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and the ousting of  
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**An “Unbank” and  
its CIA connections**

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The lunacy we see everywhere today is that those who still have a job find they are working under 19th century conditions while the reserve army of the unemployed continues to grow and corporate profits go through the roof. Today's social planners have put a price on everything and a value on nothing, where the gap between rich and poor has become a chasm. Tax cheats and rorters have become our nation's builders.

# Nugan Hand

**A tale of drugs, dirty money, the CIA and the ousting of the Whitlam government**

**An “Unbank” and its CIA connections**

Joan Coxsedge \*

In November 2015, a news item appeared in a weekday edition of *The Australian* about the reappearance of Michael Hand, now 73 years old and openly living in the US State of Idaho, who is running a business supplying combat weaponry and hunting knives. An appropriate choice considering his background. But few Australians will either know or remember much about his role in the notorious Nugan Hand Merchant Bank which, with its other two founders, Frank Nugan and Bernie Houghton, was set up in Sydney in 1973 with a paid-in capital of \$1 million.

Nugan claimed the money had come from astute share dealings during the 1970s mining boom, although his colleagues were sceptical. For good reason. Frank Nugan had less than \$20,000 in his bank account when he'd written a cheque for \$980,000 and Nugan Hand Ltd had a mere \$80.



Michael Hand was tracked down in a small United States town.

But Nugan Hand was not a bank at all. It was an “unbank” that never did any banking nor hired any bankers, but became the centre-point in this country for a vast clandestine empire involved in drug-running, money-laundering, fraud, secret arms deals and covert intelligence operations, employing enough US Admirals and Generals to start a mini-war.

Its line-up included top brass in the persons of General Edwin Black who ran the Hawaii office, General LeRoy Manor who ran the Philippines office, General Erle Cocke Jr who ran the Washington office and Rear Admiral Earl “Buddy” Yates, the bank’s president. Its “consultants” included former CIA deputy director Walt MacDonald and Guy Pauker, personal adviser to Kissinger and Brzezinski.

Nugan Hand’s lawyer, former CIA boss William Colby, had retired from the agency after a long and controversial career in clandestine services. Colby ran the notorious Operation Phoenix program, an assassination and terror group responsible for the torture and deaths of an estimated 40,000 Vietnamese suspected of having Viet Cong connections.

Sacked by President Ford in 1976 for malfeasance, two decades later Colby died in strange circumstances. He was not a popular man in the intelligence community. Many considered him a traitor for testifying before various congressional committees. In the event, officialdom claimed Colby had gone out in his canoe and drowned, but his body didn’t turn up for nine days, looking as if it had been immersed in water for only one or two days before being tossed in. Even more puzzling, divers had thoroughly searched the same area many times before.

Incredibly, since Nugan Hand’s collapse in 1979 and despite four investigations, we still only know a small part of the story and its impact on Australian society. Not surprisingly, a great deal of material was suppressed, shredded or “disappeared”, but I have put together what is known, including some of my own material written at that time, trying to make sense of the workings of what was virtually a secret government that operated around the world unchecked for more than four decades.

The links between organised crime and intelligence agencies are not new, but Nugan Hand’s influence extended way beyond a bevy of crooks out to make a quick buck. In intelligence jargon, it was a “conduit” set up to influence Australian politicians, trade union officials and journalists, some of whom were probably unaware of the source of favours and of disinformation.



A Nugan Hand principal gave evidence that the CIA had transferred a slush fund of \$2,400,000 to Australia's opposition parties a mere four months after Gough Whitlam was voted in as Prime Minister – Whitlam with singer Little Pattie, one of the celebrities who sang his election campaign jingle, *It's Time*.

## Slush fund for Opposition

A Nugan Hand principal, Karl Schuller, gave evidence that the CIA had transferred a slush fund of \$2,400,000 to Australia's opposition parties in March 1973, a mere four months after Gough Whitlam was voted in as Prime Minister of Australia.

Former CIA officer Victor Marchetti confirmed that the CIA had given funding to anti-Labor parties, but no documentation was ever found, probably because thousands of documents were destroyed, underpinning the reality that secret agencies are not an aberration, but are a fundamental part of society to maintain the existing power structure.

Nugan Hand has particular relevance for Australia because some of its people were directly implicated in the destruction of the Whitlam Labor government in November 1975. The day after the election at the end of 1972, Whitlam announced that he did not want his staff vetted by ASIO, bringing a furious response from the "security people" who passed the message on to the Americans.

The CIA man at Canberra's US Embassy curtly told a local journalist: "Your Prime Minister has just cut off one of his options." And apparently all the

others. It soon became abundantly clear that the CIA was planning to deal with the upstart Labor government with the arrival of Marshall Green as the new US Ambassador, the only politically notable person ever appointed to the post.

According to the Pentagon Papers, Green was a high-ranking policy-maker in South-East Asia, had lectured at the CIA-sponsored Centre for Strategic and International Studies at Georgetown and been involved with at least four other countries that later sprouted coups. As Ambassador to Indonesia from 1965-69, Green played a crucial role in the events that led to the massacre of at least one million Indonesian “communists” in the violent overthrow of President Sukarno and was quite blatant in his dealings with ALP leaders.

One senior minister, Clyde Cameron, reported that a threat was made by Green in his own office to the effect that if Labor handed control and ownership of US multinational subsidiaries to the Australian people “we would move in”. And “move in” they did.

## **Destabilisation of a government**

The task of destabilising the Whitlam government was given to Task Force 157, a mini-CIA set up in the mid-1960s under the umbrella of US Naval Intelligence so that its real controller, Henry Kissinger, could deny any connection. Task Force 157 used several cover organisations incorporated in Sydney, including Australasian and Pacific Holdings, World Maritime, Aeromaritime and Pearce Morgan, but its most important front in this country was undoubtedly the Nugan Hand Bank. Its CIA contact man was Ted Shackley, who dealt directly with Hand and Houghton. A Cold War veteran, Shackley ran the agency’s activities throughout South-East Asia and later became number two in charge of its entire clandestine service.

In 1974, Watergate hit the headlines, a corruption scandal that swirled around the Nixon White House, exposing the President’s part in the brutal coup d’état that destroyed Chile’s Allende government a year earlier.

On the first anniversary of the coup, Whitlam addressed the United Nations General Assembly warning against moves to bring about political and economic change by “unconstitutional, clandestine, corrupt methods, by assassination or terrorism”, suggesting he knew his government was also under attack, but apparently unaware that at least two ASIS agents were operating out of the Australian Embassy in Chile directly under the control of the CIA during the time of the coup.



A mere three months after Whitlam's UN speech, Christopher Boyce, son of an FBI agent and cipher clerk at TRW Incorporated, a Californian aerospace company and important CIA contractor, was sent to work in the "black vault", the code room where top secret messages were received and deciphered from US bases and satellites from around the world, including Pine Gap.

While discussing Watergate and Chile with his long-time friend Andrew Lee, Boyce said: "You think that's bad? You should hear what the CIA is doing to the Australians." The duo became an unlikely amateur spy network, but Lee was a drug addict, mentally unstable and desperately needed money. He flew to Mexico City, went to the Soviet Embassy and sold the document to the Russians for US\$76,000, naming Christopher Boyce as the source, even though he'd promised not to do so.

Prosecuting lawyers did not refute Boyce's allegations but agreed to a direct CIA request that their client would not mention the "Australian information" at his trial. Boyce and Lee were convicted.

## **"Our man Kerr"**

Lee got life and after a "psychiatric assessment" Boyce was sentenced to 40 years jail in a federal penitentiary where he was kept in solitary confinement. It is claimed that his only hope of freedom rested on his continued silence about events in Australia. But in an interview he gave to Australian journalist Bill Pinwell, Boyce made specific mention of one name, Governor-General Kerr. The CIA referred to him as "our man Kerr".

Boyce also mentioned that our unions were infiltrated by agents who manipulated them on CIA orders to prevent strikes and that the US was only disclosing a fraction of Pine Gap's activities to us, ignoring the treaty that permitted the base. In Robert Lindsey's book *The Falcon and the Snowman*, Lindsey surmised that the Soviet Union might have tipped off the Labor Party about the information it had received, leading to questioning by Whitlam.

By the end of 1974, almost every move by the Whitlam government or by individual parliamentarians, whether it was a departmental decision, a staff appointment, an international cable, telex, phone call or confidential letter, became the property of the media in an unparalleled campaign of personal vituperation, hinting at incompetence, dissension, corruption and scandal within government ranks. Hardly surprising that in this atmosphere of intolerable pressure mistakes were made.

Things were coming to a head. US Ambassador Marshall Green had left Australia, no doubt believing it was better to distance himself from events that were about to unfold. In late October 1975, Whitlam sacked the head of ASIS, our overseas secret agency, for failing to disclose its activities in East Timor.

He then asked his foreign affairs department for a list of all CIA officials who had served in Australia after it came out that a CIA officer, Richard Stallings, was a friend of conservative National Country Party leader Doug Anthony and had rented Anthony's home. This further infuriated our "pals" in Washington.

On November 8, 1975, Shackley called in ASIO to say: "that the CIA was gravely concerned about the actions of the Whitlam government," apparently on the behest of Secretary of State Henry Kissinger, demanding that the "message" be relayed at once to ASIO's Director-General. On that same day, the CIA reported to President Ford.

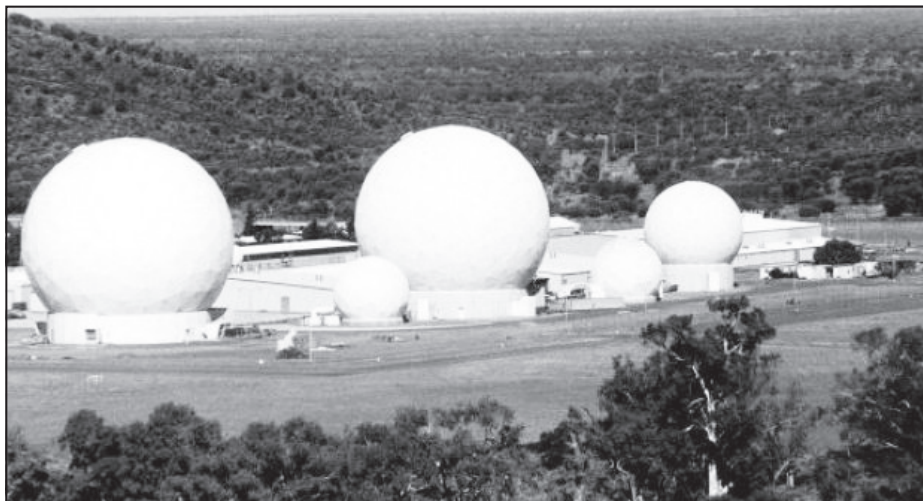
Two days later, on November 10, ASIO Acting Director-General Frank Mahoney received an extraordinary telex from his Washington office stating that the Australian Prime Minister was a security risk in his own country and openly threatened to cut US-Australian intelligence ties. A message with the express purpose of convincing Governor-General Kerr to dismiss Whitlam?

## **Pine Gap and the "Loans Affair"**

A crucial date was coming up. The Pine Gap Treaty signed on December 9, 1966, stated that after an initial nine years, either party could terminate the agreement on one year's notice, which would determine the fate of the CIA's most valuable overseas base.

It was widely believed that Whitlam would have renewed the lease but that may not be the case. In response to a series of questions on foreign policy from the Socialist Party of Australia [now Communist Party of Australia – Ed], first published in *The Socialist* on October 22, 1975, Whitlam gave a detailed reply. He included a quote from Hansard given on April 3, 1974: "The Australian Government takes the attitude that there should not be foreign military bases, stations, installations in Australia. We honour agreements covering existing stations. We do not favour the extension or prolongation of any of those existing ones."

On December 9 Whitlam would have been empowered to act but he didn't get the chance. Parliament returned on November 11 when Whitlam was sacked by



**In response to a series of questions on foreign policy Whitlam included a quote from Hansard given on April 3, 1974: “The Australian Government takes the attitude that there should not be foreign military bases, stations, installations in Australia. We honour agreements covering existing stations. We do not favour the extension or prolongation of any of those existing ones.”**

Governor-General John Kerr using archaic constitutional powers, dangerous powers still in place.

Whitlam’s “crimes”? He pulled us out of the Vietnam War, stopped conscription and released the young men jailed for non-compliance with the draconian National Service Act, abolished the White Australia Policy and assumed responsibility for Aboriginal health, education, welfare and land rights, initiated pay rises for workers, started Medibank [predecessor of Medicare – Ed], abolished university fees, established legal aid and relaxed censorship and divorce laws, among many other initiatives.

But it seems his biggest “crime” was the “Loans Affair” committed by Minister for Minerals and Energy Rex Connor who tried to “buy back the farm”, in other words, buy back our foreign-owned resources.

The facts? Ruling circles in OPEC countries had accumulated vast sums following the 1973 leap in oil prices and made loans to the governments of Britain, France, Denmark, Italy and Japan without causing a commotion.

An Australian Executive Council meeting in December 1974 had authorised Connor to seek loans of up to \$4,000 million “... to deal with the international energy crisis, to strengthen Australia’s external financial position, to provide immediate protection for Australia in regard to supplies of minerals and energy ...”

## “Destroy Labor” play

The authority was not given to Treasury because of the known treachery and hostility of departmental heads to the government. Although the decision was supposed to be secret, it didn’t take long before offers arrived from some strange quarters. The government was a sitting duck for a CIA pincer movement in the “Destroy Labor” stakes.

In Lane One, Tirath Khemlani, Pakistani con-man, arms-dealer, “commodities merchant” minus an office, who was ordered to approach Connor by a Hong Kong arms firm closely associated with Commerce International, a powerful Brussels-based armaments company linked to the CIA. Connor checked Khemlani’s credentials and was given a firm OK by a London bullion firm.

In Lane Two, Melbourne businessman George Harris, friend of the Liberal Establishment, who contacted Federal Treasurer Jim Cairns with an offer of overseas loan money. Harris’ overseas backers came from the New York office of Commerce International, the same firm lurking in Khemlani’s murky background. Both had track records that should have made them singularly unattractive to their Labor backers. Harris got the thumbs down, but didn’t give up.

At a later meeting in Cairns’ office in March 1975, Harris produced a letter from a New York company offering \$4,000 million at 7.2 percent interest with an outrageous 2.5 percent brokerage with the money supplied by Commerce International, an offer flatly rejected by Cairns.

Harris was left in an outer office to dictate a draft letter of authorisation to one of Dr Cairns’ secretaries, a Miss Stegman, a friend of Harris. She handed over the signed letter and he swiftly exited. It was addressed to Alco International and endorsed a 2.5 percent commission, a condition that had been flatly rejected by Cairns only a few minutes earlier. A depressing saga that developed a life of its own and had more twists and turns than the Big Dipper.

Despite the howls of the media not a cent was paid to anyone by the government, nor did any member of the government profit from the affair. The anti-Labor forces, however, profited greatly. The media continued to hammer the “Loans Scandal” and continued to publish pages of leaked telexes and documents, most of which were of mind-numbing triviality.

This did not matter, as the technique was meant to convey the impression of scandal by flinging glaring headlines across the page assuming that the expanses of fine print underneath would be accepted as damning evidence by most readers who wouldn't bother churning through it to discover its irrelevancy. Connor's and Cairns' crime was stupidity not theft.

## Supply blocked

For lack of anything more substantial, Opposition leader Malcolm Fraser seized on it as the “reprehensible circumstance” he had been waiting for and on October 15, 1975, the anti-Labor opposition used its single-vote majority in the Senate to block supply.

Five days before, eight leading Professors of Law had publicly declared that blocking the budget was “constitutionally improper” and “against all established convention”, but were largely ignored, like a number of vital questions that remained unanswered:

Who leaked the documents that were bandied about so freely? Why did so many of them surface overseas, particularly in the US? Who brought out Khemlani and introduced him to Labor ministers? Who turned the “loans affair” into a major negative issue?

If successful, it would have been a far better proposition than our involvement with transnationals. Before the coup, trade unions had threatened retaliatory action and with genuine leadership, the entire country could have been tied up in a national strike with more crowds out on the streets than during the Vietnam War.

A mass movement would have rocked the conspirators and forced the Governor-General to resign, but such leadership was lacking. Bob Hawke, president of the Australian Council of Trade Unions and member of the ALP Federal Executive flew to Canberra and issued an appeal to workers to “cool it”. And Whitlam's rage was mainly directed at the Governor-General and not against the forces that stood behind him.

Whitlam and his colleagues were deprived of the normal prerogative of a retiring government, of choosing the date and issues for an election and the nature of the dismissal had made them look as if they were convicted criminals, lending credence to the continuing cries of scandal from anti-Labor forces. They were even denied access to information that would normally have been made available.

In any event, it appeared as if they were dazed by the coup and incapable of analysing how and why it had occurred. On December 13, the anti-Labor forces regained control of parliament, which they regarded as their birth-right. And on January 22, 1976, Fraser became Prime Minister and paid his dues to US imperialism and the CIA by giving them everything they asked for, offering them the Cockburn Sound Naval Base even before they had put in an official request. Aussie forelock-tugging at its finest.

The *National Intelligence Daily* reported that “the Fraser government had underscored the importance of Australia’s ties with traditional allies, correcting what it saw as the tendency of the Labor Government to ignore such ties in the pursuit of Australian nationalism ... Canberra will push ahead with the construction of a new naval base on the Indian Ocean coast of Western Australia ... On the matter of port calls by US nuclear-powered warships, Canberra is not expected to impose obstacles ...”

Fraser was also seen as a plus for US business interests. “Direct government involvement in the mineral and energy field will be greatly reduced by the Fraser Government, a development which will tend to reassure potential foreign investors ... The Fraser Government has promised incentives for oil exploration and production.”

## **Governor-General Kerr**

Much has been written about the role of Kerr in the removal of the Labor Government, about his arrogance and pomposity and his close relationship with High Court Chief Justice, Sir Garfield Barwick, but almost nothing about his far-right views and long-standing ties to military intelligence.

During WW2 he was a member of the hush-hush “Directorate of Research and Civil Affairs” set up to counter “enemy elements” in Australia. Kerr was then sent to Washington where he had a brief stint with the Office of Strategic Services (OSS) which morphed into the CIA. In the 1950s, he became chief legal adviser to the “Industrial Groups” which was strongly linked to the viru-





“The CIA paid for Kerr’s travel, built his prestige and even published his writings through a subsidised magazine”.

lent anti-communist Democratic Labor Party whose destructive behaviour had kept Labor out of office for 23 years.

Kerr became an enthusiastic member of the elite, invitation-only, Australian Association for Cultural Freedom, which in 1967 was exposed in the US Congress as being founded, funded and run by the CIA. The group, like other similar CIA-backed outfits, held seminars and gatherings with the over-arching theme of anti-communism.

In the 1960s as its founding president, Kerr helped organise and run the Law Association for Asia and the Western Pacific, travelling to the US to get funding from a tax-free group called the Asia Foundation, a mob also exposed in Congress as a CIA conduit for money and influence.

Victor Marchetti, a retired CIA officer, wrote in his book *The CIA and the Cult of Intelligence* that: “the Asia Foundation often served as a cover for clandestine operations ... the CIA paid for Kerr’s travel, built his prestige and even published his writings through a subsidised magazine. He continued to go to the CIA for money.”

During Ambassador Green’s tenure, Kerr received personal briefings on “international affairs”, giving him special access to matters which were to dominate Australian political life during 1975.

When asked about his dodgy connections, Kerr said: “he was pretty sure he was unaware of the CIA’s concern”. What garbage! But why didn’t Whitlam

do his homework before appointing this creep? And why do academics who write about the dismissal treat it as a home-grown plot when there is abundant evidence of CIA involvement?

And why do they play down the profound effect the ousting of the Labor government had on the Australian body politic, spelled out by Whitlam at the Australian National University on October 29, 1975, a mere 11 days before he was sacked: “the question is whether any duly elected reformist government will be allowed to govern in future? What is at stake is whether the people who seek change and reform are ever again to have confidence that it can be achieved through the normal parliamentary processes.” A question that can only be answered in the negative.

## **Dodgy operations**

Soon after Whitlam got shafted, Michael Hand came back to Australia from Africa, at some point spending time in Panama, where one of the bank’s land companies had been based. From the outset, Nugan Hand offered four services: moving money overseas thereby flouting our laws; tax avoidance schemes based on its “expertise” shown to be fraudulent; extremely high interest rates and yet providing safety for savings; and international trade connections.

Letters were sent to lawyers, accountants and businessmen enticing them with offers of private banking services, high interest rates, tax-free deposits and complete secrecy. Minimum deposits were set at US\$5,000 or its equivalent in any international currency for a period of seven days to five years.

One of Nugan Hand’s early promotional letters stated that all interest earned on deposits would be free of income tax because of the bank’s incorporation in tax-exempt Cayman Islands where its mail-drop office was located, making it an ideal location to park “black money”.

Just as it was expanding globally and hooking up with Price Waterhouse in the Bahamas, two other CIA-linked banks were collapsing, the Mercantile Bank and Trust Company and Castle Bank and Trust, both based in the Bahamas and both with the same directors who owned a large block of stock in each bank, where they deposited substantial funds.

At least one of them, the Mercantile Bank, had its phoney books certified by the Price Waterhouse Bahamas office every year. Not only were they signed off by Price Waterhouse, but a senior Price Waterhouse partner later went to work for Mercantile and continued certifying its dodgy books.



Between 1973 and 1975, the Castle Bank had come under the scrutiny of the US Internal Revenue Service (IRS) when it uncovered massive tax evasion by prominent American businessmen, entertainers and crime tsars. The *Wall Street Journal* reported that the IRS and the Justice Department were planning to turn it into “the single biggest tax evasion strike” in IRS history, but under pressure from the CIA, the investigation was dropped because, according to the *Wall Street Journal*: Castle Bank “was the conduit for millions of dollars earmarked by the CIA for funding clandestine operations against Cuba and for other covert intelligence operations”.

By then, Castle Bank had lost its usefulness and it was closed down in 1976. That same year Mercantile went to the wall after hapless depositors discovered that most of its assets were worthless and the \$25.1 million certification by Price Waterhouse simply did not exist. The real money had been disseminated as “loans” to unidentified figures but were never repaid.

It was therefore necessary for the CIA to find another bank with CIA connections and few scruples. Nugan Hand was made to order. It was already handling the agency’s business and being Australian-based could not be investigated by the IRS. With such backing, Nugan Hand expanded dramatically and opened up branches around the world in rapid succession using a round robin system whereby the same initial capital of \$1 million was shifted from one branch to another. Most of the global connections were made from its Sydney office, the nerve-centre of the organisation.

## The main players

Frank Nugan was the second son of a Griffith fruit-grower from New South Wales, notorious for its marijuana crops and gangland murders. In the mid-1970s, local businessman Donald Mackay circulated a petition demanding that action be taken against the rampant drug trafficking. He then decided to run for public office on the issue, but in July 1977 Donald Mackay disappeared. His body has never been found.

Subsequent investigations exposed the existence of a Mafia drug network and turned up Nugan Hand cheques made out to members of two local crime families with links to organised crime boss, Abe Saffron. Frank’s older brother Ken, an economist, claimed the cheques were made for “legitimate” reasons, but declined to say what these were.

Ken had turned the family business into a major marketing corporation, leaving Frank to study law at Sydney University before heading off to North America

for further study, followed by a stint in Toronto where he claimed to have helped re-write Canada's legal code. A blatant lie. Described by academics as a "wild fellow" and "playboy type", they laughed at the idea that Nugan was a tax expert. Nugan's only real achievement during his overseas stint was constructing a resumé to lure clients. In 1968, aged 26, he returned to Australia.

At about the same time, Michael Hand, who had visited Australia many times, decided to settle in Sydney where he teamed up with Nugan. Bronx-born, highly-decorated member of the US Army's Special Forces or Green Berets, Hand had left the army in 1966 and went on to become a contract agent for the CIA involving undercover activities in Vietnam, Laos and with Air America.

Pal of dope-dealers and of retired and not-so-retired military-intelligence officials, Hand swiftly acquired some very influential Australian friends, among them transport tycoon Sir Peter Abeles and well-known Sydney property developers Sir Paul Strasser and John Charody, the latter listed as a Nugan Hand "consultant". Back then, knighthoods could be bought from corrupt NSW Premier Askin if you had \$60,000 in your kick. Wall Street journalist Jonathan Kwitny in his book *The Crimes of Patriots* described how Abeles' sweetheart deals with the US Mafia eased his entry into the American transport scene.

Nugan Hand's number three was the mysterious Texan, Bernie Houghton, who arrived in Australia in January 1967 and may well have introduced Hand to Nugan. Houghton cashed in on a decision by the US government to relieve the strain on Hong Kong and Bangkok neighbourhoods by doing a deal with the Australian government for Sydney to open its doors to US soldiers on Rest and Recreation leave during their military service in Vietnam.

## **A little prior knowledge helps**

Houghton heard of this before it became public knowledge and promptly opened his Bourbon and Beefsteak restaurant in King's Cross, which was soon overflowing with incoming shiploads of US troops along with the prostitutes they picked up. It was swiftly followed by two similar establishments, the Texas Tavern and Harpoon Harry's.

During the R&R heyday, Houghton received many privileges. When the troops came to port, Sydney residents recall that Houghton would sometimes be helicoptered out to the flagship to greet his prospective customers and meet their commanding officer. The rather sleazy Bourbon and Beefsteak was where he wine and dined dignitaries, usually followed by a sex show.

Back then, King's Cross was the fiefdom of Abe Saffron, known as "Mr Sin". His name cropped up with Nugan Hand time after time. Houghton would simply not have been able to move around King's Cross so freely without making deals with Saffron. It is certainly doubtful that anyone stumbling into King's Cross would find himself having coffee a few hours later with a knighted multi-millionaire like Sir Paul Strasser.

While posing as a simple bar-keeper, Houghton also moved intimately among diplomats, top spies and military brass from around the world and had an exceptionally close working relationship with all levels of the US government. Whatever his business, secrecy was a large part of it and he never went anywhere without a couple of bodyguards.

In 1978, Nugan Hand took over West German's FA Neuberger Bank and other branches sprang up in Britain, Panama, Chile and Malaysia. It was involved in a number of CIA-connected projects, including arms sales to South Africa and to the White Rhodesian minority government before its defeat, and in the resettlement of Indo-Chinese refugees in Latin America and the Caribbean. It was also used as a slush fund to channel millions of dollars into pro-US political parties in Europe.

Rydges Magazine estimated its assets at \$43 million and by 1979, Nugan Hand had 16 branches around the world. Some were just mail drops, while others like the Chang Mai branch in the heart of Thailand's "Golden Triangle" – a major outlet for drug-pushers – handled millions of dollars every year. The other important offices were in Saudi Arabia and the Cayman Islands. The Saudi branch was run by Bernie Houghton and became one of the bank's main arms smuggling centres, but the Sydney office remained the operations centre for the entire outfit.

## Suspicious raised

But all was not well with Nugan Hand. Orthodox bankers regarded its operations as mysterious and its methods as questionable. They remarked that the bank seemed able to drive a horse and cart through Reserve Bank regulations while other merchant banks were constrained from transferring funds overseas. Rumours circulated about the connection of the family fruit company with large-scale illicit cultivation of marijuana in the Griffith district. Warning bells started dinging around the world.

As international investors began shying away, Nugan Hand initiated a drive for more business, drumming up support from local NSW councils and gambling

clubs, offering higher interest rates than the norm, with a number of inner councils investing in the bank using millions of dollars of ratepayers' money.

State MP John Dowd made serious allegations in the NSW Parliament about the financial dealings of the Nugan group and Labor Attorney-General Frank Walker appointed an investigator. An American businessman then visiting Sydney saw the press reports and contacted Dowd informing him that he was a former undercover man in South-East Asia and had been introduced to Hand and Nugan by top level US security people when he was asked to work under "deep cover" for the bank "to infiltrate the other side".

Houghton and Hand flew into Sydney on a rescue mission, although Hand's idea of "rescue" seemed to be confined to spending his time at the shredding machine. Within months, the Hong Kong, Singapore, Cayman Islands and American branches had closed down. It seems the CIA was starting to regard Nugan Hand as a liability.

## Apparent death

Early in the morning of January 27, 1980, everything started falling apart after a passing police patrol car stopped to investigate an apparently abandoned white Mercedes Benz parked on a lonely stretch of the Great Western Highway near Lithgow in New South Wales.

A body of a man was slumped across the front seat with a bullet hole through his head, with his left hand holding the muzzle of a .30 calibre rifle and his right hand resting on the trigger. Used cartridges were found on the floor, along with a bible and William Colby's business card, with papers indicating the dead man was Frank Nugan.

The autopsy unearthed no trace of drugs, poison or prior injury and the death was deemed to be suicide, a verdict that created a deal of controversy. On January 7, it was claimed Frank Nugan had bought the rifle that killed him, although the gun dealer originally identified Ken Nugan as the purchaser. But there was little evidence that Frank was worried. He had optimistic plans to extend the bank's Sydney office and was in the process of buying an expensive Sydney property with contracts due on January 29.

Seen as a fighter who revelled in the open combat of business, along with a strong religious belief, one would have thought any idea of suicide would have been out of character. Few who knew him believe he had killed himself. But whatever the facts, the Nugan Hand Bank started to implode.

When Federal investigators examined the bank's Sydney offices they found most of the company's books were missing along with the main players. At that time, 194 companies were banking with Nugan Hand. In response to Freedom of Information requests in Washington, the FBI released less than half of a 119-page file on the bank with most of the pages blacked out for reasons of "national defence" and "foreign policy".

Developments and investigations since Nugan's apparent death brought to light a story that is tortuous, bizarre and macabre and would have done credit to a John Le Carre spy thriller, but the details are not surprising to those familiar with the CIA's record of corruption, assassination and destabilisation of governments.

## **Fallout from "death"**

The inquest was told that neither the gun nor the cartridge were kept for fingerprinting and no photos were taken of the body in the position it was found. Frank's brother Ken only identified it from a photograph claiming he was "too upset" to actually view the corpse.

There were even doubts as to whether the body was actually that of Frank Nugan with investigators from the NSW Attorney-General's Department believing it was the body of a missing Italian drug dealer that had been put into the car to make it look as if Nugan had killed himself.

Testimony was also given at the inquest about a New Testament found on the body with strange notes in Nugan's handwriting: "Visualise 100,000 customers worldwide – prayerise, actualise." Police also found a list in Nugan's briefcase that contained scores of names of prominent Australians involved in politics, sport, business and entertainment. Next to the names were handwritten dollar amounts, mostly five or six figure sums. Debtors? Creditors? No-one knew.

It was also reported that an overseas bank account in Frank Nugan's name had been used after his reputed death and an Australian businessman swore on oath that he had met Frank in the United States long after his funeral.

When NSW Attorney-General called for an exhumation, police initially claimed the body had been cremated but later changed their story. When the body was finally exhumed police were quick off the mark to pre-empt the coroner's finding by announcing to the media that the dental work corresponded with details in Nugan's file.

Knowing the capacity of the CIA to influence evidence and the corruption of the NSW police back then, anything is possible. Nugan could have been murdered to keep him quiet or else the body in the car was that of another man as many believed.

After the apparent death of Frank Nugan, Mike Hand put the company under the control of the bankruptcy court and panicky depositors, dodgy money-men and others involved with Nugan Hand wanted their money back, giving more than a hint that something was terribly wrong. But Hand didn't hang around. He took off like a rocket from his Sydney hideout, leaving behind a half-eaten meal, clothes, passport, wallet and credit card and hasn't been since – that is, until now.

Houghton also disappeared, but not before helping himself to large sums of Saudi money and only until things blew over. ASIO's name showed up after Nugan Hand collapsed when Houghton's immigration file was investigated, indicating that in October 1969, ASIO had given Houghton a security clearance after he had applied for permanent residency in this country.

Nugan Hand's slide became a crash and in May 1980 it went into liquidation. Many dedicated people tried to get to the bottom of its activities, but there was only so much they could do against a well-co-ordinated cover-up. In all, there were four major official investigations, apart from the lawsuits, inquests, criminal complaints, tax cases and commissions looking into the multiplicity of problems, some of which turned up useful information.

## **Co-ordinated cover-up**

The NSW Corporate Affairs Commission appointed a special team of investigators to view relevant documents, but were kept cooling their heels for more than four hours. When they were finally allowed to enter, they seemed surprised to find many of the drawers containing files were empty. Applying normal accounting methods to the corpse of Nugan Hand bordered on the ridiculous. But the Commission eventually lifted its game and hired an outside lawyer, Geoffrey Nicholson, to head a genuine inquiry. Its two-volume report helped to unravel Nugan Hand's complex financial dealings that recommended further investigation.

Nugan Hand's court-appointed liquidator, John O'Brien, was given the authority to look into the books, but by the time he "looked" there wasn't a great deal to find, although it didn't take him long to work out that the bank had been created by people much smarter than Frank Nugan.

He was shocked by the bills that were piling up. One from former CIA chief Bill Colby came to \$45,684.09, with a covering letter dated April 4, 1980 addressed to Hand personally with the letterhead from the Washington office of Colby's law firm, Reid and Priest, wishing him well.

O'Brien discovered that the millions of dollars of "assets" simply did not exist. And never had. Nugan Hand was nothing more than a huge thieving machine, pinching large wads of money from hapless depositors, with no record of their accounts. Letter after letter referred to the vaults of commercial banking paper supposedly to back the deposits, but O'Brien knew they didn't exist. He was able to raise \$1.2 million from the sale of Frank Nugan's house and about \$40,000 from the sale of furniture, but fees for the investigation ate up most of the money.

O'Brien made a list of people and companies that appeared to owe Nugan Hand money as a result of loans, but he knew the "borrowers" were people having their "deposits" returned to them so they didn't have to pay any taxes. Instead of taxes, they paid Nugan Hand a fee, often as high as 22 percent. In some cases corporations had been created as "fronts" to help people borrow back their money anonymously and often these "front" outfits were put in charge of a lawyer or accountant responding that they no longer worked for the company and had no idea who did.

Another problem for the liquidators was the conflict of jurisdictions. While O'Brien was in the process of liquidating Nugan Hand in Australia, the Hong Kong and Cayman Islands offices both claimed they had jurisdiction, which inevitably caused tension between them. But the most frustrating barrier faced by O'Brien was the refusal of American authorities to co-operate.

## Vanishing files

Australia's *National Times* petitioned the FBI under America's Freedom of Information Act for anything it had on Nugan Hand and was told that from 151 pages of material in its files, it could only get seventy-one. When the papers finally arrived, page after page was blacked-out with the words B-I printed on them, indicating disclosure would threaten America's "national security".

O'Brien wrote to the Prime Minister's office, the Commonwealth Police, the US Embassy in Canberra trying to get US government co-operation, but they didn't even bother answering his letters. A year later, in 1982, the US State Department sent a two-man FBI delegation to Sydney, but they might as well have stayed home, offering nothing except to say the FBI had already given



information to the relevant authority, but declined to say which one. Both the Federal and NSW police claimed they had never received the information, leaving ASIO as the most likely recipient.

O'Brien's colleagues at the Corporate Affairs Commission wrote an extremely critical final report, claiming it was "beyond dispute" that a Nugan Hand file was kept by the US Justice Department and revealed that Hong Kong police had also been refused access to the file. A US Treasury official had told them a prosecution was "unlikely" because "they" (NH) were too careful. As Jonathan Kwitny commented: "As the Iran-Contra affair showed again in 1987 ... our national security is perpetually in the hands of criminals".

In March 1983, a third inquiry, the Joint Task Force on Drug Trafficking, involving Federal and NSW police, was particularly active in investigating the relevance of Nugan Hand's ties to America's high office-holders and to criminal elements.

The introduction to its report stated: "It will be seen that at times those links (to US intelligence) appear to have been an intrinsic part of the then ongoing activity and have the appearance of the direct involvement of the US intelligence community itself ...". The Joint Task Force, the Corporate Affairs Commission and the official liquidators all tried to access the files but got the same result.

The report concluded: "... any relationship which might have existed with other persons, be they intelligence personnel or whoever, is essential if there is to be any hope that the fundamental question: who controlled the bank and was therefore responsible for its actions is to be answered."

But basic questions remained unanswered, despite the mass of details in the reports. Outstanding among them were the significance of the Pentagon and CIA links and who should be given criminal responsibility for what everyone agreed had been massive crimes.

A problem for Prime Minister Malcolm Fraser, who continued to steadfastly deny any CIA involvement with the bank because of CIA assurances to that effect, was that it left him in the untenable position of disputing major segments of a report prepared under his jurisdiction. Documents released by the US Drug Enforcement Agency (DEA) could have placed that outfit in an equally awkward situation.

The heavily-censored documents showed that the DEA had files on Nugan Hand as far back as 1977, and yet it took no steps to halt the bank's involvement in heroin deals which the Australian government report confirmed began in the mid-1970s and continued until the bank's collapse in 1980.



When an Australian narcotics agent, Joe Volkman, wrote in a 1977 report that Frank Nugan and Michael Hand were “the biggest thing in respect to drug smuggling Australia had ever seen”, high-ranking Australian officials told the Narcotics Bureau not to go too far into its investigation.

Volkman testified under oath before the government inquiry several years later that officials wanted to quash the investigation “because of Nugan and Hand’s relationship with intelligence agencies,” specifically with the CIA. The investigation was subsequently halted and most of the indicting material disappeared from the Nugan Hand file.

Shortly after Volkman made these allegations the government charged him with conspiracy to smuggle protected fauna out of Australia, a case kept alive for several years with the help of no less than 58 government witnesses, costing Volkman \$90,000 in legal fees. Finally, a Supreme Court judge decided the case was “absurd” and Volkman was found not guilty.

The story didn’t end there. According to one of his informants (who Volkman claimed was killed in the US), the CIA was smuggling drugs into Australia in the late 1970s via Pine Gap on regular US Air force planes supplying other goods to the base. Tiger Airlines, a US company that used to fly into Pine Gap, was also said to be involved in the heroin trade. During the Vietnam War it had helped the CIA shift heroin out of South East Asia.

While all this was going on, there were some weird happenings in Australia. In December 1980, there was a break-in at the investigative branch of the Australian Taxation Office at the precise spot where some Nugan Hand records were being analysed. Theoretically, only a handful of people knew where the documents were, but no-one seemed to know if any had gone missing or been altered.

The *Sun-Herald* reported that ASIO and Federal police had refused requests by taxation officers to take fingerprints, leading to “speculation ... that the break-in might have been the work of intelligence agencies themselves.” And that was that, except that O’Brien was told by a Telecom official that Frank Nugan’s telephone conversations had been secretly recorded for the last two years of his life which must have revealed a great deal of information. None was forthcoming.

A new Royal Commission under Justice DG Stewart was appointed by the parliament to carry on the work. Stewart completed his two-volume report in June 1985, an effort doomed to fail after he refused help from the Corporate Affairs Commission and Joint Task Force. Even so, as Jonathan Kwitny observed: “the thoroughness of the failure was astonishing.

There was an almost total lack of investigative effort to resolve major issues raised by earlier investigations. Stewart apparently never tried to compel publicly accountable testimony ... or the many people who had observed Houghton in Southeast Asia or who helped him leap to wealth and influence almost overnight in Australia”.

Stewart’s report was also full of factual errors, errors of a kind unlikely to be typographical. Even more damaging to his credibility, was his whitewashing of those with CIA connections as if they were ordinary businessmen.

Were the people who worked for Nugan Hand duped? Could they have been so profoundly stupid? Or were they in on the scam? If they were part of the scam it follows that the US government had employed and promoted to the highest office in the land a pack of thieves who were living high on the hog from their ill-gotten gains. More likely, their activities were political.

O’Brien decided to talk with Colby and the other Generals and Admirals, but they were living in the US and were protected. And even if they agreed to meet him, there was no guarantee they would tell the truth. Instead, he decided to deal with the complainants who lived in Australia. According to Kwitny only two relatively minor figures were convicted for the criminalities of Nugan Hand – Patricia Swan, the secretary, and Michael Moloney, the lawyer who showed up at the very end – but only in connection with the cover-up, not with the bank’s substantive work.

Questions should have been put to Australia’s secret agencies and answers demanded. How could they have allowed an operation the size of Nugan Hand to break our laws and get away with it, suggesting that those in high places either approved of what was going on or looked the other way. But some were still puzzled as to why the CIA with its vast resources and funding would continue using the same handful of people over and over again. Only about 20 individuals appear to have been involved, with less than ten in leading positions.

## **A long trail**

The answer came to light in a civil court action sought in Florida by two American journalists injured in a CIA-organised bombing in Nicaragua. Their 300-page indictment showed that Nugan Hand’s crimes were only a small part of a long trail of international racketeering, assassinations, tortures and even wars carried out by a team that first came together formally in 1959 after the fall of Cuban dictator Batista when Vice-President Richard Nixon organised his

mobster mates to build a foreign expeditionary force to be launched against the Cuban people.

To finance the operation, they used their authority to corruptly and unlawfully divert funds appropriated by the US Congress for foreign intelligence gathering, mixed it with Mafia money and then laundered it through foreign and domestic banks.

The anti-Castro terrorist group was supplemented by an assassination unit as part of a broader scheme to bump off foreign leaders, with the same team later working for Nugan Hand under the control of Theodore Shackley. As mentioned, in 1972 Shackley became the CIA's head of Western Hemisphere Activities and was part of the criminal conspiracy that orchestrated the fall of the Allende Government in Chile and installation of General Pinochet, helped by a couple of Australian Secret Intelligence Service personnel, before moving in on Whitlam.

During the 1987 Iran-Contra hearings in the US Senate, many of the same Nugan Hand/CIA names popped up yet again, among them air force generals Richard Secord and Harry Aderholt, Rear Admiral Yates, CIA men Thomas Clines, Theodore Shackley, Rafael Quintero and even the Sultan of Brunei.

The world believed that the Iran-Contra scandal had started in 1985, when the scam actually started before the 1980 presidential election campaign. From the moment he took office, President Reagan had preached about the need to isolate "terrorist states", specifically identifying Iran, and then it turned out he had supplied US\$5 billion worth of US weapons to the Iranians if they would delay the release of 65 Americans taken hostage by Iranian students in 1979.

It was the beginning of the Iran-Iraq war and Iran was desperate for arms and Reagan was desperate to win the election. As promised the hostages were duly released. Money from the arms shipment – along with drug trafficking – was also used to fund the Contra, a group of psychopaths using extreme violence and torture to overthrow Nicaragua's Sandinista government.

There are so many questions and so few answers:

- How did so many employees of Air America and Continental Air Service become shareholders of Australian and Pacific Holdings Ltd, the company Nugan and Hand founded before launching the Nugan Hand group?
- Why was Michael Hand allowed to keep his US passport after he accepted Australian citizenship?
- Why did so many important US officials frequent such a seedy establishment as the Bourbon and Beefsteak Bar?

# WHITLAM SACKED

## Kerr asks Fraser to form caretaker Govt



There will be an early general election for both Houses of Parliament and the people will choose who will be in charge of the country. It is for the people to decide the issue, which the two Houses have failed to settle.

**CANBERRA:** The Governor-General, Sir John Kerr, today sacked the Prime Minister, Mr. Whitlam, and commissioned Opposition Leader, Mr. Fraser, to form a caretaker Government.

Mr. Fraser told the House of Representatives this afternoon: "The Governor-General commissioned me to form a Government until elections can be held."

**SIR JOHN KERR, GOVERNOR-GENERAL**

Mr. Fraser announced that he would form a caretaker government until an election could be held. He said that the Government would continue to operate on a day-to-day basis, but would not make any major decisions. He also said that he would call an election as soon as possible.

**PAGE 2:** Why Governor Gen and accord. Liberal all set for a poll. Cheers at Stock Exchange.

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 6800 cc engine  
 7200 cc engine  
 7600 cc engine  
 8000 cc engine  
 8400 cc engine  
 8800 cc engine  
 9200 cc engine  
 9600 cc engine  
 10000 cc engine

### WOMAN, 82, BATTERED TO DEATH—P.3

- Why did the Hawke government refuse to release some 1,200 documents on Nugan Hand and why did his government repeatedly refuse to find out why the CIA barred the release of 14 intelligence reports on Commerce International, the CIA front company that played a central role in the destruction of the Whitlam Government?
- Why did academics and others ignore Kerr's long-standing CIA connections and the role of Marshall Green as US Ambassador to Australia at that critical time?
- And why was any mention of "conspiracy" instantly squashed as paranoia?
- And why at a time when the CIA was at its most active and obvious and its activities were well-documented – especially in its home base, the United States – are Australians virtually alone in the world in believing that foreign interference was purely the stuff of spy novels?
- Why did we swallow the nonsense that Australia is the only country where the CIA doesn't operate?

Our media certainly have a lot to answer for, with some honourable exceptions. Apart from what they didn't report, they went even further by reducing a complex international web of intrigue to a simplistic personality clash between a few main players, claiming ad-infinitum that the Whitlam government was a bad one and although they described John Kerr as a vain arrogant shit, they still said he was justified in sacking him.

Once upon a time, Australia was the most egalitarian nation in the world where there was vigorous debate about the most important issues of the day with the genuine belief that we could create a more equal society.

As John Pilger reminds us, back in 1861 Australia had some 50 independent newspapers in NSW alone, which rose to 143, many of them seen by their editors as “the voice of the people” rather than at the mercy of vested interests. By the beginning of the 20th century, there were 21 metropolitan newspapers owned by 17 different proprietors. By 1950, this had been reduced to 15 dailies owned by ten proprietors and by 1988, of Australia’s 16 principal newspapers, ten were owned by Rupert Murdoch.

Instead of “a medley of competing voices”, we had an echo chamber of conservatism, with our daily conversation controlled by Murdoch and the awful distinction of having the most concentrated press ownership of any Western democracy. According to Pilger: “More than any corner of the Murdoch empire, the Australian press is the compliant recipient of the Washington/Murdoch view. Politicians of all stripes are scared witless by Murdoch’s power to bring them down.”

Once upon a time, Australia was the most egalitarian nation in the world where there was vigorous debate about the most important issues of the day with the genuine belief that we could create a more equal society. Basic commodities like electricity, gas and water were in public hands and jobs gave security and, if you were lucky, even some satisfaction.

The lunacy we see everywhere today is that those who still have a job find they are working under 19th century conditions while the reserve army of the unemployed continues to grow and corporate profits go through the roof. Today’s social planners have put a price on everything and a value on nothing, where the gap between rich and poor has become a chasm. Tax cheats and rorters have become our nation’s builders.

Key players in the ALP learned their lesson well. Whitlam clammed up and the far-right NSW machine took over the party, ruthlessly eliminated progressive elements and turned corruption into an art form. Americanisation is now its official policy. Idealists are no longer welcome.

About 70 years ago, George Orwell wrote that we may have sunk to a level where the restatement of the obvious is the duty of intelligent men and women. When they cannot even restate the obvious we have sunk much, much lower than that ...

Czech writer Milan Kundera put it this way: “The struggle of people is the struggle of memory against forgetting.”

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\* Joan Coxsedge is a political activist, artist and writer who authored *Thank God for the Revolution* (1984), *Cold Tea for Brandy* (2013), *Old Cuba*, *World Heritage* (2014), and co-authored *Rooted in Secrecy* (1982).





**Whitlam in 1975, a mere 11 days before he was sacked:**

**“The question is whether any duly elected reformist government will be allowed to govern in future?**

**What is at stake is whether the people who seek change and reform are ever again to have confidence that it can be achieved through the normal parliamentary processes.”**

**A question that can only be answered in the negative.**



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