

# SHORT CIRCUITS

## TIPS FOR DRIVING IN AUCKLAND

1. Never take a green light at face value. Always look right and left before proceeding.
2. Turn signals will give away your next move. A real Auckland driver never uses them.
3. There is a commonly-held belief in Auckland that high-speed tailgating in heavy traffic reduces fuel consumption as you get sucked along in the slipstream of the car in front
4. Real Auckland female drivers like to apply makeup while driving at high speed so as to look their best for the traffic cameras
5. Real Auckland male drivers watch *Police: Stop!* for driving tips
6. Under no circumstances should you leave a safe distance between you and the car in front of you, or somebody else will fill that space and place you in an even more dangerous position
7. Remember that the goal of every Auckland driver is to get there first, by whatever means necessary
8. Remember: at any given moment, 85.3% of Auckland drivers don't know where "there" is
9. Always anticipate oncoming traffic while driving down a one way street
10. The faster you drive through a red light, the smaller the chance you have of getting hit
11. Real Auckland male drivers can remove pantyhose and a bra at 75kph in bumper to bumper traffic - expert Auckland male drivers can sometimes perform the same feat on their female passengers as well
12. Seeking eye contact with another driver automatically revokes your right of way
13. Crossing two or more lanes in a single lane change is considered "going with the flow"
14. Play "spot the out-of-towner": these are the people who drive even worse than Aucklanders

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A man walking along a California beach was deep in prayer. All of a sudden he said out loud: "Lord, grant me one wish!" Suddenly the sky clouded above his head and, in a booming voice, the Lord said,

"Because you have been faithful to me in all ways, I will grant you one wish."

"Build me a bridge to Hawaii," the man replied, "so I can drive over anytime I want to."

"Your request is very materialistic," answered the Lord. "Think of the logistics of that kind of undertaking. The supports required to reach the bottom of the Pacific! The concrete and steel it would take! I can do it, but it is hard for me to justify your desire for worldly things. Take a little more time and think of another wish, a wish you think would honour and glorify me."

The man thought about it for a long time. Finally, he said:

"Lord, I have been married and divorced four times. All of my wives said that I am uncaring and insensitive. I wish that I could understand women. I want to know how they feel inside, what they are thinking when they give me the silent treatment, why they cry, what they mean when they say 'nothing', and how I can make a woman truly happy."

After a few minutes, God said, "You want two lanes or four on that bridge?"

# INCOMPETENT OR CORRUPT?

## WHY THE WINEBOX JUST WON'T DIE!

The Serious Fraud Office has chosen to ignore Crown Law Office advice that it could successfully prosecute the Winebox conspirators...leaving Winston Peters to ask the SFO's new director "Whose pocket are you in?" Now IAN WISHART reveals what police were asked to investigate

# OPINION

**A**nother bizarre twist in the Winebox affair has emerged in the latest whitewash – a formal complaint to Police asking them to investigate the Serious Fraud Office for possible corruption appears to have been handed to the Serious Fraud Office to “investigate”, despite explicit instructions to the contrary.

The complaint was filed with the then Deputy Police Commissioner Rob Robinson on August 23 last year, and pulled no punches:

“You will be aware of the controversy surrounding the Winebox Inquiry, and you will now be aware that every appellate court in the New Zealand jurisdiction has now confirmed that a prima facie crime exists.

“Whilst I appreciate that NZ Police may feel they are being handed a poisoned chalice with this complaint, I would venture a different perspective: the elite Government agencies – the Serious Fraud Office and the Inland Revenue Department – and their legal advisors have been demonstrated to be incompetent, and publicly so, by the succession of legal judgements on the Winebox.

“The IRD professed to know tax law, and the SFO professed to know the criminal code. In both cases the Court of Appeal has indicated that both departments have a major misconception of the ingredients necessary to prove a crime. I will resist most strongly any attempt by anyone to have this complaint moved to the Serious Fraud Office, which normally investigates fraud of a serious or complex nature, or where the sum involved is more than \$500,000.

“The reason for my resistance is simple: the Serious Fraud Office has stated publicly through Charles Sturt and Assistant Director Gib Beattie that there is no fraud in the Magnum transaction, or indeed the entire Winebox. This was repeated on oath by Sturt and Beattie at the Winebox Inquiry hearings, and can be found in the Serious Fraud Office closing submissions to the Inquiry, delivered by Willie Young QC, now “Justice” Young.

“The quality of legal analysis by Sturt, Beattie, Young and others within the Serious Fraud Office who are still employed there is of such serious concern, reflected in the Courts’ comments which are outlined in the complaint, that I firmly believe the Serious Fraud Office would have a major conflict of interest if it now endeavoured to reopen

its investigation of Magnum after already reviewing the transaction and arguing so strenuously that there was nothing to investigate.

“In addition, the allegations I make against Charles Sturt for corruption would again evidence an insurmountable conflict of interest that prevents the Serious Fraud Office, even under a new director, from investigating.”

Yet despite that explicit instruction, the Winebox file and the complaint were handed straight back to the Serious Fraud Office.

In a four page press release issued late last month, SFO director David Bradshaw confirmed his office would be taking no further action on the Magnum deal.

“Ultimately, it is for me to determine whether or not it is appropriate for the Serious Fraud Office to bring any prosecutions. Having regard to all the circumstances, I have decided that it is not.”



**Winston Peters’ barrister, Brian Henry**

Bradshaw was careful in his statement to indulge in a little ritual handwringing:

“I am aware that there will be those who will see the decision not to prosecute as wrong, and who will feel that the matter ought to be put before a Court for a decision on the criminality of those involved. Such views are often based on repugnance for the type of activity undertaken by the developers of Magnum.

“However I am confident that most New Zealanders would expect the Serious

Fraud Office to take a principled approach to the case and to base any decision to prosecute solely on the evidence available and on a likelihood of success.”

Before taking apart the SFO’s legal analysis – yet again – it is probably worthwhile briefly recapping the Magnum deal:

A tax haven company named European Pacific constructed a financial deal that couldn’t be profitable unless it stole \$2 million from New Zealand taxpayers. To launder the tax money into its own pockets, European Pacific devised a plan to seemingly pay \$2 million in tax to the Cook Islands Government – a strange arrangement given that the Cook Islands is a tax haven.

To officially record the “tax” payment, the Cook Islands IRD gave European Pacific a “tax certificate” to show that \$2 million in tax had indeed been paid. European Pacific would later use that certificate to claim a \$2 million tax refund in New Zealand. But at the same time, in a highly





### **European Pacific executive Trevor Clarke makes a run for it after hiding from the media in his sweltering car for several hours in Rarotonga**

secret part of the deal, the Cook Islands Government also handed back the \$2 million, under the table, to European Pacific.

The deal was done in classic money laundering style, by European Pacific selling a financial bond to the Cook Islands Government for \$2 million more than it was worth.

The net result? European Pacific not only got its tax money back – it still had a “tax certificate” that it could use in New Zealand to claim a credit on.

Neither the Serious Fraud Office nor the Inland Revenue Department were bright enough to discover the fraud, which falls under the standard Crimes Act clause, 229A: using a document to gain pecuniary advantage. The penalty, upon conviction, is up to seven years’ jail. The defence of European Pacific staff and their lawyers at the Winebox Inquiry, backed up the IRD and the SFO, was firstly that no fraud had ever taken place, and if it had then it must have been an innocent mistake.

The Court of Appeal, Privy Council and the High Court have all indicated that there is ample evidence of criminal fraud in the Magnum transaction, which instantly casts doubt on the credibility and competence of the IRD, SFO and their lawyers.

The only question left to be determined, after last year’s Court ruling that Winston Peters was right in believing that the Winebox deals were criminal, was who was responsible?

We now know that the Crown Law Office in Auckland also believes there is enough evidence in the Winebox to lay criminal charges. We know that because SFO director David Bradshaw admits it in his media statement.

“The Crown Solicitor in Auckland advised me that in his

view there was sufficient credible and admissible evidence that... would support the prosecution of a number of persons associated with Magnum on charges of conspiracy to defraud the Inland Revenue of New Zealand and/or of using a document, namely a tax return, with the intention of defrauding the Revenue.”

But, faced with that kind of advice and potential support from the Crown Law Office, the SFO squirmed as hard as possible to find a reason not to prosecute. Even if that evidence existed, said Bradshaw, that doesn’t mean European Pacific might not have a credible explanation they could put to a jury. Bradshaw told reporters

that he didn’t think any jury in New Zealand would convict those responsible for the Magnum transaction. “After considering all of the material, and the various interpretations open to a Court, I determined a prosecution would likely fail in its attempt to establish the requisite criminal intent.

“A prosecution must establish a deliberate intention to breach a legal obligation, that obligation in this instance being the disclosure of all of the steps in Magnum to the Inland Revenue Department pursuant to the tax legislation.”

Bradshaw then picks up his gun and aims it squarely at his foot, pulling the trigger with apparent gusto: “That such a legal obligation exists was determined in 1999 by the High Court ruling.”

In other words: that’s the law as it applies to corporate taxpayers. So why, then, no prosecution? Searching for an excuse, Bradshaw relies on the thoroughly discredited Winebox Inquiry report of Sir Ron Davison who, he says, “found that no such legal obligation existed.”

A curious broken crutch on which to rely, but Bradshaw continues:

“The Auckland Crown Solicitor and the Crown Law Office accepted that criminal intent would be virtually impossible to prove if independent legal advice had been obtained [by European Pacific] that Magnum was lawful.”

No such legal advice exists, even though lawyers acting for the law enforcement agencies tried to convince the Winebox Inquiry that it did. The issue was thrashed out in the formal complaint to police filed one year ago, in anticipation that the IRD and SFO might try to use the same tactics to whitewash Magnum again.



**Sir Ronald Davison**

“Another feature that the corporates, the IRD and SFO attempted to cover,” the formal complaint states, “was the issue of intent: that even if the deals were technically illegal no intent could attach because the participants had taken appropriate legal and accounting advice and believed they were acting

within the law. But the defence of obtaining legal advice is bogus, if examined more closely. I believe IRD QC Bruce Squire either lied to the Commission of Inquiry or was incompetent when he stated: ‘Before entering the Magnum transaction the European Pacific Group had the advice of the late Mr Darvell and Dr Harley who have told the Commission that they did not consider the transaction was fraudulent’.”

But what Dr Geoff Harley, a well-known tax lawyer, really told the Inquiry was something entirely different:

“I had never heard of ‘Magnum’ or anything about it until all of this became public.”

Questioned by lawyers acting for the Winebox commission, Harley insisted he had *never* been asked to provide legal advice on Magnum; “I am sure about that”.

European Pacific *had* received legal advice on an *earlier* transaction’s potential impact on Australia, and were told by Australian QC Brian Oslington that the deal was a “criminal fraud”. Not satisfied with that, understandably, European Pacific sought advice from two more lawyers, who gave them opinions that the transaction was probably OK, but in written advice tabled at the Winebox Inquiry, European Pacific’s lawyers warned there was still a risk “that a judge may side with Oslington” and decide that the scheme was criminal.

European Pacific’s Board of Directors, including David Richwhite, weighed up the risks and decided to proceed regardless. It is important to remember, in this little word game, that although the transaction was similar, it wasn’t Magnum. And no evidence was provided to the Winebox Inquiry that European Pacific ever sought legal advice about the money laundering transaction at the heart of Magnum.

So two points have emerged so far: one, that the Board of Directors was prepared to risk prison for a financial transaction, even though they regarded the risk as “small”, and two, that no legal advice on the Magnum deal – the one that defrauded New Zealand – was sought.

Geoff Harley told the Winebox Inquiry he had never been asked to look at the money laundering aspect of Magnum, and had certainly never been asked by European Pacific to review Oslington’s advice that the tax credit transactions would be a conspiracy to defraud.

“I would have treated myself as being completely unable to express any opinion on a subject like that,” said Harley, “and I would have gone to someone else who did know the tax law in that area.

“I also think that it is likely that I probably would have run a mile if I had known that there was anything like that in issue. I can certainly say that.”

Curiously, the evidence before the Winebox Inquiry showed that European Pacific sought legal advice on all aspects of the Magnum transaction, *except* the tax refund mechanism: a point reinforced in the formal fraud complaint laid with Police Commissioner Rob Robinson.

“It can be no defence to proffer the seeking of legal advice as demonstrative of no criminal intent, if in fact the legal advice did not relate to the most controversial part of the whole deal.”

So why then is the SFO again trying to use the same discredited “but they sought legal advice” argument to fool the public and the news media, when it is clearly untrue?

Bradshaw, then displaying the same incompetence as his predecessor, argues that European Pacific probably innocently failed to disclose the details to the IRD because it didn’t want its competitors finding out – presumably forgetting that strict secrecy provisions cover the IRD and that the tax department isn’t likely to go and tell other corporates how to do the same tax dodge.

He also says that the innocent hiding of detail from the IRD could be explained because “There is a very real risk that should the authorities become aware of the full details of a scheme, it is likely to be addressed by changes to the legislation.”

If you still don’t believe the current director of the Serious Fraud Office is incompetent, compare what he has just said with the Crimes Act reality – by failing to declare their tax fraud scheme to the IRD, European Pacific stopped the authorities from finding out about their very lucrative “loophole” (potentially allowing themselves the

### **European Pacific’s lawyers Chris Allan (L) and Richard Craddock QC liaise with SFO lawyers at the Winebox Inquiry**



pecuniary advantage of earning millions more), and saved themselves \$50,000 to \$100,000 in legal fees which would have been incurred if they'd had to fight the Revenue to prove the scheme's legitimacy.

Doesn't that also fall within the definition of "gaining a pecuniary advantage" in s229A of the Crimes Act?

Bradshaw then states that an "independent expert" at accounting firm KPMG helped European Pacific prepare its tax return, and draws the inference that allowing your tax affairs to be handled by an outside agency "is totally inconsistent with the concealment interpretation I would have to ask the Court to accept.

"In my view, any one of the above points was more than enough to raise a reasonable doubt as to guilt; taken together they present a considerable obstacle."

Of course, what Bradshaw failed to mention while describing KPMG as "independent" was that KPMG were both European Pacific's and the Cook Island Government's accountants, who had been paid huge fees to advise on the tax credit schemes and hide them from official scrutiny.

So compare the SFO whitewash and excuses with the detailed complaint handed to Police Commissioner Rob Robinson, a complaint that mysteriously ended up in the SFO's hands despite explicit instructions to the contrary:

"I allege the following:

"That by virtue of the legal precedents and detail already outlined [in the bulk of the complaint], the Magnum Transaction breached ss229A and 257 of the Crimes Act. Clearly, the Cooks' [tax certificates] were documents used to obtain a pecuniary advantage, in keeping with the general principles of fraud.

"I believe Mark Jones, Peter Brannigan, Anthony McCullagh, Trevor Clarke, David Lloyd, Robert Hay, David Lilly and Geoff Barry had sufficient knowledge of the structure of the transaction to have formed the necessary intent to defraud.

"On the wider scale, it may be that David Richwhite and fellow directors, including Ron Diack and Peter Travers of [BNZ] Wellington, may share some liability by virtue of giving board approval to the tax credit schemes in February of 1988, despite a known criminal risk attached to them. This may be a criminal liability under one of the 'inciting' clauses of the Crimes Act.

"Charges should be laid, I believe, against accountants Jan Dawson, Keith Rushbrook and Russell Florence of KPMG Peat Marwick Auckland. See pages 117-152 of *The Paradise Conspiracy 2*. You should note that although Fay Richwhite advance legal argument on page 151 in regard to Acts of State by foreign sovereign governments, this has been expressly rejected and negated by the High Court ruling of August 20, 1999.

"Dawson, Rushbrook and Florence, to varying degrees individually, knew of and advised on hiding the transactions and conspired to keep them hidden from the New Zealand Audit Office, which had appointed them as auditors of the Cook Island Government accounts.

"Charges against the accountants and directors could

## CRIMES ACT PROVISIONS

- s66. Parties to offences** - (1) Everyone is a party to and guilty of an offence who -
- (a) actually commits the offence; or
  - (b) does or omits an act for the purpose of aiding any person to commit the offence; or
  - (c) abets any person in the commission of the offence; or
  - (d) incites, counsels, or procures any person to commit the offence.
- (2) Where two or more persons form a common intention to prosecute any unlawful purpose, and to assist each other therein, each of them is a party to every offence committed by any one of them...
- s71. Accessory after the fact** - (1) An accessory after the fact to an offence is one who, knowing any person to have been a party to the offence, receives, comforts, or assists that person or tampers with or actively suppresses any evidence against him, in order to enable him to escape after arrest or to avoid arrest or conviction.
- s99. "Bribe"** means any money, valuable consideration, office or employment, or any benefit, whether direct or indirect.
- s104. Corruption and bribery of law enforcement officer** - (1) Every law enforcement officer is liable to imprisonment for a term not exceeding 7 years who corruptly accepts or obtains, or agrees or offers to accept, or attempts to obtain, any bribe for himself or any other person in respect of any act done or omitted, or to be done or omitted, by him in his official capacity.
- s107. Contravention of statute** - Everyone is liable to imprisonment for a term not exceeding one year who, without lawful justification or excuse, contravenes any enactment by wilfully doing any act which it forbids, or by wilfully omitting to do any act which it requires to be done.
- s111. False statements or declarations** - Everyone is liable to imprisonment for a term not exceeding 3 years who, on any occasion on which he is required or permitted by law to make any statement or declaration before any officer or person authorised by law to take or receive it, or before any notary public to be certified by him as such notary, makes a statement or declaration that would amount to perjury if made on oath in a judicial proceeding.
- s116. Conspiring to defeat justice** - Everyone is liable to imprisonment for a term not exceeding 7 years who conspires to obstruct, prevent, pervert or defeat the course of justice.
- s309. Conspiring to prevent collection of rates or taxes** - Everyone is liable to imprisonment for a term not exceeding 2 years who conspires with any other person by force or intimidation to prevent the collection of any rates or taxes the levying and collection of which is authorised by law.



include s71 of the Crimes Act, Accessory after the Fact, or section 66 which defines parties to offences.

"In regard to the former Serious Fraud Office director, Charles Earl Sturt, I ask that he be investigated for corruption under s104 of the Crimes Act, in regard to corruption and bribery of a law enforcement officer. The evidential background to this and the following matters can be found in pages 42-65 of *The Paradise Conspiracy 2*, and pages 238-239, and pages 242-246.

"Sturt dropped an investigation of Russell McVeagh film and bloodstock frauds then underway, after receiving a visit from Russell McVeagh partner Lyn Stevens, now a QC. The SFO investigators, Neil Morris and former Detective Inspector Geoff Downey, were taken off the case, and Lyn Stevens was appointed as a lawyer to the SFO.

"Mr Downey testified before the Winebox Inquiry that Sturt quashed an investigation into the BNZ bank collapse because "our friends in Wellington" would not like it.

"Sturt was motivated by a hatred of Winston Peters, to which staff testified on oath at the Inquiry, and a desire to seek lucrative Government contracts when he eventually retired as SFO director. The latter is admitted in Sturt's autobiography *Dirty Collars* [for which the former SFO director and his publisher are now being sued for defamation, as the book is peppered with major factual errors - further proof of Sturt's incompetence], and would fall within the definition of bribery. He had clearly formed an intent to profit from such contracts, which I allege influenced his willingness to investigate politically sensitive matters that could affect his later earnings potential. He omitted to do his job in the hope of obtaining a bribe. Sturt's hatred of Peters would be defined as a form of corruption, through malice, if it was found to have influenced his approach to matters raised by Peters.

"Section 116 of the Crimes Act may apply in regard to Sturt and the SFO's handling of Winston Peters' complaint re the secret non-prosecution deal that Russell McVeagh lawyer Geoff Clews blackmailed the IRD into signing.

"The factual matrix to this is found in the book *Lawyers, Guns and Money*. In brief, however, the Court of Appeal rulings on the definitions of fraud clearly show the film and bloodstock deals were fraud. Auckland IRD staff wanted to investigate further, but Clews told IRD head office he had some embarrassing information on a senior IRD official, and he used this as leverage to force the IRD to sign an agreement promising not to prosecute a group of Russell McVeagh lawyers.

"Tony Bouzaid signed off on this for the IRD, despite the protests of the Auckland office. Charges against Bouzaid or Clews could also be considered under ss71,

309, 107 and 66 of the Crimes Act. [see attached tables]

"Sturt fits into the picture because Peters, after learning of the existence of the secret deal, complained to the SFO, which claimed to have investigated the matter and found nothing amiss. In subsequent testimony to the Winebox Inquiry, however, it was admitted that the SFO had never investigated the matter, despite claiming to have done so."

"The key findings of the High Court [ruling on the Winebox] are that Sir Ron Davison made major errors of law in deciding that Magnum was above board. Davison, in turn, had relied on the IRD, SFO and corporate submissions, so ipso facto they must be equally flawed. The IRD and SFO are not in any fit state to deal with it, as they were so intellectually underpowered they didn't even realise they'd been done.

"As a taxpayer who has been defrauded, and as an investigator who believes he has uncovered a crime, I consider it both my right and my duty to lay this complaint. I believe all of the above to be my true and honest opinion, based upon the facts as presented both within this document and the attached exhibits."

How is it that a team of Serious Fraud Office "investigators" who were publicly humiliated by the Courts for failing to even *recognise* the fraud in the Magnum deal, can suddenly be regarded as "experts" when they then re-investigate the deal and fail to find "sufficient" evidence of criminal intent? It is the law enforcement equivalent of blind men playing "pin the tail on the donkey". Problem is, I'm having trouble picking the jackasses from the donkey.

It is easy to see why New Zealanders are swiftly losing faith in the integrity of the Police, the Serious Fraud Office, the Inland Revenue Department and the Government: while the authorities are prepared to arrest or bankrupt ordinary individuals and small businesses on much lesser transgressions, massive crimes carried out with the aid of establishment lawyers and accountants will not be prosecuted.

It is little wonder people are getting snaky.



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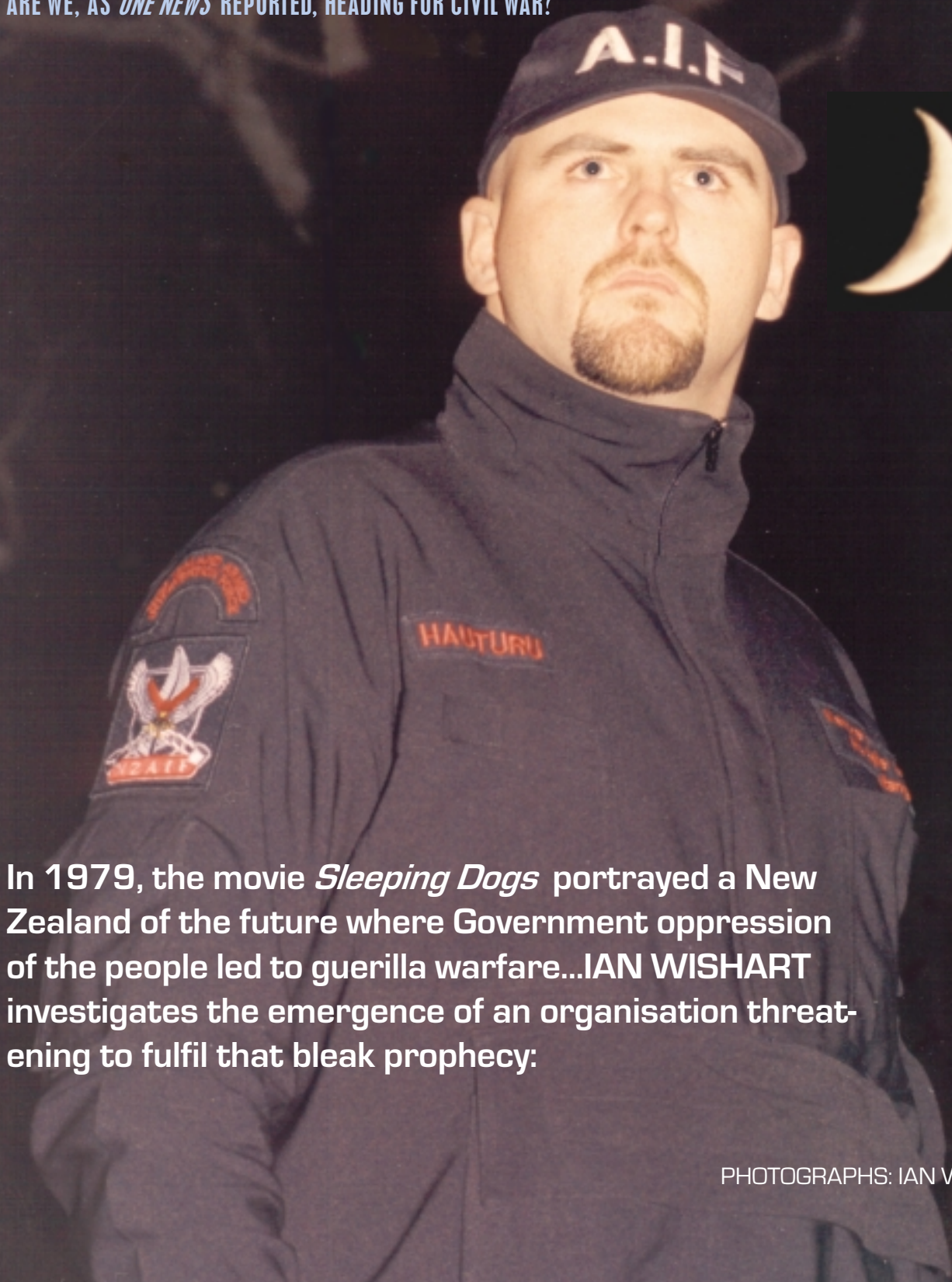
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**ODYSSEY**



# DAY OF THE JACKALS

ARE WE, AS *ONE NEWS* REPORTED, HEADING FOR CIVIL WAR?



In 1979, the movie *Sleeping Dogs* portrayed a New Zealand of the future where Government oppression of the people led to guerilla warfare...IAN WISHART investigates the emergence of an organisation threatening to fulfil that bleak prophecy:

PHOTOGRAPHS: IAN WISHART

**T**here is a scene in the musical *Les Misérables*, where Marius and his colleagues meet in a crowded café to plot the downfall of the French Government in 1832. Earnest youths with no experience of life believe they can harness public discontent: “Students, workers, everyone, there’s a river on the run; Like the flowing of the tide, Paris coming to our side.”

Tens of thousands of New Zealanders saw the stage production, and thousands more purchased the CD sound recording. The musical was so popular that Sue Bradford’s Unemployed Workers’ Rights group cunningly hijacked the premiere of *Les Mis* at Auckland’s Aotea Centre in the early 90s by dressing up in period costume as pitiful French peasants seeking justice and belting out verses of the musical’s haunting anthem, *Do You Hear The People Sing?*

The story behind the book, behind the musical, may have captured the public imagination but it was a heroic, desperate revolution. And it failed. The people never sang, and the revolutionaries were left to the mercy of a merciless French Army.

One is reminded of this while walking into a tightly cosy South Auckland living room on a cold winter night to discover coup-plotters crouched around a table. The room, dimly-lit but a pleasingly-warm cocoon from the season’s bite, has barely enough room to swing a cat – yet I note there are several of those there as well.

It could be easy to draw comparisons between the people responsible for the New Zealand Armed Intervention Force, and the students in Victor Hugo’s novel, but it would be dangerous to assume their stories might end the same way.

For the first time in modern history, New Zealand’s much-vaunted political stability is facing its most serious threat ever – in the opinion of the New Zealand military – but not from a group of angry students, nor from traditional protest movements: instead, this threat is from a group of highly-trained soldiers.

And there’s another worrying first in this as well: for the first time ever, a group suspected by police and intelligence agencies of planning terrorist activity has not shied away from police attention, but instead has actively eyeballed the police and threatened them.

One of its leaders has met police commanders in South Auckland and warned them, face to face, that any police attempt to hinder the group or its aims will be met with deadly force: “We will go through you like a dose of salts”.

Instead of being arrested and charged with threatening to kill, the New Zealand Armed Intervention Force’s only public front, Lieutenant-Commander Kelvyn Alp, remains free to walk the streets. What is so different about the NZAIF that even police, the SIS and the Special Air Service are sitting up and taking careful notice.

And how could it have come to this in Godzone?

NZAIF received little media attention last month when

one of its members, Jason Thompson, appeared in Court on firearms charges. Its stated aim is “to return power to New Zealanders”, and it first came to public attention in February this year when it placed advertisements in the *New Zealand Herald* calling for military personnel to join it.

Among the many replies it received were two letters from *Herald* reporters posing as potential recruits and describing themselves as “outstanding” candidates for the private army. Unlike the *Daily Mirror*’s sting operation against Mark Todd, the *Herald*’s was much less sophisticated: after boasting about their combat prowess, the journalists gave the *Herald*’s own PO Box as the return address. The same address the NZAIF was to send its advertising payment to. NZAIF leaders smiled, shook their heads sadly and never bothered to call the eager “recruits” back.

While the news media have largely treated them as “nutters”, it’s a different story at Police National Headquarters, the Ministry of Defence and the Security Intelligence Service. And for good reason: NZAIF’s members are mainly ex-Territorial Force and Regular Force soldiers, with the added edge of former Special Air Service troops.

“The Armed Intervention Force is the biggest threat to New Zealand’s security since World War 2,” says one defence official contacted by *Investigate*. “As threats go, it beats the shit out of Indonesia.”

**J**ason Thompson, a Maori, was picked up in what police describe as a “routine traffic stop”. When police checked his vehicle they found a sawn-off shotgun inside with military ammunition. At his subsequent court appearances, Thompson was flanked by up to 10 heavily armed police amid fears that his NZAIF colleagues may attempt to set him free.

“We know they have semi-automatic, and fully automatic military firearms,” concedes one top-ranking police officer, “so we are forced to take them seriously, but we tend to believe the threats they’re making will turn out to be hot air.”

It may not be that simple. The group claims to have just taken delivery of more than a hundred automatic military assault rifles and MP5 sub machine guns, A2 grenade launchers and five rocket launchers – to add to an already significant arsenal.

“They get first dibs on weapons on the black market, through their gang connections,” says a military intelligence operative. “They are really, really, scary, and they’re hard to keep track of because they’re nationwide, and half of them act as paid mercenaries overseas so they disappear on foreign tours of duty then resurface months later.

“So many soldiers sort of fall out of the Army and get into the Armed Intervention Force.”

And if police anti-terrorist experts regard the group’s claims as “hot air”, then a litmus test of that theory may





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be on the horizon. The public spokesman for the NZAIF, Lieutenant-Commander Kelvyn Alp, says his group is planning a show of force in the near future, hitting what he calls “strategic” targets.

“The way we’re doing it is perfect. There should be zero casualties, but it’ll be a Mexican standoff.

“We have multiple targets. We’ll be taking out the enforcement arm of the settler Government down in Wellington.”

By “enforcement arm” read police and military installations.

The NZAIF claims to be a legitimate army representing a legitimate Government – the 1835 Maori Parliament that provided for a 50/50 power sharing deal between the Confederation of Maori Tribes and the British. Although many Maori chiefs later signed the Treaty of Waitangi – which was used by the British to proclaim sovereignty over New Zealand in the name of Queen Victoria – the tribes that refused to sign continued to hold the 1835 document as being the supreme agreement.

But although the Confederation of Tribes is staunch in its claim that Maori still own New Zealand, its army has a more diverse political outlook. Alp, a self-confessed “Maori basher from way back” says the NZ Armed Intervention Force “is for all New Zealanders. We’re fighting for the Maori Government because we believe they are the lawful Government, but we’re not about to let Maori go around killing Pakeha or anything like that.

“Because people want a change. We’re not solely for the Maori, we’re sort of for everyone. The system is corrupt as hell.”

**T**he unit was born in 1996, when Alp left the Army after a run-in with his bosses while training for SAS selection. “There were three of us planning to apply for the SAS. Two of them are in the SAS now, me – I went a different way. But when I got out I was approached by certain individuals who indicated their need for a specific type of unit, hence the AIF was formed.

“They told me they’d been following my progress in the military, and that I had the ‘psychological profile’ they needed for their unit.”

After months of specialised training at the hands of former SAS and Special Forces instructors, the mercenary unit was like a coiled spring.

There were twelve men in the first intake, who found themselves suddenly thrown into combat in a Pacific rim country in the sort of operation they make *Rambo* movies about:

“We were sent in against this little GI-Joe outfit. Geographically, it wasn’t here, but you won’t see it on our passports because no one uses passports on special ops. I can’t tell you which country it was because that would identify the operation, but it was like a hit and run job.

“We had to attack this unit in this hick town of nowhere

– a unit pretty similar to ours – and we’d been briefed that ‘their presence is a hindrance to the direction the country should be going’ – I think I’ve got the words right – and from that we figured out that these guys were trying to shake that country. On reflection, I suspect those guys were trying to do there what we’re doing here and that’s why we’re really wary now, because those people might have actually been the ones trying to save that country rather than let it go the way of the power boys.

“There was a little bit of resistance, we lost one person.”

The NZAIF was dropped in by inflatables to their target, swimming in to take them by surprise in the middle of the night. They left no survivors.

The businessmen who had hired, trained and paid them vast sums of money sent the NZAIF on one other mission, a military target. Alp and his men choppered in to the jungle and marched the last few kilometres, again taking their opponents entirely by surprise. This time there was no resistance.

“They had no idea we were coming. We neutralised everyone and cleared out.”

Alp says he and the others were “pissed off” that they weren’t allowed to keep the weaponry, but accepted the need for untraceable ‘plausible deniability’ of the missions.

Having successfully completed two combat operations with only one casualty, the men of the NZAIF believed they would continue to be sent into Pacific troublespots. Instead, they received a final cheque and a “Don’t Come Monday” notice, thanking them for their work and informing them they’d no longer be needed.

“We found ourselves thinking ‘well, here we are, a well-trained unit, what do we do?’ We considered all the options: going to Third World countries, fighting for money, or actually doing something proper, and that’s when we decided to start putting this Government in check.”

For all Alp knows, his paymasters may have merely been ‘fronts’ for New Zealand authorities needing mercenaries to carry out some dirty work in our backyard. If that is the case, then it would be ironic that in doing so Dr Jekyll inadvertently created a military Mr Hyde: a bunch of hired guns with a conscience.

“The fight is in this country,” Alp remembers the discussion amongst his men. “This country is the one that

**RIGHT: Maori Government paramount chief, Matiu Tarawa: “We are deadly serious. We have an army. We will fight if we are forced to.”**





needs the help. And we started really looking into this country and where it was going. Because being in that world, and understanding what went on and how the things we did changed the way of doing things and changed directions, we thought 'F\*\*\*, it's going on here!' and then we started realising who was taking over here, what was going on and what it was being fitted for.

"And we've got something the Government can't control: none of us can be bought. If we can put a spoke in the wheel, even if it only stops the machine for a year or two, then I think we'll have done a bloody good job."

The Lieutenant-Commander is passionate about "saving" New Zealand. Like hundreds of thousands of other New Zealanders he is vehemently opposed to the new photo drivers licences, saying that from a military or policing point of view it just makes it easier for "Big Government" to coerce the population into submission.

When you listen to his dismay at the sale of billions of dollars in taxpayer-owned assets without a public mandate, the Government's willingness to hound private individuals to their deaths whilst refusing to accept liability for disasters like Cave Creek or the Hepatitis C bad blood scandal, and the poor treatment of the elderly and infirm, you realise that Alp holds views pretty similar to many New Zealanders. The only difference: he and the rest of the NZAIF have state of the art weaponry that makes the Government take his opinions a lot more seriously than those of the average disgruntled punter.

"They have stripped New Zealand of its assets. All that was left to do was stick an apple in its mouth and serve it up on a plate with garnish. We're on a downward spiral that we have to arrest, and bring New Zealand back up again. But it's not going to happen with these scungy politicians who sit there and say 'we can't'."

Despite freely admitting his own racist attitudes of the past (and police still describe the NZAIF as "an odd mix of white supremacists and Maori radicals", Alp claims to have received a wake-up call:

"We started seeing a race war – the direction being taken was to create a race war with one ethnic background pitted against another ethnic background, and while they're at each other's throats concentrating on that, the wankers perpetrating it all are back here carving it all up.

"If you take out the lunatic fringe on each side, like Maori who want to toss out every Pakeha, what you've got left is a whole lot of people who get along just fine when they're not being stirred up."

Alp has plunged tens of thousands of dollars of his own money into the unit, and it earns extra cash to finance its planned revolution by sending some of its conscripts off overseas as mercenaries with armies like the French Foreign Legion or Britain's Sandline, which was active in Bougainville and Sierra Leone.

Alp confirms the NZ Defence Force analysis of the AIF's armament purchasing ability.

"Remember, a lot of our guys are ex-SAS and ex-Army, and they can get things anywhere. But we fund it ourselves – we've never had a penny from the Maori Govern-

"We started seeing a race war – the direction being taken was to create a race war with one ethnic background pitted against another ethnic background, and while they're at each other's throats concentrating on that, the wankers perpetrating it all are back here carving it all up."

ment. It has all been from our own pockets and private funding – people have helped us out and that."

It is possible that NZAIF members may also be behind the disappearance of large numbers of military weapons from defence bases around the country. Gun dealers have told *Investigate* of "panic" within the military at the disappearance of machine guns in a break-in at the Devonport Naval Base armoury.

"Whenever the subject is brought up with Navy personnel," remarks one dealer, "I receive a 'knowing look' and no denials – their lips are sealed!"

According to Alp, Jason Thompson was carrying live ammunition and a gun when he was picked up because he was returning from a training exercise. "Almost all of our training is live-fire, because if you train with blanks you get too much of a comfort zone and when the real thing comes along you lose it. If there's a chance you're going to die on a training mission, then you'll be on top of it at all times.

"So it was his turn to play the 'bad guy' for us to stalk and kill, so he was in Hamilton and got pulled up. His son was playing with an imitation gun, so the police - when they saw that - decided to keep searching the car and of course they found the weapon and the military rounds."

Unlike other revolutionary groups, the NZAIF seem sufficiently confident of their firepower that they are not intimidated by the attention they're getting from the police.

"I rang the police as soon as I found out [about Thompson's arrest] and I said 'It's a jurisdictional matter: he's not under your jurisdiction he's under mine. He's quite within his rights to carry that gun and if he could fit a tank in his pocket he'd be quite within his rights to do





**The prison van carrying NZAIF gunman Jason Thompson speeds away from the Papakura District Court. The escort vehicle in front carries heavily armed members of the elite police Special Tactics Group, as does a second van behind.**

that.' The Senior Sergeant got a bit smart with me, so I told him which way was up and told him I'd be down in the morning, which I duly did and bawled out the detective in charge of it. I said 'You either hand him back or we're coming to get him back'."

And perhaps that's why police with anti-terrorist training have been appointed to guard Thompson at every Court appearance. Courtrooms are sealed, and security staff with electronic body scanners frisk people entering the courtroom. In the public gallery, undercover operatives from the police Criminal Intelligence Section, CIS, mingle with supporters of the accused, hoping to overhear valuable information but also preparing to leap into action if violence breaks out. All of this, caused by an organisation whose public front – so far – has been limited to two people. One of whom is the vocal, baseball cap wearing, Kelvyn Alp.

"Ah yes," chuckles one CIS officer, "the loquacious Mr Alp".

So why didn't NZAIF bust out their man?

"We were ready to go in the early hours of Monday morning [July 17] to extract him from Waikeria Prison where they were holding him. We got asked by the Maori Government if we would hold, and try and do it legally first. We weren't that happy about it but we agreed.

"Anyway, when it came up in Hamilton District Court the judge said he didn't have the jurisdiction to hear it

because it was 'a diplomatic matter' – and that's exactly what he said, in Court. It'll be on the Court record. 'A diplomatic matter'. Which is precisely right. There are two jurisdictions working in this country, only one refuses to recognise the other. Now the Queen recognises it, United Nations, the Hague and Geneva recognise it, it's all down on paper, there's treaties throughout the South Pacific signed with them already – everyone recognises it



except these clowns down in Wellington." Nor does the NZAIF claim to be anti-police or anti-law-



## AND THEN THERE'S THE GANGS...

**A** defence intelligence analyst and former New Zealand soldier-turned-author believes an attack by the NZAIF on police or military targets in New Zealand could set off a powderkeg.

Ben Vidgen, whose bestselling book *State Secrets* was released last year, says NZAIF is not the only heavily-armed group in the country.

His book documents the involvement of the Black Power gang in procuring military weapons from overseas for individuals and groups within New Zealand:

"In 1989 I found myself drawn into the investigation of arms smuggling. I was young and naive, and certainly didn't expect to find myself looking at Maori activists let alone the New Zealand security forces.

"Operation Golden Fleece was the largest low-level intensity warfare exercise that the Defence Department had

ever run. My post was the central command post of the exercise's primary support base. My neighbours included Army Intelligence, Army Signals and Air Intelligence.

"I discovered that, as a public relations exercise, the Royal New Zealand Army had invited local North Island chapters of the Black Power gang to play the role of terrorists. It was an exercise that would turn to a disaster - one of the reasons being that the Black Power participants turned out to be too successful in their role.

"When the Army conducts exercises like this, the security forces are expected to 'kill' ten terrorists for every member of the security forces killed or injured in action.

"In Golden Fleece, the ratio of Army KIAs and enemy KIAs worked out at 1:1. In terms of POWs the rebels had won hands down. At the end of the three week exercise the security forces had lost a staggering 200 men which,

and-order. "We know there's a need for the police force, but my men are under my jurisdiction, not the police."

The fact that Alp is able to openly boast to police that his group has fully automatic military weapons and is prepared to use them - and is still free to walk the streets - indicates that police are not willing to provoke the NZAIF. Indeed, at one interim court hearing on the Jason Thompson case, the police prosecutor told the Court that the police would have no objection to bail - a concession rejected by the judge.

Waikeria prison had refused to take him back because of the security risk, so Thompson was remanded in custody to the maximum security wing at Paremoremo pend-

ing a High Court hearing on the "diplomatic" nature of the case.

Thompson was described in court as "of no fixed abode", because he repeatedly answered police questions with merely his name, rank and NZAIF serial number. He has a home, but Alp claims police still don't know where Thompson was living at the time of his arrest.

"I've told the police that if they move against us they had better be ready," Alp says, "because there's weapons caches all over the place and if they pop one the rest of us will come down on them like a tonne of bricks. We still haven't ruled out going into Paremoremo to get him."

And perhaps that is the reason Alp is still a free man,



by Low Level Intensity Warfare standards, is more than double expected levels. The figure would have been even higher except in a number of cases umpires had not been present so the kills were not included in official figures.

"The Black Power made devastating terrorists.

"One such attack landed by the fun-loving lads of Black Power, a simulated bombing, would have - if the umpires had been present - taken out the entire Australian contingent of, if I remember correctly, 70 men.

"The same attack was later inspected by Royal Army engineers and according to an officer speaking from the Army Intelligence corner of the tent the wiring of the device was considered an "extremely professional" job.

"This little piece of information left me viewing the Black Power in a new light. This was not a hotch potch outfit of bikers and misfits, but a highly organised outfit that had demonstrated a high level of military expertise. Where the hell did they get it?

"Black Power was into weapons smuggling. It was also, as I discovered, the common practice to use an assault weapon (such as an AK-47) in gang hits. Such weapons were then passed to fishermen and within 48 hours the weapons in question were leaving New Zealand via Invercargill.

"In 1991 during Operation Ivanhoe this and other reports caused me to ask an Army Intelligence officer if the security forces were aware of this situation. The officer in question confirmed that this was the case. In fact, he told me one of his friends was an SIS agent who'd been ordered to investigate Black Power's ties to the illicit weapons trade.

"The investigation, however, was abandoned shortly after the agent stumbled on significant new evidence, and plans to officially notify the police were shelved."

Vidgen discovered first-hand more evidence of criminals having military firepower, soon after he left the army.

"While returning from Christchurch I was stunned to hear the sound of automatic gunfire within the suburb of Addington, located near the headquarters of Highway 61. Within half an hour, the same incident was reported on a Christchurch radio station, where it was described as an incident involving 'an air pistol'.

"The police don't want a public panic on their hands, and they rely on the fact that most eyewitnesses wouldn't be able to distinguish between an automatic and a plastic toy. A gun's a gun's a gun."

Vidgen also reports an interview with an SAS soldier who inadvertently stumbled across a massive weapons cache controlled by cannabis growers in the King Country:

"There were crates upon crates upon crates of weapons," the soldier confirmed. "They were Uzis, grenades, AK-47s and American stuff."

The soldier defused the situation with the cannabis growers by using his tribal affiliation: they were all Tuhoi.

Vidgen alleges a radical Maori group calling themselves "Te Ahi Kaa", also Tuhoi, disrupted a hui several years ago by telling the gathering they had "large caches of weapons buried all over the country."

Leading criminologist Greg Newbold also backs up Vidgen's allegations, saying "I've talked to people who've gone to big Auckland gangs and found literally a whole house of weapons: rocket launchers, automatics, semi-automatics, rifles, pistols."

From Vidgen's perspective, there is a clear and present danger of all out civil war, if NZAIF begin firing shots in anger at the Government.

"New Zealand is sitting on dynamite at the moment. It's been brewing for years and it's coming to a head. Potentially, if one group with solid military experience successfully takes out a Government unit, you can expect thousands of gang members and others to be on the streets, heavily armed, pretty bloody quickly after that.

"They didn't get to be explosives experts, capable of beating the New Zealand and Australian Armies, by taking patchwork quilt classes. Somebody's been training them."

and the only official word from police is that they are "keeping a watching brief" on the group.

The house is under constant surveillance, the phone is bugged, and CIS officers and regular police have been approaching people in locations as diverse as shopping malls and airports to ask about their connection to Kelvyn Alp and the NZAIF.

The situation is knife-edge sensitive, to the point that one police officer, Brad White, was suspended earlier this year after a CIS/SIS raid on Alp's home in a fruitless search for weapons instead turned up the police officer's wallet. Alp insists White is just "a family friend" who has no involvement with NZAIF. Understandably however, po-





lice were taking no chances at the time. It is understood White was cleared and is back on duty. Manukau District police superintendent Ted Cox has since warned his officers of the dangers of associating with the group.

It was after that raid that Alp gave South Auckland police their first “talking to” and warned them that if they pulled “a stunt like that” again it may have tragic consequences.

“The reason they’re shit-scared and have high security is a: because they know nothing about us – there’s no talk on the street about us and their little spies and electronic listening devices will only find out what we want them to know, and b: because we know a hell of a lot about them, their operations, their response times, how they do things, how they enter buildings, who they’ll send through first – we know all that.

“I told Ted Cox at the table, ‘If you’re on one side, and we’re on the other, and we come head to head, we’ll go through you like a dose of salts. Make no mistake about it.’ And I told him that to his face so he was under no illusions. So then they started talking about ‘co-existing’ and that sort of stuff.”

Police, and some “men from the Minister’s office” in Wellington, were told in a frank and open discussion that the NZAIF was “not a threat to New Zealand’s security, but definitely a threat to the Government’s security. A huge threat!”

“So you’re anti-Government then?” one official asked.

“Damn right. We want to return New Zealand to New Zealanders. And by that we mean everybody – brown, white, Asian – not you people down in Wellington who are governing illegally.”

“What pisses them off about us,” claims Alp, “is that they know that we know what’s really going on in this country.”

“They’re afraid of you,” another police officer who knows Alp allegedly told him privately. “You know that. We’re not used to people who openly state to our faces that they’re prepared to use force against the police.”

Senior police have told *Investigate* they have “pretty good” intelligence on NZAIF, but that statement begs further analysis. It wasn’t until a suburban newspaper ran a front page story on the existence of the NZAIF on February 15 this year that police suddenly swooped on Alp in the aforementioned raid on February 18.

And NZAIF has taken extra precautions since.

“We’ve relocated our armouries because the police were getting too close. Once we strap them [the weapons] on to go, it doesn’t matter how many Armed Offenders are called or how many police are called, it’ll be too late for them to make a difference.”

It will be the strength of the NZAIF that determines what happens if it ever comes into conflict with the police or the New Zealand Army. In a face-to-face interview, away from prying eyes, Alp claims the AIF has more than 1,500 troops loyal to it, both inside and outside the Army. In a later phone call, he is much more circumspect:

“This is for the SIS, who are listening of course,” he explains before continuing, “we have elite forces, and we have two sections of 12 – SG1 and SG2 – these are shadow groups, and SG3 and SG4 which are ‘green role’, jungle, open spaces, that sort of thing. SG1 and 2 are city-trained, so whichever operation you’re doing requires different units with different skills.

“Now these break down into ‘six and six’, so SG1 and SG2 make up one section of 12 and SG3 and SG4 make up another. They never operate as 24 unless it’s a really big thing. And then you’ve got your regulars who are definitely not as well trained, but they know what they’re doing.

“All up, we’d have about a hundred and twenty odd, but



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they're scattered. As far as weapons are concerned, they're either supplied to us or some of the business people we know buy them for us. But the support in the last three or four months has really grown – just a groundswell of people who've been shafted and who've had enough and they're saying 'just do it'.

"There are going to be people bad-mouthing us on the radio, calling us terrorists – we don't give a shit! If we took over the country tomorrow, most New Zealanders are so apathetic that they'd grizzle briefly and then get on with their lives."

Alp is adamant the NZAIF has no intention of targeting civilians in any coup attempt.

"Everything we may or may not do in this country, the one thing that is stressed above everything else is zero civilian casualties. Although we wouldn't put it past them to slip up and blame it on us."

"Our motto is that withdrawal is not an option, we'll do the job or we don't come home from it."

There is always a danger for soldiers for hire that they may die in a doublecross: they raise money by serving as mercenaries overseas, and there is nothing to prevent New Zealand intelligence services from using a front organisation of their own to lure the NZAIF into a job they'll never return home from, wiping out the armed resistance unit in one fell swoop.

On the other hand, it may be too late for that: the NZAIF are claiming they're preparing to launch a military strike in New Zealand shortly. What that may do to the country's international reputation and financial markets, let alone

the families of all those affected, God alone knows.

In 1993, a prominent business forecasting group gave TVNZ executives a private briefing on the state of the economy, warning them that conditions were being created as a result of economic restructuring that could lead to a civil war in New Zealand within ten years. Naturally, the well-paid TVNZ executives scoffed at such suggestions: the idea of Sue Bradford leading a revolution clearly didn't seem a goer. But it appears nobody paid enough attention to one of the oldest catalysts for revolution in the history books: if you don't look after your army and pay them well, you end up with highly-trained military personnel with time on their hands, a chip on the shoulder, and nothing to do.

As we pointed out earlier in the article, it would be extremely foolish of readers to underestimate the danger facing the country – especially as the security forces are taking it extremely seriously. How many SAS crack troops would it take to blow up a New Zealand power station or oil depot? Then ask the question: how many SAS crack troops have joined NZAIF? That's one New Zealand's security forces still can't answer.

Ask Alp whether history will judge them as extremist terrorists or freedom fighters, and his answer is simple: "I guess that all depends on who wins."

Perhaps the last word should be left to the Prime Minister's Office, which has declined an Official Information Act request to provide information on the group, on the grounds that doing so "could prejudice national security".

**TOP LEFT: Auckland's Paremoremo Prison is a potential target of the NZAIF if Thompson is not released. BELOW: *One News* reporter Karen Rutherford tries to get an interview with Kelvyn Alp outside the Papakura Court**

