

PART 6

SECRET

MT

In attached Folder: Mr Justice Powell's
Judgement on the Peter Wright case

CONFIDENTIAL FILING

SECURITY OF THE SECRET SERVICES
CHAPMAN PINCHER'S BOOK 'THEIR
TRADE IS TREACHERY' AND RELATED
PAPERS INCLUDING SIR ROGER HOLLIS
THE PETER WRIGHT CASE
THE JOAN MILLER BOOK 'ONE GIRLS WAR'

SECURITY

PART 1: MAY 1979

PART 6: MARCH 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13.3.87							
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PART 6 ends:-

HOMG OFFICE to M. SAUNDERS 31/3

PART 7 begins:-

RTA to PM (A087/988) 3/4.

From: THE PRIVATE SECRETARY

CONFIDENTIAL



NBM

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

31 March 1987

~~NW - B. Note o/r.~~

Peter Wright

PETER WRIGHT

at trap

As your office already knows, the Home Secretary last night saw the Attorney General's minute of 30 March and agreed the proposals it contained on the grounds of appeal in the Peter Wright case, the reference of the manuscript to the DPP and the arrangements for counsel for the appeal. There were a number of exchanges after receipt of the Attorney General's minute about the precise wording of a press statement and Anthony Inglese noted the Home Secretary's points.

I take this opportunity to record the Home Secretary's view that there is now no need for an early meeting of OD(DIS) on the Wright case, and the meeting arranged for 3 April has been cancelled.

Copies of this letter go to the Private Secretaries to members of OD(DIS), the Private Secretary to the Lord Advocate and to Trevor Woolley, Cabinet Office.

Mr. S. W. Boys Smith

S W BOYS SMITH

Michael Saunders, Esq

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SECURITY: Secret Services PT6



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MUSA

CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/937

30 March 1987

Dear Michael,

The Attorney General sent me a copy of his minute of 30 March to the Home Secretary about the appeal in the Peter Wright case.

I am content with the draft grounds of appeal mentioned in the Attorney General's minute. Having listened to the discussion with Mr Simos, I am satisfied that it is in accordance with the custom of the Australian court that the grounds of appeal should be set out comprehensively in this way. I accept that the Notice of Appeal needs to be filed by Tuesday 31 March (Australian time).

As to the proposal for a press notice, I think that both the proposal and the draft press notice should be cleared with the Prime Minister and the Foreign and Commonwealth Secretary before going ahead, and I am arranging accordingly. I see the force of the suggestion that we should guide the press to the main points which we are appealing, in terms which the press and the public can be expected to understand. It is arguable that we should let the Notice of Appeal speak for itself, giving as it does the impression that we regard the judgment as comprehensively flawed, and letting the press make what they will of that; but it has usually proved advantageous, when making legal moves, to explain to the press in layman's terms what we are doing and why we are doing it.

If there is to be a press notice, I feel that the draft enclosed with the Attorney General's minute is a little bit "legal"

/in terms

M L Saunders Esq
Law Officers' Department

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in term, and I should like to suggest the addition to the draft of a fifth paragraph, on the following lines:

"The appeal thus goes to the heart of the matter at issue. It is the Government's view that, like other public servants, Mr Wright owed and accepted a lifelong duty of confidentiality in relation to his work as a public servant (in his case, as a member of the Security Service); and that it cannot be right for any public servant, and particularly one who has been employed in a position where he had access to especially sensitive information, to be able in breach of that duty, without authority and with impunity to publish whatever information he likes about his work and about matters derived from his work, whatever may be the effects of such publication upon the public interest in the protection of the confidentiality of such information."

I understand that No 10 would not wish themselves to originate the press notice, but would be content to repeat a notice put out by our people in Australia. We propose accordingly to arrange for the High Commission to issue the release once the Notice of Appeal has been lodged, and for the No 10 and the FCO Press Offices to confirm the release to the press in London.

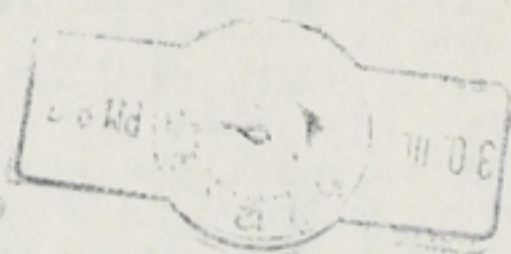
I am content with the Attorney General's proposal about the application for leave to refer the Wright manuscript to the Director of Public Prosecutions.

As to Counsel for the appeal, I agree that we should not now seek to replace Mr Simos, or nominate another Silk to lead him. I think that either of these courses would be counter-productive, and very bad presentationally; the result could be materially to damage our prospects of success at appeal. But I think that it is an admirable idea that John Laws should be appointed as a junior Counsel, to sit beside Mr Simos and advise him but not to address the court.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, other members of OD(DIS) and to the Lord Advocate.

Yours as
Robert Armstrong

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HOME SECRETARY

PETER WRIGHT CASE

As you know, Theo Simos, leading counsel in the Peter Wright case, was over last week from New South Wales for a series of conferences as part of our preparation for the appeal. The Solicitor General and I saw him last Wednesday for a wide-ranging discussion of the arguments which it will be necessary to press on appeal.

Grounds of appeal

2. One of the matters which we discussed with Mr Simos was a document prepared by him and which contained our grounds of appeal. These are the various points on which we believe Mr Justice Powell's judgment was deficient. The list is of necessity comprehensive and so is rather long. But since our meeting Mr Simos has at my request cut down the length as far as possible without weakening our arguments. An amended list prepared by Mr Simos last Friday afternoon was circulated amongst officials earlier today. The grounds of appeal form part of our Notice of Appeal, a document which we learned just before the weekend we need to file with the New South Wales Court of Appeal on Tuesday 31 March. This means that I must ask colleagues for any comments they may have on the draft grounds of appeal by close of play today.

3. Colleagues will wish to know why we are suddenly faced with a deadline for the filing of our Notice of Appeal which is well within the 28 days allowed us from the judgment of 13 March. Let me explain why. In order to secure an extension of our injunction against the defendants which expires at the end of the 28-day period on Friday, 10 April we need to move a Motion in the New South Wales courts beforehand. Motions are taken on one day of the week, Monday. We need therefore to move our Motion on Monday, 6 April; but it is necessary to have filed the Notice of Appeal three clear working days before that, which brings us back to Tuesday, 31 March.



4. I should say one final word about the grounds of appeal. They are a list of points following the order of treatment of matters in Mr Justice Powell's judgment where we say he went wrong and we cannot take a point on appeal unless it is in the grounds. The grounds are not a logically ordered statement of our case on appeal. That will follow nearer the hearing when the parties are obliged to exchange written cases.

Press Notice

5. When the Notice of Appeal is filed it is almost certain to become public in Australia and then here because the Press will be able to obtain a copy of it with the leave of the court. I believe we should therefore take the initiative in giving publicity to our grounds of appeal by means of a Press Notice which picks out our best points in terms which the public will be able to understand. I attach a draft Press Notice prepared by my officials on which I would welcome comments. Because we may need to issue this as early as tomorrow I am afraid I must also ask for comments by close of play today.

Reference of manuscript to DPP

6. Another matter which I discussed with Mr Simos was our application to Mr Justice Powell for leave to refer the Wright manuscript to the DPP. The judge did not rule on it directly and, although his finding for the defendants rendered it academic for the present, the application apparently still stands. Now that we are appealing, Mr Simos's view, which I share, is that we should not renew the application before the New South Wales Court of Appeal but we should inform the Court of the application before Mr Justice Powell as part of our argument in response to the "iniquity" defence.

Counsel for the appeal

7. You will have seen the telegram of 23 March from our High Commissioner in Australia passing on the view of the Australian Solicitor General that we should replace Mr Simos for the appeal. I would be firmly opposed to any such



action or to any suggestion that I should nominate another Silk to lead him. Mr Simos has been fully immersed in the case for a long time now; he is experienced in dealing with appeal courts in Australia and we should not risk prejudicing his cooperation. Moreover, to change him at this stage would look very bad presentationally.

8. This does not mean, however, that we cannot strengthen our team of counsel in the case. While he was here last week Mr Simos had a number of fruitful discussions with John Laws, First Treasury Counsel (who is to argue the Crown's case in the House of Lords in the appeal brought by the Guardian and Observer newspapers against the injunction preventing them from publishing information derived from Wright). On the evidence of last week I see great advantage in our appointing John Laws as junior counsel for the appeal in New South Wales, to sit beside Mr Simos and advise him but not to address the court. Mr Simos would be content with such an arrangement and I believe John Laws's presence in the team would considerably strengthen it.

9. I am copying this minute to the Prime Minister and the other members of OD(DIS), to the Lord Advocate and to Sir Robert Armstrong. Subject to your views I do not see any need to consult the Prime Minister or the Foreign and Commonwealth Secretary in Moscow about the matters raised in this minute. I note that we have a meeting of OD(DIS) provisionally booked for 3 April. If you and colleagues agree, I doubt whether there is anything in this minute which would need to be discussed at that meeting.

MH

30 March 1987

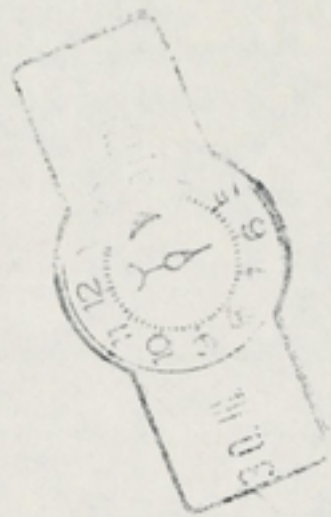
DRAFT PRESS NOTICE

The Government today filed its grounds of appeal with the Court of Appeal in New South Wales against last month's judgment by Mr Justice Powell in its case against Heinemann of Australia and Mr Peter Wright, [where it is attempting to prevent the publication of a manuscript written by Mr Wright, a former member of the Security Service.]

The Grounds of Appeal identify [] deficiencies in the judgment.

The Government will be arguing on appeal that Mr Justice Powell went wrong at the outset when, in considering a matter of English law, he failed to find that there was a contract between Mr Wright and the Crown and that one of the terms accepted by Mr Wright was that he should never speak or write about his work without authority. The Government will also be arguing that, even if there were no such contract, Mr Wright owed the same duty of confidence to the Crown.

Among the judge's other errors was his failure to appreciate the difference between publications by "insiders" such as Mr Wright - and by journalists and other outsiders. He took the view that material published by an outsider lost its quality of confidentiality and insiders were thereafter free to speak and write about it without authority. The Government's case, however, is that the special position of insiders means that the information they have will not lose its quality of confidentiality merely because of previous publications by outsiders, consisting as they usually do in a mixture of fact, allegation and speculation.



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file 12

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister had an opportunity, before she left for Moscow, to consider OD(DIS)(87)25, circulated on 27 March. She is content with the recommendation that no further action should be taken in respect of "The Secrets of the Service" before publication.

MARK ADDISON

30 March 1987

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✓

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SHBAUK



File

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

CABINET OFFICE

The Prime Minister has seen and noted, without comment, your minute of 25 March about Mr. James Miller's allegations against the Security Service.

I am copying this minute to Joan MacNaughton (Lord President's Office), Tony Galsworthy (Foreign and Commonwealth Office), Stephen Boys Smith (Home Office), John Howe (Ministry of Defence), David Watkins (Northern Ireland Office), and Michael Saunders (Law Officers Department).

N. L. W.

N. L. WICKS

26 March 1987

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10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

CABINET OFFICE

The Prime Minister has seen and noted, without comment, your minute of 25 March about the Sunday Times story on Cunard.

I am copying this minute to Joan MacNaughton (Lord President's Office), Tony Galsworthy (Foreign and Commonwealth Office), Stephen Boys Smith (Home Office), John Howe (Ministry of Defence), and Michael Saunders (Law Officers Department).

N.L.W.

N. L. WICKS

26 March 1987

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BM.

Prime Minister

7

*To see.**N.L.W.**25.3*

Ref. A087/901

MR *✓* WICKS

--- I attach a detailed note on the Sunday Times story about Cunard.

2. As you will see, there is a substratum of truth in it, in that there was a series of unexplained and apparently hoax telephone calls connected with Cunard in 1975. But there is no evidence whatever to support the sinister fantasies that are being constructed on that substratum.

3. I am sending copies of this minute and the note to the Private Secretaries to the Lord President, the Foreign and Commonwealth Secretary, the Home Secretary and the Secretary of State for Defence; and to the Legal Secretary to the Law Officers.

RA

ROBERT ARMSTRONG

25 March 1987

The Cunard Story

This story begins with three telephone calls in the middle of the night of 8 July 1975:

- i. At about 1.00 am Sir Basil Smallpeice (who until four years previously had been Chairman of Cunard) received a 'phone call from a man describing himself as "Captain Wilkins (ADC Camberley)" asking him if he could take a call from Whitehall concerned with a national emergency.
 - ii. At 1.40 am a man describing himself as "General Sir James Woodrow" 'phoned Sir Basil Smallpeice, saying that there was a Middle East emergency, that he wished to know the position on all passenger liners and that he should call Lieutenant Colonel Burleigh on an Esher number.
 - iii. Mr Burleigh (who had retired from the Army some years previously) received an anonymous telephone call at about the same time, which asked him to stand by to receive a call from a civilian, and to take down this telephone number and pass it on to the civilian when he 'phoned.
2. Mr Burleigh 'phoned the local police who advised him to treat his call as a hoax and forget it. Sir Basil Smallpeice subsequently 'phoned Mr Burleigh; they had a meeting, at which they exchanged information about the mysterious calls and agreed that there was nothing further to be said. Mr Burleigh reported the matter to the Director of Security in the Army Department the following day.
3. A week later on 16 July 1975, two telephone calls were received by Cunard, claiming that there was a bomb on board the Queen Elizabeth 2. It was thought that the calls were hoaxes, but the ship was thoroughly searched and cleared. During the

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OF THE PUBLIC RECORDS ACT

course of the discussions of these calls,

who advised the company on security matters, mentioned the telephone calls which Sir Basil Smallpeice had had a week previously.

4. So much for the events of 1975.

5. On Friday 13 March 1987, the Sunday Times journalist, Mr Peter Hounam (the compiler of the material, most of which appeared in the Sunday Times last weekend) called to see Mr Burleigh. He explained that he was a member of the Insight team and was working on stories arising out of the Peter Wright book. He mentioned that Colin Wallace was talking about curious episodes that occurred in the 1970s. One of the strands of all this, he said, was the plot to overthrow or destabilise the Wilson Government. He said that there was apparently a group called "Unison" composed of influential members of the Security Service, the Army and other Government Departments. He had learnt, presumably from Cunard sources and Sir Basil Smallpeice, about the contacts in 1975, which he suggested were in connection with the use of the Queen Elizabeth 2 for some ulterior purpose. He said that the intention of Unison had apparently been to use the Queen Elizabeth 2 as a prison ship in pursuit of their plans to undermine the Government of the day.

6. The Unison group was a group of extreme right-wing people, who may well have discussed ideas for undermining or bringing down Mr Wilson's Government.

There is no evidence whatever that any member of the Security Service was a "member" of the group, though it is perfectly possible to other members of the group that he had contacts in the Security Service.

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OF THE PUBLIC RECORDS ACT

Perm A/2505

Attachment to minute
dated 25/03/1987

7. The originating numbers of the telephone calls in 1975 were not traced. The telephone number given in one of the telephone calls was traced to a Mr M Tonkin in Surbiton.

or
between Mr Tonkin and Unison: it looked as if his number had been selected more or less at random.

8. It is not known how Mr Wallace came by information about the 1975 telephone calls, nor whether the "theory" that they were linked to the possible use of the Queen Elizabeth 2 as a prison came from Mr Colin Wallace or as a piece of speculation from Mr Peter Hounam of the Sunday Times.

9. To sum up, there was a series of unexplained telephone calls connected with Cunard in July 1975. The telephone calls were thought at the time, and are still thought, to have been hoaxes. There is no evidence whatever to connect the Security Service with the telephone calls. There is no evidence to connect the Security Service or any member of it with a plot to use the Queen Elizabeth 2 as a prison ship.

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OF THE PUBLIC RECORDS ACT

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Attachment to minute
dated 25/03/1987



DEPARTMENT/SERIES <u>Prem 19</u>	Date and sign
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Extract details: <u>Minute dated 25th of</u> <u>March 1987</u>	
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Mr Wicks

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ra

CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/883

24 March 1987

Dear Michael,

As I told you in my letter of 20 March, we are putting in hand an investigation of the apparent leak from a "senior Whitehall source" to Simon Freeman of the Sunday Times, contained in Freeman's article on 15 March (copy attached). The Prime Minister has suggested that we should find out who spoke to Mr Freeman; and has agreed that Ministers should be interviewed as necessary.

The investigation will be undertaken by Mr J F H Barker, of the Cabinet Office.

I am sending copies of this letter to Brian Cubbon, Patrick Wright, John Bailey, Patrick Walker and 'C'.

Yours ever

Robert

M L Saunders Esq
Law Officers' Department

CONFIDENTIAL

Spy book may be sold in Britain



Wright: worries over health

PETER WRIGHT's book on M15 will be published in Britain if the government loses its legal battle against him in the Australian appeal courts. Government sources said yesterday it would be "silly" to ban the book in Britain if it was being published overseas.

A senior Whitehall source said that there was little doubt that a British court would agree to ban the book, *Spycatcher*, whatever happened in Australia. But the source added that the government did not want a repetition of the embarrassing episode last year when a book by another former M15 officer, the late Joan Miller, was banned here but published in Ireland where it became a bestseller.

by Simon Freeman,
Barrie Penrose, and
John Huxley

The government was powerless to stop the British media reporting from Ireland on the book's contents. "I think we would be foolish if we tried to stop Wright here if we lose finally in Australia. People would just smuggle copies in."

The passages in Wright's book which most worry intelligence chiefs are not those arguing that a former head of M15 was a Soviet agent but those covering illegal acts by M15, including the investigation in the mid-1970s by Wright and a number of colleagues into Harold Wilson, the Labour

prime minister, and members of Wilson's so-called "kitchen cabinet".

In his book Wright says that "we bugged and burgled our way round London for five years" in an effort to prove that Wilson or his aides were Soviet agents. But, according to Whitehall sources, Wright is coy about the details.

"He says that he was worried about Wilson and so he and his chums in M15 decided to investigate the prime minister," said one source. "But he doesn't go into much detail. He doesn't name the other M15 officers who were involved in the burglaries and buggings. As far as I can see they didn't use any outside people for this. I think Wright doesn't

want to say too much because he led all these operations."

Although M15 knows the names of Wright's team, no prosecutions are likely, even though illegal acts were committed.

Chapman Pincher said yesterday that when he debriefed Wright in Tasmania for his book, *Their Trade is Treachery*, Wright had been reluctant to discuss in detail the Wilson operations. Pincher, who claims that much of Wright's evidence to the court was untrue, added that Wright seemed proud of the methods used against Wilson

This weekend, government lawyers were still studying the 286-page judgment from Mr Justice Philip Powell, the

Continued on page 3

Replies

na

You may care to put on
your file

Jim G

Press Gallery,
House of Commons,

March 24 87

Dear Mike,

These are the words Mr Callaghan telephoned to me at home on Sunday, March 22.

"The material in the Sunday Times goes further than my inquiries in 1977. These were based on the stories published at the time by the Observer newspaper, and I then asked that anyone with further information should bring it to the notice of the Home Secretary. But none was forthcoming.

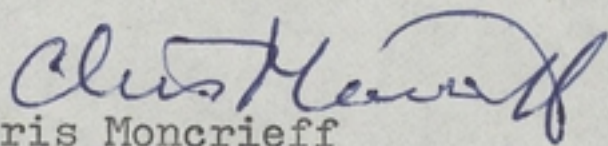
"I have not seen Mr Wright's book and do not know its contents. But it seems to be a source of the new Sunday Times material. The Government would be wise to withdraw its ineffective ban on publication.

"I am, of course, ready to inform the Prime Minister about all the relevant aspects of the 1977 inquiry if she wishes to consult me before the Government decides whether to hold a further inquiry.

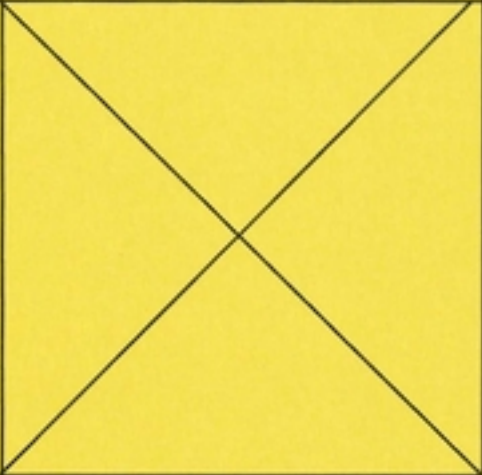
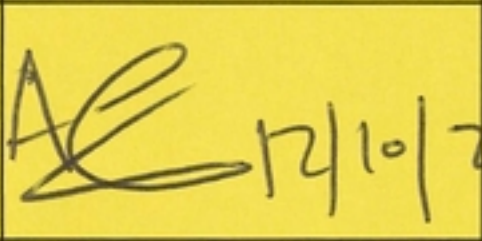
"I have every confidence in the integrity and ability of the present Director-General of the security service, but it is with no disrespect to him and to his colleagues that I came to the conclusion some time ago that there is a need for an independent body to review the oversight, structure, targetting and management of the service.

"For the time being I shall have no further comment to make."

Cheers,


Chris Moncrieff



DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>2505</i> (one piece/item number)	Date and sign
Extract details: <u><i>Folio 5</i></u> <i>Minute from Armstrong to Wicks</i> <i>dated 23 March 1987</i>	
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If you were minded to use this,
the marked bits
are the important ones.

ANNEX B

The statement made by the Right Honourable Gentleman, the then Prime Minister, on 23 August 1977 showed that he had made detailed inquiries into the allegations then current, and had reached clear conclusions. The Right Honourable Gentleman has now made it clear that he considered other allegations then current besides those about the possibility that electronic devices had been planted in 10 Downing Street and the Prime Minister's Room in the House of Commons.

Many of the allegations then current were reproduced in a book called "The Pencourt File" published in early 1978. On 20 February 1978 the Right Honourable Gentleman wrote my Honourable Friend the Member for Woking a letter in which he said: "So far as I can see, there are no significant statements about matters of national security in this book of which the authorities were not aware when I issued a statement on allegations about the Security Service on 23 August last ... I have nothing to add to it".

Like all my predecessors, including the Right Honourable Gentleman, I propose as a general rule to continue not to comment on, or to confirm or deny, specific allegations on security and intelligence matters. Nor would it be right for me to call for papers relating to matters of this kind which arose during a period for which I have and had no Ministerial responsibility.

I have, however, had inquiries made into certain allegations recently published which it is claimed deal with matters which were not considered or not known at the time when the Right Honourable Gentleman made his statement. Following those inquiries I am assured that these allegations do not constitute grounds for lack of confidence in the competence and impartiality of the Security Service either at that time or now, or for instituting a special inquiry.

If the Right Honourable Gentleman should wish to satisfy himself about the grounds upon which that assurance is based I should be happy to make arrangements for him to do so.

Some of the allegations are said to be derived from Mr Peter Wright's book which is the subject of proceedings in the Australian courts. I have made it clear in the House that it would not be proper for me or other Ministers to comment on matters at issue in those proceedings until the case is completed. When the Peter Wright case is over, I shall be ready to consider carefully any questions that are then put to me, in the light of the normal customs and conventions applicable to intelligence and security matters.



10 DOWNING STREET

From the Principal Private Secretary

MR. WOOLLEY
CABINET OFFICE

OD(DIS)(87)24: AN AFFAIR OF STATE

I have shown the Prime Minister Stephen Boys Smiths' letter of 23 March in which he conveys the Home Secretary's views on the note by officials circulated with this paper.

The Prime Minister has noted the Home Secretary's point that publishers and authors seem increasingly to be taking the line when approached that they and their lawyers are satisfied that there is nothing in the forthcoming books or articles which would endanger national security or breach the duty of confidentiality. She endorses the Home Secretary's suggestion that Ministers ought to take stock of the situation which is emerging and consider, on the basis of advice from officials, what could be done to put Ministers in a better position for handling cases like "An Affair of State" in the future.

I am copying this minute to the Private Secretaries to other members of OD(DIS) and Mr. Mallaby (Cabinet Office).

N. L. W.

(N. L. WICKS)
24 March 1987



CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

One Minute

23 March 1987

The Home Secretary's point is a good one. To endorse his suggestion at all?

Dear Trevor,

OD(DIS)(87)24: "AN AFFAIR OF STATE"

Yes Mr N.L.W L3.3

The Home Secretary has seen the note by officials circulated with this paper. He accepts on balance the conclusion that no further action should be taken, since that seems unlikely to produce any further information on which an injunction might be sought or to effect any further changes in the text, and there is a considerable risk that any further approaches would simply add to the publicity for the book and its sales.

X He is concerned to see, however, from the discussions about this book and others such as "An Affair of State", that publishers and authors seem increasingly to be taking the line when approached that they and their lawyers are satisfied that there is nothing in forthcoming books or articles which would endanger national security or breach the duty of confidentiality. Leaving the judgment to those who are in no position to know the full facts and who have an obvious interest in reaching that conclusion is putting Ministers in considerable difficulty about how to proceed thereafter. Without a sight of the manuscript it is normally not possible to seek an injunction, but failure to prevent publication means that action cannot be taken until the damage has been done, and Ministers are then open to the accusation that they did nothing in circumstances in which they had suspicions that national security might be endangered. He thinks that Ministers ought to take stock of the situation which is emerging and consider, on the basis of advice from officials, what could be done to put Ministers in a better position for handling cases like this in the future.

I am copying this letter to the Private Secretaries to other members of OD(DIS) and to Mr Mallaby.

Mrs. S. W. Smith

S W BOYS SMITH

Trevor Woolley, Esq.,



Birt's arrival

By A. J. McIlroy

TWO TOP BBC executives said yesterday that they had no intention of reconsidering their futures because of the surprise appointment of Mr John Birt as Deputy Director General.

Dirty tricks inquiry urged by Callaghan

By Our Political Correspondent

MR CALLAGHAN yesterday intensified the pressure on Mrs Thatcher to set up an inquiry into alleged "dirty tricks" by MI5 in the 1970s.

The former Labour Prime Minister said he was ready to inform Mrs Thatcher about all relevant aspects of his 1977 inquiry into the alleged plot by the security service to destabilise the Wilson government.

This inquiry found no proof that MI5 had sought to bug the Prime Minister's offices at No. 10 or the Commons with electronic devices. In the House recently, Mrs Thatcher refused demands by two former Home Secretaries, Mr Merlyn Rees and Mr Roy Jenkins, for an inquiry into the new allegations.

The disclosure of a "dirty tricks" operation forms part of the book "Spycatcher", by the former MI5 officer, Mr Peter Wright, which the Government is still seeking to prevent being published in Australia.

The Sunday Times alleged yesterday that part of the operation to overthrow the Wilson government was a plot to promote the Ulster workers' strike in 1974 which led to the collapse of the Northern Ireland Government.

Mr Callaghan said this material went further than his inquiries in 1977. He had not seen the Wright book but it seemed to be a source of the newspaper report. He said the Government would be wise to withdraw its "ineffective ban" on publication of the Wright book.

"I am of course ready to inform the Prime Minister about all the relevant aspects of the 1977 inquiry if she wishes to consult me before the Government decides whether to hold a further inquiry."

Mr Alan Protheroe, Assistant Director General in charge of BBC journalism, said through the corporation's press office that he would not resign.

Mr Brian Wenham, BBC radio's managing director, said: "I am continuing to run radio and I see no reason to change my plans."

Speculation over the future of the two men were rife in the BBC when it was announced that Mr Birt's brief was to take charge of a merged news and current affairs directorate, involving both television and radio.

There were still senior BBC journalists yesterday privately convinced it would be extremely difficult for them to carry on under Mr Birt, a long-standing critic of BBC journalism.

Mr Protheroe was formally asked to stay on in his present role by Mr Michael Checkland, who was appointed Director General three weeks ago.

It appeared that an important factor in Mr Protheroe's decision to stay was an assurance from Mr Checkland of full consultation at all editorial levels over the form the expected shake-up of BBC journalism will take.

Dynamic personality
Mr Birt, 42, widely regarded as one of the most dynamic personalities in independent broadcasting, has been released from his contract as director of programmes at London Weekend Television.

He will take up his new post "at a mutually convenient time" becoming effectively the editorial leader of the BBC to allow Mr Checkland to concentrate on his chief executive role.

While declining to discuss Mr Birt's present salary, colleagues said last night that they would be extremely surprised if he were "switching channels" for more money.

Mr Birt had clearly been attracted by the prestige of the post, they added. The post of Director General attracts a salary of £80,000 according to latest published figures. That of Deputy Director General is £70,000-£75,000.

public aid

By George Jones
Political Correspondent

THE GOVERNMENT is to ensure that private industry benefits more from the £40,000 million spent each year on goods and services by Whitehall, nationalised industries and local authorities.

It marks a significant shift from the previous insistence that value for money is the only criterion in public purchasing.

This follows pressure from Mr John Butcher, Trade and Industry Under-Secretary, for greater recognition in Whitehall of the economic and industrial force of public purchasing.

Ministers believe that public sector orders can be used to help industry be more competitive in world markets.

New processes

New guidelines call for early talks on possible needs, encouragement of new products and processes, maintaining an even-ordering pattern, and explaining to firms why they lost a major contract.

Industry Ministers believe the Government's objectives of cost savings and value for money can be combined with "enlightened" purchasing. They cite examples where public sector orders can be timed to link with a company's export order book.

Development and production cost can be cut and it could mean British firms quoting lower prices to gain overseas orders.

Ministers insist it is not a crude "buy British" policy but an attempt to ensure the home market is used to better effect, particularly in making British manufacturers more competitive abroad. The initiative is expected to feature in the Conservative election manifesto.

New union law plans 'cynical'

The Government's plans for new and wide-ranging trade union laws were yesterday branded "cynical" by the TUC-backed Labour Research Department.

The new plans, announced last month in a Green Paper, would force all union leaders to stand for re-election, remove legal protection for the closed shop and increase union members' rights to defy strikes.



An uplifting reception for Mr Alan Dukes

Mr Dukes walks

MR ALAN DUKES, who was elected leader of Fine Gael at the weekend, will pursue the same social democratic policies of his predecessor, Dr Garrett FitzGerald.

By electing Mr Dukes as opposed to the more conservative Mr John Bruton, the former Finance Minister, the Fine Gael party has signalled its determination to continue to occupy the middle ground of Irish politics.

Some party members had favoured Mr Bruton's candidature because of his espousal of more conservative spending policies. They wanted Fine Gael to outflank the Progressive Democrats, a new party which secured 14 Dail seats in last month's election by offering the prospect of lower spending and radical tax reform.

Barry's hopes dashed

Mr Dukes's election effectively dashed Mr Peter Barry's hopes of ever becoming Taoiseach. The former Foreign Minister and deputy party leader had been widely expected to win the race as the compromise choice, but at 53 he was by far the oldest candidate, and this probably counted against him.

Mr Dukes, 41, is not only the youngest ever leader of

By Stephen...

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DAILY TELEGRAPH

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Is your company making effective use of its resources?

Almost certainly, the answer is no.

Which is why you could benefit from the Government's National Quality Campaign.

A campaign designed to help all levels of British Industry and Commerce become more efficient, more competitive and profitable. Notably in world markets.

Callaghan offers PM full briefing on 'plot'

By Gareth Parry
Mr James Callaghan said yesterday he was ready to inform Mrs Thatcher about all relevant aspects of his 1977 inquiry into the alleged plot by the British security services to destabilise the Wilson government.

He also said the Government would be wise to withdraw its "ineffective" ban on publication of the memoirs of Mr Peter Wright, the MI5 agent who has described such a plot, and that there was a need for an independent body to conduct a review of the security services.

Mr Callaghan's offer followed a report yesterday in the Sunday Times that part of the security service operation allegedly to overthrow the Wilson government was a plan to help to promote the dam-

ing Ulster Workers' Strike in 1974.

Mr Callaghan said: "The material in the Sunday Times goes further than my inquiries in 1977. These were based on stories published at the time by the Observer newspaper, and I then asked that anyone with further information should bring it to the notice of the Home Secretary, but none was forthcoming."

"I have not seen Mr Wright's book and do not know its contents, but it seems to be a source of the new Sunday Times material. The Government would be wise to withdraw its ineffective ban on publication."

"I am of course ready to inform the Prime Minister about all the relevant aspects of the 1977 inquiry if she wishes to consult me before the Govern-

ment decides to hold a further inquiry.

"I have every confidence in the integrity and ability of the present director general of the security services, but it is with no disrespect to him and to his colleagues that I came to the conclusion some time ago that there is a need for an independent body to review the oversight, structure, targeting and management of the service."

The Attorney-General, Sir Michael Havers, acknowledged in the Commons last week that the Government did not have the information necessary to rebut Mr Wright's allegations of a secret service dirty tricks campaign against the Wilson government.

The Government is to lodge an appeal against the judgment in the New South Wales Sup-

reme Court that Mr Wright's book, *Spycatcher*, could be published.

Sir Michael argued that the detailed inquiry conducted by Mr Callaghan satisfied the former prime minister that "the allegations about the security services did not constitute grounds for lacking confidence in the services' competence or impartiality or for instigating a special inquiry."

This assertion was challenged during the debate by Mr Merlyn Rees, the former Home Secretary, who said he had been closely involved with Mr Callaghan over the issue. The inquiry ordered by him had addressed a different, much narrower, allegation — that electronic devices had been planted at 10 Downing Street.

Mr Callaghan's statement had only cleared the security

services of bugging Number 10. It had not addressed the wider questions raised by Mr Wright's book.

Last night Mr Dale Campbell-Savours, Labour MP for Workington, who has led the growing pressure on the Government to investigate the allegations, said of Mr Callaghan's offer: "It's an admission that there are deficiencies and Mr Callaghan brings to this whole affair the experience of the office of prime minister."

Richard Norton Taylor writes: A former Army intelligence officer who operated in Northern Ireland yesterday claimed that MI5 had infiltrated the paramilitary Ulster Defence Association in the 1970s as part of a campaign to discredit the Wilson government.

Mr Colin Wallace, who was involved in spreading black

propaganda before he left the province in 1976, was referring to weekend press reports stating that a former MI5 agent, Mr James Miller, infiltrated the UDA on behalf of the British security service.

Mr Miller became intelligence officer for the UDA in Belfast, feeding information to the organisation, Mr Wallace said. The importance of the Miller disclosures, he said, was the evidence they provided that MI5 was actively involved in promoting the 1974 Ulster Workers' Strike, which helped to bring down the power-sharing executive of Catholics and Protestants.

Previous allegations have concentrated on the involvement of MI5 in getting the strike to succeed after it had already started.

Second death blast at refinery

Continued from page one
The Health and Safety Executive turned up immediately.

Nine men who were working with Mr Speira, escaped and were evacuated from the plant along with more than 130 other workers and outside contractor's personnel.

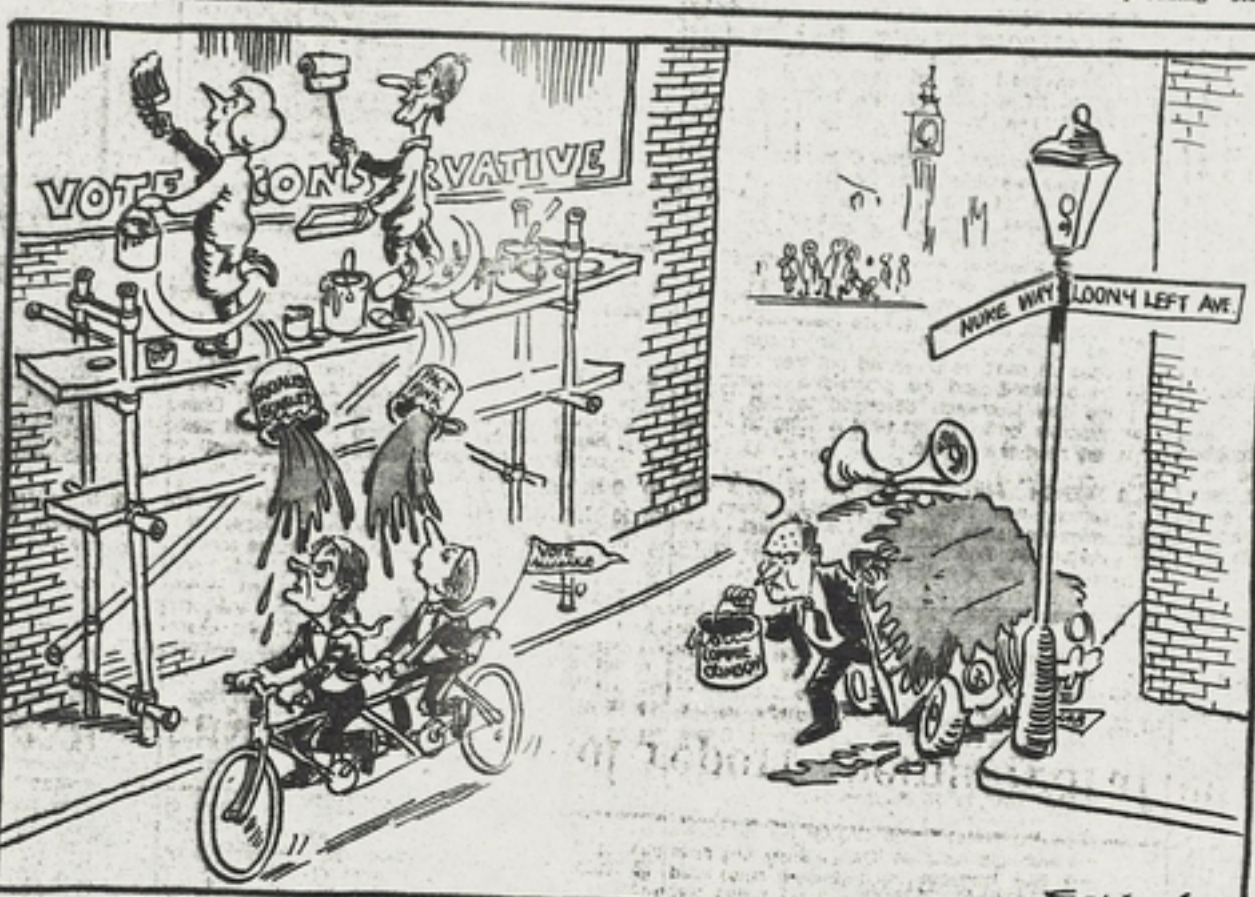
Police said a report on yesterday's fire would be sent to the procurator fiscal.

The police, BP and the Health and Safety Executive are all leading inquiries into the earlier fire, which was put out by last Monday, when the second body was recovered. The fire was allowed to burn because of the danger of escaping gas.

The men who died in the first fire had been working for the plant at the refinery, the engineering company, which has been carrying out an overhaul and maintenance contract at the plant.

Mr John Wheeler, secretary of a local environmental organisation, said yesterday that there was increasing concern about safety at Grangemouth, which has been called for an investigation of the whole of the local chemical industry.

A multi-million pound control centre for the BP refinery was due to have been completed last week by the Scottish Secretary, Mr Malcolm Rifkind, but the opening was delayed because of the first fire.



Thatcher promises more radicalism

Continued from page one
Today, when the Tory chairman, Mr Norman Tebbit, holds a mock celebration to mark the tenth anniversary of the formation of the Lib-Lab pact which sustained the Callaghan administration from March, 1977, to the summer of 1978.

The reason for the Tory focus on the Alliance was the revival in its fortunes, reflected in the weekend opinion polls.

The most worrying result from the Tory point of view is its own private poll by Gallup which puts the Alliance in second place with 30.5 per cent, just ahead of Labour on 30 per cent. Although the

Tories are well in the lead on 38.5 per cent, they fear that disaffected Conservative voters will switch to the Alliance if they believe the result is no longer likely to give victory to Mr Kinnock.

Mr Steel commented yesterday: "The shape of the election is now becoming clear: It will be the Alliance versus the Conservatives with Labour on the sidelines. The Tory party is running scared and it is not a pretty sight. Now that the Alliance is overtaking Labour, the Tories know they have a real fight on their hands and the phoney war is over."

Mr Steel said that attempts by the Tory leadership to

make the voters scared of the Alliance would not work. "Every blast from Mr Tebbit merely drives thousands more sensible voters in our direction."

The Liberals will today launch their local election campaign with a target of 400 net gains on May 7 — enough to take 30 more councils out of Tory or Labour control.

The Tories private poll from Gallup was conducted before the budget. Two other polls show Labour still well ahead of the Alliance. Both Harris in the Observer and Mori in the Sunday Times gave the Tories 39 per cent, Labour 33 per cent and the Alliance 26.

Although this would give the Conservatives an overall majority of about 14, the Tory lead is not enough to mount a convincing case for the June election which MPs are coming increasingly to expect.

Mr Roy Hattersley, Labour's deputy leader, yesterday accused Mrs Thatcher of plunging lower than ever in dirty tricks, smears and falsehoods. "The Conservatives in Torquay have started their election campaign like a bunch of alley cats, scratching and clawing their way to the ballot box. Nobody is safe from Mrs Thatcher's smears and falsehoods," he said.

U data lost in fire

A blaze last night at the Open University at Milton Keynes, Buckinghamshire, destroyed a frame computer, carrying years of records and research, tapes and virtually all computer equipment in one of two affected buildings was destroyed. "The damage will run into many hundreds of thousands of pounds at least," said the Bletchley fire chief, an officer Andrew Ward.

It is believed the fire either started in a condenser for the air conditioning, or in a heater.

Politically sensitive gaol report 'being redrafted'

Continued from page one
The dilemma is to reflect that role but at the same time avoid further inflaming prison officers faced with severe overcrowding and an unprecedented rise in the prison population.

Home Office figures show that there will be a record 50,000 people in goal by Easter — 9,000 more than the prisons were designed to hold.

The events of April 30 last year, were the climax of a long and bitter dispute between the Home Office and the Prison Officers' Association

on overtime and safe manning levels in gaols. An uneasy calm has existed between the two sides since then, and the negotiations are now at a highly sensitive stage, with a deadline for acceptance of a revised pay deal in April.

Prison officers' actions in the six gaols worst affected by the riots will inevitably form a central part of the report. But if the Inspector blames the riots on the prison officers, there is a danger that the report could lead to a renewal of the industrial dispute and a further flare-up.

The POA has already taken

out a writ against Mr Gordon Lakes, deputy director-general of the prison service, for comments he made about their members' alleged encouragement of prisoners towards violence during rooftop demonstrations at Gloucester gaol just before rioting began.

The Inspectorate report will detail the events that led up to the riots at the six gaols worst affected — where, in some cases, police in riot gear had to be called. Events there will be compared to those in 20 other gaols not affected on the night.

Sir James, who studied riot

prevention methods in US gaols last October, will also make recommendations on contingency plans aimed at controlling further outbreaks.

On his visit, Sir James visited establishments run by the Federal Bureau of Prisons, where detailed categorisation of inmates according to how disruptive they are within gaols is a crucial part of riot prevention strategy.

Several senior prison department officials have made similar visits and are already urging the Government to adopt a similar strategy here.

Kowloon inquiry ship sails for scrap

Continued from page one
The department said last night an inspector had been on board to collect evidence for the inquiry. The Dutch had given the ship a "Safety Equipment Certificate" and Lloyd's had also inspected it before it was allowed to sail.

Mr Slater was not satisfied and last night contacted the International Transport Workers Federation to hold the ship at its next port of call, which is Setubal, Portugal.

He said: "The evidence we have so far is that this ship has suffered severe structural damage. From the photographs, I personally would not sail in her and I can think the best place would be a scrapyard but, before that, vital evidence needs to be gathered. For example, we need to find out what sort of steel these ships were built from."

"We believed that the Derbyshire broke in two when she sank. This ship is the only survivor of a doomed class of ships which we believe were sub-standard."

He said the union was determined to gather as much evidence as possible from the ship before "it disappeared in scrap metal."

He said the families of the crew of the Derbyshire had not received compensation and the union was determined to fight for them through the courts if necessary.



Mar

Roman Catholics congregate weekend to ordination listens in.

WHEN the first besieging army side a media garrison must if they were the beginning months-long to close look at ramparts send away in despair they start to and undermining

The army was on Saturday College, the logical centre University, was an undermining weeks of public Church of women priests Catholic sisters march.

"There's just ing on," said greeting crowd who had chosen day discussing ordination of contrary to faith.

The church I confided with a natural agitator decided the an one. The meeting bookings of West Hall had backward because didn't fall in with thought.

With her fist phlets, Ianthe w ing the Christi Resource Centre which is finding fellow Catholics current customers.

Celebrating W lection of prayer new liturgy (in the's women's Psalm 51) was

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November and s January. Its core skit on Michaelan woman God through her finge

Shepherdin through Hestrop and cloister was Alyson Peberdy.

An Anglican for "pew-person" in terms — she cred, in her native O more sympathy women's cause local activists in of England.

Through her u



Lawyers for Mr John Fleming, wanted by British police in connection with the 1983 London Brink's Mat armoured car robbery, are making a last-ditch attempt to halt his deportation from London after a bizarre wrangle over a visa involving Venezuelan officials.

A Miami judge is due to decide Mr Fleming's fate tomorrow, six days after giving immigration officials and lawyers time to sort out whether he holds papers valid for entry to Venezuela.

Officials say they now have telexes confirming the revocation of a visa stamped in Mr Fleming's passport by Venezuela's Consul in Miami last week on the instructions of a Foreign Ministry official in Caracas.

Mr Fleming, aged 46, was taken off a London-bound airliner last Tuesday at the last minute before its departure after his lawyers produced papers showing he had been accepted for entry to Venezuela.

On Wednesday immigration officials produced evidence showing the visa had been cancelled, while Mr Oscar Levin, Mr Fleming's lawyer, challenged the authority of the cancellation.

At the heart of the quarrel

was the action of the Miami Consul, Mr Benjamin Ortega, who told reporters he had reluctantly issued the visa under the instructions of the Venezuela official, Dr Antonio Puppino, a legal adviser in the Foreign Ministry there.

The Consul said he had first been approached three times on Mr Fleming's behalf by a Miami-based Venezuelan lawyer with the same surname, Mr Leon Puppino. The lawyer told Mr Ortega that he was representing a prominent British businessman named Fleming who needed papers showing that he was welcome in Venezuela.

He explained to Mr Puppino that no advance visa was necessary for a British citizen, but eventually had one inserted in Mr Fleming's passport after a telephone-call from Dr Puppino in Caracas.

The US State Department has helped to help obtain confirmation from Venezuela that Mr Fleming was not welcome there, official sources said. The role of Dr Puppino in Caracas is still unclear.

Unless Mr Fleming's lawyers manage to produce fresh arguments, it appears the Miami Court will send him back to London this week.

Leading article, page 15



The new look this year from Paris, with (top left) a spotted bustier over a multi-coloured dress from Christian Dior, (bottom left) a green velvet evening dress by Enrico Coveri and (right) a cocktail dress by Karl Lagerfeld.



The new look this year from Paris, with (top left) a spotted bustier over a multi-coloured dress from Christian Dior, (bottom left) a green velvet evening dress by Enrico Coveri and (right) a cocktail dress by Karl Lagerfeld.

By Suzy Menkes
Fashion Editor

Forty years on, fashion's New Look is sweeping Paris. Shapely waists, whirling skirts, rounded bosoms and positively no shoulder pads make the new silhouette from Paris, as French fashion celebrates the 40th anniversary of Christian Dior's landmark collection of 1947.

In contrast to the earlier floor-sweeping skirts, the mini is now back on the Paris runways and hemlines are rising up the thigh in all the autumn collections.

French Premier Jacques Chirac, a host of ambassadors and a galaxy of stars all celebrated with Dior last weekend the 40th birthday of the house dubbed by the financial press as the

"General Motors" of French fashion.

The world-wide chain of boutiques and the licensing of clothes and accessories for both men and women, brought Christian Dior's turnover in 1986 - excluding perfumes and cosmetics - to a mighty £600,000,000.

Actress Joan Collins in a sinuous black dress, Sophia Loren in fashionably full skirt and Princess Caroline of Monaco in the new season's mini were all guests of honour at the Dior gala held in the couture house and in the adjoining street, which was tented over for the occasion.

At the same time, France's President, Francois Mitterrand inaugurated a retrospective exhibition 1947-1957 in honour of Christian Dior at the Paris Fashion Museum. The five-floor exhibit

is a celebration of femininity showing the shapely suits and grand gowns that are identified with the 1950s.

The New Look on the Paris runways is a younger and sexier version of the early Dior clothes. Leading designers Claude Montana and Karl Lagerfeld have abandoned the androgynous, square-shouldered silhouette in favour of a curvaceous silhouette and even the once-sober Japanese designers are now sculpting their clothes to the female form.

In the new Dior collection, Marc Bohan, artistic director since 1960, showed short leggy skirts, full-skirted coats, evening dresses with sweetheart-shaped bodices and a seductive soft shoulder line filled in with transparent lace.

BP closes explosion refinery

By Michael McCarthy

BP shut down its biggest British refinery at Grangemouth on the Firth of Forth in Scotland yesterday after a man was killed in the second fatal explosion of hydrocarbon gas in nine days.

The explosion occurred at 7 am as part of the 700-acre refinery was being brought back on stream from the closure which followed the blast on March 13, when two men repairing a waste pipe died.

Yesterday's incident which shook houses in the town near by and was followed by a fierce fire with a towering plume of thick black smoke visible from the Forth Road Bridge more than 15 miles away, was at the centre of the hydrocracker plant, a mini-refinery producing high quality products from low-grade crude, designed and built in the 1970s.

With the other nine individual plants it had been shut down for an overhaul after the March explosion and 10 BP engineers were working in the plant to bring it back on stream. They all escaped injury, but a crane driver from Airdrie, Mr George Spears, aged 52, employed by an outside contractor, was killed.

A hundred firemen took several hours to bring the fire under control. It was still burning sporadically last night and may not be extinguished for another two days.

Callaghan backs call for inquiry

By Our Political Editor

Mr James Callaghan, the former Labour Prime Minister, yesterday added his weight to those urging the Government to set up an independent review of the security services.

He also urged the Government to drop what he called its "ineffective" ban on the memoirs of Mr Peter Wright, the former MI5 agent.

Mr Merlyn Rees, the former and widely-respected Labour Home Secretary, is already pressing for an inquiry into allegations of secret service plots to "destabilize" the Labour Government of the then Mr Harold Wilson.

Mr Callaghan said last night that he was ready to inform Mrs Thatcher about all the relevant aspects of his 1977 inquiry into the alleged plot by the British security services. His statement followed a Sunday Times report which he said went further than his inquiries.

It was alleged in the report that part of the plot was the fomenting of the Ulster workers' strike of May 1974 which helped to bring down the Northern Ireland Government.

A Downing Street spokesman said last night that if Mr Callaghan sought a meeting, the Prime Minister would be willing to see him.

Mrs Thatcher has headed off all calls for an inquiry until now by saying that she was satisfied with the inquiries at the time by Mr Callaghan's government.

The Times Crossword Puzzle No 17,311

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WEATHER

General situation: A frontal system will cross southern areas. Much of northern Britain will have a day of bright or sunny skies and a few wintry showers of rain, sleet or snow. Some of the showers may be heavy in the north-west. Most of England and Wales will start the day wet, with some heavy rain. During the morning, brighter, drier weather will move into Wales and western counties of England, and these improving conditions will reach eastern areas during the afternoon. Some sunshine will return in the afternoon in the west, but with some showers. It will remain cloudy in the east, and along the channel coast, further rain is likely later. Outlook for tomorrow and Wednesday: Some bright and dry weather, especially in the east and north tomorrow, but more rain spreading to all parts later and lasting into Wednesday.

ABROAD		AROUND BRITAIN		HIGH TIDES				
MIDDAY	C F	Sun	Rain	TODAY	AM	HT	PM	HT
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Alex'dria	19 66	4.2	0.2	6.49	3.3	7.52	3.4	
Amst'dm	21 70	5.3	0.2	6.49	2.9	5.18	2.9	
Algiers	14 57	5.1	0.1	6.49	2.9	5.18	2.9	
Athens	16 61	4.3	0.4	6.49	4.3	11.33	4.4	
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Barcelona	12 54	5.9	0.2	6.49	10.18	4.1	4.44	6.2
Berlin	9 48	5.2	0.2	6.49	5.33	4.5	8.15	4.3
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Budapest	8 46	5.2	0.2	6.49	11.59	6.9	—	—
B' Aires	26 79	5.2	0.2	6.49	8.05	4.4	9.02	4.5
Cairo	23 73	5.2	0.2	6.49	4.21	7.6	5.06	7.3
Cape Tn	27 81	5.2	0.2	6.49	2.47	2.1	3.10	1.9
Chicago	17 63	5.2	0.2	6.49	4.57	4.1	5.39	3.9
Ch'church	18 64	5.2	0.2	6.49	11.43	5.3	—	—
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		5.2	0.2	6.49	2.47	2.1	3.10	1.9
		5.2	0.2	6.49	4.57	4.1	5.39	3.9
		5.2	0.2	6.49	11.43	5.3	—	—
		5.2	0.2	6.49	8.05	4.4	9.02	4.5
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		5.2	0.2	6.49	11.43	5.3	—	—
		5.2	0.2	6.49	8.05	4.4	9.02	4.5
		5.2	0.2	6.49	4.21			

Callaghan urges security inquiry

By Anthony Bevins
Political Editor

AN INDEPENDENT review of the management and work of the Security Service was urged yesterday by James Callaghan, the former Labour Prime Minister.

In a brief statement to the Press Association, Mr Callaghan clashed directly with Mrs Thatcher over his 1977 inquiry into the service.

Merlyn Rees, Home Secretary at the time, has repeatedly insisted in the Commons that the 1977 inquiry was restricted to allegations by *The Observer* that rooms used by the previous Labour Prime Minister, Harold Wilson, had been bugged and he has called for a fresh inquiry into allegations that the Security Service tried to destabilise the Wilson Government.

Mrs Thatcher said with great care in the Commons on Thursday that the 1977 inquiry had covered allegations "in the plural", and that senior government sources suggested that this meant that all the recently-revived allegations had been covered.

Mr Rees said in *The Guardian* on Saturday that allegations of a smear campaign, which had recently surfaced, had not been investigated. But *The Sunday Times* reported yesterday that Lord Wilson of Rievaulx had, in 1975, asked the director-general of MIS about a smear campaign.

The same newspaper reported an allegation that MIS had inspired the May 1974 Ulster workers' strike, which led to the collapse of the power-sharing administration created by Edward Heath's government.

Mr Callaghan said yesterday: "The material in *The Sunday Times* goes further than my inquiries in 1977. These were based on the stories published at the time by *The Observer*."

He added that he had not seen Peter Wright's MIS memoirs, *Spycatcher*, which have provoked the current controversy following the Government's attempt to ban publication in Australia. "But it seems to be a source of the new *Sunday Times* material," Mr Callaghan said. "The Government would be wise to withdraw its ineffective ban on publication."

Mr Callaghan's statement will increase the pressure for a fresh inquiry. But there is every sign that Mrs Thatcher will resist it.

What is more open to question is whether Mrs Thatcher will also resist eventual oversight of the Security Service; a system of independent scrutiny which would reassure the public while maintaining its essential secrecy.

Watchdog to examine Blakelock complaints

SCOTLAND YARD is expected to refer criticism of police methods made by the judge in the Blakelock murder trial to the Police Complaints Authority, Rosie Pearson writes. It would be investigated along with five complaints already received about police methods after the 1985 Broadwater Farm riot.

When Mr Justice Hodgson directed the jury to acquit two of the juveniles accused of PC Keith Blakelock's murder, he said that the police had been guilty of "oppression". Scotland Yard has asked for a full transcript of the judge's remarks.

So far, none of the complaints received by the authority is from the juveniles to whom the judge referred. But one of them is expected to bring a civil action. And the police have the power under the Police and Criminal Evidence Act to initiate a complaint on behalf of a member of the public.

■ Douglas Hurd, the Home Secretary, pledged yesterday to "look at" bail procedures after the conviction of Winston Silcott for PC Blakelock's murder. He said that the decision of Judge Robert Lybery to release Silcott on bail on an earlier murder charge "turned out to be wrong".

files about jailed Mafia boss Francesco Di Carlo in Britain had been tagged.

Appeal move

A group of Tory MPs tabled an amendment to the Criminal Justice Bill in an attempt to give the Court of Appeal new powers to impose harsher sentences in cases where the Attorney General believes the court has been too lenient.

Boy accused

A 15-year-old boy is to appear at Manchester City Juvenile Court today accused of the murder of Nora Foley, who was stabbed at her home in Harpurhey.

Pensions rally

More than 1,000 pensioners are expected to join a rally in London today to press for British pensions to be brought up to the level of other EEC countries.

Sticky business

Doctors in the casualty department at the Royal Sussex County Hospital in Brighton are using a special glue to seal face wounds on children to avoid the pain of stitching.

Plane crashes

A husband and wife were killed in Ulster when a light aircraft crashed near Bellamy, South Londonderry.

Decision to modernise nuclear arms admitted

MINISTRY of Defence yesterday that Nato agreed in principle to 2,000 nuclear weapons in use with British when Ward writes.

have repeatedly reiterated as much in replies to questions from MPs. Decision was taken at a meeting at Montebello, 1983.

It said yesterday: "The decision was reached in research into modernisation at the time the implementation was considered."

It was in response to a request by the London American Security Council for a study which aims to increase accountability for nuclear weapons.

Discussions involve nuclear shell with those they reached cruise missile-to-surface missiles are all "shortly not included in control negotiations USA and the

Thatcher's attack on Labour Opposition

By Our Political Editor

the Tory guns to be turned on David Steel and David Owen."

Mr Steel, the Liberal leader, geared his response to the Gallup opinion poll, commissioned by the Conservatives and carried in the *Sunday Telegraph*, which put the Alliance second to the Tories. While separate polls in the *Observer* and *The Sunday Times* both gave the Conservatives 39 per cent, Labour 33 per cent and Alliance 26 per cent in the wake of the Budget, the pre-Budget Gallup put the Conservatives at 38.5 per cent, Alliance 30.5 per cent and Labour 30 per cent.

Mr Steel said in Rome: "The shape of the next election is now becoming clear. It will be the Alliance versus the Conservatives with Labour on the sidelines. The Tory Party is running scared."

Peter Kellner, page 14.

Thatcher could have paid against crime

He said: "For all her shrill words, Mrs Thatcher yesterday was unable to explain away the

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Rees links Army to MI5 inquiry call

by Robert Porter, Deputy Home Editor

MERLYN REES, Labour Home Secretary from 1976 to 1979 has called for an inquiry into whether senior members of the Armed Forces tried to bring down the Wilson government in 1974.

Mr Rees, who has already asked the Prime Minister to examine the role of "maverick" MI5 officers in destabilising the Wilson government, says that if Mrs Thatcher persists in refusing to launch a new inquiry, he will use his own resources to "get to the root of it."

He will read in the Commons, under the cover of Parliamentary privilege, allegations contained in the book by former MI5 officer Mr Peter Wright of "dirty tricks" operations against Mr Wilson and in Northern Ireland.

Mr Rees insisted that he had no personal knowledge of any attempt to destabilise the Wilson government, and he stressed that his own relationship as Home Secretary with the then Director General of MI5, Sir Michael Hanley, was cordial and trusting.

There was no question of MI5 officially mounting an operation

against the democratically-elected government, he emphasised. But there was a chance that Right-wing "maverick" elements within the security service might have done so, backed possibly by dissident elements of the Armed Forces.

Mr Rees said his early knowledge of the affair was what had been written about in Mr Wright's book. The Government has appealed against a decision by the New South Wales court to allow publication of the book.

The Crown's case is that Mr Wright, as a former MI5 operative, is subject to a life ban on publishing his memoirs.

Mrs Thatcher's refusal to mount a new inquiry is based on the fact that the allegations had already been investigated and rejected by Mr Callaghan's Labour government in 1977.

22.387

Rothschild denies MI5-Wright link

by DAVID LEIGH and PAUL LASHMAR



Rothschild: No action.

LORD ROTHSCHILD has been publicly named in a new MI5 connection by Conservative candidate Rupert Allason. Mr Allason suggests in a book that Rothschild was privately approached by senior MI5 officer Peter Wright who wanted to discredit the 1974-76 Wilson Government.

Mr Wright decided to approach Lord Rothschild, it is alleged, because the MI5 man was considering using secret MI5 files to denounce publicly three Ministers as possible security risks. This would have meant 'bringing the existing Government down.'

Mr Wright was anxious to have a non-Government job on offer in the City before he would take such a step. Mr Allason suggests he asked Lord Rothschild to find him one.

Lord Rothschild's reaction to this extraordinary allegation has been to deny it, through his lawyer, Lord Goodman. But he allowed the book to be published last week containing

the suggestion. He and Lord Goodman confirm they are not prepared to take a libel action against the author, who is the Conservative candidate for Torbay.

The Observer is in the peculiar position of having been banned by the Government for some time from revealing Mr Wright's account of these allegations. Mr Wright has privately given a full description of this affair in Australia.

Mr Wright must also be presumed to have referred to the episode in his unpublished memoirs, 'Spycatcher,' which an Australian court officially confirmed earlier this month contains a description of MI5 plots against the 1974 Wilson Government.

The Government has obtained a civil injunction in Britain on grounds of 'breach of confidence' which bars *The Observer* from revealing any new information given by Mr Wright, although other authors and journalists have been allowed to publish massive leaks from Mr Wright with official consent.

The naming of Lord Rothschild comes in the book, 'Molehunt,' written by Mr Allason under the name Nigel West. He repeats an anecdote published by veteran journalist Chapman Pincher in 1978, about an unnamed 'senior MI5 officer' who was 'prepared to name Ministers and reveal details of their activities from his knowledge of the files.'

The officer was said to have approached 'a very senior Whitehall personality,' christened 'Q' by Mr Pincher, 'whom he knew to be sympathetic regarding the dangers of left-wing activities by some ministers.'

Mr Allason identifies the MI5 officer as Wright. He also suggests that 'Q' was Lord Rothschild. This appears to have been a guess: some of the theories elsewhere in the manuscript are clearly in error.

The manuscript was sent to
continued on page 2

ROTHSCHILD DENIES MI5-WRIGHT LINK

continued from page 1

Lord Rothschild. He insisted on a number of deletions. Lord Goodman told us last week that he regarded the published manuscript as still implying that Lord Rothschild was 'Q.' Lord Rothschild 'flatly denies' the allegation.

Allason says he received a letter from Lord Goodman last week saying that he had been instructed to issue libel proceedings. But, contacted by *The Observer*, Lord Goodman said he was not going ahead.

In a statement, Lord Goodman's office said: 'The manuscript . . . was found to contain a great number of factual errors. A great number were corrected before publication. Lord Goodman has advised that, since the whole book is based on conjecture, there is nothing to warrant the issue of a writ.'

Lord Goodman added that any remaining errors were of 'relative unimportance.'

Mr Pincher, who originally published the 'Q' story as evidence of MI5 plots against Harold Wilson, now Lord Wilson of Rievaulx, had claimed he was aware of 'Q's identity.' Yesterday, however, he said: 'I don't know who Q is.' He said he had met a City figure over lunch, whom he refused to name. This businessman had told him the story, without identifying either Mr Wright or 'Q.'

Lord Rothschild has still failed to make any statement on the disclosure by Mr Wright during the Australian court proceedings that Rothschild helped him some years later (in 1980) to pass other MI5 secrets to Chapman Pincher. This led to Pincher's book which alleged that former MI5 chief Sir Roger Hollis was a spy.

The Attorney-General, Sir Michael Havers, claims police are still investigating possible breaches of the Official Secrets Act, but Mr Pincher says he has not been questioned

THE OBSERVER

8 St Andrew's Hill, London EC4V 5JA. 01-236 0202

Why Mr Callaghan must come clean

WHEN Harold Wilson told colourful stories 10 years ago about 'big, black spiders' in the intelligence services out to smear him and his Government, few people took him very seriously. There was always a cloud of paranoia hanging over Wilson's No. 10 and he had repeatedly alleged that the Gnomes of Zurich or the Tory Press or the Skinheads of Surbiton were out to get him. As it turns out, we did him a great disservice.

Crooked elements within the secret services were trying to bring him down, although their best efforts merely resulted in a compounding of the barrage of denigration (not stopping short of hints of treason) being fired on many fronts against him. The real traitors, however, were inside MIS headquarters in Curzon Street, trying to topple a government they preferred to live without.

We know this is true because one of the plotters, Peter Wright, has told us so in his book. Mrs Thatcher and her Government, for quite other reasons, would wish the book left unpublished. But even that loyal servant of the Cabinet, Sir Robert Armstrong, was willing to tell the Sydney court during his Antipodean ordeal that the MIS dirty tricks were carried out without the authority of 'the top management of the service.'

The Observer, which knows the contents of the Wright book, is legally inhibited from explaining to its readers the exact details of the semi-official treason which was tolerated among British intelligence officers. We know that the Wright revelations—at least in so far as they tell of this assault on an elected

government — are both disgraceful and alarming.

After the original Wilson allegations an inquiry was set up by his heir and successor, James Callaghan, who knows more than most about the exact truth of this affair. His former government colleagues, including his Home Secretary, Merlyn Rees, and his former Cabinet colleague Roy Jenkins, also once a Labour Home Secretary nominally in charge of MIS, would like to know what went on. Were they duped? Were they being undermined under their very noses? They have repeatedly asked for an explanation and Mr Callaghan and Mrs Thatcher have repeatedly kept quiet. It is time that Mr Callaghan told Parliament the result of his inquiry—or why he is reluctant to reveal the truth.

The Prime Minister, for her part, has dodged all responsibility for looking into the business, hiding behind a dubious argument that all the events took place in another Prime Minister's time and that she is powerless to dig back into history. This is nonsense. She knows what is in the Wright memoirs, for she is one of few people she trusts enough to be allowed to read them. She knows, too, that the result of the Callaghan inquiry did not answer all the questions now raised by Wright's confessions. It is in the public interest that such events should be revealed in full and that those who took part in the anti-government plots be punished. To this end, the Prime Minister should set up an inquiry without delay—and her predecessor, Mr Callaghan, is the one person who has it in his power to force her to do so.

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Newspaper cutting inside



Bickenhall Mansions (above left) attracted suspicion after Lady Falkender was burgled



Wilson and Heath (left) were both victims of MI5 dirty tricks, and now Rees (inset) is calling for a full judicial inquiry

Climates of treason

How deeply involved was MI5 in attempts to destabilise the Wilson government in the mid-1970s? The Peter Wright spy book trial indicates it was highly active. Last week Merlyn Rees, Wilson's former home secretary, demanded a full inquiry, and alleged there were even attempts to denigrate Edward Heath, the then Tory leader. The Sunday Times INSIGHT team has amassed considerable evidence of a concerted campaign of "burgling and smears"

INSIGHT

ON Monday in the House of Commons an angry Merlyn Rees, a former Labour home secretary, made a surprise intervention. The attorney general, Sir Michael Havers, had just announced the government's decision to appeal against the Australian court ruling over the publication of the memoirs of Peter Wright, the former MI5 officer.

Rees announced that he intended to "get to the root" of renewed claims alleging an MI5 "dirty tricks" plot to destabilise Harold Wilson's government, of which he was a senior member.

His outburst might have been dismissed as yet another attempt to rake over old ashes except for one added factor: Rees startled the House by revealing that, contrary to what government ministers were now saying, the last Labour administration had not fully investigated the allegations of an MI5 conspiracy.

According to Rees, all that had been probed was a specific claim that 10 Downing Street had been bugged during the final Wilson administration. The battle over the Wright memoirs, he went on, had re-awakened his suspicions. He had come to believe that attempts by the intelligence services to destabilise democratically elected governments in Britain went further than had been realised before. There might even have been an attempt to "denigrate Ted Heath", he said.

Rees' call for the government to institute an inquiry has now been taken up by others. On Wednesday Roy Jenkins, who like Rees, is a former Labour home secretary, said Mrs Thatcher had a "clear duty" to investigate elements of the security services in the mid-1970s. On the same day, the Labour MP, Dale Campbell Savours, attempted to table a series of related parliamentary questions probing the truth about rumours of a mysterious incident called "the Cunard affair" (see panel).

But what is behind this clamour for a judicial inquiry? Did MI5 "dirty tricks" really happen or are they just a fantasy more worthy of a spy thriller?

The Sunday Times Insight team has investigated allegations against MI5 for more than 10 years. Some of the incidents chronicled are comparatively minor, and often bizarre. Individually they mean little; taken together they present a picture of an organised campaign, running over five years between 1971 and 1976, covering both the Heath and the second Wilson administrations. Rees and others are now convinced that senior MI5 operatives, operating either on their own or with sanction from superiors, indulged in activities well outside their official role — and the law.

ONE night in the summer of 1974, Marcia Falkender, a close advisor of Wilson's, heard running footsteps outside her London mews home. Later, shortly before 10pm, her sister, Peggy Field, who shared the house, discovered that her handbag was missing from the hall table. It

contained an expensive brooch, keys, a cheque book and about £4 in cash.

It could have been just another unfortunate burglary but events were to cast sinister shadows on the incident. As Peggy went to call Scotland Yard's Special Branch, the telephone rang and a man announced he had discovered a lady's handbag. He added that if its owner wanted it back she would have to collect it in person from a nearby apartment in Bickenhall Mansions, in London.

Despite the fact that the man was wearing a uniform of a constable, the police, when the bag was returned, all that was missing was the tiny amount of cash.

The robbery was not an isolated event for the Wilson era. The Labour leader and some of his close associates suffered a series of burglaries around the same time. The list of victims included Wilson's lawyer, Lord Goodhart, his press officer, Jean Denham, and a senior policy advisor, Bernard Donoghue (now Lord Donoghue).

Nor was it the first time that Wilson had heard of Bickenhall Mansions. Not long before he had learned of an alleged attempt to lure Tony Benn, then one of his cabinet ministers, into a situation where which, if successful, would have been sexually compromising.

Wilson had first fallen prey in the early 1970s to Peter

Wright, who had risen up the MI5 hierarchy to become personal assistant to Sir Michael Hanley, the service's director general between 1972 and 1974.

In the mid-1970s MI5 operated against a backdrop of gloomy stories predicting economic disaster. The three-day week and the miners' strike toppled Heath's government and under Wilson inflation rose to alarming levels, the stock market was in a bigger crash than 1929, and the City was in the midst of its worst banking crisis in 40 years. In the words of Hanley, "a disaffected faction with extreme right wing views" had grown up within MI5.

When MI5 heard claims from a Russian, who had defected to the US, that the Labour party's leadership had been penetrated by the KGB, it took it seriously.

Wright was asked to investigate, and as he himself admits his team "bugged and burgled our way round London". Wright, the molehandler who had debriefed Sir Anthony Blunt, believed only covert operations would prove whether or not Wilson and his colleagues were agents of the Kremlin.

However, the activities that Wright and others were involved in were not confined to burglaries. There were also organised smear campaigns.

Several retired MI5 officers now accept that Wright masterminded some of these

crimes. But because MI5 operates on a strict "need to know" basis, some claim they had no idea that Wilson had been a target. Wright now admits to 23 criminal acts and 12 acts of treason.

The techniques used had been developed over a number of years and used against a variety of victims. Wright has told friends that counterespionage devices — implanted at the French embassy in London as long ago as the 1960s to discover de Gaulle's attitude towards Britain's Common Market application. Wright also says MI5 took part in discussions at the government's Porton Down research centre to produce a poison which would be undetectable in "assassination operations" overseas. Other "dirty tricks" included bugging the hotel rooms of foreign businessmen who were negotiating commercial deals with Britain.

Some of these activities involved burgling premises, including homes and offices belonging to Wilson and his circle. As far as Whitehall's intelligence establishment was concerned, these break-in operations were "deniable". One precaution was taken in case any operative was caught by the police. Each "burglar" carried his own special pass, known as a "get out of jail free" card. If ever caught he could show the pass and claim he was on "national security" business.

Both Wilson's former London home, in Lord North Street, and his country house, Grange Farm at Great Missenden in Buckinghamshire, were broken into more than once. There was also a break-in at offices Wilson used for storage in Buckingham Palace Road. Among the items taken were tax documents, personal correspondence, photographs and tape-recordings relating to his exchanges with the then US president, Richard Nixon, and the Rhodesian premier, Ian Smith. Lady Falkender's cottage, near Great Missenden was also burgled twice.

Wilson's suspicions were aroused and he became convinced he was being bugged. In 1976 he told two BBC journalists, Barrie Penrose and Roger Courturier authors of *The Pincourt File*: "There were far too many burglaries. The coincidence is far too great. You'd think if they were looking for anything valuable they'd rummage through drawers and through cabinets."

The incidents were made even more bizarre when some of the stolen papers were returned to Wilson. At an Old Bailey trial in 1976, when two men were convicted of stealing Wilson's property, a witness claimed he had paid £2,500 to a stranger in London's Great Portland Street to get some documents back.

Wilson endeavoured to identify who was behind the "dirty tricks" and in mid-1975, learned from Sir Maurice Odfield, then MI5's chief, that there was "a section of MI5 which was unreluctant".

He even asked to see his own MI5 file only to find it contained a solitary letter. However, another MI5 file

on Wilson, codenamed "Henry Worthington", walked from him. The file was not totally disgraced: the address in the papers was clear enough — 10 Downing Street.

Wilson then questioned Hanley, Odfield's MI5 counterpart, who confirmed there was a "disaffected faction" within his service. But what Hanley did not disclose was that his personal assistant, Wright, suspected Wilson himself of being a communist agent, nor did he reveal that the prime minister, and members of his staff, had been the victims of MI5 burglaries and buggings.

Exactly 12 months later, Hanley reflected his attitude inside MI5 when he wrote to Wright, who by then had

retired to Tasmania: "It would take some imagination to say things are improving here but they are certainly no worse than when you went away. The firm is doing quite well and passed the recent examinations."

Those "recent examinations" included questions Wilson wanted answered before handing power over to Jim Callaghan in May that

year. With Wilson no longer prime minister, Hanley could afford to relax about Wright's unlawful activities ever becoming known.

WILSON also asked Hanley about what he called a smear campaign against him and his friends. He claimed that a series of fabricated stories had been leaked to the press. Stories were appearing, he

said, falsely linking him to Labour personalities engaged in tax fraud and other brands of financial, political or sexual misconduct.

Until Wright became an MI5 whistleblower, evidence to support Wilson's claims was almost impossible to find. However, others have now confirmed elements of what Wright is alleging. For example, three former intelligence operatives in Ulster during the 1970s maintain they were part of an elaborate black propaganda campaign.

One of them, Colin Wallace, an army intelligence officer attached to MI5 who resigned in 1976 protesting about MI5's anti-Wilson activities, has given Merlyn Rees confidential files about his part in a campaign to discredit Wilson's policy in Northern Ireland. It is partly this which has triggered Rees's fears that he was an MI5 victim, both as Northern Ireland secretary between 1974 and 1976 and later as home secretary.

Wallace says the files show that MI5 faked political leaflets and other documents designed to link Wilson's administration with terrorist groups and communist-front organisations. According to Wallace, MI5 also produced forged bank statements to suggest, wrongly, that politicians like Ian Paisley and John Hume, the SDLP leader, had embezzled funds.

One leaflet forged by MI5 to look like a genuine Labour policy statement has Rees's name printed alongside Dr David Owen, then Labour's foreign secretary, and Stan Orme, at the time a junior Northern Ireland minister. The message MI5 wanted to get across to an unsuspecting public was that Labour was soft on terrorism.

Wallace claims part of these covert psychological operations (known as "psyops") were designed to prevent the election and re-election of a Labour regime. "We also had a campaign going against Edward Heath and other prominent Tory MPs thought to be too liberal," says Wallace.

"The aim was to discredit them politically by planting smear stories against them in the press." For example, Heath and other backbench politicians were wrongly "linked" to homosexual scandals, such as the Kinross boys' home affair in Ulster. The ultimate aim, Wallace says, was to remove Heath as leader of the Conservative Party and replace him with someone of a more resolute approach to political and industrial unrest.

By BARRIE PENROSE with Peter Hounam, Chris Mitchell and Max Prangnell

The odd affair of the QE2 plot



The QE2: wanted as a floating prison for Wilson's cabinet

LAST week Dale Campbell-Savours complained that he was not given the opportunity to raise the matter of the "Cunard affair", which took place in 1975. What is it? Insight is in a position to enlighten both its readers and Campbell-Savours.

On July 7, 1975, Sir Basil Smallpeice, who had just retired as chairman of Cunard, was woken in the middle of the night by a man claiming to be an army officer. He was questioned about Cunard's flagship, the QE2, and asked to attend a meeting the following day with a colonel, whose name he carefully noted in his diary for that day, and which insight has seen. Smallpeice attended the meeting, but when he pointed out that he no longer had any influence over the QE2, he was abruptly dismissed.

Smallpeice, an intensely loyal and patriotic person, was deeply worried about the conversation. He contacted the master of the QE2, Michael Cary, then press and publicity secretary at the Ministry of Defence. It was the last he heard of it. But insight has discovered that there was an official in

the Home Office in 1975, with the same name as Smallpeice was given. The man is still a senior civil servant. Last week, he confirmed to insight that he did have a meeting with Smallpeice, but denied he had any involvement with a coup. "I too was phoned up in the middle of the night." He says he was asked whether he would be prepared to assist in "helping the nation".

Smallpeice's successor as Cunard chairman, John Mitchell, was also woken by a senior army officer during the night and asked to attend a meeting in London. Mitchell, before he died several years ago, told The Sunday Times that he met three "army and secret service people" who made it perfectly clear he was being asked to take part in a "coup d'etat". He said he was asked to get the QE2 at the army's disposal and direction, apparently to be used as a floating prison for the cabinet.

Mitchell also reported the matter to Cary, who died in 1976, at the defence ministry, who told him the matter had been "an exercise which had been dealt with".

MI5 'plotted' Ulster strike

A FORMER MI5 undercover agent is at the centre of a new security controversy after claiming that the service conducted a secret operation to destabilise the Wilson government. Part of MI5's campaign included a plot to help promote the Ulster workers' strike in 1974 which led to the collapse of the Northern Ireland government.

The agent, James Miller, worked for MI5 in Northern Ireland during the 1970s but was forced to flee the province when the paramili-

tary Ulster Defence Association accused him of being a spy. Miller, who on behalf of MI5 infiltrated the UDA and became one of its military commanders for almost five years, says his MI5 case officers instructed him to use his position within the UDA to promote the Ulster workers' strike.

Miller, 55, was recruited by army intelligence and MI5 in 1970. At the time, Miller, an Englishman married to an Irish Protestant, lived in Monkstown, Co Antrim. His job as a lift engineer enabled

him to travel freely all over Ulster and to undertake his intelligence duties.

"I did a dangerous job over there for nearly five years and many UDA and IRA men went to prison as a result," Miller said last night. "But I could never understand why my case officers, Lt Col Brian X and George X, wanted the UDA to start a strike in the first place. But they specifically said I should get UDA men at grass-roots level to 'start pushing' for a strike. So I did."

Yesterday, Home Office

by **Barrie Penrose**

officials working with MI5's legal adviser confirmed that Miller had worked for the security forces in Northern Ireland. Later, Admiral William Higgins, secretary to the D-Notice Committee at the Ministry of Defence, requested *The Sunday Times* for security reasons not to

Climate of treason, page 11
The Wright trial - by his own lawyer, page 29

identify Miller's present whereabouts or his case officers.

Miller says his work for MI5 backs up claims by other former intelligence agents that the security service used the Northern Ireland problem to discredit the Labour government. Last night Miller said he planned to give his evidence to Merlyn Rees, the former home secretary, and other former Labour cabinet ministers, who are pressing the government for an inquiry into "unlawful" MI5 activities in the mid-1970s.

Miller said his MI5 case officers told him Harold Wilson was a suspected Soviet agent and steps were being taken to force him out of Downing Street. Miller said that in early 1974 his case officers instructed him to promote the idea within the UDA of mounting a general strike which would paralyse Northern Ireland.

The result, says Miller, was the Ulster workers' strike in May 1974 which severely embarrassed Wilson's government and helped to torpedo the Sunningdale power

sharing executive of Catholics and Protestants, which had included an "Irish dimension" by allowing the Irish government a consultative role in Ulster. The strike was also successful in bringing down the Northern Ireland government of Brian Faulkner and Gerry Fitt.

Miller's claims are also supported by Colin Wallace and Fred Holroyd, two former British Army intelligence officers who left the army in 1976 after protesting against

Continued on page 3

MI5 'spy' infiltrated UDA and plotted Ulster strike

CONTINUED FROM P.1

MI5 policy in Northern Ireland. According to Wallace, MI5's aim was to damage Merlyn Rees, then Ulster's secretary of state, and Wilson politically by forcing them to tackle the strike from Westminster.

Part of their evidence includes documentary examples of MI5's black propaganda operation, copies of which have been given to The Sunday Times. Wallace says that in the early 1970s MI5 forged a variety of "Labour party" leaflets, hinting to the Ulster public that Wilson and his cabinet were soft on terrorism and sympathetic towards communism.

One pamphlet with the headline "The Labour Move-

ment" and the sub-heading "Imperialism-Crisis-Revolution" states that it is "published by Denis Healey, Tony Benn and Stan Orme", then ministers in Wilson's government. Another MI5 forgery, produced during the Heath government, contains the similarly fictional claim that it is "published by Merlyn Rees, Stan Orme and David Owen", then part of Wilson's shadow cabinet.

"One leaflet we produced in early 1974 was unusual in that MI5 usually forged its material in London," says Wallace. "But this particular leaflet was produced inside army headquarters at Lisburn where MI5 had six officers of its own." The leaflet, which shows an arm clutching a

Kalashnikov rifle against the Ulster red hand and a communist star, was produced when Wallace was working inside a covert psychological operations (known as "psyops") unit in Northern Ireland.

This particular leaflet was planted by MI5 in June 1974 in a series of huge arms finds in Belfast. "When we called in the press, they were shown the weapons and the leaflets," says Wallace. "So the idea was spread that the terrorist organisations were really communist-inspired."

Last night, senior UDA sources confirmed that Miller had been a senior intelligence officer in their organisation.

Additional reporting by Liam Clarke

SUNDAY TIMES

22-3-87

for - Mr Callaghan's Press Statement

Press Statement

The speculation about the contents of Mr Peter Wright's book has given rise to a spate of allegations and rumours which, if they continue, will damage public confidence and distract the Security Service from its necessary work. The recent Press reports of Mr Wright's allegations about a supposed attempt to destabilise the Labour Government during 1974-75 go into greater detail than the 1977 Inquiry knew about. Strangely enough, Mr Wright has not offered any explanation for his failure to come forward in 1977 to tell that Inquiry what he then knew despite a public invitation to witnesses to do so. There seems to be a direct conflict of evidence. What should now be done?

Firstly, the truth or falsehood of Mr Wright's charges should now be examined by a fresh Inquiry conducted from outside the Security Service. A senior Judge assisted by Assessors should be invited to review the findings of the 1977 Inquiry, taking into account the information in Mr Wright's book and examining both him and those Officers who have been implicated by Mr Wright or named by others.

I am, of course, agreeable for this purpose for papers relevant to the 1977 Inquiry to be made available to a Review Body.

Secondly, whatever the verdict of the Review Body, there exists a long-term need for a standing body to exercise oversight over the work of the Security Service and to make regular reports to Ministers and through them to Parliament. The review I propose should be asked to recommend what form such oversight such take on matters like targeting, management, structure and staff counselling.

If this course is followed it will be possible to reach an independent verdict on the past and at the same time to safeguard the future. This would be the best way to serve the public interest.

James Callaghan - 6.5.87

Note to the Press:

Sir James Callaghan's Office stated today that he would not be giving interviews or accepting further telephone calls about these matters. They called attention to his Statement of 22 March 1987, a copy of which is attached.

Sunday 22 March 1987

The material in the Sunday Times goes further than my enquiries in 1977. These were based on the stories published at the time by the Observer newspaper. I asked then that anyone with further information should bring it to the attention of the Home Secretary but none was forthcoming. I have not seen Mr Wright's book and do not know its contents but it seems to be the source of the new Sunday Times material. It would be wise for the Government to withdraw its ineffective ban on publication. I am, of course, ready to inform the Prime Minister on all aspects of the 1977 inquiry if she wishes to consult me before the Government decides to hold a further inquiry. I have every confidence in the integrity and ability of the present Director General of the security service and it is with no disrespect to him or to his colleagues that I came to the conclusion some time ago that there is a need for an independent body to review the oversight, structure, targeting and management of the service. For the time being I shall have no further comment to make.

James Callaghan

22 March 1987

4
Prime MinisterDIO
Very unhelpful
MB
Ref. A087/828

MR WICKS ✓

This analysis gives support to our line of resting on Mr Callaghan's statement and resting calls for an enquiry. ✓ MB

(NB, the analysis is based on published material, not previous administrative files.)

Allegations against the Security Service

You asked for a note about the allegations against the Security Service made in 1977 prior to the statement by the then Prime Minister on 23 August 1977; and how they compared with those currently being floated. N.L.W. 20.3

2. The allegations which emerged in July 1977 were of four kinds:

(a) That the Security Service was incompetent. In support of this it was claimed that the Security Service had confused Dr David Owen with a Mr Will Owen and Mrs Judith Hart with a Mrs Tudor Hart in alleging that there was Communist penetration of the Wilson Government (see below (b)).

(b) That there was a plot by the Security Service, or by members of the Security Service with the connivance or support of those in charge of the Service, to undermine the Wilson Government of 1974-76. In this context it was claimed that:

(i) MI5 was putting it about that there was a Communist cell in the Cabinet involving Lord Wilson and Lady Falkender; and that Lady Falkender had not been positively vetted.

(ii) The Head of MI5, Sir Michael Hanley, had told Lord Wilson that there existed within the Security Service a disaffected faction with extreme right-wing views.

(c) That there was a Soviet spy at a high level in the Security Service in the 1960s.

(d) That when Lord Wilson was Prime Minister, his rooms both at No 10 and at the House of Commons were bugged by the Security Service.

3. All these allegations seem to be traceable back by one route or another to Lord Wilson and his entourage. (a) and (b) appeared in the Observer on 17 July and were based on interviews Lord Wilson had with the journalists Barry Penrose and Roger Courtiour. (c) appeared in the Observer on 24 July, and was similarly based. (d) first appeared in an article by Joe Haines (quoting Lord Wilson), and was taken up by Chapman Pincher in the Daily Express on 29 and 30 July. Lord Wilson had previously suggested to Penrose and Courtiour that he was the victim of "dirty tricks" (burglary and bugging) by representatives of South African intelligence.

4. Mr Callaghan's statement which was issued on 23 August said that:

"The Prime Minister has conducted detailed inquiries into the recent allegations about the Security Service and is satisfied that they do not constitute grounds for lack of confidence in the competence and impartiality of the Security Service or for instituting a special inquiry. In particular, the Prime Minister is satisfied that at no time

has the Security Service, or any other British intelligence or security agency, either of its own accord or at some one else's request, undertaken electronic surveillance in No 10 Downing Street or in the Prime Minister's room in the House of Commons".

The "recent allegations" referred to might reasonably be interpreted as encompassing each of (a), (b), (c) and (d) above.

5. In the course of the next six months a number of additional allegations of a similar kind were made. On 24 August Chapman Pincher drew attention to the specific description of the surveillance denied in the Callaghan statement as "electronic" to argue that Lord Wilson had been "tailed" by the Security Service in February 1974 and been subject to "non-electronic bugging" at No 10. Lord Wilson issued a statement on 28 August 1977:

"My impression is that what has been going on over a period of years has come from, or been fed by, a small mafia group of MI5 who have contacts outside in one or two sections of the Press, and a few self-appointed private enterprise security agents.

It is my strong impression that it is probably a very small MI5 mafia who have been out of the Service for some time, who still continue the vendetta for no doubt extremely right-wing purposes of their own.

I am equally confident that the higher direction of MI5 and those operating today do not have anything to do with this, nor have they done so at any time."

6. In February 1978 the Pencourt File was serialised in the "Daily Mirror". Drawing on the same material as the Observer article of 17 July 1977 it was concerned in large measure with

Lord Wilson's allegations about the activities of the South African Security Service in this country. In elucidating the claim of a Security Service plot against the Wilson Government of 1974-76 it:

(a) quoted Lord Wilson as saying that Sir Maurice Oldfield had said that there was a section of MI5 which was unreliable and;

(b) drew attention to a series of burglaries of Lord Wilson and Lady Falkender, with the implication that these were conducted by the Security Service.

7. Responding to a letter from Mr Cranley Onslow MP on "the Pencourt File", Mr Callaghan said on 20 February 1978:

"So far as I can see there are no significant statements about matters of national security in this book of which the authorities were not aware when I issued a statement on allegations about the Security Service on 23 August last; I put the statement in the Official Report on 8 December. I have nothing to add to it".

8. The allegations which are expected to appear in the article in the Sunday Times on Sunday all relate to the "plot to destabilise" the Wilson Government of 1974-76 (paragraph 2(b) above). In detail they are:

(a) That the QE2 was to be commandeered for use as a floating detention centre for Members of Parliament.

(b) That police and army operations at Heathrow Airport in 1974 were part of a Home Office and Security Service scheme to accustom the public to the sight of troops on the streets.

(c) That the Security Service were responsible for a propaganda campaign to bring leading Labour Party politicians into disrepute.

(d) That there was a campaign of "burglary and bugging" aimed at gathering evidence damaging to Lord Wilson and Lady Falkender.

(e)

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

(f) That Oldfield and Hanley confirmed that there was a renegade section of MI5 conspiring against his Government.

(g) That Peter Wright headed a thirty-strong Security Service team which mounted a destabilisation campaign.

It is clear from the above that of the seven allegations likely to appear in the Sunday Times article, three ((c), (d) and (f)) are old and may be considered to have been dealt with by Mr Callaghan's statement in 1977; a further two ((e) and (g)) are extensions of the allegations made in 1977; and only two ((a) and (b)) are completely new.

T A Woolley

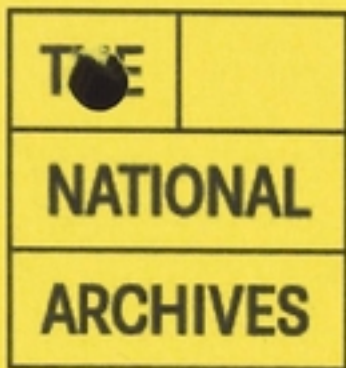
T A WOOLLEY

20 March 1987

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OF THE PUBLIC RECORDS ACT

Proc 19/2505

Minute dated
20/03/1987



DEPARTMENT/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>2505</i> (one piece/item number)	
Extract details: <u><i>Folio 3</i></u> <i>Minute from Wicks to Mallaby dated 20 March 1987</i>	X
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ON FRIDAY

*Prime Minister's
Worth a glance*

N.L.W 20.3

Shut up, all you simple spymen

SEVERAL Labour MPs, including Merlyn Rees, a former Home Secretary, are still chasing the hare about an MI5 plot to bring down the Wilson Government of 1974-76.

I've warned them before and I'll do it once more. They should forget it. It could all end in tears.

Indeed, if I named the perpetrators of one of the so-called burglaries which are part of the "plot", it would all end in laughter.

I haven't read the Peter Wright book which renews the allegations about the conspiracy to "destabilise" the Wilson Government. But one who has tells me the evidence is thin. That only supports my own experience of those days.

The word of Peter Wright is not to be trusted. And the quality of some of the other witnesses is dubious, to put it kindly.

Rubbish

One of them is Colin Wallace, an ex-army intelligence officer convicted of manslaughter—naturally, he says he was framed—in 1981.

Last week on Channel 4—which is now a kind of TV Guardian-cum-Observer—Wallace was encouraged to make the most outrageous statements without challenge when he was clearly talking rubbish.

At one point he claimed that in the mid-sixties a minority

'Wright is not to be trusted'

Labour Government was kept in power by the Liberals.

MI5, he said, feared a recurrence of that situation in the 1970s.

Libel

There were two Labour Governments in the 1960s. Both had majorities, the second of 100 or so. Neither relied upon the Liberals for anything. Wallace's reasoning was built on fantasy.



He also repeated the allegation that Wilson was under the control of Soviet intelligence and that "those around him were also Soviet agents."

I was one of those "around" Wilson. If the charge was not so stupid, I would take Mr Wallace and Channel 4 to the cleaners for libel.

I'll be kind on this occasion, but they had better watch their mouths. Or wash them out.



HARVEY PROCTOR
Latest joke

A man's man . . .

THE latest joke about Harvey Proctor, the MP for Billericay, is that he is the MP for Bill and Ricky. That, of course, is

I'VE thought for a long time that June was the most likely date for the General Election. It is becoming almost the only date in any year.

Evenings are light until the polls close, which matters for a great many, especially the old, who fear to go

March

IT was Harold Wilson's day on March 11. It is Callaghan's on the 27th, Neil Kinnock's on the 28th, and Hugh Gaitskell was born April 9.

Strange how the birth of four out of the last five Labour leaders were all within a month of each other.

Michael Foot was the odd one out. He's a July man. But Tony Benn,

SEND OFF THE REF

HAVING criticised the English Rugby authorities recently, I can only praise them for suspending four of the men who made the game against Wales a disgrace.

The referee of the Wimbledon-Tottenham Cup tie last Sunday was no better. The attack by Glyn Hodges on Glenn Hoddle wasn't much different from the first-class assault of



DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>2505</i> (one piece/item number)	Date and sign
Extract details: <u><i>Folio 2</i></u> <i>Minute from Mallaby to Wickes</i> <i>dated 20 March 1987</i>	
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CONFIDENTIAL

Mr Wicks

pa



Mr. Addison
I have told

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

Miss Wall to
downplay X, +
create no expectation
of a fully bey
said - harsh

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/831

20 March 1987

N.C.W
20.3.

Dear Brian,

There may, as you know, be articles in the Sunday Times and other newspapers over the weekend, detailing further allegations about supposed activities by the Security Services in 1975 to destabilise the Government of the day.

You will have seen from the Prime Minister's oral answer to Dr Owen on 19 March (Col. 1038) that she is sticking closely to the line she has taken all along, of referring back to Mr Callaghan's statement of 23 August 1977.

We shall no doubt have to review the situation after the weekend, when we see what the Sunday Times and others have actually published and what the press and political reaction is; but for the time being I am sure that it would be quite wrong to say anything by way of comment that would suggest that the Government had in mind the possibility of any kind of inquiry. The most that should be said is to the effect that the Government will be considering whatever has been published, and if there is anything further to be said about it, it will be said in due course in the House of Commons.

X |

I am sending copies of this letter to Clive Whitmore and Nigel Wicks.

Yours ever
Robert

Sir Brian Cubbon GCB

CONFIDENTIAL



CONFIDENTIAL



FILE
DA

cc LPO
F28
HJ
MOD
AG

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

**THE PETER WRIGHT CASE: EFFORTS TO ARRANGE
SERIALISATION IN NORTH AMERICA (OD(DIS)(87)23)**

The Prime Minister has seen this paper about the reaction to the letter from the Chairman of the Pearson Group, Lord Blakenham, about the plans of Viking Penguin Inc. for the Peter Wright manuscript.

The Prime Minister agrees, subject to the views of other Ministers, with the advice of officials in paragraph 4 of the paper that the Treasury Solicitor should now reply to Lord Blakenham on the lines of the draft attached to the paper. The Prime Minister will wish to be informed of Lord Blakenham's reply.

I am sending a copy of this minute to the Private Secretaries to members of OD(DIS) and Mr. Mallaby.

N. L. W.

(N.L. WICKS)

20 March 1987

de

CONFIDENTIAL



FILE
DA

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I have shown the Prime Minister your minute of 19 March about the article in the Sunday Times for 15 March in which it was suggested that "a senior Whitehall source" had said that the Government would not want a repetition of the embarrassing episode last year when Miss Joan Miller's book was banned in the United Kingdom but published in Ireland.

The Prime Minister does not believe this "a leak", but a totally irresponsible interview. She has suggested that we find out who spoke to Freeman. She agrees that you should carry out the enquiries that you suggest and that Ministers should be interviewed as necessary.

(N.L. WICKS)

20 March 1987

CONFIDENTIAL

085

Prime Minister

It is not
"a leak" but a
totally irresponsible

Though this was a highly
irresponsible statement, if it was
ever made, I am doubtful whether
this expression of opinion is leak
engaging material
Do you agree a leak engaging + do you

Ref. A087/801
MR WICKS

Do find out who
spoke to
Freeman
Sunday
was he
who was
at the bottom
of the
S. Kerr matter?

You may have seen the article in the Sunday Times for
15 March, in which it was suggested that a "senior Whitehall
'source'" had said that the Government would not want a repetition
of the embarrassing episode last year when Miss Joan Miller's
book was banned in the United Kingdom but published in Ireland,
and that:

"I think we would be foolish if we tried to stop Wright
here if we lose finally in Australia. People would just
smuggle copies in."

2. This suggested a certain lack of confidence and determination
in the Government's position. Moreover, given that we may well
be seeking to establish the principle that, notwithstanding the
wide dissemination of Miss Miller's book abroad, there would be
additional damage caused by the distribution of the book in this
country, what was attributed to a "senior Whitehall source"
could seriously undermine the Government's position not only in the
Miller litigation but also in the Wright case. The position must
be that a decision whether to seek to restrain distribution of the
Wright book in the United Kingdom, if Mr Justice Powell's decision
were to be upheld at appeal, could be taken only in the light of
the circumstances at that time.

3. I have discussed this with the Legal Secretary to the Law
Officers and with the Treasury Solicitor. Both take my view that
there should be a leak inquiry into the Sunday Times article,
although it will probably be difficult to identify the source, as
no document was leaked, and Mr Freeman (of the Sunday Times) spoke
to a number of people.

4. The Attorney General has said that, subject to the Prime
Minister's approval, he would be willing to be interviewed by

Ministers
can be
interviewed
N.L.U.
19.3

those conducting any such inquiry. I should be grateful for the Prime Minister's formal approval for the Attorney General and other Ministers to be interviewed, if the investigator judges this to be appropriate.

RA

ROBERT ARMSTRONG

19 March 1987

PRIME MINISTER

THE PETER WRIGHT CASE: EFFORTS TO ARRANGE SERIALISATION IN
NORTH AMERICA (OD(DIS)(87)23)

The paper below recommends that the Treasury Solicitor should send a further letter to Lord Blakenham along the lines of the draft annexed.

You should know that Lord Whitelaw has discussed this matter on a number of occasions with Lord Blakenham, Chairman of Pearson's, which owns Viking Penguin Inc. Lord Whitelaw tells me that, as a result of his friendship with his father, he is on the closest terms with Lord Blakenham. Lord Whitelaw is certain that he would not want his company's US subsidiary to be the first to publish the Wright book, and that he will use every effort to ensure that this does not happen. But Lord Blakenham has indicated to Lord Whitelaw that the UK parent company allows its US subsidiary a good deal of freedom to run its own affairs.

In these circumstances, it is not altogether clear whether Lord Blakenham, even though he was the Chairman of the parent company, can, in the last resort, exercise the right degree of managerial control over the US subsidiary to prevent publication. Nor is it clear that an injunction, obtained in the UK courts, could prevent Viking Penguin Inc. from publishing the manuscript in the United States.

These considerations suggest that our ability, through the informal or legal routes, to prevent the manuscript's publication, is rather uncertain.

Nevertheless, I agree with the paper's recommendation that the Treasury Solicitor should reply to Lord Blakenham on the lines of the draft annexed to the paper. Agree?

N.L.W.
N.L. WICKS

19 March 1987

Yes
BM2BDB



CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

cc - Mr. Wicks
Mr. Ingham
Mr. Wright
Mr. Bailey

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/797

19 March 1987

In his articles today Hugo Young is wrong on at least two matters of fact.

Last autumn I was approached to see whether I was willing to be among those considered for appointment as President of Trinity College, Oxford, in succession to Lord Quinton. It had been announced in June last year that the Prime Minister had asked me, and I had agreed, to continue in my present office until not later than September 1988, so as to leave the greatest possible degree of freedom for decisions after the General Election about the organisation of functions and distribution of duties at the centre of government. I made it clear to the College that my availability, and my willingness to be considered, for the appointment were subject to that arrangement. The College thus knew that there was no question of my leaving my present appointment otherwise than in accordance with that arrangement, and that I might therefore not be available until September 1988. There was, and is, no question of my "being ready to disturb this special arrangement", or of my "getting out early" or making "a new judgment about the outcome of the Election".

From June 1975 to June 1977 I was the Deputy Secretary in charge of the Police and Broadcasting Departments at the Home Office. In that capacity I was not "the senior Home Office official in charge of liaison with the Security Service" during that period. The senior link, and the main link, between the Home Office at official level and the Security Service during that time was the Permanent Secretary, the late Sir Arthur Peterson, whom I succeeded in July 1977.

The Editor
The Guardian

ROBERT ARMSTRONG



Yes

10 DOWNING STREET

Prime Minister

Could R T A have a
meeting this morning
on 1715 / Wilson /
Callaghan enquiries

Have Secretary
Chief Whip
and President
Foreign Secretary ?
Attorney ?

N. L. U.
19.3

Ref. A087/790

MR INGHAM

c Mr Wicks ✓

--- I attach a copy of the draft of the letter which I propose to write to the Editor of the Guardian about Hugo Young's articles today. I should be grateful for your very early comments, because I should like to send it round by hand.

RA

ROBERT ARMSTRONG

19 March 1987

DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO

The Editor

The Guardian

In his articles today Hugo Young is wrong on at least two matters of fact.

Last autumn I was asked whether I was willing to be among those considered for appointment as President of Trinity College, Oxford, in succession to Lord Quinton. I made it clear to the College that my availability, and my willingness to be considered for the appointment were subject to the arrangements announced in June last year, whereby the Prime Minister had asked me and I had agreed to continue in my present office until not later than September 1988, so as to leave the greatest possible degree of freedom for decisions after the General Election about the organisation of functions and distribution of duties at the centre of government.

The College thus knew that there was no question of me leaving my present appointment

otherwise than in accordance with that arrangement, and that I might therefore not be available until September 1988. There was no question of my "getting out early" or making "a new judgment about the outcome of the Election".

From June 1975 to June 1977 I was the Deputy Secretary in charge of the Police Department at the Home Office. In that capacity I had some dealings with the Security Service, I was not "the senior Home Office official in charge of liaison with the Security Service" during this period. The main link, and the most senior link, between the Home Office at official level and the Security Service during that time was the Permanent Secretary, the last Sir Arthur Peterson, whom I succeeded in July 1977.

Mr Young's articles are factually inaccurate as well as tendentiously mischievous. I look forward to receiving his apology.

file SR

PRIME MINISTER

MI5/WILSON ALLEGATIONS

Mark Addison's minute below reports on the exchanges in the House today on the MI5/Wilson allegations.

By your Answers on Tuesday to Mr. Jenkins and Mr. Rees, you have put the ball in Mr. Callaghan's court on whether there should be an inquiry. It seems to me that he has three courses:

- (i) to say that he is satisfied that the outcome of the 1977 inquiry still stands and that no new one is necessary;
- (ii) to ask for an inquiry of some sort;
- (iii) to reply that you are in the best position to judge whether an inquiry was necessary and that he would go along with whatever you decided.

(iii) above is not correct as matters stand at the moment. You are not in the best position to judge since you cannot know whether an inquiry is necessary without knowledge of the relevant papers of Mr. Callaghan's administration. I rather doubt whether he would be willing to volunteer that you should have sight of them - and you should certainly not ask his permission to see them. Even so, I would not rule out his going for some variation of (iii).

Robert Armstrong tells me that Mr. Callaghan will not be in the House tomorrow. Mrs. Callaghan is in hospital, and he wants to spend as much time as possible with her.

N. L. WICKS

18 March 1987

SL3AUH

pa

Prime Minister

This is the article
which the Sunday Times
are thinking of publishing next
Sunday. We
do not know
whether they
will.

IN 1975, senior figures from the army and the secret services attempted to stage a coup against Harold Wilson's government following a prolonged campaign to discredit the prime minister and his colleagues. An investigation by The Sunday Times has established that some participants in the plot remain in the civil service or are still active in right-wing politics.

In the highly charged political atmosphere of the mid-seventies, rumours of military intervention were rife but have consistently been dismissed as sensationalism. However, Insight has unearthed evidence showing that a group, apparently acting with official blessing, attempted to commandeer the QE2 and use it as a floating detention centre for members of parliament. Cunard Line, the vessel's owners, made a formal complaint to the Ministry of Defence and the matter was quietly buried.

However, the incident is linked with a number of other events orchestrated by the secret services and designed to wreck Wilson's administration. As is now evident from senior intelligence sources, including an MI5 front man and Peter Wright, the ex-agent the government has been attempting to gag. MI5:

Staged four extensive police and army operations at Heathrow airport in 1974 which were not, as reported, designed to combat a terrorist missile attack but were part of an elaborate MI5 and Home Office scheme to accustom the public to the principle of troops on the streets.

Mounted a black propoganda campaign in Belfast, London and Washington (with the encouragement and assistance of the CIA) designed to bring leading politicians into disrepute, sabotage the prospects of Labour coming to power in the general elections of February and October 1974, and then provoke support for a 'national government' composed of worthy public figures.

'Burgled and bugged' their way across London in an attempt to gather evidence that was politically and personally damaging to Wilson and his kitchen cabinet including his personal secretary Marcia Williams, later Lady Falkender.

Far from being isolated operations, they were part of a carefully calculated plan to unseat Wilson, whom they believed was a communist stooge, destroying the economy and undermining national security.

N.C.U.

17.3

not

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

In an unprecedented move, Wilson called in the head of MI6, Sir Maurice Oldfield, and his opposite number in MI5, Sir Michael Hanley. Both confirmed that there was a renegade section in MI5 who were 'unreliable, right wing and conspiring against his government'. It appeared that no action was taken against the officers concerned, even though Oldfield baldly stated that the section in MI5 were in league with

Former secret service officials confirm that the operation mounted against Wilson and his colleagues could not have taken place without authorisation at the highest level. The explanation that a clandestine group within MI5 could operate undetected for several years does not hold water.

The Sunday Times has established that some of

THIS IS A COPY THE ORIGINAL IS
RETAINED UNDER SECTION 9
OF THE PUBLIC RECORDS ACT

Prem 19/2505

Undated article
Circa 18/03/1987

3

these activities were carried out by Peter Wright, the former senior MI5 'dirty tricks' officer now in Australia, who last week won the legal battle to allow his book 'Spycatcher' to be published. Wright headed a 30 strong team which allegedly mounted a destabilisation campaign against Wilson. Whether Wright was aware of the real motive for these activities is not yet known. Judge Powell, finding in Wright's favour commented: 'The iniquities in this case involve crimes, breaches of international law committed by officers, or former officers, of the Service (MI5), and acts of treason by a member or members of the Service and by others. The failure of the (British) government to ensure that its own officers observe the law seems to me to strike at the very root of a democratic society...'

The present government's anxiety in preventing the book's publication is explained by the broader implications behind the motives for what Wright recognises were highly illicit activities [TH] [TH] that the security services do not always regard themselves as accountable to the elected government, and operate according to their own perception of the national interest. It is known that Wright intends to detail 23 cases of criminal conspiracy and 12 acts of treason [TH] [TH] a term whose meaning he would know only too well. He was one of the people who interrogated Sir Anthony Blunt.

This lack of accountability is precisely the charge levelled by Harold Wilson in 1976. Wilson had heard rumours of plans for a coup and even jokingly talked with Falkender about where the gun emplacements would be around Downing St. At the time, his allegations against MI5 were ridiculed, and ultimately dismissed in 1977 following an official inquiry by Lord Hunt initiated by the then prime minister, James Callaghan, and Rees.

The curious episode involving Cunard was never part of this inquiry but in the light of all the other evidence seems to be directly related to the secret anti-Wilson destabilisation campaign. On July 7, the former chairman of Cunard, Sir Basil Smallpeice, was woken in the middle of the night by someone from the army. He was asked questions about Cunard and asked to attend a meeting the next day with a colonel at an office in central London. Smallpeice later discovered

④

they were interested in the QE2, got very worried about the implications and reported the matter to Sir Michael Cary, permanent secretary at the ministry of defence.

At the same time, John Mitchell, then the chairman and managing director of Cunard Line, was also woken by a senior army officer during the night and he too was asked to attend a meeting in London. Mitchell later told the Sunday Times that three "army and secret service people" then made it perfectly clear he was being asked to take part in a "coup d'etat incipient". Mitchell was asked to put the QE2 at the army's disposal and direction.

He had no doubt that this was an official approach and has admitted being frightened about the request. A secretive person, he confided in no-one at Cunard but contacted Smallpeice. Later, Mitchell also reported the matter in person to Sir Michael Cary.

The colonel who Smallpeice met is now an assistant secretary in the Home Office and was a Home Office official 1975, possibly with MI5. The outcome of Cunard's complaint to the ministry appears to have been little more than a cursory internal investigation. Mitchell was later told the matter had been an unfortunate affair "an exercise" which had been dealt with. However, Cary did not arrange for Mitchell and Smallpeice or their wives and secretaries to provide evidence. MI5 sources say that whether or not the matter was a hoax it is inconceivable that such reliable and respected informants would not have been grilled - either by military intelligence or MI5. The likelihood is that Cary already knew of the matter or was quickly informed by senior colleagues.



10 DOWNING STREET

LONDON SW1A 2AA

MS
cc LPO
TO
HO
MAD
CO

From the Principal Private Secretary

16 March 1987

Dear Michael,

PETER WRIGHT CASE

The Prime Minister has seen the Attorney General's minute of 13 March in which he discusses the possibility of an appeal in the Peter Wright case.

The Prime Minister believes that we must appeal and she accepts the Attorney General's advice. She also agrees that we should continue to maintain the "inappropriate to comment" line as regards any matter which will be in issue if we appeal.

I am sending a copy of this to the Private Secretaries to members of OD(DIS) and to Sir Robert Armstrong.

Nigel Wicks

N.L. Wicks

Michael Saunders Esq
Law Officers' Department.

Mr Wicks

pa

RESTRICTED

2

Prime Minister

This looks OK.

The full text of the judgment
I will be put in the

library of the House.

B.0105

MR MACLEAN

Peter Wright Case: Briefing for Backbenchers

I attach some additional material, about Mr Justice Powell's judgment. This is based on a discussion among officials today, when it was agreed that it would be useful if some backbenchers were briefed on some of the many weaknesses in Mr Justice Powell's arguments.

N.L.W.
13.3

2. The judge reproduced in the judgment the declaration about the Official Secrets Act which Mr Wright signed on retirement in 1976. There is therefore now no objection to showing the declaration form to backbenchers and I attach a blank copy.

3. I am sending copies of this minute and attachments to the Private Secretaries to the Prime Minister, the Foreign and Commonwealth Secretary, the Home Secretary and the Attorney General, and to the Treasury Solicitor, Sir Antony Duff and Mr Woolley. I suggest that, before using the material you check that the offices of the Prime Minister and the Home Secretary are content.

C L G Mallaby

C L G Mallaby

Cabinet Office

13 March 1987

RESTRICTED

Official Secrets Acts

Declaration To be signed by all civil servants on leaving the service, also by non civil servants on ceasing to have access to secret information.

My attention has been drawn to the provisions of the Official Secrets Acts which are set out on the back of this document, and I am fully aware that serious consequences may follow any breach of those provisions.

I understand

(1) that the provisions of the Official Secrets Acts apply to me after my appointment has ceased;

(2) that all the information which I have acquired or to which I have had access owing to my official position is information which is covered by Section 2 of the Official Secrets Act, 1911, as amended, and that the Official Secrets Acts apply to all such information which has not already officially been made public;

(3) that the sections of the Official Secrets Acts set out on the back of this document cover material published in a speech, lecture, radio or television broadcast or in the Press or in book form or otherwise and that I am liable to be prosecuted if either in the United Kingdom or abroad I communicate, either orally or in writing, including publication in a speech, lecture, radio or television broadcast or in the Press or in book form or otherwise, to any unauthorised person any information acquired by me as a result of my appointment (save such as has already officially been made public) unless I have previously obtained the official sanction in writing of the Department by which I was appointed;

(4) that to obtain such sanction, two copies of the manuscript of any article, book, play, film, speech or broadcast, intended for publication, which contains information which I have acquired or to which I have had access owing to my official position, or of any material otherwise to be published which contains information, should be submitted to the Head of the Department.

I hereby declare that I have surrendered any sketch, plan, model, article, note or document (whether classified or not) made or acquired by me owing to my official position, save such as I have written Departmental authority to retain.

Surname (*Block Letters*):

Forename(s):

Date of Birth:

Signed:

Permanent
(Home) Address:

Witnessed by:

Rank:

Date:

28-2153 (E76)

Judgment at First Instance in the Peter Wright Case

Some further points to make

1. The judgment includes long passages which repeat, wholesale, stories from earlier books about alleged security or intelligence matters, in a way which appears to treat such material as factual.

2. The judgment accepts that Wright was at all times aware of the provisions of the Official Secrets Act and also of internal Security Service instructions as to the need for secrecy.

3. The judgment finds that Wright is subject to an equitable obligation of confidentiality. But it seeks to limit that obligation in ways which the Government, in its position in the case, does not accept. The judgment says that publication of material by Wright would breach this obligation only if it constituted unauthorised use of information which was still confidential and if such publication would cause detriment to the Government.

4. The judgment finds that most of the material in the manuscript is not subject to Wright's duty of confidentiality because it has appeared in earlier books. This ignores among other things the important distinction, argued by the Government in the case, between publications by outside authors and by present or former members of the public service. In the Government's view Wright's duty of confidentiality applies to any unauthorised disclosure by him of information obtained in his work in the Security Service, irrespective of whether any of the material may have been published by an outside author. If this were not the case, irresponsible speculation by any outside author could be used to justify unauthorised disclosure by any present or former public servant.

5. The judgment finds that the Government authorised one of the earlier books and at least acquiesced in others. But it does not seek to support this by any definition of authorisation or acquiescence. The Government's position in the case is that it did not authorise, expressly or tacitly, any relevant earlier publications; and that this question is anyway irrelevant to Wright's lifelong duty of confidentiality.

6. The judgment argues that publication of Wright's book would not cause detriment to the Government because previous leaks concerning the Security Service have not prevented the Service's functioning. One of the objections to this is that a breach of the obligation of confidence can in itself cause detriment.

Points to make - Defensive

Allegations in Wright's manuscript of criminal acts or acts contrary to international law by members of the Security Service

Impossible to know whether to take such things seriously on the basis of what is said in the judgment.

Allegations of treason

The Prime Minister told the House on 26 March 1981 that full investigation had concluded that Sir Roger Hollis, former Director General of the Security Service, had not been a Soviet agent. The Prime Minister, in reply to a Parliamentary Question on 13 March 1987, said the same about Mr Graham Mitchell, former Deputy Director of the Security Service. The Prime Minister said that she was advised that there was no reason to alter or modify that conclusion in either case.

PRIME MINISTER

APPEAL IN THE WRIGHT CASE

David Wolfson telephoned me today with his thoughts on an Appeal. He said that the 'down side risks' of an Appeal were, in his view, considerable. His fear was that Wright might die before the Appeal process was concluded and that HMG would be accused of 'killing' him by our intransigent attitude.

I told David that I would let you know his views. But personally I thought the case for an Appeal was overwhelming. ✓

I still think that, though the Attorney's minute does not suggest to me the greatest confidence in the success of an Appeal.

Sally

pp N. L. WICKS

13 March 1987

We must appeal.

I accept the D-G's advice

me

ADVANCE COPIES
PETER WRIGHT CASE

X 21

NW
R. Lee
CAN 14/2

PS/PUS
MR BOYD
DEP HD/PUSD
MR CAPIE PUSD
NEWS DEPT

MR DINWIDDY)
PS/SIR ROBERT ARMSTRONG) CABINET
SIR C. FIGURES) OFFICE
MR MALLABY)

MR INGLESE)
MR SAUNDERS) LAW OFFICERS DEPT

MR NURSAW)
MR MOWER) HOME OFFICE
SIR B CUBBON, PUS)

RESIDENT CLERK

LEGAL ADVISERS) SECURITY SERVICES
DIRECTOR GENERAL) (via PUSD E203)

MR HOGG TREASURY SOLICITORS

PS/NO 10 DOWNING STREET
PRESS OFFICE NO 10 DOWNING STREET

12.3.87

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OF 132240Z MARCH 87

INFO PRIORITY SYDNEY, MELBOURNE, BRISBANE, PERTH

SYDNEY TELNOS 39 AND 40 (NOT TO ALL): PETER WRIGHT CASE

1. THE JUDGMENT IS REPORTED PROMINENTLY IN ALL EAST COAST PAPERS AND ON RADIO/TV. THE WIDEST COVERAGE IS IN THE SYDNEY MORNING HERALD AND THE AUSTRALIAN. THE LATTER LEADS FROM LONDON WITH THE HEADLINE "THATCHER SLAMMED ON LOSING SPY CASE" AND DEVOTES A COMPLETE INSIDE PAGE TO "AN AIRING FOR BRITISH SECURITY'S DIRTY LINEN".
2. ALL PAPERS PAY MUCH ATTENTION TO REACTIONS IN LONDON. INEVITABLY THERE IS SOME POM-BASHING. SYDNEY MORNING HERALD QUOTES "THE DAY A COLONIAL DID DOWN THE EMPIRE", "WRIGHT CASE GIVES UK A BLOODY NOSE" (YVONNE PRESTON FROM LONDON), AND CLAIMS THAT LAWYERS ESTIMATE THE UK FACES A PAY-OUT OF AUSTRALIAN DOLLARS 1 MILLION IN COSTS. ALL PAPERS REGARD IT AS INEVITABLE THAT WE WILL APPEAL.
3. THE ONLY EDITORIAL SO FAR IS IN THE AUSTRALIAN, WHICH SAYS THAT "SECURITY IS AN ESSENTIAL CONCOMITANT OF ESPIONAGE..... THERE MUST THEREFORE BE SOME SYMPATHY FOR THE BRITISH GOVERNMENT IN ITS EFFORTS TO IMPEDE PUBLICATION OF THE BOOK, SPYCATCHER". HOWEVER, IT POINTS OUT THAT IT IS OF VITAL INTEREST TO COUNTRIES LIKE AUSTRALIA, WHOSE INTELLIGENCE SERVICES OWE THEIR FORMATION TO MI5, TO KNOW WHETHER BRITISH INTELLIGENCE WAS PENETRATED BY SOVIET AGENTS. IT COMMENTS "THE CASE HAS HIGHLIGHTED THE IMPORTANCE OF SECURITY SERVICES".

THEIR FORMATION TO HIS, TO KNOW WHETHER BRITISH INTELLIGENCE
WAS PENETRATED BY SOVIET AGENTS. IT COMMENTS "THE CASE HAS
HIGHLIGHTED THE IMPORTANT TWIN ISSUES OF SECRECY AND
CONFIDENTIALITY THAT ARE AT THE HEART OF ESPIONAGE AGENCIES.
IT HAS ALSO UNDERLINED THE FACT THAT THOSE WHO JOIN SECRET
SERVICES CANNOT EXPECT TO GO UNCHALLENGED WHEN THEY CHANGE
TACK AND TELL ALL, EVEN IF THEY DO SO FROM AFAR. ALWAYS, HOWEVER,
THERE IS A DELICATE BALANCE BETWEEN THOSE CONSIDERATIONS AND THE
PUBLIC INTEREST, PARTICULARLY IN THE MIDST OF SUCH CONTROVERSIES
AS THAT SURROUNDING HOLLIS AND THE FIFTH MAN. IN HIS JUDGMENT,
MR JUSTICE POWELL SEEMS TO HAVE ACHIEVED THIS ESSENTIAL BALANCE".

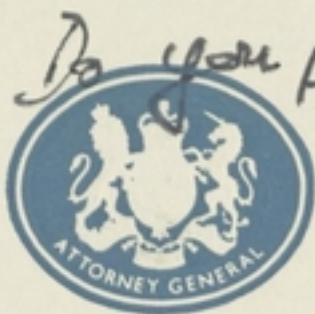
4. MORE COMMENT CAN BE EXPECTED DURING AND AFTER THE WEEKEND.
WE WILL REPORT AGAIN NEXT WEEK. CONSULATES-GENERAL SHOULD
REPORT ANY EDITORIALS (OTHER THAN IN THE SYDNEY MORNING
HERALD AND THE AGE) DIRECT TO LONDON, COPIED TO CANBERRA.

LEAHY

YYYY
CEHPAN 3918

NNNN

CONFIDENTIAL



Do you Agree: i appeal as at X?
and

ii maintain "inappropriate
to comment" line as at
Y?

PRIME MINISTER

THE PETER WRIGHT CASE

N.L.W.

13.3

1. Mr Justice Powell today ordered that the proceedings brought against Heinemann Australia Pty Ltd. and Peter Wright be dismissed. He has however ordered that the undertakings given by the Defendants not to disclose any material will continue to apply for 28 days (the time allowed for lodging an appeal). This permits us to seek a further extension from the New South Wales Court of Appeal pending the determination of an appeal.

2. In brief, the Judge held against the Government on the following basis. Wright is not subject to a contractual obligation of confidentiality to the Government but is subject to an equitable obligation of confidentiality. The actual obligation operates only in respect of information which retains its quality of confidentiality. Most of the material in the manuscript has lost its confidentiality because it has already been made available to the public in books and TV programmes. These have been authorised or acquiesced in by the Government. Such of the material in the manuscript as has retained its quality of confidentiality would not, if published, cause detriment to the Government. This Judgment, if not appealed or if upheld on appeal, would of course permit the manuscript to be published in full.

3. The Solicitor General and I have considered the Judgment with the benefit of the initial views of Mr Theo Simos QC, our Counsel. He has formed the view that, on a number of matters in the Judgment, the Government would have reasonable prospects of success on any appeal. He advises that there is no reason why there should not be an appeal. We concur in that view. The attached paper by officials in OD(DIS)(O) summarises the Judgment and provides a legal analysis of the reasoning adopted by the Judge. Officials also advise that the Government should appeal.

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4. We draw attention in particular to three areas on which, in our view, any appeal should concentrate:

- (1) The Judge's finding that there is no contractual duty of confidence;
- (2) the Judge's limitation of the equitable duty of confidence to confidential material. (The Judge acknowledged that if there were a contractual duty, that duty might comprehend a prohibition of any publication, confidential or not, by Wright); and
- (3) the Judge's failure to take any sufficient account of the distinction between "insiders" (employees and ex-employees of the Security Services) and "outsiders".

5. I intend to speak to Theo Simos on Monday morning and expect to receive from him more considered advice and an outline of the grounds of appeal. Subject to Simos unexpectedly discovering some element over the week-end which would rule out any appeal, my firm advice is that we should appeal this Judgment. Turnbull, acting for the Defendants, has, I understand, made further reference to the possibility of a settlement. I see no grounds for reconsidering the position we took at an earlier stage on this matter.

6. A Parliamentary Question has been tabled for Oral Answer by me on Monday in the following terms:

"To ask Mr Attorney General, if he is now in a position to make a statement on the Wright court case in Australia".

X / If you and other colleagues agree that we should appeal, it would seem appropriate that I should announce that decision in answer to that Question. I therefore seek your agreement and that of colleagues to my announcing in reply that we have decided to appeal against Mr Justice Powell's Judgment and that a Notice of Appeal will be lodged as soon as practicable.

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7. The Solicitor General and I have considered further the extent to which we should be prepared to comment on the Judgment and the issues discussed in it. Simos has given advice which provides the Government with some slight leeway in commenting upon matters at issue in the case - such as whether previous publications or broadcasts were authorised - but without going into detail. Our view is that there is considerable advantage in maintaining the "inappropriate to comment" line as regards any matter which will be in issue if we appeal. Whether there is a risk of being in contempt of court or not, our view is that it remains disadvantageous for the Government to be "tried" in two places at the same time. We believe, moreover, that it would be very difficult for Ministers to hold the line that, although they could comment at a general level, they were unable to go into any detail. To say, for example, that no publication was authorised ~~would~~ open the door to many questions about "Their Trade is Treachery" which is an important issue in the case.

8. I am copying this minute and its enclosure to Members of OD(DIS) and Sir Robert Armstrong.

M.H.

13 March 1987

CONFIDENTIAL

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PETER WRIGHT CASE
NOTE BY OFFICIALS
SUMMARY AND LEGAL APPRECIATION OF MR JUSTICE POWELL'S JUDGMENT

I: ORDER OF THE COURT

Earlier today Powell J ordered that the proceedings brought by the Attorney General against Heinemann Australia Pty Ltd. and Peter Wright be dismissed. The undertakings not to disclose any material from Wright relating to his work given by the defendants and their legal representatives on 17 September 1985 which replaced the interim injunction granted on 10 September 1985, will continue to apply for 28 days (the time allowed for lodging an appeal). This permits the plaintiffs to seek a further extension from the Court of Appeal pending the determination of an appeal.

The defendants were awarded costs and given liberty to claim for damage suffered by reason of the injunction and undertakings.

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II SUMMARY OF THE JUDGMENT

The judgment runs to 286 pages. The first 220 pages are background, preparing the way for the last 60 pages, which contain the Judge's conclusions as to the law, interspersed with much quotation from decided cases.

The judgment opens with background material on the Security and Intelligence Services, followed by some career details of Peter Wright. The Judge accepts that Wright was at all times aware not only of the provisions of the Official Secrets Act but also of internal Security Service instructions as to the need for secrecy.

The Judge then discusses the background of Hollis and Mitchell as revealed in books and TV programmes already published or broadcast and in public statements. Mention is made of Lord Trend's report. When dealing generally with earlier material published by journalists and other outsiders the Judge appears to have fallen into the error of accepting as fact what are in many instances merely allegations or speculation. The Judge may have been prompted to do this by the analogy of the Government's admission that for the purposes of the Australian proceedings the contents of the Wright book should be taken as true. But, perhaps surprisingly, he makes no mention of the admission.

Discussion follows of the Blunt affair.

The Judge deals with the preparation of Wright's dossier and of his dealings with Lord Rothschild and Chapman Pincher leading to the publication of "Their Trade is Treachery". Pages 89-106 then deal with the fact that the Government did not take proceedings to stop the publication of that book. The Judge notes that "Sir Robert Armstrong has asserted that the page proofs had not been stolen". The Judge appears to accept that the Government was of the view that it was preferable that the book be not published, but he describes the Government's failure to apply for an injunction against the book as "incredible".

After much consideration the Judge does not accept Turnbull's submission that Sir Robert Armstrong deliberately set out to mislead the court on any matter relevant to the case. In particular, he accepts that Sir Robert Armstrong was misled by the form of the answer to interrogatory 150. But he does conclude that much of Sir Robert's evidence "must be treated with considerable reserve" (page 99). Two reasons are advanced for this conclusion. Sir Robert is said to have had no

personal knowledge of many of the matters on which he gave evidence and no expertise on matters of security and intelligence.

The Judge, however, rejects the "conspiracy theory" put forward by Turnbull that the Government's failure to stop "Their Trade is Treachery" was part of a plan to let the Hollis story come out through a safe journalist.

The Judge goes on to deal with other books, articles and TV programmes, including "A Matter of Trust" (and the negotiations which led to excisions from the original manuscript - something which enables him to say later that the book was authorised by the Government), "The Spy Who Never Was", "Too Secret Too Long" and "MI5's Official Secrets". This paves the way for his later conclusion that the Government "acquiesced in" the publication or broadcast of this material and, in the case of "A Matter of Trust", in effect authorised publication.

Having discussed the position in the US, he turns to the commencement of the present proceedings in 1985 against Wright in Australia, mentioning along the way the injunction obtained in 1986 against The Observer and Guardian newspapers to prevent their publishing information derived from Wright. In charting the course of the Australian proceedings the Judge points out in passing that the publication of the book "Conspiracy of Silence" during the hearing "appears to make a mockery of what Sir Robert Armstrong has asserted to be the British Government's policy" (pages 180-181). When dealing with the issue of discovery of documents the Judge expresses himself as critical of the British Government's "apparent unwillingness to abide by the decision of the court" and its "apparent wish perpetually to change its ground in search of some obscure tactical advantage which only it could perceive" (page 181).

The last 60 pages of the judgment set out the Judge's legal conclusions. In brief these are that Wright is not subject to a contractual obligation of confidentiality to the Government but is subject to an equitable obligation of confidentiality. The equitable obligation operates only in respect of information which retains its quality of confidentiality. Most of the material in the manuscript has lost its confidentiality because it has already been made available to the public in books and TV programmes. These have been authorised or acquiesced in by the Government. Such of the material in the manuscript as has retained its quality of confidentiality would not, if published, cause detriment to the Government.

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At no stage does the Judge mention the application to refer the manuscript to the DPP

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III: LEGAL ANALYSIS

A.

1. Relationship between HMG and Wright: (Page 234)

At page 235 the Judge concludes that the relationship is not contractual. His reason is that the Crown relies on its prerogative when entering into the relationship and the absence of statute renders the relationship voluntary and not contractual. Such a basis for his view would seem to be eminently appealable.

2. Obligation of Confidentiality: (Page 236)

At page 241 the Judge concludes that Wright was subject to an obligation of confidence to the British Government, the obligation deriving from the purpose and functions of the Service etc. and that that obligation extended to all information which could properly be regarded as confidential in quality. This finding upholds the Government's view but see 4 below.

3. Was Wright's relationship fiduciary?: (Page 243)

At page 244 the Judge dismisses the relevance of a fiduciary relationship having regard to the fact that he has already held that Wright owes an equitable obligation of confidence. He equates an equitable obligation of confidence with the obligation of confidence owed when parties are in a fiduciary relationship, which is to ignore the special obligation imposed on a fiduciary and this may constitute a ground for appeal.

4. Whether publication constitutes a breach of the obligation of confidence: (Page 245)

The Judge considers that two elements need to be present to constitute a breach:

- (a) The publication would be unauthorised of information which is still confidential.

(b) Publication would cause detriment.

On the evidence in the case he concludes that the Government did authorise publication in one case ("A Matter of Trust") and in the other cases has at least acquiesced in publication. In reaching these conclusions he fails to address what conduct is necessary to constitute authority or acquiescence. He further concludes that the information in the manuscript has lost the quality of confidence by reason of the fact that it has previously been published. He is dismissive of the distinction relied on by the Government between publication by outsiders and insiders. This distinction was at the heart of the Government's case and the only reasons given by the Judge for ignoring the distinction are that the information in the Wright manuscript is old, that previous publications by outsiders authorised or acquiesced in by the Government have relied on information from insiders and that insiders have in the past been allowed to publish without action being taken against them.

When considering the question of detriment the Judge does so subjectively concluding that there have been many previous leaks and yet liaison goes on and the Service continues to function. He does not address the question of detriment arising from the very fact of the obligation having been breached which was the view put forward on behalf of the Government.

The Judge states at page 251 that if he had found the relationship to be contractual as opposed to equitable he might have regarded the obligation to have been as extensive as that for which the Government contended. This would have involved him in disregarding the very factors which he found persuasive, when considering the equitable obligation.

B

The Judge has failed to give any or any sufficient reasons for his findings discussed at paragraph A above, he has failed to give sufficient reasons for rejecting the submissions raised by Counsel for the Government and has failed to give sufficient weight to the affidavit evidence of Sir Robert Armstrong, taking the view that his cross-examination showed him to have less expertise in relation to security matters than the material contained in the affidavits would have suggested. The cross-examination to which the Judge refers was not in fact directed at the evidence, the subject matter of the affidavits.

C.

In the light of his findings it was unnecessary for the Judge to consider the defences raised by Wright and his publishers. However, because he recognised that the Government would probably appeal he dealt with them shortly as follows:

(1) The Iniquity Defence:

The question at issue is whether the presence of "iniquity", in this case alleged unlawful or improper conduct by the Security Service justifies disclosure of otherwise confidential information.

The Judge concludes that improper performance of otherwise authorised conduct is something for which the Government is vicariously liable and that if when told about the conduct it does nothing, disclosure to the public is justified.

The Judge draws a distinction where the conduct amounts to treason by its servant for which the Government is not vicariously liable. In such a case he says that normally publication to the responsible authorities would be sufficient. However he takes the view that on the facts of this case "the public interest" is such that the public should be allowed to see the information in the manuscript about Hollis.

(2) The Public Interest Defence:

The issue here is whether it is in the public interest that the information ought to be published.

The Judge concludes that it would be in the public interest of Australia to expose the improprieties of a Security Service with which the Australian Intelligence and Security Services liaise and any Soviet penetration of that Service.

(3) The Clean Hands Defence:

The issue here is whether the Government has disintitiled itself to relief from the Court by reason of its own or its servants' improper conduct. The Judge concludes that he would only uphold the defence in respect of information as to crimes, other than treason, and breaches of international law.

CONFIDENTIAL

(4) The Public, or Penal Law Defence:

The issue here is whether the Australian Court should enforce the Official Secrets Act obligation. The Judge concludes that the obligation of confidence which it is sought to impose in no way depends upon the Official Secrets Act.

D

The conclusion from this analysis is that the judgment can be appealed and that an appeal would stand a fair chance of success. What cannot be forecast is what view of the law will be taken by the Court of Appeal and therefore what the consequences will be in relation to the publication of the manuscript. The possibility could not be excluded that the Court of Appeal would do a "blue pencil" job on the manuscript.

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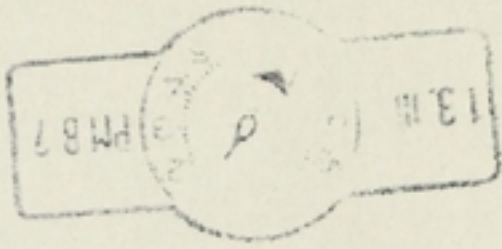
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IV: OFFICIALS' ADVICE

The preliminary view of Theo Simos QC., our Australian Counsel, is that on a number of matters in the judgment the Government would have reasonable prospects of success on any appeal. He advises that there is no reason why there should not be an appeal. On a preliminary view of the judgment and of what Simos has said officials advise that the Government should appeal.

13 March 1987

CONFIDENTIAL



GOVERNMENT

COMPTROLLER

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GOVERNMENT

file
S E C R E T until 1500 today / *skw*



*bc Mallaby (co)
Mr Ingham
Mr Addison*

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

**MOLEHUNT: ALLEGATIONS CONCERNING
MR. GRAHAM MITCHELL**

I attach a copy of the Parliamentary Question as tabled and the Answer as approved by the Prime Minister about Mr. Graham Mitchell.

You will see that the Table Office insisted on changes in the Question in order to bring it into order.

We plan to issue the Answer at around 1430 today.

I am sending a copy of this minute to the Private Secretaries to the Lord President, Foreign and Commonwealth Secretary, Home Secretary, Attorney General, Lord Privy Seal, Chancellor of the Duchy of Lancaster, and Chief Whip.

(N. L. WICKS)
13 March 1987

S E C R E T until 1500 today

Friday 13th March 1987

(Answered by the Prime Minister on Friday 13th March)

UNSTARRED Mr. W. Benyon (Milton Keynes): To ask the Prime
No. 141 Minister, if she will make a statement on recent
allegations concerning Mr. Graham Mitchell in
relation to the security of the United Kingdom.

THE PRIME MINISTER

The possibility that Mr Graham Mitchell, Deputy Director General of the Security Service from 1957 to 1963, might have been a Russian agent was thoroughly and objectively investigated over a number of years and, as in the case of Sir Roger Hollis, the conclusion reached at the end of that investigation was that he had not been an agent of the Russian Intelligence Services. Mr Mitchell was informed of this conclusion. I am advised that there is no reason to alter or modify that conclusion in either case.

The publication of allegations of this kind about public servants who cannot defend themselves is to be deplored, as is the damage done by such accusations to the effectiveness and reputation of the Security Service, on whose skill, efficiency and loyalty we rely, and can rely with confidence, for the defence of our freedom.

CONFIDENTIAL

B.0102

MR MACLEAN (Chief Whip's Office)

Peter Wright Case: Briefing for Backbenchers

Following a first reading of the judgment, officials have revised the 'Background' section and paragraphs 1 and 2 of the 'Points to Make' in the brief submitted by Sir Robert Armstrong on 10 March. *at flap*

2. To save time, I am sending the revised note direct to you. Officials may propose further amendments after the meeting of OD(DIS)(O) this afternoon, when we shall be considering further press briefing for Government spokesmen.

3. I am sending copies of this minute to the Private Secretaries to the Prime Minister, the Foreign and Commonwealth Secretary, the Home Secretary and the Attorney General, and to the Treasury Solicitor, Sir Antony Duff and Mr Woolley.

C L G Mallaby

C L G Mallaby

13 March 1987

IN CONFIDENCE

The Peter Wright Case

Background

1. Mr Wright was employed by the Security Service between 1955 and 1976. He owes a lifelong duty of confidentiality to the Crown.
2. Mr Justice Powell handed down judgment in the case in Sydney on 13 March (late on 12 March, British time). He dismissed the Government's case, with costs in favour of the defendants (Wright and his publisher Heinemann). He ruled that the interim injunction restraining publication of the book be lifted, but expressly suspended this ruling for 28 days (or until such further or other date as may be fixed by the Court of Appeal). The Government will decide within the 28 days whether to appeal.
3. An appeal by the Government is very likely, and an early announcement will be made. The Appeal Court of New South Wales are unlikely to hear an appeal before May or June. Any subsequent appeal proceedings in the High Court of Australia might not be concluded until late in 1987.

THE PETER WRIGHT CASE

Points to Make

1. Mr Justice Powell's judgment in the High Court of New South Wales will be carefully studied by the Government. This is only judgment at first instance. The Government are considering an appeal. The judge has extended for 28 days in the meantime his interim order restraining publication of Mr Wright's manuscript.
2. The Government has a strong case. Mr Wright - like all present and former members of the public service - owes a lifelong duty of confidentiality to the Crown. As a member of the Security Service he worked on very sensitive matters. Unauthorised publication of his manuscript would be a deliberate and extensive breach of confidentiality by a former public servant. The Government was bound to do everything in its power to prevent it from happening. That is why the Government sought an injunction in the Australian courts to prevent publication - only the Australian courts would have the power to enforce their orders on Mr Wright who now lives there. In the interests of national security, the Government is determined to uphold the principle of confidentiality and the obligations of staff, without which there could be no effective Security Service.

13.1 (5-2-81) AMB 7



PART

5

NLW TO RTA 12.3.87

PART

6

begins:-

C. MALLASBY TO M. MACLEAN 13.3.87

PREM 19/2505

