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carrier that uses L100s.

With U.S. Business, Airline Took Off

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Once a money-losing operation on the edge of financial oblivion, Southern Air Transport Inc. has undergone a major revival thanks to tens of millions of dollars in Defense Department contracts and its new status as the transport arm for the Reagan administration's covert diplomacy toward Iran and Nicaragua.

The former Central Intelligence Agency-owned airline was so integral to the administration's attempt to free American hostages held in Lebanon that the men behind the covert operations tried in October to ward off temporarily a federal investigation into Southern Air, fearing that the probe would bring to light the administration's secret arms shipments to Iran.

That probe, begun because Southern Air documents were found on a C123K cargo plane that was shot down Oct. 5 over Nicaragua, also seems certain to reveal the depth of Southern Air's involvement in the secret resupply operation aiding the White House-backed contra rebels fighting the government of Nicaragua.

Over the past two years, Southern Air appears to have grown into a modern-day version of the old CIA-operated airline "proprietary," such as Air America, which mixed covert activities with government contracts and private charters.

During the time that Southern Air was flying to Israel with 90 tons of weapons destined for Iran and secretly shipping weapons from Portugal to the contras in Central America, it was also transporting humanitarian aid to the contras for a company under contract with the State Department, flying inside Marxist Angola for a government-owned diamond company and making routine supply runs to U.S. bases for the U.S. Army's Military Air Command.

As the company's fortunes have improved, it has built up a substantial fleet of planes that can carry large loads and can travel long distances without refueling. Southern Air has 25 aircraft that it leases or owns, including eight Boeing 707s and 17 Lockheed L100s, the civilian version of the Hercules C130 transport.

William Kress, Southern Air's chief spokesman, said in a telephone interview that Southern Air has taken over from the now-defunct Transamerica Airlines as the world's largest commercial cargo

"We can have an aircraft ready within hours anywhere in the world," Kress said.

While that capability clearly appealed to the Reagan administration, Kress sought to dispel the notion that Southern Air has become a kind of unofficial charter company for the U.S. government's covert operations around the world.

He did say, however, that the airline had "a secondary role" in supplying arms to the contras, although Kress would not elaborate. He also confirmed that the airline had been hired by the National Security Council to ship 90 tons of U.S. arms from Kelly Air Force Base in Texas to Tel Aviv, arms that were then sent to Iran.

The company is sensitive about any suggestion that it is still tied to the CIA or that its past association has led to its recent achievements. In mid-October, James H. Bastian, Southern Air's board chairman and sole owner, distributed an internal company bulletin that said the firm "is not owned by the CIA and is not performing any services for the CIA and to the best of its knowledge is not performing any services for any company connected with the CIA."

Southern Air, after weeks of reticence, no longer denies its involvement with the private network of Americans who were aiding the contras from a resupply operation at the Ilopango air base in El Salvador. There, a group of 25 men and a fleet of five aging planes made drops into Nicaragua.

Interviews with former crew members and internal documents from the secret flights show that Southern Air was a crucial part of the shoestring operation. Many crew members had previously worked at Southern Air and the planes were maintained by Southern Air, either at the company's headquarters in Miami or by Southern Air employees who flew to Ilopango.

Southern Air also assisted in getting cash to the operation. Each time crew members went to the United States, they went to the company's Miami office to pick up \$10,000 in cash, the legal limit that can be carried out of the country without having to disclose the money's movement to the government.

The airline also agreed to use its own money—a cashier's check for more than \$300,000—to purchase the C123K transport that was shot down by the Sandinistas over Nicaragua in early October. Southern Air was acting on behalf of an unidentified customer, William G. Langton, the company's president, told the Miami Herald this week in his first extensive interview. Langton said Southern Air's relationship with the mysterious customer lasted for nine months and ended when the C123K was downed.

Examination of 2½ years of Southern Air flight logs show the airline has been involved in several sensitive operations:

- Each month, the airline flies at least once to Havana, Cuba, apparently to resupply the U.S. interest section there.

- Early this year, Southern Air airlifted nearly 500 tons of cargo in 15 flights from various points in the United States and Portugal to Ilopango, a main transshipment point for supplies going to the contras. Various reports have said Southern Air was involved in airlifting arms and humanitarian aid.

- Between December 1984 and October 1986, Southern Air flew 13 trips to Ilopango under contract with the U.S. Military Air Command at Scott Air Force Base in Illinois. Five of the flights took place in October. On the flights were "construction material, medical supplies, office supplies, vehicle parts, airplane parts and signal corps equipment," said Capt. Thomas Larock, spokesman for the Military Air Command. Larock said he did not know how the supplies were used or by whom. The cost of the flights, \$170,515, was shared by the U.S. Army, Navy and Air Force, with the Army footing 92 percent of the bill, Larock said. The U.S. military has 55 advisers stationed in El Salvador to aid the government there.

- Since 1984, Southern Air has flown extensively inside Marxist Angola, a country where few Americans go because it has no diplomatic relations with Washington and is involved in a civil war.

Whether it has also been involved in transporting covert U.S. military aid to the Angolan rebel forces of

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Jonas Savimbi remains unclear. Last May and June, Southern Air flew two flights, with a total of 30 tons of cargo, that appear from flight logs to have been trips between Dobbins Air Force Base in Marietta, Ga., and Luanda, Angola's capital.

Since the United States has no diplomatic, let alone military, relationship with Angola, congressional investigators are looking into the possibility that the airline may have been used to carry arms to Savimbi. The Reagan administration in March began sending Stinger anti-aircraft missiles and other military aid to Savimbi's forces as the initial part of a \$15 million covert aid program.

Kress said he "imagined" the planes were in Marietta for "routine maintenance" but said he did not know what cargo might have been carried to Luanda.

Some Angolan officials have voiced concern to visiting American consultants that Southern Air may be conducting intelligence work for the U.S. government. Despite this possibility, Angolan officials have said that they needed Southern Air because few other companies were willing to fly planes inside the war-torn country.

Kress said of the possibility that the airline was carrying out intelligence work, "I don't have any comment. It's totally ridiculous."

Flight logs, financial records and Civil Aeronautics Board (CAB) depositions by the airline, together with information collected by a Senate investigating committee in 1975-76, provide at least the broad-brush outlines of Southern Air's history and current activities.

The airline started as a private concern in 1949 and remained private until August 1960, when the CIA, in need of a CAB-certified carrier (which Air America was not), decided to buy Southern Air, paying \$307,506.

Then, as now, the Military Air Command—called the Military Air Transport System (MATS) in those days—played a big role in keeping Southern Air afloat. To comply with MATS requirements, Southern Air had to purchase several large aircraft, such as Boeing 727s and Hercules C130s.

In the late 1960s, however, the CIA no longer needed a large airlift capacity and it sold Southern Air to its own management in December

1973.

A Senate select committee that investigated CIA intelligence activities said in its April 1976 final report that it was "nearly impossible" to determine whether the agency kept its links to former proprietary companies such as Southern Air.

"In some cases, even though formal and informal agency ties are discontinued, social and interpersonal relationships remain. The impact of such liaisons is difficult to assess," the committee report said. In several cases, however, it added that "transfer of the entity was conditioned as an agreement that the proprietary would continue to provide goods or services to the CIA."

Southern Air was sold to Stanley G. Williams, who had been its president and chief operating officer since 1962, two years after the CIA bought the airline. Bastian, the current owner and board chairman, served as Southern Air's attorney when the CIA owned it.

For several years after the CIA sold the airline, one of the company's main customers was the Iranian air force. This was precisely the time when retired major general Richard V. Secord, who has been linked to the private U.S. network aiding the contras, was a top Air Force officer in Tehran and the chief U.S. adviser to the Iranian air force.

Secord served in Iran from 1975 to 1978. The year Secord left Tehran, the airline reported a loss of \$272,928 and said that 42 percent of its private contract revenue came from services provided to the Iranian air force, according to an October 1979 application to CAB.

The application, in explaining the company's financial difficulties, said: "The political unrest in Iran [referring to the unrest that led to the ouster of the shah of Iran] is expected to greatly reduce Southern Air's service to Iran, requiring the company to develop new markets and customers."

Southern Air's finances improved markedly after Langton took over as president in 1983. He had previously been associated with Evergreen International and Flying Tiger airlines.

In 1982, Southern Air's operating revenues were \$9.8 million and its profits were \$628,700. By 1985, the same figures were \$38.9 million and \$6.2 million.

Langton's success, at best as can

be determined from airline flight logs and financial records, was the result in large part of two contracts: one as a subcontractor on a contract with the Angolan state diamond company, Diamang, and the other with the U.S. Military Air Command.

Flight logs for 1984 show Southern Air flew hundreds of flights in Angola: 296 between June and December alone. The following year, the airline flew 579 flights in Angola in addition to 105 flights between Dulles International Airport and the south-central Angolan coastal city of Benguela.

The work in Angola in the 1984-85 period was by far the company's largest overseas business, according to the airline's monthly flight logs.

Kress said Southern Air was under contract with an Irish-Anglo concern, IAS-Guernsey, which in turn was working for Diamang.

Southern Air gained a lot of new business in early 1985 after Transamerica pulled out of the country following a guerrilla attack on one of the diamond mine centers in December 1984 that destroyed an L100 parked there.

Many of the Southern Air flights, its logs show, are between Luanda and the diamond mining towns in northeast Angola where antigovernment guerrillas operate freely. Others are from the capital to towns further south, where heavy fighting has been under way for years.

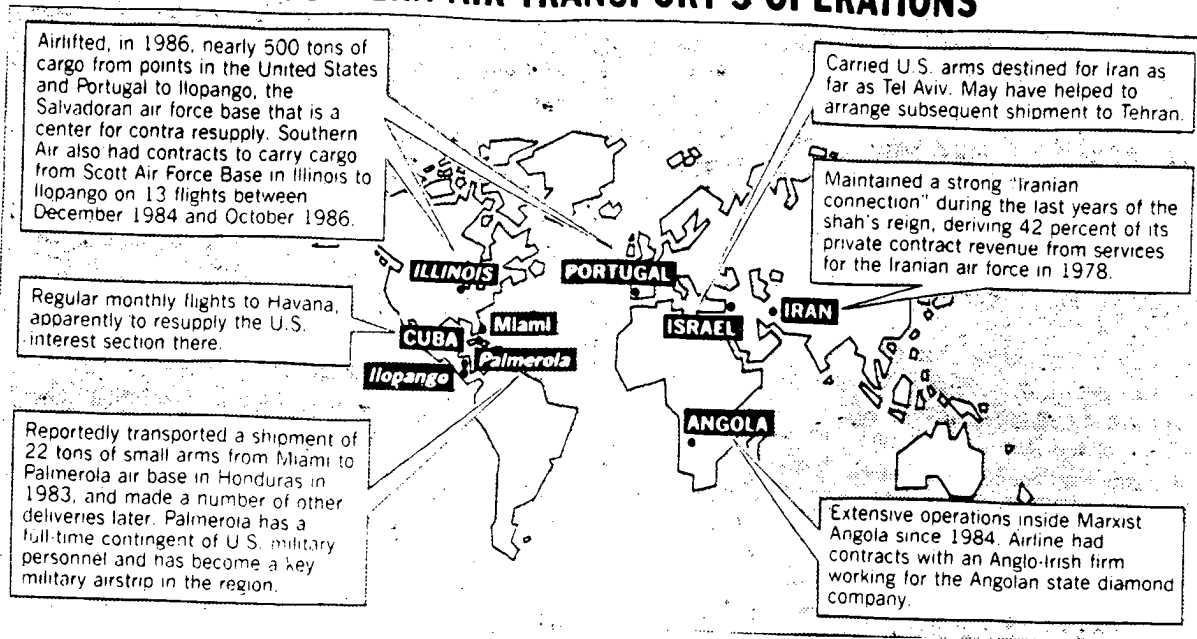
Jeremias Chitunda, a spokesman here for Savimbi's guerrilla group, charged that Southern Air has been operating "an air bridge" between Luanda and the interior for the Angolan government, carrying "a lot of military personnel," both Angolan and Cuban, between towns where the Angolan civil airlines, TAAG, does not dare to fly any longer.

"We haven't hit any of them," Chitunda said. "But we're not going to spare them if they come our way."

The Angolan government did not respond to messages seeking more information about Southern Air's business in Angola. But U.S. sources close to the government said the Angolans had periodically called upon the airline to transport fuel and cargo to various points within the country because of the

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SOUTHERN AIR TRANSPORT'S OPERATIONS



breakdown in road and rail communications as a result of the worsening guerrilla war.

Kress said Southern Air had two L100 planes in Angola up to a few months ago and now has one there.

Southern Air's other major business since 1984 has been with the Defense Department's Military Air Command. Figures provided by the Federal Procurement Data Center in Arlington show the airline, after obtaining no MAC contracts in 1982 or 1983, has won an ever larger share since.

Southern Air won \$9.1 million in contracts during 1984. This represented almost one-third of its total operating revenue of \$29.7 million that year.

In 1985, the airline won \$23.4 million in MAC contracts compared to a total operating revenue of \$38.9 million, contracts worth 60 percent of its total business.

During the first nine months of this year, Southern Air won \$18.2 million in MAC contracts, 57 percent of its operating revenue for the same period of \$31.7 million.

Southern Air has won awards worth \$43.7 million for fiscal 1987, according to *The Wall Street Journal*.

The procurement data center's records show that all but one of Southern Air's contracts was won in competitive bidding.

Kress confirmed that about 50 percent of the company's business is with the Military Air Command, which he said uses eight Southern Air L100s on a daily basis on runs between military bases in the United States. The rest, he said, are mostly ad hoc jobs, including a part in the latest King Kong film, flying livestock around the country and fighting oil spills in South Africa and forest fires in the United States.