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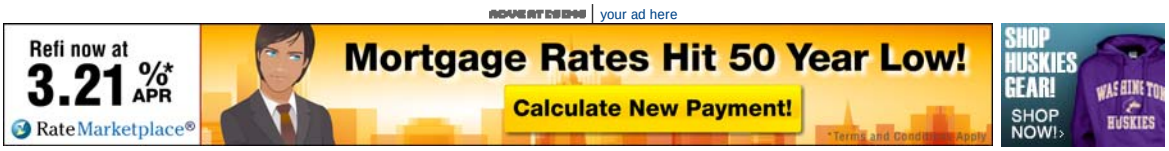

PROBE OF AIRCRAFT DEALS TO WIDEN FOREST SERVICE ROLE ROOTED IN LONG-RUNNING CIA LINK?

By Dick Clever P-I Reporter

Monday, October 25, 1993

Section: News, Page: A1

The U.S. Forest Service role in helping put 28 military aircraft into the hands of private owners may have had its roots in a three-decade-old arrangement with the Central Intelligence Agency, say congressional sources.

Aides to Rep. Charles Rose, D.-N.C., say the congressman plans to broaden the scope of his subcommittee investigation of the Forest Service's airplane transactions to include an examination of the military's control over its surplus planes.

Attention has focused on a Medford, Ore., aviation consultant named Roy D. Reagan. He is accused by federal investigators of reaping more than $1 million in improper fees from the Forest Service deals between 1987 and 1989.

Reagan, federal investigators say, set up the ``Historic Aircraft Exchange Program,'' which released surplus Air Force planes to the Forest Service, which then transferred them to its contractors who use the planes to fight forest fires.

It wasn't the first time Reagan's name has come up in a mysterious transaction involving surplus military aircraft.

A C-130 Hercules transport Reagan acquired on trade from the Naval Aviation Museum in Pensacola, Fla., in October 1986 crashed in Luanda, Angola, in June 1991. The plane had been hauling cargo on contract to the country's national airline. All aboard were killed, including three Americans. Navy officials last week confirmed the transaction with Reagan, but said they were unaware of the Angola incident.

The operator of the aircraft was identified as Dietrich Reinhardt, former owner of St. Lucia Airways, which congressional investigators say is one of the firms involved in delivering Hawk missiles to Iran for Oliver North.

The Forest Service has defended its dealings with Reagan. Officials say the 22 C-130s and six P-3 sub hunters were needed to upgrade their private contractors' air tanker fleets used for fighting forest fires.

The Hercules is a sturdy and reliable four-engine transport built by Lockheed. The aircraft distinguished themselves during the Vietnam War and are highly prized for their ability to operate on short runways in rough terrain.

Contractors were given the aircraft on the condition that they pay for the tanker conversions, that the aircraft would only be used for firefighting and that they would never be taken outside the continental United States without prior authorization.

When two of the C-130s turned up hauling freight in Kuwait during the Persian Gulf War, a competitor complained and the program began to unravel.

In a 1992 report, the Office of Inspector General for the Agriculture Department concluded that not only were Reagan's fees improper but that the Forest Service never had the authority to transfer ownership of the planes to private hands.

Further, the report said, artificially low values were placed on the C-130s and P-3s when they were declared surplus by the Air Force, while absurdly high values were placed on the decrepit C-119s used as exchange planes.

The Forest Service valued the planes it took from the Air Force's surplus stocks at $15,000 each, roughly their scrap value. But two of the C-130s later ended up on the international market at $5.6 million apiece. Some of the private contractors also made more than $5 million from cannibalizing the planes and selling spare parts, the report said.

Gary Eitel, a Silverdale, Wash., aviation consultant who has identified himself to the Rose Agricultural subcommittee as a former CIA pilot who has also flown for Evergreen International Aviation, Inc., says the Forest Service was likely

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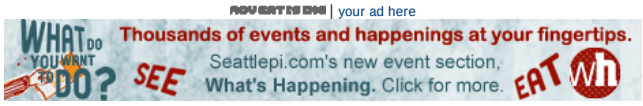

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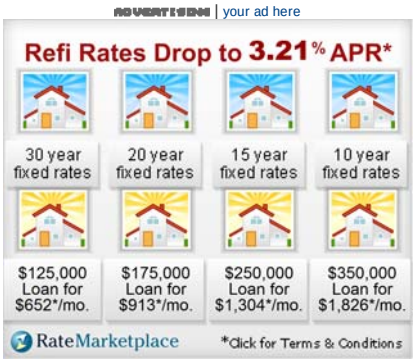

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laundering the aircraft for covert purposes.

Rep. Rose shares those suspicions.

``It has all the markings of a covert action in the making,'' Rose said during the August hearing of his committee. ``This sort of thing was supposed to have stopped in 1976.''

Eitel also warned Rose's subcommittee, which has oversight of the Forest Service budget, that a plan promoted by Reagan with support of some members of the Oregon delegation to refurbish more than 100 A-10 fighters as air tankers was part and parcel of the same plan.

``Give me a fully armed C-130 and a few A-10s and I can topple governments,'' Eitel told the Post-Intelligencer.

The A-10 ``Warthog`'' a highly maneuverable jet, distinguished itself in Operation Desert Storm as a tank killer.

Eitel told the Rose subcommittee that he had heard of the C-130 ``giveaway'' in 1991 and wanted in on it. But he said he was told by the Forest Service that there were only three C-130s involved in the agency's ``historic exchange'' program.

The program was intended as a means of swapping the old private air tanker fleet, mostly made up of C-119 ``flying boxcars,'' for C-130s and P-3s that could be converted to tankers. The C-119s were banned after a 1987 crash in the Shasta-Trinity National Forest that killed a crew.

On further inquiry, Eitel says he discovered that there actually 28 aircraft involved in the exchange with the Air Force's Aerospace Maintenance and Regeneration Center at Davis-Monthan Air Force Base in Tucson, Ariz., also known as the ``bone yard.''

The CIA's use of the Forest Service and other federal agencies as cover for aircraft ownerships and staging areas in the United States for foreign operations was made public during Senate hearings in 1976, said aides to Rose.

As a result of the 1976 hearings, conducted by the late Sen. Frank Church, D-Idaho, the CIA agreed to divest itself of most of its American ``proprietaries,'' companies the agency owned as fronts, an investigator for Rose's subcommittee said last week.

The Church committee found that a CIA proprietary called Intermountain Aviation, Inc., was established during the Vietnam War near the Air Force's biggest repository of surplus aircraft, the Davis-Monthan ``bone yard'' in Tucson.

As a result of congressional pressure, the CIA sold Intermountain's assets. One of the purchasers was Evergreen International Aviation, Inc., of McMinnville, Ore. Among Evergreen's board members was George A. Doole, now deceased. He was the former CIA officer widely credited with creating the agency's global aviation network that included such proprietaries as Air America and Air Asia.

Evergreen and another company with CIA ties, Pacificorp, became involved in the Forest Service C-130 controversy shortly after the two transports were caught in their cargo runs to Kuwait.

What followed was a confusing legal standoff that appeared to pit former CIA operatives against one another in the commercial marketplace.

An Arizona company named T & G Aviation had, like Eitel, heard of the Forest Service program and asked to participate. The Forest Service turned the company down and its owner, William C. ``Woody'' Grantham complained to Arizona Sen. John McCain, who, in turn, leaned on the Forest Service.

As documented in the Inspector General's report, T & G got its C-130s. The Forest Service says it did not know at the time that consultant Reagan had made separate deals with the contractors, including T & G, to receive substantial fees for facilitating the deals.

T & G, in exchange for its five C-130s, signed two of the planes back to Reagan who then sold the planes back to T & G for $225,000 each, the audit report said.

After T & G was caught in Kuwait, the Forest Service recalled the two aircraft and canceled its air tanker contracts with the company. Grantham was stuck with C-130s that were certified only for fire fighting. He couldn't sell them on the world market because they were still officially listed as military assets.

The competitor who reported T & G to U.S. authorities was Southern Air Transport, another former CIA proprietary the agency had sold in the 1970s to the individuals who were already running it.

Just as the Forest Service was attempting to reclaim the C-130s, Pacific Harbor Capital Co., a Portland subsidiary of PacifiCorp, repossessed the two planes, showing a lien for $3 million for a defaulted loan to T & G, according to the Portland Business Journal last May 17.

Pacific Harbor then retained the services of Evergreen International to sell the planes abroad. Aides to Rep. Rose say the two planes were flown to France in defiance of the Forest Service's demand for their return and that Evergreen was now advertising them for sale in London for $5.6 million apiece.

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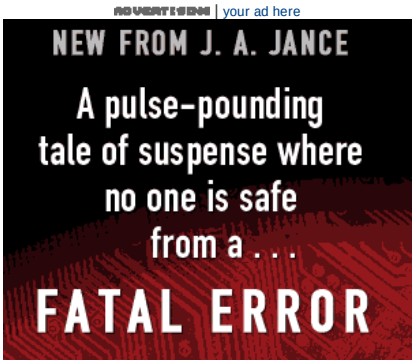

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Reagan denies that he has done anything improper and says the 1992 Inspector General's report that accused him of misrepresenting the transactions to the Air Force is wrong.

``All I do is provide certification to aircraft,'' said Reagan, 54, contacted by telephone last week at his home near Medford.

He said all he was trying to do is help the Forest Service replace its contractors' fleet of obsolete C-119 tankers with C-130s, which could be converted to tankers.

But what the Agriculture Department's Office of Inspector General says Reagan did was to use the Forest Service's need for new air tankers to pry the C-130s out of wary Air Force officials.

The Inspector General's report noted that the military museum's staff had tightened their control over surplus aircraft in recent years as a result of some ``enbarassing'' disclosures the report did not specify.

But they might well have had the Angola example in mind.

In October 1986, a year before he began working the Forest Service exchanges, Reagan traded an old Curtiss seaplane to the Naval Aviation Museum in Pensacola, Fla., for a C-130 Hercules.

Reagan was well known to the Pensacola museum.

``Roy was one of our better traders,'' recalled former museum director Grover Walker, who retired from the Navy in 1987.

The museum's current director, Capt. Robert Rasmussen, said that any such exchange would have had to be approved by the Secretary of Defense, who was then Casper ``Cap'' Weinberger.

On June 10, 1991, nearly five years later, the same C-130 crashed on takeoff from the airport at Luanda, Angola, while hauling cargo for the Angolan national airline.

The paper trail on the plane was painstakingly assembled over the past two years by Charles Hendricks, Sr., father of 32-year-old Charles Hendricks, one of three Americans who died in the crash.

``We tried to get information out of the State Department and got nowhere,'' said Hendricks, interviewed by telephone from his Mena, Ark., home. ``We got stonewalled every step of the way.''

Hendricks soon learned that another American who died in the crash was Robert Weldon, nephew of Rep. Curt Weldon, R-Penn. Hendricks and Rep. Weldon began to assemble this picture, said Hendricks.

The owner of the company operating the plane, Dietrich Reinhardt, had also been the owner of St. Lucia Airways, tied to the Iran-Contra operation by congressional investigators.

Reagan said he had never heard of the aircraft's fate and disclaimed any knowledge of Reinhardt's dealings with the CIA.

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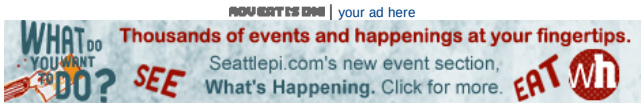

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