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Secret Task Led to Web Of Firms

Virginian Ran Covert Missions

By Dan Morgan
and Charles R. Babcock
Washington Post Staff Writers

The mission that apparently launched the network of private companies now embroiled in the Iran-contra affair took place in October 1983, when an obscure U.S. Army unit asked a retired lieutenant colonel to undertake a secret job in the Caribbean, according to informed sources.

The man was Richard B. Gadd, a recently retired Air Force officer, who would later become deeply involved in another project: the White House-directed effort to resupply the Nicaraguan rebels when U.S. military aid was cut off.

Last Wednesday, Gadd and two employees of his Vienna, Va., company were voted limited immunity by two congressional select committees in an effort to elicit testimony about the Reagan administration's use of the private network to resupply the contras.

Well before Congress voted to stop the aid as of Oct. 1, 1984, military and intelligence sources say, Gadd had established a thriving commercial business as a contractor able to provide an unusual service to the Pentagon: transporting intelligence agents and crack counterterrorist units such as the Army's Delta Force by using planes and flight plans intended to elude detection.

Gadd's abilities as a practitioner of what one source called the "black arts of covert delivery" were first put to the test just before, the

U.S. invasion of Grenada in October 1983, when the Army's special operations division asked him to arrange for the transport of helicopters and pilots from a secret Army-CIA aviation unit at Fort Eustis, Va., to the Caribbean island of Barbados.

The Central Intelligence Agency, which wanted an agent on Grenada to glean intelligence on Cuban defenses, had turned to the Army. Memories of the mechanical failures and pilot error that caused the April 1980 American hostage rescue mission to end disastrously in Iran were fresh in everyone's mind, an informed military source said, so the Army's special operations experts decided to take no chances.

The helicopters were specially equipped to fly low over water under blackout conditions, and the pilots were specially trained for such operations. A Gadd company arranged for cover by chartering a civilian L100 cargo plane in California to pick up the men and helicopters for the trip to Barbados.

The agent never was dropped off. "It was a case of his getting cold feet," said a source familiar with the operation. But the stealth on short notice demonstrated by Gadd's outfit won high-level praise at the Pentagon, and the mission established Gadd as the favored private contractor for the mysterious yet mundane work of "covert delivery," according to knowledgeable sources.

In 1983-84, according to sources and public records, Gadd's companies received more than \$1 million worth of business, classified and unclassified, from the small, secretive office of Army special operations in the basement of the Pentagon. The first classified contract was issued in 1983 for \$750,000 and called for Gadd to have on call two L100 transport planes and pilots, sources said.

Public records for fiscal 1984 show the Army unit contracted with Gadd's main company, American National Management Corp., for different types of "air passenger service." Sources said several of these contracts were for covert transportation for the Delta Force, the Army's elite counterterrorist unit, both on training exercises and when it was deployed to Long

Beach, Calif., to respond to possible incidents at the 1984 Summer Olympic Games.

Asked why no other companies were considered for unclassified contracts valued at \$659,000 in fiscal 1984, an Army spokesman said: "This company had been involved in other programs of this type in the past."

Some military officers knowledgeable about the contracts defend the decision to field the work out to a private company. They argue that the Army turned to Gadd in 1983 and 1984 for the same reason that former White House aide Oliver L. North Jr. in 1985 and 1986 turned to private contractors such as Gadd's associate, retired Air Force major general Richard V. Secord, for logistical help in the sale of U.S. arms to Iran: The Central Intelligence Agency and Pentagon couldn't do it quickly, efficiently or secretly enough.

Senior officers say that Gadd's chartered civilian company provided better cover on shorter notice than could be procured anywhere in the Pentagon, with its annual budget of several hundred billion dollars.

"Dick Gadd was smart enough to see a market opportunity," said an acquaintance. "What he did was in the true tradition of American free enterprise. No one else could have done the damn things—not the Air Force and not the CIA. If someone in the Air Force were to tell you they could do what Dick Gadd could do, I'd say 'no way.'"

Beginning in 1984, informed sources say, Gadd worked with Secord, who has emerged as North's chief contact in the private network of sending arms to Iran and the contras. Starting in the fall of 1985, sources say, Gadd became involved in setting up the private air resupply for the contras, hiring pilots and crews and helping to find planes. One of his companies, Airmach, also received a \$182,000 classified State Department contract to deliver humanitarian relief to the contras.

No evidence has been advanced suggesting that Gadd or any of his companies broke the law. William J. Bethune and James J. Bierbower, attorneys representing Gadd's com-

declined to comment yesterday except to say that all requested files have been delivered to the investigatory authorities. Gadd's lawyer, Kenneth A. Lazarus, has declined to comment or make his client available.

Yet some veterans of the military's special warfare ranks say that the story of Gadd's business growth contains a cautionary lesson about the risks to national security when commercial operators are allowed—or perhaps in his case, encouraged—to wander into a gray zone outside firm government control and accountability.

The U.S. government's use of private companies to provide specialized air services dates at least to the 1970s, when the U.S. was withdrawing from Southeast Asia and the CIA decided to sell its "proprietary" transportation companies. With the seizure of the U.S. Embassy hostages in Tehran in 1979—and the subsequent failure of the rescue attempt in the Iranian desert—the need for elite special forces units and efficient, covert air lift became urgent.

After the rescue debacle, the Pentagon's special warfare units were reorganized. A Joint Special Operations Command (JSOC) was established at Fort Bragg, N.C., to supervise widely dispersed Army, Air Force and Navy units, including the Army's Delta Force.

With the blessing of then-Army Chief of Staff Gen. Edward C. (Shy) Meyer, the Army moved to take the lead in counterterrorism.

The Army's special operations unit in the basement of the Pentagon, which provided the CIA with occasional paramilitary muscle, was strengthened. It was given a staff of 20 and a budget of \$100 million, and it developed an esprit to match its new status. Members jokingly referred to their unit as "the Zoo," reflecting a pride that "special ops" was different from the rest of the Army, according to informed military sources.

In some respects, it was. In the early 1980s, the special operations division quietly began to build its own clandestine air force with a few small planes purchased out of its budget. In addition, military sources say, there was a need for somewhat larger planes that could ferry elite units without relying on Air Force cargo planes or civilian planes contracted through the less secure channels of the Military Airlift Command.

Gadd learned of the Army's problem during his stint in Air Force special operations in the Pentagon, which had begun in 1977. He had been an Air Force pilot since 1962 and had flown C123 and C130 cargo planes. While assigned to the air commandos' 834th Tactical Composite Wing at Fort Hurlburt, Fla., he had become familiar with a variety of "low and slow aircraft."

In 1980, Gadd moved into the same office as Col. Robert C. Dutton, who had returned from working under Secord in the Air Force military assistance mission in Iran to serve as assistant director for special plans. Dutton, who went to work for Secord in 1986 in the clandestine contra resupply operation, also is receiving immunity from the congressional committees and is expected to testify publicly later this spring.

Gadd later moved to the office of the Joint Chiefs of Staff, as the Pentagon's liaison with the Joint Special Operations Command at Fort Bragg. It was a job that provided him a bird's-eye view of the entire U.S. unconventional warfare community.

On that assignment, he shared a secure office with members of the J3 Special Operations Division, headed by Army Col. C.L. Stearns. Gadd and J3 SOD also were in close contact with "The Zoo," and through this network, Gadd apparently became aware of concerns about the Army's lack of planes to launch realistic training exercises for Delta Force, and to perform other "black," or secret, missions in the Caribbean and Central America, several military sources said.

In September 1982, Gadd passed up a chance for promotion to full colonel to enter private business, acquaintances said. He retired and went to work briefly for Vinnell Co., a large defense contractor with offices in Fairfax.

In 1983, according to corporate records, he set up ANMC, Eagle Aviation Services and Technology (EAST), and Airmach, naming himself president and his wife, Sharon, secretary. Stearns, by then retired from his post as director of the J3 SOD, served as a director of ANMC until 1984, according to records. Stearns declined to return a reporter's phone calls.

The relationship between ANMC and the Army unit in the Pentagon basement is recorded in a partially unclassified contract for \$362,603 issued to ANMC in July 1984. The contracting officer's representative

is listed as "Lt. Col. M. Foster, DAMO-ODSO," a designation referring to the Army's special operations division.

A Lt. Col. Michael Foster, beginning in 1982, worked for the Army special operations office—"the Zoo"—where private contracting for such missions was established, according to informed sources. Foster, who recently retired, declined to comment.

Sole source contracting with private companies apparently stopped some time in 1984, following an investigation into mishandling of covert funds by some Army officials. Although there is no indication that Gadd's companies were involved, government records list no more Army contracts with ANMC after fiscal 1984.

In 1986, ANMC received eight Air Force contracts worth \$1,530,000 for maintenance and housekeeping services at bases

from coast to coast. Officials on those bases say the bidding for the contracts was extremely competitive, and competitors of ANMC said profit margins were slim.

Otherwise, the activities of ANMC and other Gadd companies become shrouded in mystery after 1984.

According to two sources, Secord used an office at ANMC's complex in Vienna, Va., in 1984, during which time Gadd told associates that he and Secord worked together.

A former associate described Gadd as a good marketer who "could make government people feel very confident that he was in control."

Secord seemed the world-traveler and "instigator," while Gadd was the implementer, according to this source. Secord, he said, "acted like a general," and would ask Gadd to take care of his business details when he was traveling.

A 1984 ANMC brochure announced that the company was providing "logistics support and remote site operations," and was involved as a subcontractor on a \$2.3 million classified contract. It said the company could provide "discreet and expedited services which transcend military disciplines."

In a separate item, the brochure also said that ANMC provided consulting services for Southern Air Transport of Miami. A Southern Air spokesman said last week that a Gadd company acted as a broker

and occasionally was paid a commission for finding charter business for Southern.

Southern Air officials have said that the company performed some maintenance work on the aircraft that was shot down Oct. 5 in Nicaragua, which led to public disclosure of the contra resupply operation.

According to a former official of Executive Air Fleet at New Jersey's Teterboro Airport, Gadd's companies contracted for 100 to 150 hours of domestic air charter service a year, at a rate of \$3,400 an hour for such small, fast, long-range passenger planes as Gulfstreams II.

By 1985, ANMC assets had increased to \$680,466, up 10-fold from the previous year, and Gadd's EAST had assets of \$386,308, according to Delaware franchise tax records.

Employees of ANMC were mostly former military men with security clearances, trained not to ask too many questions, according to some of those employees. But by early 1986, it was evident even to them that Gadd was involved in some highly sensitive projects.

According to a report in Knight-Ridder newspapers, persons responding to an ANMC recruiting ad in the Dec. 2, 1985 Air Force Times were told by Gadd that they would be given a stateside job with the company only after working for six months in Honduras.

One former ANMC employe also remembers Gadd making a trip to

the Montreal area in early 1986 to look into buying a used cargo plane.

Luis Pronovost, vice-president of a Rouyn, Quebec, company called PropAir, said in an interview that he did not remember meeting Gadd. But he confirmed that PropAir sold two DHC4 Caribous in January and April 1986 through a consultant whom he identified as William G. Langton, president of Southern Air Transport.

Informed sources say that funds for the transaction came through a Panamanian company called Amalgamated Commercial Enterprises (ACE). ACE is one of the entities included in a sketch drawn up by North to show the organizational structure of the private network used to help the contras, according to the Tower board report.

There is no indication that Gadd knew North personally, but Secord worked closely with North as a private contractor throughout 1985 and 1986.

Luis Pronovost said Langton called him several days after selling the first Caribou in January 1986 and reported that one engine had failed over mountainous terrain en route to El Salvador and the crew had been forced to jettison spare parts and a spare engine while aloft. Pronovost said Langton told him that the plane made a "controlled landing" in a field some miles distant from Ilopango Airport.

Company employes also say that they heard discussions about a metal building for storing supplies that

was going up in a remote part of an unidentified Central American country.

In the spring of 1986, Dutton, who had been Gadd's former chief in the Air Force office of special plans, went to work for Secord's Stanford Technology Trading Group International as staff director. In that job, sources say, Dutton directed the day-to-day operations of the contra resupply effort out of El Salvador.

Stanford Technology's offices, into which Secord moved after leaving the ANMC complex in late 1984, was close by in Vienna, and during 1986 Dutton often came to Gadd's office at ANMC for closed-door meetings, one source said.

By the summer of 1986, according to coworkers, Gadd was tense, edgy and seemingly overworked.

The cover of the private contra aid network was blown after the C123 cargo plane was shot down last October, causing the death of two Americans and the capture of cargo handler Eugene Hasenfus by Sandinista forces.

According to a report in The Miami Herald last November, a visitor's logbook at ANMC showed that an "Ed Garay" signed in three days before the plane was downed. Edward T. de Garay is president of the Pennsylvania air charter company for which Hasenfus said he was working; he also has been offered immunity in exchange for his testimony to Congress.