in the way of an airline operation. It is also their feeling that some cooperative arrangement could be worked out later between Air Laos and Laos Air Transport.

One of the political points is that the Minister of Defense does not like the idea of CAT getting so much internal business in Laos. Therefore, a proper arrangement between CAT and LAT might enable the USOM business to be done through the local company, thus eliminating some of the political irritation. If LAT could develop in the next few months to the point where it was operating two or three planes, it might be able to come to some agreement with Air Laos whereby the present agreement with Aigle-Asur would be displaced after it expires in April of next year.

In Taipei here we discussed the possibility of CAT immediately providing one C-47 to LAT to see how the operation would work out. We would provide with the aircraft the hull and other types of insurance, maintenance, supply, delivery and maintenance flights, operational control through our representatives in Vientiane. LAT would supply the ground staff, gasoline and oil, landing fees, taxes, flight service, flight crew, etc. In order to protect our property and exercise the necessary operational control we would provide one pilot on every flight. In principle, after all expenses were paid, CAT and LAT would split any additional revenue. If we felt it necessary we might even demand a reasonable profit before splitting the additional revenue.

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We would appreciate your detailed study and consideration of this matter together with any advice or comments you might have. There is a certain amount of urgency required in that the government may look to one of the two other local airlines for assistance if we do not do something concrete soon. We should be in a position to give them an answer in no less than 10 days or 2 weeks from now. In the meantime, I will advise LAT that we are working out a proposition for them.

C. J. Herbert
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CJR:fs

Encl.: As stated