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8 MAY 1974

Executive Registry
74-1706

MEMORANDUM FOR: Director of Central Intelligence
VIA : Acting Deputy Director for Operations
SUBJECT : Air Support for South Vietnam

1. Action Requested: This memorandum contains a recommendation for your approval in paragraph 4.

2. Background:

A. Air America is currently disengaging from operations in Laos and Thailand. Upon expiration of their current contract with USAID/Vietnam 31 December 1974 and the ICCS contract in Vietnam 28 February 1975, Air America will be completely out of operation. Continental Air Services, Inc. (CASI) has established a minimal foothold in South Vietnam by virtue of a joint agreement with Air Vietnam. CASI flight operations in Laos will be significantly reduced and they consequently are reviewing their ability to remain profitably viable in the area.

B. The EA Division and USAID will require continuing contractor air support for operations in South Vietnam and Cambodia after Air America's disengagement. To meet this requirement USAID will need to offer Requests for Proposal (RFP's) to air contractors by September in order to have time to process and accept bids for follow on air support beginning 1 January 1975. The dollar value of USAID's contract for Calendar Year 1975 will be approximately ten million, [Redacted]

Additionally, the State Department has identified \$2.4 million for the ICCS contract for FY 1975, which may or may not be performed by the same contractor.

C. In addition to Air America, CASI has been the only other American operator of any significance providing air support in Southeast Asia to the U.S. Government outside of the Military Airlift Command. With

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the planned dissolution of Air America by the end of December 1974 in any case, we believe it in the best interest of the U.S. Government and the Agency to take advantage of CASI's desire to maintain its viability and thereby ensure a capability to meet continuing air support requirements in Vietnam and Cambodia. Air America's current contract with USAID has a provision for a six month extension (to 1 July 1975) if USAID desires. We propose that a team composed of appropriate representatives from the DDO and DDM&S (and USAID as appropriate) be established for discussions and negotiations with CASI immediately to accomplish the following:

1. Provide CASI with specific information on follow on mission air support requirements in Vietnam and Cambodia.

2. Work out arrangements for CASI to take over Air America's contracts in South Vietnam by 1 July 1974 or as soon thereafter as feasible.

3. Work out arrangements with USAID and other concerned mission elements and DDO for the orderly transfer of contractor responsibility from Air America to CASI, including Government furnished equipment and facilities.

D. In arranging for CASI to take over Air America's operations this summer, rather than awaiting the outcome of bidding on the USAID contract for operations beginning in January 1975, the U.S. Government would be assured of a contractor capability to meet air support requirements in Southeast Asia. Longer term job opportunities would be afforded for many of Air America's experienced personnel, particularly helicopter pilots. Air America's equipment which would be surplus to CASI's requirements could be disposed of earlier, thereby hastening the dissolution of that company.

E. Since CASI would need to make a substantial investment; e.g., as much as a million dollars in working capital, to take over Air America's contracts for only a few months and there is a possibility, and risk, that they might not obtain the USAID contract to be awarded for Calendar Year 1975, we propose that CASI be permitted to purchase or to lease with the option to purchase by

31 December 1974 required Air America equipment at acceptable rates.

F. Regarding the ICCS contract we propose that in coordination with the State Department CASI be induced to take over this contract either under CASI or through a new subsidiary.

3. Staff Position: Representatives of EA Division, [redacted] and DDM&S participated in preparation of this proposal.

4. Recommendation: It is requested that you approve the establishment of a negotiation team to meet with CASI as soon as possible with the objective of transferring Air America's contract operations in South Vietnam and Cambodia to CASI as proposed in this memorandum at the earliest feasible date.

[redacted]
Theodore G. Shackley
Chief, East Asia Division

cc: DDCI

CONCUR:

[redacted]
Acting Deputy Director for Operations

Date

9 May 1974

See memo to DCI from Air Advisor, DDM&S dtd. 22 May 1974
(DDM&S 74-1844)

Deputy Director for Management & Services

Date

APPROVED:

~~Director of Central Intelligence~~

Date

SECRET

SUBJECT: Air Support for South Vietnam

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ORIG: (8 May 1974)

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)
Air Support for South Vietnam

FROM: Chief, East Asia Division

EXTENSION NO.

DATE
8 MAY 1974

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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