

The Agenda for Intelligence Reform

6

By Peter Jennings

This paper proposes some reforms to the structure and activities of the Australian Intelligence Community (AIC). The proposals are designed primarily to strengthen the capacity of the agencies performing intelligence analysis (as distinct from agencies that gather intelligence) and to build a stronger sense of shared professionalism across all of the intelligence community.

At a time when Australia faces its most challenging and turbulent strategic outlook since the mid-1960s, no issue is more important to Australia's security than the capabilities of our intelligence agencies. And in the last few years no area has been more controversial. The agencies have been accused by some of failing to identify critical strategic developments—from Indonesian-backed violence in East Timor in 1999, to the Bali bombings in October 2002. Concerns over the intelligence communities analysis in the lead-up to the Iraq war led to a Parliamentary Committee inquiry last December into the nature, accuracy and independence of intelligence assessments. The Government has commissioned an inquiry into the effectiveness of the intelligence agencies, headed by Mr Phillip Flood, a previous Director-General of the Office of National Assessments (ONA). Mr Flood is due to report to the Prime Minister by 30 June 2004.



Radar domes of the US-Australian joint facility at Pine Gap near Alice Springs. © Defence Department

A period of rapid growth

The AIC has also received a massive injection of new funding, the bulk of it associated with counter-terrorism capabilities. The Government claims to have allocated over \$2 billion to counter-terrorism activities since the Al Qaeda attacks in the United States in

... no issue is more important to Australia's security than the capabilities of our intelligence agencies. And in the last few years no area has been more controversial.

September 2001, with a large proportion of this going to the AIC. In the 2004–05 budget, new funding of \$227.8 million was provided for the intelligence agencies between 2004 to 2008. And the Prime Minister has made it clear that more funding is available. He told a gathering of the intelligence agency heads in May 2004, “... if they need further resources and they can make a proper case then ... do so. ... if the proper case exists then it can certainly be successfully made with the Government.”

How is this money being spent? A major part of it is to expand the personnel numbers of agencies which, in the post-Cold War years of the early 1990s, had been cut. In 1998, for example, the Australian Security Intelligence Organisation (ASIO) reported its ‘average staffing level’ was 488. In May 2004 the figure (according to the Prime Minister) was 785 and projected to grow further. In the 2004–05 budget, Defence received \$47.4 million to create an additional 229 new intelligence positions over the next four years. ONA’s budget

What our Intelligence agencies do

The Office of National Assessments (ONA) produces reports on international political, strategic and economic matters in order to assist the Prime Minister, Ministers and Departments in the formation of policy and plans. ONA bases its assessments on information available to the Australian Government from all sources, whether inside or outside the Government. It draws on information from intelligence, as well as diplomatic reporting and open source material including news media and other publications. ONA also advises the Government on the adequacy and coordination of Australia’s foreign intelligence activities and maintains close consultation with the intelligence agencies of other countries.

The Defence Intelligence Organisation (DIO) provides all-source intelligence assessment at the national level to support Defence and Government decision-making and the planning and conduct of Australian Defence Force operations. DIO’s assessments focus on the Asia-Pacific region and cover strategic, political, defence, military, economic, scientific and technical areas.

The Defence Signals Directorate (DSD) is Australia’s national authority for signals intelligence and information security. DSD has two principal functions: one is to collect and disseminate foreign signals intelligence (known as Sigint); the other is to provide Information Security (Infosec) products and services to the Australian Government and its Defence Force.

The Defence Imagery and Geospatial Organisation (DIGO) provides geospatial intelligence, from imagery and other sources in support of Australia’s defence and national interests. DIGO defines geospatial intelligence as the collection, exploitation and analysis of imagery and geospatial information to locate, describe, assess and visualise physical features, observable phenomena and geographically referenced activities over time and space.

The Australian Secret Intelligence Service (ASIS) is Australia’s overseas intelligence collection agency. Its primary function is to obtain and distribute intelligence information, not readily available by other means, about the capabilities, intentions and activities of individuals or organisations outside Australia, which may impact on Australian interests, and the well-being of its citizens.

The Australian Security Intelligence Organisation (ASIO). ASIO’s main role is to gather information and produce intelligence that will enable it to warn the government about activities or situations that might endanger Australia’s national security. The ASIO Act defines ‘security’ as the protection of Australia and its people from espionage, sabotage, politically motivated violence, the promotion of communal violence, attacks on Australia’s defence system, and acts of foreign interference.

(This section draws on material from the agencies’ official web sites)

has more than doubled in six years from \$6.29 million in 1999 to \$13.14 million in 2004. And the Australian Secret Intelligence Service (ASIS) has also had its budget doubled—from \$44.6 million in 2000–01 to \$88.5 million this year.

A second focus of the greater spending has been to build stronger links between the different intelligence agencies, for example creating the National Threat Assessment Centre. This 24 hour-a-day watch office, housed at ASIO's headquarters in Canberra, brings together representatives of the other agencies. Although people speak of a 'community', a feature of intelligence is the strong independent identities and distinct work cultures of the agencies. Since 2001 more emphasis is being placed on how the agencies work together.

This spending growth is certainly needed. In fact what is surprising is how limited some of our key intelligence assets actually are. For example the Parliamentary Committee inquiry into *Intelligence on Iraq's Weapons of Mass Destruction* noted the small numbers of ONA analysts working on the issue:

ONA has approximately 60 staff, of whom about 36 are analysts. Two sections within ONA examined Iraq prior to the war—the Middle East section and the strategic analysis section. There were two analysts in the first and one in the second.

During the Iraq war, ONA's 24-hours a day watch office was maintained by a total of ten people. The Defence Intelligence Organisation (DIO) is larger, with 142 analysts in 2003. The Parliamentary Committee noted DIO had 67 analysts working on Iraq during the conflict, covering everything from operational intelligence for our deployed forces to strategic issues and weapons of mass destruction.

Particularly in the case of ONA, the expansion in intelligence funding is needed to create a deeper reserve of strategic analysts. These are specialised skills, which take some years to acquire. The analytical products of ONA and DIO make an important contribution to



ASIO Director General Dennis Richardson during Senate estimates hearing in Canberra, May 25, 2004. AAP/Alan Porritt © 2004 AAP

the information base from which the Prime Minister and the National Security Committee of Cabinet make critical policy decisions.

... In broad terms the AIC has doubled in size over a period of three to four years. If nothing else, that points to a significant personnel management challenge

While the intelligence agencies will continue to expand, the task over the next few years will focus on consolidation. In broad terms the AIC has doubled in size over a period of three to four years. If nothing else, that points to a significant personnel management challenge, raising questions about how the intelligence community should recruit, train and retain its people in a competitive job market. As a group the AIC has, over just a few years, moved from being an important but very small part of Australia's national security establishment, to being the centrepiece of our response to a worrying strategic outlook. What further steps should the Government take to ensure the AIC is best placed to handle this situation?

Here are seven reforms that Government could adopt to strengthen the analytical depth and the organisational coherence of the AIC. These proposals reflect the fact that the intelligence community is now large enough in terms of

personnel numbers that it should develop a more elaborate framework for training and retaining its skilled people.

Establish an Intelligence College

A valuable step that Government could take would be to establish an Intelligence College designed to provide common training, principally for ONA and DIO analysts, in the methods and content of strategic analysis. It is remarkable how almost no training of this nature is available in Australia. The Parliament's inquiry on Iraq indicates that ONA and DIO collectively have an establishment of around 200 analysts, suggesting a requirement for 20 to 40 new staff each year. There would be tremendous value in providing them with some specialised analytical training.

The intelligence collection agencies have their own highly specialised training requirements, but it would benefit the AIC as a whole to have an institution where members of the community could study the operations of different agencies, build professional contacts and collectively work through intelligence problems. An intelligence college would be a vehicle for experienced members of the community to pass on trade craft and to research new ideas. It would also provide a venue for engaging with policy-makers and for giving members of the AIC the opportunity to pursue applied higher studies.

The most valuable step that Government could take would be to establish an Intelligence College designed to provide common training, principally for ONA and DIO analysts ...

What might a project like this cost? There may be scope to locate a College at the Australian Defence Force Academy (ADFA) and to take advantage of its high quality library and teaching facilities.¹ If we assume a 'teaching'

faculty of around a dozen people with, say, 60 to 80 'students' doing short courses, costs could be limited to approximately \$4 million annually.

A common recruiting strategy for the analytical agencies

Currently the intelligence agencies recruit separately but, in terms of the broad skills required, ONA and DIO are largely fishing from the same pool. In some respects the collection agencies require people with more specialised backgrounds, including science and mathematics. However the analytical agencies would benefit from developing a common recruiting strategy and pooling their resources for advertising, interviewing, induction, and conducting psychological and security assessments.

If this approach led to shared initial training through the Intelligence College, an added bonus would be to develop professional ties between our lead analytical agencies. There is value in having two agencies to contest each other's judgements, but greater value still in creating close professional links between the contesting analysts.

Increase AIC placements into policy areas and across agencies

Some commentators have recently argued that the AIC should put more distance between itself and public service policy-makers—to ensure that intelligence judgements are not distorted by inappropriate political influence. This view perhaps underestimates the capacities both of policy-makers and intelligence analysts to do their work professionally. In any event the production of intelligence material is not an end in itself, it is designed to inform policy-making. It is important that members of the AIC understand how their products are used to shape decision-making and policy outcomes. (And equally important that policy-makers understand the strengths and limitations of intelligence.)

We need intelligence analysts who are independent of the forces driving policy but who understand how policy-makers

¹ ADFA was designed to provide a teaching facility for the officer corps of a 70,000 strong ADF, but our military is now about 53,000. It may be possible to use some of this spare capacity in terms of ADFA's facilities.

use intelligence. This would be helped by implementing a program of AIC staff placements into the critical policy-making centres of the Departments of Defence, Foreign Affairs and Trade and Prime Minister and Cabinet. Such postings occur, but not in a systematic way.

Cross postings between agencies would also increase the interaction between intelligence analysts and collectors. Again, this does already happen, but more staff exchanges would be better. This initiative would hopefully equip analysts with a more rounded understanding of how they support decision-makers with their independent intelligence assessments.

... we need intelligence analysts who are independent of the forces driving policy but who understand how policy-makers use intelligence.

Establish a Director of Intelligence

Currently, the Director-General of ONA acts as the head of the intelligence community and advises the Government on the adequacy and coordination of Australia's foreign intelligence activities. In reality though, the Director-General has a very limited capacity to act in a corporate way across all the agencies.

For a small community this approach sufficed, but we have seen a major growth in the size, importance and capabilities of the agencies and there is now a need to review whether there should be a separate position of Director of Intelligence, independent of the collection or assessment roles of any agency. The scope of the coordination task across all agencies has certainly grown. A Director of Intelligence at arms-length from the day-to-day working of the AIC would assist in meeting the obligation to report to Government on the *adequacy* of foreign intelligence activities (that is to say, on the agencies' performance), and also allow the Director-General of ONA to concentrate on the very substantial reporting requirements of the agency.

This new position would not in any way reduce the autonomy or substantial responsibilities of the existing agency heads. But it would provide a strong focus to help integrate the agencies' analytical reporting. A Director of Intelligence could also act as a focal point for a number of cross-agency initiatives, like the three outlined below, and as a professional and institutional focus for all members of the intelligence community.

Create a long term assessments centre

The pressure of rapid international change creates a strong demand for current intelligence—that is, material with immediate currency and a short term focus. But such material must be put into a longer-term strategic context. Developing long term strategic assessments that look out over ten or twenty years is a very important aspect to strategic analysis. It is also a task that tends to be overlooked when the pressure of reporting on immediate events is constant.

Within the expanded AIC there should be sufficient scope to create a long term assessments centre, with a specific charter to research the broad strategic trends that act out over a decade or more. Such a group might logically be located within the Intelligence College and report directly to the Director of Intelligence. To be effective, a long term assessments centre needs to be somewhat removed from the pressure of daily intelligence reporting and to have sufficient autonomy to be able to question current thinking and interpretations of intelligence developments.

An agency wide open source strategy

With the explosion of information available on the Internet, the AIC needs to focus on how agencies can best incorporate unclassified open source information into their work. There is a small unit in the Department of Foreign Affairs and Trade, but not of a size that it can make a significant dent into the huge quantity of material available. Unclassified material can be a critical source of intelligence—as we

saw with the Norwegian discovery, prior to the Madrid train bombings, of Al Qaeda writings on the Internet focussing on Spain's vulnerability to attack.

This is a challenge faced by every area of the intelligence community. Unclassified material ranging from high-resolution satellite imagery through to terrorist group web-sites could swamp even the largest organisation with too much data. We must develop a strategy to manage this material in ways that give analysts access to the right information and the means to integrate it into classified assessments. Again, developing this strategy would be a sensible task to give to a Director of Intelligence who could draw on resources across the AIC and make appropriate recommendations to Government.

An agency-wide public affairs strategy

Finally, the intelligence community needs to review how it manages its own increasing media celebrity. The high public profile of the AIC is unlikely to diminish over the coming years. Indeed, stronger Parliamentary Committees, an increasing numbers of 'whistle-blowers', and the ubiquity of near real-time media reporting are trends suggesting that external scrutiny is likely to become even greater.

That means the agencies should be paying closer attention to how they manage their public profile. Simply trying to keep out of the public eye is unlikely to succeed. Greater openness and scrutiny is also having an impact on the nature and amount of material the agencies will be required to make public. Of course, these developments are positive in many respects, reflecting a trend to more transparent government in developed countries. But they do run counter to traditional ways of managing intelligence activities. The AIC must develop an appropriate response.

One potential role for a Director of Intelligence would be to act as the public face of the whole intelligence community. The position would require appropriate funds and staff to meet the demand, but it is a task that could be sensibly designed as part of the new position, rather than as a largely unexpected and at times unwelcome duty for the existing agency heads.

Conclusion

As the intelligence agencies assume an even more central and high profile role in Australian national security, we need to strengthen their capacity to perform high quality strategic analysis. The reforms outlined above are designed to strengthen the analytical capacities of our intelligence agencies, by boosting training and professional development opportunities for analysts, and by strengthening the profile and position of the AIC with the addition of a new Director of Intelligence.

Important disclaimer

This publication is designed to provide accurate and authoritative information in relation to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering any form of professional or other advice or services. No person should rely on the contents of this publication without first obtaining advice from a qualified professional person.

About the Author

Peter Jennings is the Director of Programs for ASPI. He is responsible for the Institute's research and publications programs on defence and international security issues. Peter was most recently the Senior Adviser for Strategic Policy in the Cabinet Policy Unit of the Prime Minister's Office. He has held a number of Senior Executive Service level positions in the Defence Department, including heading the Strategic Policy Branch and being deputy head of the Defence Imagery and Geospatial Organisation. Peter was a Sloan Fellow at the London Business School in 2000-01.

About Strategic Insights

Strategic Insights are intended to provide expert perspectives on specific current issues. They reflect the personal views of the author(s), and do not in any way express or reflect the views of the Australian Government or represent the formal position of ASPI on any particular issue.

About ASPI

ASPI's aim is to promote Australia's security by contributing fresh ideas to strategic decision-making, and by helping to inform public discussion of strategic and defence issues. ASPI was established in August 2001 and is partially funded by the Australian Government as an independent, non-partisan policy institute.

BECOME A MEMBER

JOIN NOW TO RECEIVE UP TO 10 ISSUES OF STRATEGY AND 10 STRATEGIC INSIGHTS

Join Australia's liveliest minds writing today on defence and strategic issues. In 2004 the Australian Strategic Policy Institute (ASPI) will produce up to ten issues of *Strategy* and ten shorter *Strategic Insights* on issues of critical importance to Australia and the Asia Pacific. ASPI's work is at the cutting edge of new thinking on defence and security. Our paper on the Solomon Islands helped change the Government's South Pacific policy. Our commentary on the Iraq War and domestic budget and defence issues is widely seen as authoritative and insightful by opinion leaders in Australia and the wider world.

'The ASPI report (on the Solomon Islands) is a classic example of a think tank helping to recast official policy.'

Paul Kelly, *The Australian*, June 2003

Thoughtful, ground-breaking and often controversial, ASPI leads the public debate on defence and security issues. Become a valued part of the ASPI team today! By joining ASPI you will not only have access to publications, but also receive advance notice of key ASPI seminars and briefings.

Join now and we will post your choice of 3 free publications from our recent publications list.

Future subjects include:

- Australia—US alliance
- Defence Budget in 2004
- Stability in Papua New Guinea
- Security in North Asia



JOIN ASPI

Name _____

Position _____

Company/Organisation _____

Address _____

City _____ State _____ Postcode _____

Country _____

Telephone _____

Email _____

SELECT 3 FREE PUBLICATIONS

- Pay Your Money & Take Your Pick: Defence Spending Choices for Australia
- Sinews of War: the Defence Budget in 2003 and How We Got There
- Danger and Opportunity: Australia and the North Korea Crisis
- Our Failing Neighbour: Australia and the Future of Solomon Islands
- The Cost of Defence :ASPI Defence Budget Brief 2003-2004
- Building the Peace: Australia and the Future of Iraq
- Beyond Bali: ASPI's Strategic Assessment 2002

- INDIVIDUAL** 1 year \$199 2 years \$378 3 years \$537
- STUDENT** 1 year \$150 2 years \$285 3 years \$405
- INSTITUTION** 1 year \$300 2 years \$570 3 years \$810

To subscribe

- 1) Mail to Level 2, Arts House, 40 Macquarie St, Barton ACT 2600, or
- 2) Subscribe online www.aspi.org.au
- 3) Phone (02) 6270 5100 or fax (02) 6273 9566

- Cheque Money Order Visa MasterCard

Payable to Australian Strategic Policy Institute ABN 77 097 369 045

Name on card _____

Card no. _____

Expiry Date / Total Amount \$ _____

Signature _____

This will be a TAX INVOICE for GST purposes when fully completed and payment is made.