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AGENCY SANITIZING INSTRUCTIONS

The agency named below has reviewed this document and has determined that it should remain classified.

DOCUMENT: Item 17, Folder 129, Papers of Admiral W. D. Leahy, CIA Annex
To File G. # 24008, "CLANDESTINE AIR TRANSPORT . . . OUTSIDE THE US".

AGENCY: Central Intelligence Agency, Department of State.

DATE: CIA Memo, 19 Jul 1976; State Dept. Letter, 29 Nov 1976.

The agency has further determined that a reproduction of the document may be declassified provided that the deletions described below are made:

1. CIA: Page 6. paragraph 2. First two sentences. Document may be regraded to Confidential. FOIA (b)(1) & EO 11652, 5 (B)(1).
2. State Department: Page 4. The last sentence on the page. Also, personal names on pages 24, 26, 27, and 28. FOIA (b)(1) & EO 11652, 5(B)(1).

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Authority

CIA 17/7/76; state Dept 29/11/76
24/4/76

NARS Date

~~ANNEX
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1 June 1945

Clandestine Air Transport Operations By US Citizens and US Owned Aircraft in Areas Outside the USSummary

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 the CIA.

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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 in transit of the US, upon application to the 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 firm 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 directives 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, of 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. *Danny Kay* is president of the company. A well-known Jewish personality *Danny Kay* however, is financing the operations of Service Airways and is reported to have a fund of several million dollars at his disposal. is 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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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 March 11, 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 Oly Field.

No modification of the aircraft, it is now learned, was undertaken by the Italian concern (Societa Aeronautica Italia). 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-46 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 that its purpose was to aid the Communist. 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 an Italian lawyer named [redacted] Jewish race, and President of Cinea 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 crewmembers 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 to be 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 in Laurinburg-Maxton, North Carolina, about twenty-five miles from Pope Field (USAF base). *Ralph Cox* 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 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 thirty-five 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 interrogated at the US Embassy. In a sworn statement, *Ralph Cox* 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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JUL 25 1948

CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

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WAT

5 August 1948

MEMORANDUM FOR THE PRESIDENT

The following information is a supplement to the Central Intelligence Agency report of 27 July 1948 on Clandestine Air Transport Operations in Europe. The scope of clandestine air operations to Palestine appears to be still increasing. Furthermore, the involvement of certain United States airline operators with foreign Communist organs in these activities has now been positively confirmed.

Czechoslovakia has become the principal source of supply and the main operational base for the extensive underground organization engaged in the clandestine air transport of war materiel to Palestine. The extent of the Czechoslovak Government's participation in these operations is indicated by the following facts:

1. The Czechoslovak Government has made available airfield facilities at Zatec (a military installation) and Brno, at which SERVICE AIRWAYS, its Panamanian subsidiary LAPSA, and other United States air carriers have established operational bases.
2. The evidence indicates that arms, ammunition and bombs have been provided by Czechoslovakia for transport to Palestine, presumably from the Skoda munitions works at Pilsen (about seventy kilometers from Zatec) and the Zbrojovka armament works at Brno.
3. ME-109 fighter aircraft have been flown by Czechoslovak pilots to Zatec, where they have been disassembled and loaded for transport in United States-owned aircraft.
4. The Communist-dominated Czechoslovak Security Police have protected all United States aircraft from observation by means of constant heavy guards when not in flight and have supervised the loading of aircraft by Czechoslovak laborers.
5. United States maintenance and flight personnel engaged in these operations are permitted to enter the country without visas when traveling on aircraft of LAPSA or Czechoslovak Airlines. In some cases, "visitor's permits" are issued by Czechoslovak authorities; in others, personnel are said to be directed to Communist Party headquarters for permission to remain in the country. In all instances, it appears that

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the United States passports of such personnel are taken up by the Czechoslovak police upon entry. It is not yet known whether the passports are being withheld by the Czechoslovak Government or by the local directors of the clandestine operations, as a means of controlling their personnel. However, LAPSA officials have restricted their personnel to the environs of the airport base on the grounds that proper visas have not been obtained and with direct or implied threats of arrest by Czechoslovak police if they attempt to proceed beyond Zatec.

The apparent motive of the Czechoslovak Government in arranging for the entry of United States personnel without visas is to withhold information concerning these clandestine operations from Czechoslovak diplomatic missions abroad, many of which are still staffed with officials assigned prior to the Communist coup and of doubtful loyalty to the new regime.

The recent action of the Italian Government in intercepting and impounding several contraband air shipments has resulted in the increased use of a well-established operating base at Ajaccio, Corsica as a transit point enroute from Czechoslovakia to Palestine. French controls over in-transit aircraft using Corsican facilities appear to be negligible.

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