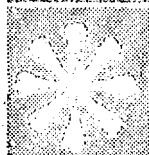


How the CIA Runs Secret Airline in Asia



SPECIAL REPORT

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WASHINGTON — The CIA, in supersecrecy, is running an airline in Southeast Asia with as many planes as Pan American — and about as many employes as the CIA itself — some 18,000.

Although virtually unknown to the U.S. public, which pays the bills, it ranks in numbers of planes among the half-dozen largest U.S. air carriers.

The airline is called Air America Inc., and it probably is the world's most secretive airline.

Its pilots — supposedly "civilians" — have manned T28 fighter-bombers on raids in Laos, according to the Pentagon papers.

THEY OFTEN fly hazardous missions in Laos, carrying troops into battle — and the wounded out.

They play the role of a part-time air force to many "irregular" of guerrilla fighters for a secret, CIA-sponsored guerrilla army in Laos.

Says a former CIA official: "Without Air America there could never have been a Laotian war."

Air America also carries freight, owns and operates Asia's largest aircraft maintenance facility, carries passengers, evacuates refugees, drops rice to the starving — and carefully hides its activities.

THE STORY of Air America, in fact, is one of the most intriguing of the U.S. involvement in Southeast Asia, shrouded in Oriental mystery.

Its mysteries, however, have now attracted the attention and concern of congressional investigators.

For the first time they have become fascinated with Air America — as well as with other CIA-related airlines that long have provided "cover" for clandestine U.S. activities.

Air America simply is the largest of a highly complex structure of secret, and semi-secret, CIA-related corporations with interests in air power.

"Nobody on Capitol Hill seems to know exactly what Air America does," says one investigator.

"But I can guarantee you that we're trying to find out."

THE CORPORATION has every outward sign of complete legitimacy — a Wall Street board of directors, thickly carpeted offices in Washington, neatly marked and maintained aircraft in the Far East often doing yeoman service for the U.S. government.

Many of the services of Air America are completely open in Laos, Vietnam, Thailand, Taiwan, Hong Kong and Japan.

But then there is the covert side.

Says Victor Marchetti, a former special assistant to the CIA's chief of plans, who quit in "disenchantment" and is now cooperating with congressional committees:

"The CIA created Air America. We owned it. It did our bidding.

"The top man of Air America, the man who built it, George Doole Jr., was a CIA man."

MARCHETTI recalls seeing an internal CIO memo in which the officer in charge of Air America's budget complained that the airline had become "so huge."

"The memo complained that Air America had more employes than the CIA — and the CIA had 18,000," Marchetti says.

Marchetti recalls that at one time the CIA made a movie about its activities in Laos — hoping to get public credit for its long-secret activities.

"The big star of the movie was Air America," he says.

"It carried the supplies and weapons into battle, supported the guerrilla army of Mco tribesman, and evacuated the wounded." The movie was never shown publicly.

THE PENTAGON papers also furnished a flash of insight into Air America's activities.

In talking about the beginning phases of the escalation of the aerial war in Laos, the published version of the papers says:

"A force of propeller-driven T28 fighter-bombers, varying from about 25 to 40 aircraft, had been organized there (in Laos).

"The planes bore Laotian Air Force markings, but only some belonged to that air force. The rest were manned by pilots of Air America (a pseudo-private airline run by the CIA) and by Thai pilots . . ."

THE PAPERS also include the text of a cablegram from then Secretary of State Dean Rusk to the U.S. Embassy in Vientiane, granting "discretionary authority" to use Air America pilots in T28 fighter-bombers for search and rescue flights.

Rusk mentioned "T28 operations" as "vital both for their military and psychological effects in Laos" — but did not discuss the full scope of Air America's role.

The Pentagon papers make clear that Air America pilots were flying heavily armed combat missions as long ago as 1964.

OFFICIALLY, Air America activities are supposed to be limited to carrying cargo and men on government contracts.

Senate Foreign Relations Committee investigators in Laos in recent months have been puzzled by the fact that T28 fighter-bombers at major airbases have been unmarked except for serial numbers on their tails.

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They saw unmarked T28 Lao Air Force bombers at Vientiane, where Air America has a major facility; at Long Tieng, a large CIA base; at Udorn, in Thailand, where Air America has facilities, and at Savannakhet.

"It seems clear," the investigators wrote in a formal report, "that this procedure would allow them to be interchanged with other T28s."

A SENATE staff member explains what this was supposed to mean. "It means that nobody knows who is flying these planes and that great efforts are being made to make sure that nobody can easily find out.

"They might be flown by the CIA, by the Lao Air Force, by Air America. By Thais. By anybody.

"Who can tell what nationality the pilot is or whom he works for?"

AIR AMERICA was formed in 1953 as a part of a corporate complex in which the CIA played a major role.

It is a wholly owned subsidiary of the Pacific Corp., a holding company with many of the same officers and directors. Pacific was incorporated in Delaware with a capital of \$10,000.

Air America in turn owns Air Asia Ltd., which operates the largest and most sophisticated aircraft maintenance facility in the Far East, on Taiwan.

George Doole Jr. was the guiding spirit in setting up the corporate complex. A former chief pilot for Pan American, he holds a master's degree from the Harvard Business School.

DOOLE HAS now retired from direct management of Air America, but he remains on the board. The new managing director is Paul C. Velte Jr., also a former Pan Am hand, who had been treasurer-comptroller of Air America.

Velte, a big, gray-haired, gray-eyed, serious man, presides over his aerial empire from a pleasant, sun-soaked, gold-carpeted office in the high-rent district in downtown Washington.

He describes Air America as a "private contract carrier" which performs "contract flying operations."

"We provide the customer with the aircraft," says Velte.

"He buys the use of the aircraft and the people who operate it. He tells us what he wants to do with it."

VELTE SAYS Air America's principal government contracts are with the Agency for International Development (AID) and the Air Force.

Marchetti says there are some secret contracts with the CIA, but Velte does not acknowledge this.

Velte disputes Marchetti's estimates of the number of employes working for Air America. He says the airline, including subsidiaries, has about 8,500 employes today — and has never had more than 11,000.

Marchetti's reply is that Air America hides the actual number of employes through a variety of devices — mostly by not counting foreign nationals.

VELTE SAYS Air America operates a fleet of 170 planes.

This is about the size of Pan American in terms of numbers. Pan American is the fifth-largest U.S. carrier.

Air America has more planes than such airlines as Delta, with 136, and Northwest Orient, with 118. Many of its planes, however, are small.

It has only two big 727 jets — which Marchetti says were purchased only to try to provide better "cover" for Air America as a legitimate airline.

Velte says Air America flies 17 different kinds of planes, from huge cargo carriers to small STOL planes — for short take-off and landing.

"We're specialists in STOL," he says.

THE AIRLINE, he says, has 400 pilots—most of them Americans, and most of them recruited by ads in the United States.

"We have no combat aircraft," Velte says.

He says Air America did about \$58 million worth of business this year, with a \$3-million profit before taxes.

Because the line works only on government contracts it is not necessary to have a sales force.

Asked about connections with the CIA, Velte said:

"Well, I'm not in the CIA, and I'm running this thing."

Then he paused, smiled and said: "I remember a Pan Am executive who used to say, 'Well, we get our business where we can get it.'"

THE CONSENSUS among investigators on Capitol Hill is that most Air America money for secret activities is buried in AID contracts.

AID Administrator John Hannah, former president of Michigan State University, has complained publicly about CIA operations in AID.

He was asked on a radio program last year how he would respond to the charge that the AID program was being used as a cover for CIA operations in Laos.

Said Hannah, with unexpected candor: "Well, I just have to admit that it is true . . . We have had people that were associated with the CIA and doing things in Laos that were believed to be in the national interest."

Hannah has never made any statement since to indicate that AID's cover role as CIA cover has changed.