GCHO: the cover-up continues

Last week the New Statesman revealed evidence of widespread corruption security failure and foreign espionage inside Britain's largest and least-known secret intelligence agency, Government Communications Headquarters (GCHQ). Similar facts, based on a joint inquiry, were published by Daily Mirror. The government's initial strategy was to pretend that the (admittedly complex) allegations were of no significance to 'national security' — the cause in which Whitehall has attacked so many liberties, and suppressed so many disclosures. This strategy auto-destructed on Monday, when IBA banned a World in Action programme based on the same material, and prepared in conjunction with the New Statesman. The IBA said that the programme 'could be prejudicial to national security'. Nothing done by the NS, the Mirror or Granada Television's World in Action has damaged, or could damage 'national security': all the evidence suggests that the programme's real offence is to contain further and later research which demolishes the government's pretence that GCHQ's failures and corruption are over, and have been dealt with. On the contrary, they continue unchecked: 'national security', as presently defined by Whitehall, is simply a device which enables the secret agencies of the state to place themselves above the law, while repressing the statements of anyone who dares to criticise them. Here DUNCAN CAMPBELL produces further evidence of GCHQ's corruption, and on another page JOCK KANE, the former civil servant whose revelations began the whole story, shows how corruption relates to dangerous incompetence.

JOCK KANE'S STORY, published last week with details of our own investigations, has provoked a reaction from the government. Their case is based on two propositions: that Kane's revelations are out of date and don't amount to much; and that remedial action has already been taken.

That case is false. When Mrs Thatcher eventually proposes a new statement on this matter, there are many grounds for grave public concern that will have to be dealt with. Chief amongst these is the question of the ultimate fate of something over 200 highly classified Secret and Top Secret documents which were established to have disappeared by 1973, when on Kane's instigations a 'muster' was held at the Little Sai Wan GCHQ base in Hong Kong. By 1975, another 14 documents were missing. Another serving GCHQ official, of Kane's rank, told me during our enquiry that, since 1976, when Kane left Hong Kong:

Documents have gone missing all the time. The losses have continued to the present day. World in Action established, from a senior official with a detailed knowledge of Little Sai Wan, that since last summer at least one further Top Secret document has gone missing from Little Sai Wan; specifically, a map containing intelligence obtained from monitored communications.

The same senior official describes the Waddell enquiry into Kane's allegations, conducted by three men on a visit to Hong Kong last year, as a farce. 'They looked at internal security checkpoints, but little else'. And no action has been taken to tighten up security, he says. Chinese staff, employed as cleaners on the base, are still allowed to come and go without being searched for secret papers.

New proof of the inadequacy of the alleged government investigations is a major feature of the World in Action report, which was suppressed on Monday. Besides that, its general character resembles last week's report in the New Statesman.

BESIDES THE continuing leakage of documents from Hong Kong, there is clear evidence that Kane's most serious complaints have never been investigated — or, if investigated, in a manner intended to avoid genuine discovery. Last week, we detailed the affair of the Ascot House Hotel, operated by a serving Defence Ministry official and a former GCHQ officer (that Daily Mirror report confirmed) on a property business from GCHQ. This affair was first reported to GCHQ ten years ago in 1970. Nothing was done. Kane has repeatedly referred to the affair, including in his statement to the Waddell enquiry in 1979. Nothing was done. When we enquired into the Ascot House Hotel in conjunction with the Daily Mirror, we discovered within ten days that Kane's and others' allegations of a conspiracy were very well founded. Our evidence for this was sent to the Director of Public Prosecutions, Sir Thomas Hetherington, last Friday. Almost incidentally, we discovered evidence of several other possible corruption offences by one of the two men, former Defence Land Agent Eric Garland.

As a direct result, Garland has been questioned by Hong Kong's Independent Commission Against Corruption, and charges prepared for submission to the Colony's Attorney General.

During our enquiries, we discovered that GCHQ had finally taken some action over this matter. Specifically, they had used their intelligence information to tip off Garland and his colleague, former GCHQ Operations Officer Frank Wilks, about our visit to Hong Kong. Part of this shabby cover-up has now been acknowledged by the Foreign Office, in a parliamentary reply. They asked if GCHQ's chief in Hong Kong, Mr Don Cook, had been 'authorised to release classified information to Mr Frank Wilks and Mr Eric Garland':

When enquiries are known to be being made into Government Communications Headquarters' activities, some of which are secret, it is normal to remind staff who may be concerned, including former staff where appropriate, of their obligations under the Official Secrets Act. Mr Wilks was so reminded. No classified information was involved.

This ingenious answer acknowledges, somewhat indirectly, that GCHQ was aware of our enquiries from its secret surveillance activities, and that contact was then made with former official Wilks. However, the purpose of our approach, as GCHQ well knew, was to question Wilks on the propriety of his private business dealings in hotels and furnishings, in the course of which he became very wealthy through trading with GCHQ staff. These matters did not touch on 'secret' activities or 'obligations under the Official Secrets Act'. Nor does the Foreign Office explain why Garland, who never worked for GCHQ, has had a phone call from 'the chief bloke (at) Little Sai Wan'.

It is worth briefly restating the evidence against these men whom the Foreign Office apparently asserts may reasonably be forewarned of journalistic enquiries, based on GCHQ intelligence. Wilks has admitted complicity in a scheme to induce GCHQ civil servants to hire his furniture, by making gifts of refrigerators and other goodies.

THE GOVERNMENT ASSERTION that all is now well in Hong Kong does not fit at all with our discoveries in Hong Kong. Numerous Chinese traders are still offering GCHQ staff tempting and irregular deals with the full blessing of GCHQ administrative staff. We asked one senior official, who served in Little Sai Wan during 1979, whether the traders referred to by Kane (below) were still in business:

They're still in the same old line of business he commented warily. One of those both Kane and the official we spoke to singled out was one of the packing and moving companies in Kowloon, Shangai Packer Koo, now operating under the same name Dah Yeung Packers. I rang the manager of Dah Yeung to put to her Kane's allegation that the business provided GCHQ staff with fake estimates of moving costs in order to win the business, and that in return staff received free metal trunks. Before I asked the question about the three fake estimates, which Kane mentions below,

...
the manager said:

We’re only allowed to give one estimate now.

From the rest of our conversation it became clear that part of the ‘evasive action’ which GCHQ had taken to block our enquiries in Hong Kong was warning the Dah Yeung company.

PERHAPS THE MOST REMARKABLE example of continuing security laxity in Hong Kong is the manner in which GCHQ has taken out permanent lettings (for temporary accommodation of staff) in a new hotel closely connected with Triad prostitution rackets — and in turn connected with the Kuomintang, a nationalist Chinese subversive and intelligence organisation.

The Lee Gardens Hotel, in Hysan Avenue Hong Kong, was built in 1972. Its first public relations manager was the remarkable and ubiquitous Mr Eric Garland, whose first job it was after leaving the employment of the Ministry of Defence. GCHQ now permanently leases 20-30 suites for visiting intelligence staff. The Lee Gardens has the most forward call-girl racket of all the Colony’s luxury hotels. Most other quality hotels employ security guards to prevent prostitutes visiting guests in their rooms. At the Lee Gardens, the reverse is the case: special arrangements are provided to get prostitutes into guests’ rooms.

A card placed by every bedside invites the guest to dial a hotel extension number for a massage service with a difference. The hotel then calls in the girl from an outside agency, and puts the initial basic charge for a massage (about £11 for 45 minutes) on the hotel bill.

On arrival, the girl negotiates a ‘tip’ for having sex. During our enquiry, a Daily Mirror journalist Paul Greengrass booked the hotel. On Monday, he led a Commissioner’s move to gather 70 signatures for an early day motion demanding a fresh ‘top level enquiry’. He said:

The Waddell enquiry did not look into this remarkable choice of accommodation for GCHQ staff. Yet, according to a hotel manager, GCHQ staff from Little Sai Wan have been booked in there since the Lee Gardens opened in 1972.

OFFICIAL INSISTENCE that there is little or no public interest in these enquiries will have to overcome some considerable handicaps, notably the mounting evidence of a determined cover-up. Kane’s first parliamentary contact was Charles Irving, MP for Cheltenham, to whom he wrote from Hong Kong. Irving approached then Foreign Office minister David Ennals with a series of letters from Kane. The letters set out many of the allegations which have now surfaced, and Ennals, with GCHQ guidance, drafted a reply to Irving in January 1976. He acknowledged that:

Technically speaking, cases occur in which it could be argued that individuals (inside GCHQ) are in breach of the Official Secrets Act (Section 2 (i) (e)).

But a lenient view was being taken:

GCHQ have investigated those cases to which Kane has drawn attention but in their view prosecution … was certainly never warranted. Appropriate action, including disciplinary action, under Departmental procedures was taken where necessary.

This is more bureaucratic gobbledegook. Apart from Kane, we have spoken to more than a dozen past and present GCHQ officials whose experience covers the whole period since then, in Britain and in Hong Kong. No-one has spoken to anything of such ‘disciplinary action’; it appears as mythical as Mrs Thatcher’s ‘improvements’ to security after the Waddell enquiry.

Ennals now takes a different view. After looking for reassurances from the Foreign Office that serious action was taken in 1976, he now feels uneasy. On Monday, he led a Commons move to gather 70 signatures for an early day motion demanding a fresh ‘top level enquiry’. He said:

The decision to censor World in Action gives weight to the allegations that a cover-up is going on.

In a meeting with Foreign Office Permanent Secretary Sir Michael Palliser two weeks ago, he was given repeated vague assurances that disciplinary action had been taken. This claim seems to rely on the fact that some officials have been punished for a few security breaches and a few financial fiddles. But none of these cases arise directly from Kane’s revelations.

GCHQ employed a neat mechanism of obfuscation to block enquiry into Kane’s 1976 allegations: the GCHQ Security Office in Hong Kong prohibited Kane from including any substantive information — even the fact that he was in Hong Kong — in his letters to Irving. Armed with such vague documents, neither Irving or Ennals could dispute GCHQ officials’ claim that Kane’s allegations had been dealt with; nor could they realise the full seriousness of what had happened.

Another MP who became involved with Kane was Kenneth Warren, who in 1977 led the Freedom of Information campaign, and is now a member of the government. By late 1977, Warren was able to say publicly that there had been a ‘long cover-up’.

WE HAVE ESTABLISHED that since 1975 there have been at least five prosecutions of GCHQ employees in Britain for fraud and related offences. All but one were convicted. These prosecutions owed nothing to Kane; but they support his claim that they represent the tip of an iceberg of fiddling and fraud.

In February 1976, a higher executive officer at GCHQ Cheltenham, Michael Armstrong-Buisseret, was sentenced to one month’s imprisonment for fiddling £800 worth of overtime claims. The sentence was suspended for two years. In 1978, two Radio Officers who had worked at the remote listening post at Bower near Wick, Desmond Quinn and Derek Crawshaw, were prosecuted for several charges of alleged fraud. Quinn was acquitted but Crawshaw was convicted and fined; remarkably, he was nevertheless permitted to continue on top secret work at the Irton Moor listening station near Scarborough. The Quinn
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& Crawshaw cases concerned allegations that the officials had put in simultaneous claims for both travelling and night subsistence allowances (which would be a clear fraud, since one couldn't be doing both). We know of two such prosecutions, which led to the GCHQ employees being fined during last year. A further part of Jock Kane's allegations of lax security at the Little Sai Wan base concerns the minimal and sometimes nonexistent supervision of the activities of locally employed Chinese cleaning staff, some of whom are specially selected because they are deaf and dumb. We know of two similar prosecutions, which led to two GCHQ employees being fined during last year.

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BY NOW (if you take any interest in such matters) you are probably a trifle confused about how many civil servants' jobs Mrs Thatcher has promised to do away with. If so, the Tories' strategy is evidently working since it seems their overall plan is to have their front bench making as many random and unsubstantiated statements as possible on civil service cuts. The intention is to produce in the public mind a blurred image of butchers' cleavers and surgeons' scalpels, all with Sir Derek Rayner's St Michael label, cutting their way through a torpid Whitehall bureaucracy.

Thus, last week Mrs Thatcher herself announced that the number of civil servants is to be reduced over the next four years to 630,000, in contrast to the 732,000 civil servants which the Tories inherited. Such a reduction would save £600m. gross in civil service salaries and bring the civil service down to the level it stood at in 1961.

However, the grandiose reductions are a little less impressive once one gets close up. Mrs Thatcher's statement was completely devoid of detail. As Sir John Herbec, the Civil Service Department's second permanent secretary admitted to the MPs' Treasury and Civil Service Select Committee last Monday, Mrs Thatcher's target merely represented 'a considered judgement of what is practicable in the circumstances'—i.e. a pious hope. There is no detailed timetable for when these cuts are to be made, no projection on the estimated proportion between industrial and non-industrial civil servants (the former is falling rapidly anyway) and no breakdown on which departments will suffer the worst. Indeed, Mrs Thatcher's statement was so vacuous that it is not clear why she made it at all. The sole explanations seems to have been that she wanted to mollify those civil servants at the slow progress on cuts so far. A barrage of parliamentary questions has been coming from Tory backbenchers on the subject and Paul Channon the junior Minister at the Civil Service Department was given an extremely rough ride last January in front of the Select Committee. One problem is that Lord Soames, the head of the Civil Service Department, who is the likely leader of Tory asceticism, is bored rigid by the task of rooting out waste. The morale and power of the Civil Service Department is rapidly falling.

Mrs Thatcher's own enthusiasm for the subject is leading her to exaggerate a little — banner headlines that she was announcing a new axing of 75,000 jobs were misleading largely because Mrs Thatcher had failed to point out that only 40,000 of these were new cuts.

There have already been three previous announcements of cuts by this Government. A recruitment ban and 3 per cent squeeze on cash limits was introduced last May and eradicated 27,000 jobs, bringing the total down to its current level of 765,000. Second, last December Lord Soames announced that 39,000 jobs were to be lost, or 5.5 per cent of the total civil service, most by 1983, after a series of department studies looking at 10, 15 and 20 per cent options. Third, related to this year's pay negotiations through cash limits, a further 15,000 jobs were to go in a 2.3 per cent squeeze on manpower. All these previous announced cuts add up to 81,000, with half of them largely arbitrary through cash limits. The target reduction of 102,000 is made more elusive by the addition this year of 11,500 jobs to the civil service pay roll, to deal with prisons and social security. Sir John Herbec also told the select committee this week that another 7,000 civil servants would be reduced over the next few years due to the new 'estimated assumption for unemployment'.

Many economists think the Treasury's unemployment forecasts are around 300,000 too low and correspondingly the number of extra civil servants needed will be much higher. (Peter Jones secretary of the Council of Civil Service Unions, says that for every 200 extra unemployed one Employment clerk and one DHSS clerk is necessary. A massive increase in unemployment will undoubtedly affect Thatcher's chances of cutting back the bureaucracy."

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