

Jock Kane's story

I LEFT GCHQ sixteen months ago. I was then in the £7,000-a-year Supervisory Radio Officer grade at an intelligence-gathering station in Scotland.

Much of GCHQ's work could be important and worthwhile. But it is conducted behind a wall of artificial secrecy, which protects a disgusting network of corruption, inefficiency and security betrayal.

When I joined GCHQ in 1946, our 'indoctrination' prescribed that the name of the organisation, and the nature of its work — signals intelligence, or 'Sigint' for short — should never be breathed in public, because of the danger of alerting our targets to the idea that Britain might be listening in. GCHQ's *Security Handbook* is very specific:

GCHQ and its end products are known to be the target of (hostile intelligence) services and in fact any piece of information which is accidentally leaked may be expected to find its way into alien hands. Moreover, every member of GCHQ is a potential target.

I still take the indoctrination oaths very seriously indeed. But when many GCHQ personnel, involved in corruption, work in areas where highly secret documents are missing — and other documents continue to disappear — it is in the public interest that the subject should be aired.

While the huge, ultimately abortive 'ABC' Official Secrets Act case was being directed in 1977 against three outsiders, GCHQ was covering up the loss of large quantities of Secret and Top Secret information from its major listening station in Hong Kong — information which was as accurate, up-to-date and highly classified as any intelligence could be. A pile of highly important documents had vanished by 1973, and GCHQ did not want to find out where they had gone.

Unless action is taken, disappearance of sensitive documents will continue. So will the annual subventions to businessmen who have established corrupt relationships with GCHQ — and the institutionalised overpayment of staff allowances which the secret department's managers and operatives have turned to their personal advantage.

I have raised these matters, successively, with GCHQ's own security division, its Director, with the RAF Provost and Security Service, with the Scotland Yard Special Branch, with the Director of Public Prosecutions, and with the Cabinet Office through the help of Members of Parliament.

At every stage, GCHQ's great and secret bureaucratic power has been able to prevent anything happening. During 1979 a Cabinet Office investigation, ordered by the Prime Minister and conducted by Sir James Waddell, CB, ground to a halt.

I have been threatened with disciplinary charges and the Official Secrets Act — as have several members of GCHQ who have expressed disquiet at the state of affairs. But they would be glad, and relieved, to set the facts out for a proper independent tribunal of inquiry.

Documents go missing

GCHQ has lost, and doesn't care to find, dozens and dozens of highly classified Sigint

documents. My life in the Service was made impossible because as soon as I became aware of the losses in 1973 I insisted on reporting them — and on reporting other losses which have occurred since then.

The material went missing, at times unknown but certainly over a lengthy period, from the Little Sai Wan station in Hong Kong, which is one of GCHQ's most important operations.

When I arrived there in January 1973 my 'interference' in reporting that many documents were missing was bitterly resented. I was expected to 'conform', and to write each day *Classified books checked correct* alongside my signature. Such was the negligence and chaos that managerial civil servants were daily signing registers as correct, when many of the documents listed in them were missing — sometimes, missing for years.

I did not 'conform'. I was so disturbed by this that I pressed for an official muster of all classified documents held at the station: after six months of bitter argument, this was agreed. On 21 September 1973 the task of assessing the losses of Secret and Top Secret documents from Little Sai Wan was given to a middle-grade civil servant, Alec Crombie.

The results of his check were appalling. So many documents were missing that, to the astonishment of myself and many others, the existing registers were ordered by GCHQ to be destroyed, and new classified registers prepared for the documents that were left.

No investigation into the losses took place. No-one was asked to account for the missing papers, or to explain why they had been signing the old registers as correct.

Two years later in 1975 another member of the station's junior management showed he had learnt the lesson. He proceeded — wholly unauthorised — to destroy his new register and replace it with yet another, after I had reported another fourteen classified documents as missing. Placed alongside the GCHQ *Security Handbook's* ruling that 'any piece of information which is accidentally leaked may be expected to find its way into alien hands', this behaviour is inexplicable and inexcusable.

I raised the question of the missing papers through successive levels of the GCHQ hierarchy. In March 1974 I had an unproductive interview with the Head of Establishment Division in Cheltenham (where GCHQ is based). He said I was right to draw attention to the breaches of security. The culprits, he said, had been disciplined. I know of *no* culprits having been sought, let alone identified and disciplined. The interview was a substitute for action.

When I tried to raise the issue with the Foreign Office, which is formally in charge of GCHQ — although, as in the case of its other 'subsidiary', MI6, it has no effective control — I was improperly blocked from contacting the FO's Permanent Secretary.

The story of the missing documents must be put into context. The context is the corruption and inefficiency inside GCHQ's secret world which is so widespread — and so institutionalised — as to make any sort of investigation officially unthinkable. If an investigation into security risks were to begin, they fear, would it ever end?

Fiddles and fraud

Large sums of money disappear annually into the hands of businessmen who have established corrupt relationships with GCHQ. Its operations are secret and un-supervised, and some of its officials have been long accustomed to the abuse of public trust in service of their own financial advancement. Routine corrupt practices involve false subsistence and travel claims, false overtime payments, false accommodation and furniture allowances at overseas stations — together with oversized payments for transport of property and insurance, and much unnecessary travelling. I estimate that such pilfering from the public purse exceeded at least £1 million during 1976.

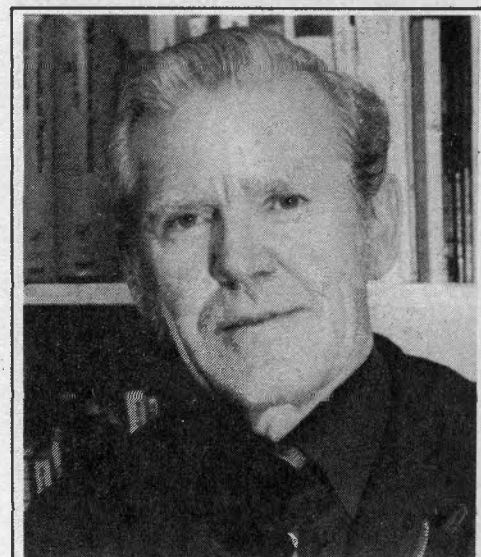
The fiddles are practised everywhere. But ground level corruption is worst in GCHQ's overseas posts. And Hong Kong, which has been the principal doorway into corruption for many British institutions, is the place where dishonesty is most thoroughly routine. Fraud which was prevalent in the UK was almost compulsory in Hong Kong.

All GCHQ employees enjoy highly generous foreign allowances in addition to the envied advantages of the Hong Kong posting. An ordinary Radio Officer, taking all allowances into account, was receiving £12-14,000 a year in the mid-seventies. In addition to salary at London rates, there was £1,500 Foreign Service Allowance (tax free) and £5,000 accommodation allowance, together with movement allowances, school fees and lesser perks.

Around this centre of secret government munificence there long ago grew up a network of camp-followers, expert in the ins and outs of every fiddle. Far from resisting such traffic, GCHQ administrators recommended new staff at Little Sai Wan to the local traders with the best in dishonest deals.

Issuing of false receipts by hotels and landlords was a standard feature of Hong Kong life. A flat worth £300 a month would be rented for a nominal £400 and a receipt issued to that effect. The difference would be split between landlord and tenant. The same happened with hotel bills.

Even without fiddling, of course, very large sums were being dispensed, because a family



John 'Jock' Kane worked for Britain's largest secret intelligence agency, Government Communications Headquarters, for 32 years before taking voluntary early retirement during 1978. He joined as a radio operator after the war and retired as a Supervisor at a Scottish intelligence station. He now lives in England.

Chris Schwarz

could get as much as £5,000 rent allowance in Hong Kong, plus another £600 to hire furniture. Deals were struck with furniture hirers so that civil servants were able to illegally hire purchase some of the furniture for shipment home.

Payoffs at the social club

Little Sai Wan must cost at least £10 million a year to run. In the last year I was there, outright waste and pilferage absorbed £500,000 — perhaps even £1 million — of this total.

Opportunities for corruption, and thus blackmail, existed in other ways. In Hong Kong a social club, Ariel House, is maintained for the large staff of Little Sai Wan within the station perimeter: this might be a sensible exercise for a government anxious to keep highly secret personnel segregated as far as possible from the outside community. In practice the opposite effect is achieved. Although civil service rules specifically forbid the acceptance of gifts, a steady flow of gold watches, camphorwood chests, embossed brief cases, leather coats and the like found their way to a number of GCHQ staff in return for compliance and favours. One senior GCHQ official, Brian Watson, who expressed disquiet about this traffic, was called in for 'a chat' with the Officer-in-charge, George Hopkins. He was asked: 'What's a few gold watches here or there?'

The economics of Ariel House were puzzling, profits bearing little relation to the high and steady level of trade. During the summer of 1975, Watson asked why low sales were being recorded during the busy summer holiday period. He got an evasive reply, but next month the sales figures trebled from \$25,000HK (about £2,500) to reach \$75,000HK (about £7,500).

Two attempts by club members to have the accounts audited by chartered accountants were vetoed — first on the implausible basis that the club could not afford it, and then on 'security grounds'.

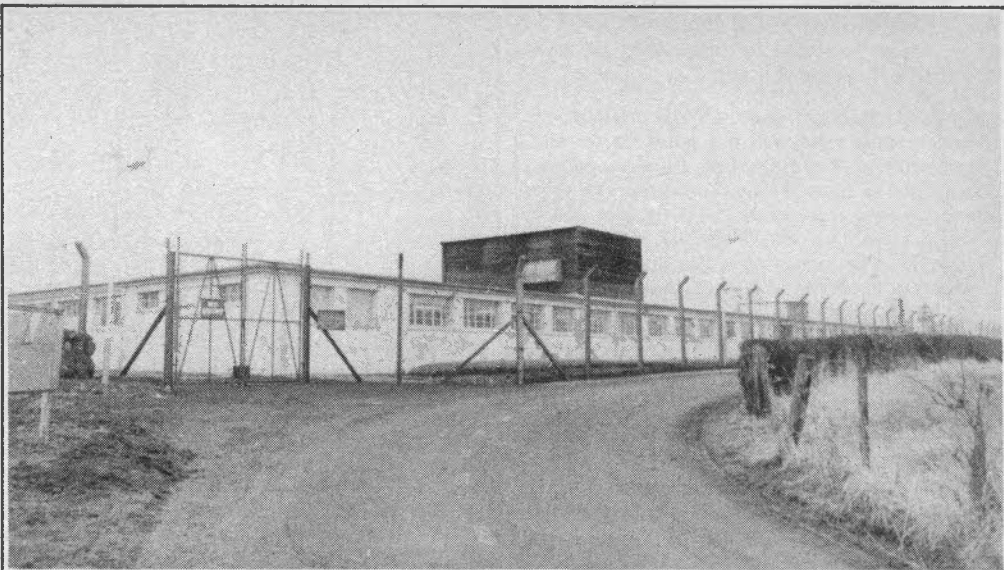
In 1975, Radio Officer Chris Smith finally got an investigation started by the RAF Provost and Security Services (PSS).

But union officials at Little Sai Wan were told by Senior Administrative Officer Douglas Robertson that if the PSS team stepped out of line they would 'get their bloody arses kicked'. One dissatisfied senior officer was abused in front of his staff by Hopkins, the Officer-in-charge — for having given an analysis of four years of Ariel House accounts to the PSS. It was all a clear warning that any co-operation with the PSS inquiry would incur official displeasure. The RAF team were soon demoralised by the wall of *omerta* erected again them.

The RAF team confided some of their difficulties in myself and others. They told me that they 'couldn't trust anyone in that bloody place (Little Sai Wan)'. To another, they leaked the fact that the Ariel House accounts books had been conveniently lost. They feared that their report wouldn't get off the ground because 'there were too many big names involved'.

Indeed it didn't get off the ground. The big names it should have contained were those of a clutch of senior GCHQ intelligence officials.

Nobody could expect that staff encouraged to fiddle public money in such ways would remain proof against the temptations of Hong Kong. The fiddles are not required as an in-



Composite Signal Organisation Station Hawklaw, near Cupar in Fife, is one of GCHQ's less attractive and exotic postings. After persistent complaints about lax security and corruption overseas, Kane was posted here and told he wouldn't go abroad again. His high standards were 'liable to cause difficulties in an overseas environment.'

Duncan Campbell

centive, for the lists of volunteers to go overseas are always weighty.

Although the big fiddles involve overseas operations, there have always been plenty of lesser fiddles in Britain — enough, certainly, to build up lax attitudes. One of the most costly centred on the Central Training School at Bletchley Park, Buckinghamshire.

Numerous GCHQ staff attend CTS for refresher courses, training in new methods and so on. Bletchley is easy to reach from most of our stations in the UK, yet staff training there would claim full subsistence (£11.50 a night in 1976: now rather more than £15). Most would go home for the weekend, falsely claim weekend subsistence, and end a six-week course with a profit of £200 from public funds. Supervising officials, who did the same in their time, have long been accustomed to passing such fraudulent claims.

A Scottish station at Bower, near Wick, afforded an even pricier fiddle. Insufficient volunteers to man this important station full-time could be found; GCHQ preferring to meet requirements by detaching staff for month-long tours from a larger UK intelligence monitoring station 50 miles away. In many cases, staff would register at a local address of convenience, travel to Bower by car, and fraudulently claim allowance for 30 nights away from home. This, on a rotating basis, could net a tax-free £1,300 yearly.

GCHQ — above the law?

When the RAF inquiry in Hong Kong failed, I tried to raise the corruption cases and security breaches with other authorities. In April 1976 I contacted the Director of Public Prosecutions' office and met the Deputy DPP, Mr Jardine. He expressed interest and concern. After a number of questions, he said that one of his investigators would contact me for full details. When I told him of the power GCHQ could wield, he said: 'I'll take that hurdle if I have to'.

But the 'investigator' never appeared, and further efforts to contact the DPP produced only a series of printed postcards. Then, in October 1976 I received a reply saying that the DPP could do nothing; the matter was out of the department's jurisdiction.

No government department, supposedly, is above the law. But this was not the first time I

discovered that the rule does not apply to GCHQ. The year before I had contacted the Scotland Yard Special Branch, to be told that they were prohibited from investigating GCHQ.

On returning from Hong Kong, GCHQ tucked me away at Hawklaw, a station near Cupar in Fife. When I asked for another overseas posting, I was turned down in unequivocal terms:

The department is not prepared to accept you for further overseas service on the grounds of your uncompromising attitude (on a number of subjects) which are particularly liable to cause difficulties in an overseas environment.

Difficulties for whom? Those involved in the losses of secret material, and subsequent cover-ups? Difficulties for those involved in foreign service fiddles, anxious to return for second and third tours with still more profitable know-how each time?

By 1977 I felt I must leave GCHQ before being driven out. The start of the ABC 'Official Secrets' case disturbed me, because of its contrast with the scandals which I knew were being suppressed. I threatened to blow the gaff in the *Sunday Times*, whereupon GCHQ became alarmed, and I received a letter from the Establishment and Personnel Officer, which threatened unspecified disciplinary action if I were to communicate with the *Sunday Times* or other outside bodies.

I contacted MPs instead. Cheltenham MP Henry Irving, was easily fobbed off by the Foreign Office. But Ken Warren, then running the Freedom of Information Campaign, pursued the matter more vigorously, and achieved the appointment, by the Prime Minister, of Sir James Waddell CB as a special investigator for the Cabinet Office.

Waddell took statements from a number of people, including myself, but nothing was done by way of correction or elimination of security breaches and corruption. Waddell, I am told, did report back to the Prime Minister. But I do not know what was said.

Evidence of the institutionalisation of corruption also comes from another source — a letter which the Civil Service Union's Assistant Secretary dealing with GCHQ wrote to my station after two GCHQ employees had been apprehended on fraud charges. Fred Phillips of the CSU implied something of the

scale of corruption — and the official collusion — when he wrote in September 1976 to the branch official at Cupar:

I saw Paddy Mahon (a senior GCHQ official) . . . to ensure that there was not going to be any 'witch-hunting' as a result of the fraudulent claim which came to light. *We are fearful that if an examination were made of all the other subsistence claims for staff on detached duty, particularly over weekend periods, a very large number of our members would be at risk* (our emphasis).

Mahon's assurance that there would be no 'witch-hunt' indicates the readiness of GCHQ to cover-up. This is despite the fact that the — obviously correct — doctrine of its own security branch is that any civil servant involved in corrupt practices is a potential blackmail target.

A staff vulnerable to 'witch-hunts' by the British police is obviously vulnerable to foreign intelligence agencies. During the sixties, the lesson of Vassall's entrapment by the Russians was held out as an awful warning to us all. But it seems that GCHQ fear leakage to Fleet Street more than leakage to the Kremlin. If GCHQ 'moles' haven't sold out to the Russians or Chinese, they have certainly sold out to their own greed.

A clear case to answer

The failure of each initiative for reform shows that GCHQ is a law entirely unto itself. The tradition goes back a long time, of course: it took the Treasury almost twenty years after the war to realise that in addition to its own budget GCHQ was running substantial operations inside the Post Office and the Service Ministries — with the successful aim of concealing the extent of its empire. In 1964 the Treasury finally caught on, and insisted on the rationalisation of radio-intelligence stations.

But since then, the power of the department has become more entrenched, and its control of hundreds of millions of pounds of secret money still more absolute. Any attempt at supervision or at inquiry is repulsed with the incantation of 'national security': the suggestion being that material of priceless importance will fall into enemy hands unless GCHQ is left entirely to its own devices.

The great irony is that what shelters behind this wall of secrecy is an organisation whose security is utterly and completely deficient. I have mentioned the obvious dangers of corruption and of blackmail, but the truth is that foreign intelligence services would scarcely need to go so far to help themselves to the secrets of GCHQ.

My aim is not to demand numerous prosecutions under the Act, but rather to point out that a double standard is at work. The Act is not used against those who cause genuine breaches of security. It is used as a deterrent against those whose words might set in motion criticism of the privileges, inefficiency and arbitrary power of the secret security bureaucracy.

If the government and GCHQ ignores corruption in its own midst, it does so at its own peril. By the standards of its own security doctrine, the assumption must be that GCHQ is wide open to penetration: it must be treated as though the KGB's and other 'moles' have reached its inner secrets. Until the nation's biggest intelligence department is investigated, cleansed and reformed, then the hundreds of millions of pounds which it consumes are spent in activities which may be useless to the nation which foots the bill. ■



Defence Land Agent Eric H Garland sits in the hotel he ran for profit and supervised for a civil service salary, in 1971; (inset) his partner, former GCHQ Operations Officer Frank Henry Wilks.

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highly profitable business renting furniture to Little Sai Wan personnel. Having started with £20,000 worth of bank credit, it was sold in 1978 for £300,000 to a large British-based conglomerate, Anglo-Thai. Wilks remains on the board, and Dolfra still furnishes at least one block of flats used by staff from a GCHQ outstation.

Dolfra had several devices for ensuring a good flow of GCHQ business, and one of which we have proof involved large numbers of people—with access to ultra-secret intelligence—in small-scale, but systematic fraud. Wilks' company had reduced to a fine art the process of offering its customers the opportunity to provide themselves with 'gifts' of all sorts—furniture, art-works and consumer durables of various kinds—at the taxpayers' expense. The 'fridge fiddle' can be documented exactly.

Each GCHQ expatriate receives two separate allowances, one for furniture hire, and one for capital purchases. The regulations prohibit anyone from claiming a refund of rental for a refrigerator.

Staff from GCHQ who promised to do business with Dolfra would be offered, secretly, the hire of a refrigerator — with the further promise that it would be presented after the end of the contract as a gift. The customer would then get two contracts: one, for presentation to GCHQ, which would comply with regulations, and another secret one, which would not.

We have examples of such double contracts, signed by Dorothy Fok in her maiden name of Leung Yin Fun. Company lists of hirings do specify that the refrigerator will 'become the property of the hirer on completion of (the) contract.'

Their customers would return eventually to the UK, richer by possession of the object itself and also by the cost of its purchase (which was automatically included in the Foreign Service Allowance). To judge by the specimens we have seen in British GCHQ homes, the models chosen were often quite luxurious, but the value of the deal is not the significant point: what is remarkable is that it should have been systematically operated by a company under the control of the former Operations Officer of a super-secret base.

Jock Kane's evidence is that Dolfra had a virtual monopoly over GCHQ business. He was offered a similar deal when hiring furniture for his stay in Hong Kong. He pretended to accept, in order to obtain

evidence of the fraud, but paid for it out of his salary, indicating this in a quarterly certificate submitted to GCHQ administration.

The only discernible supervision over accommodation for Little Sai Wan staff — all, according to doctrine, 'targets' for espionage in a notoriously corrupt city — comes from the Defence Land Agent for Hong Kong. During the growth years of Wilks' company, the Defence Land Agent was a close friend and business associate of his named Eric Garland (see picture).

Garland would appear not to have baulked at combining with Wilks to abuse his official position — for in 1968 they got together to take over the Ascot House Hotel and profit by its continuing business with GCHQ's new arrivals. On 10 July that year Wilks, Garland and Major Tony Grimshaw, starter to the Hong Kong Jockey Club, formed Kirby Wilshaw & Co to take over the lease of the Ascot House. At first Garland was both a one-third shareholder and a director, but in October 1968 he installed his wife, Ida Garland, as a director in his place. Mrs Garland, now separated from her husband, says

He never allowed me to know anything about the business, and I was never allowed to go to meetings. When I suggested that I should go to a meeting, he told me that it wasn't necessary.

By 1971 the Ascot House was netting Mr Garland about £400 a month on top of his Civil Service salary, and when the lease was sold in March 1973 it realised \$HK1 million: roughly £100,000. Wilks has said privately that each of the three partners in fact made £100,000 each overall from the deal.

In 1971 the Ministry of Defence posted Garland back to Britain, but he took early retirement and went into business in Hong Kong — some of it, highly questionable. He remains, however, a favoured citizen in GCHQ's eyes, so much so that its officials a few weeks ago were prepared to use secret facilities to assist him in avoiding some highly-legitimate questions from the *New Statesman* and the *Daily Mirror*. These incidents, reported below, make a curious contrast with the treatment received by Jock Kane when he attempted to get obvious malpractices investigated — but they form part of a pattern of GCHQ behaviour extending over the past ten years.

As early as 1970 a GCHQ Radio Officer at Little Sai Wan investigated the Ascot Hotel and Dolfra Services. He reported his findings to the Security Office, GCHQ, at a time when a simple check of Hong Kong business records would have exposed the Ascot House Hotel