

NZCPR Weekly

13 July 2008

NEW ZEALAND CENTRE FOR POLITICAL RESEARCH

NATIONAL SECURITY

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Last week, in a report examining the quality of government spending in New Zealand, the ANZ Bank's Chief Economist Cameron Bagrie explained that the Government has built a "Rolls-Royce" public sector, when a "Toyota" would do. The report estimated that back-office departmental spending had grown 40 percent faster than operational spending on front-line services.¹

With the core public sector workforce having grown from 29,000 in 1999 to 44,500 today, bloated agencies are a reality. As a small country we are now so grossly over-governed that political masters are having to spend more and more of their time defending the ill-advised decisions of bureaucrats.

Take the recent case of the decision to produce 70,000 badges sporting messages such as "Wassup!", "Nice!" and "I love Maori success" that were meant to be used to enhance Maori educational achievement. The \$286,000 project, which was criticised by almost everyone except the Ministry of Education who thought it up, was widely considered to be a gross waste of taxpayers' money.²

Just last week the government's "food police" - spawned through the excessive funding of more than \$200 million of taxpayers' money into the war on obesity - claimed success in its attack on Bluebird Foods. The crime committed by Bluebirds Foods was to run a promotion with collectable All Blacks cards in their chippies. The food police in the Ministry of Health complained because they had estimated that a child might have to consume more than a kilogram of fat in order to collect all the cards. To the astonishment of the public - who know that children collect cards by swapping as well as by asking everyone else to help consume the product - the complaint was upheld by the Advertising Standards Authority.³

Then there was the revelation that an astonishing \$11 million of the taxpayers' money that is being directed into Sport and Recreation New Zealand (SPARC) to get children active, is going to be used on developing a website!⁴

But central government doesn't have a monopoly on growing a bureaucracy, nor on the stupid decisions that emerge - local government bureaucrats, often driven by ideological belief and power, regularly dream up new regulations that are regarded as completely unnecessary by the general public. The problem is, however, that the voice of reason is all too often lost in the decision-making process, with councils passing laws to ban roadside selling, backyard burning, unrestricted tree pruning and a plethora of other inane restrictions on individual freedom. All too often the end result is the spectacle of councilors ducking and diving as they try to defend regulations that were introduced to solve a problem that did not exist.

However, in the midst of a seemingly endless stream of questionable government spending decisions, two items stand out as being particularly ill-advised, given that they are based on criminally obtained information. They are the \$38,000 of taxpayers' money allocated by Creative New Zealand to fund the play "The Hollow Men", and the \$25,000 grant given by the Screen Innovation Production Fund for the film "Hollow Men". Both of these productions are based on the book written by Nicky Hagar, which in

turn is based on the receipt of 475 emails that according to the Police, were stolen from the then leader of the National Party, Don Brash, between 2003 and 2005.

In a speech to Parliament in 2006, ACT Leader Rodney Hide describes the situation in this way: "What we have seen with the emails and correspondence that appear in Mr Nicky Hager's book is a degree of political espionage that we have never seen in New Zealand before. I do not think we have seen it in any Western country before. It is not possible for those emails to have been leaked, and it is not possible for those emails to have been a series of leaks. When I read the book it is clear to me that there has been covert surveillance of members of Parliament of this House, offices broken into, and computers hacked into from outside. The Leader of the Opposition's computer has been hacked or broken into. Staff members in this Parliament have had their computers hacked, and so have other MPs.

The computers of private citizens have been accessed".

He went on to state: "Nicky Hager has admitted to taking emails criminally obtained through espionage and selectively leaking them to the media in order to effect an outcome in an election. That material has been obtained in that criminal way, that

covert and systematic way, not once or twice, not just for days or even weeks or months, but for years. Nicky Hager does not reveal his sources. He does not tell us who these shadowy figures are. He does not tell us who is behind the book and the material he has. He does not tell us the people of New Zealand and the people in this House what their motives were. Oh no! It is enough that Nicky Hager has this material".⁵

On April 16th Detective Inspector Harry Quinn announced that the Police had closed the stolen email case. He stated that the police were "*unsuccessful in identifying those responsible for the thefts*" and... "*that police had been unable to establish with certainty how the e-mails had actually been stolen*". He concluded that "*The file is closed until someone comes forward with some compelling evidence*".⁶

This case raises a number of questions. Given the Police statement that "Mr Hager when interviewed by the investigation declined to identify to police the source of the e-mails he used in his book", why wasn't Nicky Hager charged with receiving stolen documents? After all, he has clearly profited from the use of those stolen documents through the publication of his book. It also raises questions about the propriety of government agencies gifting \$63,000 for the production of highly political performances based on stolen documents.

The police investigation itself has also been the subject of serious concerns. According to Fran O'Sullivan in yesterday's Herald, when Don Brash "was briefed by police about the progress of their investigation into the stolen emails in July 2007 (some nine to 10 months after he lodged a formal complaint about the theft) he was told that they had not at that stage interviewed Hager, or Winston Peters or any of the people that were known to either have or have seen the emails".

She explains how Don Brash was "extremely irritated" by

Why wasn't Nicky Hagar charged with receiving stolen documents?

the police's desultory performance. "The detective inspector leading the investigation was the very same Harry Quinn - now retired - whose credibility was blown when he decided not to throw the book at the PM's chief of staff Heather Simpson - after a previous investigation into claims that Labour had breached spending caps at the 2005 election found a prima facie breach of the Electoral Act on Simpson's part".⁷

The Police's failure to resolve this case leaves Rodney Hide's concerns, that the stealing of emails and correspondence represents a degree of political espionage that we have never seen in New Zealand before, unanswered: "I believe that every political party in this Parliament indeed, every New Zealander has to believe that the systems we operate in this Parliament are secure. If Don Brash's computer can be penetrated, then the computers of Michael Cullen, the Prime Minister, and any other Minister can be penetrated".

It also raises the issue of whether those agencies that are charged with the responsibility of protecting the security of New Zealand's official communications and information technology systems have become involved in the investigation, since Parliament is supreme and yet it is Parliament's email system that has been breached.

The New Zealand Government operates a sophisticated security and intelligence network, with four key operational units: the New Zealand Security Intelligence Service (SIS) provides intelligence and advice on security issues including espionage, sabotage, subversion and terrorism. The Government Communications Security Bureau (GCSB), which runs the satellite communications interception station at Waihope near Blenheim and the radio communications interception station at Tangimoana near Bulls, provides foreign intelligence to the government as well as advice on the internal security of the government's own communications and information-processing systems. The External Assessments Bureau (EAB) is part of the Department of Prime Minister and Cabinet and provides assessments on overseas events and developments, and the Directorate of Defence Intelligence and Security (DDIS) provides security and intelligence on defence matters.⁸

This week's NZCPR Guest Commentator is Warren Reed, a former intelligence officer with the Australian Secret Intelligence Service who trained with MI6 in London. In his article "The Unseen World of Industrial Espionage", Warren explains:

"The break-in at the end of April by three protestors at the Waihope Satellite Station and the damage done there naturally preoccupies the minds of many New Zealanders, especially those concerned about the reach of electronic surveillance. After all, with the variety of purposes that the Station serves within the US-UK-

Canada-Australia-NZ alliance, such break-ins are unlikely to force the facility's closure.

"In a different way, the theft of Don Brash's emails falls into the same category. In a democratic system, it is unacceptable for the authorities to fail to get to the bottom of such a situation. In the political and parliamentary process, it is vital that dishonesty and wrongdoing are rooted out. If we don't take such matters seriously, it's unlikely we'll have the disposition necessary to protect ourselves in other areas where the threat is far more insidious. In effect, while we're distracted by what's going on in the front garden, a delivery truck's being loaded with the family silver and other valuables round the back of the house.

"Industrial espionage is a classical example of a less visible threat. It has a very long heritage, it's rampant and on a global scale and New Zealand is in no way immune". To read Warren's article see www.nzcp.com.

Without a doubt, protecting New Zealanders from domestic and international threats is a core role of government and with increasing globalization including our new free trade agreements - we undoubtedly need to be more vigilant than ever before.

With that in mind, surely the government needs to attend to the domestic matter of ensuring that the Parliamentary email system is secure as a priority. Any New Zealander who emails MPs to share their concerns and opinions needs to know that their emails are private. That's why it would be in the national interest for the stolen email case to be re-opened in order to find out who was responsible for such a blatant breach of Parliamentary security, and to prosecute all of those involved.

FOOTNOTES:

1. Cameron Bagrie, *Defending the Front-line* <http://www.anz.co.nz/about/media/library/mf/mf20080707.pdf>
2. Herald, *Maori badges childish, say heads* http://www.nzherald.co.nz/section/1/story.cfm?c_id=1&objectid=10517336
3. John Roughan, *Fat Chance of balanced View on Obesity Issues* http://www.nzherald.co.nz/section/466/story.cfm?c_id=466&objectid=10521085
4. Bernard Hickey, *The money pit that is the Mission-On website* <http://stuff.co.nz/dominionpost/blogs/showmethemoney/2008/07/10/the-money-pit-that-is-the-mission-on-website/>
5. Rodney Hide, *Second Reading Unsolicited Electronic Messages Bill*
6. *Police media release* <http://www.police.govt.nz/news/release/3859.html>
7. Fran O'Sullivan, *Earth calling Hagar get a grip please* http://www.nzherald.co.nz/section/466/story.cfm?c_id=466&objectid=10521089
8. Department Prime Minister and Cabinet, *Securing our Nation's Safety* <http://www.dpvc.govt.nz/dpvc/publications/securingoursafety/index.html>

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