

AIR AMERICA DECLASSIFIED



NEW INSIGHTS INTO THE
ADMINISTRATION OF AIR AMERICA
AS AN INSTRUMENT OF
U.S. FOREIGN POLICY AND THE
ONGOING LEGISLATIVE EFFORT FOR
PROPER FEDERAL RECOGNITION

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PROGRAM



WELCOMING REMARKS

DR. CYNTHIA CHENNAULT
CAT ASSOCIATION PRESIDENT

*Professor Emerita, Chinese Literature, Department of Languages, Literatures, and Cultures,
University of Florida; Daughter of General Claire L. Chennault: Commander of the "Flying Tigers"
and founder of Civil Air Transport (CAT)*

MODERATOR - INTRODUCTIONS

KAY MERKEL BORUFF

AIR AMERICA ASSOCIATION GENERAL SECRETARY

*MAT, Humanities, Hermeneutics, University of Texas, Dallas;
MA, English, Education, Texas Christian University
Widow of Air America Captain Jon Christian Merkel, KIA February 1970*

MANDATORY DECLASSIFICATION

CAROLYN BEVANS DOWLING

AIR AMERICA ASSOCIATION, CAT ASSOCIATION MEMBER

*MSFS, Georgetown University School of Foreign Service; BA, Political Science & Chinese, UC Santa Barbara
Daughter of Henry P. Bevans, Vice President, Secretary/Legal Counsel of the Air America corporate
complex (the Pacific Corporation, CAT, Air America, Air Asia) 1964 -1976*

THE RESCUE OF U.S. SENATOR CHARLES PERCY

LAWRENCE G. STADULIS

AIR AMERICA PILOT 1966-1975

*Aeronautical Engineering, Penn State University to U.S. Army Helicopter School
Helicopter Rescue of Senator Charles Percy (R-IL) and his wife Loraine Percy, Dak Son, Vietnam, 1967
Evacuation of Saigon April 29, 1975*

IT'S THE LAW

WILLIAM J. MERRIGAN

AIR AMERICA LEGAL COUNSEL 1962-1974

*JD, Georgetown University School of Law;
Navy Flight School, Pensacola, Florida; BA, English, Creighton University*

THE OPERATING YEARS: 1950 – 1976

MAUREEN BEVANS EBERSOLE

AIR AMERICA ASSOCIATION BOARD OF DIRECTORS, CAT ASSOCIATION MEMBER

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POST-DISSOLUTION: 1976-PRESENT

CAROLYN BEVANS DOWLING

AIR AMERICA: MOVING FORWARD

MAUREEN BEVANS EBERSOLE

Q & A

MODERATED BY KAY MERKEL BORUFF

RECEPTION

CASH BAR AND SOCIAL TIME

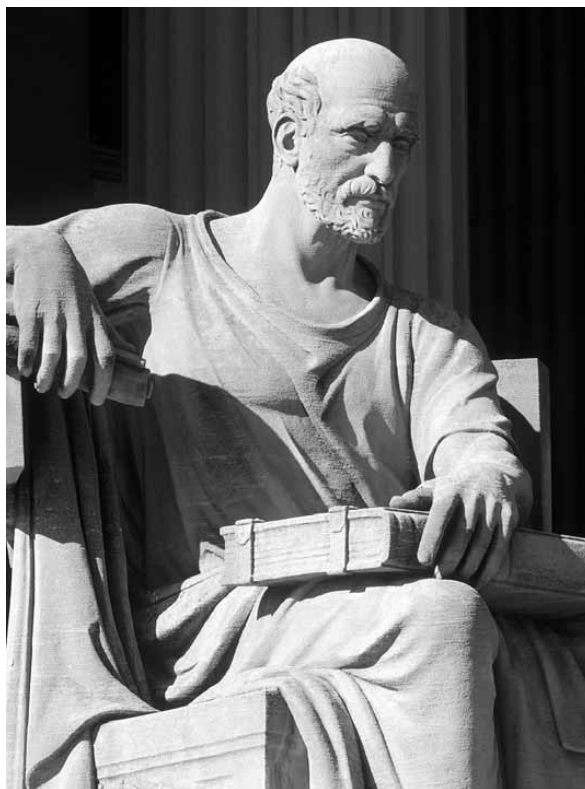
A SYMPOSIUM | AIR AMERICA DECLASSIFIED

OUR STORY

THE HISTORY OF AIR AMERICA is often told from the perspective of its indispensable and heroic role in the CIA's clandestine operations. In pursuing legislation for federal recognition of Air Americans, we realized that these operational histories offered no satisfactory explanation of how Air Americans ended up without the federal retirement credit they earned under the law in their day. Researching primary source documents declassified by the U.S. Government, we found answers in the CIA's administration of Air America, the personalities involved, the challenges of maintaining both covert operations and an overt multinational enterprise, and the challenges of dealing with Congress. We studied documents regarding the role Air America played beyond just the CIA—its activities a matter of constant concern at the highest echelons of the U.S. Government—the National Security Council (the “40 Committee”)—under four U.S. Presidents.

RESEARCH

Much of the administrative story of Air America can now be told based on the declassified documents released pursuant to the Declassification Act of 2000 and the CIA's upload of over 12 million pages from its CREST system to the CIA Website in January 2017. Access to these previously unavailable or inaccessible documents, together with our unique knowledge of Air America and CIA administrative personnel and their activities in the operating years, has allowed us to piece together the evolution of the CIA's position with respect to retirement credit from the earliest years of CAT to the dissolution of Air America to the present day.



"THE PAST," ON PENNSYLVANIA AVENUE.

*An aged figure with a scroll and closed book
imparting the knowledge of past generations
"stares down the corridors of time."*

*The words on the base enjoin,
"Study the Past."*

MOVING FORWARD



THE AIR AMERICA ASSOCIATION seeks to promote an accurate and well-documented history that deserves to be told truthfully to future generations. The Association will continue to apply its accumulated knowledge in support of Congressional legislation to grant federal retirement credit to those who so valiantly served our country.

SOURCES: CIA CREST: 25 -Year Program Archive; Department of State, Office of the Historian; Center for Air Force History; U.S. Congressional Record Collection, Green Library, Stanford University; Presidential Libraries of John F. Kennedy, Lyndon B. Johnson, Richard M. Nixon, and Gerald R. Ford; Air America/CIA Corporate Records, University of Texas, Dallas; Texas Tech University, Vietnam Center & Archive; Air America employee personal files.

ACKNOWLEDGEMENTS: The Air America Association thanks the Public Interest Declassification Board of the National Archives for its work in support of the Declassification Act of 2000, and the CIA today for its diligence in uploading the CREST system to the CIA Website.

AIR AMERICA AND THE U.S. GOVERNMENT

4 NOV 1955

SUPPLEMENT TO MINUTES OF OCB MEETING—
OPERATIONS COORDINATING BOARD, NATIONAL SECURITY COUNCIL

"The members of the Board agreed that CAT was useful to the national defense and security...and that it should be maintained.."

29 MAY 1963

MEMORANDUM FROM NATIONAL SECURITY COUNCIL STAFF TO PRESIDENT KENNEDY

"Governor Harriman (Asst. SecState for East Asian & Pacific Affairs) and Roger Hilsman (Asst. SecState for Far Eastern Affairs) are uneasy lest authorizing Air America to fly 105 MM howitzers to the Plaine des Jarres might precipitate an adverse reaction from the British, the ICC, and world opinion. The Communists have accused Air America of being a "para-military organization" within the meaning of the prohibitions of the Geneva Accords...Souvanna Phouma wants the howitzers flown in immediately...I don't think you need to make a decision on this point, since neither Roger nor Averell [sic] have made up their minds. But you should be aware of the problem."

24 MAY 1964

TELEGRAM FROM EMBASSY IN LAOS TO DEPARTMENT OF STATE

"Accordingly, I am authorizing U.S. pilots (Air America civilians) to undertake T-28 flights tomorrow for two purposes: 1) to hold PL advance on Ban An - Muong Sui area; 2) cratering Rte 7 east of Ban Ban... Air America, particularly choppers, being permitted carry military personnel... and also war material."

-----[Ambassador] Unger

28 MAY 1964

TELEGRAM FROM DEPARTMENT OF STATE TO AMEMBASSY INFO:
AMEMBASSY BANGKOK, CINCPAC FOR POLAD

"You have authority use U.S. civilian pilots for T-28s."
SECRETARY OF STATE DEAN RUSK

23 JUN 1964

TELEGRAM FROM EMBASSY IN LAOS TO DEPARTMENT OF STATE FOR
[MCGEORGE] BUNDY, SPECIAL ASST. TO PRESIDENT JOHNSON

"Military action latter category would include range of actions from use Air America pilots in T-28s..."

27 JUN 1964

MEMORANDUM FROM JOINT CHIEFS OF STAFF TO SECDEF MCNAMARA

"[TOP SECRET, Sensitive] "The additional airlift aircraft...estimated by the Ambassador to be required... can be made available from PACOM...the Joint Chiefs of Staff will direct CINCPAC to lend these aircraft to Air America at Udorn... Air America pilots should be authorized to fly T-28 aircraft as necessary..."

29 JUN 1964

TELEGRAM FROM DEPARTMENT OF STATE TO AMEMBASSY LAOS

"...decision has been taken to provide added US military assistance in support RLG operation... Additional US support requested by Vientiane has been authorized and implementing action is being taken by Department of Defense. Specifically: a) 3 C-123's and 3 Caribous being turned over to Air America; (b) 15 additional T-28s are being moved to Udorn..."

BEYOND THE CIA

23 APR 1968 A LUNCHEON MEETING HELD AT THE WHITE HOUSE

Participants: Pres. Johnson, Sec'y Rusk, SecDef Clark Clifford,
Gen. Wheeler, Dir. Helms

GENERAL WHEELER: "Ambassador Sullivan is worried about 3 sites for Air America flights being knocked out..."

THE PRESIDENT: "Let's get the Defense supplemental up..."

20 AUG 1970 TO: DIRECTOR OF CENTRAL INTELLIGENCE (DCI) FROM: R.L. BANNERMAN, DEP. DIR.(DDS)

"At the ██████████ Conference in March 1970, it was concluded that it would probably be advisable to seek a judgment on Air America as a national asset as was done in 1955 with the Operations Coordinating Board of the National Security Council."

8 MAR 1974 THE WHITE HOUSE MEETING MINUTES

"Participants: Dr. Henry A. Kissinger, Secretary of State; Dr. James R. Schlesinger, Secretary of Defense; William Colby, Director, Central Intelligence; Adm. Thomas Moorer, Chairman, JCS

Kissinger: Give me a week to think about it and we will meet again.

Colby: I want to get rid of Air America.

Can we give mapping satellite photos to Canada?

Kissinger and Schlesinger: No!

31 MAR 1971 MINUTES OF A MEETING OF THE 40 COMMITTEE, CHAIRMAN HENRY KISSINGER

SUMMARY: It was agreed to use gunships stationed at Udorn to provide cover for medical evacuation flights in North Laos.

Dr. Kissinger: "There are two questions: whether we have the necessary assets and whether they should be stationed at Udorn."

Dr. Kissinger: "Weren't Air America pilots to be used for this?"

Mr. Packard: "We were talking about gunships."

Mr. Nelson: "The Air America pilots are doing the medevac."

7 MAR 1973 MEMO FROM NATIONAL SECURITY COUNCIL STAFF
TO PRESIDENT'S ASST. FOR NATIONAL SECURITY AFFAIRS, (KISSINGER)

SUBJECT: Reconnaissance Teams to Verify North Vietnam Troop Withdrawals
"...CIA has proposed some lightly armed reconnaissance teams to be infiltrated into several areas in Laos... They would be inserted by Air America helicopters (without escort)...We recommend your approval."

"Kissinger initialed his approval."

1 OCT 1975 HENRY KISSINGER TESTIMONY BEFORE PIKE COMMITTEE

Kissinger: "To discuss even the organization of covert operations, I will say that the assistant to the President makes no decisions. Every operation is personally approved by the President."

Stanton: "In other words, in the period of 1972 -1974, any covert decision that was made was approved by the President of the United States?"

Kissinger: "At any time. Not just in that period."

SEARCH AND RESCUE MISSIONS (SARS)

DECLASSIFIED DOCUMENTS show that the NSC deemed Air America essential to SAR missions throughout Southeast Asia, but required they have sole responsibility for SARs in Laos. The CIA was not involved in this aspect of Air America's work; DOD provided aircraft and training; the Ambassador was placed in charge and took direction from the NSC through the Secretary of State. Documents now publicly available undo the "volunteer in the sky" theory the CIA put forward for the first time in 2009:

"Air America crews were not required to monitor military emergency calls, fly to the location of military personnel in distress, or place their lives at risk of enemy ground-fire and possible capture. They received no extra compensation for rescue work and sometimes lost wages for their efforts. However, in their flying community it was enough to know that a downed aviator was in trouble and that airmen should always come to the aid of other airmen. It was simply the Airmen's Bond."

IT WAS THE U.S. GOVERNMENT THAT DECIDED what Air America was assigned to do, not well meaning Air America employees and often times, not the CIA. **This was in fact the way the U.S. Government chose to run the War.** Declassified documents confirm the more accurate reflection in 2009 of Col. Craig Duehring, USAF Raven (Forward Air Controller):

*"Of course anyone who flew in that area knew that the primary rescue source was not the Air Force but **Air America**, simply because they were usually close by. **All of us had your frequency set in our radios.** When a plane went down, there was a call to Cricket and **a call to Air America.***

Time and time again, you guys dashed out into the unknown and saved American lives. After one rescue, this time of a Raven..."

JOINT STATE/DEFENSE MESSAGE FROM SECRETARY OF STATE DEAN RUSK

AUGUST 1964 TELEGRAMS BETWEEN US EMBASSY VIENTIANE AND DEPT. OF STATE

AMEMBVTE: "SAR is a crucial factor in maintaining morale of pilots and there is no prospect at this juncture of establishing effective SAR procedures without use of both civilian **Air America** and US military personnel."

DEPT. OF STATE: "We agree with your assessment of importance of SAR operations, that Air America pilots can play critically important role... you are also hereby granted as requested discretionary authority to **use AA pilots** in T-28s for SAR operations..."

13 MAY 1965 TELEGRAM FROM AMBASSADOR WILLIAM SULLIVAN (LAOS) TO DEPT. OF STATE

"We have come a long way from the day when our only transgression of the 1962 Geneva Accords was the **covert direction of Air America operations...**we operate a fleet of about **50 aircraft engaged in paramilitary activity...**We get away with all this by elaborate precautions of dissimulation, tight discipline over loose talk, and a sprightly collusion with our Lao hosts. ...Those of us who conduct these operations harbor the illusion that they are of some value to the United States and cause some annoyance to our enemies. On the basis of this assumption, we require scores of Americans **to risk their lives every day and a few every month to give their lives in an effort to carry out this program.**"

COMPENSATION OF AIR AMERICANS

DECLASSIFIED DOCUMENTS show that compensation was not determined by “corporate employees”; it was set by the U.S. Government and overseen by the CIA. For pilots, the CIA adhered to the wage schedule of U.S. forces and “established procedures” for hazard pay. For all others, the Agency followed the Classification Act of 1949 as required of all wholly owned Government corporations, aligning salaries with GS ratings. Compensation of higher paid Air Americans was restricted so as not to exceed that of CIA employees of comparable position in the same locality.

29 JUL 2011

TO THE SENATE INTELLIGENCE CMTE. FROM THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE

“We honor and respect their service and sacrifice, including 98 US citizens who died in action. It is clear from the history of Air America that its employees, both American and foreign nationals, went consistently beyond the call of duty. However, that duty and its compensation were consistent---and fair---with the contract signed by the employees and with the prevailing practices at the time.”

UNDERSTANDING THE PREVAILING PRACTICES AT THE TIME:

THE CONTRACT SIGNED by the employees was a contract with an entity of the U.S. Government whose prevailing practices included the provision of federal retirement credit to accompany the Government control over employee compensation.

17 MAY 1963

MEMO FOR THE RECORD, SUBJECT: MAXIMUM COMPENSATION--PROPRIETARY EMPLOYEES

“It was agreed that, in cases where the total salary specified in a “proprietary hire” contract exceeds the maximum rate prescribed for a GS-15, a memorandum for record will be prepared showing basic salary, allowances and differentials (if any) for signature by the [REDACTED] Approving Officer concerned. ...Allowances and differentials authorized will not exceed those which would be authorized for Agency employees in the same locality.”

24 DEC 1967

TELEGRAM FROM AMEMB SAIGON
TO SECSTATE WASHDC, AMEMB BRUSSELS, AMCONSUL DANANG, CINCPAC

“The Air America labor conflict stems in large part from Management’s effort to live under the ceilings of the US Forces wage schedule...”

2 JAN 1968

TELEGRAM FROM AMEMB SAIGON TO SECSTATE WASHDC, AMEMB BRUSSELS, AMCONSUL DANANG, CINCPAC

“The 11 day strike of 700 workers at Air America was settled late Jan. 1 during a friendly six and a half hour session at the home of Air America manager...and operations are returning to normal. No general salary increase as such was provided. The Management will increase only those few rates which are now below the US Forces Wage Schedule.”

15 JUN 1968

CIA MESSAGE TO AMERICAN EMBASSY VIENTIANE, RECIPIENTS REDACTED

“...concurs with recommended changes in permissive areas with resultant effect on hazard pay. ...We query the advisability and necessity for flying an aircraft at vulnerable altitudes over specific roads where known AA weapons are emplaced if such can be avoided. ...On occasions when the mission is sufficiently urgent and weather will not permit accomplishment above 10,000 feet, recommend consideration of an altered flight route which would lack 100 percent coverage but would avoid the known enemy AA. [REDACTED] will prepare an addendum to [REDACTED] covert special mission/noncombat/pay standard for HQS approval in keeping with established procedures.”

CIA RETIREMENT & DISABILITY SYSTEM

Congress allowed the CIA its own retirement plan (CIARDS, 1964-84) for certain employees, more advantageous than Civil Service retirement. The qualifications emphasized overseas work, hazardous conditions, or the need to maintain cover, a description that closely matched the work of Air Americans. The CIA also acknowledged that "voluntary savings plans" such as its 1970 Voluntary Investment Plan (VIP) or the 1962 "Air America Retirement Plan", were supplementary only, not an authorized or adequate replacement for CIARDS or Civil Service credit. Later, the Agency again considered approaching Congress with a "Single System under DCI Authority" in 1986, with the same justifications that had underpinned CIARDS.

1 JAN 1986 AGENCY'S SINGLE RETIREMENT PLAN AND THE IMPACT OF ITS ADMINISTRATION INTERNALLY

[CIA Memorandum: Administrative - For Internal Use Only]: "...our people frequent remote areas of primitive conditions and travel via poorly maintained local aircraft and use of crude landing fields which do not meet U.S. safety standards...Among all other considerations which impact on CIA employees and management, the single heaviest burden of all is the need to establish and maintain cover (i.e., concealment of identification with the CIA or even with the U.S. Government) to protect sensitive activities, organizations and identities of employees engaged in supporting these activities."

23 NOV 1977 MEMORANDUM FOR CIA DIRECTOR FROM ACTING DEPUTY DIRECTOR RE: VIP PLAN

"...For many years the Agency has emphasized to its personnel the need to have long range plans for retirement. ...the VIP was instituted...with a view to providing a supplement to their eventual retirement annuities. It is a separate and distinct plan, and is not a part of CIARDS or the Civil Service Retirement System."

The CIA Retirement Board was set up to review individual employee eligibility for premium retirement pay under CIARDS. Every Air American seeking civil service credit today met the qualifications the CIA had presented to Congress to justify premium credit. Most of the Board's deliberations involved CIA personnel with insufficient overseas service, who were being considered based on the alternative of "domestic qualifying service". The Board selected the greatest number of employees from the Directorates of Operations and Administration. Those selected from Administration provided "support" to CIA proprietary activities from Washington (communications, finance, logistics, personnel). Declassified documents show that the CIA included an Air American as well as other proprietary employees in CIARDS.

8 JUL 1971 161ST MEETING OF THE CIA RETIREMENT BOARD TO SELECT CIARDS PARTICIPANTS

And how did this Board vote on the case of the President of the Company?

MR. FISHER: Voted for him. 25.

A unanimous vote. 25.

In favor?

MR. FISHER: Yes.

21 OCT 1971 167TH MEETING OF THE CIA RETIREMENT BOARD

25X1A9a

In the other case - Air America - how do you --

MR. FISHER: The major effort there was so operationally oriented and so much in support of clandestine activities overseas. Therein laid the big difference. Plus, because of the worldwide impact to the System and all the things over-

2 JAN 1972 173RD MEETING OF THE CIA RETIREMENT BOARD

see a real requirement for stringent tradecraft on his side. I still have a

small problem on the tradecraft side of it -- but of course we went through 25X1A9a

this same thing with of Air America and he finally got it.

CIA RESPONSIBILITY 1950-1976

DECLASSIFIED DOCUMENTS show that the CIA officially appointed CAT/AAM pilots to federal service in 1956 contrary to the later narrative. The CIA administered Air America with the understanding that the employees were federal employees. CIA leadership recognized that the Agency was not exempt from federal retirement law or from the Classification Act with respect to compensation, and that Congress was not amenable to semantic distinctions between “staff” and “proprietary” employees when it came to employment law. Early CIA leaders felt a moral responsibility for the retirement security of all CIA personnel, including proprietary employees.

“Watts is not an “employee” for purposes of the civil service system.”

Watts v. Office of Personnel Management, 814 F.2d 1576, 1580 (Fed. Cir. 1987)

23 MAR 1956

MEMO TO SPEC. ASST. TO DIR. FOR PLANNING & COORDINATION FROM CIA DEP. GEN. COUNSEL

“The revised contracts for the pilots approved by the DCI were presented to the pilots on 21 March...There are numerous follow-up details such as the execution of letters of appointment, coverage of the pilots under the Federal Employees Group Life Insurance program, execution by the Agency of the revised contracts... These matters I will handle directly with Jim Cunningham.”

12 JAN 1955

MEMO FOR DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE
FROM GENERAL COUNSEL LAWRENCE HOUSTON

“...the balance of legislative intent would be against any construction that would permit a clear distinction to be made between staff personnel used directly by the Agency and those employed under a cover contract by one of the Agency’s proprietary organizations.”

Sincerely,
s/ Lawrence R. Houston
Lawrence R. Houston

30 JAN 1959

LETTER TO [REDACTED] FROM CIA GENERAL COUNSEL LAWRENCE HOUSTON

“This would seem to leave us free and clear to establish such employment programs as we deem proper, but unfortunately, as is always the case in Government, it is not quite so simple. We are subject to the general retirement act...These and various policy considerations circumscribe our freedom of action to a considerable degree...We would need either an exemption from the retirement act or specific retirement legislation...there is the old problem of justifying both to the Administration and to the Congress our need for special treatment...”

27 APR 1962

CIA INTERNAL MEMO: “AN EARLY RETIREMENT PROGRAM FOR CIA” (CIARDS)

“The effectiveness of our clandestine operations overseas depends in large measure upon personnel having the highest degree of vigor, resilience, adaptability, aggressiveness, vitality, fearlessness, and endurance. The work of clandestine operations personnel is characterized by uneven and uncertain hours of work, duty in unhealthy locations with less than adequate medical facilities, and arduous, demanding, and occasionally hazardous assignments in which employees become a direct target for activities of the opposition, susceptible to immediate attack or seizure in the event of war or civil disturbance.

Government therefore has a moral obligation to provide this individual with compensating retirement benefits...inconveniences and sacrifices which deserve sympathetic consideration in determining employment benefits...”

5 JUN 1964

MEMO FOR DEP. DIR. OF CENTRAL INTELLIGENCE - PROPOSAL RE: CIA NON-STAFF PERSONNEL

“There are therefore staff, military, contract, and proprietary, both witting and unwitting, for whom the Agency has a direct or indirect responsibility, being the main source of their livelihood...in order to present the total magnitude of the Agency’s available manpower throughout the world, exclusive of actual clandestine agents...Review current categories of non-staff personnel...which will reflect the complete number of such persons, exclusive of clandestine agents, for whom the Agency is directly or indirectly responsible.”

“Tab A: Categories of Non-staff Personnel: ...Proprietary project personnel...”

“ALL PARTIES ARE IN FACT THE U.S. GOVERNMENT”

THE U.S. GOVERNMENT'S OWNERSHIP OF AIR AMERICA was a secret the CIA protected unflinchingly, but declassified documents show that in 1973, the Agency found it necessary to reveal the secret to the Renegotiation Board, the federal agency charged with ferreting out “excessive profits” in contracts between the U.S. Government and private contractors. The Board sought to review Air America/DOD contracts dating back to 1966. To avoid this burdensome review and the risk of disadvantageous revelations, the CIA revealed that Air America was not a private contractor; it was “in fact the U.S. Government” and that any “excess profits” would accrue to the benefit of the United States. Ultimately, the Congressional appropriations process mandated that Air America's retained earnings of \$25 million be returned to the miscellaneous fund of the US Treasury and that 60% of the total be deposited into the Civil Service Retirement Fund. Still, the CIA kept the critical fact of the true federal status of Air America from Congress and the CSC to the detriment of retirement claims. The court decisions against Air America employees did not take into account that both Air America and the CIA were synonymous with “the U.S. Government”, rendering the multi-party rationale of their decisions “somewhat ridiculous.”

“Some officials of Air America were also CIA agents... Here, however, the record shows only that the officials with whom Bevans dealt in arranging for his employment, including those who were both Air America officials and CIA, acted for Air America.”

Bevans v. Office of Personnel Management, 900 F.2d 1558, 1561 (Fed. Cir. 1990)

17 APR 1974 CIA BRIEFING NOTE FOR THE DIRECTOR FROM GENERAL COUNSEL JOHN WARNER

RE: **Air America-Renegotiation Board** (Filing requirements of US Government for **Air America contracts** as a “private entity”): “We contacted the Board after it approached Air America last year, and we argued, in writing on a **classified basis, that Air America was Government-owned**. Looking at the overall picture, it appears that no useful purpose is served by these procedures, since ultimately the U.S. Government is the recipient of all funds.

1 JAN 1973 CIA MEMORANDUM FOR DEPUTY DIRECTOR
FROM CHARLES KANE, CIA DEPUTY DIRECTOR FOR M & S

RE: Renegotiation Board insistence on **reviewing Air America/DOD contracts**: “[CIA General Counsel John Warner] agreed that **it is somewhat ridiculous and bureaucratic** since the U.S. Government will get the money under any set of circumstances. ...I would suggest one possibility would be to let the Renegotiation Board take the company to the Court of Claims, brief the Court on the true ownership of the company and urge them to dismiss the Renegotiation Board action on the grounds that the issue is moot since **the Government is suing itself**. ”

22 AUG 1974 CIA BRIEFING NOTE FOR THE DIRECTOR FROM ACTING GENERAL COUNSEL

RE: Briefing of Asst. Secretary of Defense (Comptroller) Terence E. McClary regarding Air America-Renegotiation Board problem: “McClary accepted our position that any additional work is undesirable, especially in that the Board's report of the settlement could raise questions in Congress..Martin noted that it seemed a little ridiculous to expend the time and energy which is very costly on both the part of the Board and the Agency in such a determination...even though **all parties are in fact the U.S. Government**.”

DECLASSIFIED

CIA OPPOSITION POST-1976

Declassified documents show that only after the dissolution of Air America and the retirement of longtime CIA General Counsels Lawrence Houston (1973) and John Warner (April 1976) did the CIA publicize opposition to Air America retirement credit. On April 29, 1976, in response to a CSC inquiry, Acting General Counsel John Morrison (April - June 1976) responded with now patently inaccurate statements. His assertions were contradicted in 1978 by Assistant General Counsel James Harris who exposed the fact that it was only the need for secrecy, though rapidly waning, and not any defect in their federal status, that was blocking Air Americans from receiving the retirement credit they earned.

29 APR 1976 TO THE CIVIL SERVICE COMMISSION FROM CIA ACTING GENERAL COUNSEL JOHN MORRISON
"The claimants were not employed by the U.S. Government...but were hired directly by Air America, Inc...as contract employees."

5 DEC 1978 TO THE CIVIL SERVICE COMMISSION FROM CIA ASST GENERAL COUNSEL JAMES HARRIS
"...In the case of **Air America, Inc.**, it would have been virtually impossible to preserve the cover story had all corporate employees been advised **they were really employees of the United States Government.**"

29 APR 1976 TO THE CIVIL SERVICE COMMISSION FROM CIA ACTING GENERAL COUNSEL JOHN MORRISON
"The corporate staff of these corporations had no Government status."
[DECLASSIFIED] George Doole, Clyde Carter, Jim Cunningham, Stan Ense, among others, all had Government status.

29 APR 1976 TO THE CIVIL SERVICE COMMISSION FROM CIA ACTING GENERAL COUNSEL JOHN MORRISON
"While it is true that the Federal Government supplied funds and may have been involved in basic policy decisions..."

26 SEP 1974 HENRY KISSINGER, NSA MEETING WITH DCI WILLIAM COLBY
THE WHITE HOUSE - "Any covert activities conducted under the general direction of the Director of Central Intelligence are initially reviewed by the **40 Committee of the National Security Council**...I want to be fully informed on the covert actions which are now underway..."

29 APR 1976 TO THE CIVIL SERVICE COMMISSION FROM CIA ACTING GENERAL COUNSEL JOHN MORRISON
"Logically one would assume that this requirement would focus on the immediate day-to-day supervision or direction of employees in the performance of their duties. To say that the Agency had such authority would be to deny the corporation's independent actions and dismiss its personnel management system."

16 JUL 1968 FROM JIM CUNNINGHAM, CIA TO HENRY BEVANS, VICE PRES. LEGAL TAIPEI RE: AGENCY AUTHORITY AND SUPERVISION BY MANAGING DIRECTOR GEORGE DOOLE (CIA)



"BIG GEORGE PINEAPPLE GIVES ME A FEW MOMENTS EACH DAY TO ITERATE HIS CONCERN ABOUT (a) reduced profits, (b) increased accidents due to "boobery", and (c) his certainty that "lax management" is behind all our in-house problems. This is sprinkled with condemnations of the customers who "simply want to rush out and do something - anything", especially by personnel without his experience, etc. He is devoutly conscious of the cost of a Xerox copy and a box of paper clips, but says little about the (for instance) \$100 phone bills for May, used up in two calls to TPE. But honestly, it is fun as long as you don't take his fulminations too seriously, or let him get to you too often. Oh well, "le plus change, le plus le meme chose," as we said in WWI."

“In the case of Air America, Inc, it would have been virtually impossible to preserve the cover story had all corporate employees been advised they were really employees of the United States Government.”

James M. Harris
Former CIA Assistant General Counsel

“We overdid it some ways... I think in some of our dealings with other [US Government] agencies, we overdid the secrecy bit. We should have been forthcoming...”

John Warner
Former CIA General Counsel