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DD/S

HR70-14

11 DEC 1962

MEMORANDUM FOR: Deputy Director of Central Intelligence

SUBJECT : Progress Report Regarding Inspector General's Survey  
of the Development Projects Division and Civil Air  
Transport (CAT)

REFERENCE : Memo dtd 18 Aug 62 to DD/P, DD/S, DD/R, Compt &  
IG fr DDCI, same subject

1. Referenced memorandum directed action components to submit reports on the progress made in carrying out the Inspector General's recommendations in his survey of the Development Projects Division and Civil Air Transport (CAT) as amended and approved by the DDCI. The Deputy Director (Support) is concerned with carrying out Recommendations Nos. 23 through 34 and reports as follows:

Recommendation No. 23:

That the Deputy Director (Support) make no immediate change in the system of DD/S management of CAT.

Action:

Since this recommendation, in which we concurred, was made, the responsibility for Agency air operations has been transferred from the former Development Projects Division to the Air Branch of the Special Operations Division (SOD), DD/P. Closer working arrangements between the Air Branch and the overt officials of the Company have been developed. The recently appointed chief of the Air Branch is giving close attention to the problems involved in conducting covert air operations under the necessary overt cover arrangements.

also recently appointed, has already established good working relationships with the operating officials of CAT in the field. With the continued cooperation of these officers, we believe that the present system of management is meeting the operational requirements of the Agency.

Recommendation No. 24:

That the Deputy Director (Support) designate a senior officer to serve on his own staff as a full-time project officer.

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

APPROVED FOR RELEASE  DATE: 30-Mar-2009

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Action:

This recommendation was disapproved but, as pointed out in our comments regarding Recommendation No. 23 above, we believe that real progress is being made to obtain optimum coordination between the managers of the project and the originators of requirements for air support. [redacted]

[redacted]

Recommendation No. 25:

[redacted]

Action:

[redacted]

[redacted] Owing to the recent heavy demands on Company executives, it has not been possible to bring any of them to Headquarters for indoctrination and training as suggested in our original comments on this recommendation. We hope, however, that this can be arranged in the near future since present indications are that in the next several months the workload will be considerably lighter than it has been for the past three years. These years of high activity have served to train added individuals in the Far East in the meeting of covert needs. During the most recent Company year, [redacted] per cent of the total flying hours were for the Agency.

Recommendation No. 26:

That the Deputy Director (Support) direct CAT management to take immediate steps to improve and organize housing, messing, PX and recreational facilities for its personnel in Udorn.

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Action:

The situation at Udorn has been improved materially since the Inspector General's representatives were there a year ago. Temporary facilities then in use have been closed down and the construction of an appropriate building to provide messing, recreational and other facilities has been completed. Furthermore, since the implementation of the Geneva Agreement concerning Laos on 7 October 1962, the activity at this base has been greatly reduced with a resultant reduction in personnel and simplification of housing and other requirements.

Recommendation No. 27:

a. The Deputy Director (Support) direct the [redacted] [redacted] to consider the assignment of [redacted] as a security officer to Udorn (or Bangkok) for CAT operations.

b. That the selection and assignment of this individual be within the cover, security, and tradecraft limitations imposed by the nonofficial nature of the operation. [redacted]  
[redacted]

Action:

As previously reported, an experienced security officer [redacted] was assigned to Bangkok and entered on duty in February 1962. A second security officer was temporarily posted at Udorn, but the [redacted] felt that his services were unnecessary and his assignment was terminated in March 1962. In view of the security problems which have since developed at Udorn, this may have been an unwise decision. Should the Udorn base be reactivated at anything like the level of late 1961, serious consideration will be given to the need for a security officer at that location.

Recommendation No. 28:

That the Deputy Director (Support) direct CAT to appoint a senior task force commander for cover operations in Southeast Asia and assure that he be given local authority.

Action:

As previously reported, a temporary Regional Director for Southeast Asia was appointed on 15 January 1962 and, in May 1962, a permanent

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Regional Director for Southeast Asia, Colonel John P. McMahon, USMC, was employed. After the necessary indoctrination at the Company's head office in Taipei, he entered on duty at Bangkok in late May 1962.

Recommendation No. 29:

That the Deputy Director (Support) direct the management of CAT to develop for the corporation's American employees a pension plan with benefits which would be equitable by the standards of American airlines.

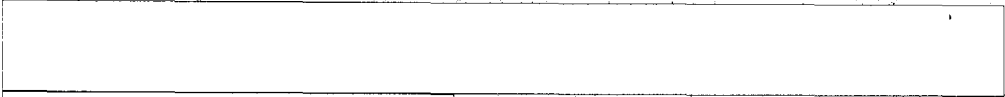
Action:

As previously reported, a retirement plan was adopted on 30 March 1962 for all American employees. A copy of the plan which has been filed with the Internal Revenue Service of the U.S. Treasury is attached.

Recommendation No. 30:

The Deputy Director (Support) arrange to have the present treasurer-comptroller relocated in a suitable job in the United States, and that he be succeeded by his present deputy.

Action:

 In recent months an experienced accountant has joined the Washington staff and one of his principal assignments is to locate and develop a successor to the present treasurer-comptroller.

Recommendation No. 31:

The Deputy Director (Support) direct the Chief, Audit Staff, to coordinate the audit of the CAT Complex, and place an Agency auditor on the audit team as an observer, if possible.

Action:

Although it was not possible, due to previous commitments, to send an Agency auditor to the Far East with the team of independent auditors this past year, we have requested that such an arrangement be made on the occasion of the next annual audit in April of 1963.

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Recommendation No. 32:

The Deputy Director (Support) direct CAT to submit to the Agency's General Counsel a thorough study of the tax problem, possible courses of action, and recommendations concerning the most desirable solution.

Action:

As previously reported, the president of the Company has undertaken to develop an orderly plan to correct this situation that will be both satisfactory to the individual employees and acceptable to the local tax authorities.

Recommendation No. 33:

a. The Deputy Director (Support) assign a [redacted] secretary to CAT, or that CAT itself assign cleared secretarial help for the president, the appropriate vice presidents, and the Security Section.

Action:

The shortage of cleared secretarial help which existed in the Company's headquarters in Taiwan a year ago has been remedied by local hire of cleared wives of American (not Company) employees stationed in Taiwan.

b. [redacted]

Action:

Recommendation No. 34:

a. The Deputy Director (Support) request the Development Projects Division to provide in writing a set of requirements for light plane operation in Southeast Asia for the next year. Such a list should give appropriate recognition to the needs of other agencies with light plane requirements in Southeast Asia.

b. The Deputy Director (Support) direct the project officer and CAT management to meet these requirements.

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Action:

To date, definite long-term requirements for light plane operation in Southeast Asia could not be formulated with any accuracy in view of the extremely unclear situation in both Laos and South Viet Nam. The light plane fleet being currently maintained in the area exceeds by possibly fifty per cent the current requirements. Since there is this surplus of both equipment and crews in the area, all current requirements for air support are being readily satisfied. When this fluid situation is clarified, and the requirements are more clearly defined, any surplus of men and machines will be reassigned to other areas.

SIGNED

L. K. White  
Deputy Director  
(Support)

Attachment:

Air America Retirement Plan

ADD/S:HGL:fp(4 December 62)

Distribution:

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