

2. The Sale of Southern Air Transport, Inc.

Southern Air Transport Incorporated (SAT) is an American air carrier, incorporated in the State of Florida on October 31, 1949. From its inception until its purchase in 1960 by the Central Intelligence Agency, it was privately owned. It was purchased by the CIA on August 5, 1960, and owned by the CIA through December 31, 1973 when the Agency sold the firm back to one of its original owners.

The decision to acquire Southern Air Transport was triggered by a change in the regulations governing the award of Military Air Transport Service (MATS) contracts. On April 1, 1960, Air America had begun flying a seven month MATS contract operating out of Tachikawa Air Force Base in Japan, to other Pacific locations. In June of 1960, the Department of Defense and the Civil Aeronautics Board changed the regulations governing the awarding of MATS contracts to require that bidders hold at least a Supplemental Certificate of Convenience and Necessity for an air carrier and that they participate in the Civil Reserve Air Fleet Program. Air America did not meet either of these new criteria and could not obtain appropriate waivers.

The Air America heavy airlift capability represented an American asset for use in future operational contingencies throughout the Far East area. Loss of the MATS contract would result in underutilization of aircraft and air crews, and the revenues were needed to sustain these assets. Therefore, the CIA proposed that either Air America should obtain the necessary certification, or that the Agency should buy another commercial firm that already held these certifications. The October 1, 1960 contract date, the need for public hearings, and lengthy proceedings militated against Air America applying for the certificate. In order to avoid lengthy public hearings, which would be time-consuming and generate public exposure, it was decided that the ownership of the company to be acquired must be kept completely separate from Air America. This solution was concurred in by the CAB, DOD, the CIA, and Air America management.

It was anticipated that if the new company were awarded an ongoing MATS contract, it would actually perform the flying service but would use equipment under conditional sale from Air America and would employ personnel transferred from Air America. Under inter-company agreements Air America would provide all maintenance work, ground handling, and other services for which it would be reimbursed by the new company. In this way, Air America would share in the revenues generated by the MATS contracts. The proposal to purchase a supplemental carrier and operate it under the above arrangement was approved by Director of Central Intelligence Allen Dulles on July 15, 1960. Funds from the Clandestine Services budget for FY 1962 were made available for the purchase.

After World War II there had been over 200 supplemental carriers in existence. By 1960 only 18 were still operating. Air America management made a survey of the 18 and determined that Southern Air Transport in Miami, Florida, was the most attractive as a purchase possibility. It operated two C-46s—one owned, one leased—between

*← CIA conspiracy*

*Air America is CIA but the air proprietaries were owned by CIA not Air America*

Miami and points in the Caribbean and South America. Its associated company owned the four acre property on which SAT was located. Moreover, it operated at a modest profit and had no long term debts.

Negotiations for the purchase of SAT were successful and on August 5, 1960, the CIA exchanged \$307,506.10 for all outstanding shares of capital stock of SAT and its real property owning affiliate. The Agency owned these shares in the name of a former board member of Air America.

Under CIA management Southern Air Transport operated with two semi-autonomous sections: the Pacific and Atlantic Divisions. The Pacific Division performed the MATS contract and supported Agency "heavylift" requirements in East Asia. The Atlantic Division continued to operate in the Caribbean and South America; doing the same sort of flying SAT had done prior to Agency acquisition. The Atlantic Division was also able to furnish support for certain sensitive operations. At the peak of its activities, the SAT fleet, comprised of both owned and leased aircraft, included Douglas DC-6, Boeing 727, and Lockheed L-100 Hercules aircraft.

The Sale

In 1972 it became apparent that the Agency's air capabilities exceeded its needs, and that political realities and future operational requirements in the post-war era of Southeast Asia would not require large air proprietary assets. On April 21, 1972, the Director of Central Intelligence authorized the divestiture of CIA ownership and control of the Air America complex and Southern Air Transport. He approved recommendations calling for: Air America to be retained until the end of the war in Southeast Asia; the immediate elimination of the Pacific Division of SAT; the sale of two 727 aircraft leased to SAT by Air America; and subsequent divestiture of Agency ownership and control of the remainder of SAT.<sup>88</sup> Specific note was made that conflict of interest should be avoided and that no employee should receive a windfall benefit as a result of these transactions.<sup>89</sup>

In May 1972, two Agency officials met with the Chairman of the Civil Aeronautics Board and his Administrative Assistant to seek informal advice as to the best way to disengage from SAT. Three alternatives were discussed: (1) dissolve the company and sell the assets; (2) sell the assets to the current operators of the company; (3) sell SAT to, or merge SAT into, one of the other supplemental carriers.

The CAB chairman discouraged option (3) because it would involve public hearings and would be subject to criticism by the other supplementals: Option (1), although least troublesome from the legal

<sup>88</sup> The Director determined that "we no longer should retain air proprietaries purely for contingent requirements and that on the record, therefore, the Agency should divest itself of the Southern Air Transport complex entirely." He stated that the desirable course of action would be dissolution, although he realized that the problems were many and complex. Also, he did not rule out other solutions which might achieve the end and yet better satisfy the interests of all concerned.

<sup>89</sup> A condition imposed by the DCI was that "in the disposition of any of the assets involved nothing inure to the benefit of Agency employees or former employees or persons whose relationship with the Agency has been or is of such a nature as might raise a question of conflict of interest."

*This entire story is full of lies deceptions and omissions; no mention of 5 or 6 other ex non-sked carriers owned by the CIA.*

*On June 1959 USOA was approached by Howard Hughes & TWA officials to sell it a cargo DC6 plane. Elaborate negotiations and entertainment took place, arranged by Hughes aware USOA was not at that time that it was all a scheme to examine us for the CIA*

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In June 1959 USOA was approached by TWA by a V. P. Gordon Gilmore when he called me in Pittsburgh on June 20.

His message was that Howard Hughes had a Douglas DC6A and would I be interested in buying it. I said yes and flew to N.Y. with my 7 year old daughter, Maureen.

Mr. Gilmore picked us up at the TUDOR hotel in a limosine. Upon arriving at Idlewood I was given a

TWA Cockpit privilage pass, and Miss Riley the chief stewardess was assigned to accompany Maureen. Enroute ~~to~~ <sup>to</sup> ~~the~~ <sup>to</sup> ~~day~~ <sup>to</sup> ~~cake~~ <sup>to</sup> was given to Maureen ~~on~~ <sup>on</sup> ~~her~~ <sup>her</sup> ~~birth~~ <sup>birth</sup> day but celebrated anyway.

②

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We flew on one of TWA's new 707s non stop to Los Angeles. Upon arrival at the foot of the passenger stairway were three distinguished men.

It looked like a shot from the TV show "Mission Impossible". I thought what a show Howard Hughes puts on to sell an airplane.

Bob Connely assistant to the Pres. of Convair told me that "Howard wants me to be here".

Leonard Schwartz is the Howard Hughes spokes-man in this area. Extensive meetings all day lasted for ~~for~~ five or six days

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Although curious, I regarded it as the way the fabulous Howard Hughes does business.

Actually we learned some 15 years later that USOA was being examined for the CIA, when they were deciding what air carriers that they would make their own "air proprietaries".

USOA was not selected. Robert Rousselot who had been the commanding CIA officer, of Civil Air Transport, in Taiwan, told me that "We made a mistake in not selecting USOA". So much for the criminal activities of the CIA.

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Since the DC6 was a cargo plane and needed windows the Huger Company made arrangements to obtain them from Olympic Airlines in Athens.

This conference from its beginning in New York, to the Beverly Hills Hotel was so well conducted, so opulent, so luxurious, so incredible, considering a simple sale of an airplane a limousine with driver was parked at the hotel. The meeting abruptly ended and all further negotiations ceased.

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