NEW STATESMAN

‘We have a secret vote...
...we are freelancers...
...we can spend what we like’

This official ‘freelancer’ made himself a million

THE BENT WORLD OF BRITISH INTELLIGENCE:
a story of crime and espionage
The spies who spend what they like

THE POWER of Britain's intelligence chieftains depends on the legend that their efficiency and integrity need no oversight. Scandals as various as Philby, Blunt or the New Statesman's phone-tapping disclosures have eroded the legend, but the effect so far has been confined to M16, M15, the Special Branch and other subsidiary departments of the secret world. The 'majority shareholder' has been untouched, and even its title — GCHQ, Government Communications Headquarters — remains comfortably obscure.

The evidence here demolishes this last element of myth. Official doctrine calls GCHQ the 'majority shareholder' because it is the biggest, costliest secret agency, and because its interception of world communications provides the great bulk of Britain's foreign intelligence. Generations of Ministers have been trained to accept GCHQ's authority in moments of crisis, and sanction in return its extraordinary freedom from supervision.

But the true picture, revealed here by the initiative of a former GCHQ official, Mr Jock Kane, is of an organisation riddled with financial corruption and incompetence, endemically at risk of penetration by foreign agencies.

* When serving at GCHQ's vital Hong Kong station, Mr Kane was alarmed to find that numerous highly-secret documents had vanished, in circumstances making it necessary to assume Communist China was the beneficiary. He was more alarmed when his superiors suppressed all serious efforts to discover what had happened.

JOCK KANE'S words, overleaf, show that he is no defector or commonly disgruntled ex-employee. He still believes in the purpose for which he joined GCHQ: gathering secret information about foreign states in order to protect the interests of a democratically elected British government. Essentially, his story concerns an unavailing struggle to get GCHQ to observe the rules which it taught to him itself, is inescapable, for any concern which automatically a security breach, and any concerns an unavailing struggle to get GCHQ to protect the interests of a democratically elected British government. Essentially, his story concerns an unavailing struggle to get GCHQ to observe the rules which it taught to him itself, under which any financial speculation is automatically a security breach, and any leakage of records a major disaster. The logic is inescapable, for any concern which monitors communications requires large numbers of staff; potentially open to blackmail, who have regular access to the most critical of secrets: just which 'targets' are being attacked, and with what success.

Kane's story requires to be read with a good deal of background in mind. Insofar as there has been any official response to his allegations — which he tried to raise through every orthodox channel, before deciding on publicity — it is that they are 'trivial' against the world-wide sweep of GCHQ's operations. 'Trivial' would have to be stretched to include senior officials combining with local Chinese to fund their own business operations out of GCHQ's unaccountable budget — one of the cases which we have been able to document, following up Kane's leads. But the argument might just hold water, were it not for the much more public attitudes which the security bureaucracy has struck over matters affecting GCHQ.

Whatever view may be taken eventually of Jock Kane's allegations about corruption and information leakage, they are prima facie immensely more serious than anything which was involved in the elaborate, abortive Official Secrets trial of 1978. John Berry, a minor GCHQ operative, was alleged to have passed ten-year-old recollections to two journalists (one, the present author): not all the eloquence of the prosecution and the efforts to show how any foreign power might have benefited, or indeed be seriously interested. Kane, a highly experienced officer, alleges massive loss of active operational documents from a base already known to have been penetrated by foreign intelligence, and demonstrably offering many avenues for further penetration. (To avoid committing security breaches himself, Kane declines to publicise precise details of the missing documents. But he believes he can show any competent inquiry that their loss would have compromised the station's operations.)

Kane's career, as he says, was effectively ruined by his insistence that debacles of this order must not be covered up — and by his insistence that they were related to a general sickness of the GCHQ organisation, which merely displayed unusually flamboyant symptoms amid the lush atmosphere of Hong Kong. GCHQ has been surrounded by massive, and intentionally intimidating security: 'D' notices have been issued attempting to forbid any mention of its operations; even a still picture of its Cheltenham HQ was banned by the IBA in 1973, leaving a blank space in a World in Action programme; in the early, confident days of the Official Secrets case inquiries, Special Branch men acted with almost East European abandon threatening to break down doors and hauling people from bed in the early hours of the morning. What Jock Kane's story shows is that all this venom directed against open inquiry is directed with an amazing insouciance over real problems of security and integrity which the organisation believes it can suppress.

RICHARD CROSSMAN, a former New Statesman editor, and wartime secret service veteran, once told Parliament:

In a secret department the greatest temptation in the world is to use secrecy not in the national interest but in the departmental interest . . . to cover up. The pattern has been seen before in other intelligence operations: the great effort being devoted, not to protecting secrets, but to protecting the fact that the secrets have been lost. Thus the power and privileges deriving from custody of the secrets can be preserved.

In our introductory passage, we quoted briefly from Mr Frank Wilks, who did very well for himself after going to Hong Kong as Operations Officer for GCHQ — and it is worth giving a little more of his account of the financial privileges enjoyed by GCHQ. He was speaking to the wife of a former associate, who took the precaution of making a tape-recording, and has since given us permission to quote from it. (The irony of an old GCHQ man being 'intercepted' himself will be explained later.)

He explained that the Hong Kong station 'and the overall set-up in the UK and everywhere else . . . they have what is called a
UK secret vote’. Other departments, even the military, might have to give ‘their estimate of expenditure for the year’. But not GCHQ:

As far as the special outfit is concerned, they don’t have to give an estimate of their expenditure for the year... they are freelancers if you like.

They can spend whatever they like. They must be sensible about what they’re doing, of course, but they can spend what they like.

‘Sensible’ can be a fairly elastic term, of course. But Mr Wilks gives a good practical account of the constitutional position of Britain’s largest intelligence agency.

It grew up in the Second World War, when Britain was achieving what seemed to be significant successes in code-cracking and communications intelligence. There was every reason to keep even the fact of these operations secret, for their rapid growth transcended the scope of traditional intelligence-gathering. Today, when the basic facts of communications intelligence are known to anyone who cares to know, and what matters is who does it to whom and why, the case for utter secrecy — except in questions of operational technique — scarcely survives inspection.

But under the kindly regime of the secret vote, GCHQ has built up a world-wide chain of listening-stations, sharing technology, facilities and funding with the US National Security Agency. The Hong Kong base at Little Sai Wan, which is run in partnership with the Australian Defence Signals Division (DSD), is a posting especially prized among GCHQ staff. As Kane shows, there is ample evidence that in British stations too, GCHQ’s generous financial allowances system has been so much abused as to expose numerous employees to risk of prosecution for fraud. In Hong Kong, as several other officers have confirmed to us, the allowance system is milked to the fullest extent.

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Twelve years later, in 1973, there was a similar incident, when two Taiwanese defected to the mainland from their posts as Little Sai Wan linguists. This, as his own account shows, was when Jock Kane was trying to draw official attention to the disappearance of large numbers of top-secret documents. Nothing directly connects the two matters: indeed, the defection was kept so quiet that Kane and others inside the station had little more than vague rumours to judge the matter by. But what is amazing is that against such a background Kane’s evidence of major security losses should have been met with complete disinterest.

No part of the story came out in Britain, so that GCHQ’s reputation was preserved again. In Australia, a version of the story was published in the National Times during February 1974, but the Australian D-Notice committee managed to suppress many details including the fact that Little Sai Wan was where it happened.

According to Australian sources, the defection did great damage. Previously, it had been possible to monitor communications from the Lop Nor nuclear site, and from Chinese rocket-testing bases. Afterwards the Chinese re-routed them through secure underground cables.

We managed to obtain some help from counter-intelligence officials in Hong Kong, some of whom have little patience with the privileges enjoyed by GCHQ and other departments claiming privileges of ‘national security’ immunity (including from ICAC, the Independent Commission Against Corruption). We asked whether wholesale loss of secret documents, as described by Kane, had ever been reported to them. We were told that nothing was said by GCHQ, even in the Local Intelligence Committee, where officials from MI6, GCHQ and the Hong Kong Police Special Branch are supposed to review developments. ‘We should have been informed’, said one detective, ‘not just about missing documents, but about any other alleged offences which might require police investigation.’

The affair of the Ascot House Hotel, and associated companies, dates back to the Sixties, when Frank Wilks was Operations Officer at Little Sai Wan. One of his tasks was to find temporary accommodation for newly-arrived staff, and he booked many of them into the Ascot House owned by the family of a local Chinese, Dorothy Fok.

In Hong Kong, of course, providing for the needs of the transient expatriate community — hotel rooms, flats, furniture, fittings and other facilities — has always been lucrative business. And Little Sai Wan, with its large, well-heeled staff (around 600, with a considerable turnover) has long been a prime commercial target. (Kane states that on mid-seventies rates, people of fairly modest rank could arrive with £12-14,000 in salary and allowances.)

On 25 November 1964 Frank Wilks retired from GCHQ, and one day later he signed with Dorothy Fok the memorandum of association for a new company, to be called Dolfra Services. From then till now, Dolfra has done
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-hunts' 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 under 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.