

CIA

HR70-14

DRAFT CABLE - SAIGON - PHNOM PENH

MAR 21 5 59 PM '75

SUBJECT: Air Services Contract

REF: (A) SAIGON [] ; (B) SAIGON [] ; (C) STATE [] ;
(D) PHNOM PENH []

FROM MURPHY AND HABIB.

1. WE APPRECIATE YOUR PROMPT AND THOROUGH RESPONSES, ESPECIALLY REF (B)

QUOTING THE PRIME MINISTER'S LETTER WHICH CLEARLY SETS FORTH GVN
POLICY WITH RESPECT TO THE FUTURE ROLE OF FOREIGN CARRIERS IN THE PROVISION
OF AIR TRANSPORTATION SERVICES IN SOUTH VIETNAM.

2. UNDER THE CIRCUMSTANCES, WE WILL COMPLY FULLY WITH GVN POLICY
TO USE AIR VIETNAM AS PRIME CONTRACTORS WITH CASI AS SUBCONTRACTOR,
AS REQUIRED. IN ACCORDANCE WITH AID POLICY AND VIETNAMESE LAW,

VIETNAMESE
PAYMENT OF CONTRACTS WITH INDIGENOUS FIRMS MUST BE IN LOCAL CURRENCY.
PAYMENT FOR AIR SERVICES PROVIDED FOR USAID, CONGEN AND SAAFO WILL BE
FROM THE USAID TRUST FUND. PAYMENT FOR AIR SERVICES PROVIDED FOR
OTHER U.S. AGENCIES ARE TO BE MADE AVAILABLE FROM NON-USAID TRUST
FUND SOURCES. OPERATIONS OF ANOTHER AGENCY INVOLVED WILL REQUIRE THAT
FLIGHTS AND AIRCRAFT FOR SUCH OPERATIONS WOULD BE MANNED BY CASI
PERSONNEL ABLE TO INSURE REQUIRED SERVICES IN TERMS OF AIR SAFETY,
SECURITY, AND SCHEDULE RELIABILITY. WHILE THE SUB-CONTRACTING
ARRANGEMENT AIR VIETNAM NEGOTIATES WITH CASI WITH RESPECT TO DOLLAR
AND/OR LOCAL CURRENCY REIMBURSEMENT IS PRIMARILY THEIR CONCERN, WE
ARE WILLING TO ASSIST AIR VIETNAM IN DEVELOPING SUB-CONTRACT TERMS
ACCEPTABLE TO ALL PARTIES, WITH PARTICULAR REFERENCE TO OTHER AGENCY
REQUIREMENTS. INASMUCH AS NON-AID USERS/DO NOT HAVE ACCESS TO AID'S
OTHER THAN CONGEN AND SAAFO.

APPROVED FOR RELEASE DATE: 21-Oct-2009

TRUST FUND, IT FOLLOWS THAT THEY WILL BE REQUIRED TO PURCHASE LOCAL CURRENCY WITH DOLLARS TO MEET THEIR SHARE OF CONTRACT EXPENSE. THE GVN MAY WELL WISH TO EARMARK THE FOREIGN EXCHANGE SO GENERATED FOR AIR VIETNAM REIMBURSEMENT TO ITS SUB-CONTRACTOR, CASI. THE FOREGOING MATTERS SHOULD BE INVESTIGATED SO THAT THEY MAY BE DISCUSSED WITH THE AID/W NEGOTIATING TEAM IN ORDER THAT ALL NECESSARY CONTRACTUAL ARRANGEMENTS CAN BE ACCOMPLISHED.

3. IN PARA 4, REF (A), YOU POINT OUT THAT UNANIMOUS OPINION OF THE TECHNICAL STAFF CONCERNED WITH AIR TRANSPORTATION SERVICES FAVORS A DIRECT CONTRACT WITH CASI, ALTHOUGH YOU CONTINUE TO FAVOR AN AIR VIETNAM CONTRACT FOR POLITICAL REASONS. STATE/AID DECISION OUTLINED PARA 2 BASED UPON FOLLOWING: (1) LOCAL CURRENCY ARRANGEMENTS OUTLINED PARA 2 OBTAIN TRUST FUND NEGOTIATION PROBLEM, (2) THE NEGOTIATION OF A LOCAL CURRENCY CONTRACT WITH AIR VIETNAM ELIMINATES THE PROBLEMS THE USG WOULD HAVE IN NEGOTIATING A SOLE SOURCE DOLLAR CONTRACT WITH AN AMERICAN FIRM AS MENTIONED IN REF (C), AND (3) THE GVN'S FIRM ENUNCIATION OF ITS POSITION REGARDING AIR VIETNAM.

4. WE CONCUR WITH THE POSITION TAKEN IN REF (D) AND PARA 7 OF REF (A) THAT A SINGLE CONTRACT BE NEGOTIATED WITH AIR VIETNAM/CASI FOR AIR TRANSPORTATION SERVICES IN SUPPORT OF BOTH VIETNAM AND CAMBODIA. ~~§~~

~~CONFIDENTIAL~~

5. Due to timing constraints involved, we should immediately undertake action to contract with Air Vietnam and request that the following steps be taken:

A. Saigon draft a response to the Prime Minister's letter which would advise the Prime Minister that the USG is prepared to move forward with an air service contract with Air Vietnam, with AID as the USG contracting agent. This response should clearly state that services provided for USAID, CONGEN and SAAFO will be paid for with piasters provided from the USAID trust fund account, and that payment for other services will be . OTHER SOURCES. Please provide

Washington with a copy of your response.

B. Washington will advise interested air service contractors that the Vietnam in-country air service requirements will be met by Air Vietnam.

C. AID/Washington will dispatch a contract negotiating team which will go to Saigon to (1) coordinate with prospective users of subject services, including USAID, SAAFO, CONGEN, and DAO, in Vietnam and USAID, DAO and MEDTC in Cambodia, to review their estimated requirements for FY 1976 so that final figures can be provided Air Vietnam, (2) hold discussions with Air America and SAAFO/MS representatives in order to effect an orderly transition from the current Air America contract AID/sa-C-1029 to the new contract with Air Vietnam, these discussions to include, among other items, determining what facilities,

equipment, and materials owned by Air America, the USG and the GVN will be provided to Air Vietnam or their sub-contractor, (3) work with USG auditors and financial management personnel to establish acceptable payment procedures and (4) negotiate and execute a contract with Air Vietnam for the required services. Because of the short time remaining before July 1, when Air Vietnam is to assume air operations responsibility from Air America, it is considered necessary that the foregoing actions be promptly initiated. Accordingly, Arthur Bjorlykke, the AID/W Contracting Officer, is planning to leave for Saigon early next week, to be joined shortly thereafter by the GC representative. Please arrange for necessary Mission and Country clearances.

Clearances:

A-AA/EA:

EA/VN

GC:

[Redacted]

(Draft) 3/21/75

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