

The original documents are located in Box 65, folder “War Risk Insurance” of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

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THE WHITE HOUSE
WASHINGTON

4.8.75

TO: Philip Buchen

For Your Information ✓

For Appropriate Handling

Original sent to Brent
Scowcroft

RDL
Robert D. Linder



April 7, 1975

The President of The United
States of America
The White House
Washington, D. C. 20500

Mr. President:

We are, of course, anxious to cooperate in the movement of refugees, orphans and American personnel from Vietnam under a program which we understand is being developed by the U. S. Government, and to endeavor to continue our scheduled and charter services to Vietnam. However, there are problems which we have not been able to solve through our own efforts.

We have been advised by our insurance underwriters that they are terminating, effective 12:01 AM EST on April 11, 1975, our third party liability War Risk coverage with respect to operations to, from and over Vietnam, Cambodia and Laos. We are seeking to reinstate this coverage but have not been successful to date. Under the terms of our existing indenture and mortgage with our creditors, we cannot operate any aircraft into any recognized area of hostilities unless fully covered by war risk insurance or a United States Government contractual indemnity. Further, the premiums on our aircraft covered under our War Risk hull insurance have been quoted at 25¢ per \$100 of aircraft insured value per trip on any additional flights into Vietnam and this coverage is subject to revised rating or cancellation at any time. This amounts to a premium of approximately \$12,500 for a 707 aircraft, and \$62,500 for a 747 aircraft, per trip.

We have sought coverage under Title XIII of the Federal Aviation Act, but have found, however, that such coverage is restricted and does not cover all the risks which are insured by our commercial insurance program such as:

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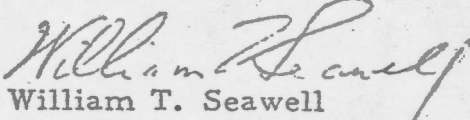


April 7, 1975

Therefore, due to lack of insurance coverage and prohibitive costs, if Pan Am is to participate in such a program we must secure compensation for additional costs for insurance over the costs in effect prior to March 31, 1975 or a fully enforceable indemnity and hold harmless agreement by the U. S. Government applicable to all aircraft hulls, third party and crew liability involved in such operation. Such indemnity and hold harmless provisions are described in our wire dated April 4, 1975 to the Military Airlift Command, a copy of which is enclosed herewith. If such coverage cannot be obtained by 12:01 AM EST on April 11, 1975, the time of termination of our war risk liability insurance as referred to above, we will not only be denied the opportunity to expand our operations to and from Vietnam but will be forced to suspend all scheduled and charter service to Vietnam.

We would appreciate your good offices in developing such a United States Government indemnification program.

Respectfully yours,


William T. Seawell

Enclosure



Copies of this letter have also been sent to the following persons:

Attorney General of the United States

Secretary of Defense

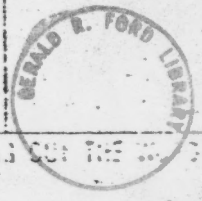
Secretary of State

Secretary of Transportation

Acting Chairman, Civil Aeronautics Board

Acting Administrator of the Federal
Aviation Administration





THE OFFICE OF THE SECRETARY OF DEFENSE USE ONLY

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PRIORITY _____

DATE April 04 1975

HEADQUARTERS
MILITARY AIRLIFT COMMAND
SCOTT AIR FORCE BASE, ILLINOIS

XXXXXXXXXX

ATTENTION: ARTHUR W. PURKEL, AIRFORCE CONTRACTING OFFICER

RE YR TEL APRIL 3, 1975 CONCERNING INDEMNIFICATION AND INSURANCE PROVISIONS TO BE APPLICABLE TO MAC CONTRACT CARRIERS' PARTICIPATION IN VIETNAM EVACUATION PROGRAM CMA IN VIEW OF TOTAL INABILITY TO PROCURE LIABILITY INSURANCE CMA RESTRICTED COVERAGE UNDER TITLE XIII INSURANCE AND EXCESSIVE COSTS FOR COMMERCIAL HULL AND WAR RISK INSURANCE CMA PAN AM MUST INSIST UPON OBTAINING AN INDEMNITY ALONG THE FOLLOWING LINES AND FULLY ENFORCEABLE BEFORE WE CAN CONSIDER PARTICIPATION IN SUCH PROGRAM COLON QTE THE GOVERNMENT HEREBY INDEMNIFIES THE CONTRACTOR AGAINST AND SHALL HOLD IT HARMLESS FROM

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(cont'd)

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PAN AMERICAN WORLD AIRWAYS, INC.

JAMES J. RICE
STAFF VICE PRESIDENT-
MILITARY TRAFFIC



Wednesday 4/9/75

6:35 General Scowcroft's office advises that they just today received the 4/7 letter from Seawell of Pan Am to the President -- and it has been sent out for staffing.



*Good: How about
taking on another question
problem?*

THE WHITE HOUSE
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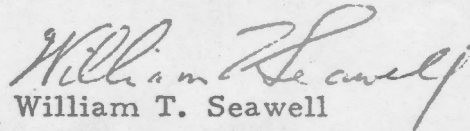


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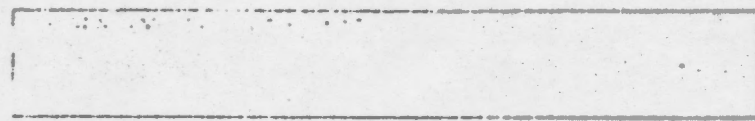
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Secretary of Transportation

Acting Chairman, Civil Aeronautics Board

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PRIORITY

DATE April 04 1975

HEADQUARTERS
MILITARY AIRLIFT COMMAND
SCOTT AIR FORCE BASE, ILLINOIS

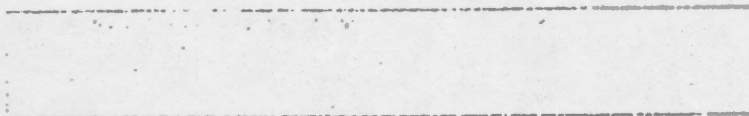
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PAN AMERICAN WORLD AIRWAYS, INC.

JAMES J. RICE
STAFF VICE PRESIDENT-
MILITARY TRAFFIC



Wor
Powers

Wednesday 4/9/75

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Wednesday 4/9/75

6:30 Mr. Hills asked me to check with someone in NSC to see what action NSC took today on the subject of war risk insurance and ⁱⁿ what form it was taken.



*Red: How about
taking on another citizen
problem?*
THE WHITE HOUSE
WASHINGTON

P.
4.8.75

TO: Philip Buchen

For Your Information ✓

For Appropriate Handling _____

Original sent to Brent
Scowcroft

RDL
Robert D. Linder



THE WHITE HOUSE

WASHINGTON

April 10, 1975

MEMORANDUM FOR:

THE PRESIDENT

FROM:

RODERICK M. HILLS

R.H.

SUBJECT:

War Risk Insurance for PanAm
Flights to Southeast Asia

PanAm's President has notified you by letter of April 7, 1975 (see Tab A) that it must terminate its scheduled operations to, from and over Vietnam, Cambodia and Laos because its insurance underwriters are terminating its third party liability War Risk Coverage as of 12:01 a.m., April 11. The Secretary of State has determined that it is essential to continue these flights, and that they continue to be scheduled rather than charter flights.

Under Title XIII of the Federal Aviation Act, the Secretary of Transportation with the approval of the President may provide such insurance against loss or damages arising out of War Risk, if it is determined by the Secretary of Transportation that the carrier cannot obtain such insurance on reasonable terms or conditions from private carriers that is adequate for the air commerce of the United States. The Secretary of Transportation has consulted with the Departments of State, Defense, and Justice and finds that PanAm cannot obtain such insurance on reasonable terms and conditions, and that such insurance is important to adequate air commerce of the United States (see Tab B).

It is apparent, therefore, that the PanAm flights will terminate unless you approve the proposal of Secretary Coleman to provide War Risk Insurance Coverage to PanAm for so long as it conducts scheduled operations to, from and over Vietnam, Cambodia, and Laos. Transportation will set a premium for this insurance at a price they believe to be reasonable.



Your approval of the Secretary's proposal is supported by the Departments of State, Defense and Justice and by the National Security Council.

In granting this approval, you should know that the insurance to be provided under Title XIII is limited to so-called "hull insurance" which does not cover all the risks now insured by PanAm's commercial insurance program. Such excess insurance would be provided to PanAm by the Department of Defense under authority which they have regularly exercised, which does not require your approval, and which is presently being utilized to provide insurance coverage for presently operating charter services provided to Vietnam. A description of the DOD indemnification is attached (Tab C). State has notified Defense that it will take responsibility for seeking whatever additional appropriations may be necessary for this excess insurance. After discussions with the above Departments and the NSC, we recommend the Secretary's request be granted.

APPROVE _____

DISAPPROVE _____

Attachments



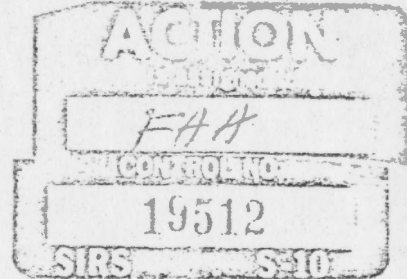


CONFIDENTIAL

William T. Seawell
Chairman of the Board

April 7, 1975

The President of The United
States of America
The White House
Washington, D. C. 20500



Mr. President:

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April 7, 1975

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We would appreciate your good offices in developing such a United States Government indemnification program.

Respectfully yours,

William T. Seawell

Enclosure



OFFICE OF SECRETARY
OF TRANSPORTATION
EXECUTIVE SECRETARIATE

75 APR 8 PM 3:23

U.S. DEPT. OF TRANSPORTATION

Copies of this letter have also been sent to the following persons:

Attorney General of the United States

Secretary of Defense

Secretary of State

Secretary of Transportation

Acting Chairman, Civil Aeronautics Board

Acting Administrator of the Federal
Aviation Administration







THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

April 10, 1975

MEMORANDUM FOR THE PRESIDENT

The Federal Aviation Act of 1958, Title XIII - WAR RISK INSURANCE, provides that the Secretary of Transportation, with the approval of the President, and after such consultation with interested agencies of the Government as the President may require, may provide insurance against loss or damage arising out of war risks in the manner and to the extent provided in Title XIII, whenever it is determined by the Secretary of Transportation that such insurance adequate for the needs of the air commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States.

The Department of Transportation has consulted with the Departments of State, Defense and Justice.

Investigation of the availability of such war risk insurance has been made and it is my finding that such aviation war risk insurance adequate for the needs of the air commerce of the United States cannot be obtained on reasonable terms and conditions.

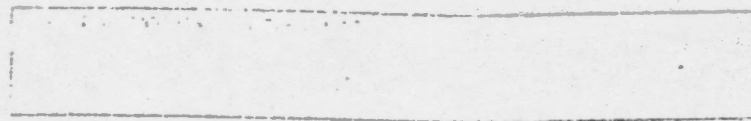
Therefore, in order that the aviation war risk program may be placed in effect, your approval is requested.

A handwritten signature in cursive script, reading "William T. Coleman, Jr.", is written over the typed name.

William T. Coleman, Jr.
Secretary of Transportation







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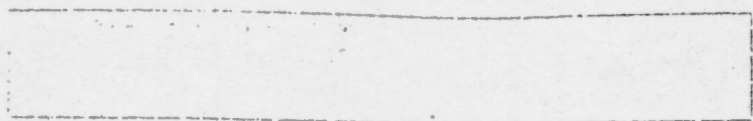
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MILITARY AIRLIFT COMMAND
SCOTT AIR FORCE BASE, ILLINOIS

ATTENTION: ARTHUR W. PURKEL, AIRFORCE CONTRACTING
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JAMES J. RICE
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MILITARY TRAFFIC

THE WHITE HOUSE

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MEMORANDUM FOR THE FILE

FROM: Rod Hills

SUBJECT: Discussion points on war risk insurance granted PanAm for flights to, from and over Vietnam, Cambodia and Laos.

Because of the increasing war risks in the Vietnam area, PanAm's commercial carrier (Lloyd's) notified PanAm approximately ten days ago that its premium rates would increase dramatically and would be cancelled at 12:01 a.m. April 11th.

PanAm notified the President by letter of April 7 that it could not fly into Saigon without war risk coverage and asked the President to authorize the Secretary of Transportation to grant Title XIII coverage.

The Secretary of Transportation found as required by Title XIII, that PanAm could not secure insurance adequate for flights into and out of Vietnam on reasonable terms and requested the President's approval to grant Title XIII coverage.

In fact, the Secretary quite some time ago had delegated such authority in the Department of Transportation to the Federal Aviation Administrator so that the statutory certification of the Secretary of Transportation was in fact made by that official.

The Federal Aviation Administrator also pursuant to specific delegation makes the determination of the premium to be paid by PanAm for such coverage. By long-standing practice that premium is set at about the rate charged for such war risk coverage to other carriers flying obviously to other spots. The premium to be set for this coverage is slightly above that which PanAm was paying prior to the increase in war activities around Saigon.



PanAm wrote the President also to point out that the Department of Transportation under Title XIII could not give the complete coverage previously given by PanAm's commercial insurance program and that PanAm therefore would need a broader indemnification from the government than the Department of Transportation could give. After consultation between the Secretaries of State, Transportation and Defense, and the National Security Council, it was determined to be in the national interest to maintain scheduled air service into Saigon. In response the Department of Defense has granted the additional indemnification that PanAm required for such continued service.

By reason of the above facts, PanAm will be insured as of 12:01 a.m. for essentially the same risks that were previously covered by a commercial carrier and PanAm will pay a premium slightly in excess of what it was paying prior to the recent increase in war activities.

The Department of Defense regularly provides complete war risk coverage for chartered aircraft operating in and out of war risk areas for the evacuation of refugees and for other humanitarian purposes.

It was determined by the above governmental officials that the cancellation of scheduled air service by PanAm into Saigon would severely hinder the departure of American citizens and would place additional demands for U. S. military help in removing civilians.

Attached are copies of the documents considered by the President in approving the Title XIII coverage. It should be emphasized that Presidential approval as required by statute was directly solely to the Title XIII coverage of the Department of Transportation and was not required for the broader indemnity granted by the Department of Defense.

Attachments



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The Federal Aviation Administrator also pursuant to specific delegation makes the determination of the premium to be paid by PanAm for such coverage. By long-standing practice that premium is set at about the rate charged for such war risk coverage to other carriers flying obviously to other spots. The premium to be set for this coverage is slightly above that which PanAm was paying prior to the increase in war activities around Saigon.



PanAm wrote the President also to point out that the Department of Transportation under Title XIII could not give the complete coverage previously given by PanAm's commercial insurance program and that PanAm therefore would need a broader indemnification from the government than the Department of Transportation could give. After consultation between the Secretaries of State, Transportation and Defense, and the National Security Council, it was determined to be in the national interest to maintain scheduled air service into Saigon. In response the Department of Defense has granted the additional indemnification that PanAm required for such continued service.

By reason of the above facts, PanAm will be insured as of 12:01 a.m. for essentially the same risks that were previously covered by a commercial carrier and PanAm will pay a premium slightly in excess of what it was paying prior to the recent increase in war activities.

The Department of Defense regularly provides complete war risk coverage for chartered aircraft operating in and out of war risk areas for the evacuation of refugees and for other humanitarian purposes.

It was determined by the above governmental officials that the cancellation of scheduled air service by PanAm into Saigon would severely hinder the departure of American citizens and would place additional demands for U. S. military help in removing civilians.

Attached are copies of the documents considered by the President in approving the Title XIII coverage. It should be emphasized that Presidential approval as required by statute was directly solely to the Title XIII coverage of the Department of Transportation and was not required for the broader indemnity granted by the Department of Defense.

Attachments



White House
Washington

WHAS58(1709)(1-036315A104)PD 04/14/75 1659

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1975 APR 14 PM 6 10

ZCZC 001 OAKLAND CA APRIL 14 1975

PMS PRESIDENT OF THE UNITED STATES

GERALD FORD

C/O WHITE HOUSE OFFICE

1600 PENNSYLVANIA AVE

WHITE HOUSE DC

(DUPLICATE AND CORRECTED COPY)

BTB: 11:30 P.M. LOCAL SAIGON 14 APRIL

THIS MESSAGE IS ALSO BEING SENT TO ALL MEMBERS OF THE CABINET, ALL



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MEMBERS OF THE CONGRESS, THE GOVERNORS OF ALL STATES AND TO THE PRESS.

WORLD AIRWAYS HAS OVER \$22 MILLION DOLLARS WORTH OF IN FLIGHT EQUIPMENT CURRENTLY ON GROUND IN SAIGON PLUS COCKPIT AND CABIN CREWS AND OTHER EMPLOYEES. WE HAVE JUST BEEN NOTIFIED BY YOUR HIGH RANKING AND ESTEEMED COMMANDING GENERAL OF THE MILITARY AIRLIFT COMMAND, GENERAL PAUL CARLTON, THROUGH HIS SUBORDINATES, MESSRS. PURKEL AND KLOECKNER, WITHIN HOURS OF MY FORECAST OF THE FALL OF SAIGON, THAT OUR CONTRACT WITH THE MILITARY AIRLIFT COMMAND FOR THE SUPPLY OF FOOD TO CAMBODIA HAS BEEN TERMINATED EFFECTIVE THIS DATE; LEAVING THE COMPANY WITHOUT ANY INSURANCE



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6 COVERAGE WITH RESPECT TO THE AIRCRAFT IN QUESTION, WITHOUT ANY
7 COMPENSATION FOR ITS AIRLIFT CAPABILITY IN THIS EMERGENCY AND WITHOUT
8 ANY GUARANTEE FOR THE SAFETY OF THE EQUIPMENT OR ITS CREWS BY
9 YOUR ADMINISTRATION.
10

11
12 THERE IS NO WONDER THAT THE PEOPLES OF THE WORLD HAVE LOST
13 THEIR CONFIDENCE IN THE U.S. GOVERNMENT AND ITS PEOPLE. WITH DUE
14 RESPECT TO YOU AND YOUR WORLDWIDE PROBLEMS, MR. PRESIDENT, I
15 STRONGLY URGE THAT YOU GET THE INCOMPETENTS OUT OF HERE
16 IMMEDIATELY AND APPOINT SOMEONE WITH THE INTELLIGENCE, COMPETENCY
17 AND THE GUTS NECESSARY TO GET THE JOB DONE. YOU DON'T HAVE DAYS OR
18 WEEKS--YOU ONLY HAVE MINUTES.
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24 RESPECTFULLY YOURS,

25 EDWARD J. DALY
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6 PRESIDENT AND CHAIRMAN OF THE BOARD
7 WORLD AIRWAYS, INC.
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