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Agency Information

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CIA

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(44 USC 2107 Note). Case#:NW 53216 Date:

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Document Information

ORIGINATOR: CIA -

FROM:

TO:

TITLE: **COLLINS RADIO**

DATE:

01/01/1977

PAGES:

21

SUBJECTS:

NBR

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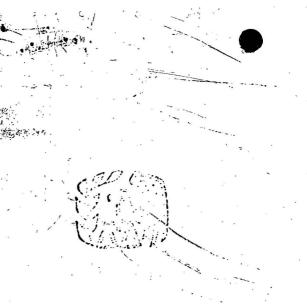
COMMENTS:

JFK38: F24: 1998.08.04.11:49:29:123081: NOT BELIEVED RELEVANT (NBR) THERE ARE 4

DOCUMENTS; THEY WERE DECLARED "NBR" BY THE ARRB, IN ACCORDANCE WITH

THE ARRB MEMO DATED 8 OCTOBER 1997.

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T:I:C:3:1/57/75

Mr. R.L. Lowis
 Vice President, Administration
 LTV Electrosystems, Inc.
 P.C. Box 6113
 Dallas, Texas 75222

Dear Mr. Lewis:

This is in reply to your request for ruling dated December 15, 1970, whether the value of the bachelor quarters supplied to your employees under the circumstances you present must be considered income for tax purposes.

The pertinent facts submitted are as follows:

LTV Electrosystems, Inc. is a subcontractor under a prime contract with the U.S. Government and has approximately seventy-five (75) employees working at a joint United States and Australian installation in Australia. The installation is in a remote location approximately 1,000 miles from the nearest city of any size. The largest town nearer to the installation is Alice Springs, which has a population of approximately 9,000. Alice Springs is 15 miles from the installation and is the only town within commuting distance.

Because the installation operates on a 2h-hour basis, the U.S. Government requires all prime contractors and their subcontractors' employees to be available for duty at any time and that employees live in quarters assigned to them by the U.S. Government. Bachelors are assigned rooms in BOQ's on the installation and married employees are assigned specific houses in Alice Springs. The need for immediate availability of all employees is such that all quarters, including those for married employees, would be on the base except that security regulations do not permut family members to live on the installation. It is a condition of employment that employees live in the quarters assigned to them. They are given no choice in selection of the quarters, may not elect a cash allowance in lieu of quarters, and are not allowed to lease, purchase or build houses or apartments on their own.

Section 61 of the Internal Revenue Code provides that, unless otherwise excluded by law, gross income means all income from whatever source derived, including compensation for services.

40 20 4 14 Carly

Mr. R.L. Lewis

Section 119 of the Code provides, in pertinent part, that there shall be excluded from gross income of an employee the value of any lodging furnished to him by his employer for the convenience of the employer, but only if the employee is required to accept such lodging on the business premises of his employer as a condition of his employment.

Section 1.119-1(b) of the Income Tax Regulations provides that the value of lodging furnished to an employee by the caployer shall be excluded from the employee's gross income if these tests are met:

- 1. The lodging is furnished on the business premises of the employer,
- 2. The lodging is furnished for the convenience of the employer, and
- 3. The employee is required to accept such ledging as a condition of his employment.

Based solely on the representations made, we conclude that these three tests are met. Compare Example (7) of section 1.119-1(d) of the Regulations. Therefore, the value of the lodging furnished to your employees either in the installation barracks or in the city houses is excludable from the gross income of such employees.

Sincercly yours,

L.H. Lakerakkelik

Chief, Corporation Tax Branch

Internal Devenue Cervice was him mong the bill.

MAR 1 0 1971 | De 2.0 : 3 : 1.

Mr. W.P. Cochran Manager, Tax Department -Collins Radio Company Dallas, Texas 75207

Dear Mr. Cochran:

This is in reply to your request for ruling dated January 22, 1971, whether the value of the bachelor quarters supplied to goor employees under the circumstances you present must be considered income for tox purposes.

The pertiment facts submitted are as follows:

Under a contract between this company and the United States Government, five U.S. citizen employees of this company work full take on a joint Australian-United States Government installation in Australia. The installation is in a remote location approximately 1,000 miles from the nearest city of any size, except for Alice Springs, which has a population of approximately 9,000. Alice Springs is 15 miles from the installation and is the only town within commuting distance.

Because the installation operator on a 2h-hour basis and those employeed must be available for duty at any time, it is necessary that they live in quarters assigned to them by the U.S. Covernment. Bacthelors are assigned rooms in BOQ's on the installation and married employees. are applying, specific houses in Alice Springs: The need for handlave availability of all employees is such that all quarters, including those for married employees, would be on the base except that security regulations do not penalt family members of the company's employees to live on the installation. It is a condition of employment that employees live in the quarters assigned to them. They are given no choice in solection of quarters, may now elect a cash allowance in lieu of quarters, and are not allowed to lease, purchase or build houses or apartments on their own.

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Mr. W.P. Cochran

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- 2. The lodging is furnished for the convenience of the employer, and
- 3. The employee is required to accept such lodging as a condition of his employment.

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Sincerely yours,

Chief, Corporation Tax Branch

LH. Selwack hand

OGC Subj: FEDERAL TAXLS



Dallas, Texas 75207

Area Code 214 235-9511

Cable: COLINRAD DA

January 22, 1971

Commissioner of Internal Revenue Attention: Mr. Erskine H. Hatfield Washington, D. C. 20224

Dear Mr. Hatfield:

- 1. Under a contract between this company and the United States Government, five U. S. citizen employees of this company work full time on a joint Australian-United States Government installation in Australia. The installation is in a remote location approximately 1,000 miles from the nearest city of any size, except for Alice Springs, which has a population of approximately 9,000. Alice Springs is 15 miles from the installation and is the only town within commuting distance.
- 2. Because the installation operates on a 24-hour basis and these employees must be available for duty at any time, it is necessary that they live in quarters assigned to them by the U. S. Government. Bachelors are assigned rooms in BOQ's on the installation and married employees are assigned specific houses in Alice Springs. The need for immediate availability of all employees is such that all quarters, including those for married employees, would be on the base except that security regulations do not permit family members of the company's employees to live on the installation. It is a condition of employment that employees live in the quarters assigned to them. They are given no choice in selection of quarters, may not elect a cash allowance in lieu of quarters, and are not allowed to lease, purchase or build houses or apartments on their own.
- 3. The installation is a joint Australian-United States facility. The bachelor quarters were constructed by the United States Government and the houses by the Australian Government for occupancy by both American and Australian employees. Bachelor quarters on the base and the houses in Alice Springs are rent free to the company's American employees, utilities and furnishings included. In accordance with Australian Government policy, the company's Australian employees are charged \$A17.50 per week for the houses including furnishings and utilities, which houses are comparable to those supplied rent free to American employees. Similar houses in the town rent for about \$A35.00 per week not including furnishings and utilities. We are advised that the Australian Government subsidy to Australians of about one-half of the rental value, like the U. S. Government's provision of free housing, is paid in recognition of the housing shortage and the requirement to live in assigned housing. It is our understanding that the

Mr. Hatfield

2

January 22, 1971

Australian Tax Department does not require Australian employees to report as income the difference between the value of quarters and the rent paid, although Australian income tax law provides that the value of lodging supplied by an employer is taxable income.

- We request your ruling as to whether the value of the bachelor quarters on base or houses in town supplied to our American employees under these circumstances must be considered income for tax purposes. We understand that the Australian Government has advised that for purposes of Australian taxation of American employees, it would treat the value of the quarters in the same manner as the United States Internal Revenue Service does.
- If your tentative ruling is that the value of quarters is taxable income, we request a conference prior to the issuance of the final ruling.

Yours very truly,

W. P. Cochran

Manager, Tax Department

WPC: 1m

cc: J. Morrison, Jr. V

E. C. Christerson

oge 11.0063

BIF-004-07-1482 COPY CC2: TOTAL PAGES 002

5 Januar, 1971

Commissioner of Internal Revenue Attn: Mr. Erskine H. Hatfield Washington, D. C. 20224

- 1. This Company is a subcontractor under a prime contract with the United States Government and has about thirty-seven employees of the Company working on a Joint Australian/U.S. Government installation in Australia. The installation is in a remote location approximately 1,000 miles from the nearest city of any size. The largest town nearer to the installation is Alice Springs, which has a population of approximately 9,000. Alice Springs is 15 miles from the installation and is the only town within commuting distance.
- 2. Because the installation operates on a 24-hour basis and employees must be available for duty at any time, the Company's contract requires that employees live in quarters assigned to them by the U.S. Government. Bachelors are assigned rooms in BOQ's on the installation and married employees are assigned specific houses in Alice Springs. The need for immediate availability of all employees is such that all quarters including those for married employees, would be on the base except that security regulations do not permit family members to live on the installation. It is a condition of employment that employees live in the quarters assigned to them. They are given no choice in selection of the quarters, may not elect a cash allowance in lieu of quarters, and are not allowed to lease, purchase or build houses or apartments on their own.
- 3. The installation is a joint U.S.-Australian facility. The bachelor quarters were constructed by the U.S. Government and the houses by the Australian Government, for occupancy by both American and Australian employees. Bachelor quarters on the base are rent free to both Australian and American employees and the houses are rent free to American employees. In accordance with Australian Government policy Australian employees are charged rent of \$17.50 per week for the houses. Similar houses in the town rent for about \$35 per week. The Australian Government subsidy to Australians of about one-half the rental value, like the U.S. Government's provision of free housing, is paid in recognition of the housing shortage and the requirement to live in assigned housing. The Australian tax department does not require Australian employees to report as income the difference between the value of quarters and the rent paid, although Australian income tax law provides that the value of lodging supplied by an employer is taxable income.

TILL J SYSTEMS . ONE SPACE PARK . REDONDO BEACH . CALIFORNIA, BORTS . AC ...

- 4. We request your ruling as to whether the value of the bachelor quarters on base or houses in town supplied to our employees under these circumstances must be considered income for tax purposes. The Australian Government has advised that for purposes of Australian taxation of American employees, it will treat the value of the quarters in the same manner as the United States Internal Revenue Service does.
- 5. If the tentative ruling is that the value of quarters is taxable, we respectfully request a conference prior to issuance of a final ruling.

· Very truly yours

Robert B. Corpening General Counsel TRW Systems Group

P. Q. BOX 6118 DALLAS, TEXAS, 75227 AREA CODE 214 BROADWAY 6 7111

15 December 1970

4-60000W/OL-58

Commissioner of Internal Revenue Washington, D. C. 20224

Attn: Mr. Erskine H. Hatfield

Subj: Request for Ruling

Gentlemen:

LTV Electrosystems, Inc. is a subcontractor under a prime contract with the U. S. Government and has approximately se enty-five (75) employees working at a joint United States and Australian installation in Australia. The installation is in a remote location approximately 1,000 miles from the nearest city of any size. The largest town nearer to the installation is Alice Springs, which has a population of approximately 9,000. Alice Springs is 15 miles from the installation and is the only town within commuting distance.

Because the installation operates on a 24-hour basis, the U. S. Government requires all prime contractors and their subcontractors' employees to be available for duty at any time and that employees live in quarters assigned to them by the U. S. Government. Bachelors are assigned rooms in BOQ's on the installation and married employees are assigned specific houses in Alice Springs. The need for immediate availability of all employees is such that all quarters, including those for married employees, would be on the base except that security regulations do not permit family members to live on the installation. It is a condition of employment that employees live in the quarters assigned to them. They are given no choice in selection of the quarters, may not elect a cash allowance in lieu of quarters, and are not allowed to lease, purchase or build houses or apartments on their own.

The installation is a joint U. S. - Australian facility. The bachelor quarters were constructed by the U. S. Government and the houses by the Australian Government, for occupancy by both American and Australian employees. Bachelor quarters on the base are rent free to both Australian and American employees and the houses are rent free to American employees. In accordance with Australian Government policy Australian employees are charged rent of \$17.50 per week for the houses. Similar houses in the town rent for about \$35 per week. The Australian Government subsidy to Australians of about one-half the rental value, like the U. S. Government's provision of free housing, is paid in recognition of the housing shortage and the requirement to live in assigned housing. The Australian tax department does not

require Australian employees to report as income the difference between the value of quarters and the rent paid, although Australian income tax law provides that the value of lodging supplied by an employer is taxable income.

We request your ruling as to whether the value of the bachelor quarters on base or houses in town supplied to our employees under these circumstances must be considered income for tax purposes. The Australian Government has advised that for purposes of Australian taxation of American employees, it will treat the value of the quarters in the same manner as the United States Internal Revenue Service does.

If your tentative ruling is that the value of quarters is taxable income, we request a conference prior to issuance of a final ruling.

Very truly yours,

R. L. Lewis Vice President, Administration

RLL/gg,

Department of the Treasury

Internal Revenue Service Washington, DC 20224 In reply refer to:

December 29, 1970

T:I:C

Mr. R. L. Lewis LTV Flectrosystems, Inc.

P. O. Box 6118 Dallas, Texas '75222

Dear Mr. Levis:

This is to let you know that we have received your inquiry of December 15, 1970.

We will send you a reply as soon as possible.

Very truly yours,

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K.H. Schweickhart

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chief, corporation Taf Bronch (2)

FORM 37MA (REV. 3-67)

2/11/ 2016 SULLINIAN 338-1817 171 wed favorable whim in regality to their 12/15 request. Liqued by four Achiventhautt/705 700 request dated 1/5 + Comus 1/27 Endrined Hatfield 5/10. He will alack to sel that all theep choulded by some some

some reply sent to all three companies set. some time, - habriel

NOTE ATTACHED TO OGC 71-0143.

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MEMORANDUM FOR THE RECORD

FROM:

Andrew J. Percival

Assistant General Counsel

SUBJECT:

Project SPACE Funding

At 4 p.m., 9 December 1976, the General Counsel informed the undersigned that he was reviewing the legality of the funding for project SPACE with the profits from TOMINERVA. Project SPACE proprietary TOSHIELD is currently negotiating a contract with Collins Radio involving \$222,500.00. This sum is derived from the profits of TOMINERVA. In view of the reconsideration of the legality of the funding it was determined that the most prudent course of action would be to delay implementation of the Collins contract until a final legal determination has been made. DC/Div D/SPB was immediately informed that the contract with Collins Radio should not be concluded until a legal decision has been reached on the funding. He was advised to take the steps that he deems necessary to implement this decision. The General Counsel states that his review will be concluded by approximately 15 December 1976.

Andrew J. Percival

cc: Mr. Paul Risen

AJP:kas

Distribution:

Original - SPACE

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13 September 1977

MEMORANDUM FOR: Mr. Anthony E. Goldin

Assistant General Counsel (DDO)

FROM : Joyce R. Herrmann

Chief of Operations, NE Division

SUBJECT: Use of Communication Information Obtained

From U.S. Firms for use Against Foreign

Targets

REFERENCE: Your Memorandum to C/NE/TOS Concerning

Collins Radio Company Activities in Morocco

dated 16 August 1977

- 1. This memorandum which grows out of the conversation we had in your office on 8 September 1977 in which Mr. Michael Prompovitch (C/NE/TOS) participated, will serve to update the information on which your memorandum of 16 August 1977 is based and to correct any earlier misconceptions.
- 2. Over the past year Mr. Prompovitch has collected technical information on various sensitive communications systems in numerous Middle East and North African countries from U.S. commercial company personnel with whom he has been in contact because of his duties. Because of the good personal rapport he established with various officers in these companies he was able to obtain from them blue prints, drawings, and other technical data, specifically; frequencies, location of sites, network drawings, channel allocations, and user identities. We plan to use this foreign intelligence to penetrate selected communications targets abroad.
- 3. Appearing below is a list of the companies and the officers from whom Mr. Prompovitch obtained the information, and the countries where we hope to mount operations:

E2 IMPDET CL BY 054979

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oge sul: CIA acta 4 Statute - E.O. 11905

	Company	<u>Officer</u>	Country
	Motorola Radio Corporation Chicago, Illinois	Vice President in Charge of Marketing for Middle East	Morocco Algeria Egypt Abu Dhabi
1,		Vice President in Charge of Marketing for Africa	Syria
	Collins Radio Company Dallas, Texas	Manager of Special Projects Division	Egypt Morocco
	Datotek Corporation Dallas, Texas	President of Dato- tek Corporation	Egypt
	Telcom Corporation Tysons Corner, Virginia	Executive Vice President in Charge of Domestic Sales	Saudi Arabia Jordan Uganda Egypt
5	Stromberg Carlson Corporation Syracuse, New York	Marketing Agent for Domestic Sales	Various Arab States

- 4. In every case the corporate officer knew that Mr. Prompovitch was a CIA officer and a specialist in communications and realized that the information he was passing to Mr. Prompovitch would be put to further use by the U.S. Government. In every case the information was given freely to Mr. Prompovitch; no rewards of any kind were given for the documents received from these companies.
- 5. We are attaching a determination by C/NE that the information obtained by Mr. Prompovitch constitutes foreign intelligence pertaining to the communications systems used by foreign powers and as such can be used by us or by NSA overseas. It is our intention to obtain similar information by similar means from other U.S. commercial companies for further operational use overseas.
- 6. The Central Cover Staff (Mr. Joel Keys C/CCS/CC) has been informed of the above.

Joyce R. Herrmann

Attachment cc: CCS

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SUBJECT: DETERMINATION THAT CERTAIN INFORMATION CONSTITUTES FOREIGN INTELLIGENCE

I am aware of the contents of the documents obtained by Mr. Michael Prompovitch from the various U.S. commercial firms listed in the accompanying memorandum and have determined that this information constitutes foreign intelligence as defined in Section 5(a)(5) of Executive Order 11905.

SIGNED:

C/NE

DATE:

E2 IMPDET CL BY 056109

09C77-5926 16 August 1977

MEMORANDUM FOR: C/NE/TOS

ATTENTION : Mr. Michael R. Prompovitch

FROM : Anthony E. Goldin

Assistant General Counsel (DDO)

SUBJECT : Memorandum of 25 July 1977 Concerning

Collins Radio Company Activities in Morocco

1. This memorandum is in response to your question as to whether the Subject documents can be disseminated to the National Security Agency (NSA).

- 2. It is understood that an acquaintance of yours, employed by Collins Radio, gave the Subject documents to you without your asking him for them and without your either offering to pay or paying him for his voluntary act. It is also understood that your acquaintance is witting of your CIA employment. The Subject documents are: (1) a Collins proposal, already presented to the Government of Morocco (GOM), for a high frequency communications system; and, (2) an internal Collins memorandum proposing a Collins response to a GOM request for a foreign broadcast monitoring system. Collins did not specifically authorize its employee to pass Subject documents to this Agency and is not aware that they have been given to us.
- 3. Section 5(b)(7) of Executive Order 11905 prohibits CIA from the collection of information, however acquired, concerning the domestic activities of United States (U.S.) persons. "Collection" is defined at Section 5(a)(1) to mean any one or more of the gathering, analyzing, disseminating and storing of non-publicly available information without the informed express consent of the subject of the information. A U.S. person is defined at Section 5(b)(9) to be a U.S. citizen, a permanent resident alien or a corporation or organization incorporated or organized in the U.S.
- 4. Based upon the above facts, I see no issue of legality or propriety in your having received these documents

from the Collins employee. This is an example of what is referred to as the "silver platter" doctrine -- you did nothing to solicit, encourage or reward the Collins employee; you did not intentionally or purposefully "gather" the documents.

- 5. CIA cannot, however, disseminate the documents, which apparently constitute non-publicly available information, unless authorized by Executive Order 11905. Section 5(b)(7)(1) of the Order is an exception to the Section 5(b)(7) restriction, and it authorizes us to "collect" information concerning corporations which constitutes foreign intelligence or counterintelligence. Foreign intelligence is defined at Section 5(a)(5) to mean information concerning the capabilities, intentions and activities of any foreign power, or of any non-U.S. person, whether within or outside the U.S., or concerning areas outside the U.S. It is as much a substantive decision as it is a legal determination whether these documents constitute foreign intelligence.
- 6. I recommend that a decision whether the documents constitute foreign intelligence be made by Chief, Near East Division (C/NE), or another, appropriate senior officer in NE Division. I think C/NE could properly determine that they constitute foreign intelligence based upon my understanding that they describe the communications system a foreign power is acquiring or seeks to acquire. I am not, however, "au courant" in the fine points of such matters. If C/NE determines the documents constitute foreign intelligence, I believe it would be prudent to delete the names of the U.S. persons mentioned in document (2) (described above) before sending it to NSA.

Chillian & Haldin Anthony E. Foldin

TOP SECHEL

HANDLE VIA COMINT CHANNELS

SC 03537-77 Copy 1 of 2 8 April 1977

MEMORANDUM FOR THE RECORD

FROM:

Andrew J. Percival

Assistant General Counsel

SUBJECT:

TOTIGER - Collins Arrangement and a New Era in

Cipher Equipment Control

- 1. The prospective arrangement between the Collins Division of Rockwell International and TOTIGER, a European manufacturer of cipher machines, is nearer conclusion. TOTIGER has in the past and is presently producing cipher machines that NSA finds defiant of analysis. D/DS&T/OSO has tentatively devised a method of dealing with the problem that is satisfactory to TOTIGER, NSA, Collins and OSO.
- 2. OSO has introduced TOTIGER management to representatives of Collins and its parent Rockwell with a view of fostering a commercial arrangement. It is hoped that TOTIGER will purchase from Collins micro-processor designs for its new lines of equipment and eventually for all its equipment. A micro-processor is a solid state mini-computer which is the heart of many modern cipher devices. Collins would also manufacture and sell the microprocessors to TOTIGER. The fact that the micro-processors are manufactured in the United States guarantees that the level of cryptology is acceptable to NSA. Any such devices exported from the United States must have a license from the Office of Munitions Control. That license is contingent upon NSA approval of the cryptology. This fact is known by those in the cipher machine trade and would seem self-defeating. NSA states, however, that the level of cryptology that is acceptable to them for export is of such a high level (2s high as 10⁷⁰) that expert mathematicians who are not aware of NSA's capabilities are at loss to understand how useful and timely analysis may be accomplished. It is true that this applies only to determinate systems. The most secure of systems, random generated key, is not susceptible to analysis except in cases of error in usage. Random key is not conducive in practice to volume traffic and is a logistics problem. Most users have opted for determinate systems of sophisticated cryptologic algorithm.
- 3. Collins, one of the worlds largest producers of telecommunications systems, has no cipher equipment of its own manufacture. Collins is interested in offering complete equipment packages to its customers including cipher devices. An arrangement may be reached between Collins and TOTIGER to include the latter's equipment in Collins systems packages. This will work to the benefit of United States SIGINT collection efforts.

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HANDLE VIA COMINT CHANNELS

- 4. Should TOTIGER find the price of Collins micro-processors to be too high based on the small volume of units required, several methods of fostering the relationship have been proposed. One method would be a classified contract between NSA and Collins for additional identical micro-processor units to be delivered to NSA thus effectively raising the volume and reducing the unit cost to TOTIGER. This contract would be entirely separate and without reference to TOTIGER. NSA would be purchasing the units for its own undisclosed classified purposes as it does with other contractors. Another method would be a direct subsidy to TOTIGER through a CIA funding mechanism. Other methods may suggest themselves as discussions progress and the arrangements made between Collins and TOTIGER come into sharper focus.
- 5. The governments of West Germany and Great Britian are aware on a classified basis that arrangements are in progress to eliminate TOTIGER as a SIGINT problem. The government of Switzerland is peripherally aware that CIA is dealing with TOTIGER and Collins and has interposed no objection. Indeed, for reasons that are unclear, the Swiss have encouraged the relationship.
- 6. With the addition of TOTIGER to the stable of the TOARIEL and the TOMINERVA operations as well as the inherent constraints on U.S. produced equipment through the Office of Munitions Control, the large majority of cipher equipment available in the market place to all but a few world powers will be susceptible to analysis and intelligence collection efforts.
- 7. A NSA representative has informally stated to the undersigned that these three projects will account for 90% of the intelligence "take" from diplomatic third world communications. That "take" is estimated at 90,000,000 words annually.

8. D/DS&T/OSO/SPB has stated that they will make every effort to keep this Office informed of developments on a current basis.

Andrew J. Percival

cc: C/DDS&T/OSO/SPB

TOP SECRET

HANDLE VIA COMINT CHANNELS