

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

Copy No. 2

2003

~~TOP SECRET~~

MEMORANDUM FOR THE RECORD

5 October 1954

SUBJECT : Purchase of Airplanes in Connection with Project PBSUCCESS

REFERENCE: Memorandum for the Record, from COA/DDP, subject "PBSUCCESS Accountings" dated 28 September 1954.

1. Mr. [] expressed dissatisfaction with the way in which procurement of F-47 airplanes for PBSUCCESS was handled on two grounds.

a. With regard to the first group of three aircraft, procurement of which was completed on 16 June, he stated that the planes were sold to [] for [] each, that it was understood that [] would be covertly reimbursed for only two of the planes, which should have cost about [] but that [] was in fact paid to [].

b. With respect to the second group of three planes procured about ten days later, Mr. [] stated that by the terms of a Presidential decision they were to remain the property of the United States and to be recovered by the United States after their employment in PBSUCCESS but that in fact they passed out of the hands of the United States and remained physically in Central America.

2. The salient facts concerning the first group of three planes are as follows:

a. It was understood by all concerned that "The Group" would reimburse [] not only for the cost of the planes themselves but also for the cost of necessary spares and combat equipment.

b. Prior to the conclusion of the transaction, this Agency was given an estimate of [] as the cost per plane on this basis by Colonel [] of Mr. [] Office who in turn obtained this estimate from a Mr. Kern who is a costing officer in the Department of Defense.

c. The F-47 planes were billed to [] at [] each (as stated by Mr. []), excluding spares and combat equipment.

d. The total cost per plane, including spares, GHE, communications and weapons spares, related test equipment, and one spare engine each was actually billed as [].

e. In addition to these costs, [] was charged [] per plane for the packaging, handling and delivery of planes and spares to []. He also purchased [] worth of ammunition per plane. Accordingly, he was billed a total of [] per plane for costs incurred over and above the cost of the planes and spares.

~~TOP SECRET~~

~~TOP SECRET~~

f. All these costs (which are itemized in the table below) were covered by a payment of [] for the three aircraft by [] on 15 June. [] was reimbursed in part for these costs by a payment of [] made [] on or about the 27th of June ostensibly on behalf of "The Group". It is therefore clear that reimbursement at the rate of [] per plane was less than the actual cost of planes plus spares and was only about 55% of the cost of the delivered planes, spares and ammunition.

g. The following are the itemized charges taken from a Department of Defense data sheet []

Line Item	Description	Qty	Estimated Unit Cost	Estimated Total Cost
1.	F-47A Aircraft	3 []	[]	[]
2.	Spare Parts (Maintenance for Aircraft)			[]
3.	GHE, Communications & Weapons Spares and related test equipment for Aircraft			[]
4.	3 Spare engines for Aircraft			[]
5.	Estimated cost of Aircraft and spares		Per Plane []	[]
6.	Ammunition requested by []			[]
7.	Packing, handling, crating, inland transportation, other direct operating costs			[]
8.	Ferry delivery of Aircraft []	[]		[]
9.	Airlift of spares, ammunition and related items from Mobile, Alabama, []	[]		[]
10.	Estimated Grand Total		Per Plane []	[]

3. As to the propriety of reimbursement for all three aircraft rather than for two, I gravely doubt whether there is in existence any written record of an agreement between [] and a representative of "The Group". I believe, however, that the record is contained in our communications with LINGOLE and with our field representatives.

a. At one time or another during the months of May and June a number of different arrangements were discussed within the U.S. Government and at least several were discussed with [] by a representative of "The Group". For instance, in late May the State Department advised CIA that [] had been given an opportunity to purchase eight F-47 planes at [] each. CIA suggested an approach to [] with an offer to provide "some part of the purchase price" on two planes

~~TOP SECRET~~

~~TOP SECRET~~

-3-

which would be made available to Armas. Then on 6 June [] [] requested the Department to provide him with three F-47 planes on a 30-day trial basis with an option to buy. This was turned down. On 10 June the CIA authorized a representative of "The Group" to offer to pay for three planes. This offer was promptly acted upon by [] [] It is clear that the arrangement to reimburse for two out of three planes, which Mr. [] remembers as a definite agreement with [] [] was discussed with him late in May but that an offer to reimburse for all three had been made (with CIA Headquarters approval) and accepted prior to the overt purchase transaction.

b. Although this plan was discussed in general with the State Department and it was understood in CIA that [] [] purchase of planes which would later be made available to Armas required Department approval in principle, it was never believed that the specific financial arrangements required approval outside of this Agency. It is for this reason that the terms of the final arrangement with [] [] may not have been known to anyone in the Department.

4. The more important facts concerning the disposition of the second group of three planes are as follows:

a. No one on the CIA staff seems to have been aware of a decision that the second group of planes should be withdrawn physically from the area and returned to overt U.S. possession at the close of the operation. Even if this result had been clearly understood to be desired, however, it could not have been achieved, as the event proved, in the face of contrary desires by [] [] and Armas, since the planes and other equipment were firmly in the possession of the former at the close of hostilities and since all negotiations concerning the second group of aircraft had to be conducted secretly and ostensibly on behalf of a private group which could invoke neither legal nor diplomatic sanctions.

b. As things turned out, one of the original three planes was damaged on landing after a mission and subsequently became a total loss. Another plane from either the first or second group crashed in Chiquimula and was a total loss. Accordingly, if [] [] was to be left with three planes intact representing his original overt purchase, only one remained for disposition in any other way.

c. Immediately after the cessation of hostilities, when it became apparent that the planes would no longer be required, at least three considerations confused the whole question of their disposition. First [] [] was unwilling to give up custody of the planes until assured that he would receive replacements, at least for those he had purchased. Second, despite his desire to retain custody of these assets, he made clear that he would greatly prefer to turn them over to Armas and have them replaced so combat damaged aircraft would not be on hand at [] [] as evidence of his participation in the civil war. Third, the State Department was firmly opposed to the appearance of any of these planes in Guatemala on the ground that they would give evidence of U.S. support of Armas. Subsequently, however, the State Department (in the person of Assistant Secretary Holland) agreed that Armas should be able to produce in Guatemala at least one aircraft in order to account for his previous display of air power. At the same time the Department did not wish any more planes sold to [] [] or to anyone else in the area. Accordingly it was determined (in consultation with the State Department) that the most plausible outcome would be achieved by turning one of the

~~TOP SECRET~~

four remaining planes over to Armas and leaving three in the possession of []
This was acceptable to [] and was the arrangement finally made.

5. In assessing the prudence displayed by the CIA in these transactions, it is essential to take into account: (a) The extreme urgency under which they were carried through, (b) The heavy dependence of PRSUCCESS upon [] support which gave him very great bargaining power, (c) The impossibility of exerting formal diplomatic pressure upon [] since CIA representatives were ostensibly speaking for a private group, and (d) The sheer physical difficulty of concluding in advance a detailed agreement covering all phases of the transaction, which had to be negotiated in a hurry, through a long crowded communication link, and through a representative whose primary duties and interests were operational. When these considerations are taken into account I believe the arrangements as they finally worked out, were entirely satisfactory. Moreover, when due weight is given to the risks incurred by [] and the assistance rendered by him to the whole operation, the arrangements seem to me wholly equitable.

RICHARD M. BISSELL, JR.
Special Assistant to the Director
for Planning and Coordination

RMB:djm
Distribution:

0-DCI

1-DDCI

1-DD/P - destroyed

1-DD/A

1-CCA/DDP - destroyed

1-WH Div.

2-SA/PC/DCI - destroyed

~~TOP SECRET~~