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The Swiss official reported seeing a cargo of small arms and commented on the unusually large number of crew members. Taking off from Geneva on 11 March with a full load of gas, the aircraft proceeded to land at Castiglione del Lago, near Perugia, Italy. Its arrival was evidently anticipated by Italian customs officials who were dispatched to the airfield. They stated later that flight clearances and "all documents for the aircraft" were in order. No report was made of the cargo, although the aircraft was later seen to have been unloaded. The aircraft eventually took off without clearance for Catania, Sicily, where, on arrival, the crew declared their intention to return to Castiglione del Lago. Instead, having left behind certain members of the crew, the aircraft took off for Paris where it was last seen on 6 May at Orly Field.

No modification of the aircraft, it is now learned, was undertaken by the Italian concern (Societa Aeronautica Italiana). This company, furthermore, denies that any contract exists between the owners of the aircraft for such work. Orders have been issued by Italian authorities to impound the aircraft involved in this incident should it return to Italian territory.

The Italian Government apparently has cooperated with Service Airways, believing it to be engaged in bonafide operations. The behavior of minor Italian officials, however, in failing to report the C-48 incident to American authorities in Italy and in apparently expediting the aircraft's movements, indicates that the cargo of arms probably was unloaded and disposed of with their knowledge and collusion. Since this operation took place prior to the Italian elections, it was suspected at first that its purpose was to aid the Communists. Sufficient evidence is now available, however, to attribute the activities of the crew of this aircraft to illegal traffic in arms for the Jewish underground. (Left-wing Italians are actively collaborating with the Jewish movement and following the party line laid down by the USSR in sponsoring partition of Palestine.) Latest investigation discloses that an Italian lawyer named Massimo Teglio, of Jewish race, and President of the Genoa Aero Club, "arranged clearance for the aircraft" into Italy and was in close contact with the crew during the entire period of their stay.

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Two crew members of this aircraft who, with some others, did not accompany the aircraft to Paris, were later held in custody by Greek police, having landed at Rhodes for gasoline. These men were cooperating with British pilots engaged in flying four Anson aircraft to Palestine to join the nucleus of a Zionist air force.

Two C-46 air transports (also believed owned by Service Airways) have now arrived at Rome from Nice and are being held by Italian authorities for failure to obtain entry permits and for other irregularities. These aircraft (together with a third which crashed, killing two crew members, an Englishman and a Canadian) were reported bound for Palestine.

#### Example B

Ocean Trade Airways, Inc. is an irregular carrier which operates from an airfield at Laurinburg-Maxton, North Carolina, about twenty-five miles from Pope Field (USAF base) of New York, owner of the airline, and most of the operating personnel are employed by American Airlines on a part time basis. When working for Ocean Trade Airways, crews wear American Airlines uniforms with the company insignia removed. The airline apparently has a heavy schedule of commitments and is flying DC-3's as well as C-54's on missions to South America and Europe.

A C-54 transport plane owned by this company landed with an American crew at Prague, Czechoslovakia, on 31 March. It was immediately surrounded and isolated by Czechoslovak security police and 36 cases weighing a total of 14,000 pounds were loaded onto the aircraft from two large trucks. The plane took off immediately without obtaining the necessary clearances from airport officials. Their protests, however, were overruled by the Chief of Security Police who stated that this was a government operation. The aircraft returned the following day and the pilot and crew were interrogated at the US Embassy. In a sworn statement, Lerner admitted being in charge of the flight and revealed that Ralph Cox of New York owns and operates a charter airplane

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A N N E K

1 June 1948

CLANDESTINE AIR TRANSPORT OPERATIONS BY US CITIZENS  
AND US-OWNED AIRCRAFT IN AREAS OUTSIDE THE US

SUMMARY

Incidents involving the clandestine transport of munitions by air, as well as the delivery of aircraft into foreign areas of extreme political sensitivity, are rapidly increasing. US-owned aircraft with US crews are directly participating in these activities which extend through Central and South America to Europe, North Africa, and the Near East. These aircraft evade foreign customs regulations as well as flight regulations and requirements for permits of entry and departure (See Appendix "A").

Certain wealthy private American interests engaged in these activities have registered their aircraft in foreign countries in order to avoid restrictions which might be imposed by the US Government on US-flag non-scheduled carriers.

It appears that US controls over export of US aircraft from the US are successfully evaded, and permits for departure of US non-scheduled commercial aircraft from the US are obtained by fraudulent means. Passport visas for US crew members are obtained by subterfuge and perjury.

CONCLUSIONS

The US national security is unfavorably affected by the irresponsible activities of certain US-owned irregular air carriers operating outside the US, and can be seriously jeopardized through the current illicit traffic in "implements of war" undertaken by these carriers. These operations can:

NOTE: This report is a consolidation of information obtained through channels of the Department of State, Department of the Air Force, Department of the Army, and the Central Intelligence Agency. The Central Intelligence Agency, while having no responsibility for investigation of occurrences within the US, nevertheless includes in this report certain information directly bearing on the subject, which has been obtained in the US by agencies other than CIA.

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Regraded per  
CIA MEMO WND 760057 19 JUL 1976  
287 29 JUL 1976

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EXEMPT from Declass.

Per E. O. 12065, Sec. 3-4

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service under the name of Ocean Trade Airways. The plane was chartered in Paris by Lerner to a British subject named Cooper, without the knowledge of [redacted] under the general authority given by Cox to Lerner to carry freight while in Europe to "various destinations." The pilot stated his cargo to have been "hand tools and surgical instruments" which he flew in a non-stop flight to Beit Daras, Palestine.

[redacted] This particular aircraft, together with some C-48 transports have been engaged in shuttle flights to Palestine. The aircraft have been identified on Czechoslovak military airfields and in each instance were well guarded and all inquiries were turned aside.

These operations appear to be sponsored by the Czechoslovak Government, but, as the Czechoslovaks have recently had an arms mission in Cairo attempting to sell munitions to the Egyptians, it is uncertain whether aid is being flown to the Jews or Arabs, or both.

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and also to Europe via the US, Greenland, Iceland, France, Switzerland, and Italy. It appears that a European headquarters exists under cover in Rome. Evasive tactics are used at all times to conceal the routes flown, cargo carried, and ultimate destinations. Ferry aircraft are now establishing bases at undisclosed foreign airports for repair and maintenance of cargo aircraft shuttling munitions to the Mediterranean area.

To cover the international operations of Service Airways, a Panamanian subsidiary, Lineas Aereas de Panama S.A. (LAPSA) was set up and to date three Constellations and eight or nine C-46's have been transferred to Panamanian registry. Service Airways has appeared to comply with US law to the extent that it notified the Civil Aeronautics Administration of the transfer; thus these aircraft have been dropped from the lists of US aircraft as having acquired foreign status. It is common practice to grant foreign aircraft permission to make non-commercial stops in transit of the US, upon application to CAA. Service Airways has taken advantage of this fact in transiting the US and has obtained export licenses for its cargoes bound for Europe, correctly assuming that actual cargoes are rarely examined.

The history of a single operation undertaken by an aircraft owned by Service Airways is here cited as typical of a traffic which has now grown to large proportions. A C-46 air transport carrying a Jewish American crew departed from the US for Italy early in March 1948. The crew obtained clearance for the aircraft and US visas for themselves by false statements and the exhibition of letters from their company. This correspondence implied that a contract existed with an Italian aircraft manufacturing concern for the conversion of several aircraft from cargo to passenger accommodation. The aircraft took off from a New Jersey airport and was next reported at Geneva, Switzerland, having flown the route by way of Greenland, Iceland, and France. The crew, dressed in US Army uniforms without insignia, permitted only the Swiss airport superintendent to board the plane. Secrecy evidenced by the crew, and the fact that they were wearing uniform caused the Swiss official to believe that this was a US Air Force operation and no inquiry was made other than to learn that the aircraft's next destination was Rome.

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- (a) Further the overall objectives of the USSR and other nations unfriendly to the US by increasing the military potential of forces engaged in conflict in various highly sensitive areas.
- (b) Prolong hostilities in Palestine through aid to either Arabs or Jews, or both.
- (c) Strengthen the military potential of irregular guerrilla forces (Greece) operating in direct opposition to the US.
- (d) Effect liaison with left-wing political groups in foreign countries for the delivery of arms, thereby increasing the threat of force against local parties opposed to Communist doctrine.
- (e) Promote protests to the US from friendly governments causing embarrassment and loss of US prestige.

A P P E N D I X "A"

The following examples are selected in support of the above conclusions:

Example A

Service Airways, based at Burbank, California, is owned by a group of US veterans. Martin Bellefond is president of the company. A well-known Jewish personality named Wiseman, however, is financing the operations of Service Airways and is reported to have a fund of several million dollars at his disposal. (Wiseman was associated with the illegal export of explosives by ship from Newark, New Jersey, in January 1948.)

Service Airways has purchased three Constellations and approximately twelve C-46 air transports. This company has engaged in flights from Panama to Venezuela, Mexico, North Africa,

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