

SECRET. REPORT OF SECRET SERVICE COMMITTEE. tcs 1919 MPERIN GENERAL STREET REPORT OF SECRET SERVICE COMMITTEE. HOME OFFICE. FEBRUARY, 1919. atalogue Reference:KV/4/151 . Image Reference:31 Arthofor - hialleum lages

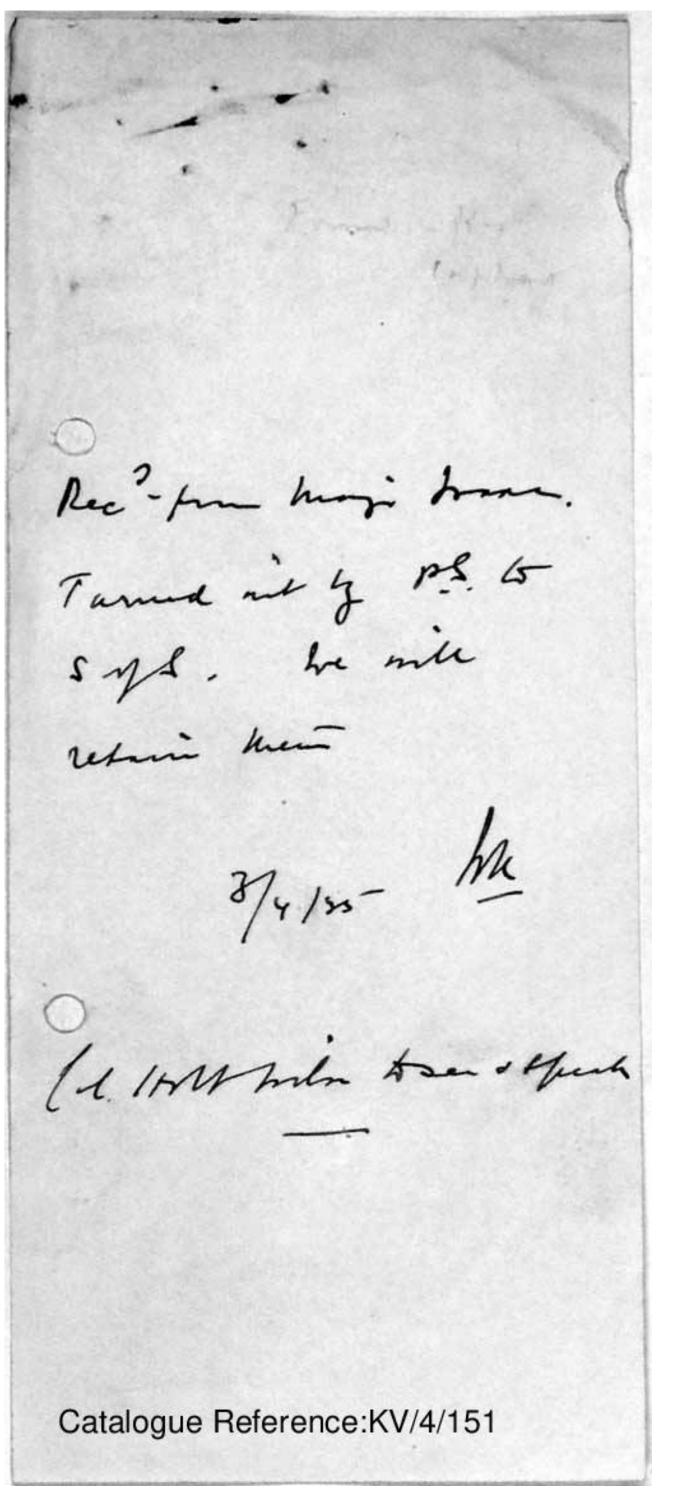
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REPORT OF SECRET SERVICE COMMITTEE.

Appointment and terms of reference.

24th January (War Cabinet 519, Minute 4) to inquire (a) what is being done at present by the Secret Service Branches of the several Departments, (b) how this work can best be co-ordinated with a view to the necessary action being taken with the utmost promptitude.

Members.

2. Lord Curzon (Chairman)

Mr. W. Long or Lord Lytton (Admiralty)

Mr. Shortt (Home Office)

Mr. Macpherson (Irish Office)

Representatives or officials of other Departments were summoned to the meetings.

Evidence.

Lord of the Admiralty (Paper G.T.6665) which led to the appointment of the Committee and a memorandum by the Home Secretary

(Paper G.T.6690). They also had memoranda from the Foreign
Office, War Office, Admiralty, Home Office, India Office and
Irish Office, giving particulars of the intelligence services
of those Departments. The Committee obtained further information personally from Lord Hardinge, Sir Edward Troup, Mr. Basil
Thomson, Captain Mansfield-Cumming, R.N., and Colonel Kell.

Scope of Inquiry.

- 4. Mr. Long's paper is primarily concerned with what he calls the civilian side of secret service, that is to say, the machinery for collecting information about persons engaged in revolutionary or anarchical movements in this country. While therefore the Committee have made a brief survey of the whole of the secret service as they were instructed to do by their terms of reference, they have devoted their attention especially to this civil side.
- Secret Service 5. The existing military organization of secret service in before the war.

 this country may be said to date from 1909 when the subject was considered by the Committee of Imperial Defence. As a result

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lished with two branches. The first branch, which was placed under the general control of the Foreign Office was entrusted with the duty of obtaining secret information from abroad on military, naval and other matters. The information so obtained has been placed at the disposal of all Government Departments concerned, but it was intended primarily for military purposes.

Captain Mansfield-Cumming, R.N., has been Director of this service from the beginning. The second branch, which was placed under the general control of the War Office (Director of Military Intelligence), has been concerned with counter-espionage, that is to say, measures for detecting foreign agents working in this country and for frustrating their efforts. The Director of the branch since 1909.

The naval as well as the military authorities have shared in the service afforded by this organization, but they have maintained for purely naval purposes a separate staff under the Director of Naval Intelligence.

For intelligence other than military there are the following agencies:-

The Home Office has maintained for many years a small service for obtaining secret information in regard to Ireland, especially in America. The Home Office also, by means of the Metropolitan Police, is responsible for obtaining information in regard to anarchists and other dangerous political criminals. The inquiries are made by the Special Branch of the Criminal Investigation Department under Mr. Basil Thomson, one of the Assistant Commissioners of Police. Similar inquiries are conducted in Ireland by the Irish Police.

The India Office depends for its intelligence to some extent on the agencies already mentioned, but in addition the Director of Central Intelligence in India employs officers both in this country and on the Continent to keep a watch on Indian suspects.

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Value of secret 6. service before the war.

The establishment of the military intelligence service described above had been justified by its results even before the outbreak of war. The counter-espionage branch, working in close co-operation with the Home Office, had succeeded in getting into touch with the greater number, if not all, the German agents in this country, with the satisfactory result that on the outbreak of war all suspects were arrested, and the German spy organization was broken up. The fact that no act of sabotage was committed by German agents during the first critical months of the War bears good testimony to the value of this work.

Secret service during the war.

The conditions of war led to a large expansion of secret service in every direction. The main expansion took place in the Foreign Office service in which there was an enormous growth in all kinds of secret operations abroad, involving the expenditure of very large sums of money. The Committee have good reason for believing that heavy as this outlay has been, it has been thoroughly justified by the results and that the information thus placed at the disposal of the British Government has been equal, if not superior, to that obtained by any other country engaged in the War.

Colonel Kell's branch experienced a similar expansion and undertook a number of new duties according as the circumstances of the War required. Apart from its main function in tracing and watching spies, good work has been done in conjunction with the Home Office in dealing with all questions relating to aliens and suspects in this country, particularly in regard to the entry and departure of persons to and from British ports.

The Naval Intelligence Branch under Admiral Hall undertook
new spheres of activity, especially in Spain and South America,
where the existing sources of information appeared to the naval
authorities to be insufficient or unsuitable from the naval point
of view.

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It is understood that the Air Force has also established an intelligence branch of its own.

On the civil side the conditions of the present war gave greater importance than has been the case in any previous war to intelligence on political and industrial matters. collecting and circulating such information was undertaken by the Home Office through the Special Branch at New Scotland Yard. In this direction the work of Mr. Basil Thomson has grown far beyond his ordinary functions. Apart from a very large increase of work of a police character involved in the administration of the regulations regarding aliens, etc., Mr. Thomson has given special attention to pacifist and revolutionary propaganda, and by the direction of Lord Cave the results of his inquiries were embodied in a useful report issued by the Home Secretary to the Cabinet every fortnight. The Special Branch also became the repository of much valuable information about labour conditions This work was first undertaken and movements in this country. by the Ministry of Munitions, but later it was found desirable to transfer it to the Special Branch, though the service continued to be paid for by the Ministry of Munitions. The information is summarized in a daily report on labour unrest which is circulated to the Ministers and Departments mainly concerned.

There is no doubt that as a result of the general extension of the secret service organization there has been overlapping of activity and responsibility, and the large sums of money required for all these operations have not always been expended economically or to the best advantage. Cases were quoted to the Committee of agents employed and paid separately by more than one branch of the intelligence service and of information by the same agent being given to different branches, with the result that one report appeared to confirm the other though both

Results of expansion during the war.

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really came from the same source. Such a duplication of effort is perhaps inseparable from Secret Service work, but is nevertheless to be deprecated and with experience ought to be reduced to a minimum.

Organization for the future military intelligence.

Since the armistice it has been found possible to effect a substantial reduction in the military and naval branches of the secret service. The question as to the future of this service will have to be considered, but the Committee do not think it can be decided at the present moment, when many of the responsible officers are engaged in more urgent duties. They recommend that the question of reorganization should be considered after the War by the Committee of Imperial Defence or such other body as may be formed to deal with questions of defence. It will probably be found convenient to maintain the distinction between military and civil intelligence. In time of peace a fairly sharp distinction exists between these respective spheres, though in time of war much intelligence which deals with merely civil matters is of the greatest value to the military authorities. The Committee suggest, however, that it would be desirable to co-ordinate all intelligence for military purposes and to establish one organization which will serve alike the War Office, Admiralty and Air Force. The War has tended to emphasize the unity of the fighting services, and among other pieces of machinery which might be common to them all the important sphere of intelligence should not be overlooked.

Organization 10. for the future civil intelligence.

The Committee were much impressed by the need which is indicated in Mr. Long's paper for some immediate change as regard; civil intelligence. Mr. Long's criticism is directed not so much against the quantity or quality of the information obtained as against the use made of it. Mr. Thomson appears to have shown energy and resource in adapting his machinery to war conditions,

and a great deal of valuable information has been obtained, but he has been hampered by the pressure of other duties. At the present time the collection of reliable intelligence is so important that the work should occupy the whole time of the The Committee endorses Mr. Long's recommenofficer concerned. dation in this respect and they think that a Secret Service Department should be created without delay, and they recommend that Mr. Thomson, in virtue of his abilities and great experience should be placed at its head. He should be relieved of his ordinary police duties and should devote his entire time to the collection and dissemination of intelligence. When the war is over and social conditions have reverted to a more normal course the future official organization of civil intelligence may come up for re-examination in the light of the experience gained.

As to the use made of information when obtained, Mr. Long proposes that there should be a minister of Cabinet rank whose duty it shall be to take action as soon as information is brought to his notice.

The Committee are convinced that the reports which are circulated sometimes receive too little attention, and that some method should be devised of bringing important pieces of information to the special notice of the Ministers concerned. The matters dealt with affect so many departments that in the great majority of cases no Minister (except the Prime Minister who is obviously too busy to give his attention to the subject) could be charged with the duty of taking action over the heads of his colleagues. The Committee think, however, that a great improvement would be effected if a careful watch were kept on the character of the information obtained and steps taken to bring special items at once to the personal notice of the

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responsible Minister, and where desirable of the Cabinet.

In some cases prompt action might be taken at once on the authority of the Minister concerned. Having regard to the close connection between civil intelligence and police work, the Home Secretary would appear to be the Minister naturally pointed out for the discharge of these functions. But it is for the Cabinet rather than for the Committee to decide whether any other Minister should preferably be selected or is available for the work.

It should of course continue to be a part of Mr. Thomson's duty to bring any information of special importance - e.g. information showing the cause of discontent among some body of men - prominently to the notice of the Department concerned; but where the matter is likely to have serious consequences or ealls for immediate action he should at once refer it to the responsible Minister selected for the purpose.

expenses of the contemplated organization should be paid. It is unlikely that Parliament after the termination of the War and when Votes of Credit are no longer available will be disposed to vote for Secret Service the very large Sums which have in recent years been expended on that object. On the other hand it is equally clear that the Pre-War Parliamentary grants may not suffice for the purposes required. In these lines it has been suggested that a large capital sum should be placed at the disposal of the new Department, the interest of which should be available for Secret Service. The Committee commend this suggestion to the favourable consideration of the Treasury and the Cabinet.

There is another matter to which the Committee think it right to refer, though it was not included in their terms of reference. Sir Edward Troup brought before the Committee the

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pressing need for some form of propaganda against bolshevism in this country. He thought that facts which might be effective for anti-Bolshevist propaganda but which could not be published officially, sometimes fail to reach the public for want of an agency which could be trusted to communicate them to the press discreetly and in such a way as to secure their publication. The Committee agree with the view that this subject has been too much neglected in the past and that a good deal of benefit might be anticipated from strengthening public opinion against the sinister influences which have been and are still at work. is generally admitted that the readjest means of influencing public opinion in present circumstances are by newspaper articles, public speaking and cinematograph films. A good deal has been done by the newspapers lately to open people's eyes to the real dangers of Bolshevism, but it would be a wise policy to see that the press is kept supplied with all information which may bear on this subject. As regards public speaking, the Committee believe that this agency has suffered from neglect owing in the main to the fact that many popular speakers have been engaged during the war in other work. The result is that too often seditious speeches are left unanswered. They think there is plenty of scope for speakers throughout the country, especially in working-class areas, who could enlighten public opinion on a great many subjects where ignorance tends to produce suspicion Something too might be achieved by the judicious and distrust. use of cinematorgaph films though this is a matter on which the Committee cannot express an expert opinion. some scheme of propaganda has been under contemplation in the Foreign Office and they recommend that an officer should be immediately appointed to organize this work. He should be kept in close touch with Mr. Thomson, who, from the information at his

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disposal, would be able to indicate the most useful soppe and direction of such propaganda, and like Mr. Thomson he would be responsible to the Cabinet Minister entrusted with the general control of the new organization.

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I enclose herewith, by direction of Lord Curzon, a note outlining a possible reorganisation of Sir Basil Thomson's department, which he suggests should form a basis of discussion at the next meeting of the Secret Service Committee.

Lord Curzon proposes to hold the next meeting on Wednesday, November 30th, at 4.0 p.m. He hopes that day and hour will be convenient for you.

Yours sincerely hail. Bland.

The Rt:Hon:
Sir L.Worthington-Evans, Bart., M.P.
War Office,
S.W.1.

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November 29th, 1921.

Dear Lyon,

Many thanks for your letter of this morning. I am consulting Lord Curzon as to the post-ponement of to-morrow's meeting and will let you know the result as soon as I can.

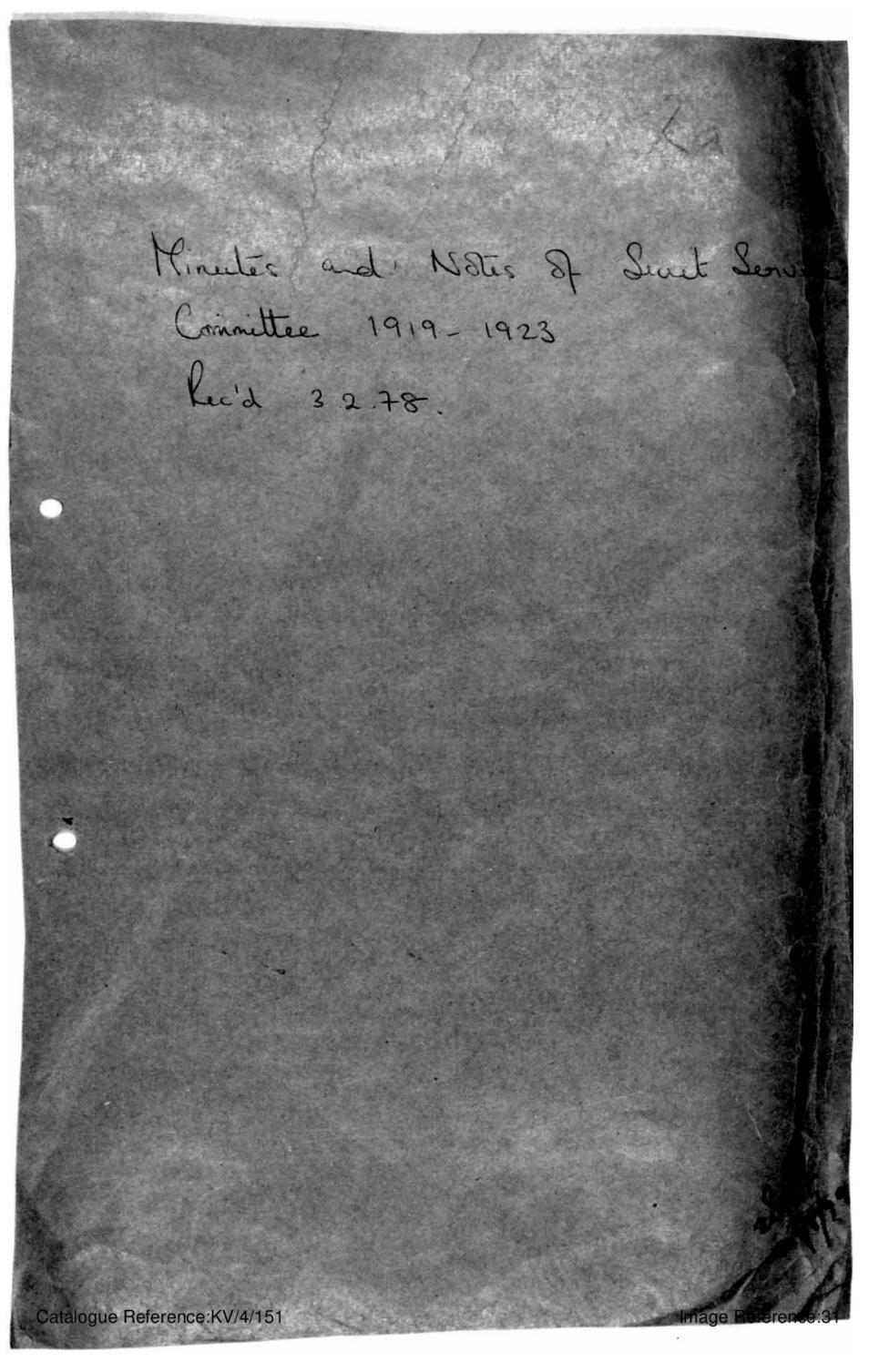
As regards Sir Laming's question, "who is to co-ordinate and report" under the draft scheme, the answer is "B", so far as matters bearing on internal security are concerned - see paragraph 3. of the memorandum.

Yours sincerely,

hoid Bland

Kenneth Lyon, Esq., O.B.E. War Office.

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MONE OFFICE.

30th November, 1921.

S.W.1.

Dear Private Secretary.

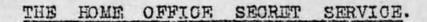
The Home Secretary thinks that Sir Laming Worthington-Evans may like to read the enclosed note which Sir Edward Troup has prepared on the past history of the Secret Service Organisation before the meeting of the Committee to-morrow.

Yours sincerely.

Maxwell

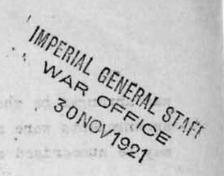
Private Secretary to
The Rt. Hon. Sir Laming Worthington-Evans,
Bt., M.P.

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HISTORICAL MOTE.

Circulated by the Home Secretary



A short review of the history of the Home Office Secret Service may be useful, as the present difficulties only repeat those which have arisen in the past.

From 1868 (shortly after the Clerkenwell explosion) the Home Office Secret Service Officer was Dr. (afterwards Sir Robert) Anderson. He was entirely independent of the Metropolitan Police, and was, I think, unknown to the public, his position being concealed after 1878 by his occupying the post of Secretary to the Prison Commissioners. His work consisted mainly of collecting information from a few paid informants in this country and the United States.

After his failure to obtain sufficient information with regard to the dynamite conspiracies in the early eighties he was in 1884 superseded, except that he remained the means of communication with one or two important informants, particularly Le Caron. His successor was Mr. Jenkinson (afterwards Sir Edward Jenkinson, Chairman of the Manchester Ship Canal) whom Sir William Harcourt brought over from his post as Assistant Secretary in Dublin Castle. Jenkinson, who was a man of great ability, occupied rooms in the Home Office and remained entirely independent of the English Police, but he employed a good many agents, including R.I.C. men, who made inquiries and followed suspects to England and even to London.

A few months later Mr. (afterwards Sir James) Monro was appointed Assistant Commissioner in the C.I.D. and almost from the first violent conflict of opinion began between these two exceptionally able men. Mr. Monro claimed complete control or all inquiries and Police action in the Metropolitan Police District and objected to the presence of R.I.C. men and of Jenkinson's informants in London. Jenkinson, on the other hand, urged that it was impossible that he could deal with Irish conspiracies if his work had to cease the moment his inquiries or pursuit of criminals reached the Metropolitan Police District. Several attempts were made at compromise and co-operation. Sir William Harcourt and Sir Richard Cross generally supported Mr. Jenkinson, but Mr. Childers in 1886 decided that no k.I.C. officers or informants were to come to London and finally Sir Henry Matthews in December, 1886, abolished Mr. Jenkinson's office and entrusted the whole work to Mr. Monro.

For a period of eighteen months from January, 1887, to August, 1888, the Home Office Secret Service work and the charge of the C.I.D. were combined in the hands of Mr. Monro, and, so far as I know, the arrangement worked well, but in 1888 Mr. Monro found his position intolerable on account of the interference of Sir Charles Warren, then Commissioner of Police, with his position as head of the C.I.D. (in matters other than Secret Service work) and he resigned the post of Assistant Commissioner. He was then put in charge of a "special Intelligence Department" in the Home Office in which it

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was arranged he should carry on the Secret Service work, and somewhat elabor le arrangements were made as to his relations to the Commissioner of Police. These may be summarised as follows:-

responsible. Action outside will be arranged by Mr. Monro and where combined action is necessary it will be settled by both in consultation. As regards information, Mr. Monro will collect information inside and outside the Metropolis by his own agents and not employ Metropolitan Police, and will communicate to the Commissioner any information bearing on the Metropolis. The Commissioner will communicate to Mr. Monro information he may receive bearing on his duties outside the Metropolis. Communication will be by weekly precis and when necessary by special memorandum.

These arrangements had, however, hardly been settled when Sir Charles Warren after openly defying the Home Secretary resigned and Monro was appointed Commissioner of Police. He carried back with him to Scotland Yard his Secret Service work and continued to control it from there, and, so far as I know, this worked successfully.

On Monro's resignation after a quarrel with the Home Secretary in 1890, new arrangements were made. Major (afterwards Sir Nicolas) Gosselin, an Irish Resident Magistrate seconded for Secret Service work and employed first by Jenkinson and then by Monro, was appointed Intelligence Officer directly under the Home Office. He was given control of all the work paid from the Secret Service Fund and arrangements were made to ensure close co-operation with the C.I.D. which since August, 1888 had been under the charge of Sir Robert Anderson, as Assistant Commissioner.

Mr. H.G. Armstrong, now Consul-General in New York was appointed Gosselin's American secret agent.

In the years which followed from 1890 to 1904, very important work was carried on in this country and in America by Gosselin and Armstrong. It was done very quietly and Major Gosselin by a combination of tact and energy was able to overcome Sir Robert Anderson's opposition to measures for which he (Anderson) afterwards claimed sole oredit. In 1904 when Gosselin retired Mr. C.A. Wilkins, an old Indian Civil Servant, succeeded him, but he acted merely as an agent for collecting and distributing information supplied from America by Armstrong, active work in the Metropolitan Police District being left entirely to Sir Edward Henry, while in America Armstrong did most things on his own initiative and did them well. This continued until 1916, when in consequence of the death of an informant whose papers fell into the hands of the Clan-na-Gael, it became necessary to revise the whole of the arrangements in America. Armstrong returned to this country and it was proposed that he should succeed Wilkins and take active charge of the collection of information not only in America but in England, Scotland and to some extent in Ireland. however, that after twenty-six years in the United States he had lost touch with affairs here and could not do the work to his own satisfaction, and he resigned and returned to America where after a time he was appointed Consul at

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Boston and later Consul-General in New York, the office he still holds.

Colonel Frank Hall, of M.I.5., then took over the post of Home Office Intelligence Officer: and while still retaining charge of a small branch of M.I.5., carried on successfully the collection and distribution of information about Sinn Fein activities in England and the U.S.A. He was unable, however, to get good informants in Ireland, and in April, 1920, in compliance with the decision of Lord Curzon's Committee, the work was handed over to Sir Basil Thomson.

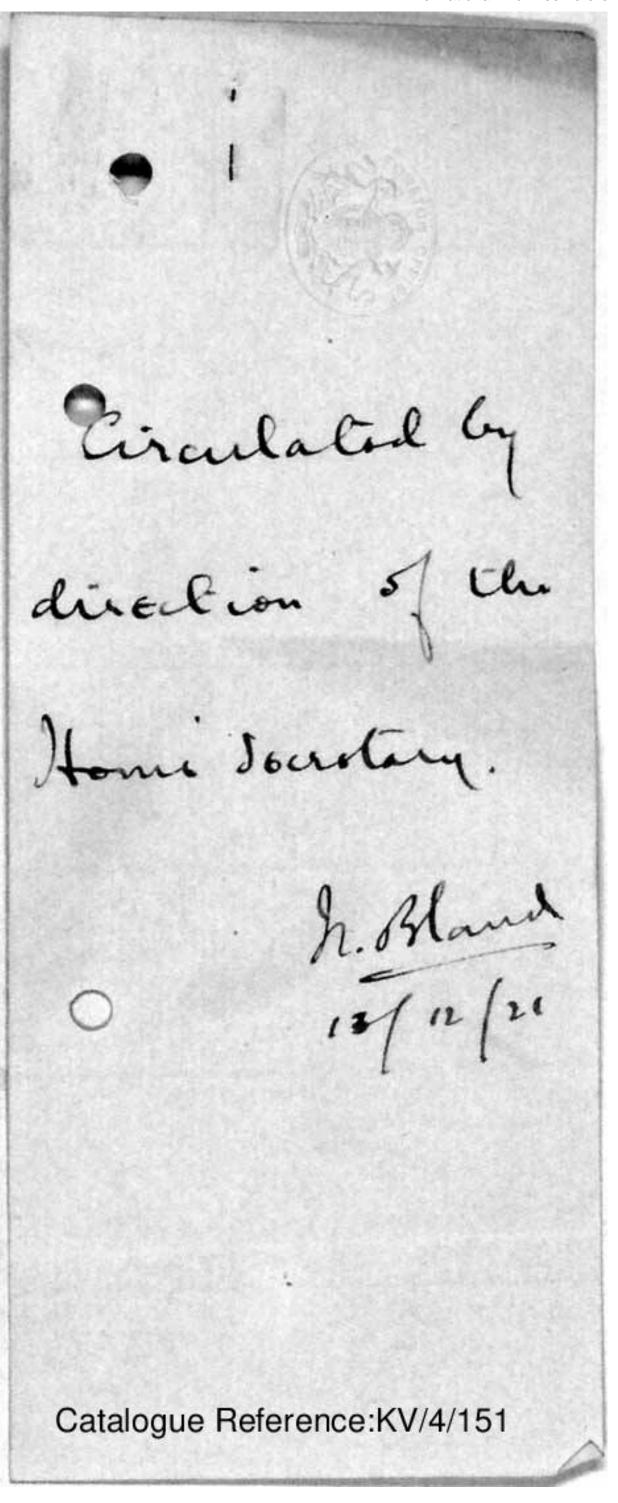
The conclusions to be drawn are, I think, that there is an insuperable difficulty in fixing the line of demarcation between the Intelligence Officer under the Home Office and the Commissioner of Police. If the Commissioner of Police is to be complete master in his own house he must control not only all action but all collection of information in the Metropolitan Police On the other hand, the Intelligence Officer under the Home Department cannot exclude the Metropolitan Police District from the scope of his work: inquiries instituted outside London must often be followed up in London and action to be taken in provincial towns on the information he supplies must be co-ordinated with action by the Metropolitan Police. the Commissioner of Police (or the Assistant Commissioner if the work is left in his hands) and the Intelligence Officer are men of sound judgment, tactful and willing to co-operate, all difficulties can be overcome but not otherwise. Monro and jenkinson were both men of singular ability and energy but they would not on-operate and one of them had to succumb. On the other hand in similar circumstances Gosselin co-operated successfully (in spite of difficulties) with Sir Robert Anderson, and afterwards (easily) with Sir Edward Henry (Assistant Commissioner 1901-1903) and with his successor Sir Melville Maona shton.

I would add that the work is now far too heavy and extensive for the Commissioner of Police to direct the whole personally (as Monro did for a short time) and that, whatever distribution of duties is adopted, it is essential that the Home Office Intelligence Officer and the Metropolitan Executive Authority if they are not the same person should be in the closest personal contact. Such personal contact is not of course essential for the issue of weekly or monthly reports, such as were instituted if or the first time by Sir Basil Thomson: but the obtaining and communication of information as to crimes, plots and conspiracies which have to be met by executive action is of incomparably greater importance, and does require immediate and often personal contact.

E.T. 28.11.21

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SEORET.

DIRECTOR GENERAL OF SECRET SERVICE.

MEMORANDUM BY THE HOME SECRETARY.

mission of admission tende com to renolations described

'I' would employ his own agents, and

As I understand it, the intention of the Committee is that there should be a Director of Intelligence whose duty it should be to collect, arrange and distribute all the information which it is the duty of a Secret Service to obtain.

The Director should be directly under the Home Scoretary and be entirely independent of the Police or any other executive body. Being se independent, he could have no executive power.

He would receive from M.I.5, "O," the Commissioner of Metropolitan Police and all Chief Constables the reports which Sir Basil Thomson received, and he would also be free to collect information in any other way that seemed proper to him. His staff and all his own agents would be on the Secret Service Voto. He must be in the closest touch with the Police in order that executive action can be taken without loss of a moment.

I think this intention could be carried out in the following way. As far as possible, the existence and identity of the Director should be secret, and he might be known as "X". He should not have his offices in Scotland Yard, but he should be as near to it as possible; and I would suggest that the rooms which we now rent at St. Stephen's House would be suitable for the purpose. If the Committee decides, as I hope it will, to combine in Colonel Kell the work of Director and K.I.5, he could be consulted as to whether the rooms would be suitable.

I would suggest that "X" should be equal in rank with an Assistant Commissioner. The Assistant Commissioner who would deal directly with "X" would be Colonel Childs. "X" would collect all intelligence, both general intelligence and intelligence with respect to individuals, and communicate it to the Police for general information by way of periodical reports and for executive action if and when such action is required. It is particularly important that he should be in the closest touch with the Assistant Commissioner, and arrangements should be made that they should meet at least daily for personal conference. It would, of course, have to be decided which should go to the other, and I would suggest that the junior in appointment should go to the senior; that, however, is a detail.

As "I", being independent, would have no executive powers, the responsibility for arrest must remain with the Commissioner or Assistant Commissioner in the Metropolis and elsewhere with the

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DIRECTOR GRANATA OF SECRET SARVIORS

Chief Constable, as they would have to decide upon the information whether an arrest should or should not be made. "X" should have a direct appeal to the Home Sepretary in case of a refusal to act. "I" would employ his own agents, and he could also arrange with the Assistant Commissioner or any Chief Constable to obtain the loan of capable detective officers for any special purpose, but any officer so employed would cease, for the time being, to excreise any executive powers as a constable and would be merely an inquiry agent acting under "X's" direction.

The question whether in any particular case an inquiry should be taken up by "X" or by the regular Police of the particular district in which the inquiry is to be made, should be a matter of arrangement between "X" and the Assistant Commissioner or the particular Chief Constable. To tessinaismod ent .0 .d.I.M mort extees hims all

Thisf Corntables the reports which file Basil Thomas "I" should prepare a weekly summary of important information for the Cabinet, and a circular containing Police information for the Ohief Constables. He should also report weekly to the Home Secretary and the Commissioner information received from any quarter with regard to Sinn Fein or Revolutionary activities. · CERTAIN BE

The other reports issued by Sir Basil Thomson, the monthly Foreign Report and the Daily Labour Report, should be dropped, though the last-mentioned would be revived in time of emergency.

I think Colonel Kell could combine the work of Director with M.I.5, with, of course, an increase of salary.

would be stitude for the purpose. If the Committee decides, as I hope

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THE SECRET SERVICE

I find myself in general agreement with the proposals contained in the Home Secretary's memorandum S.F.4.9-10 dated 12.12.21.

With regard to the internal organisation of the Home Secret Service various points of detail will arise on which the Committee will decide after hearing Colonel Childs and Colonel Kell at the next meeting. Among these I would at present refer only to the proposal that liaison between these two officers should be maintained by the junior in appointment making a daily call upon the senior. The Home Secretary accepts the principle of equality of status between these two officers, but, as Colonel Childs has already been appointed, the arrangement proposed by the Home Secretary would mean in practice that the Director of Intelligence would be placed under the obligation of making a daily call upon the Assistant Commissioner. It is only a matter of detail, but, as this question of status is known to be a thorny one and to have given rise to many difficulties in the past, I suggest that in this and in any similar cases that may occur, an equal obligation should be laid upon each officer.

But a much more important question concerns the relations between the Home Secret Service and the S.I.S. which works under the Foreign Office. In my opinion close liaison should continue to be maintained between the two services, but in order to prevent any form of overlapping, which is the root of all evil in Secret Service work, the sphere of the Director of Intelligence should be restricted geographically to work at home. His designation should not be "Director of Secret Service" which is the heading of the Home Secretary's memorandum, but Director of Intelligence as suggested in the first paragraph. It should be made clear

in

in the definition of his duties that they are only concerned with Secret Service work in this country and again in the third paragraph the liberty given him to collect information in any way that seemed proper to him should be subject to the same limitation. For information from abroad he should apply to the S.I.S.

I am aware that there was imposed upon Sir Basil Thomson a sort of vague responsibility for reporting to the Cabinet on all Secret Service work, but it was precisely where he stepped outside the geographical limits proper to a Home Secret Service that mistakes were made as in the case of the forged copies of the "Pravda" and in the circulation of the Monthly Summary on Revolutionary Movements Abroad, which was severely criticised by the Warren Fisher Committee. I am quite prepared to concur in the Home Secretary's proposal to discontinue that report but any such report should be issued, if at all, by the S.I.S. who alone have the knowledge, experience, close liaison with the Foreign Office and War Office and intimate acquaintance with the work and records of their representatives abroad which is essential for a just appraisement of the value of their information and its arrangement each month in true perspective.

W.S.C.

24.12.

SECRET SERVICE.

MEMORANDUM BY THE HOME SECRETARY ON MR. CHURCHILL'S NOTE OF THE 24TH DECEMBER. 1914

I agree with Mr. Churchill's suggestion that the Mome Office Secret Service Department should confine its operations to the United Kingdom, provided that -

- (1) The S.I.S. of the Foreign Office will continue to supply it with information with regard to foreigners abroad in whom it may be interested, and foreign affairs which directly affect home affairs. The Aliens Branch of the Home Office requires information with regard to suspected foreigners coming to this country. At present the B. of I. picks out from the information supplied by the S.I.S. the information necessary to answer Home Office inquiries: and this should continue unless the S.I.S. can undertake to answer Home Office inquiries directly.
- (2) That it retains the American Agency for collecting information as to Irish conspiracies in the U.S.A. The maintenance of this Agency is essential. It is kept entirely distinct from the Foreign Office Service and British Consuls in the U.S.A., and there is no overlapping.

"Director of Secret Service" was a clerical error;
"Director of Intelligence" is the designation which I proposed.

M. S.

13th January, 1922.

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been circulated only to the following:-

H.M. The King.

The Prime Minister.

Mr. Chamberlain.

Lord Curzon.

Sir Robert Horne,

Mr E. Shortt.

Sir L. Worthington Evans.

Lord Lee.

Mr. Churchill.

Sir Hamar Greenwood.

Sir Warren Fisher.

Sir Eyra Crowe.

Sir M. Hankey.

Catalogue Reference: KV/4/151

4 april 1922

Sul bonkington Evans

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MOST SECRET.

15/B/13.

CABINET.

REPORT

of

SIR WARREN FISHER'S COMMITTEE ON SECRET SERVICE.

(Reference - Conference of Ministers of February 20, 1922.)

Terms of Reference:-

- (1) To report to the Cabinet as to the best allocation of the £200,000 to be inserted in the 1922/23 Estimates for Secret Service;
- (2) In reporting, to state whether any, and if so, what essential services would have to be abandoned or drastically curtailed, in consequence of the fixing of the aggregate provision for 1922/23 at £200,000.

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The original entirate for morest Service, 1922/35, was £180,000, under which the allocation to foreign intelligence was limited to £65,000. The sum was criticised in some quarters as inadequate, and, as a result, the Conference of Ministers, by which this Committee was appointed, raised the total Secret Service estimate, by £20,000 to £200,000. The addition of this £20,000 enabled the foreign intelligence estimate to be raised to £85,000, and we set ourselves to ascertain whether, if necessary, this sum could be further increased by economies on other subheads of the Secret Service vote.

Adopting the principle that the spending departments should rely, for unforeseen charges, on a general reserve fund in preference to allocating sums to "contingencies" in their respective estimates, we felt that it was desirable also to increase this reserve fund, which, standing at \$21,000 did not, in our opinion, provide sufficient margin for all exentualities.

Thus, in considering the redistribution of the total vote, we had two objects in view, primarily to augment so far as might be requisite the sum designated to foreign intelligence, and, secondly, to raise the reserve fund to a more satisfactory level.

Our recommendations may be seen at a glance in the comparative table annexed to this report. Leaving the Foreign Office, M.I.5, and the departments spending £500 or under as they stand in the original estimates, we have ascertained that the Irish Office are willing to forego their £10,000, subject to the possibility of drawing

for small sums, if need arises, on the general contingencies fund. We are advised that this arrangement will prove satisfactory if the Irish settlement progresses favourably. If, on the other hand, a serious

conflagration

-2--



conflagration occurs later, we regard it as out of the question to make adequate provision for consequent secret service expenditure from a total vote of 2200,000, and have therefore designedly excluded this possibility from our conclusions.

The Home Office are now in a position to reduce their estimate from £15,000 to £12,000 and anticipate no loss of efficiency thereby.

The War Office originally estimated for £42,900, of which £40,000 was allocated to Field Intelligence. The balance of £2,000 has been reduced to £2,200, and there is good reason to hope for economies amounting to 25 or even 50 per cent. in the Field Intelligence Funds allotted to the G.O.C. at Constantinople; we were informed that a report on this matter was awaited from General Harington.

The reductions indicated above (apart from Field Intelligence, Constantinople) release for re-allocation a total of 213,700. From this sum we recommend that 25,000 be added to the foreign intelligence funds to bring these to a total of 290,000. This figure compares with 2132,000 which (exclusive of a reserve for contingencies) was the smount suggested by some members of the Conference of Ministers.

After careful discussion and consultation with the authorities primarily concerned, we are satisfied that for £90,000 a foreign intelligence organisation can be provided, while necessarily of a less elaborate character, will nevertheless cover all the countries contemplated under the higher scale of expenditure, and will involve neither the abandonment, nor unduly drastic ourtailment, of any essential services.

Apart from any saving that may be looked for on Field Intelligence, Constantinople, the redistribution of funds.....

-3-

8

funds on the above basis leaves a residue for contingencies of £19,700. This sum should prove sufficient for all ordinary emergencies, and we therefore recommend that the £200,000 allocated to Secret Service in the estimates for 1922/23 be re-allotted as shown in Column 0 in the accompanying table.

(Sgd.) N.F. WARREN FISHER.

(Sgd.) EYRE A. CROWE.

(Sgd.) M.P.A. HANKEY.

A CONTRACTOR OF THE PARTY OF THE PARTY.

21、中国大学工作,1000年,1

2 Whitehall Gardons, S.W.l.
4th April, 1922.

-4-

Catalogue Reference: KV/4/151

15/8/13.

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Lord Lee.

Mr. Churchill.

air warren Tisher.

Sir Byre Crowe.

Sir E. Hankey.

Catalogue Reference: KV/4/151

	A. 1921-2 ised Estimate.	g 1922-3. Estimate as pro posed.	C. 1922-3. - Estimate as revised
Foreign Office.			
Foreign Office	28,000	20,000	20,000
Contre Espionege 19,300		15,000	, pp. 15,000
пС п	100,000	65,000	90,000
Total	147,300	100,000	125,000
Iome Office	18,000	15,000	12,000
Irish Office	100,000	10,000	
Tar Office	2,900	\$ 42,900.	d 42,200
dmirelty	500	,500	500
ir Ministry	500	500	500
colonial Office	100	100	100
Margin	30,700	31,000	19,700
*	300,000	200,000	200,000
Excludes Field £90,000	sefvice		Íncludes field service £40,000

Image Reference:31

-5-

Catalogue Reference:KV/4/151

10 July 1922

Si. h. Worthington board

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15/B/13(3)

Copy No.

OABINET.

Memorandum by the Chancellor of the Exchequer.

I wish to bring before my colleagues the proposal of the Aliens and Nationality Committee, endorsed by the Home Office, the Board of Trade and the Department of Overseas Trade, to abolish the British Visa in Holland, Switzerland, Laxemburg, Norway, Sweden, Denmark, Italy, Spain and Portugal, of course on a reciprocal basis.

I understand that the public agitation against passports and Visas was taken into account by the Committee; but that the Foreign Office and the Special Branch of Scotland Yard are against the abolition of Visas, especially in the Scandinavian Countries, for reasons indicated in this note which are necessarily of a confidential character.

The question has an important/aspect, for though the partial abolition of the Passport Control proposed would leave the expenditure for the Passport Control System (if the United States of America does not alter her system also) covered by the receipts; and though no extra expense would be incurred upon the Alien Immigration Staff at the British

Ports it seems that considerable extra annual expenditure would be required for Secret Service:-

(a) by Scotland Yard on the abolition of the Visa in:-

(b) by the Foreign Office in:-

£17,000

Though, therefore, on the assumption that the Estimates will not need to be increased, the Treasury cannot object to the proposed abolition of Visa, an extra £17,000 per annum on Secret Service would make a serious inroad on the funds available this year (which will not necessarily be as large next year). It is worth while, then, considering whether the abolition of the Visa in the Countries named is really pressed for by public opinion, and whether the Aliens and Nationality Committee attached sufficient weight to the arguments put forward by Scotland Yard. Those arguments are, briefly:-

- (1) That the agitation against the Visa System has largely died away (the abolition of the Visa in France and Belgium has met the bulk of the complaints, for it is to those countries that British travellers chiefly resort).
- (2) That the state of Europe is still very unsettled and the revolutionary propaganda more active than ever.
- (3) That the Scandinavian Countries are likely to become Headquarters of the revolutionary propaganda in future.
- (4) That the present Passport Control System affords excellent "cover" for Secret Service work, which would

Catalogue Reference: KV/4/151

lose this by abolition of the Visa.

- (5) That difficulties put in the way of travellers might be largely reduced, even if the Visa System is retained, by diplomatic action.
- (6) That international police work, and a growing system of international control over the movements of undesirables would be checked by the disappearance of the system.

I may say that I am informed that, though the United States of America has announced its intention of retaining the Visa, whatever happens, a Bill has been introduced into Congress to reduce the fee from \$10 to \$2. If this passes, the receipts from Visa fees might not meet expenses, and the system as a whole might cease to be self-supporting.

I think that the unpopularity of the Visa System, and the volume of trade and tourist traffic in the Countries named, are not sufficient reasons for incurring an extra expenditure of £17,000 per annum and the risk of losing receipts which would be particularly valuable towards the solvency of the Passport Control Service if the American reduction of fees materialises. I suggest, therefore, that there should be no further abolition of the Visa for the present and that the recommendations of the Committee be held up.

propose, as a compromise that the reciprocal abolition of Visa might be confined to Switzerland, Italy, Spain, Portugal and Luxemburg, reducing the Scotland Yard expenditure to £1,000 and the Foreign Office expenditure to about £5,000 - or some £6,000 in all instead of £17,000. But I should be strongly disinclined to incur an extra expenditure of even £6,000 per annum at present in the absence of any urgent proved necessity.

Treasury Chambers, 10th July, 1922.

R.S.H.

15/B/13 (No. 4)

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Sir L. Worthington-Evans.
Lord Lee.
Mr. Churchill.
Sir Warren Fisher.
Sir Eyre Crowe.
Sir Haurice Hankey.

31st, July, 1922.

Catalogue Reference: KV/4/151

31 July 1922 Sin L Worthington Evan

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CABINET.

PROPOSED PARTIAL ABOLITION OF VISAS.

Memorandum by the Home Secretary.

In view of the conflict of opinion disclosed by the Chancellor of the Exchequer's memorandum of the 10th July (15/B/13%) I asked Sir John Anderson to confer with Sir Warren Fisher and Sir Eyre Crowe with a view to seeing whether an accommodation could not be arrived at,

As a result of the Conference which has taken place it is now recommended that the reciprocal abolition of the visa should be limited in the first instance to the countries named in the last paragraph of the above mentioned memorandum (i.e. Switzerland, Italy, Spain, Portugal and Luxemburg) with the addition of Holland. I concur in this recommendation though I am bound to add that in my opinion the demand from the three Scandinavian countries for like treatment is one which cannot be resisted for very long.

The limitation now suggested will reduce the financial difficulties upon which stress was laid by the Chancellor of the Exchequer within narrow dimensions and I am assured that so reduced those difficulties can be overcome without the necessity of any further appeal to Parliament.

I have conferred with the authorities at Scotland Yard and I am satisfied that no evil consequences need be apprehended from the point of view with which they are mainly concerned. I would propose therefore, unless any of my colleagues should intimate a desire to discuss the matter, that action should now be taken upon the lines indicated.

E. S.

31st, July, 1922.

Catalogue Reference: KV/4/151

FOREIGN SECRET SERVICE VOTE.

LORD CURZON:

You will remember that the Committee on Secret Service on which I sat in the summer of last year recommended, in their report to the Cabinet, that the 1922 - 1923 estimate for Foreign Secret Service should be limited to £100,000, and that the total Secret Service vote should not exceed £200,000.

The Committee's report, so far as I know, has never been considered by the Cabinet, but the Treasury have taken the approval of its recommendations for granted and have limited us to the £100,000 total. Of this I proposed to allot:

(a) £65,000 to "foreign intelligence", that is to say "C";

(b)/

Catalogue Reference: KV/4/151

- (b) £15,000 to counter espionage (at home);

not been questioned, but the War Office, supported by the Air Ministry, have protested vigorously against the reduction of C's allotment to £65,000, which sum they claim to be quite inadequate to their requirements, and they are pressing for a service from him which, on his computation, cannot be provided for less than £150,000. The Admiralty, on the other hand, were prepared, at any rate last month, to acquiesce in the reduction to £65,000.

on £65,000 C. could maintain organisations (on a greatly reduced scale) in, or dealing

with/

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The figures for the year now closing were:
(a) £100,000; (b) £19,300, and (c) £28,000.

with:

Constantinople and the Near East,

Russia,

Germany and Holland,

North America,

Far East;

and although, owing to the consequential diminution of the headquarter staff, we should no longer count upon getting the elaborate summaries at present prepared for us, my own view is that we should not be justified in pressing for more than £65,000; and, as you know, that has been the opinion of Lord Hardinge since 1919. How far the claims of the fighting services are justified, it is of course impossible for us to judge, and in the controversy between them and the economists, which, I am told, is about to come to a head, we can, in my opinion, sarely side, so far as this office is concerned, with the economists.

AC.

January 26, 1922.

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FOR INFORMATION

Lord Curron (CHT)

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MOST SECRET.

DRAFT CONCLUSIONS of a Conference of Ministers held in the Ministers' Conference Room, House of Commons, S.W., on Monday, February, 20th, 1922, at 5 p.m.

PRESENT :-

THE PRIME MINISTER

(IN THE CHAIR).

The Right Hon. Sir Robert Horno, B.E., K.C., M.P., Chancellor of the Exchequer.

The Right Hon. W.S. Churchill, M.P., Secretary of State for the Colonies.

The Right Hon. Sir L. Worthington Evens, Bart., I.P., Secretary of State for War.

The Right Hon. E. Shortt, K.C., M.P., Secretary of State for Home Affairs.

The Right Hon. E.S. Montagu, M.P., Secretary of State for India.

The Right Hon. The Lord Lee of Fareham, G.B.E., I.C.B., First Lord of the Admiralty.

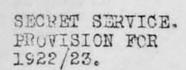
THE FOLLOWING VERE ALSO PRESENT :-

C.B.E., D.S.O., M.P., Secretary of State for Air.

Sir Eyre Crowe, G.C.M.G., K.C.B., Permanent Under Secretary of State Foreign Office.

Sir Warren Fisher, K.C.B., Permanent Secretary, Treasury. Mr. O.E. Niemeyer, C.B., Deputy Controller of Finance, Treasury.

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The Conference had under consideration the question of the provision to be made in the Estimates for 1922/23 for Secret Service.

The Conference was reminded that in 1913/14 the expenditure on this service was £46,000, while for 1921/22 the estimate was £300,000 plus £91,000 on War Office votes and the provisional estimate for 1922/23 was £200,000. This latter figure the Committee on National Expenditure and the Treasury considered should be reduced to £180,000. It was urged that economies should be effected on Secret Service as on other services, that it was unreasonable to maintain so elaborate an organisation long after the war and increasingly difficult to defend so large a provision in the house of Commons.

on the other hand it was represented that the reductions proposed would ruin an organisation which had proved efficient and useful and would result in the waste of money already expended. Whild economies might be possible in certain directions it was most important, particularly from the Military and Air Force point of view, to maintain certain services which could not be readily re-established if cross abancoped.

The view was ex ressed that the country got an inadequate return for expenditure on this service; that it would be preferable to spend the money on reliable information as to the economic, financial and industrial conditions in countries like Germany; that other and less elaborate and costly means of obtaining intelligence were available and that in any case the present system involved a certain amount of waste

and

and overlapping.

After some discussion on the present allocation of vote the conference agreed:-

- (1) That the aggregate amount to be inserted in the 1922/23 estimates for Secret Service, should be £200,000.
- (2) That the Committee which had considered the question in 1921 namely, Sir N.F. Warren Fisher (Chairman), Sir Eyre A. Orowe and Sir M.P.A. Hankey, should be requested to report to the Cabinet as to the best allocation of the above named sum of £200,000.
- (3) That the Committee's Report should state whether any and if so what essential services would have to be abandoned or drastically ourtailed, in consequence of the fixing of the aggregate provision for 1922/23 at £200,000.

2, Whitehall Gardens, S.W.I. 20th February, 1922.

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Reference No 15/13/13 (No 2)

Copy No.2.

Note on the Secret Service by the Secretary of State
for War.

For 1921-22 'C' of the Secret Service got £125,000. Sir Hyre Crowe has informed us that this year the grant will only be £65,000.

Even with the £125,000 grant it was not possible to maintain a S.I.S. service in all countries, not even in France, Austria, Hungary and the U.S.A.

Though war no linger exists the situations all over the world are so complex that greater vigilance on the part of S.I.S. is required than in 1914.

If the grant is reduced to £65,000 it means that the whole of the system will have to be re-cast, and it will happen that the spade work already put in will be completely lost and the money previously spent on it thus wasted.

It is considered vital that the money available for S.I.S. should remain constant: if agents get the idea that they may be thrown over at any moment, we cannot expect to find them, while to confine S.I.S. activities to certain limited areas only so impairs the general efficiency and reliability of the S.I.S. as to render it to a large extent ineffective.

It is considered that to produce the military and political information demanded the minimum financial requirements for the S.I.S. for 1922-23 are -

Increase due to absorption in S.I.S. for 1922-23 of work done by the Intelligence Branch of the General Staff in Constantinople, Egypt, and Rhine areas (then costing 237,200).

25,000.

£150,000.

£125,000.

Catalogue Reference: KV/4/151

Last year Mr.Churchill, when Secretary of State for War, entered a strong protest against the reduction then proposed. I understand the Admiralty, Air Ministry and the Colonial Office are all strongly opposed to a reduction this year.

I attach two Tables showing how the two sums of 2150,000 and £65,000 would be appropriated.

Catalogue Reference:KV/4/151

TABLE NO. 1.	
£150,000.	
HEADQUARTERS	reduced by 5%
S.Russia Caucasus Syria Palestine Egypt Greece	at present strongth.
RUSSIA Esthonia Finland Letvia Lithuania Bweden	at present strength.
GREMANY	
Special limison Berlin Rhine Provinces	reduced by 33%
Poland Norway Denmark Holland France Belgium Italy Switzerland Spain Portugal Canada South America	reduced by 50%
Contingent	18%

TABLE NO. 2.

265,000.

Headquarters reduced by 33%
Constantinople and Rear East seduced by 40%
Russia reduced by 33%

Germany reduced by 66% reduced by 90%

Canada (For U.S.A.)

Contingent remaining about 3% (should be 15%)

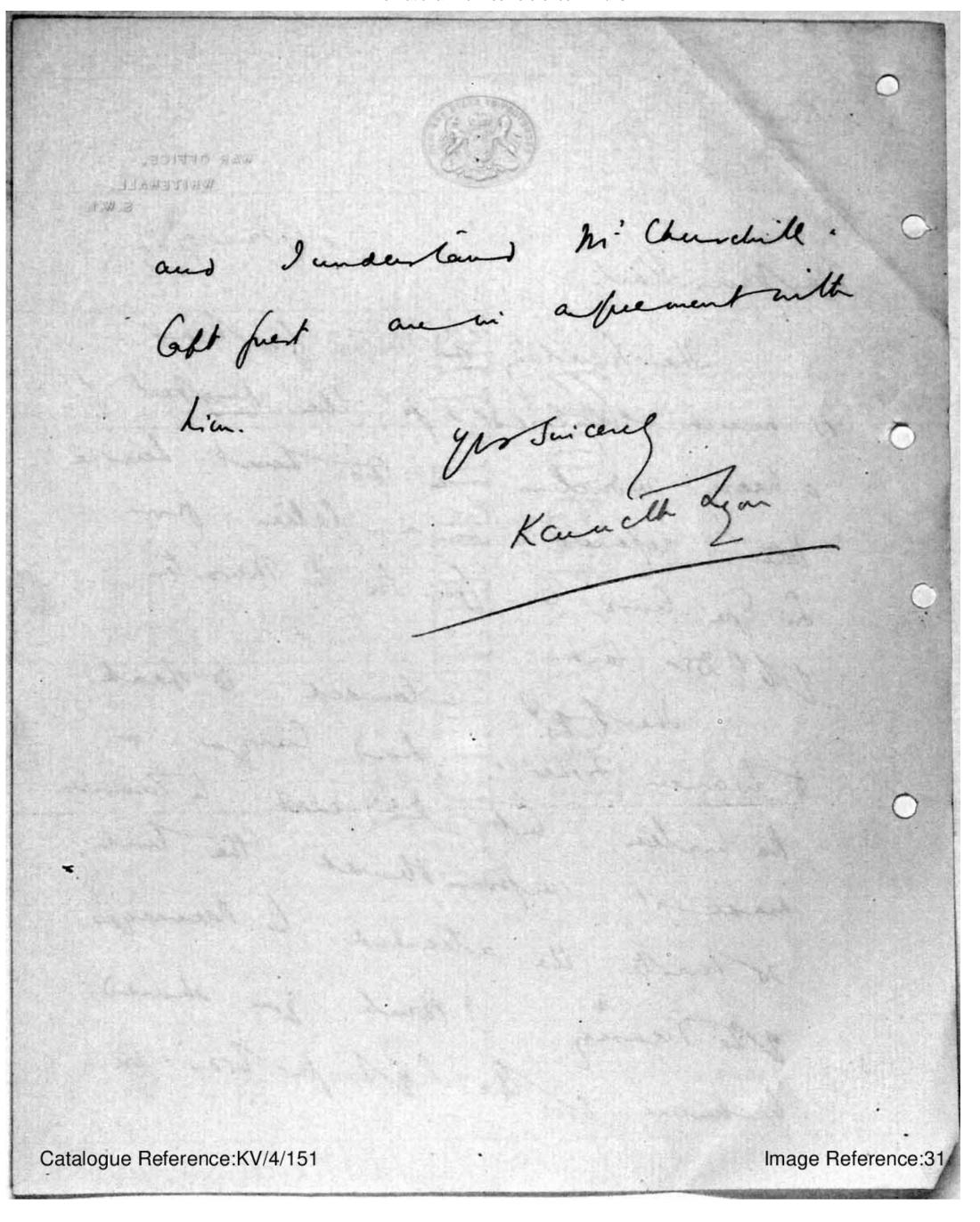
It should be noted that the above scheme involves the complete closing down of the S.I.S. branches in:-

Austria. Belgium. Bulgaria. Czecho-Slovakia. Denmark. Egypt. Finland. France. Greece. Hungary. Italy. Jugo Slavis. latvia. Lithuania. Norway. Palestine. Poland. Portugal. Roumania. South America. Spain. Sweden. Switzerland.

All contre-espionage work for M.I.5., all anti-Bolshevik investigations and all work for D.O.T. and Colonial Office - except in the 5 Centres in which an organisation will be maintained.

Catalogue Reference: KV/4/151

Sact WAR OFFICE, 7 Jan 1922. D'a Noun last The Seculary of State for how is much someword at the husbest of a heavy wonden a the Levet Levice lote referres to ai a Celier from hi gre hans to ben. hi h. Than tes 16 P Dir. Cent. The S. of tended to speak Duanen Fisher: Lad Curza an the malier, but his wish to tame. have it importible at the limit, Norte the atracked & Niemege The Transmy I think In showed he aware of the S. g.S. for war, view Catalogue Reference: KV/4/151 Image Reference:31



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SECRET.

80/1202.

5th January, 1922.

Dear Niemeyer,

The Secretary of State for War hoped to have found an opportunity of seeing you about the Funds to be allotted to the Secret Service for 1922-23.

For 1921-22 'C' of the Secret Service got £125,000. Sir Eyre Crowe has informed us that this year the grant will only be £65,000.

Even with the £125,000 grant it was not possible to maintain a S.I.S. service in all countries, not even in France, Austria, Hungary, and the U.S.A. The view taken here is that though war no longer exists the situations all over the world are so complex that greater vigilance on the part of S.I.S. is required than in 1914.

If the grant is reduced to £65,000 it means that the whole of the system will have to be re-cast, and it will happen that the spade work already put in will be completely lost and the money previously spent on it thus wasted.

It is considered vital that the money available for S.I.S. should remain constant: if agents get the idea that they may be thrown over at any moment, we cannot expect to find them, while to confine S.I.S. activities to certain limited areas only so impairs the general efficiency and reliability of the S.I.S. as to render it to a large extent ineffective.

This is considered that to produce the military and the safe political information demanded the minimum financial requirements for the S.I.S. for 1922-23 are -.

OTC -

Catalogue Reference: KV/4/151

Grant as in 1921-22.
Increase due to absorption in S.I.S. for 1922-23 of work done by the Intelligence Branch of the General Staff in Constantinople, Egypt, and Rhine areas (then costing £37,200).

£ 125,000.

25,000.

2150,000.

Last year Mr.Churchill, when Secretary of State for War, entered a strong protest against the reduction then proposed. I understand the Admiralty, Air Ministry and the Colonial Office are all strongly opposed to a reduction this year and before any final decision is taken I hope you will see that my Chief is consulted.

Yours sincerely,

(Sd.) K.L.

Catalogue Reference: KV/4/151

SECRET.

D.M.I.

On the 1st February it will become necessary for the S.I.S. to commence issuing orders to its representatives abroad as to the allocation of funds for the ensuing financial year.

In view of the Foreign Office instructions to the S.I.S. to frame its estimates on £65,000, a meeting of the Liaison Officers was recently held at which the requirements of their respective Departments were stated and an attempt was made to reconcile these with the sum allotted. (1) is appended showing the inter-departmental requirements amounting to £150,000. Also a Table (2) showing what can be done on the £65,000.

S.I.S.

(Sd.) S.G.Men zwo.

P.S. to S. of S.

I think this statement will be helpful to S. of S. when he begins his work on the S.S.Committee.

> (Sd.) Wm. Thwaites, Maj.Gen.

D.M.I. 19.1.22.

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effect of the \$150.000 the \$65.000

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Catalogue Reference: KV/4/151

TABLE NO. 2.

£65,000.

Headquarters reduced by 33%

Constantinople and Near East reduced by 40%

Russia reduced by 33%

Germany reduced by 66%

Holland reduced by 90%

Canada (For U.S.A.).

Contingent remaining about 3% (should be 15%).

It should be noted that the above scheme involves the complete closing down of the S.I.S. branches in:-

Austria. Belgium. Bulgaria. Czecho-Slovakia. Denmark. Egypt. Finland. France. Greece. Hungary. Italy. Jugo Slavia. Latvia. Lithuania. Norway. Palestine. Poland. Portugal. Roumania. South America. Spain. Sweden. Switzerland.

All contre-espionage work for M.I.5., all antiBolshevik investigations and all work for D.O.T. and Colonial
Office - except in the 5 Centres in which an organisation will
be maintained.

Catalogue Reference: KV/4/151

TABLE NO. 1.	
£150,000.	
HEADQUARTERS reduced by 5	%
TURKEY	
S.Russia) Caucasus) Syria) at present s Palestime) Egypt) Greece)	strength.
RUSSIA	
Esthonia) Finland) Latvia) at present s Lithuania) Sweden)	strength.
GERMANY	
Special liaison) Berlin) reduced by a Rhine Provinces)	33%
Poland Norway Denmark Holland France Belgium Italy Switzerland Spain Portugal Canada South America	50%
Contingent 12%	

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MOST SECRET. 15/B/13 (No.1)

CABINET.

SECRET SERVICE 1922/23.

Memorandum by the Chancellor of the Exchequer.

- The Treasury understand that the Secretary of State for War and the Secretary of State for the Colonies propose to raise at the Cabinet the question of the provision to be made in the estimates 1922-23 for Secret Service. 2. For the current year 1921-22 the estimate is 2300,000, in addition to which War Office votes are bearing charges estimated at about £91,000 for Egypt, Palestine, Constantinople and the Rhine. The provisional estimate for 1922-23 was £200,000 and it is understood that the Geddes Committee in view of the changed position in Ireland consider that this sum could be reduced to £180,000, in which figure the Treasury concur.
- 3. The total pre-war expenditure on Secret Service in the last year before the war was £46,000 (the normal estimate being £50,000).
 - 4. The following table shows the expenditure by the various departments out of Secret Service Vote, actual in 1913-14 and estimated in 1921-22 and 1922-23.

	Foreign Office.	Home Office	Colonial Office	Admi		Air Min.	Irish Govt.	Margin	Total
1913-14	39,990	3,860		495	1,625	-	870		46,840
	147,300	18,000	100	500	2,900	500	100,000	30,700	300,000
1922-23				500	2,900	500	10,000	11,000	180,000
					+40,000	7			

- 5. It may be explained -
- (a) That the Home Office increase over pre-war is due to the special department set up under Sir Basil Thomson.
- (b) That the Irish figure is a conjectural amount for winding up past operations. ((c)

Catalogue Reference: KV/4/151

(c). That the War Office figure includes in addition to the usual £2,900, £24,000 for Constantinople, £3,000 for Egypt and Palestine, £13,000 for Iraq and nothing for the Rhine, the total £40,000 for these special services being an admitted reduction of £37,000 on 1921/22.

The reason for including in the Secret Service Vote 1922-23 expenditure which in 1921-22 was borne on Army Votes is that it is only in war time that Military Field Intelligence is passed by the Comptroller and Auditor General as a charge against Army Votes without the production of vouchers (which in the nature of things cannot be given for Serret Service). It is increasingly difficult to justify such charges to Army Votes in present circumstances. Moreover, it is desirable on general grounds that all Secret Service expenditure should be shown under one head.

- (d). The main body of Secret Service expenditure is controlled by the Foreign Office, which is responsible for collecting information abroad for the use of Departments including the Service Departments and it is this item which is in dispute.
- 6. For 1921-22 the Foreign Office revised estimate is £147,300, of which £28,000 is Foreign Office proper,£19,300 Counter Espionage, and £100,000 is what is known as C's Services. The proposal is that for 1922-23 this total should be cut down to £100,000, of which Foreign Office proper is £20,000, Counter Espionage £15,000, and C. £65,000. The War Office however are not content with the ground which could be covered by C. with an expenditure of £65,000 and insist that their requirements cannot be adequately met at a less cost than £150,000. Of this sum £25,000 is allocated to C's organisations in Constantinople, Egypt and the Rhine district, hitherto

defrayed ..

defrayed from Army funds, this being in addition to the specific local provision for the areas indicated in para 5(c) above.

With regard to the balance of £125,000, this appears
to be based on the proposition that the money available for
Secret Service should remain constant and that even on
£125,000 it is not possible "to maintain a Secret Service in
all countries."

It is understood that the Foreign Office and Admiralty do not consider the proposed reduction unreasonable so far as they are concerned.

- 7. The Treasury position on the whole matter may be summed up as follows.
- (1) On general grounds it is essential that economies should be effected on Secret Service as on other Services, and with this object in view it is not reasonable to ask that every risk should be guarded against. The provision of £180,000 is approximately 4 times the pre-war expenditure, and the Foreign Office £100,000 would be $2\frac{1}{2}$ times the pre-war Foreign Office expenditure (£40,000).
- (2) It is not reasonable to maintain $3\frac{1}{2}$ years after the Armistice an organisation far more elaborate than was found sufficient in pre-war days.
- of Commons the present large provision for Secret Service and there is considerable danger that if reductions cannot be made the House will press for details of expenditure, and thus make it exceedingly difficult for Departments to preserve the necessary secrecy for such work.

These conclusions were generally accepted by the Committee (Sir Warren Fisher, Sir Maurice Hankey, and Sir Eyre Crowe) who investigated the question of Secret Service provision last year at the request of the Cabinet.

(Intd) R.S.H.

TREASURY.

28th January, 1922.

Catalogue Reference: KV/4/151

Lord angen

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT).

2

MOST SECRET.

Ref: No. 15/B/13.

CABINET.

SECRET SERVICE.

By request of the Prime Minister Mr. Chamberlain, will preside over a Conference of the under-mentioned Ministers, to be held on a date to be notified later, to consider the question of the financial provision to be made for Secret Service in the 1922/23 Estimates.

Mr. Chamberlain (in the Chair).

Lord Curzon.

Mr. Sir R. Horne, and Lord Mr. Shortt.

Mr. Churchill.

Lord Lee.

Sir L. Worthington Evans.

Capt. Guest.

Any Papers which it is desired to circulate on this subject to the above Ministersushould be addressed personally to Mr. R.B. Howorth, Officesusfithe Cabinet, 2 Whitehall Gardens, S.W. 1.

Dr regions of the Prince Mile of St. Presidente.

Exchequer [15/R/13 (No.1)] has already been circulated.

(Sgd.) R.B. Howorth.

2. Whitehall Gardens, S.W.

28th January, 1922.

Catalogue Reference:KV/4/151

Secret.

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LORD CURZON:

On January 26 I sent you a note on the present phase of the annual controversy regarding Secret Service finance. The Cabinet Secretariat have since circulated a memorandum on the question by the Secretary of State for War, in the course of which a point is made that, irrespective of the general War Office attitude, merits our support.

sir L. Worthington-Evans writes:

"It is considered vital that the money available for S.I.S. should remain constant: if agents get the idea that they may be thrown over at any moment, we cannot expect to find them".

This is quite true. One of the most serious difficulties against which the chief of the Secret Service has to contend is the insecurity of tenure that he can offer to his agents. Under existing arrangements it is no exaggeration to say that it is impossible for him to guarantee continuity to any member of the service from year to year, and under such conditions the class of material available to him is bound to be inferior.

The obvious disadvantages inherent in this state of things when money is fairly plentiful are vastly increased when the Secret Service revenue is cut down to the extent pro-

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Catalogue Reference: KV/4/151

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posed this year, since, the narrower the limits within which the service can afford to operate, the more important it is to be able to rely implicitly on the zeal and ability of the personnel, and unless the chief of the service can offer, as an offset to the modest pay at his command, some guarantee of permanency, he plainly cannot be expected to obtain anything but mediocre material.

The question is one which has been debated on more than one occasion in the past: it was discussed, for instance, at the Secret Service Committee, composed of Sir Warren Fisher, Sir Maurice Hankey and myself, last summer; but the results have never been encouraging. This may have been, however, because too much was contemplated. recently considered the matter again with the chief of the service, and he tells me that he could provide an infinitely better result if he were in a position to assure continuity at least to his chief agents, and he declares that such an assurance would not be incompatible with a revenue even of £30,000 a year (as against the minimum of £65,000 proposed for 1922 - 23).

In practice the question resolves itself into this: can a certain minimum grant, say £30,000 a year, be guaranteed in such a way that on the analogy of Govt. expenditure charged to the consolidated Fund - the payment of emoluments on a fixed scale over a reasonable period of years could

be/

be definitely offered to a certain number of the agents employed on Secret Service.

Whether or not some arrangement could be made on those lines is a question which can presumably only be decided by the Cabinet, but it is, to my mind, ultimately more important than the question whether £150,000 or only £65,000 shall be allotted to the service most years, and at the forthcoming discussion of Secret Service at the Cabinet Committee, you could support this aspect of the War Office memorandum, if you see fit, with advantage to all concerned.

OTC.

Feb. 9, 1922.

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AC.

Feb. 9, 1922.

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THE HOME OFFICE SECRET SERVICE.

HISTORICAL MOTE.

Circulated by the Home Secretary

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A short review of the history of the Home Office Secret Service may be useful, as the present difficulties only repeat those which have arisen in the past.

From 1868 (shortly after the Clerkenwell explosion) the Home Office Secret Service Officer was Dr. (afterwards Sir Robert) Anderson. He was entirely independent of the Metropolitan Police, and was, I think, unknown to the public, his position being concealed after 1878 by his occupying the post of Secretary to the Prison Commissioners. His work consisted mainly of collecting information from a few paid informants in this country and the United States.

After his failure to obtain sufficient information with regard to the dynamite conspiracies in the early eighties he was in 1884 superseded, except that he remained the means of communication with one or two important informants, particularly Le Caron. His successor was Mr. Jenkinson (afterwards Sir Edward Jenkinson, Chairman of the Manchester Ship Canal) whom Sir William Harcourt brought over from his post as Assistant Secretary in Dublin Castle. Jenkinson, who was a man of great ability, occupied rooms in the Home Office and remained entirely independent of the English Police, but he employed a good many agents, including R.I.C. men, who made inquiries and followed suspects to England and even to London.

A few months later Mr. (afterwards Sir James) Monro was appointed Assistant Commissioner in the C.I.D. and almost from the first violent conflict of opinion began between these two exceptionally able men. Mr. Monro claimed complete control or all inquiries and Police action in the Metropolitan Police District and objected to the presence of R.I.C. men and of Jenkinson's informants in London. Jenkinson, on the other hand, urged that it was impossible that he could deal with Irish conspiracies if his work had to cease the moment his inquiries or pursuit of criminals reached the Metropolitan Police District. Several attempts were made at compromise and co-operation. Sir William Harcourt and Sir Richard Cross generally supported Mr. Jenkinson, but Mr. Childers in 1886 decided that no R.I.C. officers or informants were to come to London and finally Sir Henry Matthews in December, 1886, abolished Mr. Jenkinson's office and entrusted the whole work to Mr. Monro.

For a period of eighteen months from January, 1887, to August, 1888, the Home Office Secret Service work and the charge of the C.I.D. were combined in the hands of Mr. Monro, and, so far as I know, the arrangement worked well, but in 1888 Mr. Monro found his position intolerable on account of the interference of Sir Charles Warren, then Commissioner of Police, with his position as head of the C.I.D. (in matters other than Secret Service work) and he resigned the post of Assistant Commissioner. He was then put in charge of a "special Intelligence Department" in the Home Office in which it

Catalogue Reference: KV/4/151

-2-

was arranged he should carry on the Secret Service work, and somewhat elaborate arrangements were made as to his relations to the Commissioner of Police. These may be summarised as follows:-

responsible. Action outside will be arranged by Mr. Monro and where combined action is necessary it will be settled by both in consultation. As regards information, Mr. Monro will collect information inside and outside the Metropolis by his own agents and not employ Metropolitan Police, and will communicate to the Commissioner any information bearing on the Metropolis. The Commissioner will communicate to Mr. Monro information he may receive bearing on his duties outside the Metropolis. Communication will be by weekly precis and when necessary by special memorandum.

These arrangements had, however, hardly been settled when Sir Charles Warren after openly defying the Home Secretary resigned and Monro was appointed Commissioner of Police. He carried back with him to Scotland Yard his Secret Service work and continued to control it from there, and, so far as I know, this worked successfully.

On Monro's resignation after a quarrel with the Home Secretary in 1890, new arrangements were made. Major (afterwards Sir Nicolas) Gosselin, an Irish Resident Magistrate seconded for Secret Service work and employed first by Jenkinson and then by Monro. was appointed Intelligence Officer directly under the Home Office. He was given control of all the work paid from the Secret Service Fund and arrangements were made to ensure close co-operation with the C.I.D. which since August, 1888 had been under the charge of Sir Robert Anderson, as Assistant Commissioner.

Mr. H.G. Armstrong, now Consul-General in New York was appointed Gosselin's American secret agent.

In the years which followed from 1890 to 1904, very important work was carried on in this country and in America by Gosselin and Armstrong. done very quietly and Major Gocselin by a combination of tact and energy was able to oversome Sir Robert Anderson's opposition to measures for which he (Anderson) afterwards claimed sole oredit. In 1904 when Gosselin retired Mr. C.A. Wilkins, an old Indian Civil Servant, succeeded him, but he acted merely as an agent for collecting and distributing information supplied from America by Armstrong, active work in the Metropolitan Police District being left entirely to Sir Edward Henry, while in America Armstrong did most things on his own initiative and did them well. This continued until 1916, when in consequence of the death of an informant whose papers fell into the hands of the Clan-ra-Gael, it became necessary to revise the whole of the arrangements in America. Armstrong returned to this country and it was proposed that he should succeed Wilkins and take active charge of the collection of information not only in America but in England, Scotland and to some extent in Ireland. He found, however, that after twenty-six years in the United States he had lost touch with affairs here and could not do the work to his own satisfaction, and he resigned and returned to America where after a time he was appointed Consul at

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Boston and later Consul-Ceneral in New York, the office he still holds.

Colonel Frank Hall, of M.I.5., then took over the post of Home Office Intelligence Officer: and while still retaining charge of a small branch of M.I.5., carried on successfully the collection and distribution of information about Sinn Fein activities in England and the U.S.A. He was unable, however, to get good informants in Ireland, and in April, 1920, in compliance with the decision of Lord Curzon's Committee, the work was handed over to Sir Basil Thomson.

The conclusions to be drawn are, I think, that there is an insuperable difficulty in fixing the line of demarcation between the Intelligence Officer under the Home Office and the Commissioner of Police. If the Commissioner of Police is to be complete master in his own house he must control not only all action but all collection of information in the Metropolitan Police On the other hand, the Intelligence Officer under the Home Department cannot exclude the Metropolitan Police District from the scope of his work: inquiries instituted outside London must often be followed up in London and action to be taken in provincial towns on the information he supplies must be co-ordinated with action by the Metropolitan Police. the Commissioner of Police (or the Assistant Commissioner if the work is left in his hands) and the Intelligence Officer are men of sound judgment, tactful and willing to co-operate, all difficulties can be overcome but not otherwise. Monro and jenkinson were both men of singular ability and energy but they would not one operate and one of them had to succumb. On the other hand in similar circumstances Gosselin co-operated successfully (in spite of difficulties) with Sir Robert Anderson, and afterwards (easily) with Sir Edward Henry (Assistant Commissioner 1901-1903) and with his successor Sir Melville Maonaghton.

I would add that the work is now far too heavy and extensive for the Commissioner of Police to direct the whole personally (as Monro did for a short time) and that, whatever distribution of duties is adopted, it is essential that the Home Office Intelligence Officer and the Metropolitan Executive Authority if they are not the same person should be in the closest personal contact. Such personal contact is not of course essential for the issue of weekly or monthly reports, such as were instituted for the first time by Sir Basil Thomson: but the obtaining and communication of information as to crimes, plots and conspiracies which have to be met by executive action is of incomparably greater importance, and does require immediate and often personal contact.

E.T. 28.11.21

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Secret Submunder Begistration	Land Carryan
DATE	Secret Service Committee.
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MOST SECRET.

SOVIET RUSSIA AND ENGLAND.

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Date: 6th December, 192

From: KRASSIN, LONDON,

To: CHICHERIN, MOSCOW,

Nos: 703/905 to 709/911,

Date: 19th October, 1921.

Your letter of October 2nd, No. 6.

private Secretary of LLOYD GEORGE. LLOYD GEORGE's Secretary GRIGG, WISE and two other Englishmen were prese The drifting apart of LLOYD GEORGE and CURZON is becominabundantly apparent. The former continues thinking out scheme for furnishing credits to Soviet RUSSIA in confinith unemployment, though of course he is apprehensive the same time of finding himself in an embarrassing post by affording material assistance to the Bolsheviks, who naturally hates as previously. The scheme of furnishing credits for the famine districts, for the purpose of the them in the course of a few years into purveyers of food stuffs for ENGLAND, is securing more and more attention.

satisfaction with the Bolsheviks the English are arriving more and more at the conviction that another Government in RUSSIA could not exist. In his opinion no help will be afforded to RUSSIA at the present moment by FRANCE and PRIME MINISTER.

LORD PRIVY SEAL.

S. OF S. FOR THE COLONIES.

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D.N.I.

D.M.I.

SIR B. THOMSON.

Catalogue Reference:KV/4/151

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AMERIC

AMERICA. This should be noted as confirmation of the hypothesis expressed by myself regarding the attempt of the English not to allow us to come to an agreement with the French. Of course LLOYD GEORGE as a very crafty ami careful politician may at any moment play the very dirtiest tricks on us.

CURZON (has) opened an attack against us along the whole line and is bringing pressure to bear on FRANCE and GERMANY in order to undermine any confidence towards RUSSIA and as far as possible to bring about a boycott and a rupture of the relations already entered into. At present the press has been given the word to proclaim the uselessness of the Trade Agreement, (to ask for) the recall of HODGSON and the expulsion from ENGLAND of our delegation. In a way that is difficult to understand URQUHART has nevertheless put himself at the disposal of CURZON, crossing over from the ranks of the "Kulaks" (i.e. profiteers) and tradesmen to play the rôle of a political pamphleteer. It is true that in addition to this he brings about a useful result - the depreciation of the shares of his company which later it will be possible to buy up for a mere mothing. CURZON and company have the parallel object of making things as unpleasant as possible for LLOYD GEORGE. As it is uncertain what direction the matter will take, ROBERT HORNE also expresses himself ambiguously:- "Yes, of course it was necessary to conclude the Trade Agreement, but no trade whatsoever has resulted from it."

This is a point of view that permits him at a critical moment with equal ease to take the side of CURZON CURZON is also aiming at a as well as of LLOYD GEORGE. rupture of the Agreement for the purpose of enjoying greater freedom of action at the WASHINGTON Conference, until the conclusion of which we can expect no definite steps in our favour.

CURZON'S

Catalogue Reference: KV/4/151

(60,849). Wt.3147-354, 15,000, 4/21, Gp.183, A.&E.W.

MOST SECRET.

ITALY AND COLONEL HENRY'S CONVERSATION WITH REFAT

No: 009003

Date: 17th December, 1921.

From: TORRETTA, ROME,

To: Italian Embassy, LONDON.

No: 2177.

Date: 16th December, 1921.

Your telegram 1580; my telgram 2087.

Our representative at CONSTANTINOPLE telegraphs:-

- "---BON has communicated to me through a

 --- --- intermediary, with a stipulation for absolute
 secrecy that REFAT Pasha in his conversation at
 INEBOLI with Colonel HENRY, made the following
 statements:-
- (1) that ANGORA recognises the opportuneness of a change of policy towards ENGLAND ---.
- (2) would recognise the occupation of MESOPOTAMIA as a 'fait accompli'.
- (3) would give up its Pan-(islamic?) propaganda among the Musulman subjects of ENGLAND.
- (4) believing it inexpedient that more Powers should be admitted to the zone of the Straits, would be disposed to allow that the protection of the Freedom of the Straits should be entrusted to ENGLAND alone.
- PRIME MINISTER. (5) would grant to ENGLAND mining concessions,

LORD PRIVY SEAL.

and

S. OF S. FOR THE COLONIES.

I.O.

D.N.I.

D.M.1.

SIR B. THOMSON. Catalogue Reference: KV/4/151

and particularly concessions in respect of oil, but --- BON did not give details.

In return ANGORA asks for recognition of the National Pact, and of the frontiers ----.

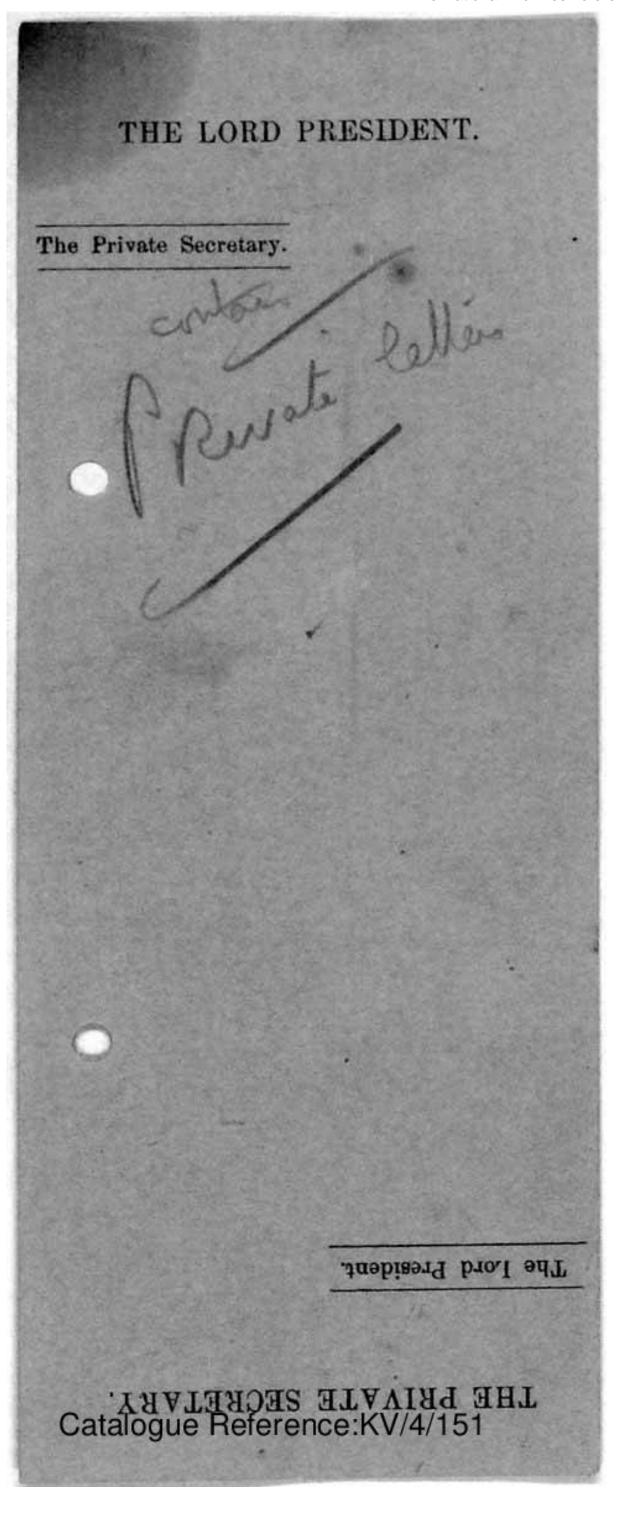
I transmit the preceding for your information but it is of the first importance to observe the most complete reserve in regard to this statement.

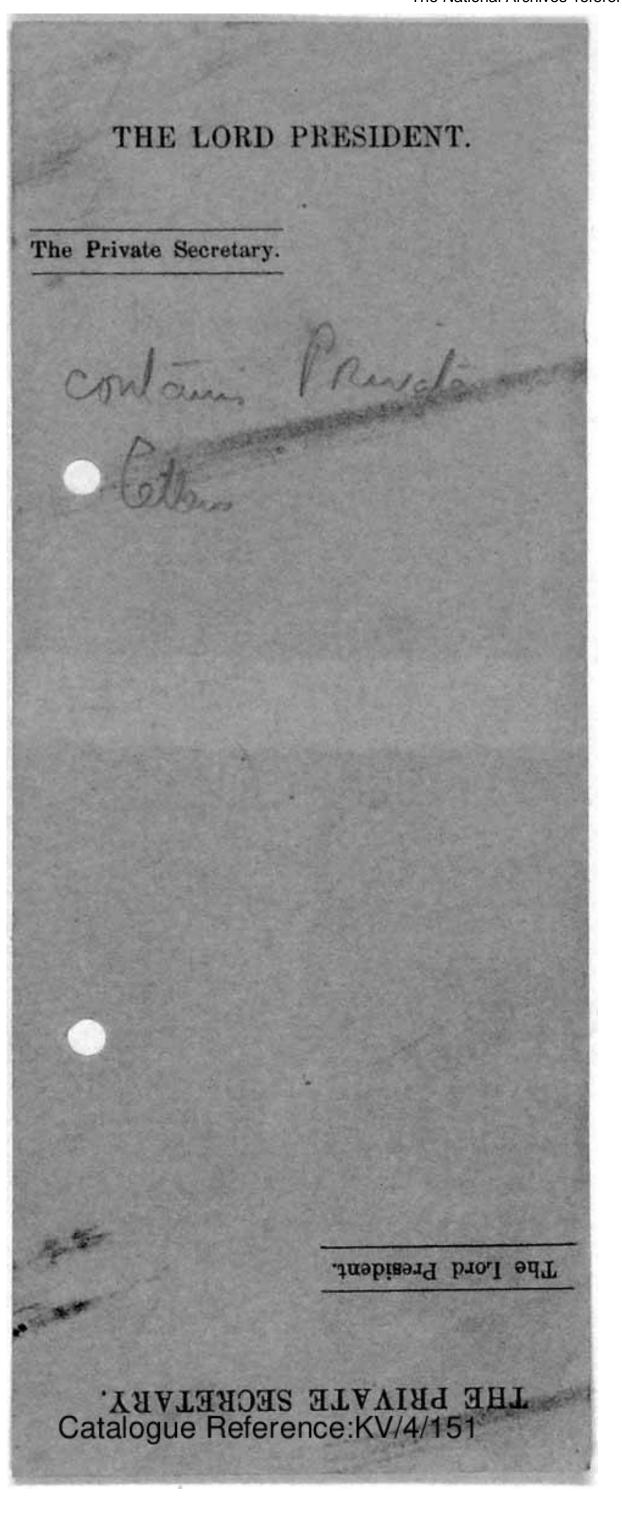
I would point out that it is the general impression that --- BON who has undoubted --- with HARINGTON, is the head of all the British intrigues which are carried on here behind the back of the British Ambassador himself."

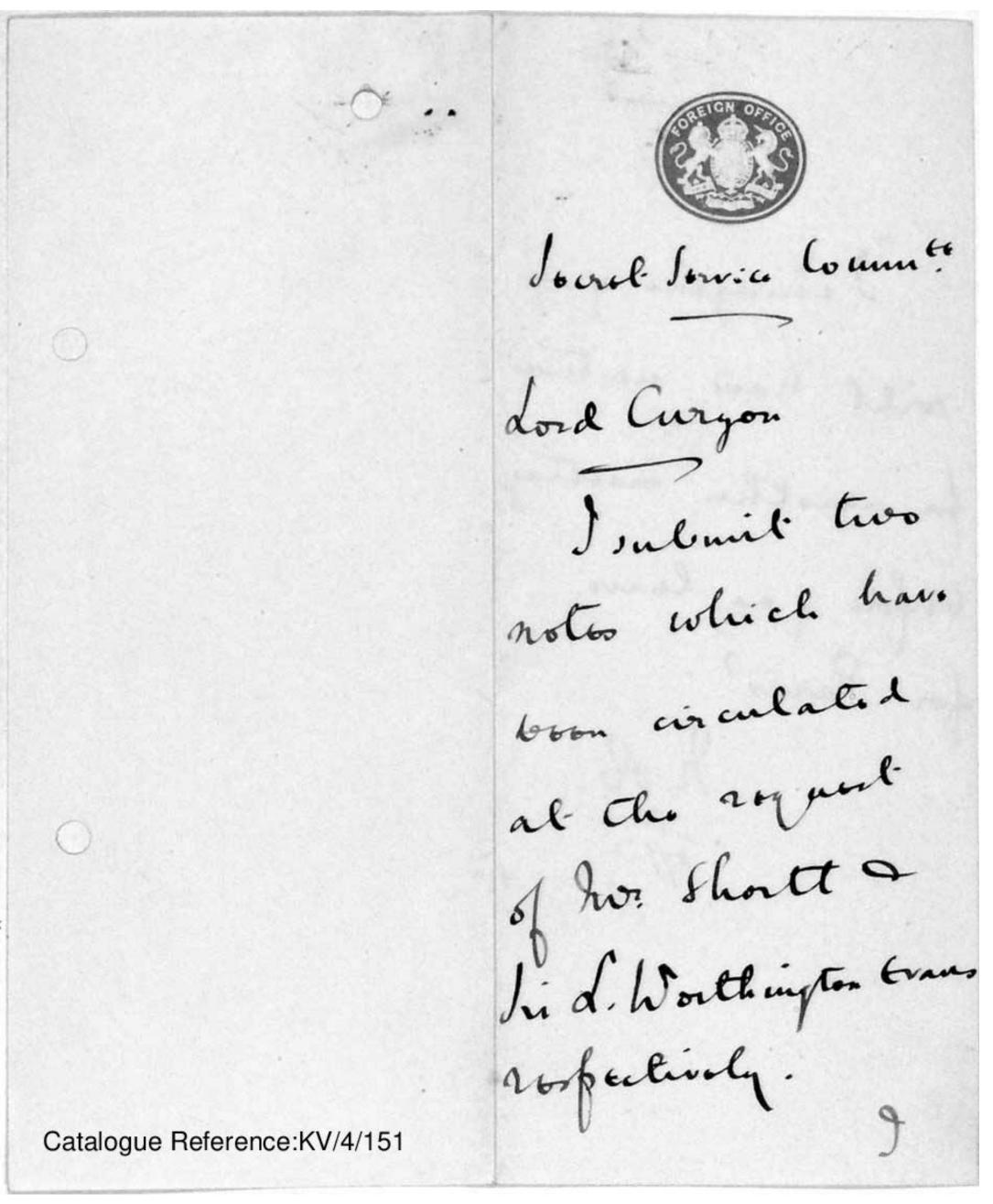
(End of CONSTANTINOPLE telegram).

Please endeavour to clear up the position of Colonel HENRY, who, although he is at seems, demobilised officers, yet the still ---, and while he is at CONSTANTINOPLE, must be under the orders of HARINGTON. Consequently I do not understand how he could leave for INEBOLI without the knowledge of his own (chiefs?) nor how, when he has returned to CONSTANTINOPLE with proposals from the Kemalists, his journey can be ascribed purely to his personal initiative without regard to the British --- in CONSTANTINOPLE.

Please express yourself in this sense to the Foreign Office, referring also to what GARRONI says of HARINGTON's acting without regard to the Ambassador.







I imagine you will have no time for austher meeting before you leave for Paris? Catalogue Reference: KV/4/151

SECRET SERVICE.

MEMORANDUM BY THE HOME SECRETARY ON MR. CHURCHILL'S NOTE OF THE 24TH DECEMBER.

I agree with Mr. Churchill's suggestion that the Home Office Secret Service Department should confine its operations to the United Kingdom, provided that -

- (1) The S.I.S. of the Foreign Office will continue to supply it with information with regard to foreigners abroad in whom it may be interested, and foreign affairs which directly affect home affairs. The Aliens Branch of the Home Office requires information with regard to suspected foreigners coming to this country. At present the D. of I. picks out from the information supplied by the S.I.S. the information necessary to answer Home Office inquiries: and this should continue unless the S.I.S. can undertake to answer Home Office inquiries directly.
- (2) That it retains the American Agency for collecting information as to Irish conspiracies in the U.S.A. The maintenance of this Agency is essential. It is kept entirely distinct from the Foreign Office Service and British Consuls in the U.S.A., and there is no overlapping.

"Director of Secret Service" was a clerical error;
"Director of Intelligence" is the designation which I proposed.

B.S.

13th January, 1922.

secret.

SECRET SERVICE.

The following note is circulated at the request of the Secretary of State for War.

My attention has been drawn by the C.I.G.S. to a certain overlapping of duties which has gradually arisen between that section of the General Staff known as M.I.5. and the Directorate of Intelligence, Home Office.

The main duties of M.I.5. at present, as in the past, consist of the prevention and detection of foreign espionage and the protection of the Military Forces against seditious propagandists. In these matters M.I.5. functions not only on behalf of the Army Council, but also on behalf of the Admiralty and Air Ministry. I attach a full statement of this Section's duties - marked A.

prior to and during the early stages of the war, M.I.5. confined itself practically to the prevention and detection of espionage, utilising for special enquiries its own detective officers and for ordinary inquiries and for such open action as arrests, etc., the various police forces of the country.

In the course of their enquiries regarding cases of suspected espionage, M.I.5. discovered secret organisations, one at least avowedly Communistic in character, whose objects were the stoppage of the

supply/

supply of munitions to British troops by sabotage, strikes, etc., with a view to causing the defeat of the allied forces, the Communist organisation being closely connected with Germany. Having at its disposal in Regulations 14 and 14b (D.R.R.) the appropriate machinery for dealing with such organisations, M.I.5. dealt with them accordingly and thus took the first steps to protect the supply of munitions, etc., from interference by foreign agents.

In the course of its enquiries into these revolutionary movements, the Section naturally came into touch with many informants, and although, on the creation of Sir Basil Thomson's special organisation, M.I.5. handed over to him those of its records and officers likely to be of use, some of the informants have persistently refused to give information to any but their old masters. This information has accordingly been offered to M.I.5. from time to time in varying volume and has invariably been passed on to Scotland House.

In particular, I am informed by the C.I.G.S. that during the recent coal strike, information was supplied daily to M.I.5. by informants actually engaged in the organisation of the strike - information which, from the nature of its source, was often extremely accurate.

In view of this fact and that there was a likelihood of martial law having to be proclaimed in certain areas, the C.I.G.S. decided to maintain this service of information to form a nucleus of a

larger/

larger organisation of "strike intelligence", which would become essential in the event of the military taking over operations within the strike areas.

The collection of this information by M.I.5. on behalf of another department casts a heavy and improper burden on the meagre funds now at its disposal, and, naving regard to all the circumstances, I propose to instruct the C.I.G.S. that M.I.5. should forthwith abandon all inquiries into matters other than those relating strictly to Military Security, i.e., into cases of suspected espionage by the agents of foreign powers, or of suspected attempts by persons of any description to preach sedition to or tamper with the loyalty of the officers or men of H.M's Forces.

At the same time it is intended to maintain the closest possible liaison between M.I.5. and scotland House in order to avoid the chances of there being any "no-man's-land" between the civil and military surveillance.

January, 1922.

APPENDIX A.

DUTIES OF M.I.5.

- M.I.5. (a) Military policy in dealing with the civil population, including aliens. Aliens' Acts, Official Secrets Acts, Firearms Act, Emergency Powers Act, and Defence of the Realm Act as affecting the General Staff. The policy regarding Martial Law and Military Courts in the British Empire and in Occupied Territory. Defence schemes as affected by Municipal Law in cooperation with the Director of Military Operations. Consideration of draft bills and miscellaneous legal questions affecting the General Staff. Military policy connected with Intelligence passes and permits and control of visits by foreigners and civilians to works of defence, vulnerable points, and territory in military occupation. Protection of the armed forces of the crown against seditious propagandists.
- M.I.5. (b) Special duties connected with Defence Security.
- M.I.5. (c) Organisation of service of Defence
 Security. Defence Security Intelligence records. Duties connected
 with Defence Security in British
 Possessions Overseas.

My Bland. Thy Mr churchills direction I attack the copies of a memorandum which he is caractating to the members of Lord Curzais Committee autle Levet Levrie. These copies are intended for yourself, Lord lurger the Eyre kon mm/ well examin Catalogue Reference:KV/4

THE SECRET SERVICE

I find myself in general agreement with the proposals contained in the Home Secretary's memorandum S.F.4.9-10 dated 12.12.21.

With regard to the internal organisation of the Home Secret Service various points of detail will arise on which the Committee will decide after hearing Colonel Childs and Colonel Kell at the next meeting. Among these I would at present refer only to the proposal that liaison between these two officers should be maintained by the junior in appointment making a daily call upon the senior. The Home Secretary accepts the principle of equality of status between these two officers, but, as Colonel Childs has already been appointed, the arrangement proposed by the Home Secretary would mean in practice that the Director of Intelligence would be placed under the obligation of making a daily call upon the Assistant Commissioner. It is only a matter of detail, but, as this question of status is known to be a thorny one and to have given rise to many difficulties in the past, I suggest that in this and in any similar cases that may occur, an equal obligation should be laid upon each officer.

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But a much more important question concerns the relations between the Home Secret Service and the S.I.S. which works under the Foreign Office. In my opinion close liaison should continue to be maintained between the two services, but in order to prevent any form of everlapping, which is the root of all evil in Secret Service work, the sphere of the Director of Intelligence should be restricted geographically to work at home. His designation should not be "Director of Secret Service" which is the heading of the Home Secretary's memorandum, but Director of Intelligence as suggested in the first paragraph. It should be made clear

in

Catalogue Reference: KV/4/151

in the definition of his duties that they are only concerned with Secret Service work in this country and again in the third paragraph the liberty given him to collect information in any way that seemed proper to him should be subject to the same limitation. For information from abroad he should apply to the S.I.S.

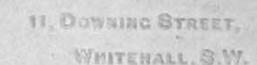
I am aware that there was imposed upon Sir Basil Thomson a sort of vague responsibility for reporting to the Cabinet on all Secret Service work, but it was precisely where he stepped outside the geographical limits proper to a Home Secret Service that mistakes were made as in the case of the forged copies of the "Pravda" and in the circulation of the Monthly Summary on Revolutionary Movements Abroad, which was severely criticised by the Warren Fisher I am quite prepared to concur in the Home Committee. Secretary's proposal to discontinue that report but any such report should be issued, if at all, by the S.I.S. who alone have the knowledge, experience, close liaison with the Foreign Office and War Office and intimate acquaintance with the work and records of their representatives abroad which is essential for a just appraisement of the value of their information and its arrangement each month in true perspective.

W.S.C.

24.12.

Catalogue Reference: KV/4/151

Secret.



7th November 1921.

hy den luga

Since I wrote to you last night I have been reminded of the Report of the Committee appointed by the Cabinet of March 22nd "To examine the Secret Service Expenditure", etc. A copy of it was sent to you and to the Ministers most immediately concerned. Its identification number is "Most Secret, 15/B/10". This Committee was mainly concerned with finance and overlapping. I am not sure that its report has ever been discussed by the Cabinet. The members of the Committee were Warren Fisher, Eyre Crowe and Hankey. Please look at paragraphs 22-24, and, before you take any such step as I suggested for bringing the matter before the Cabinet, hear what Crowe has to say. Unless I am greatly misinformed, he and the other two members of the Committee were unfavourably impressed by B.T's work.

The concerely

Catalogue Reference: KV/4/151

Offices of the Garmer.

2, WHITEHALL CARDENS.

9th November, 1921.

Dear Lord Curzon,

This is a note to remind you that at the Conference of Ministers held last evening in Mr. Chamberlain's Room at the House, it was decided to appoint a Committee consisting of --

Lord Curzon (in the Chair)

Mr. Churchill, Sir L. Worthington Evans, Mr. Shortt, Sir Hamar Greenwood,

with the following Terms of Reference:-

"To consider the character and scope of the information required by the Government, and the best form to give to the organisation appointed to secure it."

I shall assume that in this case, as in that of the previous Secret Service Committee (G.T.6965) you will appoint a departmental secretary, and that the meetings will be arranged by you and not from this Office.

Yours sincerely,

The Most Hon.

The Marquess Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E. FOREIGN OFFICE.

Catalogue Reference: KV/4/151





11, DOWNING STREET, WHITEHALL, S.W.

10th November, 1921.

My dear Curzon,

I told you of Long's uneasiness about the Secret Service Branch. I have a further letter from him which I have promised to forward to you, saying that I was sure you would like to know his views and would see that they were considered by your Committee. I hope, therefore, that you will bring them to the attention of the Committee.

The sincures

Catalogue Reference: KV/4/151

Extract from letter from Viscount Long of Wraxall dated 8th November, 1921.

Confidential.

46, Ebury Street, S.W.1.

My dear Austen,

...... I don't want to interfere further except to this extent. If you have not come to a decision I should be glad if you would consider what I am going to say. It was not a question of courtesy or anything of the kind what I did feel was that as I had worked very hard at the question three years ago, and as Thomson's establishment in the position which he has occupied since then was largely due to the work done by the Committee I was on and some other work that I did it might have been helpful to the P.M. and yourself if you had heard my views. However, it is too late for that now I suppose. I would only just say this - I entirely disagree with the Home Secretary, I don't think the Civil Head off the Secret Service ought to be under the head of the Metropolitan Police or responsible to him in any way. Of course he must be responsible to a Minister and, as I said in my letter to the "Times" a week or two ago, I consider that Minister ought to be the Lord Chancellor and not the Home Secretary. Why he should be put under the Metwopolitan Police passes my comprehension. The Secret Service has to do with the whole

world.

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world, whereas the Metropolitan Police has to do with London only - not even the City and in these circumstances I fail altogether to understand why the Home Secretary has dragged in General Horwood. The duties of the Chief Commissioner of Police are quite clear - they are to maintain discipline and good feeling in the force and preserve order and quiet in the metropolis, but he has no duties outside and he know nothing about Secret Service work. In my opinion, if the Civilian Head of the Secret Service is to be made responsible to him it would mean a very unfortunate interference and, Ishould think, do immense harm to his work, and I hope if the matter is under review it may be considered from this point of view. He must be retained on the establishment as an additional Commissioner for the purpose of covering his salary, but he should be responsible to a Minister, that Minister should be the Lord Chancellor, and he should have nothing to do with the Metropolitan Police any more than he has to do with the Police of Liverpool, Birmingham or Glasgow.

I am very sorry to trouble you, bothered to death as you are, but you may rely upon it that though I may from time to time state my views on any subject about which I feel keenly it does not mean that I am in any way departing from the loyalty and personal regard which I have for my old colleagues in the Government.

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CONFIDENTIAL.

46, Ebury Street, S.W.l.

11th November, 1921.

by dua Scorge

I hear from Austen that you are going to preside over a Committee again with a view to considering the Secret Service administration.

May I just ask you to consider the reasons which led me, and I think most of us, to recommend that Sir Basil Thomson, or whoever was the head of the Department should be independent and should be put in a position which would enable him to deal on equal terms with the heads of the Secret Service branches in the various other Government Departments, such as your own and the Military and Naval Departments.

I have always been quite unable to understand why the head of the Metropolitan Police should be brought in at all. Of course he ought to know the names of people who are under protection, and equally he should be informed when that protection is no longer deemed to be necessary - that is another

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matter altogether; and further I presume that for purposes of the Estimates it is necessary that the head of the Secret Service should be included in the Metropolitan Police Vote, and therefore called an Assistant Commissioner, but the duties of the Chief of Police are totally distinct from those of the head of the Secret Service, and I cannot conceive any reason why he should be allowed to interfere in any way with the head of the Secret Service. not think it was the least necessary for Shortt to arrange that the head of the Secret Service should "report" to General Horwood weekly, and in my judgment the less discussion of this kind that goes on the more likely it is that the Secret Service will be It seems to me that in all human probability effective. the head of the Police would be a man quite unsuited to advise or take any part in Secret Service Work, and I am sure of this that if the head of the Civilian Secret Service is to be looked to as the real head of the Secret Service in the country and therefore

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treated from that point of view by the heads of the Secret Services in the Foreign Office or the Admiralty or the War Office &c. he must be independent and in a position which will justify them in feeling that he is really the head of his own Department.

I cannot say how I deplore the steps
that have been recently taken or how strongly
I blame Shortt. That this change should have been
made at all is, in my judgment, wholly unjustifiable,
and I don't consider Shortt's statements in Parliament
were in any way satisfactory. They seem to me to
betray a hopeless ignorance of the Secret Service,
and even if he contemplated a change and made up his
mind to make it - which of course he is entitled to
do if he can get the approval of the Prime Minister it would be rank folly to make the change just at this
moment. Of course Sinn Fein are gloating over it it gives them an opportunity to do things which
otherwise they could not have done, and I do not

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think the Government have any right to complain if their critics - of whom there are a great many - say that they are playing into the hands of Sinn Fein.

To my mind it is the stupidest thing that has been done in my recollection.

I hope you may be willing to consider these views of mine, as I took a great deal of interest in the question and feel very strongly on the subject.

Journey Vrasall -

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the part history In John andbrom of Home Office Jourt shall be available in The owner of Sorvice, which I sabmit horourth your requiring the prosones of a mombor together with your of the Chief Socretary; two files of profons Report ment. rolating to the moan while hor Short committee. hos. has circulated a note by si 30/11 -Catalogue Reference:KV/4/151

Lod Curyon. The members of your committee have all accepted for 4.15 tomorrow (Thursday) onerft Ji H. Gromwood, who is still confined to his room, lent will come tomorrow if he can. Thave arranged that, if he cannot come, Image Ref

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MOME OFFICE.

30th November, 1921.

Dear Bland,

The Home Secretary thinks that

Lord Curzon may like to read the enclosed note

which Sir Edward Troup has prepared on the past

history of the Secret Service Organisation before

the meeting of the Committee to-morrow.

Yours sincerely,

Mansell

G. N. M. Bland, Esq.

Catalogue Reference: KV/4/151

Draft schome of reorganisation of Si Basil Thomson's department, airculated to mombon of the Committer, on hor. 28, for discussion at the nost mosting. (3471) Wt. 39419-417 50,000 3/20 J.T. &S. Ltd. 162 (REGIMINT) (312) Wt. 10839/483 200m 7/20 J.F.W. 162 (REGIMINT) Image Reference:31 Catalogue Reference: KV/4/151

Secret

NOTE on the position to be held by Sir Basil Thomson's successors vis-à-vis each other, the Commissioner of Metropolitan Police and the Home Secretary.

On the assumption that Sir Basil Thomson's duties are in future to be divided between two persons, the following solution is suggested as a possible compromise between the proposals advocated by the Home Secretary, the Secretary of State for the Colonies and the Secretary of State for War.

would be two officials of equal status, namely
"A", an Assistant Commissioner of Police, in charge,
under the Commissioner, of the Special Branch, and
a Director of Intelligence, "B". A, personally,
would have no intelligence duties, and would be dependent for his information regarding revolutionaries, etc., on B.

B's name and activities should be secret. He should be made responsible on the one hand for keeping the Assistant Commissioner fully and immediately informed of all matters affecting the internal security of the United Kingdom and, on the other, for supplying the Home Secretary and, through him, the

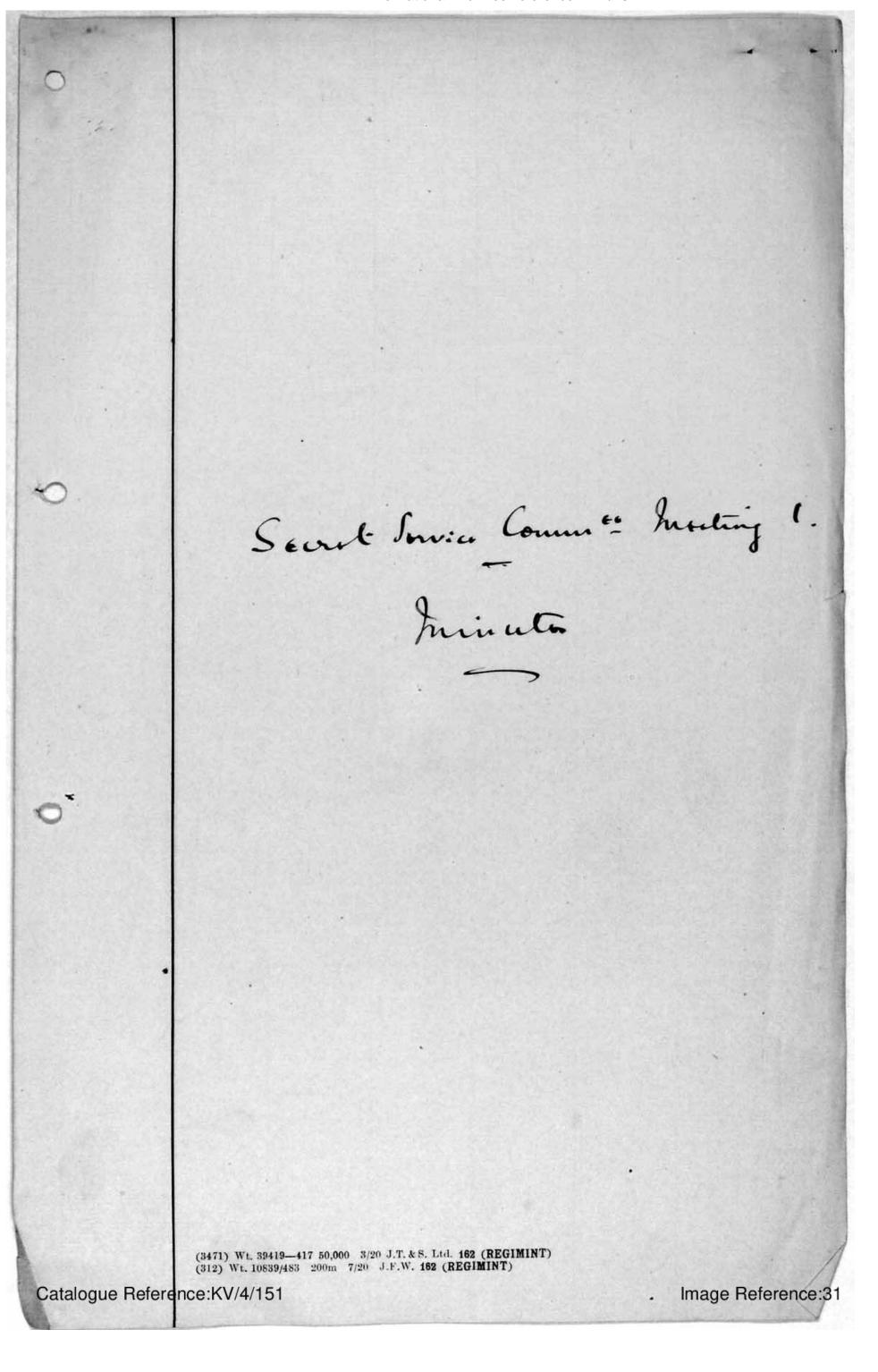
Cabinet

cabinet with similar information in such form and at such times as the Home Secretary may direct.

A and B should be jointly responsible for the maintenance of internal security (apart from crime pure and simple), and it should be the duty of A., in addition, to keep the Commissioner informed of all matters arising within the province of the his intelligence Department of which, for the proper discharge of his duties, he ought to be cognisant.

other intelligence systems such as C's, M.I.5., to B all the etc., should continue to supply information bearing upon internal security, hitherto given to Sir Basil Thomson, to B.

ACN 22



SECRET.

DRAFT MINUTES of the 1st Meeting of the Secret Service Committee appointed by the Conference of Ministers held in Mr.Chamberlain's room at the House of Commons on Tuesday, November 8, 1921

The Committee met in Lord Curzon's room at the Foreign Office. at 4.0.p.m. on Tuesday, November 15th.

PRESENT.

The Most Hon: The Marquess Curzon of Kedleston, K.G. (in the Chair)

The Rt: Hon: W.S. Churchill, M.P. (Secretary of State for the Colonies).

The Rt:Hon: Sir L.Worthington Evans, M.P. (Secretary of State for War).

The Rt: Hon: E. Shortt, M.P. (Secretary of State for the Home Department).

Lt.Colonel
The Rt:Hon: Sir H.Greenwood, Bart., M.P. (Chief Secretary for Ireland).

Also present:-

Sir Eyre Crowe, G.C.M.G. (Permanent Under-Secretary of State for Foreign Affairs).

Major Sir A. Sinclair, Bart. (Private Secretary to Mr. Churchill).

Mr.Nevile Bland (Foreign Office), Secretary.

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TERMS of REFERENCE:-

"To consider the character and scope of the information required by the Government, and the best form to give to the organisation appointed to secure it."

Lord Curzon briefly reviewed the documents relating to the establishment of the Directorate of Intelligence under Sir Basil Thomson in 1919, and the report of the Committee appointed by the Cabinet in 1921 to examine existing expenditure on Secret Service and the relations between the various branches of it. That Committee had suggested in their report that the time had come when the position of the Directorate of Intelligence might with advantage be re-examined, and had expressed the opinion that, so far as they had been able to form an impression, its incorporation in the general organisation of the Metropolitan Police had much to recommend it, on grounds both of efficiency and of economy. The post of Director of Intelligence was now vacant, owing to the resignation of Sir Basil Thomson, and the question with which the

present

present Committee had to deal was how the Department could best be organised for the future. The matter had been discussed at the Conference of Ministers of November 8th, and it had been tentatively decided to divide the post between two officers, of whom the duty of the one would be the collection of intelligence, and of the other - who would be made an Assistant Commissioner of Police - to take executive action. The intelligence officer would be subordinate The former to the executive officer. post had been provisionally offered to Lt. Colonel Sir Vermon Kell, at present Head of M.I.5., who had, however, declined it, - the latter to Major-General Sir E. Childs, who was prepared to accept.

The present Committee had been appointed to consider the matter further in all its aspects.

Mr.Shortt described the system on which the Directorate of Intelligence worked during Sir Basil Thomson's tenure of the office. As a collector of information Sir Basil Thomson had been independent of the Commissioner of Metropolitan Police, but subordinate to him in respect to his executive duties,

namely

namely, the protection of distinguished persons and the supervision and arrest of revolutionaries. In all these matters promptitude of action was absolutely essential, and this could only be secured by maintaining the closest contact between the Director of Intelligence and the Commissioner, upon whom the ultimate responsibility for action lay. A combination of the two posts was impracticable, in his opinion, since the qualities required in the man who was to collect information would never be found in a good Commissioner of Police. Moreover, experience showed it to be highly important that the name of the new collector of information should not be generally known.

Sir Basil Thomson had reported to the Cabinet through the Home Secretary.

Mr.Churchill said that the Committee had two main questions to consider, first ly, what ought to be the exact scope of the Directorate of Intelligence, and, secondly, whether there ought to be a general pooling, or focussing in one individual, of the information obtained by the various existing Secret Service agencies - C's, M.I.5., Scotland Yard Special Branch, Indian, and, during the

present

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present troubles, Irish. The position of the Directorate of Intelligence was the first thing to define. It must not be forgotten that, for obvious reasons, it was the head of this organisation who would always be specially prominent and open to attack in this country. Should he combine intelligence functions abroad with his domestic duties? Ought he to have executive powers at home?

(It was here explained that Sir Basil Thomson had had practically no established organisation abroad, although he had various private correspondents who wrote to him from time to time, while he occasionally sent agents abroad for special purposes).

In his opinion, the Director of Intelligence should be responsible for
collecting information in the United
Kingdom only, and he should not be asked
to undertake even the focussing of information acquired abroad. Three possible alternative arrangements presented
themselves:-

- (1) The Director of Intelligence should devote himself exclusively to the acquisition of information;
 - (2) his duties should consist

mainly

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mainly of intelligence work, but he should be given an independent staff for purposes of investigation;

(3) the Department should become a part of Scotland Yard and be subordinate in every respect to the Chief Commissioner.

He was entirely opposed to the 3rd, and inclined towards the 1st, alternative. The Director of Intelligence should be responsible for the collection of intelligence at home, and he should be in direct relations with the Home Secretary and not under Scotland Yard, but should maintain contact with the latter through a liaison officer who would be responsible for executive action.

As regards the centralisation of the information obtained by the various intelligence systems, his idea would be to have one focussing centre for all, but that this should not be the Directorate of Intelligence, which should be kept distinct from M.I.5., C's, and other similar organisations.

Sir L.Worthington Evans agreed
that the Director of Intelligence should
confine himself to the collection of
information, but thought that the reports of all our intelligence systems
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should be centralised in him. It was
the immediate subordinate of the Director of Intelligence whose identity should
be concealed and who should do all the
actual detective work. The Director
of Intelligence should not be subordinate to the Commissioner of Police.

Mr.Shortt explained that the plan in contemplation when General Childs and Colonel Kell were approached, was that the latter should collect information and report to the former, who as Assistant Commissioner of Police would be in a position to take executive action. It had not, however, been definitely laid down by the Conference of Ministers that the duties hitherto performed by Sir Basil Thomson should in future be divided between two persons.

Sir Hamar Greenwood considered that, in view of the vital necessity of securing promptitude of action, upon which the whole Committee were agreed, it was important that the duty of collecting intelligence, and the power of taking action, should be vested in the same individual.

A

A general discussion ensued regarding the position which the Director of Intelligence ought to occupy vis-àvis the various intelligence organisations, including home intelligence, but without any definite conclusion being reached.

Lord Curzon expressed himself as being in agreement with Mr.Churchill's general principles, and was not without hope that a scheme might be evolved which would meet the views of both Mr. Churchill and Mr.Shortt. He was in favour of divorcing the Directorate of Intelligence so far as possible from the Commissioner of Metropolitan Police.

The Committee adjourned at 5.45 p.m. until next week, leaving the next meeting to be arranged by the Secretary.

Copies of this
Report have been circulated
only to the following :-

The King.

The Prime Minister.

Mr. Chamberlain.

Lord Curzon.

Sir R.S. Horne.

Mr. Shortt.

Sir L. Worthington-Evans.

Lord Lee.

Mr. Montagu.

Sir Hamar Greenwood.

Sir N. Warren Fisher.

Sir Eyre Crowe.

Sir M. Hankey.

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MOST SECRET.

Julian 6

CABINET.

the Committee appointed by the Cabinet on
March 22nd,

"To examine the expenditure on Secret Service by the several Departments, and, after hearing all the necessary evidence, to report their recommendations to the Cabinet for reducing expenditure and avoiding overlapping."

(Reference Cabinet 14(21), Conclusion 13).

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- In order to make quite clear the results of the Committee's investigations and the recommendations which they base upon them, it is necessary to offer a prefatory explanation of the circumstances which led to their appointment and of the position which faced them at the outset of their task. In these preliminary remarks, as well as in their report proper, they have endeavoured to observe the utmost brevity consistent with an adequate presentation of their views.
- In framing the Secret Service estimate for the year 2. ending March 31, 1922, the Treasury found themselves confronted by demands from the spending departments for a total sum, which, with the addition of a general reserve fund for contingencies, amounted in the aggregate to £475,000, as against £400,000 for 1920-1921 and a pre-war average of less than £50,000. Of the seven individual items making up the £475,000, only two showed an increase over 1920-1921, namely, those appertaining to the Irish Government and the Mar Office. Of these the latter was less real than apparent, being due to the transference from the War Office to the Secret service vote of the cost of Field Intelligence, the result of which was to raise the 1920-1921 figure from £3,500 to £90,900. The Irish Government figures had risen from £106,000 to £160,000, so that these two items alone represented an increase in the departmental Secret Service estimates of £141,400, upon which a reduction of £5,000 in the Foreign Office domando -- the only economy in sight prior to the appointment of the Committee - made but a small impression.

3.

- In the belief that the presentation to the House of Commons of an estimate exceeding that for 1920-1921 would arouse determined opposition and a demand for details which it would be most undosirable to grant, but extremely difficult to resist, the Treasury confined the estimate to £300,000 hoping that it would eventually be possible to reduce the original 2475,000 to this amount, or, in the worst event, to obtain the balance by a supplementary estimate The avoidance of the necessity for such later. a supplementary estimate has been the principal pre-occupation of the Committee, whether this could be attained by the elimination of overlapping between the several Secret Service organisations, by the enforcement of economy within them, or by the transfer from the Secret Service to the public votes of such charges as could be subjected to the scrutiny of the Comptroller and Auditor-General and the Public Accounts Committee.
- ments to which Secret Service funds are ordinarily allotted and the amount for which each has applied for the ourrent year :-

Poreign/

Foreign Office	£
Foreign Intelligence £126,0	000
Contre- Espionage 31,0	000
Miscellaneous 28,0	000
	185,000
Home Office	24,000
Colonial Office	100
Admiralty	500
Irish Government	160,000
War Office	90,900
Air Ministry	500
Total	£ 461,000

Almost the whole of the War Office's £90,900 is allocated to Field Intelligence, which, as already stated, now appears as a charge on the Secret Service vote for the first time since the war, the object of the change being to revert to the pre-war arrangement under which all moneys to be spent on Secret Service were included in the Secret Service vote.

- the required economies could only be effected by retrenchment under the four main sub-heads of the vote, and they therefore devoted the greater part of their labours to an investigation of the activities of the Foreign Office, Home Office, Irish Government and far Office organisations, and of their relations which one another and with kindred systems not appearing in the Secret Service estimate.
- .6. (1) Foreign Office.
 - (a) Foreign Intelligence £126,000.

515.

The organisation, for the upkeep of which this large sum is needed, has its headquarters in London; it is responsible for supplying information from all foreign countries, except such districts as are in occupation of the British army, to the following departments:-

- to (il Admiralty,
 - (ii) War Office.
 - (iii) Air Ministry,
 - (iv) Foreign Office (including D.O.T.)
 - _ India Office,
 - Colonial Office,

and

(v) Sir Basil Thomson. Milie (offered Branch)

For the purpose of acquiring this information numerous agents and sub-agents are employed in the countries concerned.

this system of intelligence and the fact that it is still maintained on its present scale is due mainly, if not entirely, to their opposition to the reductions which have been proposed in the past. Sir Basil Thomson is also largely dependent upon it for his information regarding Bolshevism and subversive movements generally, while in certain parts of Europe the organisation collaborates with agents of the Government of India. The Committee have satisfied themselves that there is no overlapping between the Imperial and Indian agents and that the cost of them where common ground is covered is already equitably divided between Indian and Imperial funds.

The Committee have indeed been unable to discover any point at which the secret intelligence organisation encroaches upon, or is encroached upon by, any other. They have succeeded, however, by prevailing upon the military authorities to moderate their demands in reducing the estimate for this item from £126,000 to £100,000, with hope of a further substantial drop/

-5-

drop next year.

8.

9.

10.

One word of caution is necessary before leaving this subject. At present the secret intelligence organisation is intimately allied with the Passport Control system. The question whether the passport system should be maintained in the face of the strong public agitation against it is beyond the scope of the present Committee, but they would observe that the close connection between the two organisations enables the secret intelligence organisation to be worked at a far lower cost than if the two were separated or the Passport Control system were abolished, and their recommendations are based on the assumption that the existing arrangement will be continued.

(b) Contre-Espionage - £31,000.

known as M.I.5, is responsible for the detection and prevention of attempted foreign espionage, and for the security of the armed forces of the Crown from all forms of hostile influence, whether internal or external, other than open attack in war, both in the United Kingdom and in the Colonies.

The estimate of £31,000 was framed on the assumption that the entire cost of the department would this year fall upon the Secret Service vote, whereas previously a donsiderable proportion of the pay of the staff had been a charge on War Office/

Office funds. In the event it was found preferable to continue the previous arrangement, and this, taken in conjunction with various economies which are in progress, will reduce the charge on Secret Service funds to £19,300. In the light of the assurances which they have received from those responsible, the Committee anticipate a further considerable reduction next year.

The Committee were at first sceptical as to the 11. necessity at the present juncture of maintaining a counter-espionage organisation, but it appears that the agents of at least four Powers are already showing activity in this country, and whereas, before the war, this branch was able to concentrate its attention on Germany, there are now several quarters which require In addition to this, there is the new watching. factor of bolshevism in the navy and army, the detection and counter-action of which fall to M.I.5, while the several Government Offices have frequent recourse to the information regarding individuals and societies compiled during the war and still available in the department. The Committee feel in the circumstances that there is justification for the continuance of M.I.5 on its present reduced scale during the current year, but that next year a further cut of £5,000 to £6,000 should be possible.

12. (c) Miscellaneous - £28,000.

This/

This sum is administered, under the direction of the Secretary of State for Foreign Affairs, by the Permanent Under-Secretary. It is devoted to various objects, inseparable from the conduct of foreign affairs, for example, payments to agents, foreign propaganda, disbursements for secret information, chiefly in oriental countries, and it still includes this year £10,000 required for meeting special obligations incurred during the war. The Committee, having ascertained that the various items making up the £28,000 had been fixed at the lowest possible figure consistent with safety, do not feel able to recommend any further reduction for this year.

(2) Home Office - £24,000.

This sum is allocated almost exclusively to the Directorate of Intelligence, the head of which is Sir Basil Thomson, and which co-ordinates information received from all sources relating to Bolshevism and revolutionary movements and furnishes periodical reports thereon to the Cabinet. It also has certain executive functions, e.g., the protection of His Majesty's Ministers and foreign royalty visiting the United Kingdom, police action in respect to political offences, and the dissemination of anti-bolshevik propaganda. By arrangement with the Irish Government it maintains a service in America and in London to deal with Sinn Fein activities and employs, for special purposes, a few agents in Ireland itself.

4. By transferring the pay of the women secretaries and typists/

-8-

13.

Special Franch

typists attached to this branch to the Metropolitan Police Fund and by eliminating the sum estimated for contingencies, the Committee hope to reduce the £24,000 originally applied for to £18,000. The Committee are not in a position to suggest any definite sum by which this Item might be still further reduced, but will revert to the subject at a later stage in their report (§§ 21 - 24).

15. (3) Irish Government - £160,000.

The Committee are not in a position in the present state of Irish affairs to recommend any effective reduction in this item. Some £60,000 of it, however, were allocated to clerical staff, which in the ordinary way would have been a charge on public funds, but which it was thought safer to place on the Secret Service vote solely in the interests of the safety of the personnel. The Committee have ascertained that it would in practice be possible to conceal the identity of the individuals concerned even though their salaries ceased to be paid from Secret Service money, and they therefore recommend that the total chargeable on this account be transferred from the Secret Service to the public vote, thus reducing the total Secret Service money required by the Irish Government from £160,000 to £100,000.

16. (4) War Office - £90,930.

This demand was subsequently reduced to £88,700, of which no less than £85,800 is allocated to Field Intelligence/

-9-

Intelligence in the foreign territories still in occupation of British troops. The Committee have gone carefully into the possibility of reduction in this sphere with representatives of the military authorities, and they regret to be unable to report any opening for reduction except in the Near East, where a saving of £8,400 out of £60,000 may be anticipated.

17.

Great emphasis is laid by the General Staff on the undesirability of depriving General Officers commanding British troops in foreign territory of the means of maintaining an adequate intelligence organisation for the security of their forces. Moreover, the gradual withdrawal of our troops from foreign countries cannot safely be accompanied by a proportionate reduction in the funds required for Intelligence work, since the smaller a given force, the less are its powers of resistance, and consequently the greater need for vigilance in its protection. The Committee have been impressed by the arguments of the General Staff on this subject, and they do not think that it would be judicious to press for further economy in this direction for the present.

18.

The Committee understand that the refusal to grant the small sums applied for by the Admiralty, Colonial Office and Air Ministry, amounting in the aggregate to £1,100 would gravely embarrass these departments, and the Committee consider that these items should be allowed to stand.

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19. Before reviewing the general results of their investigations, the Committee wish to emphasise afresh the difficulty of the task with which they found themselves confronted a difficulty of which their terms of reference give no indication. To make recommendations with a view to economy and the avoidance of overlapping is a comparatively simple matter; but to expect by a mere process of retrenchment to find means of reducing the Secret Service estimates by 40 per cent., after the departments concerned had already set themselves to reduce their requirements to the lowest scale consistent, in their opinion, with the national interest, would presuppose the existence of culpable extravagance and mismanagement on the part of those departments, which would merit the severest censure and of which, the Committee are glad to report, they have found no evidence at all. Accordingly, the greater part of the "economies" on the Secret Service vote which the Committee feel able to recommend for the current year consists, not in the actual saving of money, but merely in the transfer from the Secret Service to the Public Vote of such charges as can be recorded in the public accounts without danger of compromisin, important branches of the work. Thus, while by the sacrifice of some of the less valuable sources of information and by certain reductions of staff, the Committee hope to be able actually to save some £32,600, it is proposed to remove at least £64,000 from the Secret

Service

Service, for inclusion in the ordinary votes. In this way a total of £96,600 may be written off the Secret Service vote, which, taking into account the £9,300 already deducted from the Contre-Espionage budget, will bring the original £475,000 down to £369,100, still leaving an excess of £69,100 over the sum already voted by Parliament. The Committee see only one expedient by which a supplementary estimate may be avoided, namely, the restoration for the current year to the Army vote of the £85,800 required for Field Intelligence. This course would at the same time cancel the excess over the stipulated £300,000 and leave a reasonable balance for contingencies.

- 20. The Committee are alive to the desirability of concentrating in a single vote the whole provision for Secret Service work, but they regard the importance of avoiding this year a supplementary estimate for Secret Service as out-weighing the objections to their proposal, the adoption of which for the current year they therefore recommend.
- assistance given them by all whom they invited to give
 evidence before them. Their investigations were greatly
 facilitated by the frankness displayed by all concerned
 in matters where some reticence would have been excusable.
 As a result they feel that they have been given an insight
 into the working of the various branches of British Secret
 Service, and they are glad to be able to record, that,

generally speaking, in spite of numerous points of contact, there is now but little overlapping between the several branches. In one respect only the Committee see room for reform, and if it be considered that in drawing attention to it they are exceeding their terms of reference, they hope that the importance of the matter will be their justification. They refer to the position of the department presided over by the Director of Intelligence, Sir Basil Thomson.

- of Lord Curzon's Committee, in 1919, and to it were entrusted the duties of collecting and distributing civil intelligence, reporting to Government departments, where necessary to their political heads, any information of importance likely to concern them; taking action, when required, on the authority of the responsible minister: and counteracting by means of propaganda disaffection amongst the civil population. In practice Sir Basil Thomson has additional functions, already summarised in paragraph 13 above.
- 23. It will be seen that the border line between Sir Basil Thomson's sphere of activity and that of the Commissioner of Police is very faint, so far as Great Britain in concerned.

24.

The Committee considered that the relations between these branches would repay investigation and they invited the Commissioner of Police to meet them and state his views upon it. After hearing the Commissioner the Committee have come to the conclusion that the time, foreshadowed in the report of Lord Curzon's Committee, has arrived when the position of the Directorate of Intelligence should be reviewed, with the object of ascertaining whether its incorporation in the general organisation of the Metropolitan Police would not result in an increase of efficiency and a substantial saving in the Home Office Secret Service budget. So far as they have been able to form an impression, the Committee feel that such a change has much to recommend it. In the course of their investigations the Committee

had occasion to discuss the merits of the reports circulated by Sir Basil Thomson to the Cabinet, and, though they feel themselves to be on delicate ground in this matter, they think it their duty to place on record their unanimous opinion that, while his valuable weekly report on revolutionary movements in the United Kingdom should certainly be continued, perhaps in an abbreviated form, his monthly report on similar movements abroad, which frequently contains misleading, if not absolutely erroneous, information regarding matters by no means invariably within the purview of Sir Basil Thomson's work, should be discontinued. The cost of compiling, printing and distributing this document must be considerable

/and

24.

and its discontinuance should produce an appreciable economy.

- 25. Apart from the preceding suggestions, the Committee consider that their recommendations as regards the current year can be most conveniently stated in tabular form, and they have accordingly summarised them below. As regards the future, expenditure must necessarily depend upon our domestic and international relations, but the Committee see no reason why, unless the present progress towards more settled conditions is rudely and unexpectedly interrupted, the Secret Service estimates for 1922-1923 should not be framed, allowing for the depreciated value of money, on a scale more nearly approaching those of pre-war years than it has hitherto been possible to contemplate; and they would recommend that an intimation be given to the several departments at an early date that the total estimate for the year 1922-1923 must not exceed a maximum of include the cost of any services provided for this year under the head of Field Intelligence. As a step towards this end, the Committee suggest that the Foreign Office allotment for 1922-1923 should be limited to £100,000.
- 26. The Committee desire to place on record their indebtedness to their Secretary, Mr. G.N.M.Bland, of the Foreign Office, for the valuable assistance he has rendered throughout the inquiry.
 - (Sd). N.F. WARREN FISHER, Chairman.
 - " EYRE A.CROWE.
 - " M.P.A. HANKEY.
- 2, Whitehall Gardens, S.W.l. July 27th, 1921.

SCHEDULE.

	Department.	Original (i) Estimate	Amount of proposed re- duction by economy.	Amount of proposed reduction by transfer.	Reduced estimate.
		£.	£.	£.	£.
	Foreign Office	185,000	28,400	9.300	147,300
	Home Office	24,000	2,000	4,000	18,000
	Colonial Office	100			100
/	Admiralty	500		-17	500
	Irish Government	160,000		60,000	100,000
	War Office	90,900	2,200	85,800	2,900
	Air Ministry	500			500
				-	
×		461,000	32,600	159,100	269,300
	Margin for Contingencies.	14,000			30,700
		475,000(2)	191,7	00	300,000
			*****		***********

⁽¹⁾ As Submitted to the Treasury by the departments.

⁽²⁾ The Parliamentary estimate actually taken was £300,000.

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MOST SECRET.

THE CABINET.

REDUCTION OF ESTIMATES FOR SECRET SERVICES.

MEMORANDUM BY THE SECRETARY OF STATE FOR WAR.

I circulate herewith a memorandum which has been prepared by the General Staff on the proposal to reduce the Estimates for Secret Services, and which I hope will receive the earnest and early consideration of my colleagues.

THE WAR OFFICE. 19th March, 1920. WINSTON S. CHURCHILL.

1. During 1919 it was decided to reduce the Estimates for Secret Services, in the in the case of Espionage from 240,000l. to 125,000l., and in the case of Counter-

Espionage from about 80,000l. to 35,000l.

The Secretary of State for Foreign Affairs has now informed the General Staff, through Lord Hardinge, that on the demand of the Treasury, he has decided to reduce the Estimates again, and to allow during the ensuing financial year only 65,000l. for the Espionage Service and 10,000l. for the Counter-Espionage Service. The effect of the new reductions is discussed below under separate headings. Before the final decision is taken, the General Staff desire to draw attention to the conclusions which they have reached in each case, and to say that they regard as dangerous the new proposals which will reduce the efficiency of the Secret Services and curtail the activities of the Counter-Espionage section at a particularly critical period in the reconstruction of Europe and the world generally.

2. (a) Espionage.—The Chief of the Secret Service has furnished the table below giving the proposed expenditure during 1920–1921 under (A) the original estimate of 125,000l., and under (B) the new estimate of 65,000l. In considering these statements of expenditure it must be remembered that under no circumstances can comparison be made between the present estimate and the grant for the so-called Secret Service prior to the war, owing to the differences in present day values, in that the earlier organization was merely military and naval, and its restricted energies were almost entirely directed against Germany. With the funds then available attempt could only be made to unravel a few technical problems, and for this purpose use had to be made of casual agents whose employment as a class has by war experience been clearly demonstrated to be undesirable.

(A.) 125,000 <i>l</i> . basis.	(B.) 65,000 <i>l</i> . basis.
Headquarters	Rent and establishment Germany Berlin Hamburg 1,000
Total 125,0	Total 65,000

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Note.—It may be argued that this comparative table does not represent the situation, as the Secret Service will derive a large revenue from the facilities afforded by the Passport offices, but it must be pointed out that the personnel, being attached to Embassies and Legations, is debarred from having any dealings with Secret Service agents, and may only conduct enquiries of an anti-Bolshevik and Counter-Espionage nature. Actual Secret Service work must be performed by individuals paid solely out of Secret Service funds.

The General Staff is not in a position to say what money is required for the espionage services from a military point of view, as the Chief of the Secret Service, who is paid by the Foreign Office, does not necessarily allot military, naval and political work to different agents, but it is entitled to ask what information will be

forthcoming from an allotment and to say whether it is sufficient or not.

Enquiries from the Chief of the Secret Service, through the War Office liaison officer, have been made, and the General Staff is informed that if the estimate is cut down to the figures given in column 2, the following important modifications in the

arrangements for obtaining information will have to be made:-

(i.) A great reduction in the information from Germany. Special arrangements for the inauguration of a service of information from Berlin, Munich and Hamburg to replace the British Military Commission as its activities diminish must be modified if not abandoned.

(ii.) A very large reduction in information from Russia, and in particular, the schemes for obtaining information from Moscow, which are about to

mature, must be abandoned.

(iii.) The services at Rotterdam, Geneva, and Prague where valuable information and original documents bearing on the armed forces and internal conditions of Germany has been obtained must be reduced.

(iv.) Abolition of the regular Secret Service in Poland, the Balkans and Spain.(v.) The agencies working in Vladivostock and China from which good informa-

tion has been obtained will have to be closed.

(vi.) Plans which have been made for an increased service in the Far East, and which should have proved of great value in the case of Japan, will have to be abandoned, with the immediate result that little information from this part of the world will be obtained, while should it ever be necessary to re-establish the Secret Service in the Far East a larger outlay will be necessary to resume than to maintain the existing organizations.

(vii.) It will be impossible to watch the development of preparations for chemical warfare in any countries other than Germany. The General Staff are particularly anxious to have information on this subject from America.

(viii.) No provision of special agents to obtain information for the Air Ministry can be made.

The above statement discloses a serious diminution in the sources of information on which they have to rely that the General Staff are of the opinion that they will be unable, if the proposed reduction is made, to fulfill satisfactorily the obligation which is laid upon them of furnishing His Majesty's Government with full information as to military policy, training and development of foreign countries.

The Chief of the Air Staff has expressed the opinion that the Air Ministry is equally interested with the General Staff in the provision of adequate funds for the Secret Service, which he states is at present one of his chief sources of information.

(b.) Counter-Espionage.—The Counter-Espionage Service (now known as M.I. 5), which was created in 1909, exists for the protection, not merely of Great Britain and Ireland, but of the British Empire generally, from all forms of espionage by traitors and foreign agents and for the prevention of leakage of secret and confidential information.

In order to ensure continuity combined with experience, this service is under the direction of certain selected officers retired from the active list for this purpose, and it works equally for the Admiralty, War Office and Air Ministry.

It was due entirely to work of this organization that the whole of Germany's pre-war espionage system in this country was discovered and nursed, ready to be

smashed, as in fact it was, on 3rd August, 1914.

On the outbreak of war the Service was mobilized as a section of the General Staff, and during the war it was the means, not only of detecting and bringing to trial some 30 spies and of placing under proper control (under Regulation 14B) some hundreds of dangerous individuals, but also of furnishing information to the Secret Services of the

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SECRET.

BRITISH DELEGATION, PARIS.

March 12, 1919.

Any rear George,

I have carefully studied the Draft Report of the
Secret Service Committee which you so kindly gave me. I
notice that paragraph 9 is the only one which deals with the
Secret Service of which the Foreign Office has the supervision and control. In that paragraph the Committee do not
consider that the future of the Service can be decided at
the present moment and that the question of its reorganization should be considered after the war by the Committee of
Imperial Defence or some other such body. Under the
circumstances I intend, unless you see any objection, to
continue to carry on the Service on the same lines as hitherto, but with a very considerable reduction in expenditure.
The expenses this year will probably be rather higher than
in succeeding years for it is difficult to wind up at very
short

The Right Honourable

Earl Curzon of Kedleston, K.G.,

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short notice a very extensive and far spread Organization.

I intend to send you as soon as possible a scheme of propaganda, but unfortunately Tyrrell is laid up at present and I must consult him about it.

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Lord Curzon.

Ju 27 1920

The Private Secretary has handed to me Mr. Austen Chamberlain's letter to you of January 19th relative to Secret Service expenses.

I am not in the least surprised at his consternation at the figures put forward, and think it is necessary for me to give you a detailed explanation.

In April of last year the D.M.I., D.N.I., and I had agreed to budget for a sum of £60,000 a year for Secret Service, which was to include a sum of £30,000 specially asked for by the D.M.I. This agreement was brought to the notice of the Secretary of State for War, presumably by the D.M.I., and Mr. Winston Churchill sent me a letter (which I attach) in which he said that he would not agree to any reduction at present and added that it might even be necessary to increase the funds in order to take

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advantage of the opportunity presented by an open door into Germany and Austria. The result of this step on his part was the demand for an addition of £18,000 a month for espionage, which has been paid during the past year. In the year 1920-1921 estimates espionage has been put down at £120,000, having been reduced practically 50% with the concurrence of the D.M.I. As things stand at present it may cost a little more, but ought in fact to be a little less. If the present efficiency of the service is to be maintained at the standard demanded by Mr.Churchill, I doubt if any further reductions can be made, and I anticipate that any proposal in that sense would be opposed by him.

In addition to Espionage there is the Contre-Espionage system under the direction of Colonel Kell. This organisation has cost 260,000 during the past year, and Colonel Kell's estimate for 1920-1921 amounted to 245,000, but the D.M.I., on my strong representations,

has

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for 1920-211 has agreed to its reduction to £35,000. I am not at all satisfied with this, and am of opinion that this organisation requires to be demobilised and reduced practically to the same strength as existed in pre-war days, when it consisted solely of officers and a few clerks and was extraordinarily effi-. cient, as was proved at the moment of the declaration of war. At the present time Colonel Kell has developed a large organisation with countless officers and clerks whose raison d'être appears to be doubtful in view of the fact that there cannot be any number of spies in this country just now. It might be too drastic a measure to abolish the whole organisation at one blow, but I should like to reduce their budget certainly to not more than £10,000 for the current year. I need hardly say that this proposal of mine will meet with strong opposition from the D.M.I. and the C.J. S.S.

If the figure of £35,000 for Contre-Espionage is maintained, then the total for Espionage and Contre-Espionage would amount to £155,000.

£10,000

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£10,000 has been allowed for secret propaganda the same sum as it was arranged last year to transfer from the Propaganda grant to the Secret Service grant owing to the nature of the objects on which it was to be spent. I am informed by the News Department that this sum will certainly be needed in 1920-1921.

Mr. Oliphant is of opinion that £10,000 ought to be set aside for Persia, thus bringing the total expenditure up to £175,000.

So long as the wharves of the Constantinople Quays Company remain in the occupation of our naval and military forces, thereby depriving the Company of their fees which used to cover the interest on the loan, we shall; presumably, have to make good this sum to the Bank of England. This accounts for another £13,500 and brings the total expenditure to £188,500. Tremulty

The remaining expenditure, including that incurred by H.M. Missions and Consulates; pensions to retired agents and their relatives; special allowances for various purposes connected with Secret Service;

this sum will be recovered later from the Commialty & War Office.

construction

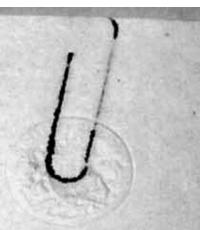
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construction of cyphers; and miscellaneous, including grants for occasional purposes, has been cut down to £15,000 in the estimate submitted to the Treasury. This is a reduction of last year's estimate. It is to be hoped that the estimate for Missions and Consulates, put at £5,000, may not be spent, but against this must be reckoned the fact that:-

- (a) the grand total has reached £203,500, whereas, in order to state a round sum and on the assumption that a saving will be effected under Contre-Espionage, the estimate of which the Chancellor complains allows for £200,000 only, and
- (b) that nothing has been provided to meet "unforeseen contingencies", whereas it is clear that we
 are by no means at the end of the claims for compensation in respect of services rendered in enemy countries
 and elsewhere during the war, and we may consequently

still

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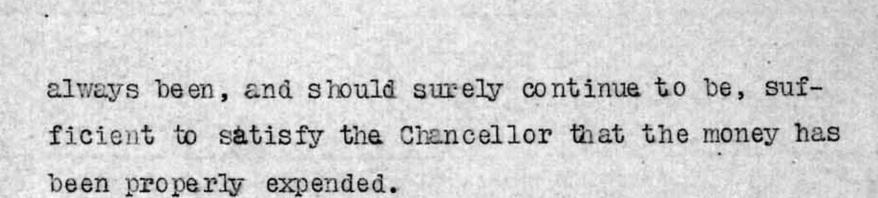
still be called upon suddenly to disburse large sums for which no provision has been made at all.

From the above figures I think you will agree with me that the only possible large reduction is on the Espionage and Contre-Espionage expenditure, which accounts altogether for £155,000, and I think this should be reduced by half, but it is certain to meet with strong opposition on the part of the military authorities.

In conclusion I venture to think that the Chancellor's demand for details and justification should be resisted; it seems to me to be subversive of the whole idea of the Secret Service vote, which is allocated to the Secretary of State to spend as he, and not the Chancellor of the Exchequer, thinks best. If it is complied with, the next step may be a demand for the auditing of our accounts in detail by the Treasury, which would be a fatal proceeding. The Secretary of State's guarantee has

always

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K.

January 27th, 1920.

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SECRET.

REORGANIZATION OF INTELLIGENCE.

(Girculated by the Home Secretary.)

With reference to the minutes of the War Cabinet (550 A) of the 24th March, I have received from Mr. Basil Thomson the following memorandum which gutlines two alternative schemes for the establishment of a new Department of Intelligence. I suggest that these schemes should be examined by the Secret Service Committee when they reassemble to consider the question of propagands.

E. S.

31st March, 1919.

The decision of the War Cabinet that a new post should be created under the Home Secretary for dealing with and acting upon Political Intelligence at home and abroad, under the direction of Mr. Basil Thomson, raises an important question. At present, as far as Home Intelligence is concerned, the work is being done by selected Police Officers in the Provinces and in London, and experience has shewn that Police Officers, with their experience of dealing with informants, are far better fitted to collect and sift information than non-professional Intelligence Officers. Moreover, the power to take quick action on the receipt of information would be seriously curtailed if there were not a body of Police Officers under the immediate orders of the Director of Intelligence. One has only to cite the case of a person suspected of intending to commit an outrage, whose

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departure is notified to the Director by telegram. It is essential that he should be met and followed on arrival at his destination, and the Director ought to have men on the spot who can be detailed for that duty.

The Home Intelligence at the present time comprises information on Labour unrest and the activities of revolutionaries. If the new Directorate were merely a clearing-house for information received from Police Authorities, the daily report which it is proposed to issue to the various Departments concerned would be a very barren and meagre document.

There is, however, an even stronger reason why. nominally at least, the Director should be connected with New Scotland Yard. We will suppose that in some manner Labour agitators have come to know of the existence of the Intelligence Organization: if it is unofficial and secret, or, worse, if it is official and secret, they will never rest in the House of Commons until they have wrung from the Government a promise to discontinue it. If, on the other hand, the Government is able to say that Scotland Yard is receiving information, all criticism appears to die down, for it is generally understood that it is the duty of Scotland Yard to concern itself with such matters. In the Wheeldon case, for example, when Mr. Kellaway, speaking for the Minister of Munitions, announced to the House that the Ministry had broken up its organization and had transferred the duties to Scotland Yard, no further criticism was heard. It is for this reason that it was found necessary to centre the Irish and Indian Intelligence in Scotland Yard as an effective cover.

Them is the further point that all the records on which the System will be founded are in the Special Branch at New Scotland Yard, and without these records the new Organization would be helpless.

It is felt, therefore, that an outline should be given of two alternative Schemes:-

- (A) Whother the Director remains honorarily connected with the Metropolitan Police,
- (B) Whether an entirely separate Organization is set up.

SCHEME A.

Mr. Basil Thomson at present controls two separate Branches of the Service:-

(1) The Criminal Investigation Branch, (2) The Special Branch.

It is proposed that he should retire from the Criminal Investigation Department and leave the building at Scotland Yard, taking with him the Special Branch, numbering some 130 Officers and all the records, as the nucleus of his new Registry. The men in the Special Branch would continue to be Officers of the Metropolitan Police, and the Director would continue to be an Assistant Commissioner, but he would, as at present, report direct to the various Departments without going through the channel of the Commissioner's Office.

The men would receive their pay and allowances, as at present, from the Metropolitan Police Fund.

In the new Organization would be centred the following matters:-

- 1. The Progress of Bolshevism Abroad (founded on reports from the Military Intelligence, the Neval Intelligence, the Foreign Office, and various other sources of information such as the American Intelligence, the Liaison Police Officer in Paris, etc., etc.).
 - 2. The Labour Unrest Organization, (new paid for by the Ministry of Munitions, but in future to be paid out of the special fund, the officers being Police Officers).
 - 3. Indian Anarchist matters, (forwarded in the form of a precis to the India Office and the Government of India).
- Catalogue Reference: KV/4/15 (transmission of "Q" Reports and the collection mage Reference:31

of information from the Royal Irish Constabulary, the Dublin Police, and American sources).

5. Revolutionary matters at Home, (collected from agents attending meetings, etc.,

The proposed Office accommodation would be at Scotland House, contiguous to Scotland Yard.

SCHEME B.

Mr. Thomson would vacate his Office and seek accommodation elsewhere in a central position, not too far from the Public Offices. He would engage immediately a number of persons as Provincial Agents, for the most part untrained, and would have to compile new records. He would take with him such members of the Labour Unrest Organization as are not Police Officers.

As an alternative, the Special Branch might be broken up, each Constable receiving a letter that if he continues to serve in the Intelligence Organization he will receive the same pay and pension as he would have done had he remained a member of the Force, subject to good conduct.

For some time, it is to be feared, the Organization would be less efficient than it is at present, besides being more expensive, and as the connection between Mr. Thomson and the Commissioner of Police would, as far as the Intelligence work is concerned, be nominal, and Mr. Thomson would take his instructions direct from the Home Secretary, it is submitted that Scheme A is to be preferred.

The personnel and other details of the Organization, together with an estimate of its financial cost, can be settled after a decision has been arrived at on these two alternative Schemes.

B.H.T.

4.

SECRET.

SECRET SERVICE COMMITTEE. (Minutes of Third Meeting).

The Secret Service Committee as reconstituted by the War Cabinet (Minutes 550A of the 24th March) held a meeting at the Foreign Office on Friday, 4th April, at 3.30. Lord Curzon presided, and the other members There were also of the Committee present were Mr. Shortt and Mr. Fisher. in attendance Mr. Basil Thomson, C.B., Mr. Stephen Gaselee, C.B.E., of the Foreign Office, and Mr. S.W. Harris, C.B., C.V.O., of the Home Office (Secretary).

1. Organization Department.

The Committee had before them a memorandum circulated by the Home of new Intelligence Secretary which outlined two alternative schemes for the establishment of the new Department of Intelligence authorized by the War Cabinet. The Committee decided to adopt Scheme A.

2. Propoganda.

Lord Curzon informed the Committee that the Foreign Office had decided to form a News Department which Sir William Tyrrell would control. object of the News Department, to which is affiliated the Political Intelligence Department, is to collect and focus all material from Foreign Countries, and to conduct propaganda in Fereign Countries. Sir William Tyrrell would be in personal contact with the Secretary of State from whom he would obtain directions as to pelicy. It was desirable that he should be in close touch with Mr. Thomson.

As regards propaganda in this country Mr. Thomson informed the Committee of private organizations which had been formed to counteract the spread of Bolshevist ideas. The Committee thought that Mr. Thomson ought to have a suitable man under his control who would organize propaganda and keep in touch with these private efforts provided they are not in any degree of a political character. The person selected might be an experienced journalist nor need he be debarred from contributing to the Fress He would not require a large staff and it was not desirable that himself. he should be located in the Home Office or at Scotland Yard. journalist were selected, Fleet Street would be a convenient place for him The man appointed should be responsible under Mr. to havean office. Thomson for all propaganda such as newspaper articles, organization of The Foreign Office would be able to assist by the supply speakers, etc. of material.

3. Press.

Mr. Fisher suggested that it would be useful if conferences could be arranged from time to time with representatives of the Press to give them information and guidance on social unrest and similar matters. Curzon explained that such a plan was being adopted by the Foreign Office in regard to Foreign Affairs, and the duty of meeting the Press would probably be undertaken by the Parliamentary Under Secretary of State. The Committee were of opinion that a similar duty as regards Home Affairs might be devolved upon the Farliamentary Under Secretary of State for the Home Department.

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SECRET.

SECRET SERVICE COMMITTEE.

Minutes of First Meeting.

The first meeting of the Secret Service Committee took place at the Foreign Office on Monday, 3rd February, at 3.30. There were present - Lord Curzon (Chairman), Mr. Shortt, Mr. Macpherson, Lord Lytton (representing Mr. Long), Lord Peel (representing Mr. Churchill), Lord Hardinge and Mr. S.W. Harris of the Home Office (Secretary).

Lord Curzon explained that the Committee was appointed by War Cabinet Minute 519 (4) in consequence of a note circulated by Mr. Long in which he recommended that the whole matter of Secret Service on the civilian side should be placed under the control of one Minister, possibly without portfolio, who would take action where required. Mr. Long was under the impression that an immense amount of information was collected but that there was little means of taking action upon it. A further paper had been circulated by Mr. Shortt agreeing generally with Mr. Long as to the want of co-ordination but questioning the need for appointing a new minister.

Certain papers had been circulated to the Committee giving an account of the work performed by various Departments. The first Department concerned was the Foreign Office, which receives and distributes the greater part of the Secret Service funds under the control of the Permanent Under Secretary. Before the war the amount was £40,000 a year, but since the war it had gradually increased until last year it amounted to about £800,000. A shrinkage was now contemplated to something less than £250,000 for the forthcoming year. Out of this sum the Foreign Office supplies the Admiralty, the War Office and the Air Ministry with the funds they require. The Home Office had a smaller, separate fund obtained from the Treasury.

Lord Hardinge here explained that the funds controlled by the Foreign Office were obtained from the Treasury and accounted for to that Department. Before the war there was a Secret Service Vote, but since the war funds had been derived from the Vote of Credit. Lord Curzon pointed out that as this source was coming to an end, the magnitude of the sum involved was an important factor.

Lord Curzon proceeded to explain that the War Office organization was primarily under the D.M.I., but that a great deal of work had been done by M.I.S., the Contre-Espionage Section. This Section had greatly expanded during the war and now included about 450 officers and clerks. The Section which obtained information from abroad was in the hands of Captain Cumming. The latter officer was the head of the Service connected with the Foreign Office which supplies all Departments with information which they required from foreign countries.

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At this point Lord Hardinge read a note on the Foreign Office Service, which is reproduced at the end of the Minutes:

Lord Curzon then dealt with the Admiralty organization at the head of which was the D.N.I., formerly Admiral Hall and now Admiral Sinclair. Lord Lytton explained that the D.N.I. had a special organization in Spain and South America which was primarily a war organization. He employed his own agents in those countries for naval purposes as he was not satisfied with the information obtained through the Foreign Office. This arrangement was to some extent a temporary one and the Admiralty would fall in with any scheme that was arrived at as regards the Foreign Office organization. Admiral Hall had formed the opinion that the position of Captain Cumming needed strengthening.

Lord Curzon then dealt with the Home Office, explaining that Mr. Basil Thomson carried on his intelligence duties in addition to his police duties as Assistant Commissioner of Police, He had taken ever from the Ministry of Munitions their intelligence work in connection with labour troubles and issued daily a Labour Report which was circulated to certain Departments, He also issued a fortnightly Report on revolutionary organizations in the country. Mr. Thomson had acted in complete co-operation with the War Office and Admiralty In addition to Mr. Thomson's work the Home Office had a during the war. separate Service, paid for out of Secret Service funds, for collecting information in regard to Irish matters. Ar. Macpherson in reply to Lord Curzon pointed out that the work done by the Crimes Branch in Ireland was similar to that done by the Criminal Investigation Department in England. As regards the India Office, Lord Curzon explained that they had a separate organization which included Special Service officers both in India and in this country.

Lord Curzon observed that from these statements it appeared that there was great activity and much work done, but the impression he had gained was that there was a lack of co-ordination, which had especially grown up during the war. In future it might be necessary to draw a distinction between military and civil intelligence, the military system being under one organization and the civil under another.

Lord Hardings said that he thought it essential that the Foreign Office should hold the purse-strings and should know what Maval and Military authorities were doing in foreign countries, as if anything went wrong the blame would fall on the Foreign Office. This position was generally accepted by the War Office and Admiralty.

Mr. Shortt said that when he was in Ireland he had formed the impression that information often came too late; but his experience in the Home Office was too short to enable him to so into details as to that Department. He would ask Sir Edward Troup to give the Committee some information later on.

Lord Lytten said that Mr. Long's view had been formed before he came to the Admiralty. Mr. Long was quite satisfied with the organization but would like to strengthen it, and he thought there ought to be someone with

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the right to go to the Prime Minister and draw attention to important information. At present information comes in such quantity that it is often overlooked. He rather agreed with the criticism by Mr. Shortt as to the appointment of a special minister.

Lord Curzon pointed out that Mr. Long was dealing only with the question of revolutionary movements. The question of the re-organization of military intelligence in the future did not really arise. He did not understand whether Mr. Long suggested that Mr. Thomson should take the place of Captain Cumming. Lord Lytton replied that Mr. Long's view was that Mr. Thomson's work and Captain Cumming's work should be combined and that one man should be at the head of it.

As there was difference of opinion as to Mr. Long's proposal it was decided to adjourn to enable Mr. Long to be present and explain his views personally. It was also decided that at the next meeting the Committee should hear Sir Edward Troup, Mr. Thomson, Colonel Kell and Captain Cumming.

The next meeting was fixed for Friday, 7th February, at 3 o'clock.

APPENDIX.

Note by Lord Hardinge.

The Secret Service run by the Foreign Office deals with foreign countries alone. It has nothing to do with information to be obtained in Great Britain, Ireland or the Colonies, though such information as may be received from foreign countries relating to internal affairs of the Empire is passed on at once by those in control to the competent Department of the Government.

It is essential that the control of secret service operations in foreign countries should be in the hands of the Foreign Office since they are the only Government Department in a position to decide whether such operations may or may not conflict with the general foreign policy of H.M. Government, and to consider whether thay may not create serious difficulties with foreign Governments if discovered for which the Foreign Office would be held responsible. This is even more important in pence time than in war, for in war time acts are committed and measures taken in neutral countries that would hardly be tolerated Such control is secured by holding the purse-strings. in times of peace. In all secret service matters the Foreign Office is in the closest possible touch with the Directors of Naval and Lilitary Intelligence who communicate direct with the Chief of the Secret Service who has in his employ agents in various foreign countries. They inform him of the nature of the military or naval information required and it is he who is responsible for obtaining it. The Chief of the Secret Service keeps the Foreign Office informed and they, while exercising supervision, do not interfere unless absolutely called upon The Fereign Office have other agents also to collect political to do so.

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information. Agents employed to obtain military and naval intelligence often provide a considerable amount of political information which, although a byproduct, is of great interest and usefulness. Such information is passed on to any Government Department which may be interested. During the War the operations of the Secret Service, thanks to the most able co-operation of General Macdonogh and Admiral Hall, has been worked with very happy results, and I believe it may be truly said that its success has been second to none. This is not merely my opinion but that of Mr. Balfour. The work and duties of the Chief of the Secret Service are exceedingly technical, requiring very special qualities which are not easy to find. The Foreign Office have been extremely fortunate in securing the services of the present Chief of the Secret Service who has now been in their employment for nearly ten years and has a unique experience of Secret Service both in peace and war.

Before the war £40,000 per annum was allocated to the Foreign Office for Secret Service. During the war this sum was largely increased, but is now being rapidly reduced. It is doubtful whether it can ever be limited to its former figure. Accounts are most carefully kept and no expenditure undertaken without the sanction of the Secretary of State.

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SECRET.

Lad Corgan

SECRET SERVICE COMMITTEE.

Minutes of Second Meeting.

The second meeting of the Secret Service Committee was held at the Foreign Office on Friday, 7th February; at 3 o'clock. Lord Curzon presided and the other members of the Committee present were Mr. Long, Mr. Macpherson, Lord Peel (representing Mr. Ohurchill), and Mr. S.W. Harris (Secretary). The following also were in attendance at the request of the Committee: Sir Edward Troup, Mr. Basil Thomson, Colonel Kell, and Captain Mansfield Cumming, R.N.

Lord Curzon summarized the information obtained at the last meeting and explained that the Committee were concerned mainly with that part of secret service which leals with revolutionary propaganda at home.

Mr. Long then explained his proposal. The said that his criticism was not directed against the method of obtaining information but against the subsequent action taken upon it. As far as he was aware, the method of obtaining information was wholly excellent, and the conclusion he had come to was that our information was much better than that of the enemy. He was a good deal puzzled by the present organization of the existing service, and it seemed to him that a good many of the mistakes made were due to overlapping. He would like to see a Director of Secret Service subordinate to a single Linister who would have power to take action. He instanced the case of Mr. Thomson's reports on the subject of unrest in the Army on which no action appears to have been taken. He thought that the present unsatisfactory state of things was due to the fact that there was no one to take action on any information which was obtained. He did not wish to interfere with that part of the service which obtains information from The Admiralty and War Office ought to have their own secret service for their own purposes: for instance, the Mavy requires information as to what is taking place in dockyards and ships, etc. but all information outside military information of this kind ought to be concentrated in the hands of a civilian Minister who is able to take action. The Home Secretary would be the proper Minister if he had time to do it, but he might find it difficult to interfere with the work of other Departments. He would prefer to see a civilian responsible for the administration who is in immediate touch with the Prime Minister or, at any rate, a hinister who can take action after communicating with the Prime Minister if necessary.

In reply to hold Curzon, Sir Edward Troup explained the action which the Home Office at present takes on the information obtained. The reports are brought to the notice of the Departments and it is for the Departments concerned to take action. Mr. Long pointed out that the Ministers concerned here often too much occupied to give proper attention to the matter. Secret service is of immense importance to the stability of a country and as criminal organizations are now more expert fresh methods are necessary.

Lord Curzon asked how exactly matters would be improved by the appointment of official such as Mr. Long suggested: such an official could not take action for in stance over the heads of the War Office. Mr. Long replied that he could so straight

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Alan Sancas in markets

to the War Office and ask them to take action er, if they failed to de se, take action himself:

Colonel Kell, who was asked to give the Committee an account of his functions, explained that, breadly speaking, his duties were as follows:-

- (1) He was responsible for the investigation of cases of espionage in the United Kingdom. His staff consisted of 140 officers and 313 clerical staff and a force of police officers, making in all about 800.
- (2) Prevention of espionage in the United Kingdom including advice on legislation and legal procedure.
- (3) Close co-operation with the Home Office in control of ports and frontiers watching entry and departure of persons to and from the country.
 - (4) Responsibility for the co-ordination of counter-espionage in the Colonies.
- (5) During the war he was responsible for the investigation of the credentials of aliens employed on Government work.
 - (6) Organization and administration concerned with these various duties.

Colonel Kell explained that since the Armistice his staff had been dwindling, but the work would be continued on a permanent basis and there would certainly be some expansion of his pre-war staff.

Mr. Long asked Colonel Kell how it came about that his work grow to its present dimensions. Colonel Kell explained that it grow automatically out of the War. For instance, war conditions made it important that they should have officers at the ports to co-operate with the Home Office officers.

In reply to Lord Curzon, Colonel Kell said that he was not concerned with propaganda, but he was always anxious to have such information as it very often led to the tracing of spies.

Sir Edward Troup said that Colonel Kell's organization had fitted in well with the work of the Home Office.

Lerd Curzon asked at what point Colonel Kell's work came into contact with Mr. Basil Thomson's. Colonel Kell explained that the main connection was in ascertaining the antecedents of individuals who were possible spice:

Colonel Kell explained that the general control of his Department rested with the D.M.I., but in administrative work he had a fairly independent control.

Mr. Basil Thomson, who was then examined, stated that he was the Assistant Commissioner of Police who was head of the Criminal Investigation Department and also of the "Special Branch". The Special Branch grew cut of the need for protecting Ministers and gradually became concerned with the watching of anarchists and other dangerous persons. The staff had grown from 30 to 150. Strictly speaking, he had no functions cutside the Metropolitan Police Pistrict, but the special Branch had grown into a semi-national department. Since the War the Special Branch had occupied most of his time. His work included - (1) the issue of a fortnightly report to the Cabinet on revolutionary matters, which was really an extension of his functions as a distributory agent of revolutionary

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intelligence; (2) the issue of a daily-report on labour unrest, which was taken over from the Ministry of Munitions. In answer to Lord Curzon, Mr. Thomson said that he got information not only from his own agents but from foreign agents under Captain Cumming and also from the Foreign Office telegrams. The action he took upon this information was to send reports to the Home Secretary and to the Cabinet and sometimes to particular Ministers. Mr. Thomson thought that one great evil of the present system was the duplication of agents. Very often the same agent was paid by two different employers; also the same information might be obtained by different agencies and be repeated in different documents, the result of whichwas that one statement was taken as confirmatory of the other although they both came from the same source. Asked what his proposals were for amending the present system, Mr. Thomson said that there should be some person in complete charge of political information.

Lord Curzon asked whether the Ministry of Labour took any action on Mr. Thomson's reports, and Mr. Thomson replied that he thought in some cases they did take action. Mr. Long asked what power Mr. Thomson had in regard to the movements of dangerous individuals. Mr. Thomson replied that he was in frequent consultation with the Home Office. In the Metropolitan Police Area he had complete power to take action, but outside he could only suggest action to the provincial Chief Constables.

Mr. Thomson suggested that there should be an equitable division of the money available for secret service among the various Departments, both military, naval; foreign and home, and there ought to be some arbiter to decide that the division should be. Lord Curzon said that Mr. Balfour had formed the opinion that the Foreign Office was the proper paymaster, and he himself agreed with that view.

Captain Cumming was then asked for a statement. He said he had very little to add to what had already been said. He confirmed Mr. Thomson's statements about parallel organizations and the duplication of agents and reports: for instance, in Holland there had been several separate organizations and it had even happened that agents had denounced their friends in order to get double salaries. His own staff consisted of 180 officers at headquarters, but during the war their employees over the world had amounted to a very large number indeed. He anticipated a rapid reduction. The information he obtained was passed on at once to the Departments concerned in the form of a report.

Sir Edward Troup was asked what part the Home Office should play in any scheme of reconstruction, and whether it was desirable that the responsible Minister should be the Home Secretary? Sir Edward Troup replied that if the Committee had in mind the question of dealing with Bolshevism he thought the Home Secretary should be the central authority. It was very necessary to concentrate this particular work. In reply to Mr. Long, Sir Edward Troup said it was true that the Home Secretary had a heavy burden to carry, but it would be difficult to separate this from other Home Office functions. Sir Edward Troup drew attention to the pressing need for anti-Bolshevist propaganda. Lord Curzon thought that an organization for more effective propaganda work ought to be associated with any plan for the recorganization of Secret Service work on the civil side and undertook, with the aid of the Secretary to prepare a Scheme for the consideration of the Committee.

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Maria Ware of and

H.M. OFFICE OF WORKS, Storey's Gate, Westminster, S.W. 1. 4th March, 1919.

My dear Curzon,

I notice in the Eastern Report, CIX, February 27th, a very interesting statement on the position of the Bolsheviks. Much of this information seems to come to the Foreign Office. In view of the fact that there is considerable feeling against Allied and British intervention in Russia which is largely stimulated by the labour press with the influence of labour circles is evidenced in Part 3, Page 5, in the report from the Ministry of Labour on the labour situation, G.T. 6901, what objection can there be to the truth being circulated among the press of this country, and every opportunity being taken to show the true attitude of Russia, and the feeling of the people respecting the real dangers of the Bolshevik regime. being constantly asked by people outside why the Government doesn't give the country more information regarding the state of affairs in Russia, and I think the Foreign Office with the information which is available could very well meet this demand.

Yours sincerely,

The Right Hon. Earl Curzon, K.G., G.C.S.I., G.C.I.E., House of Lords, S.W. 1.

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Lord Curzon.

Until the question of handling anti Bolshevist propaganda in this country has been put upon a definite basis, it is difficult to carry out any systematic work such as Sir Alfred Mond very naturally desires. Meanwhile we are doing what we can, as unostentatiously as possible, since the connection of the Foreign Office with such work would at once render it suspect in the eyes of labour. Men such as Mr. Keeling, aprinter's apprentice who suffered imprisonment at the hands of the Bolshevists, are being helped to make tours and speak to the working classes, and the press, especially that read by the working and manufacturing classes, is fed with suitable and authentic information.

FOREIGN OFFICE, S.W.1., 7 MARCH 1919.



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T. Dinell

8th February, 1919.

In dear Parge

I venture to make very rough suggestions, only of course for your consideration. I think we should report at once to the following effect:-

- (1) Immediate action is necessary.
- (2) A Secret Service Department, presided over by a civilian, and supplied with adequate funds, should be established immediately, and should be put under the Lord President of the Council.
- (3) In order to avoid overlapping, and to simplify machinery, as soon as the new appointment is made these questions should be considered by the new Chief, and suggestions made for the future.
- (4) A capital sum should be placed at the disposal of the new Department the interest to be available for Secret Service.

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The open and avowed object of this last proposal is to avoid Parliamentary discussion.

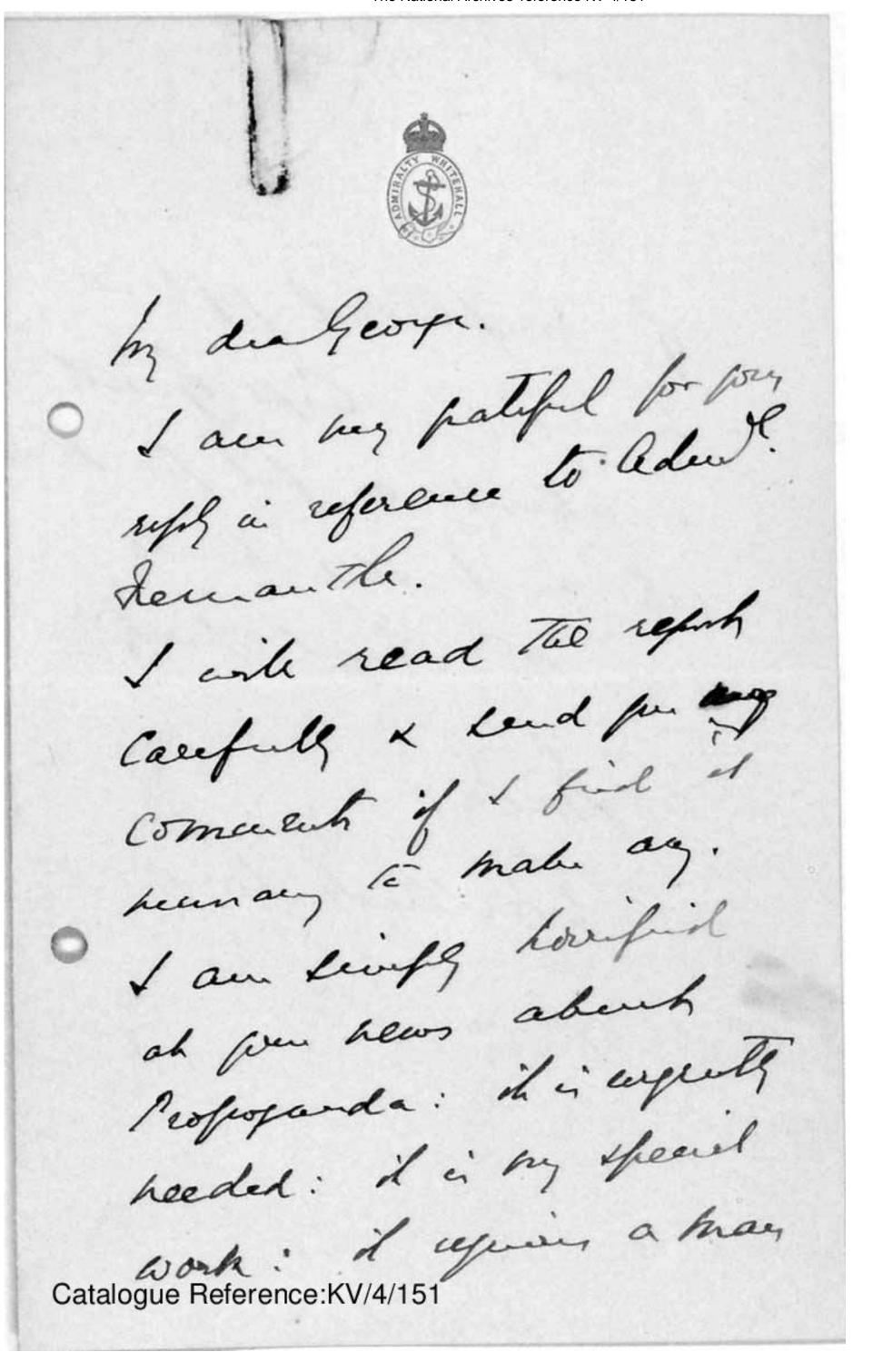
Have you seen the enclosed? It confirms all that I have said. I hope the Home Secretary is dealing with these men.

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The Right Hon.
The Earl Curzon,
KG.,GCSI.,GCIE.

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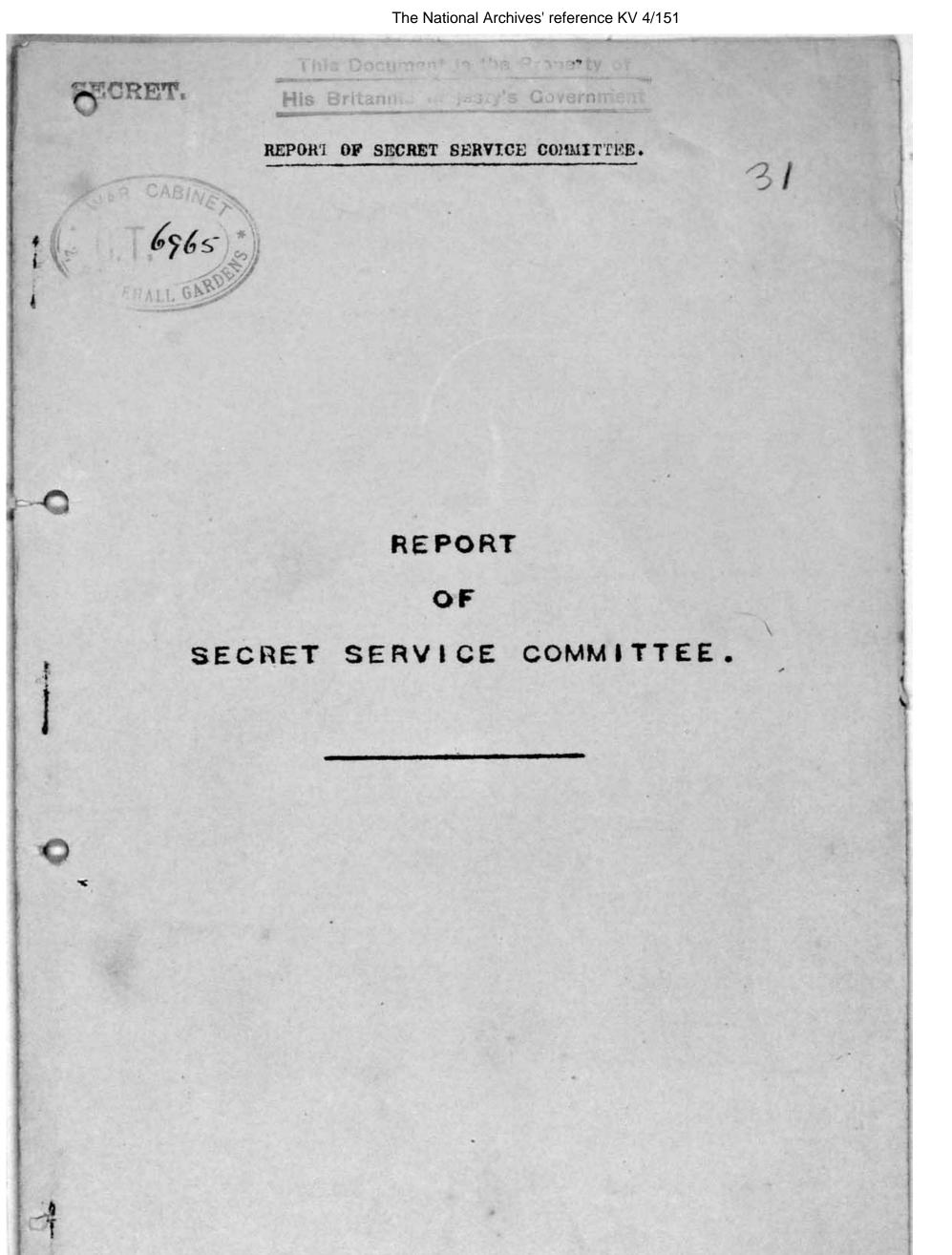


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HOME OFFICE. FEBRUARY, 1919.

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REPORT OF SECRET SERVICE COMMITTEE.

Appointment and terms of reference.

bookin any doldy vientors metti This Committee was appointed by the War Cabinet on the 24th January (War Cabinet 519, Minute 4) to inquire (a) what is being done at present by the Secret Service Branches of the several Departments, (b) how this work can best be co-ordinated with a view to the necessary action being taken with the merced, but it was intended pricarily for military purposes utmost promptitude.

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Members.

Lord Curzon (Chairman) thing panels and the Mr. W. Long or Lord Lytton (Admiralty) Mr. Shortt (Home Office) Lord Peel (War Office) vas of old toda . same

Mr. Macpherson (Irish Office)

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Representatives or officials of other Departments were summoned to the meetings.

Evidence.

The Committee had before them a memorandum by the First comit despert of to engage of deed once Lord of the Admiralty (Paper G.T.6665) which led to the appointment of the Committee and a memorandum by the Home Secretary the service with moted by this argenization, but they have nothing (Paper G.T.6690). They also had memoranda from the Foreign Tinin bilanges a concerny Layer visue me? Office, War Office, Admiralty, Home Office, India Office and Irish Office, giving particulars of the intelligence services The Committee obtained further informaof those Departments. tion personally from Lord Hardinge, Sir Edward Troup, Mr. Basil Thomson, Captain Mansfield-Cumming, R.N., and Colonel Kell.

Scope of Inquiry.

- Mr. Long's paper is primarily concerned with what he discu. calls the civilian side of secret service, that is to say, the prients of fragon at delivers but maintains are rightsmoores machinery for collecting information about persons engaged in and we obtain one of the and off animals of footblee made by the revolutionary or anarchical movements in this country. tal trough of the Original Investigation Dens therefore the Committee have made a brief survey of the whole of the secret service as they were instructed to do by their apile I datel edd yn karleti mi peroubees to maintak terms of reference, they have devoted their attention especially the troix office decement for its orbeditgener to seek extert and to this civil side. the water all the state of the part in addition the pile
- The existing military erganization of secret service in Secret Service 5. before the war. ye taung cing of away translate available alies of serior translate this country may be said to date from 1909 when the subject men indominua maibili de doden a gran es l'initiation considered by the Committee of Imperial Defence. As a result

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of recommendations made by that body an organization was established with two branches. The first branch, which was placed This Carrithee flow area wheel by the flow Caldred on the under the general control of the Foreign Office was entrusted ordered with the constitution . with the duty of obtaining secret information from abread on military, naval and other matters. The information so obtained has been placed at the disposal of all Government Departments concerned, but it was intended primarily for military purposes. Captain Mansfield-Cumming, R.N., has been Director of this service from the beginning. The second branch, which was placed under the general control of the War Office (Director of Military Intelligence), has been concerned with counter-espionage, that is to say, measures for detecting foreign agents working in this country and for frustrating their efforts. The Director of this branch is Colonel Kell, who has also been in charge of the branch since 1909.

The naval as well as the military authorities have shared in the service afforded by this organization, but they have maintained for purely naval purposes a separate staff under the Director of Naval Intelligence.

For intelligence other than military there are the fellowing

The Home Office has maintained for many years a small service for obtaining secret information in regard to Ireland, especially in America. The Home Office also, by means of the Metropolitan Police, is responsible for obtaining information in regard to anarchists and other dangerous political criminals. The inquiries are made by the Special Branch of the Criminal Investigation Department under Mr. Basil Thomson, one of the Assistant Commissioners of Police. Similar inquiries are conducted in Ireland by the Irish Police.

The India Office depends for its intelligence to some extent on
the agencies already mentioned, but in addition the Director of Central
Intelligence in India employs officers both in this country and on the
Continent to keep a watch on Indian suspects.

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Value of secret 6. service before the war.

The establishment of the military intelligence service described above had been justified by its results even before the outbreak of war. The counter-espionage branch, working in close co-operation with the Home Office, had succeeded in getting into touch with the greater number, if not all, the German agents in this country, with the satisfactory result that on the outbreak of war all suspects were arrested, and the German spy organization was broken up. The fact that no act of sabotage was committed by German agents during the first critical months of the War bears good testimony to the value of this work.

Secret service during the war.

service in every direction. The main expansion took place in the Foreign Office service in which there was an enormous growth in all kinds of secret eperations abroad, involving the expenditure of very large sums of money. The Committee have good reason for believing that heavy as this outlay has been, it has been thoroughly justified by the results and that the information thus placed at the disposal of the British Government has been equal, if not superior, to that obtained by any other country engaged in the War.

Colonel Kell's branch experienced a similar expansion and undertook a number of new duties according as the circumstances of the War required. Apart from its main function in tracing and watching spies, good work has been done in conjunction with the Home Office in dealing with all questions relating to aliens and suspects in this country, particularly in regard to the entry and departure of persons to and from British ports.

The Naval Intelligence Branch under Admiral Hall undertock new spheres of activity, especially in Spain and South America, where the existing sources of information appeared to the naval authorities to be insufficient or unsuitable from the naval point of view.

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It is understood that the Air Force has also established an intelligence branch of its own.

On the civil side the conditions of the present war gave greater importance than has been the case in any previous war to intelligence on pelitical and industrial matters. The work of collecting and circulating such information was undertaken by the Home Office through the Special Branch at New Scotland Yard. In this direction the work of Mr. Basil Thomson has grown far Apart from a very large increase beyond his ordinary functions. of work of a police character involved in the administration of the regulations regarding aliens, etc., Mr. Thomson has given special attention to pacifist and revolutionary propaganda, and by the direction of Lord Cave the results of his inquiries were embodied in a useful report issued by the Home Secretary to the Cabinet every fortnight. The Special Branch also became the repository of much valuable information about labour conditions and movements in this country. This work was first undertaken by the Ministry of Munitions, but later it was found desirable to transfer it to the Special Branch, though the service continued to be paid for by the Ministry of Munitions. The information is summarized in a daily report on labour unrest which is circulated to the Ministers and Departments mainly concerned.

There is no doubt that as a result of the general extension of the secret service organization there has been overlapping of activity and responsibility, and the large sums of money required for all these operations have not always been expended economically or to the best advantage. Cases were quoted to the Committee of agents employed and paid separately by more than one branch of the intelligence service and of information by the same agent being given to different branches, with the result that one report appeared to confirm the other though both

Results of expansion during the war.

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really came from the same source. Such a duplication of effort is perhaps inseparable from Secret Service work, but is nevertheless to be deprecated and with experience ought to be reduced to a minimum.

Organization for the future military intelligence.

Since the armistice it has been found possible to effect a substantial reduction in the military and naval branches of the The question as to the future of this service secret service. will have to be considered, but the Committee do not think it can be decided at the present moment, when many of the responsible officers are engaged in more urgent duties. They recommend that the question of reorganization should be considered after the War by the Committee of Imperial Defence or such other body as may be It will probably be formed to deal with questions of defence. found convenient to maintain the distinction between military and peace a fairly sharp distinction civil intelligence. In time of exists between these respective spheres, though in time of war much intelligence which deals with merely civil matters is of the greatest value to the military authorities. The Committee suggest, however, that it would be desirable to co-ordinate all intelligence for military purposes and to establish one organization which will serve alike the War Office, Admiralty and Air Force. The War has tended to emphasize the unity of the fighting services, and among other pieces of machinery which might be common to them all the important sphere of intelligence should I toposal ratherly on second to without the not be overlooked.

Organization 10. for the future civil intelligence.

The Committee were much impressed by the need which is indicated in Mr. Long's paper for some immediate change as regard civil intelligence. Mr. Long's criticism is directed not so much against the quantity or quality of the information obtained as against the use made of it. Mr. Thomson appears to have shown energy and resource in adapting his machinery to war conditions,

and a great deal of valuable information has been obtained, but he has been hampered by the pressure of other duties. At the present time the collection of reliable intelligence is so important that the work should occupy the whole time of the officer concerned. The Committee endorses Mr. Long's recommendation in this respect and they think that a Secret Service Department should be created without delay, and they recommend that Mr. Thomson, in virtue of his abilities and great experience should be placed at its head. He should be relieved Character off the green water from the property off the removal of his ordinary police duties and should devote his entire and thrommour vant - anciety designs a new or authors one consisting time to the collection and dissemination of intelligence. or meditic be well-know with Clayers and the Engraph Time to be the care with When the war is over and social conditions have reverted to d went ma wheel models nows no asserbed Laure soul to weathings D offered a more normal course the future official organization of civil I windows life of a con low to constant note land at bourst intelligence may come up for re-examination in the light of the Count of the second of the single the single second of the experience gained. uniously greate pirter a crosq of he enter his contextiledel fivin

As to the use made of information when obtained, Mr. Long proposes that there should be a minister of Cabinet rank whose duty it shall be to take action as soon as information is brought to his notice.

The Committee are convinced that the reports which are circulated sometimes receive too little attention, and that some method should be devised of bringing important pieces of information to the special notice of the Ministers concerned. The matters dealt with affect so many departments that in the great majority of cases no Minister (except the Prime Minister whe is obviously too busy to give his attention to the subject) could be charged with the duty of taking action over the heads of his colleagues. The Committee think, however, that a great improvement would be effected if a careful watch were kept on the character of the information obtained and steps taken to bring special items at once to the personal notice of the

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responsible Minister, and where desirable of the Cabinet.

In some cases prompt action might be taken at once on the authority of the Minister concerned. Having regard to the close connection between civil intelligence and police work, the Home Secretary would appear to be the Minister naturally pointed out for the discharge of these functions. But it is for the Cabinet rather than for the Committee to decide whether any other Minister should preferably be selected or is available for the work.

It should of course continue to be a part of Mr. Themsen's duty to bring any information of special importance - e.g. information showing the cause of discontent among some body of men - prominently to the notice of the Department concerned: but where the matter is likely to have serious consequences or ealls for immediate action he should at once refer it to the responsible Minister selected for the purpose.

expenses of the contemplated organization should be paid. It is unlikely that Parliament after thetermination of the War and when Votes of Credit are no longer available will be disposed to vote for Secret Service the very large Sums which have in recent years been expended on that object. On the other hand it is equally clear that the Pre-War Parliamentary grants may not suffice for the purposes required. In these lines it has been suggested that a large capital sum should be placed at the disposal of the new Department, the interest of which should be available for Secret Service. The Committee commend this suggestion to the favourable consideration of the Treasury and the Cabinet.

There is another matter to which the Committee think it right to refer, though it was not included in their terms of reference. Sir Edward Troup brought before the Committee the

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pressing need for some form of propaganda against Bolshevism in this country. He thought that facts which might be effective f for anti-Bolshevist propaganda but which could not be published officially, sometimes fail to reach the public for want of an agency which could be trusted to communicate them to the press discreetly and in such a way as to secure their publication. The Committee agree with the view that this subject has been too much neglected in the past and that a good deal of benefit might be anticipated from strengthening public opinion against the sinister influences which have been and are still at work. It is generally admitted that the readiest means of influencing public opinion in present circumstances are by newspaper articles, public speaking and cinematograph films. A good deal has been done by the newspapers lately to open people's eyes to the real dangers of Bolshevism, but it would be a wise policy to see that the press is kept supplied with all information which may bear on this subject. As regards public speaking, the Committee believe that this agency has suffered from neglect owing in the main to the fact that many popular speakers have been engaged during the war in other work. The result is that too often seditious speeches are left unanswered. They think there is plenty of scope for speakers throughout the country, especially in working-class areas, whe could enlighten public opinion on a great many subjects where ignorance tends to produce suspicion. Something too might be achieved by the judicious and distrust. use of cineratorgaph films though this is a matter on which the Committee cannot express an expert opinion. They understand that some scheme of propaganda has been under contemplation in the Foreign Office and they recommend that an officer should be He should be kept immediately appointed to organize this work. in close touch with Mr. Thomson, who, from the information at his

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disposal, would be able to indicate the most useful scepe and direction of such propaganda, and like Mr. Thomson he would be responsible to the Cabinet Minister entrusted with the general control of the new organization.

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SECRET.

SECRET SERVICE.

G.T. 6690.

MEMORANDUM FOR THE WAR CABINET BY THE HOME SECRETARY.

I quite agree with the First Lord of the Admiralty that the question of the Secret Service is of very great importance.

So far as the Home Office is concerned, the position is as follows. There is no actual Director of Secret Service, but Mr. Basil Thomson, who is Assistant Commissioner at Scotland Yard, is also head of the Oriminal Investigation Department. The Oriminal Investigation Department deals with crime generally, and includes one branch (the "Special Branch") which has always dealt and still deals with matters relating to Fenianism, anarchism and political criminals generally. Like the rest of the Metropolitan Police Force, its proper jurisdiction is the Metropolitan Police District, but incidentally its enquiries have extended to the rest of the country and, to some extent, to foreign countries. It remains, however, part of the Metropolitan Police organisation and the cost is paid from ordinary police funds.

Mr. Basil Thomson has also, on behalf of the Ministry of Munitions, established a special branch for collecting information as to Labour unrest and threatened strikes and disturbances. The expenses of this branch are paid from the secret service funds of the Ministry of Munitions, and the information obtained is distributed in a daily bulletin to all the Government Departments concerned.

The Home Office has also another agency, distinct altogether from Scotland d but in close touch with Mr. Thomson personally, for obtaining information in Irish matters - particularly in regard to criminal conspiracies originating in America. This agency is kept entirely distinct from the Police, but the information obtained is communicated weekly to the Metropolitan and to the Irish Police and any specially urgent information is communicated at once. This agency is paid for from secret service funds and is under the direct control of the Home Office.

I hardly understand what the effect of the proposals of the First Lord would be. It is not, as I understand it, suggested that the War Office and Admiralty Secret Services should be put under the Director of Scoret Service. The main point I gather, is to have a Minister without Portfolio, who would be charged with the duty of receiving secret service reports and taking such action as seems to be necessary. I doubt whether such a Minister could do anything without interfering with the responsibility of other Departments. Take, for instance, the matter mentioned in the second paragraph of the First Lord's memorandum. The proposed Minister could hardly give directions with regard to the use of military motor-cars without interfering with the War Office. Equally so with the daily reports made with regard to Labour unrest: they concern the work of 8 or 10 different Departments and they are communicated to each of these Departments. No Minister other than the heads of the Departments concerned could know what should be done on them or could accept responsibility with regard to the action.

Unfortunately, Mr. Basil Thomson is in Paris, and without his help I am hardly yet sufficiently conversant with the details of the working of the present system

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either to make suggestions myself or to criticize those of others. I am far from saying that full use is made of the present Secret Service. There is no doubt that serious attempts are being made to disseminate Bolshevist doctrines in this country. They are exceedingly dangerous, requiring most careful watching and strong anti-Bolshevist propaganda.

I have not been long enough at the Home Office to be in a position either to criticize or suggest. I am not sure that the arrangements for the exchange of information rapidly are all that they might be, and my Irish experience taught me of how vital importance it is that information collected by the Secret Service should be given to the Departments or authorities concerned without delay.

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23rd January, 1919.

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WAR CABINET,

THE SECRET SERVICE.

Memorandum for the War Cabinet by the First Lord of the idmirality.

I think that the question of Secret Service demands immediate and very careful consideration by the Cabinet. Speaking very roughly, the present system is that the duties are divided between several different Offices. The Admiralty and the War Office efficiently control their own Secret Service, and take what steps are necessary in the interests of their respective Services, but this is not so in regard to the civilian side of Secret .ervice. Head of it is a most efficient officer, and his political Chief 19 the Home Secretary, but for reasons which I don't pretend to understand, there does not seem to be anybody whose duty it is to call the attention of the Cabinet to serious reports when they are made, o - and this is most important of all - to see that the necessary steps are taken. And indeed so far as I am able to ascertain, there is not anybody whose immediate duty it is to take those steps. Now I will only give two instances, Many weeks before the trouble with the soldiers in London, Folkestone, and elsewhere, the civilian Head of the Secret pervice had called attention to the danger of trouble of the kind, had referred to it in plain and emphatic terms, and in my judgment, if it had been the duty of semebody to held all the strings and to call the attention of the Cabinet to the need for prompt action, the greater part, if not the whole of the trouble The information which I which arose might have been avoided. have received from time to time through the reports and in interviews I have had with Secret Lervice officers, leads me to the conclusion that what we call Bolshevism is due to a variety of causes, some of them so apparently trivial as hardly to attract attention. I will give one of them.

A Secret Service officer told me quite recently that the number of motor cars used by young officers has enormously increased; that they are to be seen outside cafes, restaurants, and other places of entertainment, where they are often kept waiting for a very long time, and are used to take their temporary owners from one place of amusement to another, often in circumstances which give the drivers abundant opportunity for criticism and conderma-These drivers return to their various garages and talk to their friends very openly of what they have seen and heard, and I am assured that the remark is frequently made - why should we be kept in the Army to do this kind of work"? Now this particular Secret Service officer went on to say that in his opinion the popular theory that Bolshevism springs from the civil side, and gradually invades the military, is not correct, that it more often than not originates on the military side, and he declared emphatically that cases like the one I have quoted of the motor cars, have more to do with dissatisfaction and consequent mutinous action on the part of soldiers than have the greater questions of pay and allowances or even actual demobilisation dissatisfaction. I don't of course venture to express an opinion as to the reliability of these views. I am not competent to do so. I have been studying the Secret Service records now for more than a year, and I am satisfied that a drastic change is required. I know that the Director of Sccret Service on the civilian side entirely agrees with mc, and I have reason to believe that the late D.N.I. agreed with me. I have

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I have of course not conferred with the present D.N.I. because it would not be desirable for me to do so at this stage, having only recently come to the admiralty, and the views I am expressing must be taken as those formed before I came here, and then I was in a position to judge as an outsider of the effect and working of the present system as a whole.

To sum up, I would leave existing Departments with their own Secret Service machinery, and of course their own control and power of action, but I would put the civilian system under a man like the present Director of Secret Service, responsible to a Minister, preferably one without portfolio and therefore net exposed to the charge of interfering with other Departments, who would be charged with the duty of receiving these reports as soon as they are made, and taking such action or directing such action to be taken as seems to be necessary.

I am no alarmist, and no pessimist, but I firmly believe that the elements of unrest, and what we call Belshevism are more general, more deep-seated, than many of us believe, and that if we want to avoid the same kind of trouble which has arisen in other countries we must not be content merely to demobilise, to provide employment for the discharged men etc., but we must be vigilant, and above all, we must have an efficient, well-paid Secret Service on the civil side under and responsible to a kinister who can bring the facts to the notice of the Cabinet as they arise, and can act.

I have purposely made this Lemorandum vague and indefinite because my object is not so much to offer precise recommendations as to provide a basis for discussion in the Cabinet.

(Sgd) Y. H. Long.

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SECRET.

NOTE BY IRISH OFFICE.

Secret Service work in connection with the Royal Irish Constabulary is directed through the Crime Special Branch at Headquarters.

The Branch has a few selected members in each County, whose duty it is to obtain information and keep in touch with secret organizations throughout the provinces. These selected men have been carefully chosen for their local knowledge and aptitude for obtaining information. They all have informants and are well in touch with the trend of the Sinn Fein Movement. This revolutionary movement has its centre in Dublin where the leaders reside and where the meetings of the directorate take place; but Government is regularly supplied by the Inspector General with information of great value as to its plans, resources and organization. received from a reliable informant in the country. other informants clues were obtained during the past year which led to the seizure of arms, explosives, documents, etc., and to the arrest of the offenders.

The Crime Special Staff have to contend with formidable difficulties, owing to the organized hostility towards the police -m in the more disaffected areas people are afraid to be seen speaking to them.

The Secret Service work in connection with the Dublin Metropolitan Police is carried out by the Detective Division of this Force.

There is a Special Staff employed for the purpose which consists of one Inspector, five Sergeants and fifteen Detective Constables.

They keep in touch with all extreme political movements and are thoroughly acquainted with the appearance of the Leaders.

The activities of the most important individuals are carefully noted, and daily reports are submitted for consideration.

All important trains and steamships are kept under constant supervision, as well as the departure and arrival of suspected persons who are checked and located.

Information is obtained from informants on payment, and sometimes through friendly channels without remuneration. This information is, as a rule, at once transmitted to the Under Secretary, Military Authorities, Inspector General, Royal Irish Constabulary, and Naval Commander. In this way the closest co-operation and harmony exist between the various Departments named.

Reports are made weekly giving an outline of meetings and activities of Extremists, copies of which are furnished to the heads of the Departments mentioned. In many cases shorthand notes of speeches made at public meetings are taken by the Detectives, who also translate Gaelic speeches into the English language.

Monthly reports are also submitted giving in alphabetical order the names of the prominent Extremists who are moving about and engaged in organization work.

The entire work is under the supervision of the Superintendent of the Detective Division.

In addition to the foregoing, all arrests of suspected persons, search for arms, seditious documents, secret inquiries, and political crime generally are carried out by the members of the Detective Branch.

SECRET.

NOTE BY ADMIRALTY.

whenever any secret information is required in regard to naval matters, the Director of Naval Intelligence is supposed to make a demand for it upon the Chief of the secret service, who should arrange to procure it.

During the war, however, the position of the Chief of the Secret Service has been much encroached upon, and the Director of Naval Intelligence has been conducting an organisation of his own in regard to certain foreign matters, whilst as regards affairs at home he has had recourse to military organization under the Director of Military Intelligence, and under the Head of the Criminal Investigation Department, Scotland Yard.

Thus in Spain, the whole of the Secret Service organization was taken over by the Director of Naval Intelligence and administered by him, although paid by funds provided by the Chief of the Secret Service.

organised and administered by the Director of Naval
Intelligence in other parts of the world and paid for by
funds specially provided direct to him for the purpose.

These organizations are now either closed down or are in process of being closed down.

do not consider that the present position as regards secret service is satisfactory, because the Chief of the secret service does not appear to possess sufficient authority.

SECRET.

During the war the Special Branch of New Scotland Yard has acted in close touch with the Naval and Military Intelligence in connection with Contra-Espionage and other matters.

In the late Autumn of 1917 we were approached by the Ministry of Munitions to undertake an intelligence service on Labour Unrest; England and Scotland were divided into districts and Metropolitan officers were specially selected, under the cover of being Munitions Inspectors, and each of them organized a service of inform ants within the ranks of revolutionary labour and furnished a Daily Report, which is circulated to all the departments concerned.

When Lord Cave assumed office he desired that I should furnish him fortnightly with a Report on <u>Pacifist and Revolutionary Organizations</u>. This Report has usually been issued as a War Cabinet paper, and it still continues.

When Bolshevism began to be a menace, arrangements were made with the Foreign Office that all despatches bearing on the spread of Bolshevism should be sent to me, in order that I might be prepared against the landing of Bolshevik agents in this country. It has, therefore, been the practice to include in the Fortnightly Reports an appendix on the progress of Bolshevism, both in this country and abroad, and also on the general trend of revolutionary movements in Foreign countries and the Morale of the Troops. The last named has been based upon information sent to me by G.H.Q. in France and from reports reaching me on the morale of the men returning to this country on leave.

During the past few months other sources of information have been as follows:-

- (1) The Chief Constables in the Provinces;.
- (2) Informants working directly under Special Branch;

- 3 -

Clyde and South Wales. His audiences number from 400 to about 1200 persons, about twice the number that have attended Socialist Meetings.

MOVEMENT FOR A SOVIET AT SHEFFIELD.

A secret meeting was held at Sheffield between the Sheffield Workers'
Committee and representatives of the soldiers and sailors. The object was to form a Soldiers' and Workers' Council for Sheffield, but the idea has been abandoned for the present. MoManus and Murphy, who were both present, received a serious blow during the recent Election, and they both state that they will never stand again. Their future weapon is to be the industrial one.

CONSCIENTIOUS OBJECTORS.

The Tottenham Branch of the National Union of Railwaymen has resolved to telegraph to the Prime Minister, demanding the release of all conscientious objectors. They will follow this with a Petition, and they intend that Downing Street shall be "snowed under" with postcards. The Petition will be run by the "Herald".

NATIONAL COUNCIL FOR CIVIL LIBERTIES.

This Council has issued a leaflet containing the words, "Labour can at any minute make Government impossible, and the workers know it". The suggestion is that any concession can be won by a general strike.

THE INDUSTRIAL WORKERS OF THE WORLD.

The members of this American Anarchist Association are elated at having held a meeting in Finsbury Park - the first in many years. They appear to be combining with the extremists of the Electrical Trades Union and the Amalgamated Society of Engineers.

OPPOSITION TO INTERVENTION IN RUSSIA.

Though the outcry against intervention is loud, the motive is apparently not sympathy with the Belshevik regime, but the fear of individual soldiers and sailors of being sent abroad again. Even the extremists have realised that it would be useless to call a national strike on such a question. What they hope is to call a strike on an economic dispute, and then use it for the purpose of stopping intervention.

FRANCE.

Labour unrest in France is not far behind what is reported from England. On the 24th all the workers of the various Metros and trams came out, and general fears were entertained that the strikes would spread. The French Government appears to have been dangerously indifferent to the question of unemployment on demobilisation. One of Clomenceau's intimates said recently that the Government was sitting on a volcano.

THE POLICE AND STRIKES.

At a recent meeting of the Birmingham Special Constabulary, the Lord Mayor (Sir David Brooks) recommended that after demobilisation of the Constabulary a special reserve should be formed of men who would be willing

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WIET MARKET SEEDS

- 4 -

to come out on duty in cases of emergency. The regular Police resent this because they think that the Reserve would be used to break a Police strike.

.THE PROGRESS OF BOLSHEVISM ABROAD.

The present position as regards the spread of Bolshevism appears to be as follows:-

In Russia there are signs that the present Oligarchy in Moscow may be dethroned before very long. Hitherto they have succeeded in putting down insurrections such as that of Yaroslav and in terrorising the bourgeoisie, but from intercepted letters it is clear that disaffection in the Red Army and Navy is growing.

Bolshevism is spreadingein German Austria and to some slight extent among the Czecho-Slovaks.

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In Germany, its position is obscure. The Spartacists have been beaten in Berlin, and the Government appears to realise the danger of Bolshevism, but at the same time there are signs that they are prepared to take the risk of Bolshevik outbreaks in Germany if only the poison may spread among the Allies.

On the other hand, the Governments of Donmark, Sweden, Nerway, Holland, Italy and Spain are now thoroughly awakened to the danger.

The Danish Government is preventing Russians from entering the country. The Swedes are taking steps to rect out the local Bolshevik agencies. Norwegians appear to think that the movement will make no progress unless the Allies are driven out of Russia or the Spartacists are successful in Germany. The Swiss Government is taking stringent measures. After expelling the Bolshevik Legation they set to work methodically to investigate the revolutionary movement in the country and they have arrested a considerable number of persons At the same time, they appear to have and interned them in a fortress. information that a fresh repolutionary movement is brewing. In Italy, Bolshevism appears to have had a set back, but matters change so rapidly in that country that this may be only temporary. The position as regards Spain is not There is a great deal of Bolshevik propaganda in and about Barcelona, and as soon as it was decided to arrest the Russian leaders with a view to deporting them they disappeared. Nevertheless, the Government is fully alive to its danger and is seeking British co-operation in tracking down foreign emissaries.

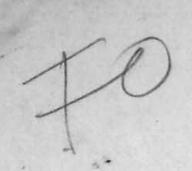
Great efforts are being made by Belshevik propagandists to penetrate France and England. Only a few days ago, the Swiss Police found nearly a ton of Bolshevik leaflets and pamphlets printed in English and French in some secret printing press, which has not yet been discovered; but the propaganda has borne little fruit as yet, for in the unrest which is accompanying the process of demobilisation there is as yet no trace of any political motive.

In Bulgaria alone Bolshevism seems to have made no progress.

B.H.T.

28th January, 1919.

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Decypher. Lord Hardinge (Astoria) January 28th, 1919.

D. 12.27 a.m. January 28th, 1919.

R. 9.15 a.m. January 29th, 1919.

No. 159.

Urgent.

Private and Secret.

I have seen War Cabinet Minutes in regard to Secret Service.

I am not clear whether scope of discussion includes what has been known hitherto as foreign secret service which supplies Admiralty, War Office and Foreign Office and is controlled entirely as regards funds and to some extent as regards organization by permanent Under-Secretary of State for Foreign Affairs acting for Foreign Secretary who is responsible to Parliament.

It is very necessary especially in peace time that such control should be exercised by Foreign Secretary or his deputy and is the only means by which check can be kept on operations in foreign territory. It is also vital that central organization should be small and quite distinct from any Government Department and free from Parliamentary control. Otherwise secrecy which is vital is (? rendered) out of question.

Foreign secret service has been quite distinct from Home and Irish Office organization and had better remain so though contact hitherto maintained by principals should be maintained and possibly improved. Mr. Balfour concurs in these observations

Catalogue Reference RV/47/51be useful.

- (3) My representative in Paris, who acts as <u>liaison</u> with the <u>Sureté Générale</u>;
- (4) British agents in Holland;
- (5) British agents in Spain, through Lord Herschell;
- (6) The British Service in Italy, under Sir Samuel Hoare;
- (7) Returning Kritikh prisoners of war, examined at this office:
- (8) Certain Russian sources;
- (9) The American Secret Service, with whom I am in close touch in Paris.

For the next few months the Home Intelligence is likely to be the most important. Unfortunately the cost (about £12,000 a year) is borne by the Ministry of Munitions and this source of revenue will very soon be dried up.

Besides the above mentioned activities New Scotland
Yard is the receiving and distributing office for intelligence on <u>Irish Revolution</u>, including Irish-American comspiracies. It also prepares an "<u>Indian Precis</u>" for the India
Office and the Government of India, on the subject of the
proceedings of Indian Revolutionaries in Europe. It therefore
covers a great deal of the ground for Intelligence of all
sorts, exclusive of Naval and Military Strategical Intelligence.

(Initialed) B. T.

SECRET SERVICE.

60

Secret

(WAR OFFICE, ADMIRALTY, AIR MINISTRY, FOREIGN OFFICE.)

The Secret Service serves the Foreign Office, the Admiralty, war Office, and Air Ministry, and has been also during the war in direct touch with the War Trade Intelligence Department. Funds are supplied by the Foreign Office, and Accounts rendered to the Under Secretary of State for Foreign Affairs.

Prior to August, 1917, the internal organization was on a geographical basis - namely, each sub-Section representing one, or a group of countries: liaison was maintained by means of officers specially attached from the various Government Offices converned.

In November, 1917, a re-organization took place and each
Department of State was directly represented by a Section which dealt
with subjects with which the Department it represented was concerned.
The War Office was represented by a Military Section consisting of
two Staff Officers and a number of subordinates who were responsible
for obtaining military information. This Section was also charged
with obtaining from Neutral countries Contre-Espionage information
which, when it concerned the United Kingdom or British Possessions,
was immediately passed to the Contre-Espionage Section-namely, M.I.5.
When, however, the information concerned only France it was passed
to the French Secret Service. Escapes of Prisoners of War in Germany
and Turkey was also dealt with by the Military Section.

have one central Secret Service organization for the War Office,

Admiralty, Air Ministry, and Foreign Office so arranged that the

Government Departments concerned can, through their own representative,

make known their requirements, and, when these have been met, the

Departments concerned pass opinion on the results obtained, which is

passed to the Secret Service for their information and guidance. The

advantages of this system are very great, and it would appear that

the only alternative is that which was applied by the Germans during

the War - namely, a Military Secret Service working independently of

Naval and Political agencies. This system of parallel services is most

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expensive and leads to overlapping and inter-departmental competition to obtain the services of the best agents.

CONTRE-ESPIONAGE.

The Contre-Espionage Section, known as M.I.5., was started in 1909. Its duties may be divided up as follows:-

- (1) Prevention of espionage by enemy or foreign agents within the United Kingdom.
- (2) Investigation of cases of espionage and other suspicious circumstances (other than criminal cases) within the United Kingdom.
- (3) Control of Ports and Frontiers by the measures of Permits and Passports.
- (4) 1. The co-ordination of the Imperial Overseas Special Intelligence with regard to general matters of policy.
- 2. Transmission and circulation of intelligence regarding suspects likely to be travelling to and from the Overseas Dominions.
- (5) Investigation into the bons fides of Aliens permitted to work on Government War Service.
- (6) Proposals for legislation for dealing with espionage generally.

 Ever since its formation it has been the studied policy of M.I.5

 to refrain from investigations into or interference with political

or labour unrest, except in so far as direct enemy agency may be involved. This policy was confirmed by a Cabinet decision of 1918, whereby it was settled that the Home Office should alone be respons-

ible to the Cabinet for those matters.

As regards the financial side of the question, the maximum expenditure in peace time was just under £1000 a month, and in war time just over £8000: this latter sum was, however, abnormal as it included a non-recurring imprest of £1500 for the Washington Mission.

As regards personnel, between 1909 and August 1914, the maximum consisted of 4 Officers and 7 Clerks.

During the war it expanded very rapidly. At the end of the

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Very Secret.

INDIA OFFICE SECRET SERVICE.

The India Office has relied for much of its intelligence upon the organisation of the War Office, Admiralty, Foreign Office and Scotland Yard.

employs in the United Kingdom a senior Indian Police Officer to keep a watch on Indian suspects in the United Kingdom and on the Continent. This officer during the war has been classed as an Intelligence Officer under the War Office with military rank. He is assisted by a junior Indian Police Officer, and makes his own arrangements for obtaining information. The two Officers are paid as on deputation from Indian service, with certain allowances, and receive a fixed allotment for the charges they incur on office and other work. They are not under the India Office directly, but work in touch with the Public Department (Secret Branch) of that Office.

Since early in 1916 also the India Office has employed one, and since the Spring of 1917 a second, Indian Officer in North America, for the purpose of matching, and assisting the U.S.A. judicial officers to secure the punishment of, Indian conspirators in the United States, and of observing suspicious Indians in Canada. The arrangements for continuing this work are now under consideration, as the two officers hitherto employed will shortly cease to be available. Probably a more junior officer will be appointed for some time for secret intelligence work only.

The India Office also contributes towards certain secret service expenditure in Persia, details of which are in the possession of the Foreign Office.

The approximate amount expended by the India Office on secret service during the past four years, apart from the

share

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share of expenditure in Persia, is shown below. These figures do not cover expenditure by the two Indian Police Officers in the United Kingdom who are supplied with funds from India.

1915		 	 £ 700.
1916		 	 €4,000.
1917	•••	 •••	 £5,730.
1918			£6,000.

India Office. 28/1/19.

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that in the next Budget thair taxatim would be made heavier.

Sir Walter Ruffey said that although there were difficulties in the way of Mr Bonar Law's proposal, they were not insurmountable, but it would take some little time to make the necessary arrangements. The proposed increase of 25 per cent. on the quantity meant a 10/- per standard stan'ard barrel extra profit to the brewers. The total / barrelage was 14,000,000. With regard to whisky, the Board of Customs and Excise now released it from bond at 50 per cent. of the 1916 issues. In his opinion it would not have any effect if the rate of release was increased by 10 per cent. or more, owing to the fact that the middleman prevented the whisky reaching the consumer. This was done by the trade in order to guard their interests and profits over the next two or three years.

Mr Astor stated that, according to his information, the brewers were now making a profit of between 78 and 80 per cent.

Mr Sykes said that Lord d'Abernon, who was unable to be present, was in favour of increasing the supply of light beer, and was of the opinion that the revenue from the trade could be considerably increased.

The Chancellor of the Exchequer said he would immediately instruct Sir John Bradbury to consult with the Board of Customs and Excise with regard to the reduction in the price, from the standpoint of the Revenue and the forthcoming Budget.

The Secretary for Scotland said that there would probably be an outery from the Temperance Party in Scotland, but the political effect would not be serious. The question of an increased supply of beer was more an English problem than a Scottish one.

Sir Robert Horne said that a good deal of irritation on the Clyde was due to the lack of beer and the bad quality of that obtainable.

Mr Roberts said that a substantial reduction in the price and an increase in the supply would have a good effect on public opinion and do much to allay the prevailing industrial unrest.

The War Cabinet decided -

- (a) To increase the present statutory barrelage of beer by 25 per sent.:
- (b) To increase by 2 the average gravity at which brewers way brew their total permitted output:
- (c) That the Treasury and the Board of Customs and Excise should immediately consult and agree upon a scale for the reduction in price:
- (d) That no public announcement with regard to the increase in the supply of beer should be made until the question of price had been agreed upon, but that then a simultaneous announcement should be made. The Food Controller was, however, authorised to inform the brewers that the 25 per cent. increase was agreed upon as from January 1, 1919.

PAY OF ARMY OF (2) The War Cabinet approved the appointment of an Inter-OCCUPATION.

Departmental Committee, composed as under, to consider the mental Communities of the Army Council on the extra emolument of the mittee.

Army of Occupation and the effect of those proposals on the Royal Navy:-

The Right Hon. Sir L. Worthington Evans (Chairman),
Mr Stanley Baldwin, M.P.,
The Right Hon. Sir Robert Chalmers, G.C.B.,
The Right Hon. T.J. Macnamara, M.P.,
The Right Hon. H.W. Forster, M.P.,
Major-General the Right Hon. J.E.B. Seely,
C.B., G.M.G., D.S.O., M.P.,
Lieutemant-General Sir H.V. Cox, K.C.B., K.C.M.G.,
C.S.I.,
Lieutemant G.H. Evans (Secretary),

together with one additional representative of the War Office and one additional representative of the Admiralty.

SITUATION IN SOMALILAND.

(3) The Chancellor of the Exchequer said that he had been rather disturbed by the contents of one or two recent telegrams which had been received from Somaliland, and he had spoken to the late Secretary of State for War on the subject. There appeared to him to be a possibility of General Hoskins becoming involved in military operations.



said that Somaliland was not now under the Foreign Office, as it had been transferred to the Colonial Office some years previously. He himself shared the Chancellor's apprehensions, and had written to the Chief of the Imperial General Staff expressing the hope that there was no likelihood of our being involved in any way. General Vilson had replied saying that the War Office had no intention of allowing themselves to be committed to military operations in that part of the world.

The War Cabinet agreed that it was most undesirable that we should become involved in any military activities in Somaliland, and decided --

To instruct the War Office to inform our Military Commander as to their views.

THY SECRET SERVICE.

(4) The War Cabinet had before them a Memorandum on the Secret Service, by the First Lord of the Admiralty (Paper G.T.-6665), and also a Memorandum by the Home Secretary on the same subject (Paper G.T.-6690).

In the first Paper Mr Long had recorded his view that the question of the Secret Service demanded immediate and very careful consideration by the Var Cabinet. The present system was that the Secret Pervice work was divided between several different Offices. The Admiralty and the War Office controlled their own Secret Service, and took such action as might be necessary, but in regard to the civilian side of the said Service there did not seed to be anybody whose duty it was to call the attention of the Cabinet to serious reports when such were made, or to see that the necessary steps were taken. He suggested that the civilian system should be placed under a Director who would be responsible to a Minister, preferably one without Portfolio, who would be charged with the duty of receiving reports as soon as they were made, and of taking or directing the necessary consequent action.

In the second Paper the Home Secretary agreed with the First Lord of the Admiralty, that the Secret Service was of very great importance, and briefly outlined the organisation of the Service so far as the Home Department was concerned. He saw, however, certain objections to the course suggested by the First Lord, but, owing to the fact that he had only recently taken over his duties, he did not feel in a position at present to criticise or to make suggestions himself.

Mr Bonar Law suggested that a Committee should be appointed at once, with a Cabinet Minister as Chairman, to go into the whole question, with a view to co-ordinating the work done at present by the various Departments, and suggested that Lord Curzon should be asked to preside over this Committee.

Lord Curzon said that, if his colleagues desired it, he would undertake the duties of Chairman, as he understood that it would not be necessary for the Committee to extend its enquiry over any considerable period of time. In his view, what the Committee had to find out was:-

- (a) That was being done at present by the Secret Service branches of the several Departments:
- (b) How that work could best be co-ordinated with a view to the necessary action being taken with the utmost promptitude.

He further pointed out that Secret Service work was also done by the Foreign Office and the India Office.

Sir Eric Geddes suggested that the new Ministry of Research and Information would probably be interested in the matter.

Mr Long said that, under the present arrangements, it was practically impossible for the head of one Department to consent on the work of the Secret Service section of another Department. There must be some co-ordinating authority outside both Departments. The matter was of urgent importance in view of the danger of Bolshevism, which he was sure was on the increase.

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The War Cabinet decided that --

A Committee should be appointed at once, somposed of representatives of

The Home Secretary, The First Lord of the Admiralty, The Secretary of State for War, The Chief Secretary for Ireland,

under the Chairmanship of Lord Curzon, with power to summon officials of the Departments to attend to give evidence when necessary, the Secretary to the Committee to be appointed by the Secretary of State for Home Affairs.

THREATENED POLICE STRIKE.

(5) The Home Secretary said that his Department had received a number of resolutions from a meeting of the Police which had been held on the previous Sunday. A good many of these resolutions dealt with disciplinary questions connected with the Metropolitan Police Force. One resolution, however, concerned the Midland Railway Police, claiming an immediate enquiry into the case of certain men of that Force who had been dismissed, and demanding an answer by midnight on the following Monday. The danger was that, if this demand was not met, there was a strong probability of another Police strike, which would be a serious matter. He suggested that his Department should reply to the Police Union (which, he reminded the Cabinet, had been tacitly recognised by allowing the Police to join it) that, as this was a case in which the Metropolitan Police were not concerned and the matter was a domestic one, it should be referred to the Midland Railway authorities.

Mr Bonar Law said that, on his return from Paris early in the week, he had seen the Chief of the Metropolitan Police, who did not anticipate any serious trouble so long as the Government were prepared to act firmly and justly.

The Secretary for Scotland stated that there was very considerable unrest among the Scotland Police. He had recently consulted several of the Chief Constables of Scotland, and their reports had been distinctly disquieting.

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Among others, ex-Inspector Syme had recently been up in the North stirring up trouble in Glasgow. The unrest was mainly due to the fact that the Police were confronted with the contrast between the great increments of wages granted to munition workers and tranway employees, and the relatively small increases they themselves had received, although they were employed an important national work.

The War Cabinet decided --

- (a) To approve the action suggested by the Home Secretary in the case of the Hidland Railway Policemen:
- (b) That the Home Secretary and the Secretary for Scotland should confer together as to the measures it might be necessary to take in the event of serious trouble 'hreatening in the Police Forces of England and Scotland.

2, Whitehall Gardens, S.W.l., January 24, 1919.

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Report No. 31.



FORTNIGHTLY REPORT ON REVOLUTIONARY ORGANISATIONS IN THE UNITED KINGDOM AND MORALE ABROAD.

(circulated by the Home Secretary.)

The outlook during the past fortnight has become rather dark. Strikes have been taking place all ever the country on the question of the forty-seven hour week, which has now become almost as universal a question as the 12 one was last year. Probably the men got the forty-seven hours to easily, without having to fight for it.

My Glasgow correspondent reports that the revolutionary movement is certainly gaining ground, and he thinks that the strike threatened for next Honday must be very carefully watched. He thinks (and the same view is taken by correspondents in other parts of the country) that one of the causes for discontent is the liquor control and the high price of beer. The extremists support the present restrictions because they know that if men could congregate in public houses, they would not be driven to attend the revolutionary meetings.

My correspondent at Nottingham puts the grievances of the workers in the following order:-

- 1. The shortage of tobacco and beer.
- 2. The scrapping of the various National factories.
- 3. The discontent among discharged soldiers and sailors about what they call the failure to redeem promises made to them on enlistment.

He thinks that if the men were made to understand that these complaints are in process of being met, the discontent would subside.

My Coventry correspondent says that Bolshevism is unpepular, but that there is a very strong feeling with regard to unemployment and the length of the working hours.

It had always been foreseen that serious Labour trouble would follow demobilisation, and the wonder is not that it has come so soon, but that it has been delayed so long. On the 20th January, a secret meeting of the National Amalgamated Committee was held in London to discuss the coming strikes. After a long discussion the meeting came to the conclusion that the excuse which was used for calling the men out in London would not justify a National Conference for deciding upon a National strike. McManus, who had attended from Glasgow, reported that he was doubtful whether the strike which was to take place next Monday would be universal, and he advised the Committee to wait and see the strength of the strike before calling a National Conference. It was finally agreed to watch Glasgow, and if it took a firm line with regard to the shorter working week, a National Conference would be called to decide upon a national strike. It was thought that the London strike would collapse in a day or two. The members attending this Committee were as follows:-

George Peet of Manchester,
Dingley, Coventry,

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J.T. Murphy of Sheffield,

W.F. Watson " London,

Chapman "London,

George Taylor Barrow,

Kelly Manchester,

Smith Invergorden,

Shaw " Leeds,

A. McManus " Glasgow,

D. Ramsey " Leicestor.

It will be observed that they are all extremists, and it is therefore not surprising that they put no confidence in their official Union representatives. The balance of their funds, however, amounts only to £35.7s.6d.

THE INDEPENDENT LABOUR PARTY and

My Liverpool correspondent says that both these Societies are very active in Lancashire. Their heavy defeats at the polls has decided them to concentrate themselves upon this County. They intend to found a Labour College for Lancashire, either at Lanchester or Liverpool, in order "to bring Lancashire up to the standard of Glasgow and South Wales". For this they want an initial sum of £5,000.

JOHN MCLEAN.

Since his release from prison, this man has been making a series of revolutionary speeches in Lancashire. He appears to be convinced that the Social Revolution will come this year. His programme is for the miners to come out first on some economic question; the other members of the Triple Alliance will follow suit, and then the unofficial workers' committee movement will come in. He thinks that with the miners, the transport workers, the railway workers and the engineers on strike, and the Army, Navy, and Police either sympathetic or pewerless, the Government of the country can be transferred to the workers, either peaceably or forcibly. He hopes, therefore, that the Government will refuse the six hours' day to the miners.

Though hickean is mentally unstable, there is sufficient method in his speeches to attract large audiences. he begins by telling them that he has been extraordinarily successful among soldiers and sailers. He then relates his sufferings in prison, and states that his food was drugged and poisoned, and that he would have died if he had eaten it; that conscientious objectors, Sinn Feiners, and even convicts undergo such treatment that many die, others become insune or commit suicide, and that the strongest have their constitutions undermined; that those of the conscientious objectors who died of pneumonia had a particular bacillus injected into them by the prison staff. to say that in order to keep the War spirit up, the Government was in the habit of sending information to the Germans which would enable them to sink merchant ships, and that the "Lusitania" was one of those sunk in this way. goes on to introduce the subject of Revolution. He says he does not mind being imprisoned, because he is more good to the cause in prison than out. not Mr. Barnes who secured his release, he was released because the Government knew that while he was in prison the Socialist cause was making a thousand ne then taunts the hancashire people with being behind the ocnverts a day.

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26th January, 1919.

to dead leage

Clement Jones has sent me some Secret Service reports which I had not seen and which I am inclined to think are not among those which reach me regularly - strange and most unsatisfactory confirmation of the views which I have expressed in the Cabinet. I have asked him whether you have seen them, and if not, begged him to call your immediate attention to them.

I am sure you will agree with me that these reports reveal a very grave condition of things, and in my judgment, we ought to send over a special Messenger to the Prime Minister conveying a letter which I hope you will be willing to sign. In my opinion, delay will be accompanied by very real danger and risk.

You of course cannot find time to preside regularly over a Committee. The one that is now appointed ought, I think, to be able to report in at most two Sittings; but I should like to see a Committee of the Cabinet set up representing the different Departments

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(2)

which have Secret Service branches, presided over by
the Lord Chancellor and attended by one of the Law
Officers. This Committee should meet regularly
three times a week. It would not be necessary for the
Heads of Departments to attend - I, for instance, should
send the head of my Secret Service branch - perhaps
the Home Secretary would attend himself. The Lord
Chancellor seems to me to be in every way the right
man to be Chairman, and it would be the duty of this
Committee to take action, as they think fit, on the
reports presented to them. For my part. I cannot
exaggerate the gravity of the situation.

Callate Lough

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27th January, 1919.

Dear Lord Curzon,

When the War Cabinet recently appointed a Committee under your Chairmanship to inquire into the Secret Service they left it to me to nominate a Secretary to the Committee. If you agree I propose that my Private Secretary, Mr. S. W. Harris, should act as Secretary to the Committee.

I understand that you would like to have the first meeting of the Committee on Thursday afternoon. Mr. Harris is arranging for the meeting to be held at the Foreign Office on Thursday at 3.30. He is also getting memoranda from the various Departments as to the nature of the work performed by each Department, which it is hoped to send to you before the meeting.

Yours sincerely,

The

Earl Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E.

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Private & Secret.



Lord Curzon.

I have been asked to write a note for your information on the position of the Foreign Office in regard to Secret Service, and I accordingly submit the following observations. In doing so, however, I beg to explain that my knowledge, such as it is, has been obtained only when doing the work of Private Secretary to the Permanent Under Secretary for short periods and at long intervals, and that I am, therefore, not really in a position to put the matter before you either as fully or as clearly as I should have wished.

The position of the Foreign Office is almost entirely confined to that of Paymaster. The funds voted by Parliament for Secret Service are paid into the account of the Secretary of State for Foreign Affairs, and administered under his supervision by the Permanent Under Secretary.

In

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In peace time the annual grant was only £40,000 and the great bulk of this amount was paid over to the Director of Naval Intelligence and the Director of Military Intelligence and expended by them in obtaining naval and military information, their only obligation as regards the Foreign Office being to submit a monthly account of the main items of expenditure.

Apart from these two principal branches of the Secret Service, the Foreign Office provided money for Secret Service in Persia, an expense which the India Office shared, and also, I believe, helped the India Office to find money for tracing Indian agitators, etc. There were foultless often smaller items.

Under war conditions the expenditure on Secret Service has of course enormously increased so that we have, I think, spent as much as £800,000 on it in one year, and estimate that we shall need at least £250,000 for the coming financial year.

In peace time the D.M.I. was responsible for paying, out of the funds provided through the Foreign Office, the chief espionage and counter-espionage agents,

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agents, who are respectively Captain Cumming and Colonel Kell, but since the war the staff of these two officers has expanded to such an extent that they are now paid separately by the Foreign Office, and there have been in practice six large branches of Secret Service.

- 1. The D.N.I., responsible for purely naval information.
- 2. The D.M.I., responsible for purely military information.
- 3. Captain Cumming, responsible for the collection of all information abroad (apart from purely military and naval intelligence).
- 4. Colonel Kell, responsible for the collection of information regarding enemy agents, propaganda, etc., in the United Kingdom, in conjunction with
- 5. Mr. Basil Thompson, the head of the Criminal Investigation Department of Scotland Yard.
 - 6. Propaganda work abroad.

I think that there is undoubtedly room for better co-ordination between these various branches,

and

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and an urgent need of some central Authority empowered to take action on the reports of unrest, labour agitation, etc., which at present as pointed out in Mr. Long's memorandum, are merely read but never used.

I venture, however, to suggest that before any decision is come to as regards the organisation of the Secret Service abroad, Lord Hardinge should be There has unfortunately at various times consulted. been a great deal of jealousy between the Naval and Military Authorities concerned in Secret Service work, and in particular there has been a great deal of disagreement over Captain Cumming's position. have heard privately that the D.M.I. is now very anxious to get rid of Captain Cumming and replace him by a nominee of his own. I know, however, that many attempts have already been made to oust Captain Cumming and that Lord Hardinge has always refused to I think the matter requires sanction his dismissal. to be gone into very carefully before any changes of personnel are made, and only Lord Hardinge whis private Secretary have a complete Kunslede of the personality of the various officers concerned.

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T. C. Mar

28th January, 1919.

Dear Cunningham,

As I was unable to get you on the telephone I am writing this note. I had summoned a meeting of the Secret Service Committee for Thursday next at 3.30 at the Foreign Office, but I am told this morning that Mr. Long cannot attend as he has a meeting of the Board of Admiralty at 4 which will last from 1½ to 2 hours and he is unable to come even for half an hour before that meeting. What do you think we should do? As Mr. Long is the fons et origo of the Committee Lord Curzon may not wish to have a meeting without him. Would Lord Curzon like the meeting postponed until 6 on Thursday evening or would he prefer to meet on Friday? Will you kindly let me know as soon as you can?

Yours sincerely,

George Cunningham, Esq.,

C.B.

April 100 mg

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30th January, 1919.

My dear Cunningham,

I enclose some papers about the Secret Service for Lord Curzon. They include notes by the India Office, the Irish Office, the Admiralty, and Scotland Yard. I have not yet had any paper from the War Office or from the Foreign Office, but if they come I will have them circulated at once.

The main Departments concerned are four, viz:
the Intelligence Departments of the War Office and of the
Admiralty, the Director of Secret Service, Foreign Office,
and Mr. Basil Thomson, New Scotland Yard. Lord Curzon may
think it desirable to have representatives from these four
Departments before the Committee to give an account of what
their functions are. If this were done I think the Committee
would soon get a knowledge of the present position and would
be able to devise some proposals for co-ordination. The
India Office service is rather of a special character and could
be easily fitted into any new machinery. As regards the
Irish Office, it appears to partake very largely of the

nature/

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Maria 3.30.

nature of Police work.

A CHARLESTON

Has Lord Curzon seen an article by Colonel
Forster which appeared in the "Times" on the 25

January headed "A Ministry of Defence". As this
deals incidentally with the collection of military
intelligence I would suggest that you should draw
his attention to it if you think fit.

Yours sincerely,

S. W. Harris

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War Cabinet on rescipt

Asst.S/S. for Foreign Affairs.

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WAR CABINET 519.

DRAFT MINUTES of a Meeting held at 10, Downing Street, S.W .. on FRIDAY, JANUARY 24, 1919, at 12 Noon.

INC PEASED SUPPLY OF BEER.

(1) With reference to War Orbinet 501, Minute 9, the War Cabinet had before them the following Memoranda relating to the increased supply of beer:-

> Memorandum by Mr Olynes (Paper G.T, m6862),

Memorandum by the Central Control Board (Liquor Taffia) (Paper G.T.-6281),

Memorandum by the Shipping Controller (Paper G.T.-6888).

Memorandum by Mr Clynes (Paper G.T.-6444),

Prices of Beer (Paper G, -6503),

Hemorandum by the Food Controller (Paper G.T.-6675).

The Food Controller, in his Memorandum (Paper G.F.-6675), recommended:

- (a) An increase in the present statutory barrelage of \$5 per cent.:
- (b) An increase of 2° on the average gravity at which bremers may brew their total permitted output:
- (a) A comprehensive revision of retail prices.

We Borar Lar said that he was in favour of an increase in quantity, and also some reduction in the price. There was no toubt that many people attributed the present industrial unrest to the lack, and poor quality, of beer. He suggested that the sest way of dealing with this question was to permit an increase of supply. make a slight reduction in price, and inform the brewers

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