‘MOSCOW RULES’: Soviet intelligence and New Zealand during the Cold War

Dr Aaron Fox
Independent Cold War Historian
Invercargill
New Zealand
Introduction

I would like, today, to examine the alternative history of New Zealand – Soviet relations – the history of Soviet Espionage and New Zealand. My presentation is based upon the declassified archives of western intelligence agencies, notably the National Security Agency and the Federal Bureau of Investigation, the Australian Security Intelligence Organisation, and the New Zealand Security Intelligence Service. These western sources provide a glimpse into the workings of Soviet intelligence during the Cold War period, but the equivalent Soviet archives, and with them the full story of Soviet espionage, remained firmly closed to all comers.

The title ‘Moscow Rules’ refers to the spy craft employed by Soviet intelligence agencies throughout the Cold War, for I will examine a variety of case studies which illustrate the Soviet way of spying.
‘MOSCOW RULES’:

The KGB crest used on the first slide is to be found on wall of the Lubyanka in Moscow, which remains the headquarters of the Russian Intelligence Service.
‘MOSCOW RULES’: Introduction

• A short pre-history of Soviet espionage and New Zealand
• Their Trade is Treachery – how to become a Soviet spy!
• Moscow Rules – Soviet Intelligence and New Zealand
• A short tour of Wellington’s top espionage spots
‘MOSCOW RULES’:  

My talk will cover four main topics which, I consider, provide a broad survey of the history of Soviet intelligence and New Zealand:

- A short pre-history of Soviet espionage and New Zealand
- Their Trade is Treachery – how to become a Soviet spy!
- Moscow Rules – Soviet Intelligence and New Zealand during the Cold War
- A short tour of Wellington’s top espionage spots

At this point I must make a short disclaimer: this presentation is based on some interim findings of a research project which has been based at the Department of History, University of Otago, since 1997. The views expressed today are therefore completely independent from my current work here in Southland, or indeed my previous position with the New Zealand Defence Force. Similarly nothing should be concluded from the fact that a great uncle of mine helped to found the Communist Party of New Zealand in Wellington in 1921.

Which leads me neatly on to a very short pre-history of Soviet espionage and New Zealand – how, in the 1930s, New Zealanders were involved, either wittingly or unwittingly, with the Soviet Intelligence Service.
Moscow Rules: The Metropolitan-Vickers (Metrovick) show trial, Moscow 1933

The New Zealander and the James Bond connection
The earliest case which I can find dates from 11 March 1933, when a large detachment of O.G.P.U. agents, charged with combating counter-revolutionary activities, raided the company Dacha of Metropolitan-Vickers Electrical Company Limited, located at Perlovka, near Moscow. Amongst those arrested early the following morning was ‘confident, good-looking New Zealander’ Alan Monkhouse, the company's chief electrical engineer in the Soviet Union. Monkhouse had worked in Russia since before the Bolshevik Revolution, and now managed Metrovick’s contracts with the Soviet Union to construct hydro-electric generating capacity to power Stalin’s Five-Year Plan.
Metrovick accused
Moscow 1933
Breakdowns in four big power stations, and the Soviet Union’s troubled trading relations with the United Kingdom prompted the arrests of six Metrovick engineers, who were charged with wrecking, espionage and bribery. News of the forthcoming show trial in Moscow prompted Reuters to send a journalist - ‘one of our ablest young men’ - to cover the event – one twenty-five year old Ian Fleming.

Monkhouse was found guilty and deported from the USSR, and by July 1933 all of the British accused had been released. However the trial had another, unexpected outcome for the Soviet Union –
Commander Ian Fleming
The Metropolitan-Vickers (Metrovick) show trial, Moscow 1933

The New Zealander and the James Bond connection

the future creator of James Bond and the author of *From Russia, With Love*, had now witnessed the workings of the Soviet intelligence service at first hand.
Dr William Sutch (1907-1975)
No discussion of Soviet intelligence and New Zealand would be complete without mention of Dr William Ball Sutch, who was arrested on 26 September 1974 while meeting with Dimitri Razgovorov of the Soviet Embassy, and who was subsequently tried and acquitted under the Official Secrets Act. I will say more about the events of 1974 shortly.
Dear Sir:

John Dudley HOLMES Room.

Further to my letter, D/993, of the 17th June, I have to inform you that the abovenamed has become associated with the Communist Party in Sydney under the name of John HOLMES. He has not become a member of the Party but is working with W.J. (Bill) THOMAS in the F.O.S.U. and has participated in the activities of the Anti-War Movement.

In collaboration with a Party member, HOLMES has contributed articles to radical journals in Sydney under the nom-de-plume of "Tirchanga".

It would be of interest to us if it could be ascertained whether HOLMES and a Mr. William BUCH were known to each other. BUCH is a doctor of philosophy and passed through Australia en route for New Zealand at the end of 1933, traveling on a F. A. O. vessel from India coming from Russia. It is understood that he was engaged as a lecturer in an American university at one period and will probably occupy a similar position in New Zealand. He is about thirty years of age, slight build, approximately 5'7", and of swarthy complexion. He is believed to be a British subject.

Yours faithfully,

H. E. Jones,
Director.
The Sutch Case commenced well before the Cold War, as he first came to the attention of the Director of the Investigative Branch of the Attorney-General’s Department in Canberra in 1934, who enquired if Sutch, then returning to New Zealand from a trip through Finland, the Soviet Union and India, was known to an Australian who was under investigation for his alleged Communist Party of Australia (CPA) activities.

The case against Sutch further alleges that, having embarked on a career as a New Zealand public servant, he ran foul of MI5 in 1937 during a meeting of the Committee of Imperial Defence in London. Sutch had accompanied Walter Nash, the Minister of Finance, to the meeting, from which confidential material was leaked to a journalist. The investigation of the leak by MI5 ‘fell short’, according to former Prime Minister Sir John Marshall, ‘of direct evidence that he [Sutch] had passed on secret information’. Nonetheless suspicion alone apparently sufficed for subsequent British governments to demand that Sutch not have access to secret material. And, it has to be said, these suspicions continued, and deepened, in the course of Bill Sutch’s career.
‘MOSCOW RULES’: Their Trade is Treachery
‘MOSCOW RULES’:

Moving from the pre-history to the history of Soviet espionage and New Zealand, I thought it timely to remind ourselves of what it was like, in the West, at least, when it was thought that spies, traitors and enemies of the state were everywhere. The following short briefing is taken from a Cold War period publication by the British Central Office of Information – Their Trade is Treachery. So, let’s assume that we’ve all signed the Official Secrets Act, and be warned!
‘MOSCOW RULES’: Their Trade is Treachery

- GRU and KGB
- Legal and Illegal Spying
- Talent Spotting
- Recruiting
‘MOSCOW RULES’: Their Trade is Treachery

Spies are with us all the time. They are interested in everything, defence secrets, scientific secrets, political decisions, economic facts; even people’s characters – in order to recruit yet more spies.

This booklet tells you about the great hostile spy machine that tries to suborn our citizens and turn them into traitors. It shows you how sometimes it succeeds, and sometimes it fails. This booklet tells you how to recognise at once certain espionage techniques, and how to avoid pitfalls, which could lead to a national catastrophe or a personal disaster – or both.

Finally, if you are in possession of information useful to a spy – and that covers a field much wider than you can, perhaps, imagine – or if you are likely to be entrusted with such information, either now or even in the seemingly remote future, this booklet tells you how to foil the spy who will certainly be seeking it.

He may be closer than you think.
There are two main branches of the Russian Intelligence Service. The GRU – directs military, naval and air espionage in all foreign countries. The KGB – attends to all other Intelligence needs of the Soviet Government.

Legal and Illegal Spying.

Russian spy networks are of two types, the legal apparatus and the illegal apparatus. The legal apparatus is under the control of a member of the Soviet Embassy staff known as The Resident. This individual enjoys diplomatic immunity until declared personal non grata or he is recalled to Moscow. The Rezident may also have workers, intelligence officers working in diplomatic or official Soviet establishments such as TASS or Amtorg. The illegal apparatus has no connection with any official Soviet organisation in the country in which it is operating, and the illegal Resident has no diplomatic immunity.

‘MOSCOW RULES’: Their Trade is Treachery
Talent Spotting: Soviet intelligence agents first must identify individuals who can obtain secret information, in a process known as talent spotting. Their targets fall into three categories – the ideological spy (the committed communist), the mercenary spy (motivated by greed), and the spy under pressure (under pressure of blackmail, or in some cases an émigré with family still behind the Iron Curtain). Of the three, the ideological spy can be the most difficult to identify.

‘MOSCOW RULES’: Their Trade is Treachery
Recruiting: The standard technique is the social approach, whereby the Soviet agent makes personal contact with a potential agent, whether by chance or by cautious machinations. Four aspects of the social approach have been noted:

- The innocent first contact.
- The innocent friendship which is then fostered.
- The incredible patience employed. Friendships can be developed over years before any further progress in the relationship is attempted.
- The extraordinarily detailed control exercised over the operation by Moscow Centre. Instructions issued by the Centre are carried out to the letter.

In cultivating a potential asset, the Soviet Agent can praise and flatter, pander to the target’s conceit, vanity or love or intrigue, imbue the target with feelings of importance or even power, and deploy the time-honoured (should that be dis-honoured) weapon—sex.
‘MOSCOW RULES’:
Their Trade is Treachery

Here endeth the lesson. So, forewarned and forearmed, now let us see how the Soviet spy trade worked in practice, in the New Zealand context:
Soviet Intelligence and New Zealand
Three Case Studies

• The Leader - the Christ’s College Spymaster.
• The Illegals - a New Zealand legend
• The Double-Agent – ‘Sylvia’, the SIS, ASIO and the KGB
Case Study #1

The Leader
(or the Christ’s College Spymaster)

Walter Seddon (‘Wally’)

Clayton

Soviet codename ‘KLOD’ [Claude]
Case Study #1
The Leader
(or the Christ’s College Spymaster)

Case study number one concerns Walter Seddon Clayton, known as Wally Clayton or, by his Soviet masters by the code-name ‘Claude’. I have termed him ‘The Leader’, which was the Soviet term for a KGB officer or an experienced local agent who handled and supervised a network or sub-network of assets. In many cases where the KGB gained control of older Comintern or GRU networks, the existing leader was left in charge for months or even years.
Case Study #1
The Leader
(or the Christ’s College Spymaster)

Case study number one concerns Walter Seddon Clayton, known as Wally Clayton or, by his Soviet masters by the code-name ‘Claude’. I have termed him ‘The Leader’, which was the Soviet term for a KGB officer or an experienced local agent who handled and supervised a network or sub-network of assets. In many cases where the KGB gained control of older Comintern or GRU networks, the existing leader was left in charge for months or even years.
Case Study #1
The Leader
(or the Christ’s College Spymaster)

According to the brief biography provided by the New Zealand Security Intelligence Service, Wally Clayton was born in Ashburton on 24 March 1906, the son of Thomas Ernest Clayton, an Ironmonger from Sheffield, and Alice Maud Clayton (nee Bean), from Kaiapoi. Wally had two brothers, Arthur (who died of tuberculosis in 1930) and Charles. The family moved to Christchurch in 1911. Wally was educated for a year at Christ’s College, and is reported to have worked at Tisdall’s Sports Shop in Christchurch before moving to Australia, where he married Hilda Mary Lane in Melbourne in 1931. He joined the Communist Party of Australia in 1933, and frustratingly scattered references in the papers of the Communist International (the Comintern) relating to the Australian and New Zealand Communist Parties to a ‘Clayton’ having been present at the International Lenin School, Moscow, in the 1930s. He became active in public Australian communist party activities from the mid-1930s, and moved with his wife to Sydney in 1939, where he rose to the top of the New South Wales branch of the party and continued to be actively engaged in party activities.
Case Study #1
The Leader
(or the Christ’s College Spymaster)

Following the declaration of the Communist Party of Australia as an illegal organisation in June 1940, Clayton ceased his public activities in 1941, becoming, instead, an underground party member. He developed a network of alternative identities, false addresses and dead letter drops for the exchange of communist party information. In 1944, he joined the five-member Central Control Commission of the party, charged with ensuring the security, unity and ideological correctness of the party, and to operate the party’s clandestine activities. With the dissolution of the Comintern in 1943, the responsibility for continued contact with communist parties passed to Soviet embassies, while control of communist illegal organisations passed to Soviet intelligence. It is thought that Clayton first collected information for the NKVD in 1943, becoming one of several CPA informants to NKVD officers Makarov in Canberra and Nosov, the TASS agency representative, in Sydney. From September 1943 Clayton was considered a ‘special reliable undercover contact... not suspected by the... local authorities’, and by late 1944 was supplying classified official material from a variety of sources. He was given the code name ‘Claude’ or KLOD in April 1945. His growing network of both witting and unwitting informers included officers of the Department of External Affairs, the Commonwealth Scientific and Industrial Organisation, the Security Police and Journalists.
Case Study #1
The Leader (or the Christ’s College Spymaster)

Clayton’s spy ring first came to the attention of western intelligence due to what is now known as the VENONA operation, the joint US-British Commonwealth interception and decryption of Soviet intelligence service communications between Moscow and Soviet embassies. VENONA was a remarkable epic of cryptographic genius and ingenuity, comparable to the Allied decryption of the German ENIGMA codes and the US Japanese PURPLE codes during the Second World War. This is, in fact, a classic example of Cold War counter-espionage – the painstaking collection and evaluation of intelligence to build a picture of the covert world of Soviet clandestine operations. Amongst the Soviet scalps which the VENONA operation can justifiably claim are nuclear spies Klaus Fuchs and Ethel and Julius Rosenberg, and HOMER, otherwise known as the British diplomat Donald Maclean.
Case Study #1
The Leader
(or the Christ’s College Spymaster)

Equally, however, given that the VENONA operation commenced in 1943, here can be observed classic Cold War paranoia in its infancy, with nominal wartime allies actively spying on each other. Certainly the use to which the information obtained from VENONA decrypts was put remains contentious, as the decoded messages were often fragmentary, while the bulk of the intercepts have never been decrypted. The coded cable traffic between the Soviet Embassy in Canberra and the Headquarters of the MVD and GRU in Moscow had proved the easiest to crack by American cryptanalysts and by 1948 the decrypts had revealed Soviet codenames, names in clear, and details of the KLOD spy network operating in Australia. From 1948, first words, and then identifiable names began to emerge in clear text from the baffling banks of numbers which were the Soviet code. What most alarmed security organisations in America, the UK and Australia was that secret documents had clearly been passed to the Soviets, that the Australian operation was clearly funded from Moscow, and that informants had been cultivated in government circles in Canberra – particularly in ‘The Nook’ – the Department of External Affairs.
From: CANBERRA
To: MOSCOW
No.: 361-362 29th September 1945

[2-part message complete]

[Part I]

[225 groups unrecoverable]

Tasks assigned to them personally. Apart from this, both at the first and second meeting MILNER[MIL'NER][i] and HILL[KHILL][ii] told him many interesting things. In addition HILL gave him copies of several

[Continued overleaf]
Case Study #1
The Leader
(or the Christ’s College Spymaster)

Continuing the New Zealand theme of today’s talk, here is a VENONA document which details a meeting in September 1945 between Clayton and two officers of the Department of External Affairs, Canberra – Ian Milner, a former New Zealand Rhodes Scholar and academic, and Jim Hill, a former student of Milner’s from Melbourne University, who now worked with Milner in the Department of External Affairs:
Ian Milner [Bur] and Jim Hill [Tourist]
Milner was stated as having met twice with KLOD, when ‘many interesting things’ were said, while Hill passed copies of several official telegrams and a secret report to Clayton.
official telegram received from the British Foreign Office[M13] and also a copy of a [IC% confidential] secret report of the Australian Department of External Affairs and the Institute of International Relations on the political and economic situation in South-East Europe. The report, addressed to EVATT[iii], contains a quantity of [7 group unrecoverable] secret information received from the British Foreign Office and also gives certain important conclusions on the current situation in BULGARIA, ROMANIA and GREECE. The report was prepared on EVATT’s instructions and sent to him in LONDON on 26th September by airmail. The most significant part of this report

[4 or 5 groups unrecoverable]

[Part II] During his second visit to CANBERRA, "KLOD"[iv] found out that a young woman Communist called DONN[v] is working in the Archives Department of the Department of External Affairs. She is 24 years old and unmarried. He told us recently that she was leaving MELBOURNE for CANBERRA. "KLOD" reported that, according to his information, the entire diplomatic correspondence of the Australian Department of External Affairs passes through

[15 groups unrecoverable]

who will be able to get hold of copies of enciphered telegrams. Furthermore "KLOD" has taken steps to organize a source for obtaining "MURREY"'s[M5] report through MELBOURNE. With this in view he went to MELBOURNE a second time. "KLOD" considers that the main difficulty during the expansion of his network in our line is in maintaining systematic liaison and work with each of his people, who will be [IC% located] in three places: SYDNEY, MELBOURNE and CANBERRA. He says that our tasks, while not preventing it[vii] from carrying out direct work, will in future necessitate considerable expenditure of money on travelling about. Your gratitude has delighted him.

No. 69

[Signature unrecoverable]

Footnotes: [i] KILNER: Ian KILNER, appointed First Secretary at the Australian Department of External Affairs in 1946.

[ii] HILL: Yes. Frederick HILL, a member of the United Nations Department of the Australian Department of External Affairs.


[iiv] KLOD: i.e. "CLAUDIE": Walter Seddon CLAYTON.
The message further indicated the extent of his network, with people in Sydney, Melbourne and Canberra. Dzhon, the other contact mentioned in the message, was Eileen Dorothy Jordan, a records clerk in External Affairs, whose work gave her access to the entire range of Australian diplomatic correspondence.

A second mention of Ian Milner on 6 October 1945 was a request from Moscow for biographical details of Milner and Hill, in order that they could be vetted by Soviet intelligence.
INSTRUCTIONS FOR "CLAUDIUS": RECRUITMENT OF ALLIER AND HILL QUERIED

From: Jackson
To: Cumber
t
No: 215
2348: 6 Oct. 45

To ESD:

Your No's 69 [a], 72 [c], 73 [c]:

1. "CLAUDIUS" [KIA] is a rather well known figure; in view of this his activities in attracting new sources of intelligence for us are dangerous. Recommend "CLAUDIUS" not to burden himself with obtaining intelligence of little importance to us, but to concentrate his attention on essential materials of an operational and intelligence nature.

2. Once more we remind you that intelligence similar to that contained in your No. 73 [c] should only be sent by post in view of its minor importance.

3. We draw your attention to the inadequacy of the translation and the style of the text to be transmitted by telegraph.

4. Pay all "CLAUDIUS' operational expenses. Inform us by how much your next quarter's telegraph expenses will go up.

5. Send by the next post 

[USTAN. SEKUNYE DJIYYE] [c] and detailed biographical descriptions [KLIS. KIAK. STIIK] FOR ALLIER and HILL.

Distribution
Case Study #1
The Leader (or the Christ’s College Spymaster)

This message also warned the Soviet Embassy in Canberra of the dangers of Clayton’s work in recruiting new sources of intelligence, particularly if the quality of the information this obtained was low-grade, and instructed that he ‘concentrate his attention on essential materials of an intelligence and operational nature’.
If possible d. not take any steps in the way of bringing in new agents, without a decision fro. us. [as can be seen] from your report about them, (X. 5 and R.), you countenantly gave your consent to their equipment without having informed us and are already receiving materials. Be careful in your work and more exacting both towards yourself and towards the agency (X:ENTRA.) [f] as regards the quality of intelligence [INAM:i:Te:yn].

VICTOR

No. 7266
Case Study #1
The Leader
(or the Christ’s College Spymaster)

The Soviet Embassy in Canberra was further admonished to keep tighter control of Clayton, to ensure that he no longer employed sources without first obtaining clearance from Moscow.
The third and last VENONA message which mentions Milner merely corrects the wording of the 6 October 1945 cable.
Details of some of the most significant classified documents which were obtained by KLOD were revealed in the VENONA decrypt of a cable from Canberra to Moscow of 19 March 1946.
War Cabinet Documents Obtained by "KLOD" Through Friends in "The Hook:
Documents Photographed and Returned (1946).

From: CANBERRA

To: MOSCOW

No.: 123

79 March 1946

To VIKTOR[i].

An [6 groups unrecovered] to "KLOD"[ii] to get the document (the original) on "Security of INDIA and the INDIAN Ocean" through his friends in "the MOOK [ZAKOULOK][iii]." Recently "KLOD" [6 groups unrecovered] copy of the documents (originals): "Security of INDIA and the INDIAN Ocean", Copy No. 78, 14 pages, and "Security in the Western MEDITERRANEAN and the Eastern ATLANTIC", Copy No. 109, 10 pages. Both documents were prepared by the English Post-War Hostilities Planning Staff [7 groups unrecovered] for the War Cabinet. The documents are dated 19 May 1945 and signed by three people: C. C. A. ALLEN, F. C. CURTIS and P. WARBURTON. At the same time there is a note on the documents to the effect that their texts are final and that their circulation has been strictly limited. [2 groups unrecovered] There is an additional handwritten note to the effect that this copy of the documents is issued for the personal use of Colonel ROMKE[iiv]. Appropriate operational maps are appended to the documents. The operation of handing over the documents was organised by "KLOD" in CANBERRA, where he recently arrived by car (one of the cars he uses to carry out his illegal work: the latter does not belong to the FRATERNAL BRATSKAYA[v]. The documents

(Continued overleaf)
Case Study #1
The Leader (or the Christ’s College Spymaster)

As you can see, KLOD was passed copies of two secret British Post-Hostilities Planning documents dated 19 May 1945, and Semen Ivanovich MAKAROV, here code-named EFIM, who was the MVD Resident in Canberra, reported that these documents ‘were handed over to us for 35 minutes’ during which time they were copied and returned to KLOD, who then handed them back to his un-named contact in The Nook.
were handed over to us for 35 minutes. During this time we photographed them and returned them to "KLOD". \[9 groups unrecovered\] "KLOD" in \[vi\] CANBERRA

\[11 groups unrecovered\]

"KLOD"

\[13 groups unrecovered\],
\[7 group unrecovered\]

it would be necessary to transmit immediately to MOSCOW but this will require copious telegraphic correspondence. We urgently request your instructions.

No. 29[vii]

EFIM[viii]

Footnotes:

\[i\] VIKTOR: Lt General Pavel Mikhailovich FITIN

\[ii\] KLOD: ie "CLAUD"; Walter Seddon CLAYTON.

\[iii\] NOOK: Department of External Affairs.

\[iv\] Colonel NOOK: Not traced.

\[v\] FRATERNAL: Communist Party.

\[vi\] Or "to".

\[vii\] a. In reply to this message, VIKTOR asked EFIM to telegraph the text of the document as soon as possible: (Hawthorne) No. 62 of 21 March 1946, unpublished.

\[vii\] b. The text of both documents - references P.H.P. (45)15(0) (Final) and P.H.P. (45)16(0) (Final) - was sent in two multi-part messages (CANBERRA's Nos. 126, 127, 129, 131-4, 136, 138, 139 - internal serial No. 21, of 22-28 March 1946, and Nos. 159-163, 165, 166, 169, 171, 175, 178, etc - internal serial No. 25, of 29 March-3 April 1946, both unpublished).

\[vii\] c. A reprint of part of CANBERRA's No. 21 was requested.
The source of these documents has long since thought to have been fellow New Zealander Ian Milner, for he had been issued these very documents only days before. The 1954 Australian Royal Commission on Espionage concluded that Milner’s access to classified documents while in Canberra ‘gave rise to grave suspicions as to the use he made of them’. Milner was never interviewed about his appearance in the Venona decrypts. In 1947, he had moved from Canberra to New York to become a Political Affairs Officer with the United Nations, and in July 1950, he crossed to Czechoslovakia with his wife, defending his reputation from behind the ‘Iron Curtain’ until his death in 1991.

The Australian response to the concerns of the British and Australian governments at the security breach which was revealed by the VENONA decrypts, the Australian Security Intelligence Organisation was formed in March 1949. The existence of the KLOD spy ring became public knowledge in 1954, in the most dramatic way possible, following the defection of the Petrovs, the Soviet husband and wife MVD team in the Soviet Embassy, Canberra, who defected to Australia in April.
Evdokia and Vladimir Petrov
Full details of the activities of Clayton and his informants were revealed at the subsequent Royal Commission on Espionage, and the public were enthralled at the nationwide manhunt for Wally Clayton, who had gone to ground. He finally appeared before the Commissioners, but during his four days in the witness box denied all involvement with espionage. ASIO continued to monitor Clayton’s activities into the 1960s, but the surveillance tailed off when it became clear that his career in espionage was well and truly over.
Case Study #2

The Illegals
– a New Zealand ‘legend’

Peter and Helen Kroger
Case Study #2
The Illegals - a New Zealand ‘legend’
Peter and Helen Kroger

Case study number two concerns the activities of two American citizens who operated in the United Kingdom under false New Zealand identities in the late 1950s and early 1960s at the centre of what became known as the Portland Naval Spy Ring. The KGB term ‘illegal’ referred to agents who worked abroad under aliases, with no diplomatic cover or visible connection to legal Soviet establishments. The term ‘Legend’ in this context meant the cover story for an individual illegal.
Peter and Helen Kroger
Here they are, Peter and Helen Kroger, who lived at Ruislip, England, where Peter Kroger operated a rare book business from home. Neighbours described them as nice, friendly people and enthusiastic party-givers, with somewhat larger than life Helen Kroger leaving a more lasting impression than her husband. Dustman Ernie Lavender recalled that Mrs Kroger always invited the dustmen in for a beer – the only household in the area to extend such hospitality – while a local shopkeeper recalled that she lavished chocolate and sweets on the neighbourhood children. Others complained of the nightly interference with their television reception, but thought nothing of it until the Krogers were arrested. Many were puzzled when a failed burglary attempt on the bungalow left Helen Kroger looking like death for days, yet she did not report the incident to the local police.
DESCRIPTION

Profession

Place and date of birth

Residence

Height

Colour of eyes

Colour of hair

Special peculiarities

CHILDREN-ENFANTS

Name

Date of birth

Sex

Gisborne, New Zealand

10 July 1910

United States of America

5

Brown

Grey

Peter J. Kroger
On the face of it, Peter Kroger was a New Zealander, who had lived for many years in the United States, and his wife, Helen Kroger, was from Alberta Canada.
DESCRIPTION
SIGNALEMENT

Profession: Housewife

Place and date of birth: Boyle, Alberta, Canada
17-1-1913

Residence: United States of America

Height: 5 ft 4 ins

Colour of eyes: Blue
Colour of hair: Grey

CHILDREN-ENFANTS

Name: 
Date of birth: 
Sex: 

Signature of bearer: Helen J. Kroger
They had married while in the United States in 1936.
45 Carnley Drive, Ruislip, London
The Kroger’s bungalow in Ruislip was as unprepossessing as its owners. Appearances were, as ever, deceptive. In 1961, as part of an investigation by British intelligence into a Soviet spy ring operating out of the Underwater Weapons Establishment at Portland, Peter and Helen Kroger were arrested and their house searched.
Three women and two men are serving long gaol terms for having sold secrets of Britain’s Underwater Weapons Establishment at Portsmouth to Moscow. Here is a new Herald series on the double lives of these spies.

SATURDAY NIGHT WAS SPY NIGHT

Special to The Herald from London
Incidentally, former Petty Officer Harry Houghton, pictured here, would have done well to have read Their Trade is Treachery. Lured by financial inducements, and with a grudge against the Royal Navy, Houghton willingly seduced a fellow civilian clerk at the Underwater Weapons Establishment to gain access to top secret information on submarine technology, which he passed to the spymaster, Russian Konan Molody, operating in Britain under the false identity of Canadian Gordon Lonsdale.
Trapdoor under the kitchen linoleum which led to the secret tunnel at the Krogers's house.
Case Study #2
The Illegals - a New Zealand ‘legend’
Peter and Helen Kroger

Here is what MI5 found in the Krogers’ house – a secret trapdoor which led to a cache of sophisticated radio equipment concealed underneath the house.
Here is the radio transmitter, coupled with a wireless message sender, capable of recording a message and transmitting it in a burst to minimise the possibility of detection by locator units.
Case Study #2
The Illegals – a New Zealand ‘legend’
Peter and Helen Kroger

And here is the code book, a prime example of the five number codes used in Soviet one time pads, a system which is notoriously difficult to decrypt.

In the roof of the house was discovered the radio aerial and a cache of photographic equipment – evidently the Krogers had despatched microfilm or microdot copies of classified documents from the Portland naval base concealed in rare books. Radio equipment was still being discovered in the house ten years later!
Morris Cohen
Born New York
2 July 1910

Leontina (Lona) Cohen nee Petka
Born Adams
Massachusetts
11 January 1913
Case Study #2
The Illegals – a New Zealand ‘legend’
Peter and Helen Kroger

So who were the Krogers? An investigation by MI5 revealed that they were wanted by the FBI under the names of Morris Cohen, born in New York in 1910, and Lona Cohen (nee Petka), born in Adams, Massachusetts, in 1913. Morris Cohen had fought with the Lincoln Brigade during the Spanish Civil War, and married Leontina Petka in 1941. That same year Morris Cohen was recruited for clandestine work while working for AMTORG, the Soviet trading organisation, and he soon converted Lona to the cause. The husband and wife team was soon at the centre of the Soviet nuclear spy ring in the United States, couriering secrets from Los Alamos. When it was clear that the VENONA operation had compromised the nuclear spy ring, Morris and Lona Cohen were given sufficient warning to disappear, while less fortunate members of the ring, including Julius and Ethel Rosenberg, were arrested. They vanished from New York in July 1950, before reappearing as Peter and Helen Kroger in Austria four years later.
Pension Waldruhe
Semmering, Austria
April 16, 1954

The New Zealand Consul
9 Rue Leonard de Vinci
Paris, France

Dear Sir:

While applying to the British Consul for an extension of my British family passport, I was informed that under the legislation now in force I should make application to you for the issue of separate, individual New Zealand passports for myself and my wife.

I wish to note that I was born in New Zealand and married my wife, who is Canadian-born, in 1936, thereby making of her, according to what I understand, a New Zealand citizen too.
In 1954, Peter Kroger, writing from Semmering, Austria, on 16 April 1954 to the New Zealand Consul in Paris, noted that the British Consul had advised him that the British family passport under which they had been travelling should now be replaced by two individual New Zealand passports. The language of the letter was very stilted – almost as if it was composed in Moscow for Peter Kroger to copy out and post –
It was my intention to appear in person at your office prior to the expiration of my current passport. Unfortunately, my heart condition prevented this, making it compulsory that I apply to you by mail. I have been undergoing treatment for several months while residing in the resort town of Sumnering and this treatment is about to be concluded. Therefore, I would appreciate it immensely if you were to inform me immediately by air mail of the formalities necessary for the realization of the above-mentioned purpose. And, in order to ease my situation, please be so kind as to also let me know how long this entire procedure shall take.

I remain faithfully,
Peter J. Kroger
note the phrase ‘realisation of the above-mentioned purpose’.

And Kroger’s heart condition meant, of course, that he and his wife could not travel to Paris for the passports to be issued in person. Nothing about the application raised any alarm bells in the New Zealand legation – neither the archaic phrasing, nor the fact that nobody by the name of Kroger had been born in New Zealand, let alone Gisborne, in 1910.
Dear Sir,

In reply to your letter of 16 April I am sending herewith an application form, which I shall be glad if you will fill in and return to this Legation, together with your present passport, your marriage certificate and your +7~ wife's birth certificate. In the normal course of events you should have your passport within a few days.

The passport fee is 979 francs each.

Yours faithfully,

First Secretary

Mr Peter J. Kroger,
Pension Waldruehe,
Semmering,
AUSTRIA.
What is interesting is the use to which the Krogers put their new identities – their New Zealand legends, in fact – once the passports were issued.
As you can see from the following pages of Peter Kroger’s passport, they were now able to travel with ease within Europe – note the stamps for Austria, Switzerland and the Netherlands,
ENRANCE VISA
No. 1332  Date 28 March 1955
2. Valid for one year from the above date while passport is valid.
and elsewhere – I note stamps for Bombay, Calcutta and Hong Kong. As New Zealanders, they were clearly able to travel about the Western Bloc – both Europe and the Commonwealth alike – and to settle in Ruislip, all without suspicion. In 1959, Helen Kroger, who just happened to then be staying in Paris, made a further successful application for the renewal of their passports until 1964.
APPLICATION FOR RENEWAL OF NEW ZEALAND PASSPORT

NOTE.—New Zealand passports may be renewed for five years or for a shorter period, but not beyond ten years from the date of issue. Fee: £2.50 for each year of renewal calculated from the last date of expiry.

1. Peter John Kroger
   (Full name)
apply for renewal for a period of 5 years of Passport No. C 8714
issued to me at Paris on 3 May 1959
I intend leaving the port of Paris by
on 19 for travel to

I declare that I am a New Zealand citizen, I have not lost that status, I have no other passport in my possession, and that the following particulars are correct:

1. My permanent address is
   45 Cranley Drive, Melbourne, Victoria, New Zealand
2. My present address is
   Hotel de Paris
3. Place and date of my birth: Melbourne, New Zealand 10-7-1910
4. I am married.
5. The names and dates of birth of children included in my passport are:

Date: 20-4-1959
Signature of Applicant: Helen J. Kroger

CERTIFICATE

This certificate must be signed by a responsible citizen unless the person to whom the passport was issued is identified to the satisfaction of the officer receiving the application.

I, Peter John Kroger, of
(Official or professional address)
certify that I have known the applicant
(personal name)
personally for a period of
(Insert name)
years and can FROM MY PERSONAL KNOWLEDGE of him and his she is identical with the holder of Passport No.

To the best of my personal knowledge and belief the statements in this form are true.

Date: ____________________
Profession: ____________________
Signature: ____________________

FOR OFFICIAL USE ONLY

This passport is hereby renewed.
Valid until 3 May 1964

Fee £ 7.00
Receipt £ 6.45
Date: 20/4/59
Case Study #2
The Illegals - a New Zealand ‘legend’
Peter and Helen Kroger

Obviously, with their arrest, trial and conviction in 1961, the Krogers had no further use for their New Zealand identities. They both served only eight years of their 20 year sentences, for they were returned to the Soviet Bloc as part of a spy exchange. Helen Kroger died in 1992, and Peter Kroger died in Moscow in 1995 – heroes of the Soviet Union!
Case Study #3

The Double-Agent – ‘Sylvia’, the SIS, ASIO and the KGB
Case study number 3 is a classic story of counter-espionage, played out on both sides of the Tasman. At the centre of the story is British-born Kay Marshall, who came to New Zealand after the Second World War as a war bride.
The Double Agent: Kay Marshall [Sylvia]
Case Study #3
The Double-Agent – ‘Sylvia’, the SIS, ASIO and the KGB

Already a war widow, whose first husband had disappeared while flying with the Royal Air Force in Singapore during the Japanese invasion, Marshall married a New Zealand officer whom she met in London. After the war, Marshall by her own account found life and marriage in Wellington to be intolerable. The capital was a ‘small shoddy country town and I grew to hate it more every day’. By 1956 she was a divorcee and solo mother, working in the passport office of the British High Commission in Wellington. It was here, from at least November 1956, that she came to the attention of Soviet intelligence. A chance conversation in the High Commission with Ervili Lustkij, the third secretary of the Soviet Embassy, appeared innocent enough, for Lutskij was well known in Wellington circles as the Soviet press attaché, with a family back in Russia, and he was a favourite at social gatherings. However, when Lutskij’s approach persisted, first with the offer of concert tickets, and then with Lutskij’s surprise appearance at Kay Marshall’s Tinakori Flat...
Kay Marshall’s flat
14 Upton Terrace
Tinakori
WELLINGTON

... one winter’s night in 1958, complete with chocolates, vodka and violin records, Marshall immediately reported to the security officer at the High Commission
In liaison with the fledgling New Zealand Security Service, it was decided to permit Lutskij’s approaches to continue, to see what might develop.

Lutskij’s attentions continued throughout 1958, with picnics, and other similarly innocent outings. His questions, however, became gradually more pointed, as he inquired about the workings of the passport office at the High Commission, and requested copies of paperwork and other documentation. It was decided to provide Lutskij with ‘chickenfeed’ – low grade material which, while it would not compromise the security of the passport office, would also maintain the pretence that Marshall was being won over as a Soviet asset. Lutskij returned to the Soviet Union, and his replacement Nikolai Shtykov demanded that Marshall undertake clandestine courier work for him. Meetings were to be indicated by a system of marks on a telegraph post close to the mouth of the Karori Road Tunnel.
Telegraph pole
Karori side of the Karori Road Tunnel
WELLINGTON
Marshall was alarmed by Shtykov’s brutal manner, and advised him of her plans to relocate to Australia. In December 1960, Shtykov provided Marshall with instructions on how to contact a third Soviet agent at Sydney’s Taronga Park Zoo.

Marshall departed Wellington, together with her young son Tony, in 1961, and in February she kept the Taronga Park rendezvous in an attempt to identify the Soviet agent for ASIO, to whose control she had been passed by the NZ Security Service. While the first meeting did not take place, on 4 March 1961 she met with:
Ivan Fedorovich Skripov – First Secretary Soviet Embassy CANBERRA

[KGB Rezident]
Ivan Feydorovich Skripov, the First Secretary of the Soviet Embassy, Canberra, who had re-opened the embassy in 1959, as it had been closed in the wake of the Petrov affair. Incidentally, Marshall was informed by Skripov that, in the event of the closure of the Soviet Embassy, she would be instructed to re-establish contact with Shtykov in Wellington the following week.

Here are two ASIO surveillance photographs of the Marshall-Skripov meeting at Taronga Park Zoo:
Taronga Park Zoo, SYDNEY
Taronga Park Zoo, SYDNEY
Sydney, 1962

The Golden Rose Restaurant
Chinese & English Meals

[Image of a vintage photo showing the exterior of the Golden Rose Restaurant in Sydney, 1962]
The ASIO report on the Skripov Case described Marshall as ‘a woman of considerable resourcefulness, courage and charm’.

She proceeded to demonstrate all of these attributes in her dealings with Skripov from March 1961 until February 1963, for reported on all of her activities to ASIO agents who kept her under close surveillance. Skripov was anxious that she obtain employment in the Department of Immigration or with a diplomatic mission in Canberra, but Marshall explained that her applications had been unsuccessful. Skripov did not press the matter, stating that ‘Then I have some other important things for you to do’.
17.9.62

Glad to have your answer in time. Urgently need your help. Please collect container on the first landing of the McElhone stairs on the way from Victoria St to Cooper Wharf Rd, McElhone Colombo. (Repeat - McElhone Stairs)

Container is inside of base of iron post of railings before the second flight of stairs. Opposite Bank - see drawing.

Waiting for you nearest Saturday.
Case Study #3
The Double-Agent –
‘Sylvia’, the SIS, ASIO and the KGB

Marshall now commenced work as a courier for Skripov’s Australian network. Messages were sent to her by Skripov in the form of secret writing on the reverse of otherwise innocuous letters – this example from September 1962 directed her to a Dead Letter Box in the base of an iron post which part of the railing of the McElhone stars in Woollomooloo, Sydney.
Dead Letter Box,
Woolloomooloo, Sydney
Inside the box was a small, green, cylindrical container, with a spring-loaded trap to protect the contents.
Parcel collected from dead letter box
A second dead letter box, located at the Waverly Cemetery, one of the largest in the Sydney area, revealed a parcel which contained a red leather wallet and a Canadian Passport in favour of one Andrew Huha, born in 1903 at Lince, Czechoslovakia.
<table>
<thead>
<tr>
<th>Field</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupation/Profession</td>
<td>BUTCHER</td>
</tr>
<tr>
<td>Place of Birth/Lieu de naissance</td>
<td>LINGE CZECHOSLOVAKIA</td>
</tr>
<tr>
<td>Date of Birth/Date de naissance</td>
<td>8 NOV 1903</td>
</tr>
<tr>
<td>Permanent Residence/Domicile</td>
<td>CANADA</td>
</tr>
<tr>
<td>Height/Taille</td>
<td>5FT 10 LNS</td>
</tr>
<tr>
<td>Colour of Eyes/Couleur des yeux</td>
<td>BLUE</td>
</tr>
<tr>
<td>Colour of Hair/Couleur des cheveux</td>
<td>BROWN</td>
</tr>
</tbody>
</table>

Signature: Andrew Vuka
Inside the passport was another, loose photograph of an unidentified man. ASIO officers concluded that the passport was to be doctored to transfer Huha’s identity to the mystery man. Thanks to the miracles of modern technology, we can gain some idea of what the faked passport might have looked like.
DESCRIPTION
NOTES SUR LE TITULAIRE

Occupation  
Profession  

Place of Birth  
Lieu de naissance  

Date of Birth  
Date de naissance  

Permanent Residence  
Domicile  
(Country)  
(pays)  

Height  
Taille  

Colour of Eyes  
Couleur des yeux  

Colour of Hair  
Couleur des cheveux  

Visible distinguishing marks  
Signes particuliers  

See information on inside back cover.  
Voir l'avis en dernière page.  

PHOTOGRAPH OF BEARER
PHOTOGRAPHIE DU TITULAIRE

S.I.  
Signature  

Andrew Kula  

See information on inside back cover.  
Voir l'avis en dernière page.
Case Study #3
The Double-Agent – ‘Sylvia’, the SIS, ASIO and the KGB

At Kay Marshall’s sixteenth meeting with Spripov in December 1962, she was handed a small package for delivery to a contact in Adelaide.
Soviet Wireless Message Sender
ASIO officers discovered that the parcel contained a small self-powered tape recording device designed to send pre-set messages, which, when used together with a transmitting unit, was capable of sending approximately 270 words a minute – presumably in the form of 5 number code groups. The unit was identical to that found in the Kroger’s house at Ruislip the previous year – the Kroger unit was numbered 557079, while the Skripov unit was numbered 557087. It’s interesting to speculate where units numbered 557080 to 557086 might have gone!

The Adelaide contact did not appear at the December 1962 meeting, and Skripov was surprised and very upset at this news. A proposed eighteenth meeting between Marshall and Skripov on 26 January 1963 did not place. Instead, on Thursday, 7 February 1963, the Australian Minister for External Affairs announced that Skripov was no longer acceptable as an accredited representative of the Soviet Union in Australia. On 10 February, Skripov and his wife and son flew back to Moscow. Previously in New Zealand, on 10 July 1962, Prime Minister Keith Holyoake announced to Parliament that Andreev and Shtykov had been given two days to leave the country because they had ‘engaged in espionage… affecting New Zealand’s defence and external relations’.
Case Study #3
The Double-Agent – ‘Sylvia’, the SIS, ASIO and the KGB

Kay Marshall remarried – ASIO had had to quickly brief her fiancée on the Skripov operation to reassure him that her clandestine meetings with another man were nothing more than legitimate counter-espionage work – and thereafter enjoyed a largely uneventful life. She died in 1992.
I would like to conclude today’s talk with a whistle-stop tour of Wellington’s top espionage spots, particularly those sites around Wellington where Dr William Sutch met with Dimitri Razgovorov of the Soviet Embassy in 1974.
The Legation of the Union of Soviet Socialist Republics
57 Messines Road
Karori
Миссия Союза Советских Социалистических Республик

LEGATION
OF THE UNION OF SOVIET SOCIALIST REPUBLICS

RECEPTION DAYS:
MONDAY
WEDNESDAY 11a.m.-1p.m.
FRIDAY
I can grow one, I just choose not to.
‘Streaker’ sites: The locations of Thursday meetings between Dr Willam Sutch [code-name ‘Streaker’] and Dimitri Razgovorov as observed by the NZSIS in 1974

I must here acknowledge the assistance of Kit Bennett’s book ‘Spy’ for the preparation of the following sequence of photographs, for his account of the Sutch Case is the most complete yet published, including details of the locations of the clandestine meetings in 1974 between Dr Bill Sutch and Dimiti Razgovorov, the KGB Rezident in New Zealand.
'Streaker' sites
Karori Bowling Club entrance
Lewer Street, Karori
First observed meeting
18 April 1974
‘Streaker’ sites

Intersection of St Michael’s Crescent and Upland Road, Kelburn

Meeting 23 May 1974 was not observed
‘Streaker’ sites
Karori Post Office – meeting 20 June 1974 was aborted
‘Streaker’ sites

Carport 20 metres from intersection of Glen Road and Upland Road

– Meeting observed

25 July 1974
‘Streaker’ sites

24-30 Hopper Street

Meeting observed in a darkened doorway beside a telephone booth outside the commercial building at 24 Hopper Street

28 August 1974

(Razgovorov brought his wife along!)
‘Streaker’ sites
Intersection of Holloway Road and Aro Street
Aro Valley
Final meeting and arrest of Dr William Sutch
26 September 1975
Aro Street from Holloway Road – approximate site of final meeting between Sutch and Razgovorov
Intersection of Aro Street and Holloway Road, from site of public toilets
Public Toilets, Aro Street
Holloway Road
Aro Valley
26 September 1974
Detective Senior Sergeant Colin Lines
and Dr William Ball Sutch
Dimitri Razgovorovov and a New Zealand SIS officer
26 September 1974
Sutch was arrested on 26 September 1974, and charged under the Official Secrets Act of passing to the Soviets information ‘which might be useful to the enemy’. The trial was unique in New Zealand’s legal – and espionage – history, and he was acquitted, on the basis that no evidence concerning the information which he may have passed was ever produced in court. What really happened that night in the Aro Valley remains a mystery.

I will leave you with a final Cold War Caution – the warning delivered by British Prime Minister Harold Macmillan in the wake of the Portland Naval Secrets trial – and, ironically, just before the Profumo Affair. But that is another story. Thank you.
... I feel it right to warn the House that hostile intrigue and espionage are being relentlessly maintained on a large scale.