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C.I.A. SAID TO EASE BUSINESS SPY ROLE

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Agency Reported Reducing
Companies That It Uses

WASHINGTON, May 11 — The Central Intelligence Agency is cutting back on the size and number of companies that it owns and has used in past clandestine activities, but it appears to retain the power to revive them if needed, Newsweek magazine said today.

The agency's Washington-based Pacific Corporation, with 11,200 employes in 1970—compared with 16,500 in the agency itself—is down to little more than 1,100, the magazine said.

Other companies are being sold, Newsweek said, some possibly in the manner that the agency disposed of Southern Air Transport. It reportedly was sold at a "bargain rate" to the man who operated it for the agency for a decade.

The agency operates and maintains a number of contingency funds in connection with the companies it owns, including a \$26-million insurance fund, the magazine said. Much of that money is reportedly invested in stocks and securities chosen by C.I.A. economists in Langley, Va., partly on the basis of classified information not available to ordinary investors.

In addition, the magazine said, an "old-boy" network of former C.I.A. agents, officials and cooperative private businessmen was found to include connections with 16 banks and investment houses, including New York's Manufacturers Hanover Bank and the Chemical Bank.

Connections also lead to two dozen major corporations, Newsweek said, including I.T. & T., United Aircraft and W. R. Grace & Co., as well as some prestigious law firms, including Boston's Hale & Dorr, and Ropes & Gray.