

Declassified E.O. 12356 Section 3.3/NND No.

785017

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10000/109/773

RACKETEERING & GRAFT
DEC. 1944 - FEB. 1945

29 12

Cor. 11 D to see.

if 1/2

28 (13)

Deos Econ Sec.

Please have Regis Drive reassigned —
and discuss his replacement with me.

172/42/100

2015

Note: See file 29 in notebook to mine 28 above 13

3116

CoS

To see 29. - re Seculia Regim. - Economics & Supply officer
replacement. Your min 28 refers.

172/42/100

3606 14 Feb.

36

CSO.

17-35

These papers were handed to me by Col

DEOS EconSec

Please have Rega drive reassigned

and discuss his replacement with me.

WV 4/2/45

2015

Note: See folio 29 in notes to minute 28 above

3116

COS

To see 29 - re Lucia Regis - Commis Supply Officer
replacement. Your min 28 refers.

WV 4/2/45

3606

14 Feb

C.S.O.

36

17-35

These papers were handed to me by Col

Fitch. They require in re: choice and

a recommendation should be made to me

- or a discussion arranged between Pub Safety

(Security) who should first see them, Transfor

518

Sub Com, & myself

Security Div 37

WV 20/4

Present from
to SIB, CA 110/100
at his report
by hand of 15/2
Francis T. 15/2
15/2

Please have Raja Dine reassigned —

and discuss his replacement with me.

DD (4/2/45)

2015

Note: See file 29 in return to mine 28 June 13

31/6

CoS

To me 29. - re Sealia Regin - Economics & Supply Officer
replacement. Your min 28 refs.

DD (4/2/45)
3606 14 Feb.

C.S.O.

36

17-35

These papers were handed to me by Col

Fitch. They require in re: action and

a recommendation should be made to me

— or a discussion arranged between Pub Safety

(Security) who should first see them, Transfer

GIB

Sub Com, & myself

Security Div³⁷

DD (20/4)

papers from
to SIB, on 11/1/45
by hand of 15:15
Frank T. 10/4/45
For necessary action in above (11/2/45)
E. 11/2/45

8
SECRET & PERSONAL

TO: Chief of Staff.

D.O. letter from Brig. CARR dated 20 Jan 45.

Summary of letter.

Para 1. Reference is made to an OSS report dated 28 Dec 44 (folios 1 - 4). The Regional Commissioner having heard of the existence of this report interviewed the originator of it and secured a copy which he believes is an expurgated version. The report deals with alleged irregularities in the handling of cargoes for coastal shipping and makes references to officers of the Commission on folios 3 - 2. The comment made is unsupported by evidence and is extremely slanderous.

The Regional Commissioner goes on to speak of the attention he has been giving recently to the elimination of racketeering and the instructions he has given to his staff on the transaction of business with trading firms in the island. He is confident that there has been no irregularity on the part of his officers.

Para 2. Deals at some length with the handling of cargoes for shipment and the Regional Commissioner states that he has not received the support of this HQ in dealing with the type of racketeering which is known to exist. Two of his letters are referred to which were forwarded to Economic Section for attention.

Para 3. Expresses the hope that favourable consideration will be given to proposals which have been made, presumably in the letters referred to above, with a view to eliminating racketeering which he is certain is going on. He presumes that a copy of the OSS report will in due course come to the attention of this HQ, and comments that it will be interesting to see which edition (if there are two) will be received. Whilst we receive a number of OSS reports at this HQ through channels this one has not come to hand.

Comment.

I suggest this letter will need examination and comment by the Economic Section before replying.

It will be noted that the OSS report carries no indication of its distribution. It is apparent that the R.C.'s name has been typed in on the copy because he asked for one.

I do not know what terms of reference enabled OSS to make a report of this kind unsupported by evidence. It may, however, have some value to Public Safety Sub-Commission on the COGENA enquiry.

Submitted in interim reply to Brig. Carr.

25 Jan 45.
Office, Chief of Staff,
Ext. 735.

25/1

3600
Shack
Captain.

38

Folios 14-35 was a report by Transportation
Sub commission to I.P. Economic Section
on further irregularities in the allocation
of shipping for the transportation of wine
from Sicily. Correspondence was handed
to Executive Commissioner by Colonel Fiske

for 3/5

see 36 & 37
360
3/5

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

14

Tel. 271

JMM/nem

ES/2-00

10 Feb. 1945

SUBJECT: Personnel

TO: CHIEF OF STAFF

Major Dring has been earmarked for Austria. No replacement is to be made.

L. D. Densmore
L. D. DENSMORE,
Colonel, P.A.
ADCCS/ECONOMIC SECTION

Enc. File D.C. Sitreps - Sicilia Region.

P 117

Info copy filed on 7007/cos.

*3607 15-16
see minutes 20001*

*14
2*

R

CONFIDENTIAL

171 A
ALLIED COMMISSION
SICILY REGION HEADQUARTERS
APO 394

OFFICE: REGIONAL COMMISSIONER
PHONE: 15535 EXT 1

FILE: RC/201

29 Jan 1945

FEB 3 1945

My dear Lust,

With reference to my Secret and personal letter RC/311.5 of 20 JAN 45 as regards the final sub-paragraphs of para 3 of that letter, I have come to the conclusion that it is time that the officer in charge of my Economics & Supply Division was changed. Major Dring, who is in charge of that Division, has not been so very long at its head but he has been in Sicily since the early days.

I am writing to your Headquarters officially about this today but I should be glad if you would take any steps which may be necessary to insure that another qualified officer is assigned as early as possible to take over the Economics & Supply Division of this Headquarters.

Yours sincerely
M. Carr

M. Carr
Brigadier
Regional Commissioner

Brigadier M.S. LASH CB, CBE, MC
Chief of Staff
Allied Commission Headquarters
R O M E

Info copy filed on 7007/cos.

see 3702

10
SECRET & PERSONAL

Ref: 173/-/COS.

30 January 1945.

To: Economic Section (for attn. Col. REBERGERS)

22
19
Copy of DC letter HQ/J11.5 dated 20 January from Brigadier GARR to Brigadier LASH and its attached COS report JP-1309 dated 28 December is enclosed herewith for action in accordance with para.7 of the Minutes of the Chief of Staff Meeting of 26 January.

see extract below

E. M. R.
Colonel,
Chief Staff Officer.

Copy to: Civil Affairs Section
(for attn. Public Safety S/C).

7. Situation in Sicily. COS had received a letter from MC Sicilia Region enclosing a report from an OSS Agency in the Island which made sweeping allegations of graft mainly in respect of export permits for wine. The report made accusations against all and sundry, including AG officers. RC did not know the distribution of this report and COS would find out. Meanwhile the report and RC's letter would be circulated to Sections. RC had stated he was satisfied there were no irregularities on the part of his officers but criticised the fact that many doubtful characters came to the Island armed with AG credentials and authorisations. **3681** said Born Sea should take up this matter at once with their Sub-Commissions, get a restrictive plan laid down and send it out to RCs.

Handwritten signatures and initials:
AU
PA
30/1

(9)

25 January 1945.

Ref: 172/-/003

Thank you for your letter of 20 Jan 45 enclosing OSS report dated 28 Dec 44. I shall have this examined by the competent persons and will write you again in due course.

Meantime for your information OSS is a U.S. intelligence organization on the manner of whose reporting I have had occasion to complain before. As you now know, they have a unit in SICILY which has sent in reports among other things of the recent disorders. Thank you again for bringing this to my notice and I hope to write you again soon.

M. S. LUSH

Brigadier M. Carr, CBE, MC.,
Regional Commissioner,
SICILY Region.

3599

~~SECRET & PERSONAL~~

ALLIED COMMISSION
SIOGILLA REXTON HEADQUARTERS
APC 394

FILE:RC/311.5

20 Jan 1945

JAN 24 1945

My dear Lusk,

I am enclosing a copy of a report which has been obtained by me from an organization on this Island about the activities of which I can find out little or nothing. I was not included in the original distribution of this report but got to know that some report of this nature was in circulation and I asked the originator of the report to come and see me. Previously I had seen him once in my office during my time here. The writer of the report agreed to send me a copy which is enclosed. I informed him that I felt that, in a case of this nature in which grave insinuations were made against members of my staff and possibly against myself, I should have been included in the distribution of the report.

I have good reasons for believing that the enclosed copy is an expurgated edition and that there is another edition in circulation which mentions the names of specific Allied Officers on the staff of this Headquarters.

During my time here I have devoted considerable attention to this matter of eliminating racketeering. Recently, during the time I should imagine the enclosed report was being compiled, owing to a recrudescence of rumors I had renewed my activities in this respect and I had had discussions with my Economics and Supply Division as to whether certain steps we had taken soon after my arrival here had had any effect. As a result I had, before receipt of the enclosed report, issued fresh instructions that on no account was business to be transacted through any female agents connected with trading firms on this Island and that unless they were personnel making an initial visit they were not to be admitted to this Headquarters.

There is further the complication caused by the presence of local civilian staff in our offices. I have no doubt that they are suitably approached at times with a view to getting letters, etc., placed in the right quarter.

The enclosed report is confidential

grave insinuations were made against members of my staff and possibly against myself, I should have been included in the distribution of the report.

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There is further the complication caused by the presence of local civilian staff in our offices. I have no doubt that they are suitably approached at times with a view to getting letters, etc., placed in the right quarter.

As regards the enclosed report I am confident that there has been no irregularity on the part of the officers on my staff. I consider that there may have been indiscretion in that they have had as personal friends females who are connected with firms doing business through the Allied Commission. This, however, I feel sure is not a situation which may have existed only in this region. As I have stated above I have taken steps to prevent any further business transactions through female agents. Whether the firms mentioned in the enclosed report with which the female agents are connected are less or are more crooked than similar firms in this island it is impossible to say.

As regards this type of racketeering, may I very respectfully say that I do not feel that we have received the support of your Headquarters in dealing with it. I have raised the matter on my level and my Economics and Supply Division tells me that they are continually in touch with your Headquarters as regards the type of individual sent to this island to do business and of the

SEE MINUTE-8

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circumstances, for which cargoes have to be arranged. In this connection may I refer to my letter, RPS 829/12 of 27 SEP 44 and of 20 OCT 44. Despite these letters and our frequent protests a constant stream of individuals carrying with them Allied Commission credentials arrives in this island. Most of these individuals we look upon with the gravest suspicion. In many cases they carry requests bearing Allied Commission authorizations to take away wine by schooner. Under this head a Countess came all the way from Florence for this purpose. We have pointed out constantly to all concerned that export of wine by schooner is prohibited.

The sub-selling of tonnage assignments is a most difficult thing to compete with. It will be appreciated that when tonnage is sold the goods are shipped in the name of the firm receiving the original assignment so that it is almost impossible to detect what is taking place.

As regards this matter generally, I have already put up to your Headquarters proposals for procedures under which the export of wine and that of citrus fruits from this island should be carried out both with a view to eliminating racketeering which we are convinced is being effected by Roman firms and to giving more responsibility to the Italian authorities. I trust that your Headquarters will support these proposals. The High Commissioner has also taken up with his Government the same questions particularly that of the selling of tonnage assignments.

Further, the circumstances under which vessels arrive here in connection with this export trade are most unsatisfactory. As regards the ship "Gaeta" mentioned in the enclosed report we received a cable direct from AFMC that she was coming here at short notice to collect a cargo which we could not interpret. The cargo was subsequently altered and hurried arrangements had to be made to deal with the situation.

I am told that the conditions under which the ship is being unloaded at Torre Adunziata are most unsatisfactory but this is only long-distance rumor.

A ship called the "Gusela" of approximately 3,000 tons has also been sent here at very short notice and is now in port to load citrus fruits. Some people seem to imagine that one can have a large supply of fruit ready stocked on the docks for loading. This of course is impossible, moreover packing materials particularly nails are in very short supply. We shall have to send away the "Gusela" only half loaded - bad weather has held up the picking of fruit and the fruit already loaded will perish if the ship does not sail.

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As regards this latter point, I trust that your Headquarters will support these proposals. The High Commissioner has also taken up with his Government the same questions particularly that of the selling of tonnage assignments.

Further, the circumstances under which vessels arrive here in connection with this export trade are most unsatisfactory. As regards the ship "Gusta" mentioned in the enclosed report we received a cable direct from Africa that she was coming here at short notice to collect a cargo which we could not interpret. The cargo was subsequently altered and hurried arrangements had to be made to deal with the situation.

I am told that the conditions under which the ship is being unloaded at long-distance rumormongers approximately 3,000 tons has but this is only long-distance rumormongers approximately 3,000 tons has A ship called the "Gusta" of very short notice and is now in port to load citrus fruits. Some people seem to imagine that one can have a large supply of fruit ready stocked on the docks for loading. This of course is impossible, moreover packing materials particularly nails are in very short supply. We shall have to send away the "Gusta" only half loaded - bad weather has held up the picking of fruit and the fruit already loaded will perish if the ship does not sail.

The circumstances under which vessels are sent here for this trade seem to me to be little short of chaotic. The local Ministry of War Transport Representative from his angle agrees with this opinion. I do however appreciate that there are great difficulties in regulating these matters.

3. I presume that the enclosed report will in due course come to the attention of your Headquarters. It will be interesting to see which edition (if there are two) of the report you receive. In the meantime I suggest that I should watch the situation here very closely. I do not think that there is anything more I can do to keep matters on an even keel and I trust that your Headquarters will give early favorable consideration to our proposals made with a view to eliminating racketeering which we are certain is going on in connection with this trade.

5/

I still have in mind recommending one or two further changes of personnel on the grounds that they have been long enough in this Island. Actually practically the whole of my Economics and supply staff is a fresh staff. In any case I do not feel like being driven into taking action by a report of the nature of the enclosed nor like being blackmailed into taking steps owing to the scandal talk of the rival factions in the black market ring. The enclosed report on page 3 refers to honest exporters. I do not believe they exist here.

Yours sincerely
M. Carr

M. CARR
Brigadier
Regional commissioner

Brigadier M.S. Lush C.B.E. M.C.
Chief of Staff
Allied Commission Headquarters

3396

HEADQUARTERS DETACHMENT
267TH REGT, OSS (PROV)
APO 512, U.S. ARMY
ITALIAN DIVISION, SI, NETO

SECRET

28 December 1944

TO : Brigadier-General GARR, A.C. Administrator, Sicilian Region.
FROM : JOSEPH P. RUSSO (CIV) IC, OSS-Sicily
SUBJECT : EXPORT PERMIT RACKET

Date of Report : 26 Dec. 1944

Report No. JP-1309

Date Received : 26 Dec. 1944

Evaluation : B - 3

Information secured from various reliable sources has confirmed that Allied Commission has made tonnage assignments on the Italian steamship "Gaeta", based on standards of partiality. The ship's route is Palermo - Torre Annunziata - Civitavecchia and its cargo is 1000 tons of wine.

It is reliably reported that at least 50 per cent of the tonnage was obtained by the intervention of women, 250 tons of this went to Giuseppe CAUDULLO who sold it at from 15 - 30 lire per kg. The bulk was sold at about 25 lire, however.

Out of the 250 tons assigned to Caudullo, he utilized only 15 for his own merchandise. The rest was sold at the above prices which brought a profit of 6,000,000 lire for Caudullo and Countess MAIORCA, his partner. A share of the profit was given to one CASSARINO, a partner of Caudullo, who receives only a small part of the returns, however.

Caudullo is a citrus fruit exporter of Catania who has never been trusted in his native town due to his bad commercial reputation. He has never concluded any important negotiations and has debts amounting to 600,000 lire. In fact, he himself has stated that he had to come to Palermo to go into business, because he could not continue in Catania.

Mrs. Rosetta CARONIA also obtained an assignment of 200 tons from A.C. officers realizing a profit of 1,000,000 lire.

It has not been possible to ascertain who has benefited from the assignments procured by Mrs. Caronia, and it is more than probable that she received assignments greater than 200 tons.

Other individuals have received assignments in the same way, it is reported.

- 2 -

SECRET

Thus :	250 tons	for Mrs. Maiorca
	300 "	" " Caronia
	450 "	Total

Other small assignments added to the above total will certainly result in 500 tons at least, which is half of the total tonnage.

These assignments are detrimental to the legal businessmen and to the consumer who eventually carries the weight of the speculation.

* * * * *

Tonnage assignments for export shipping are obtained through the recommendations of Allied Commission officers' lady friends, Countess Luisa Maiorca, and Mrs. Rosetta Caronia. Telephone communications made by A.C. officers to COGENA, which administers all available shipping, are sufficient to secure desired reservations (export permits).

Thus, through the intervention of their "partners," Countess Maiorca and Mrs. Caronia, Caudullo of Catania, and one PALUMBO have succeeded in obtaining 200 or 300 ton assignments for each trip. This tonnage, which is sold at a profit to other firms, which in turn sell it at 20 - 26 lire per kg. determines a return of 5 - 6 million lire for the above-mentioned women for each shipment from Sicily.

Mrs. Caronia also deals in truck and automobile permits.

The following information has been obtained :

SHIPS :

M.V. ASSUNTA MARIA - 60 tons were assigned to Palumbo which were sold at a profit of one million lire, with a 50 per cent cut for Mrs. Caronia.

GASTA - 250 tons assigned to Caudullo through the Countess Maiorca, were sold to MARINO SCORPATO, BECCARO and others with a profit of 6 million lire, which sum was divided in two and then deposited in the Commercial Bank under the name of VENTURELLI Clementina. Since it was rumored that an investigation was being conducted on Caudullo's activity, difficulties promptly settled by an A.C. Major, arose between him and the ship's captain.

It is believed that an 80,000 lire watch was offered to an A.C. officer during a recent banquet to A.C. personnel.

GASTA * Contrary to the custom of assigning the tonnage to PALUMBO, 200 tons were assigned directly to Mrs. Caronia on one occasion. Legally, Mrs. Caronia is not authorized to receive such assignments because she is not registered in the Chamber of Commerce

- 3 -

SECRET ²

as an exporter. The tonnage permit was sold to the AMOROSO firm at a profit of 5 million lire. Mrs. Caronia also obtained a truck permit for the AMOROSO firm.

GAETA - 100 tons were obtained by the S.I.E.P.A.S. firm through an officer of the U.S. Navy, friend of Atty. CAMALO'. The firm which had not requested the tonnage in turn sold it to Rag. BOZZA and others. The profits were divided between Atty. CAMALO' and the firm.

The above negotiations have aroused high discontent among all honest exporters who realize that they will not be able to work unless they wish to entrust themselves to the protection and exploitation of these ladies and the A.C. officers who obtain assignments from COGENA in Rome and Palermo. The names of Mrs. Caronia and Countess Maiorca have never been mentioned in the lists of those who received assignments, but those of their partners PALUMBO and CAUDULLO are.

Although the latter method appears to relieve the officers of any responsibility in the matter, the A.C. officers and the Allied Government have been compromised in the eyes of the civilian population and as a consequence, the prestige of Allied Authorities and military personnel has suffered seriously.

* * * * *

GAETA CARGO

The Italian steamship "Gaeta," which was scheduled to leave Palermo for Torre Annunziata and Civitavecchia on Dec. 28, carried a cargo of 1000 tons of wine.

This tonnage was assigned chiefly to speculators who profited on the sale of their assignments (export permits).

According to Nino LA DUGA, Maritime Exportation Agent of Catania, the situation on Dec. 19th was as follows :

Cargo UtilizedNo. 600 tons

Non-Utilized cargo due to lack of merchandiseNo. 400 tons

Consequently, 400 tons of cargo were left to speculate upon.

* * * * *

It is reported that Countess Luisa MAIORCA confided the following to Giuseppe CAUDULLO, of Catania, in the Impero Restaurant at Marsala. Caudullo is her friend and partner in business.

"Don't worry, because you will receive the assignment. I guarantee you this. The "Gaeta" will not leave without your cargo."

3593

SECRET (1)

- 4 -

Mrs. Maiorca referred to the cargo on the "Gaeta" which was then in port of Palermo. Caudullo did obtain a tonnage assignment on the "Gaeta" and went to Marsala to sell his permit at 8 lire per kg.

These statements were made by Calcedonia INGRASSIA, of Castelvetro, an exporter of wines, who has made business deals with Caudullo.

Caudullo also sold to one GRASSO, Dr. ZERILLI, wine producer, and Reg. RIGANO, dealer in wines, salted-products, etc.

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