

CIA Sold Airline Cheap --

Second of Two Parts

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The CIA sold a Miami-based air cargo firm, with a stockholder equity of \$1.2 million, for \$2.1 million to an aviation executive who had fronted for the agency's ownership of the company and who promised to pay back \$3 million the CIA had loaned it.

Aside from that \$3-million debt, the company, Southern Air Transport, had only \$868,490.09

in liabilities — compared to more than \$5.1 million in assets.

"It was a long, hard, arms-length transaction," says Stanley G. Williams, since 1962 the president and chief operating officer of the CIA-owned business and since Dec. 31, 1973, its true owner. (Williams originally offered to buy the firm, free of any debt to the agency, for \$4.5 million.)

Thus, ended 13 years of complete government ownership of the firm, an ostensibly private

airline that during that time had earned nearly \$3 million in profits while serving as part of the CIA's secret paramilitary air force.

NONE OF THOSE profits were passed along to the government in the form of dividends — even though two of Williams' fellow directors said they thought the money had gone to the treasury. Rather, the profits were used to finance Southern Air Transport's growth.

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That growth — the firm had been rather small in 1960 when the CIA bought it outright for \$300,000 from its founder, F.C. (Doc) Moor, and Williams, Moor's second-in-command — was also aided through millions of dollars in credit made available through other CIA-owned companies.

Williams, however, argues that other, truly private supplemental airlines — nonscheduled

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passenger and freight operations — had experienced more growth during the 1960s and early 1970s than Southern Air transport.

He also defends the purchase price ("I tried and pressed to get the very best purchase I could do. Wouldn't you? Isn't that the best way to do business?") and says that everything was done legally.

WHILE THERE is some speculation that the agency may have decided it could get more money selling it to Williams than it could by putting Southern Air Transport on the open market or simply dissolving the company and selling off its assets, The Herald has been unable to find any appraisals reflecting this.

The agency would not have been bound to sell Southern Air Transport to a higher bidder anyway, since legislation creating the CIA gave the director of Central Intelligence a freer hand in handling finances than any other bureaucrat in Washington. (The House Govern-

ment Operations Committee did inquire about the sale in a letter to the Civil Aeronautics Board, asking whether it was counter to government procedure for disposing of surplus property. The CIA responded — with a letter marked "classified.")

Williams did not get quite as good a deal as he had wanted, or as the CIA had planned to give him, even after the price was settled on: the original plan was for him to buy the company outright and continue to operate it as a globe-spanning common carrier.

WHEN THE AIRLINE'S competitors complained — saying Southern Air Transport had grown through illegal government subsidies — the company surrendered its status as a certificated airline. That took it out from under the CAB jurisdiction and allowed the CIA to sell it however it pleased, without further hearings.

The change of status reduced the value of the firm somewhat, but not devastatingly so. It can still fly wherever it wants, so long as it's doing so on a contract basis. When asked whether he would resell Southern Air Transport today for \$4.5 million, Williams replied, "No."

The maneuver allowed the CIA to preserve what was left of the rather tattered veil of secrecy surrounding its network of airlines by disposing of the firm quietly. However, by late 1973, a number of the air proprietaries had been publicly identified. Essentially all that was left unknown were the details of the financial arrangements and of the missions assigned to the airlines.

AGENCY OFFICIALS decline to discuss these details.

Public records and interviews with persons connected with Southern Air Transport, however, do reveal how the agency acted in the financial affairs of that airline:

• After purchasing the company in 1960, it simply installed a group of titular stockholders and directors

Southern Air Transport Airfreighter at Miami International in 1971

...charges of paramilitary use by CIA are still unresolved

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Preserved CIA Secrecy

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rather than holdovers.

- Ownership-reporting requirements of the CAB apparently were treated with what competitors complained was "little more than disdain." One instance cited was the way in which Southern Air Transport reacquired — apparently without reporting the transaction — 20 per cent of the company which it swapped in 1966 for the \$1.1 million in assets of another firm, Foreign Air Transport Development. Those assets included two airplanes.

- Beginning in 1960, the CIA began financing the expansion of the airline by having its principal airline proprietary, Air America, sell Southern Air Transport two DC-6's, each worth \$865,000, entirely on credit. Subsequently, Air America would lend the airline and its holding company, Aetus Technology Inc., more than \$16.7 million. Additionally, the Pacific Corp., a CIA-owned holding company, would guarantee two loans totaling \$6.66 million from the Manufacturers Hanover Trust Co. James Bastien, Southern Air Transport's attorney, claims that some of the loans were merely renewals of earlier notes. They are listed individually, however, in a summary filed with the CAB. Southern Air Transport also lent Air America nearly \$2 million, according to CAB records.

- What profits it earned, Southern Air Transport kept, even though two of the directors say they thought the money was passed to the government. "We made several million dollars for Uncle Sam," said one, proudly. Williams, however, says, "There wasn't any dividend paid that I know of, as you and I would think of it if we were stockholders." By the time Williams agreed to purchase the airline, its books showed \$2,821,583.24 in "retained earnings."

The fiction that Southern Air Transport was privately owned was continued even throughout the initial stages of the CAB hearings into Williams' proposal to acquire control of it, the stages which occurred before Southern Air Transport's attorney, Bastien, convinced the CAB to order the hearings closed to the public and to swear all participants to secrecy.

EXHIBITS SUBMITTED in the

case include financial statements which showed Williams as owning a third of Southern Air Transport and the holding company. Williams' holdings were valued at \$1,432,000.

Moor, however, until his death in September, 1972, had been listed in CAB documents as owning, in his own behalf, a quarter of the airline and the holding company. Yet his estate, according to probate court records, amounted to roughly \$200,000 — with no mention of any stock in the airline.

Recently, Williams and the other two director-stockholders — Percival Flack Brundage and E. Perkins McGuire, respectively the director of the Bureau of the Budget and an assistant secretary of defense during the Eisenhower Administration — have all acknowledged in interviews that they were only nominees

and did not actually own the airline.

BASTIEN, who was formerly an attorney and a director of Air America and is still the attorney for Southern Air Transport, objected during the CAB hearings, however, even to competitors' prehearing briefs alleging that Southern Air Transport was CIA owned.

Bastien, interviewed at the Miami International Airport offices of Southern Air Transport, said he sought closed hearings in the case because of "certain sensitive items that were going to be discussed."

What is not known about Southern Air Transport is precisely what it did during the 13 years the CIA owned it, other than that it did transport both men and material in Southeast Asia and that it did receive a total of \$6.8 million in payments from the "Logistical Support Group."

Among Southern Air Transport's commercial clients was the Chilean government of President Salvador Allende. Before Allende was toppled in a CIA-connected coup, his Department of Agriculture hired Southern Air Transport to fly in beef from Mendoza, Argentina. "As far as I knew, all we ever flew was meat," says Williams.

Others, however, have attributed

a more direct paramilitary role to Southern Air Transport.

COLUMNIST Jack Anderson quoted Victor Marchetti, a former CIA officer and co-author of "The CIA and The Cult of Intelligence," as saying in 1971 that "the sole purpose for the existence of SAI is that the CIA be ready for the contingency that some day it will have to ferry men and material to some Latin American country to wage a clandestine war." And The New York Times, in 1973, quoted unidentified sources as saying the airline appeared to have performed extensive paramilitary functions in both the Congo and the Caribbean, as well as in Southeast Asia.

Williams declined to discuss the paramilitary operations of the airline, but did dispute the story about Congo and Caribbean activities.

Those days, it appears now, are past in any case. Southern no longer has its routes, no longer spans the globe. One of its giant E-100 Hercules cargo planes is leased to a company in Alaska; the other is flying personnel and pipeline equipment to Africa for Texas. Its DC-6 is leased to a Detroit firm. Williams says. Its Pacific division has been disbanded. Its only manufacturing facilities are located at Miami International Airport. The payroll has been cut to less than 100 persons.

The CIA's decision to get rid of Southern Air Transport — although Williams said it was he who suggested he take it over and run it again as a private firm — coincided with the scaling down of U.S. involvement in Southeast Asia. From 1968 through 1972, the trans-Pacific operations had accounted for 58 per cent of the airline's air miles and 60 per cent of its revenues.

"(The purchase) was consummated and we're trying very hard to keep it going and to keep work for people," says Williams. "And I try to operate it in as prudent a fashion as possible."