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# **The Development of Security Intelligence in New Zealand, 1945 – 1957**

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## **Abstract**

This thesis focuses on the development of security intelligence in New Zealand between the end of World War II in 1945 and the formation of the New Zealand Security Service in 1956-57. It provides an overview of how this development occurred at a government, senior executive and senior advisory level. There are three key questions that form its parameters: What were the key events and influences which shaped the development of New Zealand's security intelligence from a predominantly police-oriented capability in 1945 into an independent capability from 1956-57? Who were the domestic and international parties contributing to that development? What is the significance of this period in New Zealand's intelligence history? A qualitative and generally chronological methodology is applied to describe the process of maturation that security intelligence in New Zealand underwent during the period in question, beginning with a brief description of the arrangements in place before and during World War II. The majority of the thesis is concerned with describing and analysing how domestic and international influences shaped the progression of a security intelligence capability in New Zealand, culminating in the formation of the Security Service. In doing so it broadens understanding of the state's intelligence history in the early to mid-twentieth century, while remaining aware of the complexity of intelligence as it is applied within a state context.

## **Acknowledgements**

First in the list of those to thank must be Dr John Tonkin-Covell, whose efforts as supervisor have been consistent, persistent and patient. Among those organisations which have supported this project I particularly thank the New Zealand Security Intelligence Service for making available primary source documents which have formed the core of this thesis, the New Zealand Defence Force for covering most of the study costs, and Massey University's Centre for Defence and Strategic Studies for managing, teaching and administering me through the entire degree.

My family have endured long hours of silence and closed doors, accepting the necessity of study time at the expense of family time, over the past few years. In recognition of their ongoing support I would like to dedicate this piece of work to them.

# Table of Contents

Abstract		ii
List of Tables		vi
Introduction		1
Chapter One	Security Intelligence in New Zealand until 1945	9
Chapter Two	International Influences and the Beginning of the Cold War	18
Chapter Three	Threats and Targets	37
Chapter Four	The Police Special Branch	61
Chapter Five	In Search of a Security Intelligence Capability Solution	82
Chapter Six	Creation of the New Zealand Security Service	95
Conclusion		122
Appendix A	Timeline of Events	127
Appendix B	The Internal Security Problem in New Zealand (Part 1)	129
Appendix C	The Security Problem in New Zealand	131
Appendix D	Charter of the British Security Service	132
Appendix E	Directive for the Establishment and Maintenance of a Security Service [ASIO]	133
Appendix F	Charter of the Australian Security Intelligence Organization	135
Appendix G	Directive on Constitution and Operation of the New Zealand Security Service	137
Appendix H	Order-in-Council	139
Appendix I	Peter Fraser	140
Appendix J	Ian Frank George Milner	141

Appendix K	Dr William Ball Sutch	142
Appendix L	Desmond Patrick Costello	143
Appendix M	Sidney George Holland	144
Appendix N	Foss Shanahan	145
Appendix O	Brigadier Herbert Ellery Gilbert	146
Glossary		147
Abbreviations		148
Bibliography		149

## List of Tables

Table 1	Relationship of Intelligence Types to End-States	2
Table 2	The Status Quo PSB Reporting Chain	86
Table 3	PSB Reporting Chain Reorganisation as Proposed by Samuel T. Barnett, 13 March 1956	86
Table 4	NZSyS 1956-57 Structural Diagram	108

# Introduction

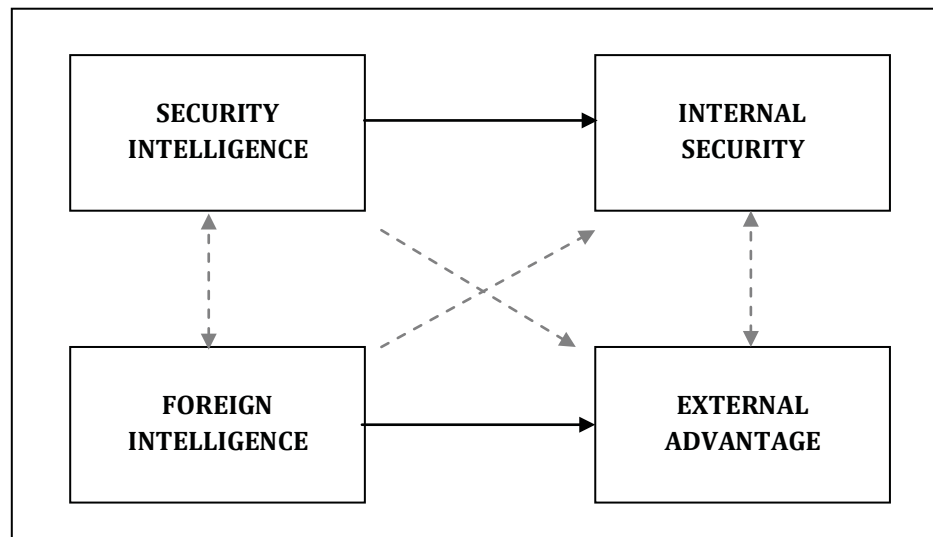
Security intelligence (SyINT) is one of the key components of a state intelligence capability. The absence of security intelligence makes the state vulnerable to the subversive and espionage activities of other actors in the international community, and indirectly limits the state's ability to project influence beyond its own borders. During the twentieth century a number of states, including New Zealand, accepted the necessity of building or enhancing existing security intelligence functions. Although both the armed forces and the police in New Zealand had been engaged in activities which might be described as intelligence functions prior to 1945, the post-World War II period gave government and senior public officials a new urgency to address how the capability was conceived and used.

Between 1945 and 1957, security intelligence in New Zealand underwent a significant process of maturation. Several different organisational forms and functions were tried and, one after the other, were deemed to be inadequate for the purpose. Nevertheless, the trial-and-error method employed was not a wasted effort. Each developmental step brought the capability closer to an organisation suited to the task of security intelligence. Along the way both international and domestic influences helped to shape how that development occurred. Security intelligence as it exists in New Zealand today is a product of that often painstaking but necessary maturing process.

Although intelligence is often considered a staple of state power, the lack of a single accepted definition of the term complicates both historical analysis and contemporary application within the field. It encompasses a diverse spectrum of information, activities and participants, all of which impose their own specificities on it. For the purposes of this thesis the parameters of intelligence in New Zealand are limited to that branch known as security intelligence, which encompasses all forms of intelligence collated for the purposes of security. It is usually defensive in nature, is intended to enhance internal security, and in this context is conducted by the state. Its counterpart, foreign intelligence collected for the purposes of external advantage, will not be addressed specifically.



Counter-espionage, counter-subversion and counter-terrorism are currently the three most common elements of security intelligence, although this has not always been the case. Counter-terrorism, for example, has only become a principal focus for security intelligence services in the latter half of the twentieth century. In any event, at its most basic level security intelligence is designed to assist its parent state in securing the safety and wellbeing of its population and its essential interests (including physical geography, social and cultural traditions and values, economic stability and the predominant political system).



**Table 1: Relationship of Intelligence Types to End-States**

A capability with a short history and a small community, it is unsurprising that the historiography of intelligence (and specifically security intelligence) in New Zealand remains quantitatively and qualitatively deficient in comparison to other states. Michael Parker's *The SIS*<sup>1</sup> explores an organisational history of the institution which manages security intelligence. Parker's strength is his characterisation of the institution and personalities populating his text. His sources, although not referenced to an academic standard, purportedly include key personalities such as Alister McIntosh who were involved in the events being described. Unfortunately Parker's strength is also concurrently his weakness. His narrative is driven by a largely colloquial style which verges on semi-fiction in places, and the effect undermines the credibility of his work.

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<sup>1</sup> Michael Parker, *The SIS* (Palmerston North: Dunmore Press, 1979).

Moreover, his history is now over thirty years old and thus not particularly current, especially in the light of recently released primary sources relevant to the period of time his book covers.

*The Plot to Subvert Wartime New Zealand* by Hugh Price<sup>2</sup> suffers from the same failing as Parker's book, in that he often writes in a colloquial style. However, he does appear to have gained access to a significant quantity of primary documentation to support his narrative. These sources are in themselves the most interesting part of the book. Graeme Hunt, a journalist, author and historian, wrote a detailed history of security intelligence in his book *Spies and Revolutionaries: A History of New Zealand Subversion*.<sup>3</sup> The book reads as a public history of events and personalities, rather than an academic study. Hunt evidently had access to primary documents released by the New Zealand Security Intelligence Service (NZSIS) and made a great deal of effort to accumulate what facts he could to populate the text. What is missing from his book is an overarching narrative. He uses a largely compartmentalised methodology to explore his subject, rather than linking individual pieces together within a wider history.

Other relevant sources include James McNeish's *The Sixth Man: The Extraordinary Life of Paddy Costello*,<sup>4</sup> George Fraser's *Seeing Red: Undercover in 1950s New Zealand*<sup>5</sup> and C.H. (Kit) Bennetts' *Spy: A Former SIS Officer Unmasks New Zealand's Sensational Cold War Spy Affair*.<sup>6</sup> The former is a recent biography of Desmond Patrick Costello, perhaps New Zealand's best-known hostile agent, and the latter two are autobiographies of intelligence activities in the mid-twentieth century. Reminiscences by Fraser and Bennetts about their personal experiences with intelligence in New Zealand are particularly interesting, the more so because the release of such accounts are usually discouraged by intelligence services.

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<sup>2</sup> Hugh Price, *The Plot to Subvert Wartime New Zealand* (Wellington: Victoria University Press, 2006).

<sup>3</sup> Graeme Hunt, *Spies and Revolutionaries: A History of New Zealand Subversion* (Auckland: Reed Books, 2007).

<sup>4</sup> James McNeish, *The Sixth Man: The Extraordinary Life of Paddy Costello* (Auckland: Vintage Book, Random House New Zealand, 2007).

<sup>5</sup> George Fraser, *Seeing Red: Undercover in 1950s New Zealand* (Palmerston North: The Dunmore Press Ltd., 1995).

<sup>6</sup> C.H. (Kit) Bennetts, *Spy: A Former SIS Officer Unmasks New Zealand's Sensational Cold War Spy Affair* (Auckland: Random House New Zealand, 2006), 33.

Security intelligence's history in New Zealand is also served by several journal articles and peripheral studies. Jim Rolfe's "Threats from Abroad: Organising for the Secret War...The Evolution of New Zealand's Security Intelligence Service"<sup>7</sup> and Geoffrey R. Weller's "Change and Development in the New Zealand Security and Intelligence Services"<sup>8</sup> are short but valid general histories. Roger Boshier's *Footsteps Up Your Jumper: The Activities of the New Zealand Security Service*<sup>9</sup> and Hori Hatini's *SIS*<sup>10</sup> are more clearly biased texts and, perhaps for that reason, not widely referenced.

Outside of the scope of security intelligence, New Zealand's other significant intelligence capability lies in the field of signals intelligence (SIGINT), a term which is sometimes used synonymously for communications intelligence and electronic intelligence. Nicky Hager is one author who has written on this capability, most notably in his book entitled *Secret Power: New Zealand's Role in the International Spy Network*.<sup>11</sup> Hager is a New Zealand activist and an investigative journalist of some note. His work is usually surrounded by controversy and exhibits a clear bias. His research in the intelligence field is interesting, but his conclusions cannot immediately be assumed to be objective. A recent addition to the historiography of New Zealand signals intelligence is *Invaluable Service: The Secret History of New Zealand's Signals Intelligence during Two World Wars* by Desmond Ball, Cliff Lord and Meredith Thatcher.<sup>12</sup> While the book does not have a great deal of information directly relevant to security intelligence, it is another significant contribution to the wider narrative about intelligence in the state.

The dearth of academic studies in the intelligence field is perhaps the most significant omission in the historiography. It can only be hoped that there will be an increase in such studies in the future. The academic voice in discussions about intelligence in New Zealand is an important one and should not be neglected.

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<sup>7</sup> Jim Rolfe, "Threats from Abroad: Organising for the Secret War...The Evolution of New Zealand's Security Intelligence Service," *New Zealand International Review* 28, no. 3 (May/June 2003): 16-19.

<sup>8</sup> Geoffrey R. Weller, "Change and Development in the New Zealand Security and Intelligence Services," *Conflict Quarterly* 21, no. 1 (Spring 2001).

<sup>9</sup> Roger Boshier, *Footsteps Up Your Jumper: Activities of the New Zealand Security Service* (Perspective 6) (Wellington: Farm Road Branch, N.Z. Labour Party, 1969).

<sup>10</sup> Hori Hatini, *SIS: Constitutional Views behind the News* (Christchurch: Eighteenforty Consultancy, 1999).

<sup>11</sup> Nicky Hager, *Secret Power: New Zealand's Role in the International Spy Network* (Nelson: Craig Potton Publishing, 1996).

<sup>12</sup> Desmond Ball, Cliff Lord and Meredith Thatcher, *Invaluable Service: The Secret History of New Zealand's Signals Intelligence during Two World Wars* (Waimauku, New Zealand: Resource Books, 2011).

Wider histories which concentrate on New Zealand affairs are important in setting discussions about intelligence in its broader context. For example, Malcolm Templeton's engaging account of the short-lived Moscow Legation in *Top Hats Are Not Being Taken: A Short History of the New Zealand Legation in Moscow, 1944 – 1950*<sup>13</sup> outlines some of the dynamics which characterised New Zealand's relationship with the Soviet Union. It also contributes to the personal history that is known of Costello.

Although there is a danger of allowing the experiences of other states to unduly influence perceptions of intelligence, they remain of some value by providing context to New Zealand's specific case. Australia's experience is, as in several other areas of history, closely akin to New Zealand's own. Frank Cain's "Venona in Australia and Its Long-Term Ramifications"<sup>14</sup> and Desmond Ball and David Horner's *Breaking the Codes: Australia's KGB Network, 1944 – 1950*<sup>15</sup> are just two examples of sources available to researchers.

Britain's intelligence history is an additional source of material to inform how intelligence in New Zealand has developed. Christopher Andrew, for example, is recognised internationally as an intelligence specialist, besides being a well-respected academic and a prolific author. He has lately taken on the role of official historian to Britain's security service (commonly known as MI5) in a book entitled *The Defence of the Realm: The Authorized History of MI5*.<sup>16</sup> His works do not often mention New Zealand but are contextually important to the development of its intelligence in relation to its international counterparts.

Along with the numerous general histories on intelligence, myriad biographies, autobiographies and testimonies of twentieth century intelligence operatives from all over the world have been written. A.W. Cockerill, for example, has written a biography of Sir Percy Sillitoe, a former Director-General of MI5 and a player in New Zealand's own

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<sup>13</sup> Malcolm Templeton, *Top Hats Are Not Being Taken: A Short History of the New Zealand Legation in Moscow, 1944 – 1950* (Wellington: New Zealand Institute of International Affairs, 1988).

<sup>14</sup> Frank Cain, "Venona in Australia and Its Long-Term Ramifications," *Journal of Contemporary History* 35, no. 2 (April 2000): 231-248.

<sup>15</sup> Desmond Ball and David Horner, *Breaking the Codes: Australia's KGB Network, 1944 – 1950* (St Leonards, NSW: Allen & Unwin, 1998).

<sup>16</sup> Christopher Andrew, *The Defence of the Realm: The Authorized History of MI5*, updated ed. (London: Penguin Books, 2010).

intelligence history.<sup>17</sup> Allen Dulles, a former Director of Central Intelligence in the United States of America, wrote a book entitled *The Craft of Intelligence*<sup>18</sup> which lays out some of his impressions about the field.

Almost all of the secondary sources are based on available primary source materials which are released by intelligence services in accordance with security considerations and archival prescriptions. One of the reasons why intelligence was often overlooked by historians until the latter half of the twentieth century was the difficulty with which such sources were obtained by researchers. Significant delays in the declassification and release of documents, a lack of knowledge about what information remains classified, and the fact that some key conversations about intelligence matters may not have been recorded at all means that the history of intelligence will always remain incomplete. Moreover, the vast majority of intelligence officers are unlikely to openly discuss their experiences in that environment, even after they have left an intelligence service.

Fortunately a significant portion of primary source documents pertaining to the period covered by this thesis, 1945 to 1957, have been declassified by the New Zealand Security Intelligence Service. Included in the collection of over sixty documents released are departmental memorandums, letters, directives, internal and external reports, newspaper clippings, orders-in-council and handwritten notes. It is highly probable that this collection is incomplete. In particular, specific documents relating to individual cases are likely to have been retained by the Service. Nevertheless, there is a significant body of information that can be obtained, and more that can be deduced, from what is available.

Although the historiography of intelligence is slowly growing, there remains room for a new approach to the history of security intelligence in New Zealand from the end of World War II until the formation of the state's first separate and specialised intelligence service, the New Zealand Security Service (NZSyS). As opposed to earlier histories which have used a methodology based on detailed analysis of individual historical events and personalities, this thesis will use a broader, chronological methodology and will focus on security intelligence as approached from a government, senior executive and senior advisory level. It is underpinned by three key questions: What were the key events and

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<sup>17</sup> A.W. Cockerill, *Sir Percy Sillitoe: The Biography of the Former Head of MI5* (London: W.H. Allen & Co., 1975).

<sup>18</sup> Allen Dulles, *The Craft of Intelligence* (Boulder, Colorado: Westview Press, 1985).

influences which shaped the development of New Zealand's security intelligence from a predominantly police-oriented capability in 1945 into an independent capability from 1956-57? Who were the domestic and international parties contributing to that development? What is the significance of this period in New Zealand's intelligence history?

Chapter One, entitled "Security Intelligence in New Zealand until 1945", is a background chapter which gives a short overview of intelligence arrangements until the end of World War II. It discusses the concepts of collective security and a collective threat environment which defined much of New Zealand's perception of security in the early years of the twentieth century. Early developments in security intelligence were indicative of a burgeoning realisation within the state of the need to take responsibility for its own security intelligence capability.

Chapter Two takes up the narrative at the close of World War II, describing the international influences which affected New Zealand's involvement in the global environment, and how those relationships interacted in light of the re-emergence of an old threat. Entitled "International Influences and the Beginning of the Cold War", it summarises the threat presented by the Union of Soviet Socialist Republics (USSR), security intelligence arrangements in states closely allied to New Zealand, and how in 1948 one of those states – Britain – encouraged New Zealand to confront issues of security in a way similar to its own.

Chapter Three, "Threats and Targets", explores in more depth the problems that confronted security intelligence in New Zealand. It describes the three principal threat groups operating in New Zealand and the targets those groups were pursuing. Much of the information used in naming both threats and targets is embedded in evidence extracted from key primary source documents.

Chapter Four, entitled "The Police Special Branch", assesses the security intelligence organisation which existed within the Police Department between 1949 and 1957. It traces the short history of the Branch as well as going into some detail about the composition and tasks of the capability, and the pressures which were collectively responsible for its eventual disbandment.

Chapter Five, "In Search of a Security Intelligence Capability Solution", describes how security intelligence was reshaped by senior government officials in an attempt to resolve the problems evident in the Special Branch. The contributions of two individuals –

Samuel T. Barnett and Foss Shanahan – who were key catalysts for change throughout that process are examined in more detail. It also gives a brief analysis of the way in which the Prime Ministers between 1945 and 1957 played their part in developing New Zealand's security intelligence capability.

Chapter Six, entitled "Creation of the New Zealand Security Service", describes how the establishment of the service took place and some of the key documents which defined its form and function. It also discusses some of the organisational issues which arose during those formative years, in particular the individual chosen to become the state's first Director of Security. Modern versions of a New Zealand security intelligence service were in large measure shaped by the conventions established in the organisation that was created in 1956-57.

Security intelligence has been, and remains, an important state capability. Its process of maturation between 1945 and 1957 was particularly significant because it enabled the development of a capability and an organisation which formed the basis of security intelligence as it functions today. It is that history with which this thesis is primarily concerned.

## Chapter One

# Security Intelligence in New Zealand until 1945

The origins of a modern security intelligence capability in New Zealand may be found in the earliest decades of the twentieth century. At that time, the state aligned itself principally with the institutions, traditions, values and interests of the British Empire. In terms of security, both military and intelligence arrangements were influenced by those connections. Security intelligence arrangements in those early years was largely an adaptation or extension of similar arrangements in Britain, rather than a capability built around New Zealand's own peculiar requirements.

As one link in the larger network of states that comprised the British Empire, New Zealand at the beginning of the twentieth century would likely have seen little difference between its own security concerns and those confronting Britain. The obligation of the latter to commit military strength to the protection of its colonies created a corresponding obligation for those colonies to reciprocate when unrest occurred elsewhere. The Boer War is a good example of this notion of reciprocity. New Zealand was not directly threatened by the conflict but it nevertheless willingly committed troops to the British cause in aid of wider imperial interests.

If collective security was one side of the coin, the other side was a collective threat environment. Close ties between New Zealand and Britain in relation to security arrangements inevitably meant that the former would be concerned about the same threats as the latter. One of the principal states of concern in the late nineteenth and early twentieth centuries was Russia, whose maritime military presence in the Asia-Pacific and other regions was increasing. Any state that could threaten British naval dominance on the high seas presented a possible threat to New Zealand, a state largely dependent on the security of its maritime approaches.

The threat of Russia's maritime power at the time was compounded by that state's internal instability, which in 1917 resulted in a series of revolutions that overthrew the old world order dominated by the tsar and the traditional aristocracy. As those revolutions occurred, they paved the way for the rise in influence of communism, a revolutionary ideology foreign to both the British and the New Zealand way of life. This instability, and the corresponding unpredictability of the situation, hampered the



international community's ability to interpret and react comfortably to the changes occurring in one of the world's largest states.

New Zealand's reaction to the events taking place in Russia has been described by some historians, including Glynn Barratt<sup>1</sup> and Tony Wilson,<sup>2</sup> as a phobia. Physical evidence of "Russophobia" (of both the nineteenth century tsarist and twentieth century communist varieties) and similar fears about other aggressive states (such as Germany and Japan during World War II) may be seen in the remains of coastal defences still existing at major ports in Auckland, Wellington, Lyttelton and Port Chalmers.<sup>3</sup> These defences were intended to deter aggression. They were also an indication that New Zealand had begun to take ownership of elements of its security. A greater appreciation of the necessity for a state to be responsible for the protection of its citizens led to, among other things, the first in a series of attempts to establish security intelligence as a separate and specialised state capability.

New Zealand was slow to adopt an intelligence organisation which was comparable to institutions like the British Security Service (MI5). The first civilian intelligence capability in the twentieth century was grown from within an existing institution – the Police Department. The Police Commissioner at the time, John O'Donovan,<sup>4</sup> sent instructions to his police districts that they were to monitor subversive elements which could pose a threat to society or the state. O'Donovan's directive, distributed in the form of a memorandum dated 29 January 1919, instructed his subordinates that persons and activities of concern, specifically "persons of revolutionary tendencies...advocating lawlessness or disorder...of a revolutionary or other disturbing nature", should be given "immediate and continued special attention".<sup>5</sup> All information

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<sup>1</sup> Glynn Barratt, *Russophobia in New Zealand 1838 – 1908* (Palmerston North: The Dunmore Press, 1981).

<sup>2</sup> Tony Wilson, "Defining the 'Red Menace': 'Russophobia' and New Zealand-Russian Relations from the Tsars to Stalin," in *Lenin's Legacy Down Under: New Zealand's Cold War*, ed. Alexander Trapeznik and Aaron Fox (Dunedin: Otago University Press, 2004), 93.

<sup>3</sup> A.J. Baigent, "Coast Artillery Defences," Royal New Zealand Artillery Association, <http://riv.co.nz/rnza/hist/baigent1.htm> (accessed 24 April 2011).

<sup>4</sup> Murray Hill, *In the Line of Duty: 100 Years of the New Zealand Police* (Auckland: Endeavour Press Ltd., 1986), 86.

<sup>5</sup> Commissioner of Police to All Districts, memorandum, 29 January 1919, New Zealand Security Intelligence Service Archives, Wellington.

collected was to be forwarded immediately to the Office of the Commissioner, along with a fortnightly report on general investigations of that nature.<sup>6</sup>

That memorandum was closely followed by another released on 3 April 1919 with similar instructions, but with more specific direction that a detective be “detailed to give special attention to the matter”.<sup>7</sup> It also directed that a detailed list of individuals be compiled and kept as a running record as the investigations progressed.<sup>8</sup> A final memorandum was issued from the Commissioner’s Office on 10 September 1920 which reiterated the message of the previous two memorandums, but in more depth. Along with the responsibilities mentioned previously, the detective assigned to these duties was also to monitor meetings of suspect organisations, the movement into and out of port facilities, applications for New Zealand passports, and obtaining and perusing subversive literature. It was made very clear that these activities and the reports which were generated from them were not to be used for the purposes of daily policing. They were to be kept from the notice of much of the rest of the Police Force.<sup>9</sup>

Without further documentation describing how the information generated was managed by the Commissioner’s Office, it is difficult to accurately assess whether it was used effectively to counter perceived threats. The lack of information could suggest that there was no comprehensive bureaucracy dedicated specifically to the handling of security intelligence matters, but this is unproven. If Police Headquarters was assigned to the management of subversive threats, it may be hypothesised that specific details relating to those threats were subsumed into the larger infrastructure and perhaps lost amongst a myriad of other police duties. Moreover, in the memorandums issued by O’Donovan, there is no clear indication that hostile spies (as distinct from subversive elements) should be targeted by the Department, or even that they existed or could pose any kind of threat to New Zealand. What the creation of a detailed list of subversive activities and persons does suggest, however, is that a rudimentary understanding of the basic methods employed by security services was in place at this time. The collation of information was a forerunner of

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<sup>6</sup> Commissioner of Police to All Districts, memorandum, 29 January 1919.

<sup>7</sup> Commissioner of Police to All Districts, memorandum, 3 April 1919, New Zealand Security Intelligence Service Archives, Wellington.

<sup>8</sup> Commissioner of Police to All Districts, memorandum, 3 April 1919.

<sup>9</sup> Commissioner of Police to All Districts, “Revolutionary Organisations and Propaganda,” 10 September 1920, New Zealand Security Intelligence Service Archives, Wellington, 2-3, 5.

much more complex and widespread files kept by intelligence organisations later in the twentieth century.

O'Donovan's closing statements in the 1920 memorandum give a clear indication of the object of the work to be undertaken, the secret nature of that work, and the uncertainty about the extent of the threat at that time:

The object is to obtain the fullest information possible regarding such matters and persons and to have thorough investigation, and this is more likely to be accomplished if those to whom the duty is entrusted realise that they may report without restraint and that their reports are not open to the scrutiny of other members of the Force.

There is ample evidence that in some districts there is scope for considerable detective work of this nature, and probably there will be more in future. In other districts there will of course be less, but unless such matters are made the subject of proper investigation, it is impossible to know what is transpiring.<sup>10</sup>

A threat had been identified, and measures put in place to monitor and contain it, but it is clear that at this stage security intelligence activities were of a limited nature. The Commissioner's determination to see a thorough investigation put in place was no guarantee that the information, once gathered, was analysed and exploited effectively. In particular the decision to withhold reports on these matters from the wider Police Force prevented the capability from making use of the majority of available bureaucratic resources to support its investigations.

In his memorandums the Commissioner did not specify on what authority he was initiating the investigations. There are two possibilities. Either the New Zealand Government had directed that such investigations were necessary in response to growing concerns about domestic and international instability and their possible ramifications, or it was an initiative conceived within the Police Department in response to subversive elements having been identified in the course of normal police work. What is clear is that the beginnings of an understanding that New Zealand was or could be a target for subversion had emerged around 1919, and that the wider imperial security network of which that state was a part could or would not commit all necessary resources to the problem. It would have to be confronted internally.

By the time World War II began in 1939, the Police Department had been involved in a limited spectrum of security intelligence activities for twenty years. It produced weekly intelligence summaries on its activities in the early war period, but the brevity of

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<sup>10</sup> Commissioner of Police to All Districts, "Revolutionary Organisations and Propaganda," 10 September 1920, 5.

the summaries and their content<sup>11</sup> are further proof of the limitations of security intelligence in place at the time. If the scarcity of other documentation is any indication, few effective counter-measures to threats like subversion had been put in place. One possible explanation is that despite ongoing investigations there were no significant threats identified against which action could be taken. The other, and arguably more plausible, explanation is that the counter-measures were not extensive enough to detect those threats. The police capability seems to have been a stop-gap measure with no real structure or operating procedures. It was not versatile or well-resourced, as may be seen in the absence of any new resources being committed by the Police Commissioner to security intelligence tasks. With war on the horizon, it is unlikely that the capability was effective in the rapidly changing security environment.

As might be expected in a time of war, New Zealand's armed forces became a much stronger advocate for change in security intelligence after 1939. The urgency of conflict called for a re-examination of the capability and soon intruded on the Police Department's prerogative. The Asia-Pacific region faced the prospect of attack by states like Germany and Japan, the latter boasting a sizeable navy and the imperial hunger to use it aggressively in the South Pacific.<sup>12</sup> Germany was restricted in its operations by a small navy of its own and the naval strategy of Britain, but was still able to launch "nuisance raiding operations in the Pacific"<sup>13</sup> which threatened New Zealand's interests. Those operations reminded New Zealand that the state was by no means safe from ocean-launched aggression. The global reach and operations of its enemies, paired with the possibility of subversive elements allied to those enemies operating inside New Zealand's borders, was probably the basis of the justification felt by the armed forces in asserting their right to contribute to or control internal security.

The pre-eminence of military concerns, combined with their questions about the effectiveness of police security intelligence measures, led to a confrontation of differing interests between the Police Department and the military. One historian recounts "the lack of value the Chiefs of Staff attached to any contributions by the police on internal

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<sup>11</sup> One example among several of these intelligence summaries is as follows: Commissioner of Police to The Secretary, Organization for National Security, Prime Minister's Department, "Weekly Intelligence Summary," 21 November 1939, Dr John Tonkin-Covell personal collection, New Zealand.

<sup>12</sup> Ian McGibbon, "New Zealand's Strategical Approach," in *Kia Kaha: New Zealand in the Second World War*, ed. John Crawford (Auckland: Oxford University Press, 2000), 12-13.

<sup>13</sup> McGibbon, "New Zealand's Strategical Approach," in Crawford, 12.

security”,<sup>14</sup> particularly as it related to issues such as the leaking of information through open sources from mediums like mail messages and press releases.<sup>15</sup> Their advocacy for change was supported by a visit to New Zealand in 1940 by Lieutenant-Colonel Charles Mawhood, a British Army and MI5 officer.<sup>16</sup> Mawhood recommended that a separate security service be created. He offered “an organisational outline for a security service”<sup>17</sup> which was endorsed by the Chiefs of Staff Committee. The recommendation was passed to the War Cabinet and the Prime Minister for consideration in the form of a paper entitled “Security Intelligence Service”, and was approved on 27 November 1940.<sup>18</sup>

In the midst of this bureaucratic tug-of-war, the Security Intelligence Bureau (SIB) was established under the nominal jurisdiction of the armed forces for the purpose of conducting security intelligence operations, in a similar arrangement to MI5’s relationship with the British War Office.<sup>19</sup> Mawhood took on the initial task of recruiting officers for the Bureau, assembling some “30-odd men” and training them at Trentham early in 1941.<sup>20</sup> They were commanded by a British officer, Major Kenneth Folkes, and began operations in February 1941.<sup>21</sup> Most of the duties included in Police Commissioner O’Donovan’s memorandums of 1919 and 1920 came under the purview of the new Bureau. From a military point of view, the Branch would be a useful foil against potential “enemy fifth column and para-military activity”<sup>22</sup> which could cause problems for New Zealand’s war effort.

The transition of security intelligence from the department that had managed it over the last twenty years to the armed forces, which had little previous experience in such matters and, regardless, was principally occupied with war-fighting, must have caused

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<sup>14</sup> John Tonkin-Covell, “The Collectors: Naval, Army and Air Intelligence in the New Zealand Armed Forces during the Second World War” (PhD dissertation, University of Waikato, 2000), 62.

<sup>15</sup> Tonkin-Covell, “The Collectors,” 72.

<sup>16</sup> *Ibid.*, 289.

<sup>17</sup> *Ibid.*, 290.

<sup>18</sup> *Ibid.*, 294.

<sup>19</sup> *Ibid.*, 291.

<sup>20</sup> “Mr. Fraser and “Intelligence”,” *The New Zealand Observer*, 11 October 1944, 7.

<sup>21</sup> Tonkin-Covell, “The Collectors,” 295.

<sup>22</sup> *Ibid.*, 288.

some confusion. The loss of its capability was likewise a blow to the reputation of the Police Department and probably created a degree of hostility towards the Bureau from the outset. The unsettled nature of the SIB's formation was a premonition for future operational difficulties, one of which – the Ross Affair – caused the Bureau to collapse two short years after its establishment.

Barely a year after the formation of the SIB, an individual by the name of Sydney Gordon Ross was brought to the attention of then-Prime Minister Peter Fraser. Ross related a tale of subversion and sabotage being planned in New Zealand, the details of which he had supposedly obtained just after his release from Waikeria Prison.<sup>23</sup> Fraser seized on the tale and directed Folkes and the Bureau to investigate the claims, instructing Folkes specifically not to divulge the case to anyone else.

Having interrogated Ross, Folkes authorised the use of Bureau resources in the task of verifying Ross's claims and establishing the nature and extent of the threat posed. On 10 June 1942, Folkes informed the Prime Minister that he had ascertained that there was a threat to the security of the state in the group Ross identified, and that he believed Ross personally was telling the truth. Despite the lack of conclusive evidence of criminal intent or action on the part of those under investigation, Folkes approached the Chiefs of Staff Committee on 24 June 1942 for the purpose of obtaining military personnel for a raid should the threat require it.<sup>24</sup>

The Police Department was given responsibility for the investigation from 2 July 1942, presumably to conclude the case by issuing criminal charges against those under suspicion. It took a very short amount of time for the police to determine that the Ross conspiracy was in fact a hoax, that Ross himself had a history as a confidence trickster,<sup>25</sup> and that the supposed threat to the state was non-existent. Because the police had not informed the Bureau of Ross's identity before their own investigation commenced, the subsequent revelation of the hoax was far more damaging to the Bureau's reputation than it might otherwise have been.<sup>26</sup>

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<sup>23</sup> Hugh Price, *The Plot to Subvert Wartime New Zealand* (Wellington: Victoria University Press, 2006), 24.

<sup>24</sup> Tonkin-Covell, "The Collectors," 323.

<sup>25</sup> *Ibid.*, 318.

<sup>26</sup> *Ibid.*, 316.

After the Ross Affair, many aspects of the SIB and its activities were criticised in the media. The New Zealand public, not knowing of the more positive contributions of the Bureau to the state's security in wartime, displayed an equally negative impression of its existence. One newspaper article from 1944 noted the following:

“One of the cruel legends that has grown up round the Security [sic] organisation is that it was a “funk-hole” for men who did not want to go to the war. In point of fact, many of those selected for the work had enlisted early in the war for combatant service. One man appointed to the Bureau had returned from overseas after being severely wounded.”<sup>27</sup>

Prime Minister Fraser was equally disinclined to stand by the Bureau and the extent of his own role in instigating the Ross investigation was not revealed. “The political fallout was indeed potentially dangerous for the Prime Minister”<sup>28</sup> and some effort was likely expended to ensure Fraser was not caught up in the negative aftermath. Without the support of the New Zealand Government, the Bureau's future as a semi-independent service was short-lived. Major Folkes had resigned his position as Director by 6 February 1943<sup>29</sup> and the police gained operational control of the organisation.

The short history of the Bureau was nevertheless a major turning point in the history of security intelligence. Rather than being managed on a fairly minimal scale by the Police Department, security intelligence became the purview of a semi-independent security service which was intended to conduct specialised intelligence operations separate from the law and order functions of the police. When the Bureau became subsumed under the Police Department after the Ross Affair, it signalled a reinstatement of the pre-war status quo. Although the progression towards a separate and specialised security service in New Zealand was slowed by that somewhat regressive development, the concept of such a service remained and was raised again over the following couple of decades.

The somewhat haphazard and limited nature of security intelligence in New Zealand between 1919 and 1945 contributed to the larger collective security network of the British Empire, but also indicated that the state had accepted some responsibility for matters of its own security. The concept of an independent security service had been sown in the (albeit temporary) form of the Security Intelligence Bureau and was to bear fruit in

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<sup>27</sup> “Mr. Fraser and “Intelligence”,” 11 October 1944, 7.

<sup>28</sup> Tonkin-Covell, “The Collectors,” 332.

<sup>29</sup> *Ibid.*, 334.

the decades to follow. Moreover, the Russophobia experienced in the nineteenth and early twentieth centuries in New Zealand prepared that state to better appreciate the very real threat the newly-formed Soviet Union presented to its interests in the post-war world.



## Chapter Two

# International Influences and the Beginning of the Cold War

As World War II subsided in 1945, the upheavals which had carried security intelligence in New Zealand through bureaucratic wrangling and the Ross Affair likewise largely died down. In 1943 the Police Department regained control of the capability, absorbing the Security Intelligence Bureau into its own organisation and effectively nullifying the influence of the military. Prime Minister Peter Fraser seemed content to leave the capability in that position and the senior police hierarchy, led at that time by Police Commissioner Denis Cummings (and then from 1944 his brother James Cummings), must have been content to see security intelligence return to “their own province.”<sup>1</sup>

Despite the apparent resumption of the pre-war status quo, the after-effects of war and domestic manoeuvring around security intelligence continued to subtly change perceptions and expectations of the capability. There were two major factors which drove these changes forward. This chapter will discuss the first of those factors – international influences on security intelligence in New Zealand. Perhaps the most pressing of those influences was the rise of the Soviet Union and the concerns it created in states such as Britain and the United States of America. Britain’s ties to New Zealand, in particular, became a significant reason why the New Zealand Government was soon obliged to re-examine its own intelligence arrangements.

Even before the end of World War II, tensions between ostensible wartime allies Britain, the United States of America and the Soviet Union were already becoming apparent. One of the first visible signs of the period in history which would come to be known as the Cold War occurred in September 1945 when Igor Gouzenko, a cipher clerk in the Soviet Embassy in Ottawa, Canada, defected to Canadian authorities.<sup>2</sup> He brought with him credible evidence of Soviet espionage and subversive activities in several states. The effects of his defection were substantial. There were over twenty Canadian individuals, for

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<sup>1</sup> John Tonkin-Covell, “The Collectors: Naval, Army and Air Intelligence in the New Zealand Armed Forces during the Second World War” (PhD dissertation, University of Waikato, 2000), 286.

<sup>2</sup> David McKnight, *Australia’s Spies and their Secrets* (St Leonards, NSW: Allen & Unwin Pty Ltd., 1994), 13.

example, who were placed under suspicion as a result of Gouzenko's revelations.<sup>3</sup> In the United States a woman named Elizabeth Bentley, who had been a courier of information for Soviet agents, confessed of her own volition after Gouzenko's defection was publicly revealed.<sup>4</sup> British authorities were concerned by allegations that one of their foremost atomic scientists was passing information on nuclear research to the Soviet Union.<sup>5</sup> In a very short space of time, the Soviet Union came to be considered the pre-eminent threat to "the world's oldest, top flight intelligence nation [Britain] and its most powerful one [the United States of America]".<sup>6</sup>

The perception of the Soviet Union and its political ideology, communism, as a threat was not a new phenomenon. It has already been noted that in the late nineteenth and early twentieth centuries New Zealand society experienced what has been called Russophobia, where in essence "the collective fears of a small, insular nation became focused on Russia".<sup>7</sup> Russia's 1917 Revolution and the subsequent establishment of the Soviet Union were seen as aggressive, expansionist developments which, in the language of Karl Marx and Frederick Engels, threatened "revolutionary movement against the existing social and political order of things".<sup>8</sup> One of the key mechanisms through which the anticipated global revolution was to be carried out was the Third Communist International<sup>9</sup> (also known as the Comintern). An international organisation, its ambition was to push "by all available means, including armed force, for the overthrow of the

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<sup>3</sup> Amy Knight, *How the Cold War Began: The Igor Gouzenko Affair and the Hunt for Soviet Spies* (New York: Carroll & Graf Publishers, 2005), 4.

<sup>4</sup> Knight, *How the Cold War Began*, 88.

<sup>5</sup> R.H. Hollis, talk on communism given by Mr R.H. Hollis at Army Headquarters, 23 March 1948, New Zealand Security Intelligence Service Archives, Wellington, 5.

<sup>6</sup> Peter Hennessy, "The British State Old and New," *RUSI Journal* 150, no. 3 (June 2005): 17.

<sup>7</sup> Tony Wilson, "Defining the 'Red Menace': 'Russophobia' and New Zealand-Russian Relations from the Tsars to Stalin," in *Lenin's Legacy Down Under: New Zealand's Cold War*, ed. Alexander Trapeznik and Aaron Fox (Dunedin: Otago University Press, 2004), 93.

<sup>8</sup> Karl Marx and Frederick Engels, *The Communist Manifesto: A Modern Edition* (London: Verso, 1998), 77.

<sup>9</sup> The goals of the First (1903 – 1917) and Second (March – November 1917) Communist Internationals were, according to one commentator writing in 1941, "the overthrow of Tsarism" and "the overthrow of imperialism in Russia and withdrawal from the "imperialist" war" respectively. See Bruce C. Hopper, "Narkomindel and Comintern: Instruments of World Revolution," *Foreign Affairs* 19, no. 4 (July 1941): 737.

international bourgeoisie and for the creation of an international Soviet republic as a transition stage to the complete abolition of the State".<sup>10</sup>

Although the Comintern was dissolved in May 1943,<sup>11</sup> the perceived menace with which other elements of the communist bloc (including both state and non-state actors) sought to confound the interests of the non-communist world remained. In particular, attention paid to the subversive and espionage activities of communist intelligence services were thrust to the forefront as World War II ended. Gouzenko's defection revealed a significant Soviet intelligence effort directed against other states, the scope of which had probably not been fully appreciated before 1945. While evidence of communist intelligence operations against other states began to build in the immediate post-war period, it took some time for those efforts to be better defined and more clearly understood.

One of the assumptions formed as a better understanding of Soviet intelligence was gathered by other states was that "the activities of the Russian Intelligence Service are planned as one and work very much on similar lines in different parts of the world."<sup>12</sup> The trends and characteristics of Russian (or Soviet) intelligence identified in one part of the world were believed to have a close affinity with similar elements in operation elsewhere. If this was true then, for example, former Director of Central Intelligence Allen Dulles' description of Soviet intelligence officers could be applied to such individuals working in New Zealand as easily as it was the United States:

From my own experience I have the impression that the Soviet intelligence officer represents the species homo Sovieticus in its most unalloyed and most successful form...It is as if the Soviet intelligence officer were a kind of final and extreme product of the Soviet system, an example of the Soviet mentality pitched to the nth degree. He is blindly and unquestioningly dedicated to the cause, at least at the outset...subject to a rigid discipline...On the one hand, he belongs to an elite; he has privilege and power of a very special kind...On the other hand, neither rank nor seniority nor past achievement will protect him if he makes a mistake.<sup>13</sup>

Dulles' description of these intelligence officers brings to mind indoctrinated individuals who would unquestioningly follow orders according to the logic and norms of the Soviet

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<sup>10</sup> First World Congress of Third Communist International, quoted in "History: The Communist Threat," Security Service (MI5), <https://www.mi5.gov.uk/output/the-communist-threat.html> (accessed 16 May 2012).

<sup>11</sup> Vojtech Mastny, *Russia's Road to the Cold War: Diplomacy, Warfare, and the Politics of Communism, 1941 – 1945* (New York: Columbia University Press, 1979), 94.

<sup>12</sup> Hollis, talk on communism given by Mr R.H. Hollis at Army Headquarters, 23 March 1948, 3.

<sup>13</sup> Allen Dulles, *The Craft of Intelligence* (Boulder, Colorado: Westview Press, 1985), 95-96.

system. It is a good example of the paranoia with which the Soviet Union was perceived in that era, sometimes described by the use of a pithy “reds under the bed” phrase.

Oleg Gordievsky was a former Soviet intelligence officer who became a double agent for Britain’s foreign intelligence service (MI6) in the 1970s. As a practitioner on the other side of the divide from men like Dulles, his insights into the types of methods used by Soviet spies have a greater ring of credibility. He believes that around “that time [in the immediate post-war period] Soviet intelligence was the most effective and the most powerful in the world”,<sup>14</sup> particularly because it was very good at manipulating human weaknesses. Blackmail, for example, was a common tactic for the recruitment and retention of agents. Viktor Suvorov, another former Soviet intelligence officer, notes that Soviet military intelligence maintained an Archives Department which held “millions of personal details and files on illegals...successful recruitment of foreigners (and unsuccessful ones), material on everyone from statesmen and army heads to prostitutes and homosexuals and designers of rockets and submarines.”<sup>15</sup> All of this material could be used to push agents or other persons of interest to serve Soviet intelligence. Suvorov went on to describe the material in a rather poetic way: “In every file lies the fate of an individual, in every file there is an unwritten novel.”<sup>16</sup>

Soviet intelligence officers were also known for appealing to a potential agent on the basis of ideology. The reputation of capitalism as a viable economic system had suffered some setbacks at the hands of war and economic depression. Andrew Boyle observes that the “choice between fumbling democratic procedures for intractable local problems and the final revolutionary solution of the Communist International seemed a simple one for rebellious and discontented idealists to make.”<sup>17</sup> Communism was also depicted as a potential, peaceable alternative to established political systems. Michael Parker mentions in his book on the Security Intelligence Service that Soviet intelligence officers based in New Zealand had been known to approach an individual “stating that

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<sup>14</sup> Oleg Gordievsky, quoted in “KGB,” *The Spying Game*, DVD (The History Channel, 2007).

<sup>15</sup> Viktor Suvorov, *Soviet Military Intelligence* (London: Hamish Hamilton Ltd., 1984), 71.

<sup>16</sup> Suvorov, *Soviet Military Intelligence*, 71.

<sup>17</sup> Andrew Boyle, *The Climate of Treason: Five who Spied for Russia* (London: Hutchinson & Co. (Publishers) Ltd., 1979), 11.

they wished to aid world peace and a lessening of global tensions. Perhaps if they could exchange information about matters of mutual interest?"<sup>18</sup>

The group of British agents known as the Cambridge Five is a good example of a largely ideologically-based Soviet spy ring in the history of intelligence.<sup>19</sup> Anthony Blunt, Guy Burgess, John Cairncross, Donald Maclean and Kim Philby were all scholars at Trinity College, Cambridge University and had been recruited as Soviet agents. Placed within key government institutions in Britain, the Cambridge Five were prodigious collectors of secret information which they passed on to their handlers over many years. Christopher Andrew and Vasili Mitrokhin have determined that in "1942 alone Maclean's documents filled more than forty-five volumes in the [Soviet] Centre archives".<sup>20</sup> Communism served as one of the hooks which reeled in the agents and tempted them with service in aid of the betterment of humankind.

Unfortunately, the theoretical communist ideology fell very far from its applied reality in the Soviet Union:

All [of the Cambridge Spies] were committed ideological spies inspired by the myth-image of Stalin's Russia as a worker-peasant state with social justice for all rather than by the reality of a brutal dictatorship with the largest peacetime gulag in European history.<sup>21</sup>

The excesses of Joseph Stalin's brutal regime and the continuing breach of human rights after his death were arguments against the revolutionary solution presented by communism. Those who dared to voice their disapproval were sometimes killed for that

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<sup>18</sup> Michael Parker, *The SIS* (Palmerston North: Dunmore Press, 1979), 86.

<sup>19</sup> There is a wealth of information available about the Cambridge Five. The literature includes, but is not limited to, the following publications: Andrew Boyle, *The Climate of Treason: Five who Spied for Russia* (London: Hutchinson & Co. (Publishers) Ltd., 1979); Miranda Carter, *Anthony Blunt: His Lives* (London: Macmillan, 2001); John Costello, *Mask of Treachery: The First Documented Dossier on Blunt, MI5, and Soviet Subversion* (London: William Collins Sons & Co. Ltd., 1988); John Fisher, *Burgess and Maclean: A New Look at the Foreign Office Spies* (London: Robert Hale Limited, 1977); S.J. Hamrick, *Deceiving the Deceivers: Kim Philby, Donald Maclean and Guy Burgess* (New Haven, Connecticut: Yale University Press, 2004); Phillip Knightley, *Philby: The Life and Views of the K.G.B. Masterspy* (London: Andre Deutsch, 1988); Yuri Modin, Jean-Charles Deniau and Aquieszka Ziarek, *My Five Cambridge Friends: Burgess, Maclean, Philby, Blunt, and Cairncross by their KGB Controller* (New York: Farrar, Straus & Giroux, 1995); Bruce Page, David Leitch and Phillip Knightley, *Philby: The Spy Who Betrayed a Generation* (London: Andre Deutsch, 1968); Kim Philby, *My Silent War* (London: MacGibbon & Kee, Ltd., 1968); Nigel West and Oleg Tsarev, eds., *TRIPLEX: Secrets from the Cambridge Spies* (New Haven, Connecticut: Yale University Press, 2009).

<sup>20</sup> Christopher Andrew and Vasili Mitrokhin, *The Mitrokhin Archive: The KGB in Europe and the West* (London: Allen Lane The Penguin Press, 1999), 149.

<sup>21</sup> Christopher Andrew, *The Defence of the Realm: The Authorized History of MI5*, updated ed. (London: Penguin Books, 2010), 173.

dissention, the best example being the assassination of Leon Trotsky in Mexico in 1940.<sup>22</sup> Cautionary tales such as these do not seem to have deterred many individuals from becoming intelligence officers or agents for the Soviet Union, however. Ernest Volkman puts the number of persons employed by the Soviet espionage establishment in 1945 at 150,000.<sup>23</sup>

The Soviet intelligence system, although large, was not without its weaknesses. In part this was a result of the stark differences between ways of life in the Soviet Union and its satellite states, and in states colloquially known as “the West”, for example Britain or Canada. Exposure to abundant material goods available in the West, and its purported adherence to democratic values and the upholding of basic human rights,<sup>24</sup> were likely two of the principal reasons why Soviet intelligence operatives would choose to defect. Fear was a third reason. In an environment where a formerly trusted intelligence chief such as Lavrenti Beria would be arrested and executed after a change in government,<sup>25</sup> no individual in a position of power or influence could feel completely secure, nor could their subordinates trust that they would not be turned on in a similar fashion. Defection under such circumstances was certainly a viable alternative.

The Soviet intelligence system was undeniably formidable. In 1950 Carl Berendsen, New Zealand’s Minister in Washington and then Ambassador to the United States of America from 1948,<sup>26</sup> commented to his colleague Alister McIntosh that “I am immensely impressed by the menace of Communists in high places and in secret places...leaves me far from confident that we are not ourselves victims of the same sort of thing...”<sup>27</sup> Despite such concerns, the Soviet system was not impenetrable. The near-

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<sup>22</sup> “KGB,” *The Spying Game*, DVD.

<sup>23</sup> Ernest Volkman, *The History of Espionage: The Clandestine World of Surveillance, Spying and Intelligence, from Ancient Times to the Post-9/11 World* (London: Carlton Books Limited, 2007), 177.

<sup>24</sup> The ill effects of McCarthyism in the United States in the mid-twentieth century could be evidence against that assumption.

<sup>25</sup> Jock Haswell, *Spies & Spymasters: A Concise History of Intelligence* (London: Thames and Hudson, 1977), 156.

<sup>26</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Berendsen, Carl August,” <http://www.teara.govt.nz/en/biographies/4b25/1> (accessed 17 January 2012).

<sup>27</sup> Carl Berendsen, 6 February 1950, in *Undiplomatic Dialogue: Letters between Carl Berendsen & Alister McIntosh 1943 – 1952*, ed. Ian McGibbon (Auckland: Auckland University Press, 1993), 210.

hysteria about “reds under the bed” and other tales were nearly always exaggerated.<sup>28</sup> Soviet spies and their intelligence system had a mythology of their own, much like the erroneous reputation of the British Secret Intelligence Service (MI6) as depicted in the stories of spies like James Bond, and were likewise flawed. Much of the paranoia surrounding their activities grew from misunderstandings or an overestimation of intentions and capabilities.

The Soviet Union was not the only communist state of concern. China was another, and for New Zealand a geographically closer, potential threat. Having been subjected to turbulent internal and external conflicts in the 1940s, and the assumption of power by the communist faction in 1949,<sup>29</sup> China’s ideological and political situation was similar to that of the Soviet Union. Aggression, instability and unpredictability had their places in Chinese twentieth century history as they did in Soviet twentieth century history. Mao Tse-tung, a key revolutionary and instigator of the communist movement, was by no means reluctant to disguise the aggressive nature of what was occurring in China at that time:

The seizure of power by armed force, the settlement of the issue by war, is the central task and the highest form of revolution. This Marxist-Leninist principle of revolution holds good universally, for China and for all other countries.<sup>30</sup>

Chinese communist rhetoric was spread and its interests promoted in New Zealand by individuals like Rewi Alley, a “Friend of China” and strong advocate for Chinese interests.<sup>31</sup> The New Zealand Government and its officials were by no means blind to the potential threat such interests could represent to New Zealand. McIntosh’s views, for example, were expressed in a letter to Berendsen. He was of the opinion that “[w]e haven’t a hope in the world, in my view, of stopping the march of Communism in Asia.”<sup>32</sup>

Communism took on a more concrete and widespread identity as it became the predominant ideology in states like the Soviet Union and China. Ideology gave a focus to

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<sup>28</sup> “Unlikely reds under the bed – McCarthyism in Britain,” 6 March 2006, *The Independent*, <http://www.independent.co.uk/news/uk/this-britain/unlikely-reds-under-the-bed--mccarthyism-in-britain-468850.html> (accessed 27 December 2011).

<sup>29</sup> Michael King, *The Penguin History of New Zealand Illustrated* (North Shore, Auckland: Penguin Group (NZ), 2007), 365.

<sup>30</sup> Mao Tse-tung, “Problems of War and Strategy,” 6 November 1938, in *Quotations from Chairman Mao* (New York: Universal-Award House, Inc., 1971), 50.

<sup>31</sup> Anne-Marie Brady, “Who Friend, Who Enemy? Rewi Alley and the Friends of China,” *The China Quarterly*, no. 151 (September 1997): 622.

<sup>32</sup> Alister McIntosh, 1 February 1950, in *Undiplomatic Dialogue*, McGibbon, 205.



fears raised in competing states about other elements of those states' power, such as the size of militaries, population numbers, economic influence and political systems. The growth of communism's influence globally mirrored a corresponding rise in the perception of the threat it presented to democratic states. In light of this fact, it is perhaps unsurprising that states such as the United States of America and Britain would seek the means to strengthen their own positions against the perceived menace. That response may have been initially reactive rather than proactive, but it did become more assertive as time passed.

On 5 March 1946, Winston Churchill gave a speech entitled "The Sinews of Peace" at Westminster College in Fulton, Missouri. In that speech he used a phrase which had been used before but which took on new significance in the post-war, Cold War world – "special relationship".<sup>33</sup> He was referring primarily to the relationship between the United States of America and Britain, but also to those states encompassed within the British Commonwealth and its Empire. Canada was specifically mentioned in the context of security and defence connections both with Britain and the United States, but states like Australia and New Zealand were implicitly included in Churchill's broader phrases. His interest was in building peace through strength in the form of coalitions of states and collective institutions – effectively the "sinews" referred to in the speech's title.

Within the "special relationship" concept, many different areas of collaboration (not just relating to intelligence) began to be formed. Some areas of collaboration already existed due to alliances created during World War II. For example, cooperation between Britain and the United States of America in the field of signals intelligence had been established by the Holden Agreement (Britain and the US Navy) of 2 October 1942<sup>34</sup> and the BRUSA Agreement (Britain and the US Army) of 17 May 1943,<sup>35</sup> both supplanted in 1947 by the UKUSA Treaty.<sup>36</sup> The latter agreement grew to include Canada, Australia and New Zealand as those states also began to seek a greater measure of security within cooperative alliances.

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<sup>33</sup> Winston Churchill, "The Sinews of Peace," 5 March 1946, North Atlantic Treaty Organization (NATO), [http://www.nato.int/docu/speech/1946/s460305a\\_e.htm](http://www.nato.int/docu/speech/1946/s460305a_e.htm) (accessed 27 December 2011).

<sup>34</sup> Ralph Erskine, "The Holden Agreement on Naval Sigint: The First BRUSA?" *Intelligence and National Security* 14, no. 2 (Summer 1999): 187-197.

<sup>35</sup> Nigel West, *GCHQ: The Secret Wireless War 1900 – 86* (London: George Weidenfeld & Nicolson Limited, 1986), 202.

<sup>36</sup> West, *GCHQ*, 205.



Richard J. Aldrich comments on these groupings in his journal article entitled “British Intelligence and the Anglo-American ‘Special Relationship’ during the Cold War”:

The concept of a ‘Western intelligence community’, while a useful shorthand, is often misleading. Most postwar [sic] intelligence cooperation took place in a narrow functional context, resulting in a number of largely separate, but parallel, Anglo-American-Commonwealth communities of human intelligence collectors, signals intelligence collectors, analysts, domestic security officials and covert action specialists...This tendency towards separation by function was increased by intense bureaucratic competition in each country (particularly the United States), by rigid compartmentalization for reasons of security and by a desire to exclude additional parties, whether European or New Commonwealth, from sensitive core activities. The resulting pattern was a loose federation of diverse groups rather than a coherent ‘Western intelligence community’.<sup>37</sup>

Aldrich’s description of cooperation between “Anglo-American-Commonwealth” states (hereafter referred to as the Anglosphere) strips the independent intelligence links he identifies of their context. What is missing from his image of engagement is the wider intent of governments to establish such links for the purpose of deepening security relationships and achieving outcomes of mutual benefit. Practices such as the alignment of operational procedures (for example the classification of documentation) encouraged the forging and maintenance of such linkages. The fact that these links were functional in nature does not negate the existence of the wider political and security context.

A measure of collective security was achieved through deepening relationships between Anglosphere states, but tensions remained evident between cooperating intelligence services as well. Loch K. Johnson points out that “[i]ntelligence cooperation between nations has...always been marked by a sense of ambivalence.”<sup>38</sup> Espionage activities against states within alliances continued as it had during World War II, for example when the British Security Coordination organisation was formed and operated in the United States for the purpose of bringing that state into the war against Germany.<sup>39</sup> Monitoring of VENONA documents, “a collection of nearly three thousand partly decrypted Soviet secret messages sent to and from Moscow between 1940 and 1948”,<sup>40</sup> revealed that the Soviet Union was being leaked classified information from individuals working for Australian Government departments. This led to a partial withholding of information from

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<sup>37</sup> Richard J. Aldrich, “British Intelligence and the Anglo-American ‘Special Relationship’ during the Cold War,” *Review of International Studies* 24, no. 3 (1998): 336.

<sup>38</sup> Loch K. Johnson, “Spies,” *Foreign Policy*, no. 120 (September – October 2000): 19.

<sup>39</sup> See Jennet Conant, *The Irregulars: Roald Dahl and the British Spy Ring in Wartime Washington* (New York: Simon & Schuster, 2008) for one account of the British Security Coordination organisation.

<sup>40</sup> Nigel West, *Venona: The Greatest Secret of the Cold War* (London: HarperCollinsPublishers, 1999), xiii.

the United States of America to Britain and Australia until security measures were strengthened.<sup>41</sup> Despite these tensions, the advantages of deepening security relationships in the Anglosphere appear to have outweighed any residual concerns about the detrimental effects of sharing information.

The United States of America was best placed to take advantage of cooperative security relationships. A large, well-populated and well-resourced state with independent global reach, the United States was often able to use its influence to shape the security intelligence affairs of its partners. Jeffrey T. Richelson and Desmond Ball observe in their book entitled *The Ties that Bind* that many of the “post-war allegations of covert activities directed against allied countries concern American manipulation of British, Canadian and Australian politics.”<sup>42</sup> The ability to influence or manipulate was the unavoidable prerogative of the most powerful state, which was invariably the United States of America.

Internal efforts by the United States to counter Soviet espionage and subversion were led by the Federal Bureau of Investigation (FBI). Once the Central Intelligence Agency (CIA) was established in 1947,<sup>43</sup> that organisation also took on some of the responsibilities for intelligence relating to security. Decisive state-led action against the Soviets was reinforced by the public’s fervent anti-Soviet attitudes, personified by Senator Joseph McCarthy in the 1950s. Despite the state’s considerable resources and in light of the extent of Soviet activities, however, the United States still found it beneficial to develop its security relationships with other states. This was particularly true in the field of security intelligence. The FBI was still a fairly young organisation and would thus have benefitted from lessons learned by, information shared with, and joint operations conducted with its peer services internationally.

Britain, despite its weakened global standing after World War II, remained a major target for Soviet espionage, regarded as it was “by Soviet leaders as still the greatest of the

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<sup>41</sup> Frank Cain, *The Australian Security Intelligence Organization: An Unofficial History* (Ilford, Essex: Frank Cass and Co. Ltd., 1994), 58-59.

<sup>42</sup> Jeffrey T. Richelson and Desmond Ball, *The Ties that Bind: Intelligence Cooperation between the UKUSA Countries – the United Kingdom, the United States of America, Canada, Australia and New Zealand*, 2nd ed. (Wellington: Allen & Unwin New Zealand Limited, 1985), 265.

<sup>43</sup> “History of the CIA,” Central Intelligence Agency (CIA), <https://www.cia.gov/about-cia/history-of-the-cia/index.html> (accessed 17 January 2012).

world powers and the key to Bolshevik Russia's acceptance by the capitalist world."<sup>44</sup> When it came to intelligence, Britain retained its reputation as a leader in the field. From a single intelligence organisation established in 1909, the Secret Service Bureau,<sup>45</sup> two new services were created – the Secret Intelligence Service (SIS or MI6) which dealt with external intelligence, and the Security Service (or MI5) which was responsible for security intelligence. Although MI5 and its sister service were twentieth century creations, the British intelligence tradition boasted a much older history including, among others, Sir Francis Walsingham's intelligence networks in operation during the reign of Queen Elizabeth I.<sup>46</sup> Britain was no stranger to intelligence work and in the twentieth century MI5 and MI6, despite their relatively small size and limited resources, were among the most capable intelligence services in the world. Importantly for New Zealand, MI5 acted as a significant conduit through which experience, advice and other forms of assistance were channelled to infant intelligence services throughout the Commonwealth.

Using Commonwealth states and states within the British Empire as appendages to Britain's own security structure was the main reason why New Zealand was able to position itself to receive intelligence far outside of its own limited reach. The benefit to Britain was that it had extra resources to draw on in combating hostile intelligence efforts against its interests. In turn, however, deepening security relationships within the Anglosphere meant that intelligence methods and products were increasingly filtered to states which in the 1940s and 1950s had relatively weak internal security structures. Being less able to protect the increasing flow of secrets they handled, states like New Zealand became targets for Soviet espionage despite their own relative individual insignificance.

Canada was the state in which the first major post-war Soviet espionage defection took place, but the Gouzenko incident was not the state's only significant security intelligence case to occur around that time. One of the Canadians put under suspicion of being a Soviet agent by Gouzenko's revelations was Herbert Norman, a diplomat who was sent to New Zealand as High Commissioner from 1953 supposedly to keep him "safely out

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<sup>44</sup> Christopher Andrew and Oleg Gordievsky, *KGB: The Inside Story of its Foreign Operations from Lenin to Gorbachev* (London: Hodder & Stoughton, 1990), 49.

<sup>45</sup> "History: Origins," Security Service (MI5), <https://www.mi5.gov.uk/output/origins.html> (accessed 17 January 2012).

<sup>46</sup> Sir Francis Walsingham ran what was effectively a security intelligence service, its principal roles being the defence of the realm and the protection of the sovereign.

of the way"<sup>47</sup> of his detractors. Despite attempts by his friends to shield him from the full extent of the disgrace that accusations of espionage wrought on his character and career, they were not enough to prevent his suicide, which occurred in Cairo, Egypt in 1957.<sup>48</sup> Security intelligence at the time was managed by the Royal Canadian Mounted Police.<sup>49</sup> After the Gouzenko defection it is likely that the Mounted Police would have strengthened its intelligence ties with Britain, including taking advantage of the services of an MI5 liaison officer, as did its equivalent services in other parts of the Commonwealth.<sup>50</sup>

Despite its geographical distance from much of the conflict between the Soviet Union and states within the Anglosphere, the Antipodes were neither forgotten because of nor protected by that distance. Australia's security intelligence history is better documented than New Zealand's and historically its development has preceded that of its smaller counterpart. The partial restriction of intelligence information to Australia and Britain by the United States of America has already been mentioned, and appears to have been one of the major instigators of a much more concerted effort to develop a viable security intelligence capability in Australia.

An MI5 delegation led by its Director-General, Sir Percy Sillitoe, visited Australia early in 1948.<sup>51</sup> On the recommendation of Sillitoe and some of his key intelligence officers, including communist and counter-intelligence experts Roger Hollis, Robert Hemblys-Scales and Courtney Young,<sup>52</sup> the Australian Security Intelligence Organization (ASIO) was created on 16 March 1949.<sup>53</sup> An interesting comparative study could be made of the parallel developments of security intelligence in Australia and New Zealand. Within this thesis, it is sufficient to note that similarities existed and that MI5's visits to Australia

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<sup>47</sup> Knight, *How the Cold War Began*, 259-260.

<sup>48</sup> *Ibid.*, 262.

<sup>49</sup> Richelson and Ball, *The Ties that Bind*, 83.

<sup>50</sup> Nigel West, *A Matter of Trust: MI5 1945 - 72* (London: George Weidenfeld & Nicolson Limited, 1982), 19-20.

<sup>51</sup> Christopher Andrew, "The Growth of the Australian Intelligence Community and the Anglo-American Connection," *Intelligence and National Security* 4, no. 2 (April 1989): 227.

<sup>52</sup> Andrew, "The Growth of the Australian Intelligence Community and the Anglo-American Connection," 227.

<sup>53</sup> Frank Cain, "Venona in Australia and Its Long-Term Ramifications," *Journal of Contemporary History* 35, no. 2 (April 2000): 234-235.

were further evidence that British intelligence was actively engaged in the development of those capabilities in Commonwealth states.

New Zealand, as a Commonwealth state, took part in security relationships within the Anglosphere but had neither the resources nor the inclination to aggressively pursue state interests through extensive use of espionage. Without a strong sense of being a potential target in and of itself, taking into account its geographical location, and with little direct evidence that intelligence activities were being carried out within its borders, it is unsurprising that the New Zealand Government was initially somewhat unwilling to revisit the question of a robust security intelligence capability. This feeling of relative security, however, did not guarantee the state's immunity from intelligence activities.

The international security environment after World War II was complex and ever-changing. Nicky Hager's assertion that "New Zealand organisations have *functioned as part of* [Hager's emphasis] the allied intelligence networks and almost entirely adopted their priorities"<sup>54</sup> is too simplistic an assessment of how cooperation arrangements were organised and enacted between states and between individual intelligence organisations. New Zealand's security relationships with states like Britain and Australia were limited in scope and intent, if for no other reason than that New Zealand was much smaller and inadequately resourced to act as a full partner of an "intelligence network". What contributions it did make to cooperative intelligence would most likely have been tailored to the realisation of its own interests at the same time as it may also have been serving the interests of its partner states. This is not to imply that there were not risks to building such relationships. With closer cooperation came a greater likelihood that New Zealand would become a more appealing target.

New Zealand's greater vulnerability to espionage and subversion due mostly to Anglosphere intelligence cooperation may not have been fully recognised by the Government or the Police Department, but it was identified by British intelligence. On 19 March 1948, Sillitoe and Hollis arrived in New Zealand for talks with government officials and public servants responsible for state security.<sup>55</sup> Sillitoe was a career policeman who had served both in Britain and in colonial postings overseas,<sup>56</sup> and his reputation was built

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<sup>54</sup> Nicky Hager, *Secret Power: New Zealand's Role in the International Spy Network* (Nelson: Craig Potton Publishing, 1996), 245.

<sup>55</sup> Hollis, talk on communism given by Mr R.H. Hollis at Army Headquarters, 23 March 1948, 1.

<sup>56</sup> West, *A Matter of Trust*, 25.

largely on achievements realised within the police community. One notable appointment was as the chief constable in Sheffield, where he “revitalized and modernized the force, broke the power of the gangs by use of plain-clothes police patrols prepared to use ‘reasonable force’, and acquired a reputation as administrator, disciplinarian, and resolute upholder of the law.”<sup>57</sup> This description by Anthony Simkins suggests that Sillitoe had many professional qualities that would lend themselves well to someone with a career in intelligence.

Unfortunately for Sillitoe, his excellent police record did not recommend him to the intelligence officers he commanded in his appointment as Director-General of MI5. One major cause of the problematic relationship between the law and order functions of the police and the intelligence operations of organisations like MI5, of which internal opposition to Sillitoe appears to have been a symptom, springs from a blurring of the lines of responsibility between one and the other. Perhaps Sillitoe’s appointment was an attempt by the British Government to overcome some of the friction caused between the police and intelligence. Most accounts of Sillitoe’s term as Director-General indicate that, if such was the intent, it was largely a failure. He was called a “plodding policeman” by some subordinates<sup>58</sup> and never enjoyed the popularity of other intelligence chiefs, such as David Petrie<sup>59</sup> or Dick White.<sup>60</sup>

Hollis, also an MI5 Director-General in later years, was a different type of man from his superior. Educated at Oxford University,<sup>61</sup> he was an able intelligence officer who specialised in communist-related issues. He appears to have been one of the principal MI5 officers involved with establishing intelligence connections within the Commonwealth. In 1945 he was allowed to interview Gouzenko as part of the defector’s debriefing.<sup>62</sup> During the 1948 visit to New Zealand Hollis gave a speech to Army Headquarters staff about the

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<sup>57</sup> *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), s.v. “Sillitoe, Sir Percy Joseph (1888-1962).”

<sup>58</sup> West, *A Matter of Trust*, 48.

<sup>59</sup> Andrew, *The Defence of the Realm*, 237.

<sup>60</sup> See Tom Bower, *The Perfect English Spy: Sir Dick White and the Secret War 1935 – 90* (London: William Heinemann Ltd., 1995) for a biography of one of the most prominent heads of both MI5 and MI6 in the twentieth century.

<sup>61</sup> *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), s.v. “Hollis, Sir Roger Henry (1905-1973).”

<sup>62</sup> Knight, *How the Cold War Began*, 56.

threats presented to Britain by the Soviet Union and communism.<sup>63</sup> Many of his peers in the intelligence community seem to have regarded him as a decent and hardworking man,<sup>64</sup> although he did also have his detractors.

In the early 1980s Chapman Pincher, a journalist, questioned Hollis's "communist associations" and suggested that there was a substantial body of evidence which indicated he was a Soviet agent.<sup>65</sup> Pincher was soon followed by Peter Wright, a former MI5 officer, who in 1987 released a book entitled *Spycatcher: The Candid Autobiography of a Senior Intelligence Officer* in which he alleged that Hollis was "the most likely suspect for the spy we [himself and Arthur Martin, a fellow MI5 officer] were certain had been active inside MI5 at a high level."<sup>66</sup> Proof submitted in support of these allegations included Hollis's knowledge of communism, the activities and subsequent unveiling of members of the Cambridge Five during his MI5 career, and his travels in China where he was supposed to have been recruited by someone in the espionage network of Soviet spy Richard Sorge.<sup>67</sup> Prime Minister Margaret Thatcher cleared Hollis in 1981 after internal investigations were conducted.<sup>68</sup> MI5's official historian Christopher Andrew also seems to give little credence to the allegations of his treachery, instead describing Wright and Martin as "the most damaging conspiracy theorists in the history of the Security Service".<sup>69</sup>

Without analysing in any detail the arguments for and against Hollis's status as a Soviet agent, consider for a moment the implications for New Zealand intelligence if he was in fact as Pincher and Wright had accused him – a mole in the British intelligence system. On one level, in relation to the 1948 MI5 visit, the implications would not have been seriously negative. At that stage the New Zealand Government was by no means ready to adopt a comprehensive security intelligence solution and the discussions between MI5 and government officials seem to have been exploratory and suggestive only.

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<sup>63</sup> Hollis, talk on communism given by Mr R.H. Hollis at Army Headquarters, 23 March 1948.

<sup>64</sup> Bower, *The Perfect English Spy*, 54-55.

<sup>65</sup> Chapman Pincher, *Too Secret Too Long: The Great Betrayal of Britain's Crucial Secrets and the Cover-up* (London: Sidgwick and Jackson Limited, 1984), 4-5.

<sup>66</sup> Peter Wright, *Spycatcher: The Candid Autobiography of a Senior Intelligence Officer* (New York: Viking Penguin Inc., 1987), 213.

<sup>67</sup> Norman Polmar and Thomas B. Allen, *Spy Book: The Encyclopedia of Espionage* (New York: Random House, 1997), 263-264.

<sup>68</sup> *Oxford Dictionary of National Biography*, s.v. "Hollis."

<sup>69</sup> Andrew, *The Defence of the Realm*, 282.



Hollis can have had no substantial direct influence on how security intelligence took shape in New Zealand at that time, nor could he have created any exploitable openings in a system which for the most part did not exist. In the longer term Hollis could conceivably have had some influence on the operation of Soviet agents working within New Zealand, but even the reach of the Director-General of MI5 (the position he held between 1956 and 1965<sup>70</sup>) was unlikely to have been sufficient to materially affect many of New Zealand's intelligence operations. Wherever his true allegiance lay, in 1948 Hollis was primarily just part of a team sent to help New Zealand officials investigate the ways in which security intelligence should develop in light of that state's vulnerability to hostile espionage or subversive activities.

If any external organisation can be identified as a principal driver of change in the shaping of New Zealand's security intelligence capability in the twentieth century, it was MI5. Peter Hennessy observes that "the Security Service [MI5] finished the war [World War II] in a state of high anxiety, partly through its inability to infuse other departments with a sense of urgency".<sup>71</sup> MI5 was well aware that urgency was important in any response to security threats. During World War II, for example, prompt action against German agents had enabled the service to identify and turn many of those agents so they were working for British interests, in what has become known as the Double-Cross System.<sup>72</sup> However, due to the fact that knowledge of the existence of that system was not widely disseminated at that time,<sup>73</sup> the MI5 case for urgency in such matters was limited by its inability to reveal proof of how it could aid in the success of security intelligence in protecting the state. As evidence of hostile intelligence threats became more pressing in many of the states allied or cooperative with Britain, MI5 was responsible for informing them that they were at risk and needed to revise how security intelligence was organised and functioned in their respective environments. They were forced to do so without the aid of such classified examples as the Double-Cross System, which might have strengthened their argument.

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<sup>70</sup> Polmar and Allen, *Spy Book*, 263.

<sup>71</sup> Peter Hennessy, *The Secret State: Whitehall and the Cold War* (London: Penguin Books, 2003), 81.

<sup>72</sup> Andrew, *The Defence of the Realm*, 248.

<sup>73</sup> See the service's disappointment in the revelation of the Double-Cross System by Sir John Masterman in his book *The Double-Cross System in the War of 1939 to 1945*, published in the early 1970s. See Andrew, *The Defence of the Realm*, 317-318.



In New Zealand, reluctance to confront such issues originated at the very top of government and the Police Department. Prime Minister Fraser had been unpleasantly affected by the adverse consequences of the Ross Affair on the Security Intelligence Bureau during World War II. The Police Department, controlling security intelligence at the time, displayed an unwillingness to consider any solution which might result in again losing control of the capability and were reluctant to allow that an independent security intelligence service might be an important investment in the post-war world. They failed to realise or admit “how much the world [had] changed”<sup>74</sup> and what might be required to operate effectively in that new environment. It was this general attitude with which Sillitoe and Hollis had to contend when they visited New Zealand in March 1948.

Foss Shanahan, a senior New Zealand official who was active in several areas of government and security (and whose individual contribution will be discussed further in Chapter Five) records in a note dated 16 April 1948<sup>75</sup> and a letter dated 18 May 1948<sup>76</sup> that he had been involved in discussions with Sillitoe and Hollis about the nature and organisation of security intelligence in Britain and the problems of security it faced. According to Michael Parker, McIntosh – head of the Prime Minister’s Department and Secretary of External Affairs – was also present.<sup>77</sup> If Parker’s claim that McIntosh was an important source for his book is accurate,<sup>78</sup> his mention of McIntosh’s input may be assumed to be true. There is no evidence that Prime Minister Fraser or any other individual was privy to the meeting or meetings with Sillitoe and Hollis.

Shanahan and McIntosh, despite working in similar areas in government through a significant portion of their careers and presumably amicably, were two very different men. For the purposes of this section it should be noted that Shanahan was “[s]trongly anti-

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<sup>74</sup> Christopher Andrew, “Reflections on Intelligence Historiography since 1939,” in *National Intelligence Systems: Current Research and Future Prospects*, ed. Gregory F. Treverton and Wilhelm Agrell (Cambridge, U.K.: Cambridge University Press, 2009), 56.

<sup>75</sup> Foss Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>76</sup> Foss Shanahan to James Cummings, 18 May 1948, New Zealand Security Intelligence Service Archives, Wellington.

<sup>77</sup> Parker, *The SIS*, 9.

<sup>78</sup> *Ibid.*, 8.

communist” and “welcomed the West’s strong stance against the Soviet Union”.<sup>79</sup> McIntosh, on the other hand, was a realist according to Ian McGibbon, one “renowned for ‘his caution, his political intuition, his instinct for what was practical’”.<sup>80</sup> He was also known to be rather more sympathetic to the Soviet Union than many in New Zealand at the time.<sup>81</sup>

No official transcript of the discussions held between Sillitoe, Hollis, McIntosh and Shanahan has been released publicly. To date the only written record of them appears to have been Shanahan’s note of 16 April 1948, which records his thoughts on the subject of security intelligence in New Zealand after the discussions took place.<sup>82</sup> Consultation was carried out with the armed forces Chiefs of Staff Committee<sup>83</sup> and, presumably, the Police Department, before the arrival of MI5. During the visit, in addition to talking about how security intelligence was organised in Britain, it is highly likely that there was also some discussion about how security intelligence might function more effectively in New Zealand. That discussion would have been limited, however, because the MI5 officers were not “in any position to comment in any detail upon the organisation established in New Zealand to deal with questions affecting the security of the State”.<sup>84</sup>

Both Michael Parker and Graeme Hunt give a brief account of the MI5 visit in their books, but Shanahan’s remarks after the event are more interesting. He mentions that the Prime Minister wanted to discuss the question of the organisation of security intelligence with both himself and the Commissioner of Police,<sup>85</sup> a remark that suggests Fraser was not completely averse to reshaping current arrangements in some measure. Even so, there appears to have been little or no suggestion that a separate and specialised security intelligence service would be the best solution to current inefficiencies. It is not known whether Sillitoe and Hollis ventured an opinion as to whether an independent service was

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<sup>79</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “McIntosh, Alister Donald Miles,” <http://www.teara.govt.nz/en/biographies/5m13/1> (accessed 17 January 2012).

<sup>80</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “McIntosh.”

<sup>81</sup> Ibid.

<sup>82</sup> Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948.

<sup>83</sup> Foss Shanahan to the Chief of the General Staff, Chief of the Air Staff and Naval Secretary for Chief of Naval Staff, “Security Intelligence,” 3 March 1948, New Zealand Security Intelligence Service Archives, Wellington.

<sup>84</sup> Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948.

<sup>85</sup> Shanahan to Cummings, 18 May 1948.

the best option for New Zealand, although if Sillitoe's analysis of the capability in 1951<sup>86</sup> is any indication, he supported the establishment of a Police Special Branch within the Police Department. In his remarks Shanahan recommended that the option of a Special Branch be explored.<sup>87</sup>

Recognition of the fact that status quo arrangements were not sufficient to meet the threats to New Zealand's security was useless without a corresponding appreciation for the nature of those threats. Throughout the primary source documentation made available by the New Zealand Security Intelligence Service, attempts to define the threat environment sit alongside discussions of the form that security intelligence should take. The types of threat and the targets of threat groups are addressed in the following chapter.

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<sup>86</sup> Sir Percy Sillitoe, "Security Requirements in New Zealand," 23 October 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>87</sup> Shanahan, "Defence of the Realm – Security Organisation," 16 April 1948, 2.

## Chapter Three

# Threats and Targets

The visit of MI5 officers to New Zealand in 1948 served as a reminder that the state was not separate from the security concerns then being experienced by other states in the international community. Just as threats had been identified in the early post-war period in places like Britain, the United States, Canada and Australia, there were both indigenous and foreign elements working in New Zealand which indicated that the state had not escaped the notice of hostile intelligence services. Nor could state authorities and security officials comfort themselves with the fact that there was little information that could be of interest to such operatives. Rather, New Zealand held a significant amount of material which was exploitable, particularly considering the fact that security intelligence arrangements were weaker than those put in place by their security partners. As the 1940s gave way to the 1950s, a clearer appreciation for the threat groups operating in New Zealand and the likely targets of those threats was growing.

Attempts in New Zealand to re-imagine the state's security intelligence capability between 1945 and 1957 are evidence of recognition, albeit reluctant in some quarters, that threats or possible threats to security existed. Although there were individuals domestically who recognised this state of affairs (Foss Shanahan is one good example), the authority of international experts was also valued. One individual in the latter group who commented on the subject was Mr G.R. Richards, the Deputy Director-General of the Australian Security Intelligence Organization, who wrote a report dated 23 August 1956 which was called "The Internal Security Problem in New Zealand".<sup>1</sup> The report was submitted during the period of transition between the Police Special Branch and the Security Service, and was likely commissioned to inform that process. However, many of the comments Richards makes in his report are pertinent to the entire period this thesis covers.

Richards' report was submitted in two parts. The majority of Part 1 of the report may be found at Appendix B. His intent is to point out the threats that, in his opinion, certainly existed in New Zealand at the time, the weaknesses of existing security

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<sup>1</sup> G.R. Richards, "The Internal Security Problem in New Zealand," 23 August 1956, New Zealand Security Intelligence Service Archives, Wellington.

intelligence arrangements and his suggestion of how best to improve those arrangements in the future. His opening statements affirm his conviction: "There is a security problem in New Zealand" and "The nature of it is clear."<sup>2</sup> To support his affirmation, Richards suggests that threats or "problems" exist in a state "if within it there is a group organised for subversion or espionage."<sup>3</sup> He then proceeds to specify which groups within New Zealand fell into that category. The first group he identifies are domestic organisations who are either overtly communist or pro-Soviet, or who seek to create a New Zealand government which might be described as Soviet in form and intent:

...there is in New Zealand a body of Communists, organised for subversion and working towards the setting up in New Zealand of a system of government patterned on that of the Soviet Union, and deriving its efforts from the lessons provided by the establishment of Communist control elsewhere...<sup>4</sup>

He reiterates his concern in the very next paragraph:

Persons willing to assist in the establishment, as circumstances may dictate, of the Soviet system of government in New Zealand, who believe that the continuance of the existence of the Soviet Union is vital to their local endeavours.<sup>5</sup>

Richards is correct in that there were several organisations in New Zealand which were supportive of such measures. The most obvious example was the Communist Party of New Zealand (CPNZ). Although not a large group, its membership fluctuating between approximately 400 and 1,500 in the 1940s and 1950s,<sup>6</sup> the party came under immediate suspicion from authorities due to its "unstinted praise and support to the aggressive and obstructionist tactics of the U.S.S.R."<sup>7</sup>

There were several ways in which the Communist Party of New Zealand and its members aligned themselves with the Soviet Union. They included sending selected individuals to attend training in the Soviet Union, generally at the International Lenin

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<sup>2</sup> Richards, "The Internal Security Problem in New Zealand," 23 August 1956, 1.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> [name removed], "The Security Problem in New Zealand," 31 May 1956, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>7</sup> "Security Duties and Responsibilities of the Special Branch of the N.Z. Police Force," New Zealand Security Intelligence Service Archives, Wellington, 2.

School,<sup>8</sup> where students were presumably indoctrinated in communist ideology and instructed in ways to promote Soviet interests in New Zealand. The organisation itself was purportedly “financed and directed by a foreign power [the Soviet Union]”,<sup>9</sup> although this claim has been challenged by individuals including the Police Special Branch agent George Fraser.<sup>10</sup> The Communist Party and other organisations like it were allegedly also conduits through which subversive materials were smuggled into the state. Dr William Ball Sutch, himself later placed under suspicion of being a Soviet agent, recalled in 1966 that “[t]ons of pamphlets and books were imported and circulated by the Socialist Party”, including “anarchist pamphlets” and “I.W.W. [Industrial Workers of the World] literature”.<sup>11</sup>

While the Communist Party of New Zealand was the most obvious example of a New Zealand organisation supporting communism and reputedly the interests of the Soviet Union, there were others. Groups such as the Society for Closer Relations with Russia, the New Zealand Peace Council and the New Zealand Progressive Youth League<sup>12</sup> were watched for any signs of subversive intent or penetration by Soviet agents. Chinese communists came in for their share of scrutiny, including the New Zealand-China Friendship Society and its “official patron” Rewi Alley.<sup>13</sup> Particular racial immigrant groups were also seen as potential breeding groups for hostile agents. Bulgarians, Chinese and Yugoslavian groupings were some of those specifically named in intelligence reports and summaries.<sup>14</sup> In the 1940s and 1950s, the attitude of the New Zealand Government and those public service departments concerned with security seems to have been generally suspicious of any sector of society which might create an opening through which foreign state (particularly Soviet and communist) interests could be promoted.

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<sup>8</sup> Alexander Trapeznik, ““Agents of Moscow” at the Dawn of the Cold War: The Comintern and the Communist Party of New Zealand,” *Journal of Cold War Studies* 11, no. 1 (Winter 2009): 134-135.

<sup>9</sup> Trapeznik, ““Agents of Moscow” at the Dawn of the Cold War,” 149.

<sup>10</sup> George Fraser, *Seeing Red: Undercover in 1950s New Zealand* (Palmerston North: The Dunmore Press Ltd., 1995), 161.

<sup>11</sup> W.B. Sutch, *The Quest for Security in New Zealand 1840 – 1966* (Wellington: Oxford University Press, 1966), 102.

<sup>12</sup> J.J. Halcrow, “Security Work in New Zealand,” 24 November 1951, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>13</sup> Anne-Marie Brady, “Who Friend, Who Enemy? Rewi Alley and the Friends of China,” *The China Quarterly*, no. 151 (September 1997): 629.

<sup>14</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Thursday, 6 December 1951, 11 December 1951, New Zealand Security Intelligence Service Archives, Wellington, 2.

What Richards neglects to comment on in his report is to what lengths these suspect organisations were willing to go to confront the status quo in achieving their goals. Richard C. Thurlow comments on the unpredictable nature of the Communist Party of Great Britain, which changed its stance on issues as the political alliances and interests of the Soviet Union changed.<sup>15</sup> Communist parties around the world, including in New Zealand, followed a similar pattern.<sup>16</sup> What should be kept in mind, however, is that without a strong political or social foothold in the state, grandiose plans like overthrowing the elected government or carrying out any more serious action than meeting and encouraging disruption and dissention were unlikely to create a stir large enough to force significant change. Concurrently, these organisations were not adequately resourced for such a task. For the most part, in New Zealand organisations like the Communist Party had neither the numbers nor the financial backing to pose a very serious threat. Nevertheless, those involved in the security field in New Zealand were almost overwhelmingly inclined not to give those organisations the benefit of the doubt. To them, any group which prioritised the interests of another state above those of their own was subversive and therefore a real security threat.

The second group Richards identifies as a source of security problems, arguably in greater measure than the first, were Russian intelligence officers situated within the Soviet Legation in Wellington. He notes that the Legation, which was established in 1945, is “over-large” and among those serving are (or have been) “identified Russian intelligence representatives”.<sup>17</sup> Detective Sergeant D.S. Paterson put the numbers of the Legation in 1951 at approximately twenty-four persons.<sup>18</sup> Richards’ second, reiterative statement reminds his audience that such officers held “diplomatic privileges.”<sup>19</sup> There is another report, generated in May 1956, which also raises concerns about intelligence officers operating from within diplomatic posts like the Legation in Wellington. Although that author’s comments are more generalised than those made by Richards, it is not

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<sup>15</sup> Richard C. Thurlow, “‘A Very Clever Capitalist Class’: British Communism and State Surveillance,” *Intelligence and National Security* 12, no. 2 (April 1997): 6.

<sup>16</sup> Trapeznik, “‘Agents of Moscow’ at the Dawn of the Cold War,” 124, 127.

<sup>17</sup> Richards, “The Internal Security Problem in New Zealand,” 23 August 1956, 1.

<sup>18</sup> D.S. Paterson, “Threats to Security of New Zealand,” 29 November 1951, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>19</sup> Richards, “The Internal Security Problem in New Zealand,” 23 August 1956, 1.

unreasonable to suppose that similar assumptions may be applied to New Zealand's case. That author (whose name has been removed from the publicly-released report) states:

...experience indicates that most, if not all Soviet missions are used as cover for intelligence operations, and that anything up to 40% of the staff of such missions are R.I.S. [Russian Intelligence Services – KGB and GRU] personnel.<sup>20</sup>

If the percentage of diplomatic personnel which were assumed to be intelligence officers according to the author of the May 1956 report is accurate in (or even close to) New Zealand's case, then this suggests that active intelligence-gathering and quite possibly agent-running was being undertaken by Soviet Legation staff. The presence of any more than a token intelligence element in the Legation can suggest no other likely explanation. Those activities could either have been targeted at New Zealand assets and information or at other states in the Pacific region (including Australia).

The collection of information by Soviet intelligence officers was carried out or managed by two different organisations, whose core business it was to assemble intelligence in the Soviet interest. The first organisation was responsible for the collection of general information and was carried out by members of the *Komitet Gosudarstvennoy Bezopasnosti* (better known by its acronym, the KGB).<sup>21</sup> The second organisation was responsible for the collection of military and scientific intelligence and was carried out by members of the *Glavnoye Razvedyvatel'noye Upravleniye* (or GRU).<sup>22</sup> Just one example of a member of these organisations serving in New Zealand is provided by George Fraser. In his memoir he remembers a meeting with a man named Nikolai Ivanovich Burov who, as well as being the second commercial attaché at the Soviet Legation in Wellington, was also an intelligence officer.<sup>23</sup> He is identified as such in two different primary sources. One report from 1954 names "Burov's successor (Stativkin)" as "a G.R.U. official", which

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<sup>20</sup> [name removed], "The Security Problem in New Zealand," 31 May 1956, 3.

<sup>21</sup> See Christopher Andrew and Vasili Mitrokhin, *The Mitrokhin Archive II: The KGB and the World* (London: Allen Lane, 2005), xi. Names for this organisation changed through the years since its establishment as follows (quoted from *The Mitrokhin Archive II*): *Cheka* (December 1917); incorporated into the *NKVD* as the *GPU* (February 1922); *OGPU* (July 1923); reincorporated into the *NKVD* as the *GUGB* (July 1934); *NKGB* (February 1941); reincorporated into the *NKVD* as the *GUGB* (July 1941); *NKGB* (April 1943); *MGB* (March 1946); *KI* foreign intelligence (October 1947 – November 1951); combined with *MVD* to form enlarged *MVD* (March 1953); *KGB* (March 1954 – December 1991). Andrew and Mitrokhin take care to point out that the "functions, unlike the nomenclature, of the Soviet security and intelligence apparatus remained relatively constant throughout the period 1917-91."

<sup>22</sup> Also known as the R.U. See [name removed], "The Security Problem in New Zealand," 31 May 1956, 2.

<sup>23</sup> Fraser, *Seeing Red*, 70. Fraser's account incorrectly labels Burov as a KGB officer.



suggests that Burov was also a GRU officer.<sup>24</sup> A second report from 1956 confirms that Burov was “an identified R.U. Resident”, “R.U.” being another acronym for the organisation known as the GRU.<sup>25</sup>

Other sources recount the activities of Soviet intelligence officers in New Zealand. For example, when Vladimir Petrov defected to Australian authorities in 1954, he confirmed the suspicions of security officials in New Zealand that intelligence officers were operating from the Soviet Legation in Wellington. Petrov specifically named Georgi Mikhailovich Sokolov of the KGB as well as the aforementioned Burov.<sup>26</sup> Michael Parker writes an account of a young woman who was courted from 1956 by Soviet intelligence officers because of her employment in the Australian High Commission’s passport office in Wellington. She allegedly reported their advances to the New Zealand Security Service, and subsequently allowed herself to be used as bait in order to discover more about how such individuals approached and manipulated potential agents.<sup>27</sup>

Richards, although clear and direct in his assertion of the perceived intelligence threats to New Zealand, did not mention the possibility of Soviet intelligence officers who existed and operated outside of the Soviet Legation. Operating under diplomatic cover had obvious advantages, but individuals who infiltrated the state by other means and worked without the support of official status had a greater chance of avoiding identification as spies, and consequently a greater chance of operating without hindrance from local authorities. Parker gives one example of Soviet ships posing as fishing vessels and listening to communications emanating from land-based sources.<sup>28</sup> While individuals working outside of diplomatic circles may have been intelligence officers recruited in the Soviet Union or other states and sent to New Zealand, they may also have been agents recruited locally.

Perhaps the most startling omission from Richards’ August 1956 report is the complete absence of any mention of locally recruited Soviet agents. One of the principal

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<sup>24</sup> [name removed], “The Security Situation in New Zealand,” 31 August 1954, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>25</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, 2.

<sup>26</sup> *Ibid.*, 3.

<sup>27</sup> Michael Parker, *The SIS* (Palmerston North: Dunmore Press, 1979), 51-74.

<sup>28</sup> Parker, *The SIS*, 100.

tasks of intelligence field officers is to recruit and run such agents. Presumably Soviet officers operating either within or outside of the Soviet Legation were involved in that task, especially if the supposition raised above is true, that the over-staffing of the Legation was in part due to an over-large representation by intelligence officers engaged in active intelligence-gathering. A security report from 1954 mentions that Petrov affirmed the existence of agents in New Zealand and, moreover, that they were of significant use to Soviet intelligence:

Petrov's claims that "the Soviet[s have] some very good agents in New Zealand" and "Alexandrov, the former Ambassador in New Zealand, was not a permanent M.V.D. officer but while in New Zealand looked after agents and got information from them" imply that the Soviet intelligence effort in New Zealand is meeting with success and that information regarded by the Russians as useful is finding its way back to Moscow. Since Petrov cannot be expected to identify the "very good agents" in question, nor specify precisely the means used to obtain and transmit their material to the Russians, these details can only be presumed in general terms on the basis of experience elsewhere. Thus, broadly speaking, it is to be expected that the priority tasks of both the Soviet Intelligence Services in New Zealand will for some time have been the recruiting of sympathetic persons at a suitable stage in their careers for the penetration of Government departments and establishments where information required by the Russians can be found...Such persons may be found in intellectual and professional groups. It must be expected that some may be Public Servants, possibly of some seniority.<sup>29</sup>

In keeping with the spirit of the quote above, an agent is defined for the purposes of this thesis as "a person authorised by an intelligence or security service to obtain, or assist in obtaining, information for intelligence purposes".<sup>30</sup> Typically there were three key preconditions for recruitment as an agent. The first precondition was that individuals had to have access to types of information that would be of use to those who had recruited them. Access sometimes meant that the individual was working with the information on a regular basis or was in an important position. A good example of this was Kim Philby, who worked for the British Secret Intelligence Service (MI6) but at the same time was passing on information about British intelligence activities and vulnerabilities to the Soviets. Equally, it sometimes meant that they existed on the periphery of a key environment (for example, a secretary in a government department) but could lay their hands on information surreptitiously. Rupert Allason gives an example of this type of agent – a woman who infiltrated the Communist Party of Great Britain for a number of years and

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<sup>29</sup> [name removed], "The Security Situation in New Zealand," 31 August 1954, 2-3.

<sup>30</sup> Jan Goldman, *Words of Intelligence: A Dictionary* (Lanham, Maryland: The Scarecrow Press, Inc., 2006), s.v. "agent."

informed on their activities to MI5, eventually leading to the arrest of the party's National Organiser Percy Glading.<sup>31</sup>

The second precondition was that the individual should be less likely to be identified as an agent. If the person had proven themselves to be above suspicion or unlikely to be the type of person to become a traitor, they usually enjoyed greater freedom to conduct their subversive activities without undue scrutiny. Desmond Patrick Costello, in one of the case studies expanded on below, is one example of how a good reputation could be manipulated to conceal intelligence activities.

The third precondition was that the intelligence officer who was recruiting the agent could find a point of leverage to encourage the individual to work for them. Some of the ways in which leverage could be applied have been mentioned in Chapter Two. They include, but are not limited to, bribery, blackmail and persuasion on the basis of ideology. The preconditions for recruitment as an agent were as likely to be relevant to New Zealand citizens as they were to individuals located anywhere else in the world.

Three examples of possible Soviet agents who have links to New Zealand will be explored in a little more depth – Ian Frank George Milner, Dr William Ball Sutch and Desmond Patrick Costello. All of these men have been examined in other studies and it is from those sources that most of the information included here will be drawn. This thesis will not attempt to make any definitive statements about the guilt or innocence of the individuals concerned. The purpose of discussing these three examples is rather to consider who and what a Soviet agent may have been in the 1940s and 1950s.

The majority of Ian Milner's alleged espionage and subversive activities took place in Australia, but by birth he was a New Zealander. Born in Oamaru in 1911,<sup>32</sup> Milner was a very competent academic, graduating from Canterbury University College and winning a scholarship to study at New College, Oxford University in Britain<sup>33</sup> and "nearly two years (1937-39) in the United States as a Commonwealth Fund Fellow".<sup>34</sup> He was employed by

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<sup>31</sup> Rupert Allason, *The Branch: A History of the Metropolitan Police Special Branch 1883 – 1983* (London: Martin Secker & Warburg Limited, 1983), 110-111.

<sup>32</sup> Denis Lenihan, "Was Ian Milner a Spy? A Review of the Evidence," 2008, New Zealand Electronic Text Centre, <http://www.nzetc.org/tm/scholarly/tei-LesWasI.html> (accessed 14 November 2011).

<sup>33</sup> Frank Cain, "Venona in Australia and Its Long-Term Ramifications," *Journal of Contemporary History* 35, no. 2 (April 2000): 245-246.

<sup>34</sup> Lenihan, "Was Ian Milner a Spy? A Review of the Evidence."

the University of Melbourne as a lecturer in political science before joining the Australian Department of External Affairs in 1945.<sup>35</sup> He was posted to the United Nations between 1947 and 1950.<sup>36</sup> Milner moved with his first wife to Prague in July 1950 and, apart from brief visits elsewhere, remained in Czechoslovakia for the rest of his life.<sup>37</sup>

Scholars have been debating whether Milner was an agent for foreign powers ever since he was named by the Royal Commission on Espionage held in Australia in 1954, in connection with the revelations of the Soviet defector Petrov. Denis Lenihan is one of the more recent scholars to address this question and has engaged thoughtfully with the arguments of other intellectuals, such as Frank Cain, Aaron Fox and David McKnight, about the facts and suppositions surrounding Milner's case.<sup>38</sup> Milner certainly had an affinity for communism. He was a member of the Australian Communist Party (among other left-wing organisations)<sup>39</sup> and his relationship with Walter Clayton, another individual identified as a possible agent during the Commission's hearings, meant that he was a better case than most to be under suspicion for espionage.

The most serious charge laid against Milner, one which had a significant amount of evidence supporting it, was that he had passed on copies of a classified British document relating to "Security in the Eastern Mediterranean and the Eastern Atlantic" to the Soviet Union through its Canberra Embassy.<sup>40</sup> Lenihan's account of the evidence that he had done so is compelling. As part of the VENONA decryption of Soviet communications occurring in the United States of America, it was discovered that copy number 109 of the British document had been sent to the Soviet Legation in Canberra, and from there to Moscow in 1946. It was the same copy which was in Milner's possession on the date when the document was sent.<sup>41</sup> Milner's employment in the External Affairs Department made it possible for him to obtain a copy of the report. Considering the fact that Milner attempted to become employed in New Zealand's "external affairs section of the Prime Minister's

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<sup>35</sup> Lenihan, "Was Ian Milner a Spy? A Review of the Evidence."

<sup>36</sup> Barry Gustafson, "New Zealand in the Cold War World," in *Lenin's Legacy Down Under: New Zealand's Cold War*, ed. Alexander Trapeznik and Aaron Fox (Dunedin: Otago University Press, 2004), 27.

<sup>37</sup> Lenihan, "Was Ian Milner a Spy? A Review of the Evidence."

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

Department”<sup>42</sup> before his move to Australia, it may fairly be suggested that New Zealand’s external affairs business was being targeted by Soviet intelligence.

Graeme Hunt raises the possibility that Sutch had recruited Milner as an agent.<sup>43</sup> The evidence is far from conclusive, however. It is unlikely that Sutch and Milner enjoyed much interaction before Milner’s move to Australia, and therefore it is also unlikely that Sutch was Milner’s initial recruiter. Their physical proximity to each other during Sutch’s work with the Ministry of Supply (later the Department of Industries and Commerce) in Sydney<sup>44</sup> and Milner’s work with the Australian Department of External Affairs, and during their respective postings to the United Nations, is interesting but is by no means evidence that they had a relationship within the context of spying for the Soviets.

Dr William Sutch is best known in New Zealand’s intelligence history for his prosecution under the Official Secrets Act in September 1974, and his subsequent acquittal in February 1975.<sup>45</sup> Although the judicial case was enacted after the period of time this thesis covers, many of the activities for which he was held under suspicion did occur in the 1940s and 1950s, and possibly even earlier if some accusations are to be believed. Born in Britain in 1907, Sutch’s family moved to New Zealand soon afterwards.<sup>46</sup> Like Milner, he showed early academic promise which resulted in tertiary education at both Victoria University College in Wellington and Columbia University in the United States.<sup>47</sup> He travelled widely in the early years of the 1930s, including paying a visit to the Soviet Union.<sup>48</sup> For much of his career Sutch was a public servant specialising in the field of economics, and he contributed in an advisory capacity to government officials including Gordon Coates and Walter Nash.<sup>49</sup> His influence within New Zealand and internationally,

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<sup>42</sup> Graeme Hunt, *Spies and Revolutionaries: A History of New Zealand Subversion* (Auckland: Reed Books, 2007), 217.

<sup>43</sup> Hunt, *Spies and Revolutionaries*, 218.

<sup>44</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Sutch, William Ball,” <http://www.teara.govt.nz/en/biographies/5s54/1> (accessed 17 January 2012).

<sup>45</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Sutch.”

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

as well as his long-term service, must have made the accusation of espionage all the more shocking to his colleagues and the New Zealand public.

As with Milner, the debate about Sutch's guilt or innocence remains extant. His alleged espionage and subversive activities are believed to have started as early as the 1930s. C.H. (Kit) Bennetts, a former New Zealand Security Intelligence Service officer who was involved in Sutch's prosecution, thinks that "Dr Sutch had been recruited by the Soviets as a young man – quite possibly during his visit to the USSR in 1932."<sup>50</sup> A more specific early event in which Sutch was implicated occurred in 1937, when he was accused by Sir Maurice Hankey, the British Secretary-General of the Imperial Conference, of leaking "details from meetings of the Committee of Imperial Defence" to a "pro-communist newspaper".<sup>51</sup> However, a document from April 1943 relating his history to date remarked that "there is nothing in his behaviour or speech to suggest that he is likely, now or in the future, to wish to compromise the BRITish [sic] Empire or the war effort of the United Nations."<sup>52</sup>

Sutch appears to have engaged in ill-advised activities during his posting to the United Nations in New York from 1947 until 1951,<sup>53</sup> about which "highly adverse information" was collected, presumably by American security intelligence organisations.<sup>54</sup> A Police Department record of Sutch as a person associated with subversive activity which was created in 1953 noted that "for many years his activities have been suspect," suggesting that Sutch had been under observation for a long period of time.<sup>55</sup> In November 1958, several memorandums were exchanged on the subject of Dr Sutch's appointment to Secretary of the Department of Industries and Commerce, particularly regarding concerns about security expressed by the Pentagon in the United States of America.<sup>56</sup>

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<sup>50</sup> C.H. (Kit) Bennetts, *Spy: A Former SIS Officer Unmasks New Zealand's Sensational Cold War Spy Affair* (Auckland: Random House New Zealand, 2006), 79.

<sup>51</sup> Hunt, *Spies and Revolutionaries*, 249.

<sup>52</sup> "William Ball Sutch," 15 April 1943, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>53</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Sutch."

<sup>54</sup> H.E. Gilbert to Walter Nash, memorandum, 16 December 1958, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>55</sup> Acting Detective Lane, "History Sheet of Person Associated with Subversive Activity: William Ball SUTCH," 12 March 1953, New Zealand Security Intelligence Service Archives, Wellington.

<sup>56</sup> Head of N.Z. Joint Staff Mission, Washington D.C. to Secretary of Chiefs of Staff Committee, "Security," 20 November 1958, New Zealand Security Intelligence Service Archives, Wellington; H.E. Gilbert to

Fraser recalls an “annual talk-fest” for socialist university students in the Marlborough Sounds where “Sutch was scheduled to speak on the United Nations”.<sup>57</sup> This event is not in itself suspicious, but is evidence that he was involved with the younger generations within the left wing of political opinion. A 1956 memorandum notes that “it is perhaps significant to note that Burov, the identified R.U. resident, whilst stationed in Wellington, assiduously cultivated the acquaintance of radical University students.”<sup>58</sup> For a Soviet recruiter such influence was obviously quite important, casting those generations in the same mould Sutch is suggested to have followed, “a well-trodden path for young and idealistic Western intellectuals...ideologically motivated...seeking solutions to the problems that beset the world.”<sup>59</sup> The accumulation of evidence against Sutch led one summary of his allegiances from March 1957 to declare that “DR. SUTCH would undoubtedly be considered a security risk and would not be employed on SECRET work.”<sup>60</sup> Nevertheless, in the end Sutch was formally acquitted of the following charge: “between April 18 and September 26, 1974 for a purpose prejudicial to the safety or interests of the State, he obtained information which is calculated to be, or might be, or is intended to be directly or indirectly useful to an enemy.”<sup>61</sup>

Desmond Patrick Costello was another ideologically motivated intellectual, another academic like Milner and Sutch. He was also the individual who came closest (arguably, in light of Sutch’s official trial) to being conclusively exposed as a Soviet agent. Born in Auckland in 1912,<sup>62</sup> Costello displayed a particular gift for languages. It was this gift which opened many doors during his academic life and career as a public servant. Ian McGibbon, Costello’s biographer for *Te Ara – The Encyclopedia of New Zealand*, remarks that he was “fluent in French, German, Italian, Spanish and Greek, and would later learn Irish Gaelic, Russian and Farsi”.<sup>63</sup>

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Walter Nash, memorandum, 16 December 1958, New Zealand Security Intelligence Service Archives, Wellington.

<sup>57</sup> Fraser, *Seeing Red*, 80.

<sup>58</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, 13.

<sup>59</sup> Bennetts, *Spy*, 80.

<sup>60</sup> “Summary,” 14 March 1957, New Zealand Security Intelligence Service Archives, Wellington.

<sup>61</sup> “Crowded gallery hears Crown evidence against Dr Sutch,” *Evening Post*, 23 October 1974.

<sup>62</sup> *Te Ara – The Encyclopedia of New Zealand*, s.v. “Costello, Desmond Patrick,” <http://www.teara.govt.nz/en/biographies/5c37/1> (accessed 17 January 2012).

<sup>63</sup> *Te Ara – The Encyclopedia of New Zealand*, s.v. “Costello.”



Due to his academic ability, Costello was awarded a scholarship to study at Trinity College, Cambridge University in Britain, incidentally the same college which produced the Soviet agents Anthony Blunt, Guy Burgess, John Cairncross, Donald Maclean and Kim Philby. Even at this early stage he displayed sympathy for the communist ideology. He “joined the Communist Party of Great Britain while at Cambridge” and married a fellow communist in London in 1935.<sup>64</sup> Those associations probably led him to involve himself with likeminded individuals. Graeme Hunt believes that he was recruited into the GRU at Cambridge, and that his “spymaster was probably Anthony Blunt”.<sup>65</sup> This claim is most likely wrong, considering the fact that Blunt was an agent, not a spymaster, and nor was he a GRU agent but rather was almost certainly recruited into the NKVD<sup>66</sup> by ‘Otto’ (real name Arnold Deutsch).<sup>67</sup> Despite the fact that Blunt was unlikely to have been his spymaster, it is not hard to imagine that Costello was aware of Blunt’s interest in communism while at Cambridge. At the very least it is likely that Costello would have socialised with, and perhaps been influenced by, individuals of a socialist or communist bent during that period of his life.

Costello’s skill with languages and an apparent penchant for intelligence work lent itself well to his various assignments during World War II. After service in Greece with the 2<sup>nd</sup> New Zealand Division and in Egypt with the Long Range Desert Group, he was posted to “A Branch, General Staff Intelligence at British Army General Headquarters [GHQ] in Cairo” before moving back into the 2<sup>nd</sup> New Zealand Division as an intelligence officer.<sup>68</sup> While serving with the Division, he came to the attention of Alister McIntosh, the head of the Prime Minister’s Department, by greeting a delegation of Russian officers to Division Headquarters in their own language.<sup>69</sup> Suspicions about Costello’s ties to the Russians because of this event may seem valid, but they are disputed by one of Costello’s own contemporaries, Geoffrey Cox, a fellow intelligence officer in the Division. In a piece of correspondence dated August 1993, Cox recalled Costello’s Marxist views but also expressed his strong opinion that he was not “a source of information for the Russians

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<sup>64</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Costello.”

<sup>65</sup> Hunt, *Spies and Revolutionaries*, 174.

<sup>66</sup> See endnote 155 for the variations of KGB terminology.

<sup>67</sup> Miranda Carter, *Anthony Blunt: His Lives* (London: Macmillan, 2001), 153, 179.

<sup>68</sup> John Tonkin-Covell, “The Collectors: Naval, Army and Air Intelligence in the New Zealand Armed Forces during the Second World War” (PhD dissertation, University of Waikato, 2000), 357.

<sup>69</sup> Hunt, *Spies and Revolutionaries*, 179.



during his time in the Army.” Cox mentions that “[a]ny information available to Costello during his time with the Division or during his time in GHQ in Cairo, would have been of little if any value to the Russians.”<sup>70</sup>

As a direct result of his interaction with the Russian delegation, Costello was recommended by McIntosh as suitable for a place at the New Zealand Legation in Moscow. He was not afraid to declare his ideological preference, even to then-Prime Minister Peter Fraser in an interview for that position. He purportedly said “I’m afraid I’m a bit left-wing, Sir”.<sup>71</sup> Having been cleared for work at the Legation despite his communist connections, Costello went on to prove himself a very capable diplomat, serving as a second secretary and then first secretary (1947) and chargé d’affaires (1949).<sup>72</sup> McIntosh described him as “our most brilliant linguist and diplomatic officer”.<sup>73</sup> Malcolm Templeton, who has written about the Moscow Legation between 1944 and 1950, describes him as “the [my emphasis] New Zealand diplomatic presence during this time”.<sup>74</sup>

His posting would also have been an excellent opportunity for Costello to deepen any clandestine ties with the Soviet Union. If he had not been recruited by Soviet intelligence earlier, this was almost certainly the time when that recruitment would have occurred. Interestingly Douglas Lake, another person placed under suspicion of breaching security,<sup>75</sup> was posted to New Zealand’s Moscow Legation during Costello’s tenure there.<sup>76</sup> This may or may not have been a coincidence, but if it wasn’t it raises further questions about their espionage activities.

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<sup>70</sup> Sir Geoffrey Cox to Dr John Tonkin-Covell, letter, 20 August 1993.

<sup>71</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Costello.”

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Malcolm Templeton, *Top Hats Are Not Being Taken: A Short History of the New Zealand Legation in Moscow, 1944 – 1950* (Wellington: New Zealand Institute of International Affairs, 1988), 20.

<sup>75</sup> James McNeish, *The Sixth Man: The Extraordinary Life of Paddy Costello* (Auckland: Vintage Book, Random House New Zealand, 2007), 262.

<sup>76</sup> McNeish, *The Sixth Man*, 155.

The closure of the Legation on 13 June 1950<sup>77</sup> was not due to suspicions about Costello, but rather a political decision which Carl Berendsen saw as a mistake. He was concerned that:

...if, as I am convinced beyond any doubt at all, these people mean mischief then all the more essential that we should have an intelligent person there to see what can be seen and not to rely upon the judgment of others which has proved so often in the past to be fallible and unreliable.<sup>78</sup>

If Costello was indeed operating as a Soviet agent throughout his diplomatic posting in Moscow, Berendsen's fear of Soviet mischief was more than justified, but his faith in Costello as the "intelligent person" posted there to keep an eye on things was seriously misplaced.

The accumulation of suspicion about Costello's loyalties came to a head during his posting as first secretary in New Zealand's Paris Legation in the early 1950s. There are two key points which raise questions about his true allegiances. The first is a note made by Christopher Andrew in the Mitrokhin Archive which names him as a Soviet agent operating in Paris with the codename LONG.<sup>79</sup> The Archive was based on a collection of documents smuggled out of the Soviet Union by Vasili Mitrokhin, a KGB officer, and taken "from the KGB foreign intelligence archive."<sup>80</sup> However, Costello's identity as LONG is disputed by James McNeish, who interviewed Andrew in the course of conducting research for a biography of Costello. McNeish observes that Andrew admitted that he did not have any great deal of evidence as to the truth of his assertion.<sup>81</sup>

The second point was Costello's potential involvement in an espionage case relating to a couple by the names of Peter and Helen Kroger (real names Morris and Lona Cohen). The couple was issued New Zealand passports from the Legation to enable them to enter Britain. Subsequently they, along with other associates, were arrested at the end of an MI5

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<sup>77</sup> Templeton, *Top Hats Are Not Being Taken*, 70.

<sup>78</sup> Carl Berendsen, 20 January 1950, in *Undiplomatic Dialogue: Letters between Carl Berendsen & Alister McIntosh 1943 - 1952*, ed. Ian McGibbon (Auckland: Auckland University Press, 1993), 200.

<sup>79</sup> Christopher Andrew and Vasili Mitrokhin, *The Mitrokhin Archive: The KGB in Europe and the West* (London: Allen Lane The Penguin Press, 1999), 534, 600.

<sup>80</sup> Christopher Andrew, foreword to *The Mitrokhin Archive: The KGB in Europe and the West*, Andrew and Mitrokhin, xix.

<sup>81</sup> McNeish, *The Sixth Man*, 16.

investigation and convicted on charges of espionage for the Soviet Union.<sup>82</sup> Costello was implicated as having a role in the issuance of the passports and therefore also implicated in assisting Soviet agents. It is worth noting that McNeish offers a short counter-argument in his biography *The Sixth Man*, where he states very bluntly that “[t]he charge is false.”<sup>83</sup>

Whether or not Costello was involved in identified security breaches, complaints about him continued to emerge, making his further employment in the New Zealand diplomatic service untenable. Under pressure from Prime Minister Sidney Holland, Costello had resigned by July 1954.<sup>84</sup> He was never officially charged with any illegal activity,<sup>85</sup> but his reputation at the time suffered irreparable damage. After his retirement from diplomacy, he obtained a position as an academic at Manchester University where he taught Russian studies until his death in 1964.<sup>86</sup>

As with many other intelligence cases, the evidence publicly available to prove or disprove the intelligence case against Costello is inconclusive. Hunt credits him with being “the most important New Zealand spy recruited by the Soviet Union.”<sup>87</sup> Perhaps it is wise to consider this statement with a caveat – (potentially) the most important New Zealand spy that is known about. McIntosh’s incredulous exclamation to Berendsen in a letter dated 14 June 1951 about the rumours of “a Communist infiltration in Government offices in New Zealand, so much so that the Prime Minister’s own papers are alleged to be interfered with”<sup>88</sup> suggests the possibility that another agent with even greater access than Costello existed in the public service. Present scholarship, however, has not uncovered such an agent, if indeed they existed, and therefore Costello retains his somewhat dubious reputation as one of New Zealand’s most significant espionage cases of the twentieth century.

What conclusions can be drawn from the examples of Milner, Sutch and Costello? How does each individual case inform a more generic understanding of what agents might

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<sup>82</sup> Hunt, *Spies and Revolutionaries*, 194-199.

<sup>83</sup> McNeish, *The Sixth Man*, 252-253

<sup>84</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Costello.”

<sup>85</sup> *Ibid.*

<sup>86</sup> *Ibid.*

<sup>87</sup> Hunt, *Spies and Revolutionaries*, 168.

<sup>88</sup> Alister McIntosh, 14 June 1951, in *Undiplomatic Dialogue*, McGibbon, 264.

have been like in the 1940s and 1950s? Before discussion of that generic understanding commences, it is important to remember that agents did not necessarily fit a neat template or “type” which was similar to all other agents. Aside from the three key preconditions that recruiters would look for in a potential agent, the differences between candidates could be vast. However, as can be seen in the examples above, similarities were also possible.

Education was a significant point of similarity, not only between potential agents identified in New Zealand’s history, but also further afield in some of the other individuals who have been mentioned in this category. Milner, Sutch and Costello were all high educational achievers. All of them studied at universities which were, and still are, considered to be among the best in the world – Oxford, Columbia and Cambridge respectively. They also all taught at or were involved with tertiary institutions during their careers. As an international example, the Cambridge Five spy ring was, of course, named after its members’ alma mater. Not only did this level of education suggest that agents were those who had the ability to think for themselves, but they were exposed to an environment in which a melting pot of ideas was encouraged. Universities gave students and lecturers the time and often (but not always) the freedom to consider many different perspectives on all aspects of life, including political ideologies. It was an ideal place for ideologies like communism, which were not usually embraced in other areas of society in the Western world, to take root. The accepted wisdom of the state was not always the accepted wisdom of individuals in a university environment. Thus universities were a common recruiting ground for intelligence services across the political spectrum.<sup>89</sup>

Ideological sympathies were another point of similarity, and were also an important indicator of an individual’s availability for recruitment. Milner and Costello were both members of a communist party at some point in their lives. Sutch was not a communist party member, but was reported to Prime Minister Sidney Holland in May 1957 as being “of far more use to the Party as a non-Member.”<sup>90</sup> All three men married communist party members. Sutch’s attendance at socialist events like the one held in the Marlborough Sounds suggests that he was aware of and involved with those inclining to the left of political opinion. Soviet intelligence officers were not above using blackmail or

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<sup>89</sup> See Robin W. Winks, *Cloak & Gown: Scholars in the Secret War, 1939 – 1961* (New York: William Morrow and Company, Inc., 1987) for one perspective on intelligence activities inside universities.

<sup>90</sup> “Note for File: W.B. Sutch,” 28 May 1957, New Zealand Security Intelligence Service Archives, Wellington.

other forms of coercion to induce individuals to become agents, but appealing to them on the basis of ideology was “the most popular approach”.<sup>91</sup>

Confidence was an essential trait for agents. Even those who were recruited through blackmail or other, similar tactics had to be mentally prepared to carry out espionage or subversion otherwise their activities would very soon be discovered. Bennetts, in discussing the parallels between the Milner, Sutch and Costello cases, points out that all three were confident and even arrogant when confronted with the accusation that they were traitors.<sup>92</sup> For ideological agents, as those three presumably were, confidence in the rightness of their actions enabled individuals to justify their betrayal. In the case of Sutch, for example, Bennetts notes that:

The youthful Bill Sutch would never have viewed his assistance in terms of a betrayal of his country; he is more likely to have seen himself at the forefront of the great socialist advance.<sup>93</sup>

Although confidence was a key characteristic of agents, it was very rarely absolute. In most cases, agents displayed some markers of stress which were visible to others. Perhaps the best example of this was a tendency to drink excessively. Costello was known for his drinking,<sup>94</sup> although current scholarship does not give any indication as to whether or not either Milner or Sutch exhibited such a tendency. Members of the Cambridge Five certainly had a taste for alcohol, in particular Donald Maclean.<sup>95</sup> Frank Cain claims that the defector Petrov was unlikely to have been a real intelligence officer or “spy-master” because “he had a fatal attraction for alcohol.”<sup>96</sup> An argument could equally be made for the opposite view, that a penchant for or addiction to alcohol (in conjunction with other facts) could be an indicator that an individual was involved in clandestine activities.

Of all the similarities relating to a comparison between individual agents or possible agents, a capacity for deception is arguably the most important. Any intelligence

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<sup>91</sup> Mikhail Luybimov, retired officer of KGB intelligence, quoted in “KGB,” *The Spying Game*, DVD (The History Channel, 2007).

<sup>92</sup> Bennetts, *Spy*, 206-207.

<sup>93</sup> *Ibid.*, 80.

<sup>94</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Costello.”

<sup>95</sup> Christopher Andrew, *The Defence of the Realm: The Authorized History of MI5*, updated ed. (London: Penguin Books, 2010), 421.

<sup>96</sup> Frank Cain, *The Australian Security Intelligence Organization: An Unofficial History* (Ilford, Essex: Frank Cass and Co. Ltd., 1994), 131.

activity requires the employment of a measure of deception. The idea of using deception as a tool to gain advantage over an opponent is an ancient one. Sun Tzu, in his classic *The Art of War*, stated that “All warfare is based on deception.”<sup>97</sup> The same can certainly be said of intelligence. A contemporary observer, Frederick P. Hitz, remarks that:

...a potential spy must be comfortable in the duplicitous role-playing and manipulation of people that spying often demands. Furthermore, he or she must be good at it.<sup>98</sup>

Dr Sutch, for example, was considered by one “close associate” to be “an accomplished actor of many parts”.<sup>99</sup> It goes on to further specify how Sutch excelled in the role of an actor and it makes for very interesting reading:

The word “actor” is used intentionally. SUTCH can assume one of a series of roles, each role being assumed in order that he might achieve mastery of every situation. He can be aloof, provocative, egotistical, diplomatic, or assume one of several inter-related guises of mediator, confidant, flatterer or collaborator. In short, SUTCH cannot or will not be categorised professionally or politically; he enjoys being an enigma...<sup>100</sup>

Costello is another good example in New Zealand history of how deception may have been employed to conceal espionage activity. Ian McGibbon mentions that Costello was “[h]ighly regarded by 2NZEF commander Lieutenant General Sir Bernard Freyberg” and “conspicuous for his intellectual capacity, linguistic skills, enthusiasm for debate, singing talents and liveliness as a companion.”<sup>101</sup> Graeme Hunt mentions his “war record second to none” as well as “the confidence of the country’s war hero, Freyberg, behind him.”<sup>102</sup> Templeton mentions McIntosh’s firm belief in Costello’s innocence.<sup>103</sup> Costello was very good at using his natural talents and personal history to generate a great deal of good-will towards himself, which worked as a screen against discovery of any clandestine work he may have been engaged in. Without a shield of deception, the chance that an agent would be discovered in treachery increased exponentially.

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<sup>97</sup> Sun Tzu, *The Art of War: The New Illustrated Edition*, trans. Samuel B. Griffith (London: Duncan Baird Publishers, 2005), 96.

<sup>98</sup> Frederick P. Hitz, *Why Spy? Espionage in an Age of Uncertainty* (New York: Thomas Dunne Books, 2008), 76.

<sup>99</sup> “William Ball SUTCH,” 1962, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>100</sup> “William Ball SUTCH,” 1962, 1.

<sup>101</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Costello.”

<sup>102</sup> Hunt, *Spies and Revolutionaries*, 182.

<sup>103</sup> Templeton, *Top Hats Are Not Being Taken*, 23.

Richards, in his report on “The Internal Security Problem in New Zealand”, made an effort to point out that there were threats to New Zealand’s security which had to be “fully identified and neutralised”<sup>104</sup> by the state’s security intelligence capability. He correctly listed two out of three principal threats – domestic organisations which supported the Soviet Union or the spread of communism, and Soviet intelligence officers operating with diplomatic immunity from within the Soviet Legation in Wellington. Richards neglected to address one of the key types of intelligence operative – the agent recruited locally. However, his analysis of the security problem was not complete. The second point he made in the first part of his report was that not only were there threats existing in New Zealand, but those threat groups were actively pursuing specific targets.

...there are in New Zealand vital military and political secrets which she shares with her allies and with other Commonwealth countries.<sup>105</sup>

Richards emphasised that these were “[s]ignificant targets for Soviet espionage activities” and that they needed to be “adequately and satisfactorily safeguarded”.<sup>106</sup> He goes no further in his description of the targets. That task had already been undertaken in an earlier 1956 report.

In a document dated 31 May 1956 and titled “The Security Problem in New Zealand” (see Appendix C),<sup>107</sup> the author (whose name has been removed from the document) made a list of some of the potential targets of foreign spies and their indigenous partners. As a geographically small state, New Zealand would have been a comparatively limited generator of secret information. The vast majority of valuable intelligence which could be obtained from within New Zealand had its origins in that state’s security partners. Information, according to the 31 May report, fell into three broad categories. The first of those categories was political information. The report specifically mentions papers and telegrams that were transmitted from the British High Commissioner’s Office to New Zealand’s External Affairs Department, “which in the last 3 months amounted to 5 Top Secret, 75 Secret and 104 Confidential items.”<sup>108</sup> It also cites documents generated from the South East Asia Treaty Organisation (SEATO) and the

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<sup>104</sup> Richards, “The Internal Security Problem in New Zealand,” 23 August 1956, 1.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

<sup>107</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956.

<sup>108</sup> Ibid., 5.

Australia New Zealand and Malaya (ANZAM) grouping.<sup>109</sup> The value in such sources was their revelation of the intentions of those who were making decisions about interaction with, and engagement against, opponents like the Soviet Union on a regular basis.

The second category of information was that generated by intelligence organisations and committees. It included papers created by the Joint Intelligence Committee (JIC) and the Joint Intelligence Bureau (JIB), and from the United States in the form of National Intelligence Estimates and Central Intelligence Agency (CIA) assessments.<sup>110</sup> Intelligence reports were evaluations of information about enemy capabilities, policies and procedures, for instance “appreciations of Soviet and Chinese etc. strengths and intentions”.<sup>111</sup> States whose information was being exposed in those reports would be able, if they saw the reports, to ascertain to what extent their enemies understood their capabilities, how those enemies intended to exploit whatever weaknesses were identified, how the information had been obtained, and how deception could be employed to confuse those who had generated the report in the first place.

The third category of information targeted by hostile intelligence groups or individuals was military. Because New Zealand’s military strength was minimal compared to those of its security partners, domestic capabilities were not always the principal target, but rather information about the military capabilities of other states. However, New Zealand did contribute to military outputs in more indirect ways, and information about those efforts would have been considered valuable. For example, the state’s signals intelligence capability had been interlinked with wider security groupings for decades, and perhaps it was information from that source (among others) to which the 31 May report refers when it mentions “highly delicate information goes over External Affairs channels to the Navy Office for the Combined Signals Organisation.”<sup>112</sup> It also notes that “a Top Secret research project is being conducted in the Naval Research Laboratory.”<sup>113</sup> New Zealand may have been a small state geographically, but it was a participating state in a security partnership with other states, which therefore made it a legitimate target for hostile intelligence.

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<sup>109</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, 5.

<sup>110</sup> Ibid., 5-6.

<sup>111</sup> Ibid., 5.

<sup>112</sup> Ibid., 5.

<sup>113</sup> Ibid., 6.



If the list of items of information in the 31 May 1956 report was not sufficient to persuade readers that there was sufficient information resident in or passing through New Zealand to justify an active Soviet intelligence presence in the state, the author makes a further attempt to persuade them:

These various documents all go to build up a very comprehensive picture of Commonwealth and United States knowledge of Soviet, Chinese etc. strength, dispositions and intentions, not only in the Pacific Theatre but also throughout the world; these appreciations are based on the intelligence sources available to the Commonwealth and the U.S.A., and in turn serves as a basis for defence and political planning. Their leakage to the Russians would be almost as disastrous as if a Soviet spy had access to the most secret defence planning archives of Whitehall or Washington.<sup>114</sup>

Where was access to key information more easily obtained than in Whitehall or Washington? Often it was through the security weaknesses found in smaller states with fewer resources to commit to protecting them. That was partly the reason why MI5 officers visited New Zealand in 1948, and why in 1956 the author of the 31 May report felt it important to reiterate the state's requirement for a better security intelligence capability than was in existence at that time. Allen Dulles penned a phrase which suitably paraphrases this point: "[t]he essence of espionage is access."<sup>115</sup>

Not everyone involved in government or security matters was convinced of the urgency of the espionage and subversive threats to New Zealand. In 1953 Michael Moohan, a Labour Party Member of Parliament, demanded to "know the reason for setting up a security force [referring to the Police Special Branch] right in the middle of peace time" and declared that Prime Minister Holland should reveal the type of security threat that would call for such a force.<sup>116</sup> Moohan's challenge was presumably the result of an absence of public awareness about the government's reasons behind enhancing security intelligence. However, Dr Reuel Anson Lochore's scepticism is less easy to explain away, as he was one of the individuals involved in secret discussions about the capability. Even as the new Security Service was taking shape in 1956, Lochore remained doubtful that a security problem existed in New Zealand.<sup>117</sup> Fraser, a Police Special Branch agent in the 1950s, stated in retrospect that in his opinion, the "rank-and-file [Communist] party

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<sup>114</sup> [name removed], "The Security Problem in New Zealand," 31 May 1956, 6.

<sup>115</sup> Allen Dulles, *The Craft of Intelligence* (Boulder, Colorado: Westview Press, 1985), 58.

<sup>116</sup> Michael Moohan, quoted in "What Does Mr Holland Want to Hide?," *People's Voice* 10, no. 45, 18 November 1953, 1.

<sup>117</sup> R.A. Lochore, "The Reorganization of Special Branch," 25 July 1956, New Zealand Security Intelligence Service Archives, Wellington, 1.

members I knew were chauvinistically loyal New Zealanders who were leaning on an overseas dogma in order to improve conditions within their own country".<sup>118</sup> What seems to be missing from the statements of Moohan, Lochore and Fraser, however, is a good understanding of the wider context within which specific evidence of threats and targets had to be interpreted.

Many of the threats to New Zealand originated in states where communism was the prevailing ideology, most prominently the Soviet Union and China. Those who embraced that ideology were inevitably influenced by the teachings of its key theorists and practitioners. Karl Marx and Frederick Engels, for example, supported "class struggle as a motor of history"<sup>119</sup> and believed that "their ends can be attained only by the forcible overthrow of all existing conditions."<sup>120</sup> Mao Tse-tung in China made it clear that he saw revolution as a violent act: "A revolution is an insurrection, an act of violence by which one class overthrows another."<sup>121</sup> The chaos implied in such statements was supposedly given visibility domestically in the form of the 1913 strike<sup>122</sup> and the 1951 Waterfront Dispute,<sup>123</sup> which the governments of the time saw as evidence of the insidious nature of far-left ideologies. The support of domestic organisations for states which promoted communism, and the intelligence activities of those states themselves, gave rise to frustration on the part of people charged with maintaining security in New Zealand: "...perhaps the fundamental threat lies in the inherent apathy and extreme tolerance of New Zealanders to our recognised enemies, the Communists."<sup>124</sup>

The threats identified and the targets at risk which are mentioned above provoked a reactive response within government and organisations responsible for security.

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<sup>118</sup> Fraser, *Seeing Red*, 90.

<sup>119</sup> Karl Marx and Frederick Engels, *The Communist Manifesto: A Modern Edition* (London: Verso, 1998), 24.

<sup>120</sup> Marx and Engels, *The Communist Manifesto*, 77.

<sup>121</sup> Mao Tse-tung, "Report on an Investigation of the Peasant Movement in Hunan," March 1927, in *Quotations from Chairman Mao* (New York: Universal-Award House, Inc., 1971), 23.

<sup>122</sup> John Crawford, "A Tale of Two Cities: Military Involvement in the 1913 Strike," in *Revolution: The 1913 Great Strike in New Zealand*, ed. Melanie Nolan (Christchurch: Canterbury University Press, 2005), 122.

<sup>123</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Holland, Sidney George," <http://www.teara.govt.nz/en/biographies/5h30/1> (accessed 17 January 2012).

<sup>124</sup> Paterson, "Threats to Security of New Zealand," 29 November 1951, 4.

Between 1948 and 1949 there was a visible change in New Zealand's approach to security intelligence. Between the visit of MI5 personnel in March 1948 and a memorandum issued by Police Commissioner James Cummings in December 1949, a decision was made at some level that the status quo was not sufficient to meet the state's security needs. The solution arrived at was the establishment of the Police Special Branch.

## Chapter Four

# The Police Special Branch

There were two major factors that drove change in security intelligence matters between 1945 and 1957. The first of those factors was international influences (see Chapter Two). The second, but equally important, factor was domestic influences. Collective security and a collective threat environment were shaped by both factors, but after World War II, intelligence developments on the domestic scene began to take on a life of their own. The shift was marked most prominently by the establishment of the Police Special Branch in 1949.

By 1943, it became clear that New Zealand's wartime experiment with a semi-independent security intelligence organisation had failed. A service with strong British influences,<sup>1</sup> including being led by a British officer, the Security Intelligence Bureau became embroiled in a scandal surrounding its investigation of a non-existent subversive threat based on the word of a convicted criminal. Allegedly leaked to the media by individuals within the Police Department,<sup>2</sup> the quickly-publicised story resulted in ignominy for the Branch and the resignation of its director. The Bureau itself remained intact until the end of the war, but was given back to the Police Department to manage.

Management of security intelligence after Folkes had departed from New Zealand was a closed-ranks affair within the Police Department. James Cummings, the brother of the Police Commissioner at the time and soon to become Commissioner himself, was appointed to lead the Bureau after its transition.<sup>3</sup> Upon his promotion to Commissioner in 1944, Cummings was replaced by P.J. Nalder.<sup>4</sup> Incidentally, both James Cummings and

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<sup>1</sup> Foss Shanahan, "Security Intelligence," 2 March 1948, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>2</sup> Redmer Yska, *Truth: The Rise and Fall of the People's Paper* (Nelson: Craig Potton Publishing, 2010), 100.

<sup>3</sup> Ball, Lord and Thatcher note that James Cummings was the head of the Criminal Investigation Branch at the time of his appointment to the head of the SIB. They place the date of that appointment to mid-1941, which is contrary to John Tonkin-Covell's account. The discrepancy is most likely an error in Ball, et al.'s book. Desmond Ball, Cliff Lord and Meredith Thatcher, *Invaluable Service: The Secret History of New Zealand's Signals Intelligence during Two World Wars* (Waimauku, New Zealand: Resource Books, 2011), 295.

<sup>4</sup> Shanahan, "Security Intelligence," 2 March 1948, 1.

Nalder were part of the Police contingent which exposed Sydney Ross's fraudulent story in 1942.<sup>5</sup>

As a nominal police branch the Security Intelligence Bureau existed until 3 September 1945<sup>6</sup> when it was disbanded. Susan Butterworth notes in her book *More than Law and Order: Policing a Changing Society, 1945 – 1992* that after disbandment, there is little evidence that the police conducted any significant security intelligence operations in the following two years.<sup>7</sup> Documents released by the New Zealand Security Intelligence Service (NZSIS) do not include any which were created during the period from 1945 until 1947. Only in 1948 does the trail of official documentation regarding security intelligence matters resume. It may be assumed that the general lack of documentation suggests a significant level of inactivity by security intelligence within the Police Department. As far as can be ascertained, there was one section made responsible for dealing with questions of security but it was a "part of the normal Police organisation" with little to distinguish itself from standard police functions.<sup>8</sup>

Why did security intelligence remain a largely non-specific and apparently ineffectual capability within the Police Department between the end of World War II in 1945 and MI5's visit in March 1948? Perhaps the New Zealand Government, exhausted by the years of war, was content enough with the Allied victory to assume that the immediate security threat to the state had dissipated. At the beginning of the Cold War, due to New Zealand's relative geographical isolation and political insignificance, hostile activities unveiled in other states may have appeared far removed from its own immediate environment.

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<sup>5</sup> John Tonkin-Covell, "The Collectors: Naval, Army and Air Intelligence in the New Zealand Armed Forces during the Second World War" (PhD dissertation, University of Waikato, 2000), 341.

<sup>6</sup> C.H. (Kit) Bennetts, *Spy: A Former SIS Officer Unmasks New Zealand's Sensational Cold War Spy Affair* (Auckland: Random House New Zealand, 2006), 40.

<sup>7</sup> Susan Butterworth, *More than Law and Order: Policing a Changing Society, 1945 – 1992* (Dunedin: Otago University Press, 2005), 40.

<sup>8</sup> Foss Shanahan, "Defence of the Realm – Security Organisation," 16 April 1948, New Zealand Security Intelligence Service Archives, Wellington, 1.

Prime Minister Peter Fraser was closely involved in the formation of the United Nations,<sup>9</sup> having “an ambitious, global vision for the post-war world and New Zealand’s place in it”,<sup>10</sup> and may have believed that a global community would dispel a significant amount of any residual hostility. Towards the end of the decade, a shift in government from the Labour Party to the National Party occurred. New Zealand between 1945 and 1949 was getting its house in order. In the middle of that period of transition, there seems to have been little willingness to re-imagine a security intelligence capability which, for the most part, seemed to be adequately served by the status quo.

MI5’s visit in 1948 was an uncomfortable reminder to the New Zealand Government and the Police Department that threats to the state’s security had not disappeared with the end of outright war. Roger Hollis, during his presentation to Army Headquarters on 23 March 1948, was careful not to make any assumptions about specific intelligence and subversive threats to New Zealand, instead speaking generally and only from the British experience.<sup>11</sup> However, it is hard to avoid the assumption that if a visit by MI5 officers, including the current Director-General, was deemed prudent or even expedient then there was at the very least a possibility that such threats could become real for New Zealand.

Presumably discussions continued on the subject of how security intelligence could be reinforced or enhanced after MI5’s visit. Foss Shanahan’s note and letter regarding security arrangements from April and May 1948 are the only examples of these discussions which have emerged to date. Shanahan seems to have been of the opinion that the status quo would have to change to some degree, most notably in the formation of a new police branch to manage security intelligence (on which subject the armed forces Chiefs of Staff appear to have been in agreement). In his letter to Police Commissioner James Cummings, Shanahan noted that there was “some case for the establishment of a Special Branch [Shanahan’s emphasis] in the Police Force, to be subject to the

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<sup>9</sup> Helen Clark, “Helen Clark’s speech on Peter Fraser and the UN,” 12 August 2010, Stuff.co.nz, <http://www.stuff.co.nz/national/politics/4018570/Helen-Clarks-speech-on-Peter-Fraser-and-the-UN> (accessed 3 January 2012).

<sup>10</sup> Michael King, *The Penguin History of New Zealand Illustrated* (North Shore, Auckland: Penguin Group (NZ), 2007), 352.

<sup>11</sup> R.H. Hollis, talk on communism given by Mr R.H. Hollis at Army Headquarters, 23 March 1948, New Zealand Security Intelligence Service Archives, Wellington, 1.

Commissioner in the ordinary way, and responsible for all questions affecting the Security of the State.”<sup>12</sup>

Twenty months passed between Shanahan’s letter and the next document which has been released publicly, a memorandum dated 29 December 1949. That memorandum was sent by Commissioner Cummings to the Superintendent of Police in Christchurch, directing that the term “Special Branch” was from then on to be used as a name for sections of the Police Department dedicated to security intelligence.<sup>13</sup> The sum total of the memorandum’s content (excluding dates, titles and salutations) is worded as follows:

At the Conference of Commissioners of Police held at Melbourne last month it was unanimously decided that with a view to uniformity each Section of Police dealing with subversive organisations will be designated the “Special Branch”.

The title “Special Branch” will be used in relation to Sections so employed in this Dominion accordingly.<sup>14</sup>

Presumably a similar memorandum was sent to all other police districts at the same time.

There are three issues which may be raised after a perusal of Cummings’ memorandum. The first is the length of time which passed between Shanahan’s letter to the Commissioner, and the Commissioner’s own missive. Assuming that the absence of any other documentation in the publicly accessible record means that no other documentation exists from those missing months, there are two possible explanations for the time lapse. Either there was a significant amount of behind-the-scenes work which occurred to reshape security intelligence within the Police Department before a formal announcement of the formation of the Special Branch was issued, or little to no further work was undertaken to transform whatever nominal capability existed before the Branch was created. If the latter was the case, it also suggests a serious reluctance on the part of the Commissioner to initiate change.

The latter possibility seems the more likely, as it is indirectly supported by a memorandum sent to Prime Minister Sidney Holland in November 1953 which complained that the author (whose name is not recorded) had attempted to discuss the

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<sup>12</sup> Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948, 1. Note that Shanahan’s letter to Cummings is dated 18 May 1948, but the quotation comes from a series of notes Shanahan included with the letter, which he had composed on 16 April 1948.

<sup>13</sup> James Cummings to Superintendent of Police Christchurch, memorandum, 29 December 1949, New Zealand Security Intelligence Service Archives, Wellington.

<sup>14</sup> Cummings to Superintendent of Police Christchurch, memorandum, 29 December 1949.

Special Branch organisation with a “former Commissioner” without success.<sup>15</sup> It is difficult to determine which Commissioner was being referred to. It could have been James Cummings, whose tenure ran between 1944 and 1950,<sup>16</sup> but it could also have referred to John Young (1950 – 1952).<sup>17</sup> This anonymous comment, along with other indicators which will be discussed at a later stage, hints at a wider reluctance among Police Commissioners of that era to contemplate a rejuvenation of security intelligence capabilities within their department.

Reluctance among the Commissioners and senior police bureaucracy to adequately address the question of security intelligence could conceivably have been the result of a fear that they would once again lose control of the capability, as they had during World War II. It may have been an institutional resistance to admitting that mistakes had been made. Acknowledging a need for change would also have meant a degree of extra cost and resourcing re-invested in a capability which could be described as not a core police function or responsibility. All of these reasons may have been responsible for the hesitancy of police officials to confront ongoing and ever-changing intelligence requirements.

A second issue to note about the Commissioner’s memorandum is its brevity. There is a clear indication that security intelligence did exist within the department in some form. The concept of ‘sections’ could suggest a semi-formal intelligence structure, but certainly not an organisation as clearly defined as the Special Branch that succeeded it. The memorandum does not give any further direction about what the structure or function of the new branch should consist of. This is further proof of the Commissioner’s lack of interest in making any substantive changes to the status quo, or in making security intelligence an effective capability flexible enough to adapt to a changing intelligence environment.

The third issue raised from the memorandum is its reference to the Conference of Commissioners of Police held in Melbourne. A publication issued by the Australian Institute of Criminology notes that a “Subversive Section” was created by the South

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<sup>15</sup> “The Work of Special Branch,” 5 November 1953, New Zealand Security Intelligence Service Archives, Wellington, 3.

<sup>16</sup> Murray Hill, *In the Line of Duty: 100 Years of the New Zealand Police* (Auckland: Endeavour Press Ltd., 1986), 87.

<sup>17</sup> Hill, *In the Line of Duty*, 87.



Australian Police Commissioner in 1947, and that “[s]imilar sections existed in the police departments of other states”.<sup>18</sup> Presumably Commissioner Cummings was invited to attend the conference as a way for the Australians to express solidarity with their New Zealand counterpart, and to share information about matters of security intelligence.<sup>19</sup> Each individual Australian state would likely have had its own Commissioner present, or represented. What Cummings’ involvement in the conference and his subsequent brief memorandum suggest is that the Special Branch solution proposed and adopted by his department was principally an Australian solution, rather than a solution independently conceived of within a New Zealand context.

As its name suggests, the Special Branch was likely intended to operate in much the same way as its British equivalent, the Metropolitan Police Special Branch. Rupert Allason, who has written a history of Britain’s Special Branch, describes the responsibilities and accountability of that Branch as follows:

The work of the Branch is concentrated in the field of assassination, terrorism, revolution, sabotage, subversion and espionage. Their brief is protection, surveillance, infiltration and intelligence-gathering. This might sound like the natural environment of a secret intelligence service, and so it is, but what makes the Branch unique in the world is that the individual officers are answerable to the Head of the Branch, and he in turn is accountable not to a politician or a faceless secret service bureaucrat, but to the Commissioner of the Metropolis.<sup>20</sup>

Allason acknowledges the similarity between the responsibilities assigned to the Special Branch and those assigned to intelligence services in this quote. In New Zealand’s case, the responsibilities of such a capability were obviously deemed limited enough at the end of the 1940s to have a branch of the Police Department deal with such matters without the creation of an entirely new service. The Police Commissioner remained responsible for all

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<sup>18</sup> P.N. Grabosky, “Chapter 7: Political Surveillance and the South Australian Police,” *Wayward Governance: Illegality and its Control in the Public Sector*, 1989, Australian Institute of Criminology, <http://aic.gov.au/publications/previous%20series/lcj/1-20/wayward/ch7t.aspx> (accessed 9 January 2012).

<sup>19</sup> It is interesting to note Cummings’ involvement in an Australian conference. This is another parallel between the development of New Zealand’s security intelligence capability and Australia’s, reinforcing the international security relationships that were established or developed within the British Commonwealth after World War II.

<sup>20</sup> Rupert Allason, *The Branch: A History of the Metropolitan Police Special Branch 1883 – 1983* (London: Martin Secker & Warburg Limited, 1983), xi.

security work, and was required to report on those matters to whoever held the portfolio of Minister of Police at the time.<sup>21</sup>

The Branch took over personnel and functions previously assigned to the sections responsible for security within the larger police force<sup>22</sup> after the dissolution of the Security Intelligence Bureau. Special Branch officers were located in Auckland, Wellington, Christchurch and Dunedin.<sup>23</sup> In other police districts an officer usually employed in criminal investigations was made available for security work if required.<sup>24</sup> The management of security intelligence was centralised in a headquarters element located at Police Headquarters in Wellington.<sup>25</sup>

Sources vary in their count of overall personnel numbers within the Branch. George Fraser puts numbers in the early 1950s at approximately “five full-time members throughout New Zealand with perhaps nine or 10 [sic] part-timers who shared their special duties with their normal police work.”<sup>26</sup> Susan Butterworth mentions 24 persons before 1951, after which she notes an increase to 36 persons.<sup>27</sup> An internal security report (undated but likely either from 1950 or 1951) lists personnel as being 22 (stenographers at Wellington were not specifically numbered).<sup>28</sup> In G.R. Richards’ report of 23 August 1956 he counts Branch employees as comprising “some 36 personnel”.<sup>29</sup> On average, Branch numbers can fairly safely be said to have fluctuated between 20 and 40 throughout its short history. Interestingly, in 1942 the head of the wartime Security Intelligence

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<sup>21</sup> “New Zealand Police – Special Branch,” New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>22</sup> Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948, 1.

<sup>23</sup> “New Zealand Police – Special Branch,” 1.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> George Fraser, *Seeing Red: Undercover in 1950s New Zealand* (Palmerston North: The Dunmore Press Ltd., 1995), 27-28.

<sup>27</sup> Butterworth, *More than Law and Order*, 43, 46.

<sup>28</sup> “New Zealand Police – Special Branch,” 1.

<sup>29</sup> G.R. Richards, “The Internal Security Problem in New Zealand,” 23 August 1956, New Zealand Security Intelligence Service Archives, Wellington, 2.

Bureau wrote a paper which listed his establishment as standing at 55 persons<sup>30</sup> which is a larger total than the Special Branch appears to have had at any stage in its short history.

Recruitment of Special Branch officers were initially “limited to members of the New Zealand Police Force”,<sup>31</sup> in particular from members of the Criminal Investigation Branch.<sup>32</sup> The problem with such recruiting policies was that the responsibilities of the Special Branch were distinct from that of the general police force. Personnel being introduced to that new type of work may not have been familiar with the differentiation of tasks, and of the processes attached to security intelligence requirements. A report from 31 January 1950 describes the differentiation as follows:

Security is concerned with the detection and prevention of sabotage, espionage, leakage of information and subversive activity, and the imposition of preventive measures which must be applied continuously in peace and war in order to safeguard classified material and information, the loss, unauthorised disclosure or compromise of which may jeopardise the survival of the nation, the British Commonwealth and its allies. It is not directly concerned with crime, theft, black-market operations, looting or other purely police or Service disciplinary matters, unless the case in question has a security aspect.<sup>33</sup>

In 1948 Shanahan recommended that “personnel of the Special Branch be appointed to that Branch on a permanent basis and because of special qualifications, both of character, intellect and education”.<sup>34</sup> He argued that this was necessary because “problems with which the organisation must deal are very complex and, having regard to the continuing nature of the threat to the State in one form or another of subversive activity, and the fact that the main threats derive from forms of political and social philosophy”.<sup>35</sup> Despite that recommendation, from a report dated July 1956 it appears that police officers were still being seconded to the Branch rather than being permanently transferred.<sup>36</sup>

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<sup>30</sup> The total of 55 persons was broken down into 1 major, 4 captains, 4 subalterns, 3 warrant officers and 43 sergeants. Major Kenneth Folkes to Foss Shanahan, “Security Intelligence,” 14 January 1942, Dr John Tonkin-Covell personal collection, New Zealand, 2.

<sup>31</sup> P.J. Nalder and [name removed], “Notes on the Security Service,” 4 July 1952, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>32</sup> P.J. Nalder to Sidney Holland, memorandum, 20 December 1954, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>33</sup> Joint Planning Committee and Joint Intelligence Committee to Chiefs of Staff, “Security Measures in New Zealand,” 31 January 1950, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>34</sup> Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948, 2.

<sup>35</sup> Ibid.

<sup>36</sup> R.A. Lochore, “The Reorganization of Special Branch,” 25 July 1956, New Zealand Security Intelligence Service Archives, Wellington, 10.

The duties assigned to the Branch encompassed some, but by no means all, of the tasks normally associated with a security intelligence capability. Moreover, as a capability situated within the Police Department, the prosecution of those tasks were not always sufficiently separate from established police functions so as to fulfil the peculiar demands of security intelligence investigations. Sir Percy Sillitoe believed that “the outlook of Special Branch is naturally limited by Police considerations”.<sup>37</sup> A report, possibly authored by Nalder who was at that time head of the Special Branch, identified that the Branch “as at present constituted, is fundamentally handicapped by...inelastic Police regulations and administrative machinery”.<sup>38</sup> The Police Special Branch seems for the most part to have been limited and reactive in its approach to security intelligence.

In some measure the Special Branch addressed all of the principal threats identified in Chapter Three – domestic organisations whose allegiance was given either to the interests of a foreign power or to the communist ideology, Soviet intelligence officers operating both from within and outside of the Soviet Legation in Wellington, and Soviet agents recruited locally. Monitoring domestic organisations like the Communist Party of New Zealand was a logical role for the Branch, but the means by which it did so were limited. For example, the Head of Special Branch acknowledged that “the primary task of Special Branch remains the identification of members of the Communist Party and its ancillary organisations”, but due to the lack of “overt means and technical aids such as telephone tapping and mail censorship, which are among the main counter-intelligence weapons of Security Services abroad”, the Branch was forced to “rely on undercover agents as the principal source of our information...we have 8 agents so employed”.<sup>39</sup> In one specific case, the investigation of a publication entitled *Newsquote* between 1952 and 1953, the Branch discredited its editors in an attempt to stop the publication of clippings from newspapers which were perceived to be subversive. The blacklisting of individuals involved gave security intelligence officials a reputation for heavy-handedness in some

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<sup>37</sup> Sir Percy Sillitoe, “Security Requirements in New Zealand,” 23 October 1951, New Zealand Security Intelligence Service Archives, Wellington, 5.

<sup>38</sup> P.J. Nalder and [name removed], “Notes on the Security Service,” 4 July 1952, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>39</sup> P.J. Nalder, “New Zealand Police Force – Special Branch,” 20 December 1954, New Zealand Security Intelligence Service Archives, Wellington, 2.

quarters, and has drawn the criticism of researchers like Hugh Price in more recent times.<sup>40</sup>

The presence of intelligence officers within the Soviet Legation in Wellington was certainly not overlooked by the Branch. Detective Sergeant D.S. Paterson, a Special Branch officer, mentioned the opinion of one "Lord [Robert] Vansittart" in a report he wrote in 1951, that "a decline of diplomacy" had occurred wherein foreign missions like the Legation had become "espionage centres."<sup>41</sup> Those who held Paterson's opinion of the dubious activities of the Soviet Legation were by no means in the minority. The Advisory Committee on Security, of which more will be mentioned in a later section, noted that members of the Legation were closely watched, as were individuals who engaged with them in a seemingly "close" manner. The Committee also noted that to date "no concrete evidence upon which the New Zealand Government could take action" had been discovered, "but investigations were continuing."<sup>42</sup>

Despite the apparent conviction with which investigations of such individuals within the Legation were pursued, here too the scope of Special Branch's activities left much to be desired. Sillitoe mentioned in 1951 that "better resources are needed if the activities of Soviet and satellite diplomats are to receive the careful study they deserve",<sup>43</sup> but a report written in 1953 indicated that this problem had not disappeared: "Special Branch have not the staff to keep such people under surveillance and very little is being done in this connection."<sup>44</sup> Passive, limited active or reactive monitoring of Soviet Legation officials seems to have been the order of the day in Branch operations, as there was no significant body of resources with which they could pursue a more aggressive programme of surveillance. Moreover, while concern was expended over identifiable Legation intelligence officers, there appears (from publicly accessible documentation) to have been little consideration paid to intelligence personnel which might exist and operate outside of

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<sup>40</sup> See Hugh Price, "A collection of papers about the Newsquote Affair," May 2004, MS-Papers-8200, Alexander Turnbull Library, National Library of New Zealand, Wellington, New Zealand.

<sup>41</sup> D.S. Paterson, "Threats to Security of New Zealand," 29 November 1951, New Zealand Security Intelligence Service Archives, Wellington, 2.

<sup>42</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Thursday, 6 December 1951, 11 December 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>43</sup> Sillitoe, "Security Requirements in New Zealand," 23 October 1951, 4.

<sup>44</sup> "The Work of Special Branch," 5 November 1953, 2.

the Legation. Had that particular threat group been discussed at any great length, it is most unlikely that the Branch would have had enough staff to dedicate to in-depth investigation of the problem.

To what extent Soviet agents, recruited locally and who conducted espionage within the state's key institutions, were investigated by the Special Branch is difficult to assess. The threat was acknowledged to some degree, as may be seen in the vetting of public service employees and other individuals of interest which occurred in ever-increasing numbers in the 1950s. The Advisory Committee on Security believed that any "employing authority and such other persons as had a need to know should be kept regularly informed of those persons in the various Departments of State who were considered to be security risks".<sup>45</sup> Details required from such individuals included information about parents and siblings, name changes, personal details about birth and residence, as well as other connections which could influence them in a negative way.<sup>46</sup> But with vetting came the ever-present risk that the task could quickly become too large for a security intelligence organisation to handle. This is in fact what happened in New Zealand:

An excessive proportion of the time of the personnel of Special Branch Headquarters and of the Wellington District Special Branch appears to be spent on vetting...it is equally necessary to define carefully those posts which fall into a vettable [sic] category. Failing this there is a tendency for vetting commitments to outstrip the resources and manpower of the vetting agency, a situation which appears to be developing in Special Branch.<sup>47</sup>

Addressing the three principal threat groups as described in Chapter Three would have been more than enough work for Special Branch, but its operations were not only confined to those parameters. Monitoring the movement into and out of New Zealand of "alien" peoples (in other words those who were not indigenous to the state) was made problematic both by the number of immigrants (23,000 in 1953<sup>48</sup>) and by the fact that "no expert with the necessary specialist knowledge of alien mentalities is available to them [the Branch]".<sup>49</sup> They watched institutions such as trade unions for signs of infiltration by

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<sup>45</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Thursday, 6 December 1951, 11 December 1951.

<sup>46</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Thursday, 17 January 1952, 18 January 1952, New Zealand Security Intelligence Service Archives, Wellington.

<sup>47</sup> [name removed], "The Security Organisation in New Zealand," 31 August 1954, New Zealand Security Intelligence Service Archives, Wellington, 8.

<sup>48</sup> "The Work of Special Branch," 5 November 1953, 2.

individuals of a communist bent that might encourage civil unrest through those same unions.<sup>50</sup> Research into allegedly subversive ideologies like communism and the wider issues influencing security intelligence matters was lacking, to the extent that in 1954 a report identified the “appointment of desk officers capable of research and collation work” as “the most pressing need in Special Branch.”<sup>51</sup>

More pressing than any individual problem was the perpetual fear that the collective inadequacies of Special Branch were undermining its reputation in the international intelligence community. A report generated on behalf of the Joint Planning Committee and Joint Intelligence Committee was concerned that New Zealand not be seen as the weakest link in “the British Commonwealth chain.”<sup>52</sup> Special Branch was overwhelmed by the extent of security intelligence tasks expected of it.

Considering the limited, reactive nature of Special Branch’s activities, it is not surprising that a significant capability vacuum came to exist in the security intelligence field in New Zealand. While the Branch did satisfactorily operate in some areas, it did not seem to fully embrace all the nuances of security intelligence which would have made it a more effective organisation. From the reports which have been released from the Security Intelligence Service, the overwhelming conclusion seems to have been that although the Branch was attempting to fulfil the tasks assigned to it, they were not doing so satisfactorily. A report from 1950 indicated that “[t]here is evidence that the present set-up in New Zealand is not adequate, nor is it intended, to fulfil all [the] duties”<sup>53</sup> required of it. The intelligence environment, both domestically and internationally, was continually changing and in the eyes of many of those looking at the Special Branch from outside of the Police Department, the Branch was not keeping up. A reviewer who submitted their report on 31 August 1954, and whose name has been withheld from the public record, had this to say in summation of the content of the report:

...I have considered it best to avoid going into great detail in describing the shortcomings of Special Branch and making suggestions for improving its efficiency. It contains little that has

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<sup>49</sup> “The Work of Special Branch,” 5 November 1953, 2.

<sup>50</sup> R. Jones, “Security in New Zealand – Planning and Co-ordination of Security Work,” 29 November 1951, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>51</sup> [name removed], “The Security Organisation in New Zealand,” 31 August 1954, 6.

<sup>52</sup> Joint Planning Committee and Joint Intelligence Committee to Chiefs of Staff, “Security Measures in New Zealand,” 31 January 1950, 4.

<sup>53</sup> *Ibid.*, 8.

not been said before. The difficulties of implementing these suggestions are all well known and do not need specifying. They can in any case be resolved only by the action and decision of the New Zealand authorities.<sup>54</sup>

Assessments of the effectiveness of the Branch began almost as soon as it was established. A mere two years after its formation, Sillitoe was welcomed back to New Zealand by Prime Minister Holland in October 1951. Holland expressed his earnest wish that the Director-General of MI5 should advise him on the current security arrangements “with a view to ensuring that our local service is established in every respect on an adequate and efficient basis.”<sup>55</sup> He noted that he had informed the armed forces Chiefs of Staff and the Chairman of the Public Service Commission of the purpose of Sillitoe’s visit, and instructed them to cooperate fully throughout the duration.<sup>56</sup> He also sent a brief memorandum to the Commissioner of Police on the same day, making it clear that he expected the Commissioner’s “full cooperation in enabling Sir Percy to carry out his mission.”<sup>57</sup>

Sillitoe did not spend a great deal of time in assessing and compiling his report for the Prime Minister. Between Holland’s letter of 16 October and Sillitoe’s written report of 23 October, there were only eight days available to complete the task that had been set. Sillitoe defined his report as a “general survey”.<sup>58</sup> He dealt primarily with the changes that were needed to ensure “an effective security agency”<sup>59</sup> was realised from the arrangements currently in place. He did not advocate for an independent security intelligence service like his own, reasoning that the “security functions at present unfulfilled by Special Branch are not of a character or magnitude to justify the establishment of an independent body”.<sup>60</sup> That statement conflicts with the numerous duties listed above for which the Branch was responsible and perhaps reflects the limited

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<sup>54</sup> [name removed] to A.D. McIntosh, 31 August 1954, New Zealand Security Intelligence Service Archives, Wellington.

<sup>55</sup> Sidney Holland to Sir Percy Sillitoe, 16 October 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>56</sup> Holland to Sillitoe, 16 October 1951.

<sup>57</sup> Sidney Holland to Commissioner of Police, memorandum, 16 October 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>58</sup> Sir Percy Sillitoe to Sidney Holland, 23 October 1951, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>59</sup> Sillitoe, “Security Requirements in New Zealand,” 23 October 1951, 1.

<sup>60</sup> *Ibid.*, 2.



amount of time he had to assess the Branch's activities. His recommendations were weighted in favour of enhancing the status quo, in other words improving on areas in which the Branch was already operational (for example, means of investigation using updated technical methods<sup>61</sup>), and rectifying areas where arrangements were ineffective (such as limiting armed forces security to the task of protecting military locations only<sup>62</sup>). The recommendations made in the report were approved by Cabinet and Police Commissioner Cummings was informed of the decision on 12 November 1951.<sup>63</sup>

One of the key recommendations Sillitoe made was that the New Zealand Government should establish an Advisory Committee on Security, "under the Chairmanship of the Secretary of the Cabinet and responsible to the Prime Minister." It was to be tasked with "plan[ning] and coordinat[ing] security work in New Zealand."<sup>64</sup> The first meeting was held on 20 November 1951, its membership including Shanahan (Secretary of the Cabinet and also acting as Chairman), Alister McIntosh (Secretary of External Affairs), R.M. Campbell (Chairman of the Public Service Commission), G.T. Bolt (a member of the Public Service Commission), Dr Reuel Lochore (Chairman of the Interdepartmental Committee on Security), Herbert Ellery Gilbert (Director of Military Intelligence), Nalder (as Head of the Police Special Branch), C.B. Robson (Chief Administrative Officer at the Department of Scientific and Industrial Research) and B.C. Lumsden (representative of the Cabinet Office and acting as Secretary).<sup>65</sup> Michael Serpell, an MI5 officer who had accompanied Sillitoe on his visit,<sup>66</sup> remained behind for a few months to assist the implementation of his superior's recommendations and also attended the meeting. That membership did not vary significantly over the Committee's short lifespan.

The sum total of the documentation released by the Advisory Committee on Security and now made available for public viewing are three sets of minutes between the

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<sup>61</sup> Sillitoe, "Security Requirements in New Zealand," 23 October 1951, 4.

<sup>62</sup> *Ibid.*, 9.

<sup>63</sup> Sidney Holland to Commissioner of Police, "Security," 12 November 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>64</sup> Sillitoe, "Security Requirements in New Zealand," 23 October 1951, 5-6.

<sup>65</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Tuesday, 20 November 1951, 21 November 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>66</sup> Holland to Commissioner of Police, "Security," 12 November 1951.

first meeting on 20 November 1951 and the third meeting on 17 January 1952.<sup>67</sup> The dearth of other papers relating to the Committee's activities immediately raises the question of how useful or effective it proved to be. As far as can be ascertained, to all intents and purposes the Committee ceased to exist after January 1952. Some of the content of the meeting minutes that have been recorded have been incorporated into other parts of this thesis, and they provide some interesting perspectives on various issues spanning personnel, resources, operations and the general organisation of security intelligence in New Zealand.

What should be noted about the Committee at this juncture is its membership. Within its ranks the Committee boasted several significant individuals operating in and advising on the development of security intelligence between 1945 and 1957 (and both before and after those dates). Apart from McIntosh, Shanahan, Gilbert and Nalder, who have been or will be mentioned elsewhere, Bolt, Lochore and Robson were authors or recipients of some of the other documents released by the NZSIS which relate to the period of time covered by this thesis. Each person was influential in the higher ranks of government bureaucracy in their own right. The overall effectiveness of the Committee, as much as it may be deduced from meeting minutes, appears to have been realised in its function as a forum for the generation of ideas about and progress reporting on security intelligence issues.

Until 1954, despite continual reviews of the Special Branch capability, there was no specific urgency generated in the interests of change. Weaknesses were identified by individuals like Sillitoe, but it was not supported by anything more than a general concern for security. The faith of the New Zealand Government in a slow progression towards sufficiency in the security intelligence capability was seriously shaken by the defection of Vladimir Mikhailovich Petrov, a member of the Soviet Legation and a KGB officer, to the Australian Security Intelligence Organization (ASIO) on 3 April 1954.<sup>68</sup> Defections from any side during the Cold War were almost always sensitive and significant affairs, but Petrov was particularly important for New Zealand. In defecting, Petrov brought with him his knowledge about and documents referring to Soviet intelligence operations in the

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<sup>67</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Thursday, 17 January 1952, 18 January 1952.

<sup>68</sup> "The Royal Commission on Espionage, 1954-55 – Fact sheet 130," National Archives of Australia, <http://www.naa.gov.au/collection/fact-sheets/fs130.aspx> (accessed 17 October 2011).

Antipodes.<sup>69</sup> ASIO officers also intervened to stop Soviet officials who were attempting to fly Petrov's wife, Evdokia Petrova, out of Australia. She probably provided a certain amount of useful information to the Australian authorities in addition to the information obtained from her husband.<sup>70</sup>

The allegations Petrov made about Soviet infiltration of the Australian Government<sup>71</sup> led to the establishment of an Australian Royal Commission on Espionage and the pursuance of evidence to convict several individuals named as Soviet agents. Targets of these investigations included Ian Milner, whose specific case has already been briefly discussed in Chapter Three. Interestingly, it was reported in 1958 that Dr William Sutch was "in agreement with the view that the Petrov affair was a bogus American plot."<sup>72</sup> The truth of Petrov's allegations, the usefulness of the documents he brought with him,<sup>73</sup> the progress of the Royal Commission and the academic debate around the whole event lie outside the scope of this thesis. However, there was one element of the affair which impacted directly on New Zealand and its security intelligence arrangements.

Soon after the defection took place Australian Prime Minister Stewart Menzies contacted his New Zealand counterpart, Sidney Holland. Menzies informed Holland that Petrov had alleged that a Soviet agent was operating inside the Department of the New Zealand Prime Minister.<sup>74</sup> Other statements issuing from Petrov's interrogation revealed his certainty that "the Soviet Legation in Wellington is being used as a base for espionage" and his ability to name intelligence officers operating out of the Legation, including Sokolov, Burov, Stativkin and Alexandrov.<sup>75</sup>

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<sup>69</sup> Frank Cain, "Venona in Australia and Its Long-Term Ramifications," *Journal of Contemporary History* 35, no. 2 (April 2000): 240.

<sup>70</sup> The unknown author of a 1954 report to Alister McIntosh wrote: "...wives of accredited [Soviet diplomatic] officials. The latter should be taken into account since experience has shown that, owing to the Soviet policy of employing no local labour, a number of them are invariably used in a secretarial, clerical and sometimes intelligence capacity." Source: [name removed], "The Security Situation in New Zealand," 31 August 1954, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>71</sup> David McKnight, *Australia's Spies and their Secrets* (St Leonards, NSW: Allen & Unwin Pty Ltd., 1994), 69-70.

<sup>72</sup> "Dr. William Ball SUTCH," 1958, New Zealand Security Intelligence Service Archives, Wellington.

<sup>73</sup> Cain, "Venona in Australia and Its Long-Term Ramifications," 240.

<sup>74</sup> Geoffrey R. Weller, "Change and Development in the New Zealand Security and Intelligence Services," *Conflict Quarterly* 21, no. 1 (Spring 2001).

<sup>75</sup> [name removed], "The Security Situation in New Zealand," 31 August 1954, 2.

The shock of the allegation that the Prime Minister's Department – the very heart of the New Zealand Government – had been infiltrated was probably immense. In some ways, it didn't even matter whether the allegation was truthful. If either an agent was currently operating in that environment, or the possibility of planting an agent there at all had crossed the mind of Soviet intelligence, an immediate re-examination of current security intelligence arrangements became imperative. In light of this imperative, it is surprising that Nalder, then head of the Police Special Branch, declined the opportunity to interview Petrov personally.<sup>76</sup> By turning down that opportunity he effectively nullified many of the advantages that could have been gained from a better understanding of how Soviet intelligence operated in New Zealand. Nalder's decision demonstrated a lack of appreciation about New Zealand's intelligence requirements independent of Australia, and a surprising unwillingness to engage with a task directly relevant to the Branch's core business.

Questions raised about the effectiveness of the Special Branch in the light of Petrov's information were compounded by the weaknesses in the capability already highlighted by reviewers like Sillitoe. It instilled a new urgency in the exploration of suitable alternatives to the status quo.<sup>77</sup> Significantly, within the Police Department there did not appear to be a sufficient strength of will to make the changes required. One intelligence officer to submit a report after the defection remarked rather candidly that when Petrov's story was released to the public and the media, his revelations in interviews "may prompt Press or Parliamentary enquiry into whether the situation was known to the New Zealand Government and if so what steps were taken to meet it."<sup>78</sup> The pressure that may have been felt after the Petrov Affair became public news, combined with the relative inertia displayed by the police, meant that it was the government which took the initiative in the mid-1950s to find an acceptable solution to their security intelligence problems.

...a fundamental truth about intelligence organisations: they tend to be as good, or as bad, as the requirements placed upon them. If the requirements are precise, clear and important the response of both case officers and agents tends to be better, and failure certainly more

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<sup>76</sup> A.C. Wilson, *New Zealand and the Soviet Union 1950 – 1991: A Brittle Relationship* (Wellington: Victoria University Press, 2004), 30.

<sup>77</sup> "In view of the grave implications, the whole matter should be considered as one for urgency." Joint Planning Committee and Joint Intelligence Committee to Chiefs of Staff, "Security Measures in New Zealand," 31 January 1950, 1.

<sup>78</sup> [name removed], "The Security Situation in New Zealand," 31 August 1954, 5.

apparent, than if the requirements are woolly, general and not obviously relevant, producing answers as unsatisfactory as the questions.<sup>79</sup>

Sillitoe's 1951 report emphasised two "first tasks" of a security intelligence service. They were "to define the enemy and gather all available information about him", and "to define the danger spots and arrange for their protection".<sup>80</sup> He was not alone among reviewers of New Zealand's security intelligence arrangements at that time to attempt a definition or re-definition of the role of such a service. Inexplicably, there does not appear to have been any official legislative documentation<sup>81</sup> to pinpoint exactly how the New Zealand Government defined security intelligence as it related specifically to the state. Sillitoe's reminder to Prime Minister Holland that it was very important that an "up-to-date and comprehensive Official Secrets Act"<sup>82</sup> be put in place in New Zealand was another indication of the government's failure in this respect.

Without a clear strategic direction given to the Police Department by the government, the way was laid clear for the department leadership to define the security intelligence capability as it saw fit. Unfortunately, it was increasingly evident that internal attempts to improve the organisation and functionality of the Special Branch were either not occurring quickly enough, or were not being supported by senior police officers. The first problem which stifled internal reform were the police traditions in operating procedures and thought processes which proved to be very different from the requirements for intelligence officers.

General police methodologies were designed to ensure the preservation of law and order, and to obtain prosecutions against those who broke the law. Intelligence officers, on the other hand, were occupied primarily with observation and the accumulation of evidence. Subsequent prosecutions or other executive actions which took place as a result of intelligence operations were the province of other sections of the Police Department. Michael Parker writes that "police officers of the Branch...were not given specialised training in intelligence gathering, and did not have particular political sensitivity."<sup>83</sup> In

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<sup>79</sup> Alan Judd, *The Quest for C: Mansfield Cumming and the Founding of the Secret Service* (London: HarperCollins Publishers, 2000), 385.

<sup>80</sup> Sillitoe, "Security Requirements in New Zealand," 23 October 1951, 4.

<sup>81</sup> Nalder, "New Zealand Police Force – Special Branch," 20 December 1954, 1.

<sup>82</sup> Sillitoe to Holland, 23 October 1951, 1.

<sup>83</sup> Michael Parker, *The SIS* (Palmerston North: Dunmore Press, 1979), 15.

other words, Branch officers were not given the opportunity through formal training regimes to adapt methodological assumptions learned within the general police force to suit the more specialised requirements of intelligence operations.<sup>84</sup> A degree of on-the-job learning will have taken place, even in the short period of time that the Special Branch was operational, but because many officers were only seconded from other parts of the police force and saw the Branch as a career dead-end,<sup>85</sup> they had little incentive to acquire a comprehensive array of skills related to that particular capability.

Resourcing shortfalls were prevalent throughout the Police Department after World War II.<sup>86</sup> Shortfalls were even more acutely felt within Special Branch. Not only did it suffer from a skills shortage, as noted above, but in general there was a lack of sufficient numbers of personnel to carry out tasks. For example, when public service vetting increased exponentially from the 1950s, the extra workload and insufficient staff to handle the increase led Nalder to complain that the Branch had become “an unofficial, under-resourced personnel agency for the government”.<sup>87</sup> Physical resources, including buildings, vehicles and technical equipment, like personnel numbers, were also lacking.<sup>88</sup> One report noted that Branch accommodation was “totally [report’s emphasis] inadequate in Headquarters and District levels.”<sup>89</sup>

According to Murray Hill, shortages such as these stretched back to the end of the Great Depression in the 1920s and 1930s.<sup>90</sup> After World War II, those problems remained and grew worse. Technical shortcomings within the Branch were a particular problem. Sillitoe commented on this in his 1951 report and offered to host training courses in Britain, as well as recommending the acquisition of equipment sufficient to adequately monitor threat groups.<sup>91</sup> The employment of J.S. Wrigley in 1947 to run a new “radio and

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<sup>84</sup> Richards, “The Internal Security Problem in New Zealand,” 3.

<sup>85</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, New Zealand Security Intelligence Service Archives, Wellington, 8.

<sup>86</sup> Butterworth, *More than Law and Order*, 11.

<sup>87</sup> *Ibid.*, 43.

<sup>88</sup> *Ibid.*, 41.

<sup>89</sup> Nalder and [name removed], “Notes on the Security Service,” 4 July 1952, 2.

<sup>90</sup> Hill, *In the Line of Duty*, 26.

<sup>91</sup> Sillitoe, “Security Requirements in New Zealand,” 23 October 1951, 4, 11.

technical aids section”<sup>92</sup> suggests that this issue had been noted by the Police Department as well, but their attempt to rectify the situation does not seem to have done enough to ensure that the technical demands of security intelligence were met.

It is not the fault of Special Branch – who are all too conscious of their short-comings – that the present situation has come to pass. Indeed, within the limitations of their predicament, they have not done too badly. It is rather the fault of the system, and of totally inadequate facilities in personnel, in equipment, in resources. Special Branch has with some justice been called the Cinderella of the Police Force.<sup>93</sup>

Perhaps the most crippling problem that undermined the effectiveness of the Police Special Branch was the lack of committed leadership.<sup>94</sup> In the absence of governmental direction around security intelligence, it was the responsibility of senior police officers to step into the breach and inspire the drive for excellence which would bring about essential changes to the status quo. Instead, leadership within the police appears to have taken a lacklustre and ambivalent approach to the Branch. The short missive distributed by the Police Commissioner to his District Commanders which established the Branch in 1949 has already been mentioned, as has Nalder’s curious decision to decline the chance to interview a defector who may have had important information about a breach in New Zealand’s security. In a report from 1954, the document’s author observed that the incumbent Head of Special Branch “is however far too preoccupied with routine police matters allotted to him by the Commissioner of Police. On his own admission the Head of Special Branch spends over nine-tenths of his time on work unconnected with security.”<sup>95</sup>

On 18 April 1955<sup>96</sup> the Police Commissioner at the time, Eric Compton, resigned amid allegations of the misuse of police powers and resources. Stories about the tapping of phones during the 1951 Waterfront Dispute, the use of police officers to install surveillance equipment at Compton’s private residence during work hours and an

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<sup>92</sup> Butterworth, *More than Law and Order*, 29.

<sup>93</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, 14.

<sup>94</sup> Richards, “The Internal Security Problem in New Zealand,” 23 August 1956, 2.

<sup>95</sup> [name removed], “The Security Organisation in New Zealand,” 31 August 1954, 7.

<sup>96</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Compton, Eric Henry,” <http://www.teara.govt.nz/en/biographies/5c30/1> (accessed 17 January 2012).

undefined “security issue”<sup>97</sup> accumulated against the Commissioner from the pages of the *NZ Truth* newspaper. In large part, these stories concerned aspects of security intelligence activities and capabilities. As Compton’s reputation was shredded in the press, the legality and feasibility of intelligence activities was also called into question.<sup>98</sup>

Negative impressions of the Special Branch may be found in several different sources. Fraser, in retrospect, did not hold back from expressing his disillusionment with the Special Branch as he had experienced it in the 1950s:

I knew by instinct that this young salt [referring to a Special Branch officer] was aboard a creaking, flimsy-built vessel which could spring a leak at the slightest buffeting...and that those at the rudder hadn’t the slightest idea of how to properly steer it.<sup>99</sup>

Samuel T. Barnett, Compton’s successor as head of the Police Department, seems to have agreed with Fraser that the Branch was swimming in waters way out of its depth:

In general terms the defects of our security service are these: -  
 1.The Branch is leaderless.  
 2.It has no charter or, as the modern phrase has it, no directive.  
 3.It has not the personnel to cope with its real functions.  
 4.It is burdened with work it should not be asked to undertake.  
 5.It has not the “aids” of a modern security service and, if it did have them, it might be politically inexpedient, and in practice almost impossible, to operate some of them.<sup>100</sup>

Barnett’s points reinforce the problems identified above, and give the impression that the Branch was not the best solution for New Zealand’s security intelligence capability problems. As unfortunate as the Branch was in that it was not given enough time to adapt to its responsibilities and its dependent position within the Police Department, excusing its inadequacies on the basis of slow institutional development was not sufficient for those within government who remained concerned about the capability vacuum which remained within security intelligence. The Branch’s apparent inability to adequately meet the challenges of security only reinforced the idea that a separate and specialised security intelligence service was the best option for managing espionage and subversive threats against New Zealand.

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<sup>97</sup> Susan Butterworth, “Commissioner Compton and the Men in Black,” 1 June 2008, Professional Historians’ Association of New Zealand / Aotearoa, <http://www.phanza.org.nz/node/170> (accessed 25 August 2011).

<sup>98</sup> Michael Moohan, quoted in “What Does Mr Holland Want to Hide?,” *People’s Voice* 10, no. 45, 18 November 1953, 1.

<sup>99</sup> Fraser, *Seeing Red*, 45.

<sup>100</sup> S.T. Barnett to Minister of Police, “The New Zealand Security Service,” 13 March 1956, New Zealand Security Intelligence Service Archives, Wellington, 2.



## Chapter Five

# In Search of a Security Intelligence Capability Solution

As the 1950s progressed, the reputation of the Police Special Branch remained precarious. Ongoing reviews which constantly reiterated its numerous shortcomings must have had a negative effect on the Branch, particularly because after each review was submitted there was little or no change initiated by those who had the power to rectify (or attempt to rectify) its problems. After some years wherein this state of affairs was repeated several times over, the government seems to have had little choice other than to take a more active role in securing a viable security intelligence capability.

The first step taken by the government to stimulate change was the appointment of Secretary for Justice Samuel T. Barnett as Controller-General of Police.<sup>1</sup> Barnett had no previous experience as a policeman (which is probably why he was not given the title of Commissioner of Police). As an “outsider” he was in a good position to make sweeping changes within the department without being hampered by police brinkmanship or preconceived perceptions. In general it appears that Barnett was considered “an able and progressive administrator.”<sup>2</sup> He certainly proved unafraid to propose sweeping changes to New Zealand’s security intelligence arrangements. The appointment sent a clear message that the government no longer had faith in the police leadership to solve the endemic problems within the police force, which of course included the Special Branch.

Prime Minister Sidney Holland specifically requested that Barnett conduct a “personal investigation” into the Police Department, and in particular the Special Branch.<sup>3</sup> Barnett wasted no time in doing so. Under a month after his appointment, he was sent a report by Dr Reuel Lochore entitled “Security Duties and Responsibilities of the Special Branch of the N.Z. Police Force”, which gave him some background information about the

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<sup>1</sup> Barnett was given the title of Controller-General rather than Commissioner because before that time he had not held any position within the Police Department as a police officer. See Murray Hill, *In the Line of Duty: 100 Years of the New Zealand Police* (Auckland: Endeavour Press Ltd., 1986), 87.

<sup>2</sup> Hill, *In the Line of Duty*, 87.

<sup>3</sup> Sidney Holland to J.R. Marshall, “Security Service,” 19 March 1956, New Zealand Security Intelligence Service Archives, Wellington, 1.

Branch.<sup>4</sup> Thus armed, Barnett travelled to Britain in the latter half of 1955 on business.<sup>5</sup> He took the opportunity while there to observe and consult with the London and Metropolitan Police, as well as the “Security Department” (probably MI5),<sup>6</sup> about their organisation, personnel and procedures. His opinion regarding New Zealand’s Special Branch on his return, when compared to its British counterparts, was a decidedly unfavourable one. He remarked on his surprise that New Zealand’s sister states within the Commonwealth had not made more of a fuss over the Branch’s inadequacies.<sup>7</sup>

Barnett’s intention was certainly to make changes to the way security intelligence operated in New Zealand, in line with Prime Minister Holland’s concerns and direction to that effect. The biggest change that occurred was undoubtedly the removal of security intelligence from the Special Branch and the creation of a new service to carry out such activities in its place. Despite this, however, it is somewhat unclear as to how extensive Barnett initially intended this change to be. The best way to explain this uncertainty is to examine the three versions of a directive Barnett drafted and submitted to Prime Minister Holland for his endorsement. Each version has the same title, “Directive on Constitution and Operation of the New Zealand Security Service”. The majority of the content in all three versions are based on a similar directive used by Britain’s Security Service<sup>8</sup> and was intended to serve as a founding document of sorts.

The first of these drafts is dated 20 December 1955 and appears to recommend the retention of security intelligence within the Police Department. The first sentence is worded as follows:

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<sup>4</sup> “Security Duties and Responsibilities of the Special Branch of the N.Z. Police Force,” New Zealand Security Intelligence Service Archives, Wellington.

<sup>5</sup> Susan Butterworth, *More than Law and Order: Policing a Changing Society, 1945 – 1992* (Dunedin: Otago University Press, 2005), 76.

<sup>6</sup> Holland to Marshall, “Security Service,” 19 March 1956, 1.

<sup>7</sup> S.T. Barnett to Minister of Police, “The New Zealand Security Service,” 13 March 1956, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>8</sup> “Papers on Security Organization in New Zealand,” 20 December 1955, New Zealand Security Intelligence Service Archives, Wellington. See Appendix D for a copy of the Directive and Charter of the British Security Service (MI5).

You are to constitute the Special Branch of Police as New Zealand's Security Service, following the general lines of the recommendations made by Sir Percy Sillitoe in his Report of 1950.<sup>9</sup>

Presumably Sillitoe's report, attributed to 1950 in this draft, is in fact his later report submitted in 1951, in which he recommended that New Zealand should retain a reinforced Special Branch rather than creating a separate, specialised service.<sup>10</sup> At that time, Prime Minister Holland agreed with Sillitoe's assessment,<sup>11</sup> and that decision seems to have been reflected in Barnett's first draft. This idea of retaining the service within the police is reinforced by a later sentence that says:

...it has been decided, for reasons of convenience and economy of administration as well as for the reassurance of the public, that it should take the form of a Special Branch of the Police Force.<sup>12</sup>

After Barnett's return from Britain, his next memorandum is very clear about his dissatisfaction with the status quo, and in referring to "the Sillitoe report and other documents on the same theme" goes so far as to state that none had "brought about any material change – as far as I know – in the organisation, or wrought any noticeable improvement in the methods of the Branch."<sup>13</sup> A second draft of the proposed directive accompanied the memorandum, but remains ambiguous as to the separation between the existing Branch and an independent service.<sup>14</sup> In his memorandum, Barnett declares that "There is no possibility of organising a security service within the Police Force, nor within the Public Service", but still recommends that a new service should be "under the control

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<sup>9</sup> "Directive on Constitution and Operation of the New Zealand Security Service," 20 December 1955, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>10</sup> Sir Percy Sillitoe, "Security Requirements in New Zealand," 23 October 1951, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>11</sup> Sidney Holland to Commissioner of Police, "Security," 12 November 1951, New Zealand Security Intelligence Service Archives, Wellington.

<sup>12</sup> "Directive on Constitution and Operation of the New Zealand Security Service," 20 December 1955, 2.

<sup>13</sup> Barnett to Minister of Police, "The New Zealand Security Service," 13 March 1956, 1.

<sup>14</sup> Loch K. Johnson has commented on the ambiguity of command chains and the dissention that can create for intelligence communities, with reference to the United States of America. See Loch K. Johnson, *Secret Agencies: U.S. Intelligence in a Hostile World* (New Haven, U.S.A.: Yale University Press, 1996), 35.

of the head of the Police Force”.<sup>15</sup> The wording of his second version also retains the phrase quoted above about the service taking the form of a Special Branch.<sup>16</sup>

There is a small shift that can be observed in the thinking around the proposed reorganisation of security intelligence between the first version, dated 20 December 1955, and the second version, dated 13 March 1956. Although Barnett’s thinking around the demarcation between Police Department responsibilities and those of a new service is difficult to define at this point, one possible explanation will be suggested here. The Police Commissioner, in this explanation, would retain authority and responsibility over a security intelligence organisation on behalf of the Prime Minister, but the difference between that organisation and the Police Department proper would be much more clearly delineated. Table 2 below provides a visual depiction of what the Police Special Branch status quo was from 1949, and Table 3 the change in organisation as per the explanation above.

The principal advantage of more clearly delineating between the Special Branch and other branches of the Police Department was that it would have emphasised the distinctive responsibility carried by the branch. Although the duties of regular policing were complemented in some ways by security intelligence activities, they were by no means ordinarily compatible or even comparable. Therefore a clearly defined separation between one and the other made sense. Despite that advantage however, disadvantages to the proposed change are also evident. For example, removing the Special Branch from its close proximity to other police branches would have further reinforced the impression that to be employed within the Branch would injure an individual’s chances of promotion within the wider Police Force, or would hinder their opportunities to increase their skill level in normal policing duties. Also, although a degree of removal was put in place, the Branch would have remained a capability under the authority of the Commissioner of Police or that position’s equivalent. Therefore competition for resources within the department would not in any way have been alleviated by the proposed change, and nor would its importance to the police leadership have been materially affected in a positive

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<sup>15</sup> Barnett to Minister of Police, “The New Zealand Security Service,” 13 March 1956, 2.

<sup>16</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” 13 March 1956, New Zealand Security Intelligence Service Archives, Wellington, 1.

way. Prime Minister Holland proved less than enthusiastic about Barnett's recommendation of March 1956, suggesting that it "is somewhat empty and nebulous."<sup>17</sup>

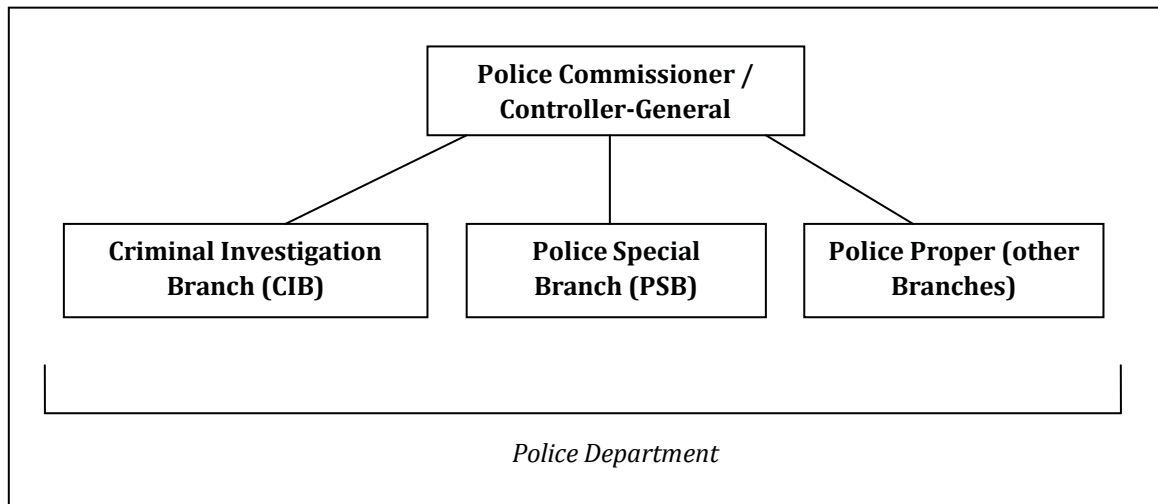


Table 2: The Status Quo PSB Reporting Chain

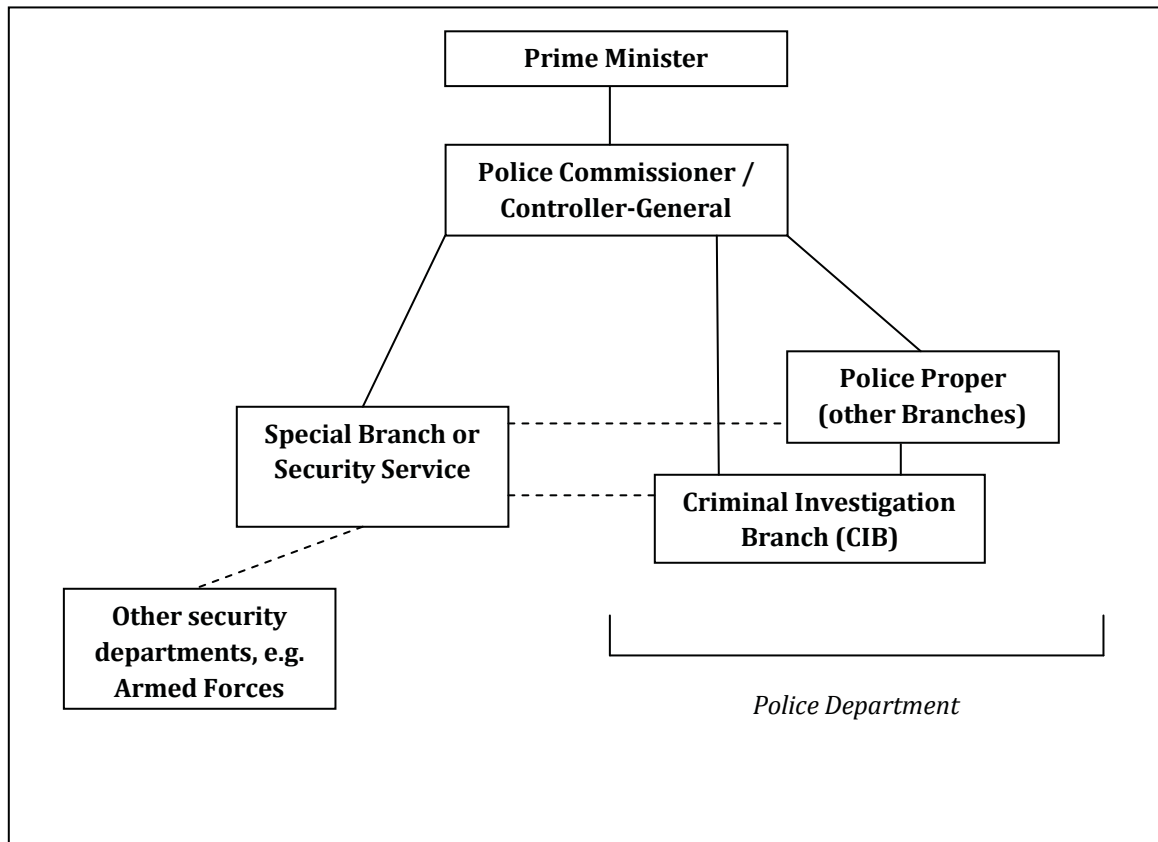


Table 3: PSB Reporting Chain Reorganisation as Proposed by Samuel T. Barnett, 13 March 1956

<sup>17</sup> Holland to Marshall, "Security Service," 19 March 1956, 1.

In response to Barnett's memorandum and second directive draft of 13 March 1956, Holland on 19 March sought the advice of the Hon. J.R. Marshall, New Zealand's Attorney General.<sup>18</sup> He relayed his concerns about the Police Department and in particular the Special Branch, as well as Barnett's generally negative assessment of the latter's capabilities. Marshall, in reply, sent the Prime Minister an eight-page handwritten note on his impressions of the documentation Holland had forwarded to him and also agreed with Barnett's assessment, but with some amendments. He advocated for a gradual reorganisation, although a comprehensive one, but most significantly in his note he went one step further than Barnett with regard to the chain of command. In Marshall's opinion, the Prime Minister should be in much closer control of the new service, in effect bypassing the Police Controller-General (or Commissioner). He did not go so far as to suggest that the latter should be removed from the reporting chain entirely, but rather that the head of the new service report on the affairs of his organisation as an equal (or almost so) with the Controller-General of Police.<sup>19</sup>

Marshall's note appears to have prompted another re-examination of the New Zealand Security Service directive, and a final version was produced on or around 18 May 1956. The content of this final version will be discussed in greater detail in Chapter Six, and the full text may be found at Appendix G. However, it should be noted at this stage that this third version contained only one reference to the Controller-General and no references to the Police Department. The Controller-General, as the formal recipient of the Prime Minister's directive, was given "general supervision of the work as Controller-General of Police",<sup>20</sup> presumably in a caretaker capacity until a new head of service was appointed.

The appointment of Barnett to Controller-General of the Police Department proved to be a catalyst for change within the security intelligence arrangements in New Zealand. His fresh perspective on the problem of what to do about security intelligence gave authorities the push they needed to make hard decisions about reforming the status quo.

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<sup>18</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Marshall, John Ross," <http://www.teara.govt.nz/en/biographies/5m36/1> (accessed 17 January 2012).

<sup>19</sup> J.R. Marshall to Sidney Holland, "Memo for Rt Hon. the Prime Minister re. Security Service," New Zealand Security Intelligence Service Archives, Wellington, 1-4.

<sup>20</sup> "Directive on Constitution and Operation of the New Zealand Security Service," New Zealand Security Intelligence Service Archives, Wellington, 1.

Ultimately, however, the responsibility for making a final decision about the reorganisation of the capability fell to Prime Minister Holland.

When the New Zealand Security Service was established in 1956-57, the Prime Minister assumed a more direct role in providing oversight of and accountability for the capability, a change which was preceded by Holland's sense of urgency in reinventing security intelligence after the shock of the Petrov defection and associated revelations. A brief analysis of how Holland, and his predecessor Peter Fraser, approached questions of security intelligence may be defined in three key points – personality, political power, and how they chose to exercise their decision-making prerogative. Somewhat surprisingly, Fraser and Holland were fairly similar in their respective approaches.

Fraser's personality has been described by one biographer as energetic, complicated and even ruthless when it suited his purposes.<sup>21</sup> This suggests that although he would have easily grasped the complexities of a security intelligence capability and pushed for the best solution against opposition, he would equally not have hesitated to shake his ties to the issue if it proved to be disadvantageous to him. This was what occurred during the Ross Affair. Holland may have been somewhat of a blunt instrument<sup>22</sup> in comparison to Fraser's quick and devious mind, but he was equally as determined to aggressively pursue policies he believed were in New Zealand's best interest.<sup>23</sup> Perhaps his doggedness bolstered his determination to establish a new security service in place of the status quo organisation already in existence.

As a political animal, Fraser was an astute operator. When his early inclination to protest, strike and be imprisoned for his political opinions proved tactically unsuccessful, he did not hesitate to re-focus his energies on changing things through the parliamentary channel instead.<sup>24</sup> He was not unaffected by the Labour Party's support for Russia during World War II but was not afraid to distance himself and his party from the post-war

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<sup>21</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Fraser, Peter," <http://www.teara.govt.nz/en/biographies/4f22/1> (accessed 17 January 2012).

<sup>22</sup> Alister McIntosh on one occasion described Holland as "that ass". Te Ara – The Encyclopedia of New Zealand, s.v. "McIntosh, Alister Donald Miles," <http://www.teara.govt.nz/en/biographies/5m13/1> (accessed 17 January 2012).

<sup>23</sup> Ian F. Grant, *Public Lives: New Zealand's Premiers and Prime Ministers 1856 – 2003* (Wellington: New Zealand Cartoon Archive, Alexander Turnbull Library, 2003), 120.

<sup>24</sup> Grant, *Public Lives*, 114.

communist surge.<sup>25</sup> Holland, to the right of the political spectrum, played willingly to the traditional strengths of the National Party – New Zealand’s strong historical and cultural links with Britain,<sup>26</sup> and vocal anti-Soviet sentiment.<sup>27</sup> Neither man was a particularly impartial political practitioner but, in the words of Frank Corner, they were both:

...independent-minded, often stubborn men facing new and unfamiliar problems of international security and co-operation, always working for New Zealand interests within a framework set by the imperatives of the country’s security and economic situation, always constrained by the desires, needs and prejudices of their fellow New Zealanders.<sup>28</sup>

Strangely enough, both Fraser and Holland did not immediately translate the urgency and determination which were apparently a part of their personalities and political activities into a constructive approach to decisions made about security intelligence. Although exhibiting a single-minded drive to secure New Zealand and its interests during World War II,<sup>29</sup> and engaging with war-time movements to improve on security intelligence arrangements, Fraser showed little inclination to revisit the issue of security intelligence after the Ross Affair.<sup>30</sup> Holland, in his turn, did little to act on the recommendations of individuals like Sillitoe to improve security intelligence until Vladimir Petrov’s revelations raised the possibility of an immediate threat to his own department. To be fair, in the matter of Desmond Patrick Costello, Holland made the decision to require his removal from the diplomatic service after questions were raised about his loyalty.<sup>31</sup> Even after Petrov’s defection and accusations were aired, however, Holland was prepared to put off the issue until after the 1954 general election.<sup>32</sup>

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<sup>25</sup> Malcolm Templeton, *Top Hats Are Not Being Taken: A Short History of the New Zealand Legation in Moscow, 1944 – 1950* (Wellington: New Zealand Institute of International Affairs, 1988), 6.

<sup>26</sup> According to Barry Gustafson, Holland claimed to be “a Britisher through and through”. Te Ara – The Encyclopedia of New Zealand, s.v. “Holland, Sidney George,” <http://www.teara.govt.nz/en/biographies/5h30/1> (accessed 17 January 2012).

<sup>27</sup> A.C. Wilson, *New Zealand and the Soviet Union 1950 – 1991: A Brittle Relationship* (Wellington: Victoria University Press, 2004), 28.

<sup>28</sup> Frank Corner, foreword to *Undiplomatic Dialogue: Letters between Carl Berendsen & Alister McIntosh 1943 – 1952*, ed. Ian McGibbon (Auckland: Auckland University Press, 1993), viii.

<sup>29</sup> Te Ara – The Encyclopedia of New Zealand, s.v. “Fraser.”

<sup>30</sup> John Tonkin-Covell, “The Collectors: Naval, Army and Air Intelligence in the New Zealand Armed Forces during the Second World War” (PhD dissertation, University of Waikato, 2000), 365.

<sup>31</sup> Michael King, *The Penguin History of New Zealand Illustrated* (North Shore, Auckland: Penguin Group (NZ), 2007), 371.

<sup>32</sup> Michael Parker, *The SIS* (Palmerston North: Dunmore Press, 1979), 23.



Walter Nash, who along with Keith Holyoake followed Holland as Prime Minister from 1957, exhibited the same inherent reticence to deal with matters of intelligence as his predecessors. Bruce Brown remembers one late night in 1958 when he approached Nash about a query made by G.T. Bolt of the Public Service Commission about the trustworthiness of Dr William Sutch. Nash's terse reply to Brown indicated that he acknowledged the Security Service's suspicions about Sutch's communist affiliations, but that it was not a topic he wished to discuss in depth.<sup>33</sup> Nash's 1955 statement in Parliament that he believed his telephone had been tapped<sup>34</sup> was just one more example of his unease with the entire subject of security intelligence, and his serious disinclination to make good use of the capability.<sup>35</sup>

The requirement for Prime Ministers to actively and constructively engage with questions of security intelligence remained persistent. The appointment of the Prime Minister as Minister in charge of the New Zealand Security Service in 1956<sup>36</sup> was a necessary assumption of formal responsibility and accountability for these matters. Greater accountability required Prime Ministers to pay greater attention both to the needs of security intelligence and to its activities. In the latter half of the twentieth century, parliamentary and legislative arrangements were introduced to ensure that the standards of a democratic state were upheld in the use of the state's intelligence services, and where this was not possible, to severely limit and legitimate any activities beyond those bounds.

Throughout the twentieth century history of New Zealand's security intelligence capability, the Prime Minister was not always the principal, or even the most influential, of several individuals who played key roles in its development. Inevitably, decision makers rely on subordinates to carry out the policies they introduce, but when they seem reluctant to consider issues thoroughly it often falls to such people to shape and push those issues within a decision maker's wider agenda.<sup>37</sup> Between 1945 and 1956, when

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<sup>33</sup> Bruce Brown, "The Sutch Case: A Footnote," *New Zealand International Review* 34, no. 1 (January – February 2009): 27-28.

<sup>34</sup> Roger Boshier, *Footsteps Up Your Jumper: Activities of the New Zealand Security Service* (Perspective 6) (Wellington: Farm Road Branch, N.Z. Labour Party, 1969), 17.

<sup>35</sup> Graeme Hunt, *Spies and Revolutionaries: A History of New Zealand Subversion* (Auckland: Reed Books, 2007), 232.

<sup>36</sup> "Directive on Constitution and Operation of the New Zealand Security Service," 1-2.

<sup>37</sup> "Ideally, policy makers should have well-considered and well-established views of their own priorities and should convey these clearly to their intelligence apparatus...But what happens if the policy makers

both Fraser and Holland were displaying a significant lack of interest or urgency in matters of intelligence, Foss Shanahan was one of the individuals who continued to work on the issue behind the scenes.<sup>38</sup>

Primary source materials indicate that many of the key reviews, decisions and committees dealing with security intelligence in the period of time covered by this thesis were driven by or included Shanahan. This is not to suggest that Shanahan was driving his own personal agenda against the wishes of his superiors. Rather, for Prime Ministers whose primary concerns were focused elsewhere, it was more feasible to rely on Shanahan's expertise to keep arrangements moving forward in their stead.<sup>39</sup> Presumably it was under the authority of the Prime Minister, or the head of the Prime Minister's Department Alister McIntosh, that Shanahan was assigned to the task of monitoring the developments in security intelligence. His nickname was "Foss the Boss",<sup>40</sup> which nicely reflects Shanahan's dominance of the areas in which he was a senior official – most notably defence and security – throughout his public service career. He was also, according to biographer Ian McGibbon, a forceful personality<sup>41</sup> and more than capable of holding his own in the sometimes murky waters of backroom politics.

To gain a better understanding of why Shanahan was in a good position to influence the development of New Zealand's security intelligence, it is worth quickly reviewing his long career in government service. He was inducted into the service even before he left high school, passing the public service entrance examination before his final year as a student.<sup>42</sup> After ten years in the Customs Department from 1928 until 1938, Shanahan was seconded to the Prime Minister's Department in September 1938, and formally transferred early in the following year.<sup>43</sup> Perhaps because world war broke out

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do not decide, find that they cannot decide, or fail to convey their priorities to the intelligence community? Who sets intelligence priorities then?" Mark M. Lowenthal, *Intelligence: From Secrets to Policy* (Washington, D.C.: CQ Press, 2000), 42.

<sup>38</sup> Nicky Hager, *The Origins of Signals Intelligence in New Zealand* (Working Paper No. 5) (Auckland: Centre for Peace Studies, University of Auckland, 1995), 17.

<sup>39</sup> Foss Shanahan to James Cummings, 18 May 1948, New Zealand Security Intelligence Service Archives, Wellington.

<sup>40</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Shanahan, Foss," <http://www.teara.govt.nz/en/biographies/5s11/1> (accessed 17 January 2012).

<sup>41</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Shanahan."

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

soon afterwards, Shanahan was very quickly moved into key Defence positions, including as the Assistant Secretary and later Secretary of the Organisation for National Security,<sup>44</sup> Assistant Secretary to the War Cabinet and Secretary of the Chiefs of Staff Committee.<sup>45</sup>

After the conclusion of World War II, Shanahan shifted focus slightly towards External Affairs, but remained an active participant in New Zealand's defence institutions, in 1949 assisting to establish the Defence Secretariat which later became the Ministry of Defence.<sup>46</sup> In the 1950s he continued in the nexus between External Affairs and Defence, acting as a key source for New Zealand's involvement in the Korean War, the ANZUS defence treaty<sup>47</sup> and SEATO.<sup>48</sup> The later years of his career were occupied with diplomatic missions to posts in South East Asia.<sup>49</sup>

Shanahan clearly had a great deal of experience in public service which he could bring to bear on developments within the security intelligence field.<sup>50</sup> From even a cursory glance at the list of postings he held from the very beginning of his career, it is evident that Shanahan was operating constantly at the heart of almost every field of which intelligence functions were a part. Not only was this the case during World War II but also in the post-war period. His experience and contributions to intelligence from the 1930s until the 1950s was invaluable to the development of that capability.

An early primary source relating to security intelligence which involves Shanahan is a minute he wrote as Secretary of the Chiefs of Staff Committee to those same chiefs. The document is dated 2 March 1948. Shanahan will have been aware of an impending MI5 visit to New Zealand which would occur later that same month. The minute summarises a discussion held between the Defence Chiefs of Staff and himself, recording that the Chiefs supported the creation of a Special Branch under the Police Department to handle matters

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<sup>44</sup> Tonkin-Covell, "The Collectors," 23.

<sup>45</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Shanahan."

<sup>46</sup> Ibid.

<sup>47</sup> Australia, New Zealand, United States Treaty.

<sup>48</sup> Southeast Asia Treaty Organisation.

<sup>49</sup> Te Ara – The Encyclopedia of New Zealand, s.v. "Shanahan."

<sup>50</sup> For further details of Shanahan's involvement with security intelligence matters, see Tonkin-Covell, "The Collectors," particularly Chapter 1 and passim.

of security intelligence.<sup>51</sup> Shanahan mentioned that he would discuss the matters raised with the armed forces chiefs with the Police Commissioner also and,<sup>52</sup> on 18 May 1948, that is exactly what he did.

His covering letter to Commissioner James Cummings on the subject of security intelligence mentions that he “gave some thought to the steps that we might take in New Zealand so as to put us in perhaps a better position to deal with the threat that certainly exists.”<sup>53</sup> This sentence suggests two things; firstly, Shanahan believed in the certainty of a threat to the state which could be addressed by the establishment of a security intelligence service, and secondly that he was generating original ideas about the form and operations of such a service. His accompanying note, dated 16 April, lays out a brief survey of the state of security intelligence to date, Sillitoe’s visit and the nature of a possible Special Branch to be created within the Police Department.<sup>54</sup> Shanahan’s intention to further discuss the matter with both the Commissioner and the Prime Minister indicates his determination to ensure the matter progressed. His involvement was probably partially responsible for the Police Commissioner’s memorandum of 29 December 1949 which announced the decision to form the Police Special Branch.<sup>55</sup>

On Sillitoe’s recommendation, an Advisory Committee on Security was established in 1951 and, according to Michael Parker, its formation was assigned by Prime Minister Holland to Shanahan.<sup>56</sup> Shanahan held the role of chairman. This is just one more example of the ways in which he was involved in the ongoing development of security intelligence in New Zealand. He also continued to receive reports on the Branch from individuals such

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<sup>51</sup> Foss Shanahan, “Security Intelligence,” 2 March 1948, New Zealand Security Intelligence Service Archives, Wellington.

<sup>52</sup> Foss Shanahan to the Chief of the General Staff, Chief of the Air Staff and Naval Secretary for Chief of Naval Staff, “Security Intelligence,” 3 March 1948, New Zealand Security Intelligence Service Archives, Wellington.

<sup>53</sup> Shanahan to Cummings, 18 May 1948.

<sup>54</sup> Foss Shanahan, “Defence of the Realm – Security Organisation,” 16 April 1948, New Zealand Security Intelligence Service Archives, Wellington.

<sup>55</sup> James Cummings to Superintendent of Police Christchurch, memorandum, 29 December 1949, New Zealand Security Intelligence Service Archives, Wellington.

<sup>56</sup> Parker, *The SIS*, 16.

as P.J. Nalder<sup>57</sup> and Dr Lochore<sup>58</sup> on issues similar to those discussed during Committee meetings. Shanahan has been described by Graeme Hunt as a “conduit for advancing the case of a civil security intelligence organisation”<sup>59</sup> and that is exactly how he appears from an analysis of the primary documentation available.

From the early 1950s, it became increasingly apparent that the Police Special Branch was inadequate in the face of ever-changing security threats, and that security intelligence activities would have to be carried out in a manner different to what had been the status quo. Without the efforts of individuals like Barnett and Shanahan, the slow progression towards the establishment first of the Special Branch and then of the Security Service may have taken even longer than it actually did. A change of attitude towards the idea of a separate and specialised security service, promoted by capable government officials like Shanahan, made the establishment of the New Zealand Security Service in 1956-57 a reality.

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<sup>57</sup> P.J. Nalder and [name removed], “Notes on the Security Service,” 4 July 1952, New Zealand Security Intelligence Service Archives, Wellington.

<sup>58</sup> R.A. Lochore to Foss Shanahan, “Report by Special Branch on Activities,” 25 May 1955, New Zealand Security Intelligence Service Archives, Wellington.

<sup>59</sup> Hunt, *Spies and Revolutionaries*, 162.

## Chapter Six

# Creation of the New Zealand Security Service

The Security Service is to be regarded as one arm of the National Defence Forces, its special task being to detect and prevent attempts at subversion and espionage, whether directed from within or without the country.<sup>1</sup>

Between 1956 and 1957, the collection of organisations responsible for the defence of the state had a new member added to its number – the New Zealand Security Service (NZSyS). In form, intent and operation the Service echoed its international equivalents MI5 and the Australian Security Intelligence Organization (ASIO). Its first Director, Brigadier Herbert Ellery Gilbert,<sup>2</sup> provided firm leadership to the new institution which, in previous versions of the capability, had been lacking. Security intelligence in New Zealand was thus provided with a form and a clearly defined mandate which adequately supported the peculiar functions for which it was responsible. It became the foundation of a more modern security intelligence capability.

By May 1956 the various shifts in opinion about an independent Security Service had largely settled down. Police Controller-General Samuel T. Barnett was positioned and mandated to carry out sweeping changes to the form and method through which security intelligence was applied in a New Zealand context. He was authorised to commence “preliminary work...on [the] establishment” of a new service, armed with a directive which had been given “general approval” by Prime Minister Sidney Holland.<sup>3</sup> This directive, dated on or around 18 May 1956<sup>4</sup> and in its third version, became one of the founding documents of the New Zealand Security Service. The full wording of that document may be viewed at Appendix G.

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<sup>1</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>2</sup> Later Sir William Herbert Ellery Gilbert; colloquially referred to as “Bill”.

<sup>3</sup> Minister of External Affairs to N.Z. Trade Commissioner, Melbourne, telegram, 25 May 1956, New Zealand Security Intelligence Service Archives, Wellington.

<sup>4</sup> The document is preceded by a Prime Minister’s memo which is dated 18 May 1956. Memo from the Prime Minister’s Office, 18 May 1956, New Zealand Security Intelligence Service Archives, Wellington.

New Zealand's "Directive on Constitution and Operation of the New Zealand Security Service"<sup>5</sup> derives heavily from equivalent documents internationally – Australia's "Prime Minister's Memorandum to the Director General of Security, being a Directive for the Establishment and Maintenance of a Security Service" (1949)<sup>6</sup> and "Charter of the Australian Security Intelligence Organization" (1950),<sup>7</sup> and Britain's "Directive and Charter of the British Security Service" (1951).<sup>8</sup> This fact reinforced the security links that existed between Anglo-Commonwealth states. New Zealand in 1956 had the advantage of drawing on the example of those states which had already been through the process of rejuvenating security intelligence for the modern era. In that respect it did not have to develop its own capability in a knowledge vacuum. However, there were differences between the reimagined security intelligence capability of New Zealand and those of its security partners. Those differences remind the reader that each individual state capability was not a branch of a single multi-national security intelligence organisation. ASIO and the New Zealand Security Service were not subordinate branches of MI5, but were independent organisations in their own right.

New Zealand's Directive may be broken down into four parts – delegating responsibility for security intelligence to an individual, giving the Service an identity within the wider public service, defining the function and tasks of the Service, and setting parameters within which the Service was permitted to operate. In the first of these parts, Prime Minister Holland authorised the recipient of the Directive to "constitute a New Zealand Security Service and be responsible for its management under my authority and

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<sup>5</sup> "Directive on Constitution and Operation of the New Zealand Security Service."

<sup>6</sup> National Archives of Australia: Department of Prime Minister and Cabinet, "Prime Minister's Memorandum to the Director-General of Security, Being a Directive for the Establishment and Maintenance of a Security Service," 16 March 1949, *Establishment of ASIO – Australian Security Intelligence Organization*, 1949 – 1950, series number A7452, control system A48, item barcode 432595: 1-2, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/DetailsReports/ItemDetail.aspx?Barcode=432595> (accessed 4 November 2011).

<sup>7</sup> National Archives of Australia: Royal Commission on Intelligence and Security, "Charter of the Australian Security Intelligence Organization," 6 July 1950, *The Circumstances Leading to the Establishment of ASIO – documents 1 to 24*, September 1974 – April 1977, series number A12389, control system A13 Part 1, item barcode 4725226: 198-200, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/DetailsReports/ItemDetail.aspx?Barcode=4725226> (accessed 4 November 2011).

<sup>8</sup> Jeffrey T. Richelson and Desmond Ball, *The Ties that Bind: Intelligence Cooperation between the UKUSA Countries – the United Kingdom, the United States of America, Canada, Australia and New Zealand*, 2nd ed. (Wellington: Allen & Unwin New Zealand Limited, 1985), 17.

direction.”<sup>9</sup> It is important to note that the reference to the individual responsible is generic, not specific. Barnett, as the original author and subsequently the recipient of the authorised Directive, was the original “you” being referred to, but because the term is generic it could equally be applied to any individual who followed Barnett, whether holding the title of Controller-General of Police or not. Because the changes occurring in New Zealand’s security intelligence capability had not yet reached the point where the head of service was an independent authority, the wording of its Directive could not be as prescriptive as it was in Britain and Australia, where the individual given responsibility was clearly identified as the Director-General of Security.

Points four to seven of the Directive cover issues with regard to the establishment of the Security Service. In point five the recipient is given authority to delegate executive responsibility to one under his command, but is required to “retain general supervision of the work as Controller-General of Police.”<sup>10</sup> While this sentence may seem to disprove the argument made above about the generic identification of the Directive-holder, it could be argued that because this section of the Directive deals only with the establishment of the Service and not its ongoing operations, this particular exception does not disprove the larger point. Barnett as Controller-General was certainly responsible for establishing the Service in its early months, but was to hand over this responsibility to the newly-created Director of Security once that position had been put in place.

Having considered the identity of the recipient, consider the implications of the Prime Minister as issuer of the Directive. The recipient was to operate the establishment and management of the Service under the “authority and direction” of the Prime Minister.<sup>11</sup> In other words, whoever held the Directive was answerable not to some authority higher in their own organisation (or that of any other) but directly to the Prime Minister’s office. The Service was thus intended to function as an independent entity within the public service, answerable neither to the Police Department nor to the armed forces as its predecessors had been. Additionally, the Prime Minister was assuming ultimate responsibility for the operations of the Service in the public domain. Taking on that responsibility meant that the Prime Minister was able to keep a close hold on

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<sup>9</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” 1.

<sup>10</sup> *Ibid.*, 1-2.

<sup>11</sup> *Ibid.*, 1.



intelligence generated by the Service, but also that he or she incurred greater culpability if the Service was seen to be operating outside of its assigned parameters.

The responsibility taken on by the Prime Minister in New Zealand differed from Britain and Australia. At that time the respective Directors-General of Security<sup>12</sup> were responsible to the British Home Secretary and the Australian Attorney General. In each of the establishing documents for MI5 and ASIO, a separate sentence specified that the Director-General should have “direct access to the Prime Minister”.<sup>13</sup> A sentence of this nature does not exist in the New Zealand Directive, for the simple reason that because the Director was already answerable to the Prime Minister, there was no need to specify that direct access would be granted for matters of security.

Despite the fact that the Security Service was to be an independent entity within the public service, inevitably it would become involved with the affairs of other government departments. Thus it was necessary for the Directive to assign a clear position or identity for the Service within the wider public service, and provide a definitive framework within which it would operate. As with its counterparts in Britain and Australia, the New Zealand Security Service was defined as “one arm of the National Defence Forces”.<sup>14</sup> Therefore it was related to the armed forces – the Navy, Army and Air Force – and to the Police Department, but was a branch of neither as it had been in the past.

As part of the National Defence Forces, the function of the New Zealand Security Service was necessarily the defence of New Zealand. Within that overarching function, the principal task of the Service was specified as being “to detect and prevent attempts at subversion and espionage, whether directed from within or without the country.”<sup>15</sup> A third element which is identified in more contemporary times as being within the mandate of security services is terrorism, but in the 1950s that threat was yet to manifest itself in a

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<sup>12</sup> In Britain and Australia the head of their Security Services was designated the “Director-General of Security” (with or without the hyphen). In New Zealand the head remained the “Director of Security”.

<sup>13</sup> Richelson and Ball, *The Ties that Bind*, 17; National Archives of Australia: Department of Prime Minister and Cabinet, “Prime Minister’s Memorandum to the Director-General of Security, Being a Directive for the Establishment and Maintenance of a Security Service,” 16 March 1949, 1-2; and National Archives of Australia: Royal Commission on Intelligence and Security, “Charter of the Australian Security Intelligence Organization,” 6 July 1950, 198-200.

<sup>14</sup> In the documents pertaining to Britain and Australia, this phrase is slightly altered as “Defence Forces of the country” or “Defence Forces of the Commonwealth” or “defence system of the Commonwealth”.

<sup>15</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” 1.

manner comparable with the principal threats of espionage and subversion, and thus it was not specified in the Directive.

The part of the Directive referring to the function of the Service was lifted virtually word-for-word from those written in Britain and Australia. There are a few small variations, however. In Britain the task was “the Defence of the Realm as a whole”,<sup>16</sup> which gives the reader an impression of wider spaces and greater responsibilities than was limited to just one state – as was consistent with Britain’s situation as the head of the Commonwealth. In Australia, this sentence became “defence of the Commonwealth [presumably the Commonwealth of Australia]”<sup>17</sup> and, in the Charter, “defence of the Commonwealth and its Territories”.<sup>18</sup> These documents also expanded slightly on the form and actions of threat groups (persons and organisations), and from whence those threats came.<sup>19</sup> Whether one takes the slightly longer description in Britain and Australia, or the shorter New Zealand version, the intent is fairly clear in all cases – defence of the state with respect to espionage and subversion directed from within or without that state.

Security intelligence in New Zealand was thus limited to the realms of espionage and subversion, but further limitations were also put in place. These limitations were important enough to warrant an additional sentence emphasising their significance. The first of these was the requirement to remain a part of the wider public service. The Security Service had a very specific function, and the individual responsible for the terms of the Directive was charged to be “at all times fully aware of the scope and extent of its activities.”<sup>20</sup> Nevertheless, it was not an organisation designed to operate entirely independently of all other public service entities. The Directive charged its holder to “see that the terms and conditions of...service are consistent, as far as may be, with the terms and conditions as obtain [sic] in the other State services.”<sup>21</sup> One exception to this rule was

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<sup>16</sup> Richelson and Ball, *The Ties that Bind*, 17.

<sup>17</sup> National Archives of Australia: Department of Prime Minister and Cabinet, “Prime Minister’s Memorandum to the Director-General of Security, Being a Directive for the Establishment and Maintenance of a Security Service,” 16 March 1949, 1.

<sup>18</sup> National Archives of Australia: Royal Commission on Intelligence and Security, “Charter of the Australian Security Intelligence Organization,” 6 July 1950, 198-200.

<sup>19</sup> Richelson and Ball, *The Ties that Bind*, 17.

<sup>20</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” 2.

<sup>21</sup> *Ibid.*

employment legislation. In general, however, the Security Service was to adhere to the standards set in other areas of government service.

One of the fundamental principles by which the Service operated (and still does today) was that it did not have the authority to undertake “executive action”.<sup>22</sup> Perhaps the best way to describe what this term means is by way of an example. A government employee is identified by a security intelligence service as being a potential hostile agent. That service then acquires information on the case, which may include the analysis of documents or the witnessing of covert meetings between the subject in question and his contacts. The information, having been analysed, presents a clear picture which at the very least warrants the detention of the individual for questioning. This analysis is presented to the Prime Minister, who approves the detention. Intelligence officers and police officers confront the suspect in a compromising situation and the arrest of the suspect is carried out by the police officers present. That person is then interrogated and put on trial for espionage activities.

This example generally follows the case against Dr William Sutch. Between 1974 and 1975 he was arrested, charged with obtaining information calculated to be, might be, or intended to be directly or indirectly useful to an enemy,<sup>23</sup> and acquitted of that same charge.<sup>24</sup> “Executive action” in this case was the arrest of Sutch by police officers. The Security Service, in the Directive issued by Prime Minister Holland to Barnett, granted the Service the authority to identify, investigate and recommend measures of prevention, but not to take action as a result of those investigations. It had (and has) no power of arrest, of detention or any similar action. Had intelligence officers detained Sutch, they would have acted against the terms of the Directive. They were present while the detention occurred, but they were not the individuals who carried it out. Reserving executive action to the realm of the police was not a new concept. Colin M. Hanson asserts that the Security Intelligence Bureau (SIB) during World War II also “did NOT [Hanson’s emphasis] have the power of arrest. Then, as now, if the SIB had a case they had to go to the Police who would execute the appropriate arrest warrant(s).”<sup>25</sup> The FBI in the United States, as a contrasting

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<sup>22</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” 2.

<sup>23</sup> “Crowded gallery hears Crown evidence against Dr Sutch,” *Evening Post*, 23 October 1974.

<sup>24</sup> For a detailed account of this event, see C.H. (Kit) Bennetts, *Spy: A Former SIS Officer Unmasks New Zealand’s Sensational Cold War Spy Affair* (Auckland: Random House New Zealand, 2006).

<sup>25</sup> Colin M. Hanson to Dr John Tonkin-Covell, letter, 23 May 1994.

example, does have powers of executive action.<sup>26</sup> This limitation in New Zealand's security intelligence community is an important one. It is an example of the checks and balances put in place to ensure the Service does not step beyond its mandated function.

One other limitation imposed by the Directive which should be taken into account is as follows:

...the Security Service should be kept absolutely free from any political bias or influence, and nothing is to be done that might lend colour to any suggestion that it is concerned with the interests of any particular section of the community, or with any other matter than countering subversion and espionage. You will impress on the staff of the Security Service that their work has no connection whatever with matters of a party-political character, and that they must be scrupulous to avoid any action which might be so misconstrued.<sup>27</sup>

This statement raises some problems for the intelligence community. Inevitably because the Service responds to the priorities of government decision makers, it must in some measure be influenced by political matters. For example, those within New Zealand who held to the tenets of communism as their preferred political ideology, or held sympathies to that ideology, were inevitably going to provoke greater scrutiny by the Service in the mid-twentieth century. Nevertheless, the Service remained "an institution in a democracy" and therefore "at all times the conduct and efficiency of its employees as public servants must be exemplary."<sup>28</sup> The existence of such a section within the Directive indicates that the intent was to create a service which existed for the benefit of the state as a whole, and not the political party which happened to form the government in any particular period of time.

Outside of such limitations, there were other operating parameters which the Directive put in place. The Prime Minister was to be notified of any matters "that it is proper the Minister in charge of a department should know of and give instructions about."<sup>29</sup> Efficient and effective cooperation between public service institutions was to be put in place, but the Service was to be wary not to "undertake work on behalf of any Government department unless you are satisfied that it is necessary for the protection of

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<sup>26</sup> Richelson and Ball, *The Ties that Bind*, 117.

<sup>27</sup> "Directive on Constitution and Operation of the New Zealand Security Service," 2.

<sup>28</sup> Allen Dulles, *The Craft of Intelligence* (Boulder, Colorado: Westview Press, 1985), 182.

<sup>29</sup> "Directive on Constitution and Operation of the New Zealand Security Service," 2.

the country from subversion or espionage.”<sup>30</sup> The appointment of staff, including a deputy, was also mentioned.<sup>31</sup> Overall this Directive was perhaps the clearest and most concise description of the function of security intelligence in New Zealand that had ever been issued to that point. As such, it combined an intellectual debt to its sister services overseas with its own unique context and requirements.

The second of the Security Service’s founding documents was an Order-in-Council, dated 28 November 1956 and signed by then-Governor General Sir Charles Willoughby Norrie, First Baron Norrie.<sup>32</sup> The full wording of that document may be viewed at Appendix H. Many academics and authors have previously referred to this document, including Michael Parker,<sup>33</sup> Graeme Hunt,<sup>34</sup> Geoffrey R. Weller,<sup>35</sup> and Richelson and Ball.<sup>36</sup> They do not pay much (if any) attention to the Directive discussed above. It is important when analysing the establishment of the Service to consider both documents as a pair, rather than individually. The importance and relevance of both are enhanced by their relationship to each other.

How did the Order-in-Council come about? On 31 October 1956 C.B. Robson wrote to New Zealand’s Solicitor-General, Herbert E. Evans, on the subject of employment in the New Zealand Security Service.<sup>37</sup> His argument was that employees of the Service were unsuitable to be included within the general public service because the work to which it was assigned was unlike that of other departments. Significantly, the three categories of employee Robson identified – government employees moving from other areas of the public service, contractual direct-entrant employees and those employed with the Service

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<sup>30</sup> “Directive on Constitution and Operation of the New Zealand Security Service,” 2.

<sup>31</sup> *Ibid.*, 1-2.

<sup>32</sup> C.W.M. Norrie, Order in Council, 28 November 1956, New Zealand Security Intelligence Service Archives, Wellington.

<sup>33</sup> Michael Parker, *The SIS* (Palmerston North: Dunmore Press, 1979), 25.

<sup>34</sup> Graeme Hunt, *Spies and Revolutionaries: A History of New Zealand Subversion* (Auckland: Reed Books, 2007), 231.

<sup>35</sup> Geoffrey R. Weller, “Change and Development in the New Zealand Security and Intelligence Services,” *Conflict Quarterly* 21, no. 1 (Spring 2001).

<sup>36</sup> Richelson and Ball, *The Ties that Bind*, 68.

<sup>37</sup> C.B. Robson to H.E. Evans, “Employment in the New Zealand Security Service,” 31 October 1956, New Zealand Security Intelligence Service Archives, Wellington.

on a weekly basis<sup>38</sup> - were working under conditions which had to be concealed from public scrutiny. In light of that fact, new and specific terms of employment were required for the Service which could not be subject to the Public Service Act 1912. Robson, when referring this issue to Evans, also sent a copy to the Chairman of the Public Service Commission, G.T. Bolt, who obviously also had a stake in the outcome of the discussions.<sup>39</sup>

In response to Robson's communication, Evans returned a letter six pages long on 15 November 1956 in which he related the legal context pertinent to employment with the Security Service. He mentioned section four of the Public Service Act which granted an exemption to the conditions of the Act if so declared by the Governor-General in Council, which subsequently became the legal basis for the Governor-General's Order-in-Council of 28 November.<sup>40</sup> He also mentioned that the Chairman of the Public Service Commission had intimated that "the Commission is of the opinion that the provisions of the Public Service Act would be entirely unsuitable for the...Security Service."<sup>41</sup> Thus with the support of both the Solicitor-General and the Public Service Commission, the Order-in-Council was cleared to be issued in relation to the Security Service. Evans stipulated that in place of the provisions of the Act, the authority to appoint individuals to the Service would be governed by "Paragraph VII of the Letters Patent constituting the office of Governor-General and Commander in Chief of the Dominion of New Zealand" which states:

VII. The Governor-General may constitute and appoint, in Our name and on Our behalf, all such Judges, Commissioners, Justices of the Peace, and other necessary Officers and Ministers of the Dominion as may be lawfully constituted or appointed by Us.<sup>42</sup>

After receipt of Evans' letter, Robson was quick to refer that letter to Bolt and requested that the Commission put their recommendation in writing.<sup>43</sup> This request was

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<sup>38</sup> Robson to Evans, "Employment in the New Zealand Security Service," 31 October 1956, 1.

<sup>39</sup> C.B. Robson to G.T. Bolt, "New Zealand Security Service," 19 November 1956, New Zealand Security Intelligence Service Archives, Wellington.

<sup>40</sup> H.E. Evans to C.B. Robson, "Employment in the New Zealand Security Service," 15 November 1956, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>41</sup> Evans to Robson, "Employment in the New Zealand Security Service," 15 November 1956, 1.

<sup>42</sup> *Ibid.*, 2.

<sup>43</sup> Robson to Bolt, "New Zealand Security Service," 19 November 1956.

met on 20 November 1956 in a statement to the Prime Minister.<sup>44</sup> It should be noted that the exemption from the Public Service Act recommended by the Commission was not the first to be issued. As the Security Service was part of the National Defence Forces of New Zealand, its exemption was in keeping with those issued to the Police Department and the armed forces for “somewhat similar reasons”.<sup>45</sup>

Even before the issuance of the Order-in-Council, Barnett had already taken steps towards the establishment of the Security Service. On 27 August 1956 he sent a letter to Senior Detective S.C. Browne of the Police Special Branch, advising him that it had been “definitely decided” that the reinvention of security intelligence arrangements would go ahead.<sup>46</sup> Presumably P.J. Nalder had by this time relinquished his Special Branch duties and Browne had assumed charge of the capability. On 26 November 1956, two days before the Order-in-Council was issued, Barnett made clear his intent to dissolve the Special Branch of the Police Force in a letter to Robson.<sup>47</sup>

Throughout the process of establishment, one principle was maintained and has remained a fundamental tenet of New Zealand’s intelligence services to this day – that the vast majority of the Service’s organisation and operations would remain hidden from the public eye. This is of course in keeping with most other intelligence services world-wide. Sir David Omand comments on the principle as follows:

Secrecy in the Cold War intelligence world was in tune with the prevailing attitude that the public did not need to know, certainly had no right to know, and was better off not knowing what was being done to protect it by the secret parts of the state.<sup>48</sup>

The New Zealand Government did publicly release the name of the first “head of security services” in place of Nalder, who had become Assistant Police Commissioner.<sup>49</sup> Most other details of the Security Service remained highly classified.

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<sup>44</sup> G.T. Bolt to Sidney Holland, “Exemption of Employees of the New Zealand Security Service from the Provisions of the Public Service Act 1912,” 20 November 1956, New Zealand Security Intelligence Service Archives, Wellington.

<sup>45</sup> Bolt to Holland, “Exemption of Employees of the New Zealand Security Service from the Provisions of the Public Service Act 1912,” 20 November 1956.

<sup>46</sup> S.T. Barnett to S.C. Browne, 27 August 1956, New Zealand Security Intelligence Service Archives, Wellington.

<sup>47</sup> S.T. Barnett to C.B. Robson, “Organisation of Security Service,” 26 November 1956, New Zealand Security Intelligence Service Archives, Wellington.

<sup>48</sup> Sir David Omand, “The Limits of Avowal: Secret Intelligence in an Age of Public Scrutiny,” in *National Intelligence Systems: Current Research and Future Prospects*, ed. Gregory F. Treverton and Wilhelm Agrell (Cambridge, U.K.: Cambridge University Press, 2009), 251.

Throughout this period of change Barnett oversaw the transition between the Special Branch and the Security Service, but his tenure as overseer did not last for long. His circular letter of 11 March 1957 to all permanent heads of government departments signified the end of his involvement with the capability, in which he summarised the points of the Order-in-Council, the Directive and the appointment of Gilbert as the first Director of Security.<sup>50</sup> Under the direction of Gilbert and his deputy, Robson,<sup>51</sup> from 1 August 1957 the Security Service took over operational control of security intelligence in New Zealand.<sup>52</sup>

The history of an organisation cannot be properly understood unless we have before us a clear account of its functions and structure; of what it does or is intended to do and how it is shaped and adapted to meet what is required of it.<sup>53</sup>

One of the issues raised even before the official establishment of the Security Service was the question of funding. As the arrangements of the Service were intended to be kept largely secret from public scrutiny, the exact budget settled on was to be hidden within that of another, public government department. One individual who provided a comprehensive review of the Police Special Branch in May 1956 suggested that the funds could be set aside within the Police Department, “where they can conveniently be hidden”.<sup>54</sup> Robson, on the other hand, mentioned in writing to Bolt that the Treasury Department would prefer to supply the funds in accordance with a clause to be included in the Order-of-Council.<sup>55</sup> Bolt, in his reply of 22 November 1956, indicated that Robson’s suggestion would not be included in the Order. Rather, he said it “would be a matter for Treasury and not the Public Service Commission.”<sup>56</sup> Because the Order-in-Council dealt

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<sup>49</sup> Auckland Star, “P.M. Names Chief of N.Z. Security Service,” 11 February 1957, New Zealand Security Intelligence Service Archives, Wellington.

<sup>50</sup> S.T. Barnett to Permanent Heads, “New Zealand Security Service,” 11 March 1957, New Zealand Security Intelligence Service Archives, Wellington.

<sup>51</sup> Barnett to Permanent Heads, “New Zealand Security Service,” 11 March 1957.

<sup>52</sup> Bennetts, *Spy*, 42.

<sup>53</sup> John Curry, *The Security Service 1908 – 1945: The Official History* (Kew, Surrey: Public Record Office, 1999), 41.

<sup>54</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, New Zealand Security Intelligence Service Archives, Wellington, 14.

<sup>55</sup> Robson to Bolt, “New Zealand Security Service,” 19 November 1956.

<sup>56</sup> G.T. Bolt to C.B. Robson, “N.Z. Security Service,” 22 November 1956, New Zealand Security Intelligence Service Archives, Wellington.



specifically with an exemption to the provisions of the Public Service Act it was presumably not appropriate to deal with matters of finance which fell outside the bounds of that Act.

An internal New Zealand Security Intelligence Service (NZSIS) document from 1976 records that, “for administrative and ‘cover’ purposes”, the Security Service was designated the “General Duties Division of the Justice Department”.<sup>57</sup> The term was also used to conceal the Service’s budget, which was “provided, without disclosure, in the Vote for the Justice Department”<sup>58</sup> under the title ‘Prison Officers’ Overtime’. These arrangements were made outside of the Order-in-Council. Although the original budget figure settled upon has not been released, it would not be unreasonable to assume that it was initially only a modest amount, as Loch K. Johnson notes was the case with similar services in the United States of America.<sup>59</sup>

During 1956, two reports were written on New Zealand’s security intelligence capability which each gave their own proposed structure for a new security service. The first of those reports split the service’s structure into three identifiable sections. The first, which might be called Headquarters A, would have managed administration, personnel, legal, records, vetting, police liaison and protective security matters. Headquarters B would be involved with matters relating to communism, counter-espionage, the management of agents in the field, the provision of technical materials and services, and surveillance work. The third section in this proposed plan were the district offices which would assume the locations then used by the Police Special Branch – Auckland, Wellington and Christchurch – but would substitute the fourth Dunedin district with a presence on the West Coast of the South Island. Each of these district offices would have a number of sub-sections dedicated to monitoring communism, running counter-espionage operations and agents (or “contacts” as the document calls them), maintaining records and providing protective security. Those sub-sections were the district equivalents of the sections within headquarters.<sup>60</sup>

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<sup>57</sup> “History of NZSIS and its Predecessors,” January 1976, New Zealand Security Intelligence Service Archives, Wellington, 12.

<sup>58</sup> “History of NZSIS and its Predecessors,” January 1976, 12.

<sup>59</sup> Loch K. Johnson, *Secret Agencies: U.S. Intelligence in a Hostile World* (New Haven, U.S.A.: Yale University Press, 1996), 43.

<sup>60</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, 20-21.

The second report, written by Mr G.R. Richards, had a slightly different version of the format which is described above but not significantly so. His vision encompassed a more empowered headquarters which would manage the functions of counter-subversion, counter-espionage, protective security, special services (including covert collection of intelligence and analysis), administration and registry. The district “Field Forces” based in Auckland, Wellington and Christchurch were to function more as collectors of intelligence which was then sent back to headquarters for analysis, rather than being responsible for each separate function at their own lower level.<sup>61</sup>

The two proposed structures described above have obvious similarities to the 1945 MI5 structure outlined by Nigel West. He split that Service into six divisions, named A to F. A Division managed administration, B Division oversaw most elements of counter-espionage, C Division dealt with vetting requirements and other defensive security work, D Division sent out liaison officers to work alongside the military forces and intelligence services of other states, E Division was concerned with the movements of aliens within Britain and F Division carried out surveillance on political extremes such as communism and fascism.<sup>62</sup> As will be seen, all these elements were also incorporated into the New Zealand Security Service in some way.

When deciding on the most appropriate structure for the Security Service in 1956-57, the proposals put forward by individuals and the examples of similar services already in existence appear to have been taken into account and adopted in a manner deemed appropriate to the state’s own requirements. Many elements included in the structure were also reminiscent of Police Special Branch capabilities. A diagram of the Service’s structure in 1956-57 may be seen in Table 4, the details of which come from a New Zealand Security Intelligence Service document dated 22 January 1960<sup>63</sup> and an interview with a long-serving member of the NZSIS whose name is withheld for security reasons.<sup>64</sup>

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<sup>61</sup> G.R. Richards, “The Internal Security Problem in New Zealand,” 23 August 1956, New Zealand Security Intelligence Service Archives, Wellington, 4-6, Appendix A-B.

<sup>62</sup> Nigel West, *A Matter of Trust: MI5 1945 – 72* (London: George Weidenfeld & Nicolson Limited, 1982), 18-19.

<sup>63</sup> Line Diagram of the NZSyS, 22 January 1960, New Zealand Security Intelligence Service Archives, Wellington.

<sup>64</sup> NZSIS staff member [name withheld for security reasons], interview by author, Defence House, Wellington, 14 May 2012.

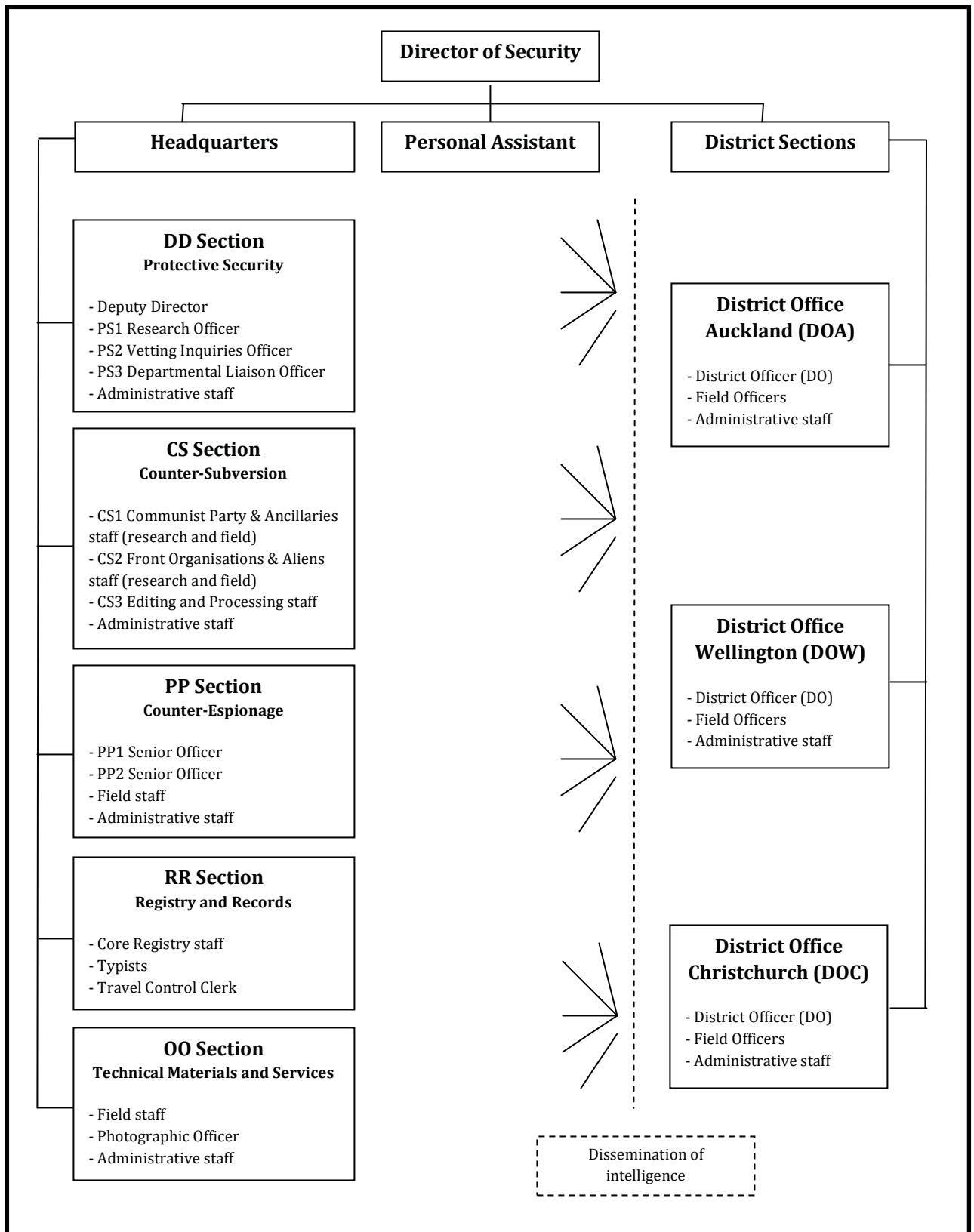


Table 4: NZSyS 1956-57 Structural Diagram

Management of the Security Service was placed firmly in the hands of the Director of Security, with assistance from a Deputy Director and a Personal Assistant.<sup>65</sup> Both the Director and Deputy Director positions were mandated either explicitly or implicitly by the “Directive on Constitution and Operation of the New Zealand Security Service”. Conceivably the Director would have acted as the overall manager of Service business, and the key liaison between security intelligence operations and the political and bureaucratic requirements of the government of the day. He would also have provided a public face for the Service, the precedent for which was set by the public announcement of Brigadier Gilbert’s<sup>66</sup> appointment on 11 February 1957.<sup>67</sup> As pointed out by C.H. (Kit) Bennetts, to announce the head of security intelligence was a break in the MI5 tradition of keeping the names of such individuals concealed. The decision to reveal Gilbert’s name was, instead, on par with what had occurred in Australia.<sup>68</sup>

The Deputy Director provided cover for the Director in the latter’s absence, but he was also responsible for overseeing the first of the sections attributed to Service Headquarters, located in Majoribanks Street in Wellington.<sup>69</sup> DD Section (presumably standing for ‘Deputy Director’) was largely concerned with matters of protective security. It included a Research Officer (Protective Security 1 or PS1), a Vetting Inquiries Officer (PS2), a Departmental Liaison Officer (PS3) and administrative staff.<sup>70</sup>

Vetting was a particularly important function of the DD Section. Due to the overwhelming volume of vetting requests handled by the Special Branch and mentioned by Nalder, one of the key tasks of the PS2 would have been to determine how best to go about limiting the number of requests while still maintaining a necessary level of scrutiny of those responsible for or exposed to classified information. New Zealand was not the only state whose intelligence service struggled with vetting requirements. Numbers of

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<sup>65</sup> Line Diagram of the NZSyS, 22 January 1960.

<sup>66</sup> After his retirement from the New Zealand Security Service, Herbert Ellery Gilbert changed his name to William H.E. Gilbert, apparently because he had been colloquially known for many years as “Bill” and thought it made more sense to have his legal name reflect that fact: “Soldier Who Donned Cloak and Dagger Dies,” *NZ Herald*, 29 September 1987.

<sup>67</sup> *Auckland Star*, “P.M. Names Chief of N.Z. Security Service,” 11 February 1957.

<sup>68</sup> Bennetts, *Spy*, 42.

<sup>69</sup> “History of NZSIS and its Predecessors,” January 1976, 12.

<sup>70</sup> Line Diagram of the NZSyS, 22 January 1960.

personnel vetted in Britain were also substantial.<sup>71</sup> Their efforts to identify what vetting system was the most appropriate and the most effective proved a difficult task. Britain was still adjusting that system in the 1980s.<sup>72</sup>

The Counter-Subversion Section (CS Section) was the largest of the sections within Headquarters, and according to NZSIS staff was also the best resourced in the early years of the Security Service.<sup>73</sup> It was responsible for the monitoring of hostile or potentially hostile domestic groups and individuals. Research and field officers were assigned to two principal target groups within the counter-subversive field – the Communist Party of New Zealand and its ancillaries, and miscellaneous front organisations and aliens. Field officers were primary responsible for running agents and conducting surveillance operations. Other staff within CS Section took care of editing, processing and administrative duties.<sup>74</sup> The strength of the section was a good indication of the importance placed on counter-subversion intelligence activities at that time. There may have been very good operational reasons for this emphasis, but it may also have been a subconscious concession to the relative ease with which such activities were carried out in comparison with counter-espionage, the second key priority of the Security Service.

Counter-espionage was run by the Principal Planning Section (PP Section). Two senior officers were supported by field and administrative staff.<sup>75</sup> They ran agents and conducted surveillance on individuals of interest, in particular on Soviet diplomats who were working at the Soviet Legation in Wellington. Even more so than counter-subversion, counter-espionage was a delicate and difficult area of work, for three reasons. First, it was often concerned with individuals who were citizens of a foreign state, many of whom held diplomatic status. To counter the activities of such individuals in either an overt or a covert manner ran the risk of adversely affecting international relations on a government and state level.

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<sup>71</sup> Christopher Andrew, *The Defence of the Realm: The Authorized History of MI5*, updated ed. (London: Penguin Books, 2010), 393.

<sup>72</sup> Andrew, *The Defence of the Realm*, 751-752.

<sup>73</sup> NZSIS staff member [name withheld for security reasons], interview by author, Defence House, Wellington, 14 May 2012.

<sup>74</sup> Line Diagram of the NZSyS, 22 January 1960.

<sup>75</sup> *Ibid.*

Second, counter-espionage officers were responsible for identifying hostile domestic agents who were usually employed in significant areas of the public service. The initial act of identification was a particularly difficult task because such agents were conscious of the need to conceal their espionage activities. Additionally, if the individual concerned had maintained a good reputation in the conduct of their official duties, they were more likely to be supported against charges of espionage by their colleagues. Furthermore, any identification of such agents would cause the public to question the strength of the state's security apparatus due to the fact that it could not keep such agents from gaining employment in the public service in the first place.

The third reason why counter-espionage proved to be so delicate and difficult was that, although a generally defensive function, it would also more than likely have involved some active intelligence collection responsibilities. In a democratic state such activities could come close to crossing the line between necessary activities in response to definite threats and pre-emptive action against a possible threat which was not yet positively identified. The latter risked incurring accusations of undue surveillance by the state similar to the more extreme police actions of authoritarian states like Nazi Germany. Indeed, in the Security Intelligence Bureau's case that is exactly what happened.<sup>76</sup> Security Service officers and agents initiated such activities to obtain answers to particular intelligence questions or problems, but within the general mandate of security intelligence it remained a limited and sensitive part of the capability.

The Records and Registry Section (RR Section) took care of many of the administrative requirements of the Headquarters. It was run by core staff with the assistance of typists and a Travel Control Clerk.<sup>77</sup> Presumably it also had a coordinating and assistance role for administrative staff attached to other sections within Headquarters and in the District Offices. Although each individual section or district office in the Security Service most likely maintained its own sub-records, some centralisation of information would have been required and was carried out by RR Section.

OO Section ('OO' standing for 'Operations Officer'<sup>78</sup>) was a very limited part of the Service assigned to the provision of technical materials and services in aid of intelligence

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<sup>76</sup> "This Fair Country Now Has Its Himmler and Its S.S. Men," August 1941, Roth Papers, MS Papers 6218-05, Alexander Turnbull Library, National Library of New Zealand, Wellington, New Zealand.

<sup>77</sup> Line Diagram of the NZSyS, 22 January 1960.

operations. The section's personnel included Field Officers, a Photographic Officer and one person responsible for administration.<sup>79</sup> Tasks undertaken by OO Section included placing phone taps and recording devices in key locations, and conducting searches when required. Services of a technical nature appear not to have developed in any great measure from the tiny element within the Police Special Branch responsible for such matters. Presumably as a greater appreciation of the need for such materials grew within the Service, it would have made use of offers like the one extended by Sir Percy Sillitoe in 1951 to aid in developing the skill set in New Zealand intelligence.<sup>80</sup>

The five sections which comprised the Headquarters of the Security Service – DD Section, CS Section, PP Section, RR Section and OO Section – were each responsible for a key function within the wider service, but their activities were bolstered by the efforts of staff in three District Offices. An NZSIS document from January 1976, when commenting on arrangements in the Service in August 1957, mentions:

...district offices in Auckland, Wellington and Christchurch. Auckland District was responsible for investigations in the northern half of the North Island, Wellington District covered the rest of the North Island and Christchurch District covered the whole of the South Island.<sup>81</sup>

Each individual district office (known to members of the Service as District Office Auckland (DOA), District Office Wellington (DOW) and District Office Christchurch (DOC)) was headed by a District Officer (DO) who managed Field Officers and administrative staff. Despite the size of the geographical area each office was responsible for, they employed only a minimal number of staff in the early years. Statistics provided by the NZSIS indicate that District Office Auckland had five employees in 1957 (although there were places for seven), District Office Wellington employed seven people in 1960 and District Office Christchurch employed six people in 1958.<sup>82</sup> As well as providing general security intelligence coverage for their assigned areas, the district offices also ran their own agents and conducted surveillance in regional operations. Their collection of raw intelligence, and

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<sup>78</sup> NZSIS staff member [name withheld for security reasons], interview by author, Defence House, Wellington, 14 May 2012.

<sup>79</sup> Line Diagram of the NZSyS, 22 January 1960.

<sup>80</sup> Sir Percy Sillitoe, "Security Requirements in New Zealand," 23 October 1951, New Zealand Security Intelligence Service Archives, Wellington, 4.

<sup>81</sup> "History of NZSIS and its Predecessors," January 1976, 12.

<sup>82</sup> NZSIS staff member [name withheld for security reasons], interview by author, Defence House, Wellington, 14 May 2012.

presumably a degree of low-level analysis, informed the intelligence assessments of Headquarters sections.

The scope of intelligence activities conducted by the New Zealand Security Service could deceive observers into thinking that, even in the early years, the Service employed a large number of staff. This was not in fact the case. The Police Special Branch had 36 officers in August 1956,<sup>83</sup> but Michael Parker notes that when the Security Service began operations it had a small staff of only 19 persons.<sup>84</sup> Whether or not Parker's figures are correct, by May 1958 the records of the Service indicate that there were 42 persons employed within the organisation.<sup>85</sup> That figure did not include the agents employed by the Service who targeted specific threats within New Zealand.

Throughout the short history of the Police Special Branch, those individuals assigned to conduct its operations were, for the most part, reluctant participants. Richards noted in 1956 that the Branch "is not a popular or well understood branch of the police service in which career policemen seek to serve, and most of the men now serving in it are doing so merely because they were instructed to do so".<sup>86</sup> Presumably many Special Branch officers were also disinclined to transfer to the Security Service when it was established.<sup>87</sup> They were not alone in their rather negative opinion of the idea of officers moving from the Police Department to the Service. Reviewers commenting on the nature of intelligence personnel in previous years had often made it clear that they deemed police officers to be insufficiently trained, experienced or of the right personality type for intelligence work.<sup>88</sup> One document from 1976 notes that eight out of the 42 individuals employed in the Service by May 1958 "were from Special Branch".<sup>89</sup> On the recommendation of a British expert who reviewed all Special Branch staff only a very few were actually given the option to join the Service. As a result, those police officers who did

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<sup>83</sup> Richards, "The Internal Security Problem in New Zealand," 23 August 1956, 2.

<sup>84</sup> Richelson and Ball, *The Ties that Bind*, 69.

<sup>85</sup> "History of NZSIS and its Predecessors," January 1976, 12.

<sup>86</sup> Richards, "The Internal Security Problem in New Zealand," 23 August 1956, 2.

<sup>87</sup> Susan Butterworth, *More than Law and Order: Policing a Changing Society, 1945 - 1992* (Dunedin: Otago University Press, 2005), 77.

<sup>88</sup> [name removed], "The Security Problem in New Zealand," 31 May 1956, 12.

<sup>89</sup> "History of NZSIS and its Predecessors," January 1976, 12.



have an interest in transferring but were not offered the choice experienced a degree of ill-feeling at being so readily dismissed from the security intelligence field.<sup>90</sup>

The remainder [of NZSyS staff] were recruited from a variety of sources including a small number of people retiring from overseas positions under the British Government.<sup>91</sup>

According to Michael Parker, Security Service officers were recruited predominantly from New Zealand's armed forces and from MI5.<sup>92</sup> Some doubt is cast on this claim by Gilbert's own copy of Parker's book, wherein he annotates crosses in the margins next to many of the claims on this subject that the author makes.<sup>93</sup> Whether those crosses meant that these assertions were false, or whether Gilbert intended something different, is impossible to tell for sure. If Parker's claims are true, individuals with such backgrounds would have brought with them years of expertise in security and intelligence-related fields, but were not constrained by preoccupations about the nature of security intelligence as defined within a police context. In this way the Service would have mirrored MI5's composition of personnel. Christopher Andrew remarks, "The Service [MI5] preferred its officer recruits, however well-educated, to have experience of the outside world and to be in at least their mid-twenties."<sup>94</sup>

Notwithstanding MI5's preference for recruits with real-world experience, some of the individuals involved with decision making, like J.R. Marshall, were of the opinion that it would be preferable to recruit "men of character, intelligence and educated preferably to university standard...it is better to wait for the right men rather than accept men who are not entirely suitable just for the sake of getting started."<sup>95</sup> University recruits would have been preferred because they brought a degree of intellectual sophistication to the organisation. They were also, according to Robin Winks, more likely to exhibit "odd curiosity and distinctive knowledge", capable of looking "past tested systems and

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<sup>90</sup> NZSIS staff member [name withheld for security reasons], interview by author, Defence House, Wellington, 14 May 2012.

<sup>91</sup> "History of NZSIS and its Predecessors," January 1976, 12.

<sup>92</sup> Parker, *The SIS*, 44, 47.

<sup>93</sup> H.E. Gilbert, annotations to *The SIS*, by Michael Parker (Palmerston North: Dunmore Press, 1979), 44, 47.

<sup>94</sup> Andrew, *The Defence of the Realm*, 329.

<sup>95</sup> J.R. Marshall to Sidney Holland, "Memo for Rt Hon. the Prime Minister re. Security Service," New Zealand Security Intelligence Service Archives, Wellington, 4.

conventional wisdom to the untried.”<sup>96</sup> All of these things were desirable traits for intelligence officers, particularly officers employed in a new service which was still only beginning to find its feet.

In contrast to intelligence officers, administrative staff in the Security Service were recruited in a much more informal manner. According to one NZSIS staff member, Service staff were asked whether they knew of someone who might be appropriate and suitably skilled when a position needed to be filled. Often those chosen for interviews and employment were “friends of friends” or the daughters of trusted employees.<sup>97</sup> It is unclear to what extent such employees were vetted before their appointment, and to what extent the good opinion of those who had nominated them counted as a guarantee of their loyalty to New Zealand and the security requirements of the Service. Regardless of where personnel were recruited from, or how, the collective body of Service employees were not strangers or indifferent to the wider society on whose behalf they operated. They were in fact “a mirror of New Zealand society”.<sup>98</sup>

Once an individual had been recruited into the Service, the peculiar environment they worked in will have shaped many aspects of their everyday lives. Many of the people who have written about intelligence officers have had something to say about the conditions under which those individuals were required to work. For instance, Sir Percy Sillitoe described counter-espionage as “the most dreary, uninspiring and over-rated occupation imaginable.”<sup>99</sup> Christopher Andrew has mentioned a trait not normally associated with spies – the need for a sense of humour in order to maintain “a sense of proportion when dealing with fraught issues of national security” and “team spirit.”<sup>100</sup> Nigel West, on the other hand, has remarked on “the need to guard your tongue all the time, to talk to no one, to tell no one what you did, not even your wife.”<sup>101</sup> All of these comments give a glimpse into the world of intelligence, as applicable to New Zealand as to

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<sup>96</sup> Robin W. Winks, *Cloak & Gown: Scholars in the Secret War, 1939 – 1961* (New York: William Morrow and Company, Inc., 1987), 23.

<sup>97</sup> NZSIS staff member [name withheld for security reasons], interview by author, Defence House, Wellington, 14 May 2012.

<sup>98</sup> Parker, *The SIS*, 130.

<sup>99</sup> Desmond Ball and David Horner, *Breaking the Codes: Australia’s KGB Network, 1944 – 1950* (St Leonards, NSW: Allen & Unwin, 1998), 7.

<sup>100</sup> Andrew, *The Defence of the Realm*, 329.

<sup>101</sup> West, *A Matter of Trust*, 25.

other states. The quotes by Sillitoe, Andrew and West also suggest that the perception of intelligence as a secret, exciting world should always be balanced with the rather more monotonous reality of day-to-day business which any other government department would undertake.

The operations of the Security Service have been described in many ways, often with little or no real understanding of the purposes for which the Service was created, or how it carried out its activities. For example, in 1969 Roger Boshier wrote a short booklet entitled *Footsteps Up Your Jumper: Activities of the New Zealand Security Service*. The booklet is highly critical of the Service and at one point describes it as:

At one level...a pseudo James Bond cloak-and-dagger outfit, but at another level it is a “comic opera” police force.<sup>102</sup>

Boshier was wrong on both counts. The Service was of course a largely covert body, so it warranted the “cloak”, but the sort of activities which may have insinuated that the “dagger” was appropriate was beyond the mandate of the Service as defined by its establishing Directive. To suggest in this way that the Service operated as an equivalent to MI6, the intelligence service of the fictional James Bond, was seriously misleading.

Boshier was also mistaken to suppose the Security Service to be another form of police force, “comic opera” or not. Intelligence has a different mandate from that of the police. One individual who wrote on the subject during the short history of the Police Special Branch stated that the Branch “does not derive any advantage from its police status and, on the contrary, it rather suffers by reason of that status.”<sup>103</sup> Peter Gill summarises the difference between intelligence work and police work thus:

...the police aim to obtain convictions, the security intelligence agency aims to gather information and produce intelligence...For security intelligence agencies, the fact that an operation ends up in a prosecution may actually indicate ‘failure’ since they would have preferred to convert the person into an intelligence asset rather than see them in court.<sup>104</sup>

The differences between intelligence and police do not negate the fact that there were important connections between the New Zealand Security Service and the Police Department. Without executive powers, the Service could not legitimately pursue any

<sup>102</sup> Roger Boshier, *Footsteps Up Your Jumper: Activities of the New Zealand Security Service* (Perspective 6) (Wellington: Farm Road Branch, N.Z. Labour Party, 1969), 2.

<sup>103</sup> [name removed], “The Security Problem in New Zealand,” 31 May 1956, 14.

<sup>104</sup> Peter Gill, *Policing Politics: Security Intelligence and the Liberal Democratic State* (London: Frank Cass & Co. Ltd., 1994), 210.

action such as arrest. That duty remained in the hands of the police. Relations between the Service and the police were not always cordial. For example, Gill notes that sometimes the Service sought to by-pass the police in the acquisition of information.<sup>105</sup> However, as John Curry points out, "Relations with the police have always been regarded as involving one of the most important aspects of the work of the Security Service."<sup>106</sup> The activities of one inevitably complemented many of the activities of the other.

In choosing its first Director of Security, the New Zealand Government had appointed a man well qualified to assume responsibility for security intelligence.<sup>107</sup> Brigadier Herbert Ellery Gilbert came to the Security Service after a long career in the New Zealand Army. He began that career with a four-year course at the Royal Military College of Australia from 1934 until 1937, an opportunity afforded at that time to only four cadets chosen from "the best candidates offering throughout New Zealand".<sup>108</sup> Upon graduation, Gilbert was commissioned as a Lieutenant into the Royal New Zealand Artillery. His superiors described him as "keen, hard-working, and capable" and "a very good type of artillery officer."<sup>109</sup>

Soon after World War II began, Gilbert was promoted to Acting Captain rank and assigned to command an artillery battery on Motutapu Island, close to Auckland.<sup>110</sup> His subsequent postings during the war included Adjutant of 6<sup>th</sup> Field Regiment,<sup>111</sup> a

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<sup>105</sup> Gill, *Policing Politics*, 213-215.

<sup>106</sup> Curry, *The Security Service 1908 – 1945*, 53.

<sup>107</sup> There is an interesting comparison that could be made in a separate study between Gilbert's career and that of Brigadier Sir Charles Spry, who had been the Australian Director of Military Intelligence before his appointment as the Director General of Security for the Australian Security Intelligence Organization. See David McKnight, *Australia's Spies and their Secrets* (St Leonards, NSW: Allen & Unwin Pty Ltd., 1994), 39.

<sup>108</sup> "Cadetships at Royal Military College of Australia, Sydney, for Commissions in the N.Z. Permanent Forces," August 1933, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>109</sup> Major General J.D. Lavarack, "13<sup>th</sup> Coast Artillery Short Course – School of Artillery 10.1.38 – 9.4.38," 18 May 1938, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>110</sup> Captain J.P. Joyce, 6 November 1939, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>111</sup> Lieutenant Colonel A.E. Conway, "2nd Echelon N.Z.E.F. – 3rd Echelon – 6th Field Regt. N.Z.A.," 2 February 1940, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

studentship at the Middle East Staff School,<sup>112</sup> General Staff Officer (GSO) 2 with the 2<sup>nd</sup> New Zealand Division (Expeditionary Force) in the Middle East<sup>113</sup> and Commander of 6<sup>th</sup> Field Regiment.<sup>114</sup> In 1944 Gilbert was awarded a Distinguished Service Order (D.S.O.) for “gallant and distinguished service in Italy”,<sup>115</sup> and became an Officer of the Most Excellent Order of the British Empire (O.B.E.) soon after the end of the war.<sup>116</sup> He was also awarded a Bronze Star by the United States of America for “distinguished services in the cause of the Allies”.<sup>117</sup> His various appointments, promotions and awards suggest that Gilbert was a competent officer who performed well during one of the most trying periods of the twentieth century.

After the war, Gilbert had several opportunities to build on the experiences he had gained in the previous few years. In 1946 he was appointed the “New Zealand Representative on the Joint Chiefs of Staff Organization in Australia (British Occupational Force for Japan)”.<sup>118</sup> During that posting he represented his state in several meetings with “Sir Edward Travis, the Director of the British Government Communications Headquarters (GCHQ)”, on the subject of New Zealand’s involvement in post-war signals intelligence.<sup>119</sup>

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<sup>112</sup> New Zealand Army Orders, “Fourth War Staff Course: Middle East Staff School,” 1941, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>113</sup> “Security List No. 71,” 20 October 1943, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>114</sup> “Security List No. 83,” 24 February 1944, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>115</sup> High Commissioner for N.Z. London, “Inward Telegram,” 12 June 1944, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>116</sup> “Honours and Awards. 2nd N.Z.E.F. Officers of the Most Excellent Order of the British Empire (O.B.E.),” 18 January 1946, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>117</sup> N.Z. Army Orders, “Honours and Awards,” 2 February 1948, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>118</sup> “Regiment of Royal N.Z. Artillery,” 9 July 1946, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>119</sup> Desmond Ball, Cliff Lord and Meredith Thatcher, *Invaluable Service: The Secret History of New Zealand’s Signals Intelligence during Two World Wars* (Waimauku, New Zealand: Resource Books, 2011), 316-317.

He became GSO1 (Operations and Intelligence) at Army Headquarters in Wellington in March 1948<sup>120</sup> and an Honorary Aide-de-Camp to the Governor-General in May of that same year.<sup>121</sup> Both his appointment to the Joint Chiefs of Staff Organization and as GSO1 were specific intelligence postings, as opposed to the general military postings he had been assigned to during the war. They were followed by a third intelligence posting in 1949, as the Director of Plans and Intelligence.<sup>122</sup> The significance of such postings should be evident. Gilbert was not only gaining direct experience in the world of intelligence, but he was also operating on levels which gave him an intelligence profile both nationally and internationally. When it came time to select a new Director of Security, therefore, his experience and reputation were already established and made him an obvious candidate for the position.

Soon after his appointment to Plans and Intelligence, Gilbert submitted a report with six others entitled "Security Measures in New Zealand" under the aegis of the Joint Planning and Intelligence Committees.<sup>123</sup> This report is significant because its subject matter covered security both within the armed forces and in the civilian world. Gilbert and his colleagues advocated for a single organisation to manage security intelligence, "whether that be an expanded special branch of the Police Department or a separate security service on the model of that existing in the United Kingdom."<sup>124</sup> Sir Percy Sillitoe, who wrote his own review of the security arrangements in New Zealand in 1951, remarked that the report was "a sound assessment" of requirements for enhanced security.<sup>125</sup>

When the Advisory Committee on Security was established at the end of 1951, Gilbert was one of the members present, attributed in the minutes as "Director of Military

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<sup>120</sup> "Royal N.Z. Artillery," 23 March 1948, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>121</sup> Lieutenant Colonel J.R. Page, "Honorary Aides-de-Camp to His Excellency the Governor-General," 18 May 1948, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>122</sup> "Security List No: 292," 7 July 1949, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>123</sup> Joint Planning Committee and Joint Intelligence Committee to Chiefs of Staff, "Security Measures in New Zealand," 31 January 1950, New Zealand Security Intelligence Service Archives, Wellington.

<sup>124</sup> Joint Planning Committee and Joint Intelligence Committee to Chiefs of Staff, "Security Measures in New Zealand," 31 January 1950, 7-8.

<sup>125</sup> Sillitoe, "Security Requirements in New Zealand," 23 October 1951, 1.

Intelligence".<sup>126</sup> As the principal purpose for the Committee was to discuss and manage changes within security intelligence as overseen by the Police Department, Gilbert was in this context largely working with civilian intelligence matters (albeit as a military representative). His expertise as a military intelligence officer was clearly deemed important enough for him to take part in such meetings. Between 1952 and 1953, Gilbert travelled overseas to the United States of America and Australia in his appointment as Director of Plans and Intelligence. These trips were recorded as "special duties".<sup>127</sup> It is reasonable to assume that the visits involved some discussions around intelligence. As may be seen from his myriad activities within the intelligence field, even while still an Army officer Gilbert was, somewhat unconsciously, transitioning between his military career and his future career with the New Zealand Security Service.

At the beginning of 1956, Brigadier Gilbert was recalled from his position with the New Zealand Army Liaison Staff in London. Brigadier Leonard Thornton, who had been Gilbert's peer throughout his military career and was later to be one of New Zealand's better-known post-World War II generals, was tentative about the possibility of an attractive New Zealand posting for his fellow officer.<sup>128</sup> Gilbert's prospects were by no means certain. It was fortunate, then, that by January 1957 he had been offered a new position outside of the armed forces, one "for which Brigadier Gilbert's experience and qualifications are particularly suited".<sup>129</sup> His appointment as New Zealand's first Director of Security was a testament to his previous intelligence experience and the confidence placed in him that he was capable of executing the role effectively.

Mark Lowenthal has noted that the personalities of key individuals can have a significant effect on how the working environment of an intelligence organisation

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<sup>126</sup> Advisory Committee on Security, minutes of the meeting of the Committee held in Room 64, Parliament Buildings, at 3.30 p.m. on Tuesday, 20 November 1951, 21 November 1951, New Zealand Security Intelligence Service Archives, Wellington, 1.

<sup>127</sup> "The Royal N.Z. Artillery – Regular Force," 29 September 1952, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>128</sup> Brigadier L.W. Thornton, Letter to Brigadier H.E. Gilbert, 12 April 1956, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>129</sup> "Matter for Decision by Army Board: Release from the Active List of the Regular Force: Lt Col (Acting Brig) H.E. Gilbert, DSO, OBE," 23 January 1957, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.



functions.<sup>130</sup> Therefore it is important that a brief note is made of Gilbert's personality, and how he appeared in the eyes of his superiors and subordinates. While at the Royal Military College of Australia as a cadet in the New Zealand Army, Gilbert was described in one report as being "hard-working and thorough", having significant intellectual ability, studious but also "has plenty of practical application" and is a person of good character, "conscientious and reliable."<sup>131</sup> Kit Bennetts, who worked under Gilbert as an intelligence officer in the Security Service, was equally enamoured with the man:

'The Brigadier' or 'The Brig', as he was known by friend and foe alike, was unflappable, a sound manager, a superb leader and a man who laughed easily. He was once described in a newspaper article as 'avuncular', and that was the perfect description of the man I knew.<sup>132</sup>

Of course, not everyone was so willing to recognise his good qualities with respect to his work with security intelligence. Boshier allowed him to be "quaint and likeable" but was quick to declare him a "part of our national adolescence" and "a hangover from the cold-war McCarthy era."<sup>133</sup> Nevertheless, for a new service in need of a strong and capable hand, Gilbert seems to have been a good match.

The establishment of the New Zealand Security Service in 1956 came almost as a relief after the changes that had occurred within security intelligence since 1945. Finally the vacillation about whether or not the Police Department was the appropriate place for such a capability had come to an end. With the creation of the new service came the chance to wipe the slate clean and start again within a new format. Security intelligence in New Zealand became more closely aligned to the practices and procedures of its closest security partners – Britain and Australia – and in doing so enjoyed the advantage of being able to draw on the expertise of organisations which had already existed for some years. The creation of the Security Service was a significant milestone for security intelligence, and represented an appropriate coda to this period in New Zealand's intelligence history.

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<sup>130</sup> Mark M. Lowenthal, *Intelligence: From Secrets to Policy* (Washington, D.C.: CQ Press, 2000), 29.

<sup>131</sup> "Extract from Interim Confidential Report on New Zealand Staff Cadets at the Royal Military College of Australia," December 1936, Personnel Service File 23245: William Herbert Ellery GILBERT, NZDF Archives, New Zealand Defence Force, Trentham Military Camp, Upper Hutt, New Zealand.

<sup>132</sup> Bennetts, *Spy*, 37.

<sup>133</sup> Boshier, *Footsteps Up Your Jumper*, 3.



# Conclusion

Security intelligence in New Zealand between 1945 and 1957 went through a process of maturation. The unsettled nature of much of that process may at first glance suggest that the way in which the capability developed was ill-considered or even haphazard. There are elements of truth to that suggestion, but on its own is too superficial an explanation of what was occurring at that time. Instead of perceiving developments as a series of ineffectual reactions to events beyond their control, those parties involved with security were taking part in a necessary process which resulted in a new, specialised security intelligence service – the New Zealand Security Service. The complexity inherent to that process, as a result not only of the varied parties involved but also external events and other influences affecting them, made 1945 – 1957 one of the more transformative periods in the history of New Zealand security intelligence to date.

In identifying and analysing the development of security intelligence in this period, this thesis has used three key questions to shape its content. The first and second of these questions are sometimes interchangeable but always mutually supporting parts of the wider history. They seek the identification of events, influences and parties (both international and domestic) which contributed to the developmental process in which security intelligence was engaged between 1945 and 1957. Perhaps the best way to answer these questions, and the means by which this thesis has addressed them, is to use international and domestic influences as two separate but related categories within which specific events occurred and parties operated. Inevitably, all states are in some measure shaped by these two categories of influences, but each state receives, interprets and changes in response to them in different ways. As the history of security intelligence progressed in New Zealand in the first half of the twentieth century, what transpired was a merging of those initially separate influences into an identifiable point of culmination, namely the establishment of the Security Service.

The first category of influence – the international factor – can be further pared down into two sub-categories, the first of which is the notion of collective security. New Zealand's interactions with other, trusted states were a means to protect its own wider interests, but also to grow capabilities within a collaborative community. The strongest of these links were its ties to Britain, based on a shared cultural and historical legacy. As a part of the British sphere of influence, New Zealand was particularly aware of Britain's

own security problems and proposed solutions (including those within the intelligence field), which also became significant to New Zealand's own state priorities.

The British influence on New Zealand's security intelligence arrangements is evident throughout much of the early to mid-twentieth century. Forming the Security Intelligence Bureau during World War II, for example, was partly the result of a recommendation made by elements of the British defence forces. Major Kenneth Folkes, the Bureau's director, was a British Army and intelligence officer. Members of Britain's security intelligence service, MI5, continued to contribute to the development of a similar capability in New Zealand after 1945, by means of visits and written reports. MI5 Director-General Sir Percy Sillitoe visited New Zealand twice, in 1948 and 1951, on the second occasion writing a review of the capability at the request of Prime Minister Sidney Holland. Samuel T. Barnett visited Britain soon after his appointment as Controller-General of Police and took the opportunity to discuss intelligence matters while there.

While Britain was certainly a central party within the collective body of international influences affecting the development of New Zealand's security intelligence capability, it was not the only party. Not only did Britain's security ties to Australia, Canada and the United States of America have a residual effect on New Zealand's own intelligence relationships with those states, but New Zealand found common ground with its peers within the Anglosphere on its own terms as well. One example of this is the report on New Zealand intelligence which G.R. Richards, the Deputy Director-General of ASIO, submitted in 1956. Richards' contribution to the developmental process is an indication that a relationship of some significance had been formed between New Zealand and Australian intelligence services. The relationship between Anglosphere states enabled a greater degree of collective security as achieved through the use of intelligence, but this generally positive aspect of the international influence category was just one side of the coin.

The other side of the coin, or the second sub-category of the international influence category, is the notion of a collective threat environment. A sense of camaraderie against a common enemy had been well established between the states mentioned above by joint operations against Nazi Germany and Japan. As the shift from hot war to cold war occurred, and the old enemies were defeated, the emergence of the Soviet Union and its affiliates as the new adversary only strengthened the idea of a threat environment against which a collective effort was required. It was within that new context that a rejuvenated effort to change the nature of security intelligence in the state occurred.

The Soviet Union's ideological, political and military developments caused a degree of alarm in New Zealand, as did revelations of its espionage and subversive activities as the twentieth century progressed. It became increasingly plausible to assume that if states aligned with New Zealand were the targets of such activities, then New Zealand itself was also more than likely to become a target, if it wasn't already. What caused an added degree of consternation was that those states which were integral to the Anglosphere were vulnerable. The size or geographical location of a state did not guarantee its immunity, and in some cases, smaller states and their limited intelligence capabilities made them more desirable as a target than larger states which could devote more resources to security. In order to respond adequately to both collective security requirements and perceived threats, the need to reconfigure New Zealand's limited security intelligence capability became evident.

Although the international category of influence was important, it was the domestic category of influence which provided the means by which the development of security intelligence in New Zealand occurred. Having emerged from a world war, during which period an early form of security service had been trialled and failed, the state's perception of its threat environment and its options for security from a domestic standpoint was uneasy at best. The security environment transitioned very quickly from the overt warfare of the immediate past to a more covert form of hostilities, in which intelligence activities played a significant part. To manage these new challenges, the methods by which intelligence was carried out and the institutions responsible for those activities were slowly but increasingly placed under the spotlight. Transitioning from accepting the status quo to dissatisfaction with the limited post-war intelligence capabilities of the Police Department was made somewhat easier by the election of the National Party, led by Holland, to government. Reluctance to initiate effective change displayed by Holland's predecessor, Peter Fraser, was replaced by a gradual acceptance of the necessity for transformation.

Not only was the political will for change strengthening, but so was the perception of the immediacy of a security threat to New Zealand. International events which suggested that spies and other subversive entities were increasingly active was emphasised by the identification of known Soviet intelligence officers operating from within the Soviet Legation in Wellington, the suspected recruitment of agents such as Desmond Patrick Costello, and the continuing links of domestic organisations such as the Communist Party of New Zealand with communist China and the Soviet Union. The

defection of Vladimir Petrov in Australia was a further incentive to consider more closely the effectiveness of existing intelligence arrangements.

Domestic attempts to reinvent security intelligence in New Zealand did not occur smoothly. Experimenting with the possibility of situating security intelligence under the nominal control of the armed forces during World War II resulted in embarrassment. The resumption of intelligence within a Police Department context immediately after the war, similar to the form that had existed from 1919 until the early 1940s, was determined to be inadequate for the state's security requirements. In 1949 the Police Special Branch was formed in an attempt to rectify the problem but it too failed to perform satisfactorily, due in large part to a triad of serious shortcomings – the lack of a defined strategic purpose for security intelligence, a lack of adequate resourcing and a lack of inspired and inspiring leadership from the Police Department. All of these different domestic configurations of security intelligence were in various measures painstaking but necessary steps in the maturation of security intelligence in New Zealand. Nevertheless, it was the combination of international and domestic influences (and the component events occurring and parties operating which made up those influences) that enabled the developmental process to culminate in the creation of a new security service.

The third key question which has been used to shape this thesis seeks to pull all the information accumulated by the first two questions into an overarching assessment of the peculiar significance of the period between 1945 and 1957 for New Zealand's intelligence history. There are two points in particular which define just how significant a period it was. First, it culminated in the establishment of a security intelligence service which was separate from any other department of state. Rather than relying on the armed forces or the Police Department to manage the capability, the New Zealand Security Service was created to remove responsibility from either of those departments and to recognise the unique nature and role of intelligence within the state. This step was a visible assertion that security intelligence had reached a new level of maturity, one in which it was capable of standing on its own feet amongst its peer departments.

The second point which defines the significance of this period in New Zealand's intelligence history is that not only was a separate security intelligence service created, but it was the first intelligence service in the state that was specialised in its field. Although signals intelligence remained an important part of New Zealand's contribution to the wider intelligence capability of the Anglosphere, it did not gain a specialised service of its own until 1977. The establishment of the Security Service was thus a ground-breaking

development which had not occurred before in New Zealand's history. Security intelligence priorities were no longer subordinate to the priorities of a parent department, but rather had its own department and resources devoted specifically to its primary function.

To identify the significance of the establishment of the Security Service as a separate and specialised department of state is not to suggest that it was a final end-state for security intelligence. No state capability achieves a perfect form on the first attempt. Nor, once a capability is created, does it always remain effective in its original configuration. These principles certainly held true for security intelligence, and the process by which it arrived at its form in 1957 should not be unduly criticised because of that fact. Intelligence itself is a complex concept which requires a flexible response. The New Zealand Security Service, an incarnation of security intelligence adopted in 1956-57, was both the result of the fluid nature of constant maturation necessary to that type of organisation and the latest form of it. The Security Service was itself reinvented in the later twentieth century. What can be deduced from this history of security intelligence is that while the international and domestic influences which played their part in shaping change and the complexities of intelligence itself did make the maturation process more challenging and somewhat chaotic, they were also natural parts of that process. The ongoing need to recreate intelligence in response to new security requirements did not end after World War II, it did not end with the creation of the Security Service in 1956-57, and it remains an inherent part of security intelligence as it exists in New Zealand today.

\* \* \* \* \*

## Appendix A

# Timeline of Events

<b>October 1909</b>	British Secret Service Bureau (precursor to MI5 and MI6) created
<b>28 April 1910</b>	Agreement between the heads of the departments soon to be named MI5 (Vernon Kell) and MI6 (Mansfield Cumming) of the separate nature of their respective operations
<b>February 1917</b>	First in a series of revolutions, collectively known as the 'Russian Revolution', begins
<b>29 January 1919</b>	Police Commissioner John O'Donovan releases a memorandum directing Police districts to monitor persons and activities of concern – an early security intelligence initiative within the Police Department
<b>3 September 1939</b>	New Zealand enters World War II
<b>February 1941</b>	Security Intelligence Bureau (SIB) begins operations
<b>February 1943</b>	Major Kenneth Folkes, Director of SIB, resigns his position over the Ross Affair
<b>2 September 1945</b>	Japan formally surrenders (VJ Day), ending World War II
<b>3 September 1945</b>	SIB is disbanded
<b>5 September 1945</b>	Igor Gouzenko, a GRU cipher clerk, defects to authorities in Ottawa, Canada
<b>March 1948</b>	Sir Percy Sillitoe, Director-General of MI5, and a small team visits New Zealand
<b>16 March 1949</b>	Australian Security Intelligence Organization (ASIO) created
<b>29 December 1949</b>	Police Commissioner James Cummings releases a memorandum to staff directing that the term 'Special Branch' is to be used as a moniker for those sections of the Police Department dealing with subversive organisations
<b>October 1951</b>	Sir Percy Sillitoe visits New Zealand for a second time and writes a report on the state's security intelligence arrangements
<b>21 November 1951</b>	Inaugural meeting of the Advisory Committee on Security
<b>February – July 1951</b>	151-day Waterfront Strike
<b>3 April 1954</b>	Vladimir Petrov defects to ASIO officers in Australia
<b>April 1954 – September 1955</b>	Royal Commission on Espionage is held in Australia, naming, among others, Ian Milner as a Soviet agent

<b>July 1954</b>	Desmond Patrick Costello resigns from New Zealand's diplomatic service under suspicion of being a Soviet agent
<b>18 April 1955</b>	Police Commissioner Eric Compton resigns his position over allegations in <i>NZ Truth</i> of a misuse of power and police resources
<b>May 1956</b>	Police Controller-General Samuel T. Barnett submits a third and final version of the 'Directive on Constitution and Operation of the New Zealand Security Service' to Prime Minister Sidney Holland
<b>28 November 1956</b>	Governor-General Sir Charles Norrie signs an Order-in-Council relating to the New Zealand Security Service (NZSyS) and its exemption from the Public Service Act 1912
<b>11 February 1957</b>	Brigadier Herbert Ellery Gilbert is named as the new Director of Security and head of the NZSyS
<b>11 March 1957</b>	Samuel T. Barnett addresses a letter to Permanent Heads of Departments announcing the recent constitution of, and transference of responsibility for security intelligence to, the New Zealand Security Service
<b>1 August 1957</b>	NZSyS takes over operational control of security intelligence in New Zealand from the Police Department
<b>September 1974</b>	Dr William Sutch is arrested as a suspected Soviet agent
<b>February 1975</b>	Dr William Sutch is acquitted of the espionage charges laid against him

## **Appendix B**

# **The Internal Security Problem in New Zealand**

### **(Part 1)**

#### INTERNAL SECURITY IN NEW ZEALAND

An internal national security problem exists in any country if within it there is a group organised for subversion or espionage.

#### I. THE SECURITY PROBLEM IN NEW ZEALAND

1. There is a security problem in New Zealand.
2. The nature of it is clear.
3. It exists because:-
  - i. there is in New Zealand a body of Communists, organised for subversion and working towards the setting up in New Zealand of a system of government patterned on that of the Soviet Union, and deriving its efforts from the lessons provided by the establishment of Communist control elsewhere;
  - ii. there is established in New Zealand an over-large Soviet Legation on which have served, and are serving, identified Russian Intelligence representatives;
  - iii. there are in New Zealand vital military and political secrets which she shares with her allies and with other Commonwealth countries.
4. Thus, the main factors for the creation of a national security problem exist here:-
  - i. Significant targets for Soviet espionage activities.
  - ii. Persons willing to assist in the establishment, as circumstances may dictate, of a Soviet system of government in New Zealand, who believe that the continuance of the existence of the Soviet Union is vital to their local endeavours.
  - iii. Trained Russian Intelligence representatives with diplomatic privileges.
5. Unless it is absolutely certain that
  - i. (above) are adequately and satisfactorily safeguarded;
  - ii. (above) are fully identified and neutralised;



- iii. (above) are effectively countered; there must be a national security problem in New Zealand.

...

**Source:** G.R. Richards, "The Internal Security Problem in New Zealand," 23 August 1956, New Zealand Security Intelligence Service Archives, Wellington, 1.

## Appendix C

# The Security Problem in New Zealand

The following is a list of some of the categories of information received by the New Zealand Government...

- (a) Political papers and telegrams transmitted to External Affairs by the U.K. High Commissioner's Office, which in the last 3 months amounted to 5 Top Secret, 75 Secret and 104 Confidential items. These papers cover a wide range of policy and information matters which would be of inestimable interest and value to the U.S.S.R.
- (b) J.I.C. [Joint Intelligence Committee] papers transmitted by the Services Liaison staff of the U.K. High Commissioner's office to Defence Secretariat, whence they receive a distribution or circulation of approximately 6 copies between the 3 Services and External Affairs. These papers represent perhaps 50% or 60% of all U.K. and Singapore J.I.C. papers, and consist of evaluated intelligence (appreciations of Soviet and Chinese etc. strength and intentions) on which the ultimate defence planning of the Commonwealth is based.
- (c) J.I.B. [Joint Intelligence Bureau] papers and books, mainly relating to the Far East area; these arrive in quite a volume...through External Affairs channels, and receive a distribution to the three Services, to External Affairs and in part to D.S.I.R. [Department of Scientific and Industrial Research].
- (d) SEATO [South East Asia Treaty Organisation] documents, at present over-classified – but of increasing value – which go to External Affairs and Defence Secretariat.
- (e) ANZAM [Australia New Zealand and Malaysia (Treaty)] papers come in a small but steady flow, mainly from Australia (but including U.K. and Singapore [sic] contributions) to Defence Secretariat, whence they are distributed to the J.I.C. or to the Joint Planning Committee.

(Note: The J.I.C. papers, and some of the SEATO and ANZAM papers etc., amounting to about 15 Top Secret or Secret documents per month, are transmitted by the Services Liaison staff of the U.K. High Commissioner's Office.)

- (f) Some highly delicate information goes over External Affairs channels to the Navy Office for the Combined Signals Organisation.
- (g) U.S. information composed of National Intelligence Estimates (akin to our own J.I.C. appreciations, but on a national level), Central Intelligence Agency reports and U.S. Service intelligence, all of which is distributed to External Affairs, the Services and J.I.B. The volume of the N.I.E.s is about 24 per annum.

....

In addition, there is some secret cryptographic equipment held by External Affairs and the three Services, and a Top Secret research project is being conducted in the Naval Research Laboratory.

**Source:** [name removed], "The Security Problem in New Zealand," 31 May 1956, New Zealand Security Intelligence Service Archives, Wellington, 5-6.

## Appendix D

# Charter of the British Security Service

(1) In your appointment as Director General of the Security Service, you will be responsible to the Home Secretary personally. The Security Service is not, however, a part of the Home Office. On appropriate occasions, you will have right of direct access to the Prime Minister.

(2) The Security Service is part of the Defence Forces of the country. Its task is the Defence of the Realm as a whole, from external and internal dangers arising from attempts at espionage and sabotage, or from actions of persons and organizations whether directed from within or without the country, which may be judged to be subversive of the state.

(3) You will take special care to see that the work of the Security Service is strictly limited to what is necessary for the purposes of this task.

(4) It is essential that the Security Service should be kept absolutely free from any political bias or influence and nothing should be done that might lend colour to any suggestion that it is concerned with interests of any particular section of the community, or with any other matter than the Defence of the Realm as a whole.

(5) No enquiry is to be carried out on behalf of any Government Department unless you are satisfied that an important public interest bearing on the Defence of the Realm, as defined in paragraph 2, is at stake.

(6) You are [sic] your staff will maintain the well-established convention whereby Ministers do not concern themselves with the detailed information which may be obtained by the Security Service in particular cases, but are furnished with such information only as may be necessary for the determination of any issue on which guidance is sought.

**Source:** Jeffrey T. Richelson and Desmond Ball, *The Ties that Bind: Intelligence Cooperation between the UKUSA Countries – the United Kingdom, the United States of America, Canada, Australia and New Zealand*, 2nd ed. (Wellington: Allen & Unwin New Zealand Limited, 1985), 17.

## Appendix E

# Directive for the Establishment and Maintenance of a Security Service [ASIO]

PRIME MINISTER'S MEMORANDUM TO THE DIRECTOR GENERAL OF SECURITY, BEING A DIRECTIVE FOR THE ESTABLISHMENT AND MAINTENANCE OF A SECURITY SERVICE.

1. You are appointed Director General of Security, and it is your duty to establish and maintain a Security Service.
2. The Security Service forms part of the Attorney General's Department, and the Attorney General will be responsible for it to Parliament.
3. As Director General of Security you will have direct access to the Prime Minister at all times.
4. It is your responsibility to keep each Minister informed of all matters affecting security coming to your knowledge and which fall within the scope of his Department.
5. The Security Service is part of the Defence Forces of the Commonwealth and save as herein expressed has no concern with the enforcement of the criminal law. Its task is the defence of the Commonwealth from external and internal dangers arising from attempts at espionage and sabotage, or from actions of persons and organizations, whether directed from within or without the country, which may be judged to be subversive of the security of the Commonwealth.
6. You will take especial care to ensure that the work of the Security Service is strictly limited to what is necessary for the purposes of this task and that you are fully aware of the extent of its activities. It is essential that the Security Service should be kept absolutely free from any political bias or influence, and nothing should be done that might lend colour to any suggestion that it is concerned with the interests of any particular section of the community, or with any matters other than the defence of the Commonwealth. You will impress on your staff that they have no connection whatever with any matters of a party political character and that they must be scrupulous to avoid any action which could be so construed.
7. No enquiry is to be carried out on behalf of any Government Department unless you are satisfied that an important public interest bearing on the defence of the Commonwealth as defined in paragraph 5 is at stake.
8. You and your staff will maintain the well established convention whereby Ministers do not concern themselves with the detailed information which may be obtained by the Security Service in particular cases, but are furnished with such information only as may be necessary for the determination of the issue.
9. You are authorised in your discretion to engage and dismiss staff and to arrange such methods and conditions of working for your staff as are necessary to ensure efficiency and secrecy.
10. You will establish a comprehensive set of security records. In order to do this you will arrange that all Government Departments and agencies submit to you for inclusion in your records all information bearing on security which may be in or come into their possession. You will also arrange to have such access to the records of Government Departments and agencies as you may deem necessary for the purposes of your work.

DATED the 16<sup>th</sup> day of March, 1949.

*[Signature]*

Prime Minister.

**Source:** National Archives of Australia: Department of Prime Minister and Cabinet, "Prime Minister's Memorandum to the Director General of Security, Being a Directive for the Establishment and Maintenance of a Security Service," 16 March 1949, *Establishment of ASIO - Australian Security Intelligence Organization, 1949 - 1950*, series number A7452, control system A48, item barcode 432595: 1-2, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/DetailsReports/ItemDetail.aspx?Barcode=432595> (accessed 4 November 2011).

## Appendix F

# Charter of the Australian Security Intelligence Organization

### CHARTER OF THE AUSTRALIAN SECURITY INTELLIGENCE ORGANIZATION

(A directive from the Prime Minister to the Director-General of Security.)

- 
1. By virtue of your appointment as Director-General of Security, it is your duty to direct and maintain the Security Service established under the name of the Australian Security Intelligence Organization (hereinafter referred to as "the Organization").
  2. The Organization forms part of the Attorney-General's Department, and the Attorney-General will be responsible for it to Parliament.
  3. As Director-General of Security you will have direct access to the Prime Minister on all matters of moment affecting security which you think should be considered by or on behalf of the Government as a whole.
  4. It is your responsibility to keep each Minister informed of all matters affecting security coming to your knowledge and which fall within the scope of his Department, and to confer as necessary with the Public Service Board with regard to matters affecting security in the Public Service of the Commonwealth.
  5. The Organization is part of the defence system of the Commonwealth, and save as herein expressed has no concern with the enforcement of the criminal law. Its task is the defence of the Commonwealth and its Territories from external and internal dangers arising from attempts at espionage and sabotage, or from actions of persons and organizations, whether directed from within or without the country, which may be judged to be subversive of the security of Australia.
  6. You will take especial care to ensure that the work of the Organization is strictly limited to what is necessary for the purposes of this task, and that you are fully aware of the extent of its activities. It is essential that the Organization should be kept absolutely free from any political bias or influence, and nothing should be done that might lend colour to any suggestion that it is concerned with the interest of any particular section of the community, or with any matters other than the safety of Australia. You will impress on your staff that they have no connexion [sic] whatever with any matters of a party political character and that they must be scrupulous to avoid any action which could be so construed.
  7. No enquiry is to be carried out on behalf of any Government Department unless you are satisfied that an important public interest bearing on the safety of the Commonwealth as defined in paragraph 5 is at stake.
  8. You and your staff will maintain the well-established convention whereby Ministers do not concern themselves with the detailed information which may be obtained by the Organization in particular cases, but are furnished with such information only as may be necessary for the determination of the issue.

9. Within the appropriation provided by Parliament, you are authorized in your discretion to appoint and dismiss staff, determine the establishment of the Organization, and arrange such methods and conditions of working for your staff as are necessary to ensure efficiency and secrecy. The terms and conditions of employment of your staff will be determined by agreement between yourself, the Solicitor-General and Secretary Attorney-General's Department, and the Chairman of the Public Service Board, and in default of such agreement by direction of the Prime Minister.

10. You will make with the Secretary, Department of the Treasury, and with the Auditor-General such financial arrangements as are necessary to preserve the confidential character of the Organization and its operations.

11. You will establish a comprehensive set of security records. In order to do this you will arrange that all Government Departments and agencies submit to you for inclusion in your records all information bearing on security which may be in or come into their possession. You will also arrange to have such access to the records of Government Departments and agencies as you may deem necessary for the purposes of your work.

12. For the purposes of the Organization you will establish the maximum co-operation with other agencies, whether of the Commonwealth or of the States, operating in the field of security (and, where appropriate, in the field of law-enforcement) in Australia, and will maintain effective contact with appropriate security agencies in other countries.

DATED the 6th day of July, 1950.

(SGD.)

ROBERT MENZIES

(R.G. Menzies)

PRIME MINISTER.

**Source:** National Archives of Australia: Royal Commission on Intelligence and Security, "Charter of the Australian Security Intelligence Organization," 6 July 1950, *The Circumstances Leading to the Establishment of ASIO - documents 1 to 24*, September 1974 - April 1977, series number A12389, control system A13 Part 1, item barcode 4725226: 198-200, <http://recordsearch.naa.gov.au/SearchNRRetrieve/Interface/DetailsReports/ItemDetail.aspx?Barcode=4725226> (accessed 4 November 2011).

## Appendix G

# Directive on Constitution and Operation of the New Zealand Security Service

Office of the Prime Minister,  
Wellington.

The Controller-General of Police,

WELLINGTON.

### DIRECTIVE ON CONSTITUTION AND OPERATION OF THE NEW ZEALAND SECURITY SERVICE.

1. You are to constitute a New Zealand Security Service and be responsible for its management under my authority and direction.

#### Function of the Security Service.

2. The Security Service is to be regarded as one arm of the National Defence Forces, its special task being to detect and prevent attempts at subversion and espionage, whether directed from within or without the country.

#### Policy.

3. You will submit recommendations to me from time to time as to the policy to be followed in execution of the foregoing function.

In formulating the policy, you will ensure that the views of the Prime Minister's and External Affairs Departments, the Chiefs of Staff, and any other authorities with a major interest in the prevention of subversion or espionage are adequately taken into account.

#### Organisation.

4. You are to determine the constitution of the Security Service and all aspects of the relationship between that Service and other sections of the State Services in whatever manner will most efficiently and economically provide the organization, staffing and material means required to deal with the functions of the Service.
5. You may delegate executive responsibility to the next senior officer who may be appointed under your control, but will yourself retain general supervision of the work as Controller-General of Police.



6. The appointment of the said senior officer, and the terms and conditions of his service must have my personal approval.

7. The appointment of such other staff as are required is your responsibility, but I require you to see that the terms and conditions of their service are consistent, as far as may be, with the terms and conditions as obtain[ed] in the other State services.

#### Scope of Work

8. You will ensure that the work of the Security Service is strictly limited to what is necessary for the purposes of its special function, and that you are at all times fully aware of the scope and extent of its activities.

9. You are not to undertake work on behalf of any Government department unless you are satisfied that it is necessary for the protection of the country from subversion or espionage.

10. The Security Service is an intelligence organisation only and is not to take executive action. It will pass intelligence to the appropriate authority for action.

11. You will advise Government departments on their security problems and, in particular, of means for the protection of government information and the security of key points.

12. You will maintain liaison with the Security Services of other Commonwealth countries, and with any other country with which New Zealand has entered, or may enter into a security agreement.

#### Manner of Work

13. It is essential that the Security Service should be kept absolutely free from any political bias or influence, and nothing is to be done that might lend colour to any suggestion that it is concerned with the interests of any particular section of the community, or with any other matter than countering subversion and espionage. You will impress on the staff of the Security Service that their work has no connection whatever with matters of a party-political character, and that they must be scrupulous to avoid any action which might be so misconstrued.

14. You will consult me as to the handling of any matters which might cause political embarrassment to the Government; and at all times keep me informed of, and seek my direction on any matter that it is proper the Minister in charge of a department should know of and give instructions about.

**Source:** "Directive on Constitution and Operation of the New Zealand Security Service," New Zealand Security Intelligence Service Archives, Wellington.

## Appendix H

# Order-in-Council

*[Signature]*

Governor-General

### ORDER IN COUNCIL

At the *Government House* at Wellington this 28<sup>th</sup> day  
of *November*, 1956

Present:

in Council.

WHEREAS by section 4 of the Public Service Act 1912 it is enacted that nothing in that Act shall apply to any officer or class of officers to whom or to which, on the recommendation of and for special reasons assigned by the Public Service Commission the Governor-General in Council declares that the said Act shall not apply:

AND WHEREAS the Public Service Commission has recommended that for the special reasons assigned by the Commission the Public Service Act 1912 should not apply to the class of officers described in the Schedule hereto:

Now therefore His Excellency the Governor-General acting by and with the advice and consent of the Executive Council doth hereby declare that nothing in the Public Service Act 1912 shall apply to the class of officers described in the Schedule hereto.

### SCHEDULE

Employees of the New Zealand Security Service.

*[Signature]*

Clerk of the Executive Council

**Appendix I**  
**Peter Fraser**



**Source:** PAColl-5547-033, "Fraser, Peter," S.P. Andrew Collection, Alexander Turnbull Library, Wellington, New Zealand.  
Used with permission.

**Appendix J**

**Ian Frank George Milner**



**Source:** "Ian Milner," New Zealand Security Intelligence Service Archives, Wellington, New Zealand.  
Used with permission.



**Appendix K**  
**Dr William Ball Sutch**



**Source:** "William Sutch," New Zealand Security Intelligence Service Archives, Wellington, New Zealand.  
Used with permission.

**Appendix L**  
**Desmond Patrick Costello**



**Source:** "Desmond Costello," New Zealand Security Intelligence Service Archives, Wellington, New Zealand.  
Used with permission.

**Appendix M**  
**Sidney George Holland**



**Source:** 1/2-038341-F, "Holland, Sidney George," Alexander Turnbull Library, Wellington, New Zealand.  
Used with permission.



**Appendix N**  
**Foss Shanahan**



**Source:** PAColl-5469-051, "Shanahan, Foss," New Zealand Free Lance Collection, Alexander Turnbull Library, Wellington, New Zealand.  
Used with permission.



**Appendix O**

**Brigadier Herbert Ellery Gilbert**



**Source:** "Herbert Gilbert," New Zealand Security Intelligence Service Archives, Wellington, New Zealand.  
Used with permission.

# Glossary

<b><u>Term</u></b>	<b><u>Definition</u></b>
<b>Agent</b>	A person authorised by an intelligence or security service to obtain, or assist in obtaining, information for intelligence purposes <sup>1</sup>
<b>Clandestine</b>	Activities undertaken in a manner that disguises the action <sup>^</sup>
<b>Covert</b>	Activities undertaken in a manner that disguises the identity of those taking the action <sup>^</sup>
<b>Defector</b>	A person who, for political or other reasons, has repudiated his or her own country and may be in possession of information of interest to another government <sup>^</sup>
<b>Espionage</b>	The act of obtaining, delivering, transmitting, communicating or receiving information which may be used to the advantage of the state or to the disadvantage of any foreign state <sup>^</sup>
<b>Executive</b>	In reference to executive powers or actions, the section of a state's government or public departments responsible for implementing legislative decisions <sup>*2</sup>
<b>Front organisation</b>	Used as a respectable cover for something secret or illegal*
<b>Information</b>	Unevaluated material, at all levels of reliability and from any source, which may contain intelligence information <sup>^</sup>
<b>Intelligence</b>	A body of information and the conclusions drawn therefrom that is acquired and furnished in response to the known or perceived requirements of customers; also refers collectively to the function, activities or organisations involved in the process of planning, gathering and analysing information of potential value to decision-makers <sup>^</sup>
<b>Intelligence officer</b>	A person who is employed by an intelligence or security service
<b>Security intelligence</b>	Intelligence collated for the purposes of security; usually defensive
<b>Source</b>	A person, thing, or activity from which information is obtained, either with or without the knowledge that the information is being used for intelligence purposes <sup>^</sup>
<b>Spy</b>	A person who engages in intelligence activities
<b>Subversion</b>	An action, plan or activity intended to undermine or overthrow a government or other institution*

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<sup>1</sup> ^ = Adapted from definitions in: Jan Goldman, *Words of Intelligence: A Dictionary* (Lanham, Maryland: The Scarecrow Press, Inc., 2006).

<sup>2</sup> \* = Adapted from definitions in: *Encarta Concise English Dictionary* (London: Bloomsbury Publishing Plc, 2001).

## Abbreviations

<b><u>Abbreviation</u></b>	<b><u>Definition</u></b>
<b>ASIO</b>	Australian Security Intelligence Organization
<b>CIA</b>	Central Intelligence Agency
<b>CPNZ</b>	Communist Party of New Zealand
<b>FBI</b>	Federal Bureau of Investigation
<b>GCHQ</b>	Government Communications Headquarters (Britain)
<b>GRU</b>	Glavnoye Razvedyvatelnoye Upravleniye <i>(Soviet military intelligence)</i>
<b>KGB</b>	Komitet Gosudarstvennoi Bezopastnosti <i>(Soviet security and intelligence service)</i>
<b>MI5</b>	Military Intelligence 5 <i>(see SyS)</i>
<b>MI6</b>	Military Intelligence 6 <i>(see SIS)</i>
<b>NZSIS</b>	New Zealand Security Intelligence Service
<b>NZSyS</b>	New Zealand Security Service
<b>PSB</b>	Police Special Branch
<b>SIB</b>	Security Intelligence Bureau
<b>SIGINT</b>	Signals Intelligence
<b>SIS</b>	Secret Intelligence Service (Britain)
<b>SyINT</b>	Security Intelligence
<b>SyS</b>	Security Service (Britain)
<b>USA</b>	United States of America
<b>USSR</b>	Union of Soviet Socialist Republics

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