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CIA reports on action in Australia

WASHINGTON, Thursday, (AAP-Reuters).
The US Central Intelligence Agency has handed over to the Senate Intelligence Committee a full report on alleged CIA activities in Australia, committee sources said yesterday.
The sources were unable to say whether the report confirmed widespread allegations that the US spy agency interfered in Australian politics, especially trade-union activities.
The allegations first surfaced in the recent Los

06/10/77
Angeles trial of Mr Stephen Boyd, a communications officer who was found guilty of passing secret information to the Soviet Union.
Subsequent allegations about CIA activities surfaced in Australia.
Senate Intelligence Committee sources said the CIA report was requested last month as part of a preliminary inquiry into the allegations.
The committee decision on an enquiry is expected within the next few weeks.

**CIA file Age
05/10/77
goes to
committee**

WASHINGTON, June 9. —
The Central Intelligence Agency has handed over to the Senate Intelligence Committee a full report on alleged CIA activities in Australia.
Sources were unable to say whether the report confirmed widespread allegations that the CIA interfered in Australian politics, especially trade union activities.
They said the panel would have to evaluate the CIA report before deciding whether to conduct a full investigation into the matter.

The allegations first surfaced in the recent Los Angeles trial of Stephen Boyd, a communications expert who was found guilty of passing secret information to the Soviet Union.
Later allegations about CIA activities surfaced in Australia.
The committee is expected to decide within the next few weeks whether it would conduct a full inquiry. —AAP.

**CIA and
05/10/77
Aust—full
disclosure**

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The sources were unable to say whether the report confirmed widespread allegations that the US spy agency interfered in Australian politics, especially trade union activities.
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The allegations first surfaced in a recent Los Angeles trial of Stephen Boyd, a communications expert who was found guilty of passing secret information to the Soviet Union.
Subsequent allegations about CIA activities surfaced in Australia.

The charges caused a political storm in Australia and Prime Minister Mr Fraser, came under pressure from the Opposition to conduct a full investigation of the matter.
Senate Intelligence Committee sources said the CIA report was requested last month as part of a preliminary inquiry into the allegations.
The committee is expected to decide within the next few weeks whether it would conduct a full inquiry. —AAP-Reuters

CIA tells of role in Aust

From IAN HICKS,
Staff Correspondent

WASHINGTON, Thursday. — The Central Intelligence Agency delivered its answers late yesterday to a series of questions on CIA activities in Australia put to it by the Senate Intelligence Committee.
The committee sent its questions to the agency last month following allegations of improper CIA activities, said to involve Australian trade unions and the Australian-American "super-secret" space research facilities in Central Australia.
A senior staff member of the committee, Mr Spencer Davis, told the Herald today

that the CIA answers had arrived on Capitol Hill "very late in the afternoon... early in the evening, actually."
"The answers have not yet been evaluated by the committee," he said, adding that he had not yet read them himself.
"Until we have evaluated them, we don't know what can be said by the committee about them."

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SIX-year sentence

for US spy Boyce

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LOS ANGELES, Tuesday. — Christopher Boyce, who admitted handing over documents to the Soviet Union, was provisionally sentenced here yesterday to six years' imprisonment for spying.

Boyce, 24, a coding clerk for an American defence contractor, was ordered to undergo 90 days of psychiatric tests. He faces final sentencing in September.

During his trial in April, Boyce said he was so outraged

by the alleged illicit activities of the US Central Intelligence Agency (CIA) in Australia that he told a friend, Andrew Lee, about it at a party.

Lee, 25, later blackmailed him into handing over documents from the secret vault at TRW Inc, a Los Angeles defence contractor, he claimed.

The two were paid a total of \$US70,000 (SA63,700) by the Soviet Union, according to evidence at the trial.

Lee, an admitted drug user, yesterday had his sentencing postponed to July 18 and faces possible life in prison.

(AAP-Reuters)

Setback in move over Marchetti injunction

WASHINGTON, Tuesday. — The Department of Justice has refused to help Mr Victor Marchetti, a former Central Intelligence Agency (CIA) official, in moves to dissolve an injunction that prevents him from speaking or writing about classified material.

Mr Marchetti obtained the material when he was a CIA employee, and is required to have it cleared by the agency before using it.

In a letter sent to his lawyer in mid-April, Miss Barbara Babcock, the new head of the department's civil division, said: "I do not think there is anything that we can do about the injunction against Mr Marchetti at this point."

Mr Marchetti was involved in recent allegations concerning CIA activities in Australia, and claimed that the Prime Minister, Mr Fraser, and the CIA, were "in collusion to stop any investigation" of the activities.

His allegations were subsequently denied by the Australian Government.

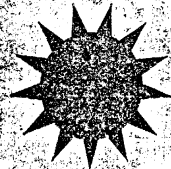
The US decision not to help Mr Marchetti is considered important because it places the Carter Administration's Department of Justice in support of an action that Mr Marchetti's lawyer, Mr Melvin L. Wulf, had tried to have reversed as "a relic of the totally discredited Nixon regime and the Nixon Department of Justice."

Mr Wulf is a former American Civil Liberties Union (ACLU) lawyer, who is now in private practice in New York but represents the organisation in this case. He said yesterday that he was particularly disappointed in the decision because Miss Babcock was a former member of the ACLU.

(The New York Times)

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THE Sun



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U.S. SENATE ORDERS CIA REVEAL ALL ABOUT

By HUGH CRAWFORD and BILL D'ARCY

A UNITED STATES Senate committee today demanded the CIA answer allegations revealed in The Sun about its secret operations in Australia.

The powerful US Senate Intelligence Committee sent a formal request to CIA headquarters in Virginia this morn-

ing, asking it to supply information about its alleged activities in Australia.

The committee will examine allegations revealed in The Sun that the CIA funded Liberal Country Parties in Australia and infiltrated trade unions.

A senior aide to the committee, Mr Spencer Davis, said the committee expected "a prompt and satisfactory reply."

It has been suggested that the committee investigate trade union officials from Australia who have taken part in training programs carried out by US union organisations.

The reports said that allegations about CIA activity are "grave enough" to hold a congressional inquiry.

Mr Davis told The Sun by telephone from Washington today that the first steps had been taken towards a full investigation by the committee of CIA activities in Australia.

Allegations have been made and we want to know what they amount to," he said. "The CIA is being asked to respond to charges of improper activities in Australia's internal affairs."

Mr Davis said the CIA was now mere co-operative in meeting requests from the powerful committees.

National correspondent John Snow reports from Canberra that the

AUSTRALIA



Imagine if a former member of the KGB and a recognised authority on international intelligence services stated the KGB was financing the Australian Labor Party. Mr Fraser and the press would be screaming about it.

Gough Whitlam on the CIA affair Page 2.

Government is rushing through a dramatic shake-up in Australia's intelligence system because of the CIA controversy.

Sweeping changes announced last night by the Prime Minister, Mr Fraser, would normally have waited for legislation in the next session of Parliament.

But the Government is making the reforms by administrative order.

The urgency is sparked by the allegations of CIA involvement in Australia, exclusively revealed by The Sun this week.

The Government is setting up a "super-spy" agency to provide co-ordinated, professional independent advice on matters of national importance.

To be called the Office of National Assessment, it will be headed

by former intelligence chief Mr R. W. Furlonger, at present Ambassador to Austria.

The decision was announced with the release of an abridged version of the third report of the Royal Commission on Intelligence network as "fragmented, poorly co-ordinated and poorly organised."

He accused agencies of being too secretive.

Mr Fraser said that because of the urgency of the reforms needed, the changes would start at once.

The Government is anxious to appear active in what has become a national debate.

Until now the Government had simply issued a stonewall series of denials in the CIA affair.

Now Mr Furlonger is being brought home

THE Sun

CHARGE BRINGS PARLT UPROAR

EXCLUSIVE

BY BILL BARBY

CIA GAVE CASH TO LIBS-CP

Wednesday's Sun front page... it started the CIA furor. at once to become Australia's "super spook". He will outrank the Chiefs of the existing Intelligence Services which will provide information to his new agency. Mr Fraser has had the latest Hope report for several weeks. He has been forced to

76 PAGES TODAY

WEATHER: Rain clearing.

LOTTERY: P.52.

FINANCE: P.61.

TV: P.31.

ASIO knew CIA was in Australia, ex-agent says

A former CIA agent in Australia, Mr. Victor Marchetti, says he is convinced the Australian intelligence system was aware of CIA activities in Australia, and was either disregarding it or giving it tacit approval in the belief that if anything went wrong the CIA would take the blame.

He said it could even have involved collusion between the intelligence services.

"The question is, how loyal is the Australian intelligence service to the Australian nation?" Mr. Marchetti asked. "Is their loyalty first to the establishment and the conservatives, or is it to whoever is in power, whoever who is representing the people?"

Mr. Marchetti denied, during an ABC television interview on Saturday night, that a former head of the US Central Intelligence Agency in Australia, Mr. Richard Stallings, was involved in domestic politics in Australia.

Charges that Mr. Stallings, now retired, was involved with the Leader of the Country Party, Mr. Anthony, were first made by the Leader of the Opposition, Mr. Whitlam, before his Government was removed from office in November, 1974.

Confession

Mr. Marchetti said he was friendly with Mr. Stallings and denied that he was involved in any unethical dealings in Australia.

He confirmed, however, that information about alleged CIA activities in Australian trade unions and political parties, including the Labor Party, had been known to the Soviet Intelligence agencies for several years.

Mr. Marchetti said he had seen Mr. Christopher Boyce since his conviction for espionage in Los Angeles and had seen the confession made to the Federal Bureau of Investigation.

By a special correspondent

Mr. Marchetti said Mr. Boyce's confession did not contain specific allegations but was essentially a summary of what he said he had seen and passed top Soviet authorities.

Technical

Mr. Stallings, who has been named as a former head of the CIA in Australia, had been a very good friend.

"He is a bright guy, a very ethical person, very sincere," Mr. Marchetti said. "He was not involved in these sorts of activities when he was in Australia."

"He was largely concerned with the technical project, the Ryalite project, and he told me later after he came back from Australia and he had left the agency, he had given me reason to believe he was very unhappy with the other part of the CIA, the clandestine part."

"He never got specific but the implication was that they were mucking about in the internal politics of Australia and he did not like or approve that. He was not involved in that."

"The Pine Gap operation was essentially targeted against the Soviet Union and Communist China. It was sucking up electronic information from that area, beaming it back down into Australia, and the Americas and the Australias, under a secret and probably illegal treaty which Dick [Stallings] and I helped to draft, were sharing the information."

Mr. Marchetti said that in his confession Mr. Boyce had referred to a Project Argus.

He believed this had been designed to cut the Australians out of certain information which had been obtained from the Ryalite project.

He was not clear because he had no chance to explore it in detail with Mr. Boyce, but the CIA was either going to add additional channels of capability to the Ryalite system, to which the Australians would not have access because there would be some way of keeping it from the Australians, or they were going to cut the Australians out of some of the existing Ryalite information.

Mr. Marchetti confirmed that the Soviet Union was aware of Mr. Boyce's allegation of CIA interference in Australian affairs.

"There is no doubt about it," he said. "The information is already in the hands of the Soviets. He said he gave it to them. Now any time the Soviets want to create some embarrassment they can leak this information themselves."

This was pointed out in The Canberra Times on Wednesday after a study of the transcript of the Boyce trial. The KGB appears to have known of the allegations since 1974 but not to have passed them to the Australian Government, local communist parties, or trade unions.

He believed the CIA's activities had been directed toward getting rid of the Whitlam Government and replacing it with one more friendly to itself, Mr. Marchetti said.

Mr. Marchetti's allegation that the CIA and Australian intelligence services operated together to get rid of a Government they did not like could already be known to the Australian Government, through the reports of the Royal Commissioner into intelligence and security agencies, Mr. Justice Hope.

Both the Labor and the Liberal Parties have already denied Mr. Boyce's allegations through Mr. Marchetti that they received any funds from the CIA.

Lee found guilty of spying — Page 4.

SYDNEY: An expert on the Australian Constitution has spoken out against the compulsory retirement of High Court justices and simultaneous elections of both House of Federal Parliament.

Professor P. H. Lane, professor of constitutional law at the University of Sydney, said yesterday he believed both proposals would have the effects of increasing the power of government "at the expense of our existing safeguards."

He voiced his feelings in a statement to the Committee for an Independent High Court less than a week before the two proposals are scheduled to be voted on at the constitutional referendum.

"The compulsory retirement of High Court justices means a greater turnover of these justices, and this gives more opportunity to government to appoint its man to the court he said.

"Yet the High Court intended to be our independent safeguard against government."

He said simultaneous elections of both Houses were less likely to result in a hostile Senate.

"That is, Parliament becomes an institution where government goes through the notions of parliamentary democracy", he said.

Fundamental and basic

The Prime Minister, Mr. Fraser, said last night that the four referendum proposals were of fundamental and basic importance to the good government of Australia.

In his weekly broadcast to his electorate, Mr. Fraser said, "I have no doubt that all four proposals will pass in every State."

He said the argument that the Government was putting for a "Yes" vote on each proposal were plain common sense.

"If by some chance the proposals are rejected the community I believe that the future of our constitutional conventions be in jeopardy", he said. The proposals had

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'CIA FUNDED COUNTRY PARTY' CIA

ANOTHER former CIA official has claimed money was paid to the Country Party by American intelligence sources.

The fresh claims of American involvement in Australian politics are contained in a report in the National Times this week.

The report was compiled by K. Barton Osborn, himself a former CIA case officer, who interviewed the retired official at his home.

The latest allegations follow similar claims by former CIA agent Victor Marchetti — reported exclusively in The Sun.

Osborn's report says no details were given of the sums of money involved, the names of the recipients or the motives for the funding.

But he says his informant had access to high-level informa-



tion on Australia until 1975.

According to the report, the former official told Osborn:

"Do you know the Country Party? The Country Party was a recipient."

It was the first time Osborn had heard of the Country Party.

It was the official who raised the CIA-Country Party connection, not Osborn,

the National Times said.

When the Deputy Prime Minister and Leader of the Country Party, Mr Anthony, returned to Australia last week, he denied that the CIA had financed the Country Party.

In other developments at the weekend, Mr Marchetti said the CIA was in a "flap" over the exposure of its activities in Australia.

"There are just tons of stuff coming and going between Australia and headquarters, all having to do this exposure based on (Christopher) Boyce's confession and his testimony in court," he said.

Marchetti said on the ABC program Four Corners that he had learnt this "talking to

Apple avalanche
MILLIONS of little apples, too small to market profitably, are being left to fall from trees in NSW orchards.

At Batlow, some farmers have turned sheep into orchards to eat the windfalls.



Victor Marchetti

one of my old friends at the agency.

He said, "He was saying what a flap this has caused in the CIA."

Marchetti said both he and his friend knew the Boyce allegations were accurate.

Christopher John Boyce, 23, has been convicted and is awaiting sentence for spying for the Soviet Union.

Marchetti also made fresh allegations based on information he gained from Boyce.

He claimed that Labor Party officials had been bribed as part of the CIA's bid to oust the Whitlam Government.

He also claimed the CIA was operating a "clandestine" station in

Talking about the methods used in political manipulation, Marchetti said the CIA did not support just one party.

He said, "But you also penetrate the other party to find defectors in there or malcontents who you can manipulate in a negative fashion to help gain the original purpose of putting party 'A' into power."

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Country Party was a recipient." It was the first time Osborn had heard of the Country Party. It was the official who raised the CIA-Country Party connection, not Osborn, he says his informant had access to high-level information.

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What a flap this has caused in the CIA," Marchetti said both he and his friend knew the Boyce allegations were accurate. Christopher John Boyce, 23, has been convicted and is awaiting sentence for spying for the Soviet Union.

"That was the whole purpose; to get rid of a government they did not like and a government they did not think was stable," he said. "A Government that was not co-operative enough for their own purpose and to replace it with a more conservative and more stable government."

Whatever the fate of other referenda, the people are now ready to give that power. Having achieved that, our Government could take a step back, not forward.

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A 20 per cent reduction in everything—taxes, interest, rates, rents and charges, as well as wages—would see a \$35,000 house come down to \$28,000 and a \$6,000 motor car to under \$5,000. A worker would be no worse off if his loaf of bread came back to 40 cents and his litre of milk to 32 cents.

But ordinary folk would be ready to unloose their purse strings—there are hundreds of millions of dollars lying in banks and building societies—and work opportunities would soon appear.

This is not a political question—it is one of common sense.

We should forget politics and form a Save Australia League to achieve it.

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He said, "But you also penetrate the other party to find defectors in there or malcontents who you can manipulate in a negative fashion to help gain the original purpose of putting party into power."

Marchetti renewed his charge that the CIA had

"In a sense it's a Chile but in a much more muted and sophisticated and subtle form."

Marchetti said there was no doubt in his mind that the manipulation was a deliberate and definite effort on the part of the CIA.

"They don't do these things for their health, just to play games."

It's not operations for operations sake.

"There is a goal there and the goal I think was to get rid of Whitlam and to bring in somebody that they were much closer with and they could feel would be more reliable and see things more their way."

Apple avalanche

MILLIONS of little apples, too small to market profitably, are being led to fall from trees in NSW orchards.

At Batlow, some farmers have turned sheep into orchards to eat the windfalls.

It doesn't pay to hire labour to pick up apples, so farmers now do the job themselves or leave the fruit to rot.

More than five million cases of apples, a record, were grown in NSW this season. CLIFF RYAN.

Irish hopes

BELFAST. Hopes for a new peace initiative to end the Northern Ireland conflict have emerged here following the collapse of the hardline Pro-Testant general strike, political sources said.

2nd MAN GUILTY OF SPYING

LOS ANGELES, SUNDAY. THE second of two young men accused of selling scores of secret CIA documents to the Soviet Union has been found guilty on eight charges of espionage.

Andrew Dalton Lee, 25, was convicted late yesterday of handing documents over to the Soviet Embassy in Mexico City. The jury's decision came exactly three weeks after his friend, Christopher Boyce, 23,

was convicted of supplying Lee with the documents from the secret vaults of a local electronics firm.

Lee, the out-of-work son of a well-to-do physician, and Boyce, the son of a former FBI agent, were paid total of \$US76,000 by the Soviet Union for supplying the documents over two years, according to trial evidence.

Lee was arrested in Mexico City last January, allegedly with microfilm of a secret CIA

communications plants for communicating from foreign countries over hand-held radios and using a special satellite.

Boyce was arrested 10 days later at a southern Los Angeles town. The Boyce trial caused an international flurry when Boyce claimed that the CIA has been interfering in Australian trade union affairs and supplying Australia with deceptive communications during the last months of the Labor Government in 1975.

AAP-Reuters.