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~~SECRET~~ 218680Z MAY 68 CITE [redacted]

DIRECTOR [redacted]

21 May 68 IN [redacted]

REF [redacted]

1. FOLLOWING IS AN UNEDITED TRANSLATION OF A LETTER COPY PRIVATELY OBTAINED:  
 "LETTER FROM COL. S. Y. LAI, CCAA DIRECTOR, TO MR. SHAO-HUAN CHEN, DIRECTOR OF NAVIGATION & AVIATION, MINISTRY OF COMMUNICATIONS, ON MAY 13, 1968:  
 DEAR DIRECTOR CHEN,

I HAVE RECEIVED YOUR LETTER OF MAY 6TH AND NOTED ITS CONTENTS. PURSUANT TO YOUR INSTRUCTION, I HELD ANOTHER TALK WITH CATCL'S MANAGING DIRECTOR, MR. HUGH GRUNDY, ON THE 18TH OF THIS MONTH. HE EXPRESSED THE FOLLOWING THREE POINTS AS MAIN DIFFICULTIES WHICH HE SAID CATCL WOULD ENCOUNTER IF IT ACTED ON MY PROPOSAL NO. ONE:

1. SOME OF THE PRECIOUS SUPPLIES THAT BELONG TO CATCL AND ITS ASSOCIATE COMPANIES ARE NOT BIG IN SIZE BUT MOST OF THEM ARE WORTH MORE THAN TEN THOUSAND U. S. DOLLARS EACH. IT IS IMPOSSIBLE THAT SUCH SUPPLIES BE KEPT IN BIG QUANTITIES AT ONE PLACE. THEY MUST BE SHIPPED BY SPECIAL FLIGHTS AMONG VARIOUS PLACES

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TO ALTERNATELY SERVE THE NEEDS ON SHIFT.

2. TECHNICAL PERSONNEL OF CATCL AND ITS ASSOCIATE COMPANIES MUST TRAVEL BY SPECIAL FLIGHTS TO TAKE UP JOB ASSIGNMENT THAT MAY ARISE AT ANY TIME IN ANY PLACE AND THEY WILL HAVE TO RETURN TO THEIR BASE IN TAINAN AFTER COMPLETING THE ASSIGNMENT.

IN VIEW OF THE FACTS AS STATED IN POINTS 1 AND 2, THE PROPOSAL FOR ACCUMULATING LOAD TO AWAIT AIR TRANSPORTATION APPARENTLY CAN NOT MEET THE EMERGENCY NEED.

3. BECAUSE OF LACK OF DAILY SCHEDULED FLIGHT TO AND FROM THE REGION OF SOUTHEAST ASIA (SUCH AS VIENTIANE, LAOS), STAFF MEMBERS OF CATCL AND ITS ASSOCIATE COMPANIES HAVE TO WAIT FOR THE AVAILABLE FLIGHT AT BANGKOK. THESE STAFF MEMBERS ARE QUITE NUMEROUS AND REQUIRE A SIGNIFICANT AMOUNT OF TRAVELING AND PER DIEM EXPENSES. IT MEANS CONTINUOUS INCREASE OF EXPENSES BEYOND WHAT CATCL CAN AFFORD.

MR. GRUNDY ALSO EXPRESSED THAT HE WAS DEEPLY GRATIFIED TO THE GOVERNMENT FOR ITS KINDNESS IN SEEKING TO SOLVE CATCL'S DIFFICULTIES. HE STILL REQUESTED THAT IN ACCORDANCE WITH MY PROPOSAL NO. TWO, THE GOVERNMENT WRITES TO CIVIL AVIATION AUTHORITIES OF OTHER RELEVANT GOVERNMENTS TO REQUEST TRAFFIC RIGHTS

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FOR CATCL AND ITS ASSOCIATE COMPANIES IN TRANSPORTING COMPANY PERSONNEL AND SUPPLIES TO AND FROM THE COUNTRIES CONCERNED. I FEEL THAT MR. GRUNDY'S REQUEST (CCAA WRITES TO CIVIL AVIATION AUTHORITIES OF OTHER RELEVANT GOVERNMENTS TO REQUEST TRAFFIC RIGHTS FOR CATCL AND ITS ASSOCIATE COMPANIES IN TRANSPORTING COMPANY PERSONNEL AND SUPPLIES TO AND FROM THE COUNTRIES CONCERNED) POSES NO CONFLICT TO THE SINO-JAPANESE AND SINO-THAI PROVISIONAL AIR TRANSPORT AGREEMENTS OR TO THE AGREEMENT ON EXCHANGE OR TRAFFIC RIGHTS BETWEEN TAIWAN AND HONGKONG. AS TO SOUTH VIETNAM AND LAOS, CATCL AND ITS ASSOCIATE COMPANIES HAVE ALL THE TIME WORKED OUT THEIR OWN CONNECTIONS. IN COMPLIANCE WITH MR. GRUNDY'S REQUEST, CCAA HAS ALREADY SENT OUT THE LETTERS AND WILL FURTHER ADVISE YOU WHEN RESPONSE IS RECEIVED.

(SIGNED) S. Y. LAI

2. COL LAI'S REFERENCE TO THE \$10,000 ITEMS STEMS, NO DOUBT, FROM [REDACTED] EXPLANATION THAT NUMEROUS EXPENSIVE ITEMS WERE IN INVENTORY AND THEY HAD TO MOVE FAST BETWEEN ACFT/SHOP/ ACFT AND COULD NOT LAY AROUND WAITING ON EITHER END FOR AN "ACCUMULATION" ACFT, THAT IF THEY DID ACFT WOULD BE GROUNDED AND SO LOOKING AT IT EITHER MAY I.E BUYING MORE EXPENSIVE ITEMS

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OR BEING UNABLE TO OPERATE ACFT THE ECONOMIC IMPACT WOULD BE UNACCEPTABLE. IT WAS EXPLAINED THAT, FOR EXAMPLE, JUST THE FUEL CONTROL ALONE FOR A TURBINE ENGINE OF WHICH WE HAD MANY COST OVER \$10,000. LAI AND HIS SUPERIORS WHO DO NOT WORK DAILY WITH ACFT COSTS DO NOT REALIZE THE COST OF MODERN AVIATION.

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