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The intelligence reform agenda: What next? by Carl Ungerer

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Funding, organisational and legislative changes to the six national agencies of the Australian Intelligence Community (AIC) since 2001 have placed intelligence at the forefront of our national security effort. The rapid growth in human and financial resources devoted to intelligence collection and assessment, and the expansion of powers given to individual agencies reflects a political judgment, both in Australia and in similar countries overseas, that intelligence is now the most effective tool in the struggle against new security threats such as transnational terrorism.

But four years after the government-commissioned Inquiry into Australian Intelligence Agencies (the Flood review) the reform agenda has stalled. In some ways, this was to be expected. The intelligence community has undergone the most intense period of scrutiny since most of these agencies were first established after World War II. A moment of reflection and consolidation was probably unavoidable.

As the Flood Report itself acknowledged, the AIC needs to remain dynamic in the face of a changing security environment. One of the report's main recommendations was that the intelligence community should be subject to external review every five to seven years. The Rudd Government has inherited an intelligence community that is well-resourced, better integrated and more capable than at any time in its history. But it also lacks overall direction and has been bruised by recent intelligence inquiries.

This paper offers an assessment of the intelligence reform agenda and proposes some further steps towards restructuring the AIC and its activities to meet the national security challenges of the next decade.

Reform redux

The events of September 2001, and the subsequent acknowledgment in defence and security circles that globalised terrorism had moved from the periphery of the international order to the front rank of national security threats, provided the primary rationale for the recent reforms to the intelligence agencies.

But it was the intelligence failure over the threat posed by Iraq's weapons of mass destruction programs in 2003, and the resulting public reaction, that forced governments in Canberra, London and Washington to institute major public inquiries.

In each case, the inquiries found that the intelligence services suffered from a number of systemic problems. In London, the Butler Report found serious weaknesses in both the assessment process and the political representation of intelligence material to the public. In Washington, a US Senate Committee report found that the intelligence community there suffered from 'groupthink' and had 'overstated' and 'mischaracterised' the available evidence. In Australia, the problem was described as one of 'policy running strong'.

Across the allied 'four-eyes' community (Australia, Canada, the United Kingdom and the United States) the intelligence reform agenda has been remarkably similar. The major reforms have focused on four main areas:

- Structure – reorganising the institutional framework for intelligence gathering, assessment and dissemination, especially through the creation of joint analysis teams on terrorism.
- Resourcing and recruitment – increasing the funding available for human and technical resources.
- Oversight – providing greater accountability measures, especially through the expansion of parliamentary committee systems.
- Legislation – particularly in the area of increasing counter-terrorism powers for domestic security agencies, but also updating and extending laws regarding sedition, the proscription of terrorist organisations and the use of electronic interception.

The nett result has been a strengthening of the role of intelligence in relation to foreign and security policy. In Australia, the National Security Committee of Cabinet can now rely on a deeper and broader reserve of information on which to base policy decisions. But there are still clear limits on the value of intelligence to policy makers. Intelligence can help to colour policy choices, but it can not make them.

After the Flood

The tabling of the Flood Report in July 2004 provided an opportunity for the Australian Government to make a number of changes to the way in which the AIC operates. The most obvious change has been the growth in the funding available to the six national agencies, see Table 1. The budget for the Australian Security Intelligence Agency (ASIO), for example, has grown from a low of just \$69 million in 2002 to over \$441 million last year. Further growth is expected as ASIO moves towards a full complement of 1,860 staff by 2010–11. The Office of National Assessments' (ONA) budget has doubled in the space of just three years.

Table 1: Intelligence funding by agency 2001–2008

	2001–02 \$m	2007–08 \$m	% increase
ASIO	69	441	539%
ASIS	54	161	198%
ONA	7	36	414%
Defence Intelligence Group (DSD, DIO, DIGO)	311 (2003-04)	431	38.6%

Across the board, Australia now spends in excess of \$1.3 billion each year on intelligence. And the cost is growing.

The previous government had committed an additional \$185 million over the next four years towards strengthening the intelligence agencies as part of the forward budget estimates. Although no cost-benefit analysis has been conducted on the appropriateness or efficiency of our current spending on intelligence, it is worth noting that the total funding for the AIC has increased at a pace faster than some of our allied intelligence partners. In the United Kingdom, for example, total funding for intelligence has increased by only 68% since 2004, albeit off a higher base.

The main purpose of the new funding has been to enhance Australia's capacity to collect and analyse intelligence information from around the world and to improve domestic counter-terrorism efforts.

The bulk of this funding has been directed towards recruiting new analysts and intelligence officers in ONA, the Australian Secret Intelligence Service (ASIS) and ASIO, particularly those with foreign language skills. As a result of the disinvestment in intelligence and security throughout much of the 1990s, this new funding has been necessary to create a larger pool of analysts conversant in the politics of our region.

Particular attention has been given to improving analytical capacity on emerging security threats such as transnational terrorism as well as unique issues such as pandemic diseases and climate change. Around 70% of the current collection work among the three defence intelligence agencies is devoted to counter-terrorism and supporting Australian military operations overseas.

National intelligence machinery

The Australian Intelligence Community (AIC) comprises:

Office of National Assessments (ONA) – an all-source intelligence assessment agency reporting directly to the Prime Minister and senior Cabinet Ministers. ONA was established in 1977 by an Act of Parliament. The Director-General of ONA is the nominal head of the AIC.

Australian Secret Intelligence Service (ASIS) – modelled on the British SIS or MI6, ASIS is a foreign human intelligence (humint) collection agency based in the Department of Foreign Affairs and Trade.

Australian Security Intelligence Organisation (ASIO) – created by the Chifley Government after World War II, ASIO is responsible for the security of Australians and Australian interests including protecting the country from terrorism, and acts of foreign interference and espionage.

Defence Signals Directorate (DSD) – is Australia's signals intelligence agency responsible for the interception of foreign communications and for providing advice on Australia's information security.

Defence Intelligence Organisation (DIO) – provides high-level analysis and advice to the Defence Minister and Cabinet on military capabilities and support for deployed forces.

Defence Imagery and Geospatial Organisation (DIGO) – working closely with intelligence partners overseas, DIGO provides a wide range of geospatial services including mapping and photography to support military operations.

Although the Flood inquiry found that the AIC suffered from 'a number of failings', his report stopped short of recommending any major structural changes to the AIC.

The government at the time accepted Flood's recommendations, except the proposal to change the name of the Office of National Assessments. But not all changes have been implemented with the same enthusiasm. Some of the reforms on the operations of the AIC, for example, have been met with polite indifference.

ONA was a particular focus for the inquiry. As the peak assessment agency reporting to the Prime Minister, Flood recommended that ONA be given additional responsibilities for 'community coordination' through the establishment of the Foreign Intelligence Coordination Committee (FICC) and it was encouraged to produce more national assessments on issues of strategic importance to Australia.

These reforms were modest but sensible enough and reflected the judgment that the AIC continued to lack sufficient coordination across the agencies. The reforms were also intended to lessen the natural instinct of most intelligence agencies to hoard information.

The extent to which these particular reforms have been effective remains an open question. Clearly, the creation of all-agency assessment teams, such as the National Threat Assessment Centre in ASIO, and the interoperability between collectors and assessors has improved working relationships between individuals and agencies. But there was nothing revolutionary in the Flood proposals. And the creation of the FICC simply formalised processes that were already in place.

In other areas, structural rigidities and entrenched cultural differences remain an impediment to a more nimble and flexible intelligence apparatus. Despite improvements in information technology and the creation of virtual workspaces for intelligence officers, the proposed strategy for IT connectivity across the AIC remains incomplete. And it is not clear that the national assessments process, including the provision of contestable advice, is operating in the way that the Flood Report envisaged.

The end result of the Flood inquiry is that the Australian Intelligence Community is larger and better resourced, but it looks and acts remarkably similar to the way it did in 2001. In particular, the continuing division between foreign and domestic intelligence appears increasingly at odds with the nature and evolution of national security threats.

And despite some improvements in cooperation and communication across the community as a whole, there is still no primary point of contact for the Prime Minister or the public on intelligence matters.

One of the principal dangers is that the new funding and resources given to the AIC have created an expectation that there are intelligence solutions to the full range of national security problems confronting Australia, from the proliferation of nuclear, biological and chemicals weapons to home-grown terrorism. As several former officials have noted, such expectations are not valid. But with an investment of over \$1 billion per annum and growing, the public will want to know that they are getting good value for money.

Ideas for change

Further incremental adjustments to the AIC will not be sufficient to meet the

expectations of either policy makers or the public. Nor will simply spending more money on intelligence. The new national security environment, in which threats to Australian interests can emerge quickly and without warning, requires a fundamental rethink about the structure and functions of the intelligence community.

With the reform process in Australia currently on hold, Canberra has fallen behind its allied intelligence partners in both the UK and the US. Governments in London and Washington have implemented extensive changes to their intelligence agencies in the past four years. Several of these changes, including the creation of a central position in government for intelligence coordination, have been on the agenda for many decades.

By adapting some of these changes to Australian circumstances, we can begin to address the structural problems in the AIC. Although some of these ideas have been suggested before, including by ASPI in *Strategic Insight 6 – The Agenda for Intelligence Reform*, the current review of national security arrangements provides the ideal opportunity to lock in the reforms necessary for the national security challenges ahead.

Centralise coordination

Since ONA was established in 1977, the Director General has been the nominal head of the AIC. This position derives from ONA's responsibilities under the legislation to 'coordinate the foreign intelligence activities that Australia engages in'. But the imprecise language in the ONA Act, and the lack of executive powers to direct Australia's intelligence effort, has meant that ONA has never acted as the central focus point for the AIC as a whole.

As a billion dollar enterprise, the need for a central AIC coordination function has never been more critical. This could be achieved in one of two ways. First, the ONA Act could be amended to give greater clarity to the role and responsibilities of the Director General. Alternatively, the coordination task could be given to the proposed new National Security Adviser. The latter option is preferable as it would avoid the problem of having ONA as both a player on the field and the referee.

In either case, the most appropriate model for this position would be the current UK system, in which the Permanent Secretary for Intelligence, Security and Resilience is responsible to the Prime Minister for advice on resourcing issues across the community as well as being the chair of the national assessment process. Combining responsibility for both budgets and assessments in Australia would improve coordination within government and with overseas intelligence partners.

The first task of the new position would be to write a national intelligence strategy. This would need to be done simultaneously with the proposed national security statement and the Defence White Paper review. The strategy should clearly spell out how the AIC can work to meet the government's foreign and security policy priorities. This should be a public document, and regular updates provided as external circumstances change.

Combine strategic, security and police intelligence

The AIC has made some progress in combining the collection and assessment functions of various agencies, particularly in the context of military operations overseas. The 'fusion' of intelligence and warfighting in places such as Iraq and Afghanistan, has had an important force multiplier effect.

The concept of 'fusion' should now be applied across the wider security community. The task would be to devise a strategy to bring the AIC closer to the other government agencies, both state and federal, with an associated intelligence function. A growing list of government and non-government agencies including the police, immigration, customs and the private sector have important national security functions but remain largely outside the work of the AIC. And it is mostly local and state government agencies that are the frontline 'first responders' in the event of a major security incident. So defining the 'intelligence community' more broadly is a necessary step towards prosecuting a comprehensive approach to national security.

Improve training and education

Each agency of the AIC has its own specific requirements for training and education. The skills required of a strategic analyst in ONA, for example, are different from the technical collection activities of Defence Signals Directorate (DSD).

Although the introduction of new courses across the AIC, for both new staff and mid-career officials, has improved the overall quality of the AIC's output, the community would still benefit from a dedicated intelligence college that would act as the focal point for the training needs of collectors, assessors and managers.

As the distinction between collection and assessment continues to blur, intelligence officers will need to have a better understanding of each other's tradecraft. An early priority for the college would be the development of new analytic methodologies and management strategies. In particular, the recent growth of the AIC has created challenges for professional development and education of senior managers.

In an effort to limit start-up costs, the intelligence college could be co-located within an existing university campus. Courses would necessarily be of short-duration but might have articulation pathways towards degree accreditation. Previous estimates have suggested that a 'teaching' faculty of around a dozen people with sixty to eighty students would cost approximately \$4 million per annum. This investment would represent less than 1% of the AIC's current budget.

Increase accountability, oversight and public engagement

In recent years, the AIC has taken several steps towards improved accountability and oversight. All six agencies of the AIC are now covered by the amended provisions of the *Intelligence Services Act 2001*. The office of the Inspector General of Intelligence and Security has increased in line with the growth of the AIC. And the establishment of the Joint Committee on Intelligence and Security has enhanced the role of the Parliament in examining aspects of the agencies.

But these reforms fall short of a more robust and open accountability regime. Only ASIO is required to provide an unclassified annual report to Parliament. This requirement should be extended to all AIC agencies. And the Parliamentary Joint Committee should be given additional responsibilities and resources for examining the work of the AIC beyond budgets and the listing of terrorist organisations. Similar committees in the United States and Britain have greater powers to conduct enquires and can operate under conditions of secrecy. There is no reason why the Australian Parliament should not be the same.

Public engagement with the AIC is still limited. The contrast between the websites of the CIA in America and ONA in Australia could not be clearer. A new relationship between the AIC and the Australian public should be built on the basis of greater information sharing and more open communication. As a first step, the Director General of ONA should provide an annual statement on international strategic developments and their implications for Australia.

Another important aspect of a revised public engagement strategy will be how the AIC deals with the private sector. Leveraging the expertise and technological innovation of the business community requires a stronger commitment to incorporating senior executives into national security planning. In addition to ASIO, other agencies of the AIC should have a business relations unit. And a regular, structured forum between the CEOs and heads of the AIC would improve communication on issues such as critical infrastructure protection, research and development and technology to support intelligence operations.

Conclusion

Australia's national security architecture needs to adapt to the twenty-first century. Born of a different era and designed for a different set of security threats, the intelligence community has been reluctant to move quickly into the new security environment. The reform agenda of the past few years has delivered more money and more people but little in the way of substantive change to the structure and operations of the AIC.

The AIC occupies a unique place among the instruments of foreign and security policy. And it will be an integral component of the government's policy response to Australia's future national security challenges. Further reforms to the coordination mechanisms, community engagement, education, training and accountability regimes will ensure that the AIC can continue to play a central role in Australia's national security.

About the Author

Carl Ungerer is the Director of the Australian National Security Project at ASPI.

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ASPI

Tel + 61 2 6270 5100

Fax + 61 2 6273 9566

Email enquiries@aspi.org.au

Web www.aspi.org.au

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