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Aircraft in scam may have flown for CIA

1986 Star photo - An EC-130 Hercules is used to intercept and jam enemy aircraft

(2 face sentencing in conspiracy involving exchange of planes)

By Tim Steller

When 28 military airplanes were illegally transferred from the Air Force to private companies, they may have served a covert purpose - flying missions for the CIA.

That allegation, stoked for years in a civil suit, was further fueled last month, when it entered the criminal case against the men convicted of running the aircraft-exchange program.

Roy D. Reagan and Fred A. Fuchs were convicted of conspiracy to put the 22 C-130s and six P-3s in private hands through exchanges for relatively worthless older planes. U.S. District Judge William Browning will sentence them this morning. The men could get prison terms of five years or more.

The participants in the criminal case consistently denied any connection with the CIA until last month. Then A. Melvin McDonald, Reagan's attorney, brought up the CIA in a court filing. While requesting a new trial, McDonald said one of the government's witnesses, William Eck, was a CIA operative, and that he should have been informed of an investigation! on of Eck.

``William Eck was known . . . as a major airplane broker who routinely furnished C-130s to Third World and other foreign countries by the CIA,'' wrote McDonald, a former U.S. attorney for Arizona.

During the trial, Eck testified about the value of two C-130s he purchased after the exchanges, one of which he sold to an African company. Eck, interviewed by telephone yesterday from his office in Nevada, denied any connection with the CIA, and the CIA denies any involvement with the exchange program or Forest Service contractors.

The Justice Department, which prosecuted Reagan and Fuchs and is a co-plaintiff in the civil suit,

also denies the allegation. ``We've never found any evidence of CIA involvement,'' said Assistant U.S.

Attorney Claire Lefkowitz. But there is evidence - none of it conclusive - that keeps the allegation alive, despite the Justice Department's efforts to end such speculation.

The evidence arises largely from the 1994 civil suit filed by a private whistleblower, Gary R. Eitel, of Washington State. Eitel, a former combat pilot who claims to have flown for the CIA, alleges in the suit not only that Reagan and Fuchs defrauded the government, but that the six contractors who received aircraft also did.

Under the law governing this sort of case, Eitel stands to gain 15 percent to 30 percent of any damages won from the defendants.

Last year, the Justice Department joined Eitel as a co-plaintiff in the case, but Eitel and the department have not cooperated. Instead, they've bickered, often over Eitel's insistence on insinuating the CIA into the airplane deal.

The airplane-exchange idea, which federal prosecutors estimate cost taxpayers $22 million, arose from conversations between Reagan and representatives of a California aviation company, Hemet Valley Flying Service, in 1987. The intent, McDonald said d! during the trial, was to give newer aircraft to companies that fight fires for the Forest Service. Aircraft museums to benefit

In exchange for the C-130 and P-6s, some of which came from Davis- Monthan Air Force Base's ``boneyard,'' the companies were to provide outdated firefighting planes to aircraft museums around the country, including the Pima Air and Space Museum.

But a trio of Air Force generals testified during the trial they didn't understand the titles of the aircraft would leave government control, or else they would not have approved of the exchanges.

Eitel claims that was the whole point. The aircraft were intended for firefighting during the fire season and covert operations in the off-season, he said.

His documentary evidence is sporadic, but the concept of the CIA working with the Forest Service and using private contractors to conduct covert activities is not far-fetched.

There is a history of such relationships, and it runs through Arizona, said William Leary, a University of Georgia history professor. He is the author and editor of several books on the CIA's aviation operations, including ``Perilous Missions,'' a 1984 book on covert air operations in Asia.

``The CIA recruited smoke-jumpers out of the Forest Service beginning in the 1950s to go on CIA clandestine operations, particularly in the Far East,'' Leary said. ``Later it was one of these ex-CIA smoke-jumpers who put together

Intermountain Aviation,'' Leary said. That company, wholly owned by the CIA, operated Pinal Air Park in Marana until it was bought by Evergreen Air Center, the current occupants, in 1975.

CIA operations shift in the period since the mid-1970s, the CIA has shifted from maintaining its own aviation proprietaries to contracting private companies for individual missions, Leary said.

Eitel, the plaintiff in the civil lawsuit, believe! believes these C-130s were performing such missions.

He said in a sworn declaration that he was working as a first officer for Evergreen in 1989 when he first learned of the exchange program and concluded it was a CIA operation. Fifteen of the C-130s passed through

Evergreen's base at Pinal Air Park on the way to private contractors, and Eitel says they were used for covert operations then. Eitel, who flew more than 300 combat missions in Vietnam, points to the aircraft sent in the first batch to Hemet Valley and Hawkins & Powers Aviation. Five of the 13 that went to those companies were C-130A-II aircraft, which had been specially outfitted with electronic reconnaissance equipment.

CIA missions performed

The former director of maintenance for Hemet Valley, Daryl Shippy, said in a 1995 deposition for a separate lawsuit that two of the planes had performed CIA missions before the company received them.

More hints at CIA involvement! lvement came in a 1993 sworn declaration by the head of a Chandler company, T&G Aviation that received three of the C- 130s in the exchange program. In the declaration, William ``Woody''

Grantham said another aircraft company, Southern Air Transport, did not want him to receive planes. ``The chairman of the board for SAT, James Bastian, was counsel to the Central Intelligence Agency when George Bush was director. I believe SAT was concerned that I was going to get some of the overseas work they had been traditionally getting,'' Grantham said.

Grantham has denied his aircraft went to CIA use in subsequent interviews. Eitel's insistence on bringing the CIA into the civil lawsuit instigated conflict with the Justice Department late last year.

Eitel's attorney - whom he has since fired - subpoenaed investigators from the Department of Defense and the Federal Aviation Administration, intending to ask them about the CIA's involvement! In the aircraft exchange.

The Justice Department responded with a letter that said neither investigator could discuss information from CIA files.

During Defense investigator Ray Smith's November deposition, he said he had made contact with the CIA while investigating the aircraft-exchange program. He concluded the agency had not been involved in the program.

A Justice Department attorney would not allow Smith to say whether it was unusual for him to communicate with the CIA during his investigations.

Pilot recruited

Tom Miller, an FAA investigator, backed up the alleged CIA connection in a December deposition. He said he worked with the CIA and recruited Eitel during the 1980s to fly helicopters for a South American government. He also said in a separate sworn statement that he had personal knowledge

Eitel was recruited by the CIA to fly in Angola in 1976. Eitel's latest salvo came in a March 24 sworn declaration by M. Gene

Wheaton, a private investigator from California.

Wheaton said that Joseph Kelso, a man who has alleged his own ties with the CIA, told him he was involved in negotiating the purchase of C-130s involved in the exchange program.

Kelso, a figure who appeared in congressional testimony over the Iran-Contra affair, was imprisoned during the 1980s after being convicted of illegally selling missiles to Iraq. Kelso alleged after his arrest that the CIA had sold him out by not fighting off his criminal charges.

Kelso could not be reached for comment.

Truthful information provided

Lefkowitz, who prosecuted Reagan and Fuchs, said the problem with the CIA allegations is that Eitel is behind all of them.

``The only source who has brought up the CIA in any of these proceedings is Gary Eitel,'' Lefkowitz said. In fact, McDonald, the lawyer for defendant Reagan, cited Eitel as his source for the allegation that Eck was a CIA operative.

But Eitel has his defenders, too. Smith and Department of Agriculture investigator Kim Widup have repeatedly said he provided them with truthful, valuable information in the airplane exchange investigation. The Forest Service is a USDA agency. But neither of the people who investigated the aircraft-exchange program concluded that the CIA was involved through Eck, the Nevada aircraft broker, or anyone else. And McDonald only used the alleged CIA connection when he was trying to earn his client a new trial. (The story continued April 2nd)