Australian Government

**Inquiry into Australian
Intelligence Agencies**

REPORT OF THE INQUIRY INTO

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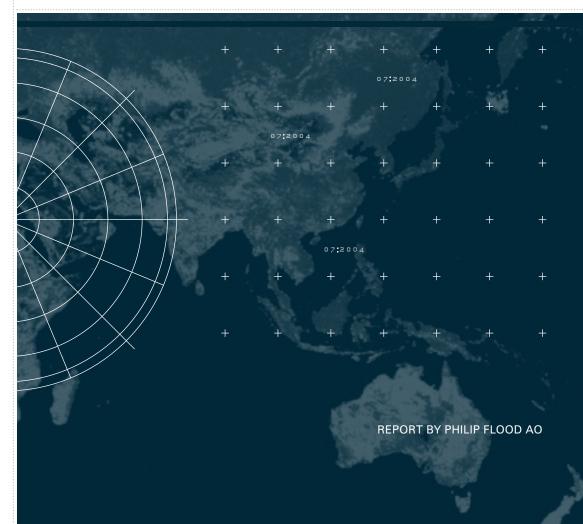
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REPORT BY PHILIP FLOOD AO

Australian Government

Inquiry into Australian Intelligence Agencies

20 July 2004

The Hon. John Howard MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Prime Minister,

I am enclosing the report of my Inquiry into the Australian Intelligence Agencies which you requested on 4 March 2004.

I have received full cooperation from Ministers in your Government, from the heads and members of all intelligence agencies, from Departments and from the Chief and members of the Australian Defence Force. I have also consulted with former Prime Ministers, Ministers from previous Governments and a wide range of other people with knowledge of the intelligence community. A high quality Secretariat has given me invaluable assistance. While grateful for the cooperation of all I am solely responsible for the contents of this report.

An unclassified version of my report is also enclosed.

Yours sincerely,

Philip Flood

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introduction

On 4 March 2004, the Prime Minister, the Hon John Howard MP, announced this Inquiry into Australia's intelligence agencies. The announcement followed the release on 1 March of the report of the inquiry of the Parliamentary Joint Committee on ASIO, ASIS and DSD into intelligence on Iraq's weapons of mass destruction. The Prime Minister requested, without seeking to limit this Inquiry, that it should provide advice on:

- the effectiveness of the intelligence community's current oversight and accountability mechanisms as they relate to such matters as the setting of priorities, the assigning to the priorities of appropriate resources, and the delivery of high-quality and independent intelligence advice to the government

- the suitability of the current division of labour among the intelligence agencies and communication between them

- the maintenance of contestability in the provision to government of intelligence assessments

- the adequacy of current resourcing of intelligence agencies and in particular ONA.

The Prime Minister indicated that the Inquiry should focus on Australia's foreign intelligence agencies—the Office of National Assessments (ONA), the Australian Secret Intelligence Service (ASIS), the Defence Intelligence Organisation (DIO), the Defence Signals Directorate (DSD), and the Defence Imagery and Geospatial Organisation (DIGO). The Prime Minister also indicated that it would be open to the Inquiry to consider linkages between these organisations and the Australian Security Intelligence Organisation (ASIO). The Inquiry did consider such linkages but it did not inquire into ASIO per se because that would not have been justified by the terms of reference. For this reason, domestic security and intelligence arrangements are not the focus of this report.

The Prime Minister's letter indicated that the Inquiry should report by 30 June. In view of the substantial amount of material that came before the Inquiry, the Prime Minister acceded to a request for an extension to the timeframe of the Inquiry, until 31 July.

The full text of the Prime Minister's announcement setting out the terms of reference for the Inquiry is included as Annex A.

Australia's Intelligence Agencies

OFFICE OF NATIONAL ASSESSMENTS (ONA)

ONA is an autonomous body which reports direct to the Prime Minister. Its two functions, specified in the *Office of National Assessments Act 1977*, are reporting and assessment on matters of international political, strategic and economic significance to Australia, and monitoring of Australia's international intelligence activities.

DEFENCE INTELLIGENCE ORGANISATION (DIO)

DIO provides all-source intelligence assessment at the national level to support Defence decision-making and the planning and conduct of Australian Defence Force operations. DIO also maintains a range of intelligence databases for use by Defence and the Australian Defence Force.

AUSTRALIAN SECRET INTELLIGENCE SERVICE (ASIS)

ASIS is Australia's overseas human intelligence collection agency. Its primary function is to obtain and distribute intelligence, not readily available by other means, about the capabilities, intentions and activities of individuals and organisations outside Australia, in so far as they affect Australia's security, foreign relations or national economic well-being.

DEFENCE SIGNALS DIRECTORATE (DSD)

The two principal functions of DSD are the collection, production and dissemination of signals intelligence, and the provision of information security products and services to the government and the Australian Defence Force.

DEFENCE IMAGERY AND GEOSPATIAL ORGANISATION (DIGO)

DIGO has the primary role of acquisition, production and distribution of imagery and geospatial-based intelligence and data in support of Australian Defence Force and government decision-makers. DIGO is also the lead Defence agency for imagery and geospatial standards.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION (ASIO)

ASIO is Australia's security service. Its 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 security. The *Australian Security Intelligence Organisation Act 1979* defines 'security' as the protection of Australia and its people (including overseas) from espionage, sabotage, politically motivated violence, the promotion of communal violence, attacks on Australia's defence system, and acts of foreign interference. The functions of ASIO include providing security assessments and protective security advice and collecting foreign intelligence in Australia.

Approach to Terms of Reference

The Inquiry focused particularly on the systemic issues identified in the terms of reference and on ways to improve the future operation of the intelligence agencies.

In parallel, the Inquiry undertook a thorough examination of the pre-war intelligence on Iraq in order to establish the full basis and nature of the intelligence assessment provided to government in the lead-up to the launch of military action on 19 March 2003. An important objective was to identify any lessons from the Iraq experience bearing on the wider systemic issues relating to the effectiveness and performance of the Australian intelligence community (AIC).

In addition, in order to provide a broader framework of reference for the investigation of systemic issues, the Inquiry made a thorough examination of the intelligence provided to government concerning Jemaah Islamiyah (JI) prior to the Bali bombings on 12 October 2002 and of the intelligence provided in advance of the despatch of Australian military personnel and police to the Solomon Islands in July 2003. Further, the Inquiry examined a number of the matters raised by Lieutenant Colonel Collins in his letter to the Prime Minister of 18 March 2004. Some of Lieutenant Colonel Collins' concerns (for instance relating to his career in the Army) are not relevant to the subject matter of this Inquiry.

A public invitation requesting any person who wished to make a submission to the Inquiry was given by notices published in leading Australian newspapers on 13 March 2004. Submissions were also requested directly from the intelligence agencies and many federal authorities. The Inquiry interviewed a very wide range of people with knowledge of the AIC, and also met with all persons who asked to be interviewed by the Inquiry. In addition, the Inquiry had a message conveyed to all staff of the AIC inviting any individual who wished to do so to contact or make comment to the Inquiry. A number did so.

The Inquiry was assisted by a Secretariat of six persons drawn from the Departments of Defence, Foreign Affairs and Trade, the Prime Minister and Cabinet and the Australian Defence Force (details at Annex B). As a whole the team examined relevant records from all agencies, commissioned additional research and interviewed a large number of staff. Two members of the Secretariat visited London and Washington for discussions with relevant authorities.

Details of submissions received and persons interviewed by the Inquiry are set out in Annexes C and D.

Previous Inquiries

Australia has a unique framework of intelligence agencies. Just as our constitution benefits from influences from Britain and the United States, some of the roles and structures of Australia's intelligence agencies have been borrowed, but they have developed into a uniquely Australian model over the past sixty years.

The current structure, responsibilities and processes of the AIC resulted from, or were refined by, a series of major inquiries: two Royal Commissions conducted by the late Justice Hope in the 1970s and 1980s, a major inquiry into the Australian Secret Intelligence Service by Justice Samuels and Mr Michael Codd in the early 1990s as well as two major reviews undertaken by Mr Sandy Hollway and Mr Dennis Richardson early in the same decade. This Inquiry was informed greatly by the outcomes of these earlier reviews.

The essential philosophy underlying the Australian agencies engaged in international intelligence was most fully articulated by Justice Hope and has been accepted by the Hawke, Keating and Howard Governments. In very brief summary:

- Australia needs its own independent and robust intelligence assessment and collection capability.

- Intelligence assessment should be separate from policy formulation.

- Intelligence collection functions should be separate from intelligence assessment, and the collection of human and signals intelligence should be undertaken by different agencies.

- The Office of National Assessments, as the principal assessment agency for foreign intelligence, should enjoy statutory independence.

- In addition to assessing, on a continuing basis, international developments of major importance to Australia, ONA should keep under review the activities connected with international intelligence that are engaged in by Australia.

- In respect of security intelligence, the responsibility of ASIO, collection and assessment should be separate from law enforcement. ASIO also needs access to intelligence available in and from other parts of the world.

- Ministers, and subject to them the Secretaries of Departments, should be actively involved in providing guidance to and monitoring the intelligence community.

- All intelligence activities should be conducted in accordance with the laws of Australia.

The Nature of Intelligence

Intelligence is covertly obtained information. While it may take a number of forms, the key characteristic of intelligence information is that it is obtained without the authority of the government or group who 'owns' the information. Broadly, intelligence consists of three main disciplines:

- intelligence gained through contact between people (human intelligence or 'humint')

- intelligence obtained by eavesdropping on electronic communications (signals intelligence or 'sigint')

- and intelligence obtained by photography (imagery intelligence or 'imint').

Each of the three intelligence specialties is complex and consists of internal sub-disciplines, but these broad definitions will suffice for the present purpose.

While the methods by which these types of intelligence are collected have changed substantially over the decades, the categories 'humint' and 'sigint' are barely changed since World War II. Satellite imagery is a more recent addition to the intelligence family, growing out of the development of satellite photography in the 1960s.

In the Australian intelligence system, each of these three collection functions is undertaken by a separate organisation: humint in the Australian Secret Intelligence Service; sigint in the Defence Signals Directorate; and imagery in the Defence Imagery and Geospatial Organisation.

Intelligence analysis or assessment is the process of using intelligence, and other information, to form a picture of an issue or occurrence. In the Australian system, the foreign intelligence assessment agencies are the Office of National Assessments and the Defence Intelligence Organisation. What distinguishes these agencies from others who do analysis is that their intelligence analysts have access to information from all sources—covert sources and overt sources.

While intelligence information is important, and often vital, to assessment, it is normally not the main source of information used by intelligence assessment agencies. Open sources—newspapers, television, radio and the internet—and diplomatic reporting from Australian embassies, high commissions and consular offices provides the greater part of the information available to the Australian Government.

Information from open and diplomatic sources is significantly less expensive to collect than is covert intelligence. Public sources also contain much of the key information required by government analysts. For reasons of principle and practicality, open and diplomatic sources should be exploited fully before information is sought from secret intelligence. Intelligence agencies are therefore the information collectors of last resort. But some information cannot be obtained from open sources or diplomatic reporting.

Even the most democratic and open countries hold some information very close, and dangerous non-state actors are typically closed to understanding through overt collection methods.

For all its value, intelligence is only one of a range of factors that influences the policy decisions of governments, and it is rarely the decisive factor. Commentators can sometimes ascribe an importance to intelligence as a factor in decision-making that fails to recognise the range of broader considerations, such as strategic issues, political and economic objectives, long-standing alliance relationships, legal considerations or other interests that might determine policy.

What intelligence can do

The ways in which intelligence can serve government are wide-ranging and fluid. Some enduring features, however, are clear. Intelligence can, in conjunction with other sources, provide:

- *warning*, notably of terrorist plans, but also of potential conflicts, uprisings and coups

- *understanding of the regional and international environment*, with which Australian decision-makers will need to grapple

- *knowledge of the military capabilities and intentions of potential adversaries*, a vital ingredient in defence procurement and preparedness

- *support for military operations*, minimising casualties and improving the environment for operational success

- *support for an active and ambitious foreign, trade and defence policy*. Intelligence can provide vital clues about the intentions of others (eg military plans) and the ambitions of adversaries (eg negotiating positions in political or trade disputes)

- and beyond these vital roles of intelligence in providing information, modern intelligence can be a more *active tool of government*—disrupting the plans of adversaries, influencing the policies of key foreign actors and contributing to modern electronic warfare.

In so far as it seeks to forecast the future, assessment based on intelligence will seldom be precise or definitive. This is particularly so when it seeks to understand complex developments and trends in future years. Greater precision is sometimes possible in relation to intelligence's warning function—highlighting the possibility of a specific event in the near term future (eg a terrorist attack). But even in this field, precision will be hard to achieve. Intelligence will rarely provide comprehensive coverage of a topic. More often it is fragmentary and incomplete.

The history of major intelligence failures—the failure to detect plans for the World Trade Centre attack in 2001, Iraq's intention to invade Kuwait in 1990, the imminent collapse of the Berlin Wall in 1989 or, much earlier, the failure to anticipate the strength of Turkish forces in the Dardanelles in 1915 or Japanese plans for Pearl Harbour—provide a cautionary lesson for any policy-maker who believes intelligence is always accurate or that it can provide guarantees.

australia's intelligence needs

Australia's strategic circumstances and the challenges Australia faces make intelligence a vital part of the national government machinery. Situated in a potentially volatile region, and subject to an increasingly uncertain global environment, Australia's need for good intelligence is arguably greater now than at any time since World War II. The Australian Government must be able to anticipate emerging threats and capitalise on national opportunities. With a foreign and defence policy that engages deeply with our region and beyond, it should be well informed about the intentions of regional and global players. Australia must be able to give the greatest possible support to the men and women deployed on operations in pursuit of Australia's national interests. Finally, the Government needs to exploit fully every asset at its disposal to help protect Australia and Australians from the threat of terrorism.

High-quality, independent intelligence is a critical element of the government's armoury to meet these challenges. Despite the limitations on intelligence described in Chapter 1, there are nonetheless qualities which define good intelligence and which the government should expect. Australia's expensive intelligence collection assets must be focused on the government's highest priorities: coverage of those priorities must be as comprehensive as possible, and reporting accurate and timely. Intelligence assessments must be soundly based, analytical and predictive. They must weigh carefully the often flawed and incomplete information available, place it into a broad context, consider its implications for Australia and seek to create new knowledge from it. Government needs rounded assessments drawing on intelligence and diplomatic reports as well as publicly available material, informed by the experience and judgment of the intelligence analyst. Good intelligence assessments come to a judgment to aid decision-making. And most importantly, while intelligence priorities should be driven by policy needs, intelligence judgments must be uninfluenced by policy or political considerations.

Intelligence is of greatest value where it informs decisions—from the strategic choices facing ministers in government to the tactics employed by operational commanders in war. It is this value that justifies the considerable expenditure on intelligence, and its covert activities. Intelligence assists decision-making on defence capabilities. It gives insights into the thinking and actions of foreign governments and non-government actors, which help avoid miscalculations and guide the actions we take as a nation. Forthright, high-quality and objective intelligence can challenge the foundations of existing policy.

Australia has built on the foundation of a strong intelligence history to help it meet these challenges. Our intelligence culture draws on liberal political traditions, as well as the legacy of Western intelligence in World War II. Consistent with these traditions, intelligence in Australia has been focused outward and on threats to genuinely national interests. Unlike those of other cultures, Australia's intelligence agencies do not focus on internal political dissent, or engage in operations to support the government of the day. Further, legality and propriety characterise Australia's intelligence culture. With the exception of some rare but notable mistakes—such as the 1983 raid on the Sheraton Hotel—Australian agencies operate within strict limits defined by law, and firmly under political guidance.

Changing Global Needs

Australia's intelligence needs are dynamic, reflecting rapid global transformation. Just as economic globalisation was a feature of the last decade, this decade has seen the globalisation of security threats, particularly from non-state actors. Fast-paced technological change has been diffusing power and empowering individuals and groups to play roles in world politics. Political and military threats to Australia's security and prosperity—the focus of previous decades—have been supplanted by the new threats of global terrorism and transnational crime, with an increased focus on the proliferation of weapons of mass destruction.

The numerous recent attacks on Western targets underline the emergence of Islamic extremist terrorism as the major threat to Australia's security in the first decade of the twenty-first century. The threat is serious and enduring. The level of organisation and support for Islamic terrorist networks, and the deeply rooted socioeconomic factors that underpin them, suggest that they will be a major feature of the security environment for at least a generation.

This terrorist phenomenon is new in scale, method and ambition. Al Qaida and similar networks have demonstrated both the willingness and the capability to inflict massive casualties on civilian targets, and display no concern for the loss of innocent life. They have an active interest in obtaining chemical, biological or radiological weapons. Unlike the terrorist groups of the last century, the extremist Muslim terrorism embodied by Al Qaida is uncompromising. In the words of one spokesman, "We are not trying to negotiate with you, we are trying to destroy you". It is adaptive and amorphous, characterised by loosely linked groups within which cells operate semi-autonomously, and is without settled structure, methodology or territory.

Australia is an avowed target. Where previous forms of terrorism barely touched Australia, this new form of extremist Muslim terrorism has declared its aim to inflict damage on Australians and Australian interests. Global in scale, it is closer than ever before. In our own region, Jemaah Islamiyah has emerged as a serious threat.

Intelligence is the front line of the government's campaign against terrorism. It is vital in seeking warning of terrorist plans. It can help us understand terrorist groups, as well as the context that sustains them.

Changing global dynamics have resulted in a number of other less dramatic, but nonetheless important, demands on intelligence. With a strong governmental focus on border security, intelligence plays an important part in countering illegal immigration networks. It is a substantial task, not least because of the phenomenal increase in people movements—authorised and unauthorised— over recent decades. There are on average some 8.4 million passenger arrivals through Australian international airports each year, of which some five million (14,000 each day) are not Australian citizens.

Proliferation issues are also of pressing concern to Australia. Scientific advances and economic globalisation have increased the availability of materials and technology related to weapons of mass destruction. There is increasing evidence of WMD proliferation to and from state and non-state actors in the Asia-Pacific region. Australia, with a highly urbanised population, is particularly at risk. The clandestine character of WMD proliferation makes intelligence support, particularly to warn of threats, critical.

Non-traditional threats are more difficult to prosecute. Often well-defined, slow-changing and predictable targets have been replaced with networks which are complex, adaptive and elusive. Intelligence agencies are responding with new doctrine and training, and are increasingly engaged in whole-of-government and international teams, a key feature of the intelligence campaign against non-state targets.

Enduring Regional Imperatives

These new global threats and challenges do not however displace the continuing importance of Australia's more traditional security interests in the Asia-Pacific region. Our region remains the most likely source of threat, as well as a vital determinant of our prosperity. Asia and the South Pacific remain the focus of our intelligence efforts, and it is in these areas that Australia's intelligence performance needs to be strongest.

On South East Asia and the South Pacific, Australia needs to be a global leader in intelligence. Instability or a breakdown in law and order in nations in our immediate neighbourhood would have profound consequences for Australia. Australia needs the highest quality, most comprehensive intelligence to give warning if threats to stability worsen, to inform our policies on the region, and to prepare for worst case outcomes if those policies do not succeed. High-quality intelligence will also be essential if Australia and Australians are to take advantage of the economic and other opportunities generated by developments in the region.

Australia's intelligence on North East Asia should be exceptionally good. This region has a high and rising significance for Australia. With key export markets accounting for up to 35 per cent of Australia's trade, conflict in North Asia would have serious consequences for Australia's economy. The Korean peninsula is a key regional flashpoint. Conflict across the Taiwan Straits would have profound consequences. Australia needs warning of any such threats, and information more generally on the shifting economic, political and strategic dynamics within the region to help drive our diplomacy, enhance our trade policy, and ensure defence preparedness.
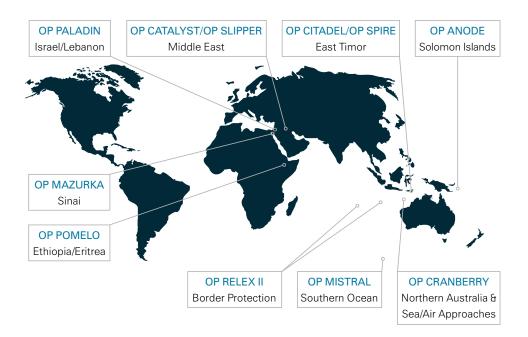
Intelligence on South Asia should be very good. Growth in this region represents a great opportunity for Australia, and relationships with South Asia and between South Asia and North East Asia will be key determinants of Asian security. Nuclear brinkmanship and the activities of extremist elements in South Asia

are of great concern. Intelligence on the rich economic opportunities and globally significant threats in this region is needed to inform government policy and further Australian interests in the region.

Beyond these direct national interests, strong intelligence performance in the Asia-Pacific region is also driven by intelligence alliance considerations. Intelligence sharing is based on mutual benefit, and Australia's intelligence partners value Australia's expertise on its near region.

Changes in the Operating Environment

The past five years have brought significant changes to the environment in which the intelligence agencies are meeting these demands. Key among these has been the greatly increased demand for support to military operations. Since the deployment to East Timor in 1999, the operational tempo of the Australian Defence Force has risen markedly. With deployments to Afghanistan, Iraq, the Solomon Islands and elsewhere, the ADF has been on major operations almost continuously for the past five years.

CURRENT ADF OPERATIONS

OP PALADIN
Israel/Lebanon

OP CATALYST/OP SLIPPER
Middle East

OP CITADEL/OP SPIRE
East Timor

OP ANODE
Solomon Islands

OP MAZURKA
Sinai

OP POMELO
Ethiopia/Eritrea

OP RELEX II
Border Protection

OP MISTRAL
Southern Ocean

OP CRANBERRY
Northern Australia &
Sea/Air Approaches

These deployments require intensive intelligence support, including the assignment of staff and equipment to theatre. There are heavy demands at strategic and operational headquarters for information to guide operational and policy decisions. Overall, the heightened operational tempo has required a substantial effort on the part of the intelligence agencies to maintain the flow of timely and authoritative information to decision-makers.

The nature of war-fighting is also changing in ways that affect the intelligence community. New concepts such as effects based operations and network centric warfare will result in requirements for more detailed analysis and tailored intelligence products in a shortened time frame. The changes will force even closer cooperation between the operations and intelligence communities, as commanders and decision-makers seek a more detailed understanding of the operational environment. This, in turn, will drive demands for intelligence of greater detail, reliability and timeliness.

Another dynamic affecting the intelligence community has been technology, a two-edged sword for intelligence agencies. Technology is enabling, for the first time, individual access to communications that are instantaneous, diverse and robustly encrypted. New technology can impose great difficulties and costs on intelligence collection. On the other hand, access to our own and allied technology innovations gives our agencies new levels of reach. But keeping up with technology is a costly business.

Finally, increased public focus has shaped the environment in which the intelligence community operates. Public debate on intelligence has been driven in part by Western governments choosing to draw on intelligence to explain policy. A series of high-profile incidents involving intelligence agencies or staff has contributed to its greater exposure. Where that publicity reveals details of intelligence successes, sources or methods, it has a potentially serious impact on intelligence capability.

These environmental changes have made intelligence both more relevant and more challenging. Our agencies are dealing with information that is more frequently urgent and operational. Not only are they supporting Australian forces deployed into dangerous operational theatres, they must also be alert to the possibility of attacks on civilians at home and abroad. Access to intelligence is getting harder, and public interest and expectations greater. To meet these challenges, effective partnerships and adequate resources are critical.

Australia's Intelligence Partnerships

Intelligence partnerships are fundamental to meeting Australia's intelligence needs. But in recognising the enormous value of these partnerships, it is critical not to lose sight of Justice Hope's philosophy on intelligence partnerships. In 1977, he wrote:

> *"It would be naïve to imagine that overseas governments will always tell us everything they know about a particular matter. The position they take is quite natural and we should face up to it realistically."*

Realism dictates that Australia should maintain a strong but necessarily selective indigenous intelligence effort. We should collect intelligence to maintain independent sources on those issues of most importance to us. But in analysis, Australia needs to maintain an independent capacity across the whole spectrum of issues on which the government needs advice. Australia must be able to critically assess intelligence sourced from others.

Realism also involves taking full advantage of intelligence partnerships where the balance of benefit is clearly in our national interest. Key elements of Australia's relationships work strongly in Australia's favour. Overall, they represent a significant force multiplier: the US intelligence budget is around $A50 billion, and the UK's is $A4 billion, 100 times and eight times respectively that of Australia's.

While levels of sharing vary among countries and intelligence disciplines, overall the amount of foreign intelligence shared with Australia is high. Global cooperation on counter-terrorism has strengthened traditional partnerships and, importantly, has initiated or reinvigorated a range of others.

Chapter 7 highlights a number of key issues with Australia's intelligence partnerships, including the need to broaden and strengthen relationships with countries other than the US and UK.

Resources Applied to Australian Intelligence

The adequacy of resources across the foreign intelligence community is a key issue for this Inquiry: the considerable requirements levied on Australian intelligence agencies require substantial resources. The government has recognised the increasing need for intelligence in the new security environment with a doubling of the Australian intelligence community budget over the past four

years. In 2000–01, a total of $332 million was spent on both foreign and security intelligence, rising to $659 million in 2004–05. Excluding ASIO, the increase has been 88 per cent, from $269 million in 2000–01 to $506 million in 2004–05.

In addition a small part of the budget of the Defence Science and Technology Organisation assists the intelligence community. The above figures omit expenditure on intelligence by the Australian Defence Force other than the costs of ADF personnel working within the defence intelligence agencies.

Staff resources have also increased substantially in the past five years. Numbers of personnel in the intelligence community have increased by 44 per cent, from 2,301 in June 2000 to 3,324 in June 2004. Excluding ASIO, the increase has been from 1,696 to 2,494 over the same four-year period, an increase of 47 per cent. In addition to ADF personnel posted to the intelligence agencies, the ADF also maintains approximately 900 intelligence staff working in both joint and single service roles.

Another vital input to intelligence assessment comes from diplomatic reporting. While diplomatic reporting cannot replace covertly collected material, it has many benefits: it is cheaper than intelligence, and its collection does not entail the same risks. It also often carries the added value of analysis and interpretation by diplomatic staff. As a result of budget reductions over successive governments, the number of Australian diplomatic staff overseas (and the amount of information they are able to report to Canberra) has been declining, with a 38 per cent drop between 1990 and 2003. While this Inquiry is concerned primarily with the intelligence community, it is apparent that the reduction in Australian diplomatic resources is a constraint on optimising the output of the intelligence assessment agencies.

Conclusion

Australia's intelligence needs are many and enormously varied. The agencies of the Australian intelligence community must be able to respond to the detailed operational intelligence requirements of the Australian Defence Force deployed on military operations and to those of the Australian Federal Police or ASIO in a terrorism investigation, while also informing government policy on regional political, economic and strategic issues. For their part, decision-makers of all kinds need to understand what intelligence can provide, set clear direction, and be demanding and critical to ensure greatest value. More than ever in this uncertain and dangerous environment, Australia's intelligence needs, and the resources and capabilities of Australia's intelligence agencies, must coincide.

recent intelligence lessons

As one measure of the effectiveness of the Australian intelligence agencies, the Inquiry considered three recent cases in which government placed high reliance on intelligence. They are:

- the analysis by DIO and ONA of Iraq's weapons of mass destruction capability prior to the 2003 conflict

- the analysis by DIO and ONA of the terrorist threat constituted by Jemaah Islamiyah in the period leading up to October 2002

- the analysis by DIO and ONA of the Solomon Islands from January 2000 to the deployment of the Regional Assistance Mission to the Solomon Islands in July 2003.

These issues were selected because of their intrinsic importance and the level of public interest in them, and to provide a balance between military and non-military intelligence issues and between issues in Australia's region and those beyond.

To undertake these case studies, the Inquiry examined relevant papers, including substantial volumes of raw and assessed intelligence, both from Australian and other sources. The Inquiry also interviewed a large number of the key individuals involved in producing intelligence assessments on these issues at the time, as well as customers of those assessments. This chapter deals with each of these case studies in turn, drawing out the key lessons that flow from the analysis. In addition, this part of the report deals with some issues raised by Lieutenant Colonel Lance Collins concerning Indonesia and East Timor. The classified version of the report deals with these matters in greater detail.

IRAQ'S WEAPONS OF MASS DESTRUCTION CAPABILITY

An Historical Perspective

Iraq has its roots in the beginnings of civilization. Over 4,500 years, a succession of city-states rose and fell across Mesopotamia, the territory that is now Iraq. Successive domination of the Tigris and Euphrates basin first by the Sumerians and Akkadians, then the Babylonians and Assyrians, marked the ebb and flow of Mesopotamian culture. From this turbulence, proud foundations of civilization emerged: from the Sumerians and Akkadians came not only the first form of writing, cuneiform, and agriculture but a lingering influence on sculpture, painting and jewellery design; from Babylon emerged the legal code of Hammurabi, while Nebuchadnezzar's greatness was proclaimed by the majesty of the city of Babylon with its legendary hanging gardens. Conquest by Alexander the Great, the passage of expeditions of the Roman Empire, conquest by the Sassanians out of Persia, and sacking by the Mongols in the mid-thirteenth century all followed. But it was the emergence of Islam from the Arabian Peninsula in the seventh century AD that has had the most lasting influence on modern Iraq.

The history of modern Iraq began at the end of World War I following the defeat of the Turkish Ottoman Empire, which had ruled Mesopotamia for four hundred years. The League of Nations established a mandate which passed control of Mesopotamia to Britain. In turn, Britain established the Hashemite Prince Faisal ibn Hussain as the King of Iraq in 1921. Three decades of monarchy followed, during which full independence was granted in 1932. However, the Iraqi state was fragile from birth, existing within artificial boundaries imposed by the European powers that ignored the tribal and religious frictions among Arabs. Since the seventh century, the people had absorbed the language and culture of the Arabs. But, while most Iraqis are Muslims, it is by language, more so than religion, that they are united. Due to the great religious schism that occurred in Islam at the end of the seventh century—severing Islam into Sunni and Shia—Iraqis are a people separated theologically, socially and politically. And with the inclusion of the Kurds in the Iraqi melting pot in 1921, an ethnic divide was also thrown into the complex equation of governing Iraq.

It is this fragility of the Iraqi state that underlay two decades of turmoil and its descent into a totalitarian state. In 1958, the king was assassinated and

the monarchy overthrown in a military coup, and a decade of power struggles followed between military governments and the emerging Arab Socialist Ba'ath Party. By 1968, the Ba'ath Party was in power, and over the next ten years it consolidated its rule over the Iraqi state. Along with the economic reform and industrialisation that occurred through the 1970s, driven by the largesse of the oil boom, the control of the country by the Ba'ath Party became absolute. By 1978, all decisions had passed into the hands of the Vice President, Saddam Hussein, and in 1979, he became President. The history of Saddam Hussein's brutal regime in recent decades stands in stark contrast to the greatness of Iraq's past, and the capabilities of its people. Resurrecting the images of ancient Mesopotamian myth and Arab nationalism, Saddam invaded Iran in September 1980. By the end of the bitter, costly eight-year war Iraq had emerged as a central, if unpredictable, actor in Middle Eastern affairs, and a malevolent force to reckon with in the wider international community.

Backdrop to the Conflict

Four key factors formed the backdrop to the Iraq conflict. Saddam Hussein's egregious breaches of United Nations Security Council Resolutions relating to weapons of mass destruction, his history of use of those weapons, the brutal nature of his regime and his support for Palestinian and anti-Iranian terrorism combined to form a potent threat to the Iraqi people, the Middle East region and the international community. This chapter deals primarily with issues related to weapons of mass destruction.

A key part of the international community's reaction to Iraq's militarism was a focus on its WMD programmes. In fact, Iraq's development and use of WMD was an important factor in galvanising international action against their spread.

The Australia Group, now a grouping of 38 countries, was formed in 1985 to strengthen export licencing measures in response to the finding of a UN special investigatory mission that chemical weapons (CW) had been used in the Iran-Iraq war. And Iraq's CW programme gave impetus to the negotiations in the UN Conference on Disarmament that resulted in the conclusion in 1992 of the Chemical Weapons Convention. These measures were important, but it was Iraq's invasion of Kuwait and subsequent defeat that led to stronger action by the international community.

UN Security Council Resolution 687, passed in April 1991, required that Iraq, as a ceasefire condition, "unconditionally accept the destruction, removal, or rendering harmless" of its chemical and biological weapons and related stocks and activities, and all ballistic missiles with a range greater than 150 kilometres, and related equipment, under United Nations Special Commission (UNSCOM) and International Atomic Energy Agency (IAEA) supervision. The resolution also required Iraq to submit a declaration on locations, amounts and types of all items specified and agree to on-site inspections, and authorised ongoing monitoring arrangements to ensure that Iraq complied with these mandatory disarmament obligations after the processes to dismantle its WMD programmes had been completed.

The subsequent UN disarmament process revealed extensive WMD programmes and stocks in Iraq, including the shock discovery that Iraq's nuclear programme was very much more advanced than Western intelligence agencies had believed, and a biological weapons (BW) programme hidden from inspectors until 1995. At the point that Saddam withdrew his cooperation and inspections ceased in December 1998, the IAEA was satisfied that its activities had "revealed no indication that Iraq possesses nuclear weapons or any meaningful amounts of weapon-usable nuclear material, or that Iraq has retained any practical capability… for the production of such material". On chemical and biological weapons, UNSCOM reported that, from its inception, Iraqi compliance had been limited and that Iraq had acknowledged that it had decided to limit its disclosures for the purpose of retaining substantial prohibited weapons. Notwithstanding the "very considerable obstacles" placed in UNSCOM's way, UNSCOM assessed that a great deal had been achieved in removing or rendering harmless "substantial portions" of Iraq's WMD capability. But despite the years of extensive work, the impact of Iraq's incomplete disclosures, unilateral destruction and concerted concealment practices had made it impossible for UNSCOM "to verify, fully, Iraq's statements with respect to the nature and magnitude of its proscribed weapons programmes and their current disposition". Significant discrepancies in accounting for all of the programmes covered by UNSCOM's mandate thus remained. While accurate totals are difficult to establish, according to UNSCOM reporting these included:

- more than 20,000 chemical warfare munitions
- 1.5 tonnes of bulk chemical warfare agent

- more than 80 tonnes of chemical precursors

- nearly 2,000 kilograms of biological warfare growth media.

It is important to note that the 'discrepancies' listed by UNSCOM did not represent a known residual capability or stockpile. They were discrepancies in accounting which had not been satisfactorily resolved. In some cases, the baseline figures used to calculate the discrepancies were provided by Iraq and could not be independently verified.

In March 1999, a senior UN panel appointed by the Security Council judged that "although important elements still have to be resolved, the bulk of Iraq's proscribed weapons have been eliminated". The panel recommended an ongoing monitoring and verification system to replace the disarmament process with the aim of preventing any continuation or resumption of WMD activities, and to investigate outstanding disarmament issues remaining from UNSCOM's work. This approach was essentially endorsed by the Security Council in December 1999 with the adoption of Resolution 1284 and the establishment of the UN Monitoring, Verification and Inspection Commission (UNMOVIC), but Iraq did not allow inspectors back into Iraq until November 2002, nearly three years later.

Access to information on Iraq fell dramatically during the period from the end of 1998 to November 2002, although allied intelligence provided indications that Iraq was pursuing proscribed activities and may have been seeking to rebuild a WMD capability. In November 2002, the UN Security Council unanimously endorsed a further resolution (Resolution 1441) finding Iraq in material breach of previous Security Council resolutions and calling on it to meet its obligations. Resolution 1441 recalled previous resolutions; deplored Iraq's failure to provide "an accurate, full, final and complete disclosure", its obstruction of inspections and failure to cooperate fully with UNSCOM and IAEA inspectors; decided that Iraq "has been and remains in material breach of its obligations"; called for another "accurate, full and complete declaration of all aspects of its programmes to develop chemical, biological, and nuclear weapons, ballistic missiles, and other delivery systems…"; and decided that failure to comply would constitute further material breach and that Iraq was to provide immediate and unfettered access to any and all facilities, records and people. Finally, the resolution recalled that "the Council has repeatedly warned Iraq that it will face serious consequences as a result of its continued violations of its obligations".

Only after Resolution 1441 had been passed did Iraq agree to the resumption of inspections, but once again sought to obstruct, deceive and stall the inspection process. UNMOVIC, reporting to the UN Security Council in January 2003, outlined the extent to which Iraq was in breach of Resolution 1441: not providing any noteworthy new information in its declaration; inadequate cooperation with inspectors; stalling of interviews with scientists; blocking of reconnaissance flights; and failure to answer significant outstanding questions about its WMD-related activities.

In September 2002, the International Institute for Strategic Studies (IISS) released a comprehensive technical assessment of Iraq's WMD capacities, drawing on technical experts with long experience with UNSCOM and IAEA in Iraq. This concluded that Iraq probably retained some stocks of both CW and BW, and that Iraq was capable of resuming both CW and BW production on short notice (weeks or months) using existing civilian facilities. The IISS described the retention of WMD capacities as the core objective of the Iraqi regime.

US and UK assessments on Iraq at this time are also well documented. Those that were publicly released concluded that Iraq had continued its WMD and proscribed-range ballistic missile programmes and that it possessed and had begun renewed production of CBW, and voiced concern about Iraq's ongoing support for terrorism after September 11. While these US and UK views were stronger than many others, including Australia's, it is noteworthy that prior to the coalition's military action against Iraq on 19 March 2003, the only government in the world that claimed Iraq was not working on, and did not have, biological and chemical weapons or prohibited missile systems was the Government of Saddam Hussein. Although many made clear in their public statements that Iraq's continued possession of WMD was yet to be proved, the unanimous passage of Resolution 1441 shows the strength of international concern, even amongst those countries which opposed military action in early 2003. Statements by French and German leaders and foreign ministers, for example, consistently called upon Iraq to disarm, as had those by the Clinton administration.

The Intelligence Context

This was the backdrop to the assessments made by Australia's intelligence agencies. In particular, Saddam's history of WMD use, his past and continuing efforts to deceive and obstruct inspection processes, and his perceived strategic ambitions, were key underpinnings of ONA and DIO assessments.

Also important to an understanding of the context in which ONA and DIO made their assessments were a number of environmental factors. Key amongst these were the complexity of the Iraq target, the inherent ambiguity of WMD-related information, and the limited quantity and variable quality of the information available to the intelligence assessment community.

The complexity of Iraq as an intelligence target stems in large part from the character of Saddam's regime—one which was skilled in secrecy, deception and intimidation, supporting a counter-intelligence capability that was ruthlessly effective, forming part of a much broader, systematic and brutal strategy to suppress any opposition or dissent in Iraq. It had a culture of close central control, and deception within the regime itself was common. Communications security was very good, and there was a heavy reliance on human intelligence. Criticisms of excessive reliance on defector or opposition group human-source reporting and of false and misleading intelligence need to be balanced against the difficulty of developing alternative sources and the mistrust, confusion and fear engendered by Saddam's regime. Added to this mix is the peculiar mindset of Saddam's Iraq, which seemed to value a level of strategic ambiguity about its capabilities and intentions in general, and its WMD in particular.

The character of decision-making in the Iraqi leadership added even more complexity to assessment of the WMD issue. The assessment of leadership intentions is, like any predictive activity, inherently difficult. It is substantially more difficult if—as was later seen to be the case in Iraq—the leadership's logic or calculations are flawed. It was a reasonable assumption that—in late 2002 and early 2003, with the prospect of invasion of Iraq clearly on the cards— Saddam's interest in regime survival should have outweighed any other interest (including any wish to avoid intrusive inspections of his country). The fact that Saddam chose to resist inspections to the bitter end suggested strongly that he had WMD to protect (and perhaps that he hoped to avoid defeat by using them). If he did not have WMD, why did he not ultimately comply with the inspection regime, in order to ensure the survival of his regime?

With hindsight, it is clear that Saddam placed great value on avoiding capitulation on the WMD issue. But the difficulty in assessing that at the time is underlined by the fact that Saddam's own calculation of the situation has been proven clearly wrong. He has ended up without power and in custody, his sons dead, his standing destroyed—clearly not the outcome that he wished to achieve by his continued resistance to intrusive inspections in the face of a war.

By any measure, his was a miscalculation of massive proportions. Many factors were clearly at play—and the complexity of the game in itself may have been one of the causes of his downfall. Measured against his history, his behaviour in the lead-up to 19 March 2003 was extraordinary, and made the task of assessment even more complex and difficult. Thus Saddam's own miscalculation played a significant part in the flaws in allied intelligence judgments on Iraq's WMD.

Even without those factors, WMD is an inherently difficult and demanding target, requiring judgments to be made on the basis of information which is nearly always open to a range of interpretations. The fact that many components and facilities associated with WMD have legitimate uses and are therefore characterised as 'dual-use' illustrates these difficulties. During the period of inspections between 1991 and 1998, intelligence agencies had a range of information from often publicly available and reliable sources to supplement covertly acquired intelligence. However, following the withdrawal of inspectors, the volume of available material reduced significantly. In the absence of such corroborating material, and with relatively limited covert collection against Iraqi WMD targets, judgments on Iraq's WMD programmes became very much more difficult to make. Intelligence assessment is almost always inexact—precision is difficult in an endeavour which seeks to discover what others seek to conceal. In the case of Iraq's WMD, these difficulties were acute.

Adding to the problem was the thinness of the intelligence on which analysts were expected to make difficult calls. There was little by way of hard current intelligence available to analysts across the range of WMD capability issues, although the intelligence on Iraq's efforts to deceive inspectors was clearer. Much of the information that was available was equivocal or of uncertain validity. A good deal of it was either reporting of dual-use acquisition activity, inherently difficult to interpret, or human intelligence of uncertain sourcing and reliability. The weakness of the intelligence picture on Iraq was in part due to inadequate collection.

Australian agencies had the added complication of an almost complete reliance on foreign-sourced collection and, on occasion, foreign assessments. Additionally, Australia's focus on its nearer region meant there was limited analytical capacity in relation to Iraq and, while there was better capability in relation to WMD issues, it was still limited when compared to the capacity of US and UK counterparts. And it is in practical terms more difficult for analysts

to query and challenge foreign-sourced material, especially when there is little or no alternative input. In general, source descriptions were less than helpful for analysts, tending to be selected from a small group of standard phrases. It is noteworthy in this context that most if not all of the material from Iraqi opposition groups was clearly marked as such, and was treated by Australian assessors with appropriate scepticism.

The Australian Assessments

ONA and DIO, along with the rest of the international community, failed to judge accurately the extent and nature of Iraq's WMD programmes. And both agencies' assessments about Saddam's intent and capacity to use WMD against US forces, or against those countries who allowed their territory to be used by the US in the event of a US-led invasion, were not borne out. Nevertheless, ONA's and DIO's key judgments on Iraq's WMD capabilities were relatively cautious. They drew the most likely conclusions from the available information, and generally presented them with appropriate qualification. The obverse conclusion—that Iraq did not have WMD aspirations and capability—would have been a much more difficult conclusion to substantiate.

A number of factors contributed to these failures in intelligence assessments. In part they are factors outside ONA's and DIO's control—the complexity of the target and the paucity of intelligence source material described above. But the Inquiry also found a number of systemic weaknesses in both assessment agencies which played a role.

The first of these was a failure rigorously to challenge preconceptions or assumptions about the Iraqi regime's intentions. It is natural that analysts approach an issue with a set of expectations and contextual understanding. Analysts are valued for their background in the subject matter under assessment. In the case of Iraq WMD, assessors' preconceptions had a clear logic—they were based on UNSCOM reporting, Iraq's history and perceived strategic imperatives.

But on an issue with such potentially serious policy implications as Iraq's WMD capabilities and the threat posed by Saddam, more rigorous challenging of the assumptions underlying their assessments should have been carried out. While individual analysts almost certainly travelled the ground in their own minds, and managers challenged the bases for particular judgments, there is little evidence that systematic and contestable challenging was applied in a sustained way to analysts' starting assumptions.

There is also little evidence of a consistent and rigorous culture of challenge to and engagement on intelligence reports from collectors, and limited evidence of dialogue on assessed material. There are a number of reasons for the lack of rigorous questioning of sources, including the limited extent to which some raw material influenced key judgments in this case. But the lack of a dynamic dialogue on sources, one indicator of a healthy assessment process, is of concern.

The agencies did not always make clear from the text of their assessments the strength and range of specific information supporting a particular conclusion, as opposed to the judgments of the analyst about the likely behaviour and intentions of the Iraqi regime. This lack of clarity can allow readers to infer inappropriate levels of certainty to judgments.

Another contributing factor was the lack of sufficient integration between the assessments of Iraq's global, regional and domestic considerations and its WMD capabilities and aspirations. While dialogue and sharing of drafts did take place both within and across agencies, the assessments did not reflect an effective synthesis of technical and geopolitical issues. The content and style of the assessments, and discussions with relevant staff, suggest that the process of consultation and clearance across disciplines was less substantive than it might have been. Specifically, there were many assessments which presented fragments of the WMD picture, but few which synthesised technical conclusions about possible Iraqi capabilities with judgments about the regime's likely strategic game plan. Such meaningful interaction between technical and geographic specialists might have tempered the conclusions drawn and helped to challenge assumptions.

One impact of this appears to be the lack of analysis of the implications or significance of facts in many of the Australian assessments. What is the significance of a small number of hidden missiles, mostly in poor condition? What kind of military effect could have been achieved with, say, 1.5 tonnes of chemical agents? On some occasions DIO assessments clearly stated that any Iraqi WMD capability would have a limited battlefield effect. But broader analysis on the strategic utility of Iraq possessing limited WMD capabilities was largely absent.

The lack of a National Assessment coordinated by ONA, or a formal Intelligence Estimate from DIO, was regrettable. Both of these vehicles provide the opportunity to generate both discussion and recording of a wider range of Iraq and WMD-related issues. While the two joint reports produced by ONA and

DIO did go some way to assisting a coordinated national approach, these were short pieces (2 and 3 1/2 pages) which did not take a holistic approach to Iraq, its strategic environment and imperatives, the broader regional and domestic context in which its WMD decisions were being made, its likely strategic objectives, and the likely capacity of its WMD. One or both of these documents might also have covered areas relevant to Australia's interests on which there was little intelligence assessment: the strategic cost implications for Australia of contributing to military action against Iraq, the likely strategic costs and issues involved in post-Saddam Iraq, and the impact of military action on the safety of Australia and Australians.

In outlining these systemic issues, the Inquiry acknowledges that it is doubtful that better process would have changed the fundamental judgments about the existence of WMD. At best it may have led to more qualified judgments, and the presentation to government of alternative, less likely scenarios. While the principles outlined above remain critical for the integrity and quality of future assessments, the Inquiry's conclusion is that, based on the available intelligence and other information, ONA and DIO assessments represented reasonable and relatively cautious conclusions.

In addition to these broader issues, the Inquiry found some instances of inconsistency in assessments, unclear presentation and an occasional lack of precision in language which affected the quality of the product. And there were a small number of cases in which individual pieces of intelligence did not support the assessments drawn. But in a large body of reporting produced under pressured conditions, these are relatively minor issues which do not represent serious flaws or systemic problems.

Against all of the criticisms one can make in such a review of performance with the full benefit of hindsight, it is critical not to lose sight of what the assessment agencies got right and did well—and there is much to commend in their efforts.

It is significant that, using similar but not all of the material available to the UK and the US, Australian assessments on Iraq's capabilities were on the whole more cautious, and seem closer to the facts as we know them so far. There was not, as some have charged, a blind adherence to US and UK assessments. The bulk of conclusions drawn by Australia's assessment community on individual pieces of intelligence were sound, and there is evidence of our agencies applying healthy scepticism to the intelligence received on a number

of specific issues, in some instances maintaining a different or more cautious line in the face of firm conclusions by allies. This is true on the issues of sourcing uranium from Niger, mobile BW production capabilities, the threat posed by smallpox, Iraqi capability to deliver CBW via unmanned aerial vehicles, and links between Al Qaida, Iraq, and the September 11 terrorist strikes in the US.

There was also a proper place, in intelligence analysis of a topic as potentially threatening as Iraqi WMD, for reporting to cover worst case scenarios, particularly in the policy context in which the intelligence assessments were being made. It was right for our assessment agencies to focus on the challenges troops might face should they be deployed—and to highlight the worst of a potential adversary's capabilities. DIO's primary duty is to support the safety and success of Australian Defence Force operations. In the case of Iraq's WMD, the intelligence community had the institutional memory of having underestimated Iraq's WMD (especially nuclear) capabilities at the time of the first Gulf War.

Finally, the Inquiry has found no evidence of politicisation of the assessments on Iraq, either overt or perceived. The Inquiry received no indication that any analyst or manager was the subject of either direct or implied pressure to come to a particular judgment on Iraq for policy reasons, or to bolster the case for war. While agencies and their analysts are conscious of the policy environment, both their processes and their cultures and, in ONA's case, its legislation, promote independence of assessment. The Inquiry's conclusion that, on the basis of the available information, ONA and DIO drew the most likely conclusions, is consistent with and supports the finding that there was no evidence of politicisation.

Divergence Between the Assessments

The comments made so far apply, with small variations, to both ONA and DIO. Both agencies' major judgments were similar, and although their focus, style and audiences varied, the differences were, in most cases, not significant. On the key issues of new production of CBW, of the timeline for nuclear weapons, of efforts to maintain WMD capability, and of Saddam's continuing desire to have WMD, the agencies' assessments were in essence the same, and remained so. Their reporting on aluminium tubes, uranium from Africa, and mobile BW production facilities was also essentially the same.

The only significant point of divergence relates to the key issue of possession of actual WMD, or stocks of WMD, and came late in January 2003, although there were some implicit changes in ONA assessments caused by imprecise language from late December 2002. Neither agency issued a comprehensive assessment over this period in which they stated that their key judgment on this issue had changed, or that it remained the same. But the substance of the divergence is explicitly captured in ONA reports in late January and February 2003 which assessed that Iraq must have WMD. ONA's strengthened judgment was based on a growing pool of intelligence and UNMOVIC reporting of Iraq's deception activities, and its rationale for coming to this conclusion is clearly spelt out in its reporting. DIO, with access to the same information, did not draw this conclusion. ONA's judgment, while reasonably argued, has not been borne out by what has been found in Iraq, and DIO's caution has been justified. That said, the Inquiry has seen no evidence to suggest that ONA's judgment was influenced by policy or political considerations.

Beyond this specific point of divergence, much of what separated ONA and DIO reporting on Iraq represents the different styles that typify ONA and DIO product. ONA reporting was broad and high level with emphasis on key judgments rather than the detailed reasoning and evidence behind them. DIO reporting more consistently drew out the military implications of its conclusions, and restated its baseline judgments to give context for its analysis of individual pieces of intelligence.

ONA/DIO Resources

Resource levels, and types of expertise, differed between the two agencies as a result of their different mandates and audiences. What was common between the two agencies was the professionalism, dedication and hard work of all staff engaged in reporting on Iraq. The Inquiry is conscious, in making the observations above, that the assessments staff were working extended hours over long periods and operating under significant time pressures. In some ways the critique issued above, with the benefit of 20/20 hindsight, is unfair—and the Inquiry stresses its finding that, overall, the efforts of analysts were praiseworthy.

From mid–2002, ONA had one to two WMD analysts working either partly or mostly on Iraq WMD, and two Middle East analysts spending most of their time on more general Iraq issues, until the creation of a Watch Office immediately

prior to 19 March 2003. The two relevant branch heads also dedicated a good percentage of their time to Iraq-related reporting. None of the analysts had specific technical background in WMD, although one senior officer has some nuclear background. As a larger organisation, DIO was better resourced on Iraq. In the period leading up to the war, and before the creation of a task force in March 2003, DIO had six-ten WMD analysts working on Iraq, and eight-nine country analysts working on broader Iraq and Middle East assessment. Again reflecting the different size and the military focus of the agency, DIO's analytical effort was based on stronger technical skills—all of DIO's WMD analysts working on Iraq had some relevant technical qualifications and/or experience, including several with experience working with UNSCOM.

While ONA seniors judged the resources to be adequate at the time, both analysts and branch heads talk of the constraints imposed by time and resource pressures on their ability to challenge sources. They also speculate that a higher level of resourcing might have enabled analysts and their managers more time to stand back and consider alternative assessments. This may or may not have been borne out—but additional analyst resources would have added a level of internal contestability at the drafting stages, and given ONA more depth on the WMD topic. In DIO's case, with more people on the task, analysts working on Iraq also felt stretched. While additional analytical resources would have been welcome, the pool of analytical skills backed by technical and scientific knowledge is shallow.

Public Presentation of Intelligence

The question of the public presentation of intelligence is a complex and challenging one, requiring the balancing of public interest against protection of intelligence sources, methods and international relationships. This issue is dealt with more fully in Chapter 7, but is germane to two particular issues in relation to Iraq.

The first of these is the production, on 13 September 2003, of an unclassified compilation of Iraq WMD material. At the request of the Department of Foreign Affairs and Trade, ONA coordinated intelligence community input to and published an unclassified document representing the agencies' common views which could be drawn on in public statements by ministers. A review of the material contained in the compilation found that intelligence assessments made up only about one-third of the document, the balance being drawn from

UNSCOM/IAEA reporting and other material of historical fact or public record. Only one of the intelligence judgments differed from previous reporting, and that one in a matter of degree only. There is no evidence of political influence over this or any other material in the compilation, and in fact there is a clear record that comments by the Department of Foreign Affairs and Trade, the only policy agency engaged in the draft compilation, were restricted to accuracy of facts with no bearing on the intelligence judgments.

The second issue relates to the clearing of political speeches. ONA was asked to check the five major speeches by the Prime Minister for accuracy of references to intelligence information. Those speeches were delivered on 4 February, 14, 18 and 20 March, and 14 May 2003. ONA restricted its comment to the accuracy of the statements referring to intelligence. It did not comment on the significance attached to such intelligence, nor on the conclusions drawn from that intelligence. It is the Inquiry's view that it is not reasonable to expect an intelligence agency to comment on the manner in which the government chooses to use such intelligence. Conversely, those drawing on the material should be clear about the role played by the intelligence agency so that there is no room for the inference that the speech as a whole, or all the conclusions drawn from intelligence, have the intelligence agency's imprimatur.

Lessons from the UK and the US

Consultations by members of the Inquiry secretariat with UK and US officials in London and Washington during April 2004 indicated that neither government had then completed its consideration of 'lessons learned' in relation to intelligence on Iraqi WMD programmes. The Lord Butler inquiry in the UK on WMD intelligence, and the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, are expected to play a major role in identifying key lessons. It would be inappropriate for this Inquiry to comment publicly on the views of US and UK officials prior to the conclusion of their own inquiries.

Lessons from the Australian intelligence community

ONA and DIO have both conducted internal reviews of their respective performances on Iraq. Notwithstanding conclusions by both that their assessments were measured and careful, both agencies have identified areas in which their performance can be improved, primarily in the areas of collection and analysis of information. Specific themes are:

▫ Greater rigour must be applied to the evaluation of sources. Analysts must, in collaboration with collectors, actively assess the reliability of sources.

▫ More rigour in identifying intelligence gaps is needed. Analysts must consciously identify and then articulate gaps to collectors, rather than accepting without challenge what has been collected.

▫ Similar levels of rigour need to be applied to allied collection and assessment, both in terms of access to material and challenge to sources and/or judgments, including in areas where Australia has limited technical or regional expertise.

▫ Where such technical limitations exist, agencies should take remedial action and recruit or develop appropriate technical expertise.

▫ Incremental 'creeps' of judgment must be avoided. Previous assessments should be restated and any changes highlighted.

▫ Greater attention must be paid to the language of assessments to ensure that judgments are consistent, that variations to previous assessments are properly identified and that loose language does not inadvertently alter key assessments, or leave them unclear or open to interpretation.

The Inquiry also received some comment on the role of the users of intelligence. This related primarily to the need for senior-level customers both to give strategic direction to the analytic effort, and to engage closely with the intelligence community. Customers with a greater understanding of the strengths and weaknesses of the system will be better able to drive its performance.

Operational Lessons from the ADF

Operations in Iraq involved all elements of the Australian intelligence system, from strategic agencies to deployed tactical intelligence elements. Although Australia's intelligence system was not comprehensively tested in this coalition environment, particularly in the critical area of operational decision support,

intelligence provided a key contribution to the success of Australian operations, and successfully met the demands of an operation taking place well outside Australia's region of expertise.

The two primary reasons for this success were the comprehensive integration of Australian intelligence staff with their US counterparts, and the deployment of indigenous intelligence capabilities to support ADF commanders. This was reflected in the formal Defence review of Operations Bastille and Falconer, which noted the "importance of 24/7 availability of intelligence support (staff, sensors and analysis) to all levels of command and decision making". The review recorded that "intimate integration with, and connectivity to US resources is also vital to the formation of a timely and comprehensive intelligence picture".

The deployment to an operational area outside Australia's near region, and the speed and complexity of operations, placed fundamental limitations on the level of detailed operational intelligence support that could be provided by Australian agencies. Planning for operational intelligence support therefore assumed reliance on access to US-sourced information to support the planning and conduct of operations.

Early integration of ADF personnel into the headquarters of US Central Command and its component headquarters was critical to support this strategy. It was complemented by the deployment of relatively large Australian intelligence components within the deployed Australian force elements, including liaison elements from national agencies. This approach could not have worked as a 'just-in-time' solution: its success was due to the deep and effective intelligence-sharing relationships between the US and Australia established over many years, during both peace and conflict.

Despite heavy reliance on access to US material and analysis, Australian forces were not totally dependent on the US system. Indeed, the Australian intelligence support architecture in the Middle East was designed to ensure that Australian commanders received independent analysis. The deployment of liaison officers from Australian agencies and the ability to access secure Australian intelligence links provided an important contribution to the capability in the Middle East and are key areas of operational intelligence support that will continue to be developed and used.

In addition to supporting the deployed commanders, the deployment of robust Australian intelligence capabilities was also valuable on two further counts. It allowed Australian forces to make an active contribution to the coalition

intelligence effort, complementing the broader Australian commitment to the coalition. Importantly, it also enabled timely and accurate reporting from the Middle East to be integrated into intelligence briefs for the National Security Committee and senior Defence leaders.

Conclusion

There has been a failure of intelligence on Iraq WMD. Intelligence was thin, ambiguous and incomplete. Australia shared in the allied intelligence failure on the key question of WMD stockpiles, with ONA more exposed and DIO more cautious on the subject. But many of the agencies' other judgments have proved correct. Overall, assessments produced by ONA and DIO on Iraq WMD up to the commencement of combat operations reflected reasonably the limited available information and used intelligence sources with appropriate caution.

The lack of comprehensive assessment, which might have been achieved by production of a National Assessment or an Intelligence Estimate to support ADF deployment considerations, was regrettable. Such comprehensive reporting may have helped to clarify a complex and fragmented picture. The limited analysis of the significance of Iraq's WMD in terms of the threat that Iraq posed also impacted on the utility of the assessments.

The two agencies' key judgments were largely consistent until late January 2003, when ONA assessed that Iraq must have WMD, while DIO continued to assess that the intelligence on the issue was inconclusive. But differences in style, including ONA's lesser use of detail and qualification, led to an implicit difference in assessments from late December 2002. On the key points of Iraq's possession of WMD, and the significance of its concealment and deception activities, ONA judgments were expressed with fewer qualifications and greater certainty than those of DIO.

On the critical issue of independence, the Inquiry's investigations showed that, despite a heavy reliance on foreign-sourced intelligence collection, both agencies had formulated assessments independent of those of the US and the UK, in several notable cases choosing not to endorse allied judgments. The Inquiry found no evidence to suggest policy or political influence on assessments on Iraq WMD.

There was insufficient challenge both to assumptions and sources in the agencies' assessments on Iraq, and both ONA and DIO need to institutionalise work practices and training to remedy this.

JEMAAH ISLAMIYAH

In the same way that September 11 galvanised US public and government attention to terrorism, the bombings in Bali just over a year later have had an enormous impact on the way Australia views the terrorist threat and what it means for the safety of Australians and our way of life.

The following study examines how Australia's external intelligence agencies understood Jemaah Islamiyah (JI) and its emergence as a terrorist network posing a direct threat to Australia. The focus is on Australia's foreign intelligence agencies, in particular the national assessment agencies ONA and DIO, and how they dealt with the issue in the years leading up to the attacks in Bali. Since these matters are being considered by a separate parliamentary inquiry, this study does not address in detail the text of travel advisories, the threat levels set by ASIO in the period or the response by Australia's domestic security service, except in so far as they affected the picture of JI being built by Australian agencies.

Background to Jemaah Islamiyah

Indonesia is a predominantly Islamic country—by population, the world's biggest. While Islam is important in politics and radical Islamist organisations have a long history in Indonesia, they have never come close to taking control of government, democratically or otherwise. The historical spread of the faith through the archipelago was uneven, and Islamic ideas and practices have co-existed with and were affected by traditional, particularly Javanese, belief systems and ways of living. As a result, the Islam practised by the vast majority of Indonesians has its own particular character and is, currently, essentially moderate.

Post-independence Indonesian politics have also stamped some unique marks on Islam as it is practised in the archipelago. Nationalist and Islamist strains of thinking were key influences on the development of independence politics in Indonesia, reflecting basic differences of view about the place of Islam in the post-colonial state. Symbolising the radical element of the Islamist instinct was the Darul Islam movement, which emerged with the waning of Dutch rule in the 1940s and which advocated the establishment of an Islamic state, more or less broadly drawn, governed by Islamic law. Subsequent repression of Islam as a political force under the Suharto regime further influenced Islamic thinking in Indonesia and served to radicalise a number of Muslim leaders.

It was among conservative Muslims repressed during Suharto's New Order period that many of today's radical Islamic organisations and leaders have their origins. Like other radical networks, the group which has come to be known as Jemaah Islamiyah emerged from the remnants of the Darul Islam rebellions of the 1950s. JI's political aim is to create a regional caliphate or Islamic state spanning Indonesia and neighbouring majority Muslim countries or regions. The establishment of an Islamic community (or 'jemaah Islamiyah') is seen as a preliminary step to this end. Through their involvement in the Afghanistan jihad experience in the 1980s, a number of key members of JI became aligned with the globalist anti-Western aims represented by groups like Al Qaida.

Little was known of JI, under that name, before a major security operation undertaken by Singapore security authorities in December 2001 resulted in the arrest of 13 individuals suspected of planning large-scale terrorist strikes against US and other Western interests in Singapore and of being members of an organisation called Jemaah Islamiyah. In addition to the October 2002 strikes in Bali, JI is now suspected of having plotted or carried out a number of prior terror attacks in Indonesia and the Philippines and of responsibility for the Marriott hotel bombing in Jakarta in August 2003. Following Bali, JI was officially listed by the United Nations, and proscribed by Australia, as a terrorist organisation.

The Intelligence Context

In Jemaah Islamiyah, the Australian intelligence community faced an intelligence target which was at once hugely important to Australia and of a nature fundamentally different from the subjects traditionally covered by external intelligence agencies.

The terrorism target is inherently difficult. It requires a range of new analytical approaches and methodologies, many of which are closer to police investigation and domestic security intelligence service techniques than to the deductive, interest-based analysis customary to foreign intelligence assessment. Terrorism also poses new challenges for foreign intelligence collectors due to the covert and nebulous nature of operational terrorist cells such as those which characterise groups like Al Qaida and JI.

In any case, contemporary expectations about what intelligence can provide by way of early warning of specific terrorist events often misunderstands the nature of much foreign intelligence assessment. Intelligence seldom provides directly actionable evidence. Information received by intelligence assessors is often amenable to various analytical conclusions. Nevertheless, a great deal of effort is being put by Australia's intelligence collectors and all relevant agencies of government into capturing the kind of specific, detailed threat information which may help avert a terrorist attack. This will be an ongoing priority for the Australian intelligence community. The Inquiry has seen nothing to indicate that any of Australia's intelligence agencies had specific intelligence warning of the attack in Bali. This is consistent with the findings of the Inspector-General of Intelligence and Security's report on the Bali terrorist attack.

Australia's foreign intelligence agencies, like their counterparts elsewhere, are caught between very high public expectations of them to provide early specific information of terrorist plans, and the inherent difficulties of terrorism as an intelligence target. This tension remains.

The Australian Assessments

Before the Bali bombings, Australia's foreign intelligence agencies underestimated in some important ways the nature of radical Islam in South East Asia and the extent to which regional extremists posed a threat to Australia. Australian assessments evolved as more information became available and as analysts understood better that the generally moderate character of Islam in Indonesia did not mean that terrorists could not thrive in the Indonesian environment. Nevertheless, to a greater or lesser degree, Australia's foreign intelligence analysts in the period before the Bali bombings underestimated the extent to which anti-Western and global jihadist ideas and Middle East militancy had penetrated radical groups in South East Asia.

The foreign intelligence community's assessment performance on JI falls into several main parts, chronologically defined: before the 11 September 2001 terrorist attacks on the US; the period between September 11 and the Bali bombings; and after October 2002.

In reporting before 2001 on Islamic extremism in Indonesia and the broader region, ONA and DIO focused primarily on what extremist groups and their activities might mean for internal security and politics in Indonesia and other South East Asian countries and, secondarily, on what they might mean for

regional security. While ONA did examine possible links between Middle Eastern militants and regional extremists before September 11, it judged that the domestic focus of the Indonesian Islamic militant groups limited their usefulness to international terrorists. In DIO's case, its analysis of global terrorism as an emerging security issue generally went forward in isolation from its reporting on Islamic extremism in South East Asia.

September 11 changed Australian agencies' understanding of global terrorism in fundamental ways. ONA and DIO sharpened their focus on terrorism as a threat to the international system and as a destabilising factor in regional politics and security. Still, the full import of the attacks for the region, and of Islamic terrorism for Australia, was not evenly recognised across the foreign intelligence analysis community. In the immediate post-September period at least, Australian foreign intelligence assessments were focused on regional contributions to the global fight against terrorism. The development of indigenous terrorist organisations with ambitions and agendas beyond their local settings was not a sustained focus of the agencies at this point.

A series of arrests of terrorist suspects by Singaporean authorities in December 2001 and the uncovering of plans to attack Western targets in Singapore, including Australia's High Commission, was a tipping point for ONA's understanding of regional terrorism. ONA was quick to recognise the significance for Australia and applied vigorous analysis to the JI network as revealed by the arrests.

From this point on, ONA's key judgments were that:

□ South East Asian Islamic terrorists had established cells in the region, had links to Al Qaida and the Middle East, and had planned terror attacks against Western targets.

□ Terrorists in the region were capable of staging significant terrorist attacks— they had available weapons and explosives and people trained to use them.

□ The regional environment was such that Islamic radicalism would continue to flourish in South East Asia.

ONA's concerns firmed over time. By the second half of 2002, just before the Bali bombings and at a time when some others were less concerned, ONA was judging consistently that the danger from terrorists in South East Asia was high and persistent.

DIO assessments on the whole were slower to recognise the full significance of South East Asia's home-grown extremists and their commonalities with Middle Eastern and other militants with established terrorist track records. The Singapore arrests did prompt DIO to assign additional resources to its coverage of transnational links to terrorism in South East Asia. Nevertheless, while acknowledging that several JI leaders and some cell members remained at large, probably in the region, and that terrorist planning was by nature difficult to detect, DIO's judgment about the group's limited capability and intent led it to underestimate the threat posed to Australians by the residual JI presence in Indonesia.

Through the period September 2001 to October 2002, DIO continued to judge that:

- The primary focus of regional extremist groups was domestic and their agendas and targets generally were local.

- In any case, without outside help and direction, regional militant groups, JI in particular, probably lacked the capability to launch mass-scale terrorist attacks.

- Any current links between regional extremists and extra-regional terrorists were based on individual shared jihad experiences in Afghanistan rather than being relationships of co-conspirators in terrorist activity.

- Therefore, while JI posed some threat to Westerners, its capability was limited. Indonesia remained in most respects an incidental threat environment for Australians.

Up until October 2002, DIO continued to take a limited view of Islamic extremism in Indonesia, analysing it mainly in terms of its impact on Indonesian stability. DIO analysts saw little in incoming intelligence reporting that was inconsistent with domestically focused extremist activities such as had characterised Indonesian communal politics for some time. While DIO's judgments evolved and strengthened over time, and began to distinguish JI from other radical groups in the region, DIO continued to underestimate the potential scale of any possible terrorist attack.

The pattern of response to regional terrorism from other parts of the foreign intelligence community followed a similar chronology. Prior to September 2001, there was a low level of consciousness generally in Australia's foreign intelligence system of terrorism as a real threat to Australia's security and to the lives of Australian citizens at home and abroad. September 11 was a turning

point. In the aftermath of the attacks, Australia's foreign intelligence effort against the terrorist target was stepped up significantly. Significantly more attention and resources were given to counter-terrorism in what was now seen as the start of an extended and extensive campaign to address a new global threat. And certainly, since Bali, the regional terrorist target has been a top priority for all agencies, matched by significant new resources from government.

While this Inquiry is focused on Australia's foreign intelligence agencies, it is important contextually to note the development of ASIO's understanding of the regional terrorist threat. In the Australian system it is ASIO that carries responsibility for assessing levels of threat to Australia, including to Australian interests abroad. In general terms, ASIO's understanding of the potentially serious nature of the threat of terrorism in the region developed more quickly than was the case for the foreign intelligence assessment agencies. For some years, ASIO had been concerned about links between some individuals and groups in Australia and terrorist groups elsewhere. Almost immediately after the September 11 attacks in the United States, on 28 September, ASIO raised to 'high' the threat level for Australian interests in Indonesia. It viewed as significant Osama Bin Laden's first specific public reference to Australia in November 2001, drawing attention to the fact that Australian civilians could be targeted. On JI, ASIO responded immediately to information flowing from the Singapore arrests.

The causes for the early weaknesses in Australian foreign intelligence assessments of JI and regional terrorism were many. To judge the quality of the assessments, it is important to understand the context in which analysts were working.

At issue here was a fundamental and long standing tenet of Australia's understanding of Indonesia. For many years, at the core of Australia's assessments of its largest neighbour had been a view of Islam in Indonesia as something unique. Indonesian Islamic radicals were seen as significant for their impact within Indonesia, on the country's politics and its stability and unity; the links to Australia's security interests were important, but they were indirect.

The known history of JI provided little compelling cause for analysts to unsettle these longstanding conclusions. While radical in rhetoric and with an ideology intolerant of compromise, JI had no significant record of striking at foreigners or foreign interests in the region. At least until the Singapore arrests, outward signs suggested that the activities and agendas of regional extremist groups

remained domestically focused, concentrated typically on local communal violence and low-level religious vigilantism.

Until 12 October 2002, the most notable terrorist operations in South east Asia were not major events: the attempted assassination of the Philippines Ambassador in Jakarta in August 2000, which killed three and injured 17; the Christmas Eve 2000 attacks in Indonesia, which killed 15 and injured 94; and the Metro Manila bombings, which killed 14 and injured 70, on 30 December 2000. Of these, only the failed attempt on the life of the Philippines Ambassador was aimed at a foreign target, and even then the target was regional and seemingly connected with Manila's own battle with domestic separatism and extremism.

In the absence of definitive intelligence, it is not surprising that Australian foreign intelligence analysts needed convincing that JI or any other local group represented a serious direct danger to Australia. Decades of accumulated knowledge of Indonesia and of the politics of Islam in South East Asia proved in this important case to be a drag on the evolution of Australia's understanding of the emergence of anti-Western terrorism within the region's radical, militant and extremist groups.

To the extent that Australian analysts underestimated the threat posed to Western interests by regional Islamic extremists, they were not alone. Many commentators with deep South East Asian knowledge also clearly misread the situation, focusing too much on what distinguished Islamic radicalism in Indonesia and the broader region from the terrorism bred in other regions of the world.

Indonesian observers and security authorities, and those elsewhere in the region, also took some time to recognise the nature and scale of the threat posed by regional Islamic extremists.

Viewed against this background, the failure of our foreign intelligence agencies to recognise early the threat posed by JI is understandable. Just as importantly, the alacrity with which ONA was able to question fundamental assumptions, reassess and shift a longstanding tenet of its Indonesia assessment was commendable.

Conclusion

Australian intelligence agencies should have known more before December 2001 about JI as a group developing terrorist capabilities and intentions. ONA assessments on this key issue, especially from December 2001 onwards, evolved more quickly than those of DIO. The failure to appreciate the serious

nature of the threat posed by JI was widespread outside Australia's intelligence agencies, and in Indonesia itself. Indeed it was fundamentally a regional intelligence failure.

The Inquiry has seen nothing to indicate that any Australian agency, including ASIO, had any specific intelligence warning of the attack in Bali. This is consistent with the findings of the Inspector-General of Intelligence and Security's report on the Bali terrorist attack.

This case study demonstrates the value of Australia's security cooperation with countries in the region, in particular with Singapore. The emergence of anti-Western Islamic terrorism in the region underlines the need to build more depth into Australian foreign intelligence agencies' understanding of Islam and the interaction of Islamic extremism with regional politics and local radicalism.

Following 12 October 2002, Australia's foreign intelligence community has responded with vigour and determination to the regional threat of terrorism. In particular, the Australian Federal Police, with the Indonesian police, has done outstanding work in helping to identify those responsible for the Bali bombings. These efforts have been supported by significant increases in resources across the intelligence community. JI's rise demonstrates the crucial importance of Australian foreign intelligence agencies being alert to shifts in the regional security environment and the emergence of new threats.

SOLOMON ISLANDS

Background to intervention

The ethnic violence on Guadalcanal had its roots in an historical enmity between the Guadalcanal and Malaitan peoples, land issues and development disparities on Guadalcanal. Through the 1990s, as the more assertive and entrepreneurial Malaitans took advantage of the opportunities available in Honiara, and on Guadalcanal more widely, Guadalcanalese resentment grew. Deft politics by community leaders kept the simmering discontent from boiling over. However, in late 1998, inter-ethnic tensions began to rise. An armed militant group, the Guadalcanal Revolutionary Army (GRA)—the forerunner of the Isatambu Freedom Movement (IFM)—began a violent campaign against Malaitans and for compensation. In the violence, up to 20,000 Malaitans were driven from their homes. Despite negotiations and the deployment of a Multinational Police Monitoring Group, government inaction led to the formation of another militant group, the Malaitan Eagle Force (MEF), in January 2000.

By the beginning of 2000, the government had effectively lost control of Guadalcanal, with Malaitans controlling the capital and Guadalcanalese militants controlling the countryside. Throughout the first half of 2000, the social, economic and political decline and rising communal tensions continued. The MEF, supported by the Malaitan-dominated Royal Solomon Islands Police (RSIP) was ruthless in its campaign against the GRA/IFM. Despite further attempts by the Government to negotiate with the militant groups, by the end of May 2000 the MEF was operating freely within the Honiara environs and, aided by dominant Malaitan society in Honiara, pressed its demand for compensation more openly. On 5 June, the MEF, aided by the RSIP Field Force, placed Governor-General Lapli and Prime Minister Ulufa'alu under house arrest and took control of the central government.

As a result of MEF pressure, Manasseh Sogavare was appointed Prime Minister on 30 June 2000. A ceasefire between the MEF and the IFM on 2 August 2000 and the signing of the Townsville Peace Agreement on 15 October led to the deployment of the International Peace Monitoring Team. The signing of the Marau Peace Agreement on 7 February 2001 resulted in the cessation of inter-ethnic violence on Guadalcanal.

After considerable international pressure, general elections were held in December 2001 and Sir Allan Kemakeza was elected Prime Minister. However, communal loyalties eroded the command structure within militant groups, and undisciplined armed gangs emerged in Honiara, in rural Guadalcanal and on Malaita. Despite Kemakeza's election, the downward spiral of the Solomon Islands continued over the next 18 months. The Solomon Islands Government saw outside intervention as the only means to break the cycle of violence and intimidation. Finally, in May 2003, Prime Minister Kemakeza formally approached Australia to lead an armed intervention force to restore law and order and to assist the Solomon Islands Government to re-establish control of the country. In July 2003, the Regional Assistance Mission (RAMSI) deployed to the Solomon Islands.

ONA Assessment

The Inquiry reviewed assessments from January 2000 until July 2003. Throughout this period, ONA's assessments of the situation in the Solomon Islands painted a consistently bleak picture. They also highlighted the potential, across the South Pacific, for the Australian Defence Force to be called upon to provide peacemaking, peacekeeping or evacuation forces, possibly in simultaneous contingencies. From April through to late May 2000, ONA noted a rise in tensions in the Solomon Islands. But although analysts captured well the decline in governance and society, there was no clear assessment that an MEF-led coup was likely.

Throughout the second half of 2000 and until mid-2001, ONA assessment was characterised by a focus on the June 2000 coup and its aftermath, particularly the conduct of the Townsville Peace Meeting and the ability of the Sogavare Government to implement its outcome, the Townsville Peace Accord. While ONA continued to assess the long-term prospects for the Solomon Islands, the events taking place gave reporting a more short-term focus, particularly in late 2000.

From the second half of 2001, there was a noticeable shift in the nature of ONA assessment with the language and tone becoming more negative. Throughout 2002, assessments placed an increasing emphasis on the likelihood of calls for ADF intervention. This was stated most clearly in the National Assessment produced in July 2002.

Reporting from this point also became more focused on the transnational criminal and terrorist threat posed by a collapse of the Solomon Islands Government and the impact for Australia. Once again, there was a correspondingly increased focus on the prospect of calls for armed intervention.

Throughout the period of assessment that the Inquiry has reviewed, ONA retained an appropriately broad perspective on events in the Solomon Islands. Its assessments were balanced and dispassionate.

DIO Assessment

DIO assessment covered similar ground to ONA's. Throughout the period reviewed, DIO saw little prospect of the Solomon Islands reversing its downward spiral. Its reporting covered specific incidents in detail and related them to the threat to Australians. However, in the period leading up to the June 2000 coup, despite a consistently negative assessment of the Solomon Islands, DIO did not portray the scene in a way that clearly highlighted the likelihood of an ADF-led evacuation. From an operational planning perspective, this was an important gap in assessment. Most notably, in product from late May 2000, the prospect of a coup was dismissed as unlikely.

The key issue is not that an incorrect judgment was made in regard to a single event. The broader range of assessments from January 2000 demonstrated that DIO was actively and accurately reporting a deteriorating situation. But these events highlight the fact that if DIO is effectively to serve its prime customer, the ADF, then it needs to ensure that its reporting maintains an appropriate degree of operational relevance. DIO reporting in the first half of 2000 was not optimal in providing timely warning to operational planners.

From July 2000, as with ONA, DIO was consistent and balanced in its assessments. DIO's assessments maintained the theme that there would be no reversal of the downward trend in the Solomon Islands, with the collapse of basic services continuing and law and order remaining virtually non-existent. Importantly, throughout this period DIO reporting continued to focus its assessment on the likelihood of calls for ADF intervention because of sudden changes in the security situation. While DIO at times assessed an increased likelihood of circumstances arising that would require an ADF evacuation, it consistently assessed that any breakdown would be well signposted, and that a short-notice evacuation would be unlikely. These changing assessments reflected a clear effort to track the shifting security circumstances over an extended period.

DIO's longer term assessments were supported by more focused reports that frequently cast specific events in terms of whether or not activities represented any heightened threat to Australians or other expatriates. This was particularly the case following the deployment of the International Peace Monitoring Team in November 2000. DIO reporting frequently provided more detailed coverage than ONA and ensured that specific events were placed in a broader context. This reporting covered specific threats or incidents directed at the IPMT and any impact on the extant threat assessment, or the impact of demonstrations or other incidents of unrest on the wider expatriate community, particularly on Guadalcanal, or simply provided forewarning of expected periods of unrest.

While both ONA and DIO were consistent in their assessment of the situation after June 2000, there was a noticeable and appropriate difference in the nature of assessment from DIO. Whereas ONA was focused on the broader political and social implications of the events, DIO reporting consistently provided a more detailed focus on the threat to Australians, the likelihood of events triggering the employment of the ADF, and the provision of intelligence products to support the planning and eventual conduct of any ADF operations. This operational focus was maintained while broader strategic assessments that ensured an understanding of the wider context of any operations in the Solomon Islands were retained.

Analysis of Assessments

The review of assessments from the two agencies since January 2000 highlighted a number of features. In general, the product was more robust in the post-June 2000 period than in the lead-up to the June 2000 coup. Pre-June 2000 reporting was not inaccurate, but generally failed to provide assessments that did much more than monitor events. Neither organisation predicted the coup, although both had recognised the potential for such an action and either dismissed its immediate likelihood or simply highlighted the threat. In the case of DIO, setting aside the specific question of whether the coup should have been predicted, the reporting did not engage operational planners in the practical way that DIO product ideally should.

It must also be highlighted that reporting in the period preceding the coup was influenced by competing demands that limited the available effort for the Solomon Islands. This was due not only to the on going focus on East Timor but, for the South Pacific effort specifically, on the coup in Fiji in May 2000.

From June 2000 until mid-2003, ONA and DIO reporting of the collapse of authority in the Solomon Islands was reliable and accurate. Reporting included both current and long-term assessments and, from the early stages, assessed that outside intervention was a likely outcome. These assessments were made against the backdrop of a government policy position that Australia could not presume to fix the problems of the South Pacific countries. It is notable that the agencies continued to paint a grim picture of the situation in the Solomon Islands against this policy background.

ONA reporting was characterised by a consistent assessment of the looming collapse of the Solomon Islands, and its increasing vulnerability to transnational crime and socioeconomic breakdown. While DIO was similar in its long-term view of the probability of the Solomon Islands becoming a dysfunctional state, it correctly focused on possible eventual calls for ADF intervention.

A key observation in reviewing Solomon Islands product from the two assessment agencies was the appearance of what seemed to be a valuable balance in the respective focus and level of reporting of the two organisations, particularly post-June 2000. In this regard the Solomon Islands case study serves as an example where the absence of definitive reporting boundaries did not appear to create undue duplication of effort.

Overall, reporting from ONA and DIO on the breakdown of law and order and the demise of effective government in the Solomon Islands stands in a positive light. Particularly in the reporting from mid-2001, assessments clearly showed the ability of the assessment agencies to make robust, independent assessments on issues in Australia's near region.

LIEUTENANT COLONEL LANCE COLLINS AND DIO

The Inquiry became aware of the concerns of Lieutenant Colonel Lance Collins about the operation of the Defence Intelligence Organisation. Some of the matters he raised are addressed elsewhere in this report. Here we focus on issues concerning Indonesia and East Timor.

The Inquiry made several attempts to interview Lieutenant Colonel Collins. Lieutenant Colonel Collins declined to be interviewed because neither the Inquiry, nor the Army, was in a position to agree to his condition that expenses for his senior and junior counsel be met. The Inquiry was prepared for Lieutenant Colonel Collins to be accompanied by lawyers—though it is

noted that no other person appearing before the Inquiry asked to be so accompanied—but the Inquiry was not able to meet any costs for his lawyers.

The Chief of Army advised the Inquiry that Lieutenant Colonel Collins was authorised to visit Canberra at Army expense for the purpose of attending the Inquiry but the Army was not able to meet any expenses for accompanying counsel. After several exchanges, lawyers for Lieutenant Colonel Collins advised on 16 June that he would not attend the Inquiry. Nevertheless the Inquiry was able to address many issues of concern to him, including those in his letter of 18 March 2004 to the Prime Minister.

Lieutenant Colonel Collins has asserted that intelligence assessments on East Timor of the Defence Intelligence Organisation in 1998 and 1999 were influenced by DIO's perception of a pro-Indonesian Australian Government policy and by direction from the Department of Defence. This matter was investigated by the then Inspector-General of Intelligence and Security, Mr Blick, who concluded in May 2003 that this assertion did not stand up to objective scrutiny. Mr Blick was unable to find evidence of a systemic or institutional bias in DIO assessments. He commented that "the overall picture throughout the period is of conscientious attempts to analyse what was going on and come to rational conclusions about where that might lead."

The Inquiry received no evidence to support the conclusion of Captain Martin Toohey RANR, in the *Report of Investigation—Redress of Grievance submitted by Lieutenant Colonel Lance Collins* that "a pro-Jakarta lobby exists in DIO, which distorts intelligence estimates to the extent those estimates are heavily driven by Government policy… in other words DIO reports what the Government wants to hear."

The Inquiry looked at all assessments on Indonesia produced by DIO (and by ONA) from 1998 to May 2004. The Inquiry found no evidence of pro-Jakarta or pro-Indonesian assessments.

The present situation in ONA and DIO is that there is no evidence of any pressure on either organisation, or pressure within either organisation, to produce pro-Indonesian assessments or to tone down any criticism of Indonesia. It is clear that analysts are free to call the situation as they see it and that their assessments reflect a robust approach to Australia's interests.

In view of recent media comments about DIO, the Inquiry notes that it found no evidence whatsoever that the current Director of DIO, Mr Frank Lewincamp,

has exerted pressure of any kind on his analysts to reach particular conclusions or that he expected analysts to report what the government might be presumed to have wanted to hear. On the contrary, it is evident that while Mr Lewincamp tests analysts' views through vigorous internal debate, he encourages analysts to think freely, to express different and robust opinions, to reach conclusions irrespective of government policy and to be prepared to take prudent risks in their assessments.

Lieutenant Colonel Collins has alleged that a DIO senior officer or senior officers deliberately withheld, for a short period in December 1999, access by Australian forces in East Timor, as part of INTERFET, to a classified intelligence database. The then Inspector-General of Intelligence and Security, Mr Blick, investigated this matter and concluded in May 2003 that there was no policy decision to withdraw such access. The Secretary of the Department of Defence, Mr RC Smith, and the Chief of the Defence Force, General PJ Cosgrove, advised publicly on 21 April 2004 that the brief and temporary loss of access to one database on one of the communications systems resulted from technical problems and not from a deliberate policy decision. General Cosgrove has also pointed out that Australian forces in East Timor were not reliant for intelligence solely on that database and that intelligence, including DIO product, was sent via a number of channels to Australian forces. Since the current Inspector-General of Intelligence and Security, Mr Carnell, is looking again at this matter the Inquiry did not make any separate investigation.

The Inquiry has examined the Intelligence Estimate of the situation in East Timor completed by Headquarters Australian Theatre on 8 July 1998 and forwarded to DIO at that time. The Estimate stated that the contact officer was Lieutenant Colonel Collins. There can be no doubt that this is a significant (31-page) work of analysis. There can also be no doubt that this intelligence estimate raised difficulties for DIO and the Department of Defence because it discussed matters which were well beyond and outside the scope of an intelligence assessment. The estimate included, for example, comments on domestic Australian political developments, including a state election, disparaging comments on policies pursued both by Labor and by Coalition Governments, and comments on matters far removed from the subject of East Timor such as Wik/native title and greenhouse gases. There is nothing improper about querying existing policy—indeed, in all organisations this should be welcomed and encouraged, and there should be more of it. However, an intelligence

estimate intended to guide those preparing forces for combat is hardly the place to do so. Across the Australian Defence Force or the Australian Public Service there is not a single, agreed procedure on how to query policy, though some departments do specify procedures, but the most direct and forthright is a combination of written and oral submission to senior officers and or the responsible minister, rather than comment in an intelligence estimate. In short, the valuable material in the estimate was weakened by the inclusion of much that was not relevant to an intelligence estimate.

In its concluding core element the estimate envisaged four potential scenarios for East Timor—(A) Breakdown of Dialogue heading to Further Unrest and ABRI Reaction, (B) Autonomy imposed by Indonesia, (C) Agreed limited autonomy and (D) Independence. The estimate assessed (A) as the most likely outcome and (D) as the least likely. Although in the event the estimate did not prove to be a fully accurate prediction of what actually transpired, the core of the estimate was a very useful assessment. It is unfortunate that the estimate was not prepared in a way which would have made it more useful to DIO and to the Commander Australian Theatre. It is also unfortunate that there was not a more substantial exchange with Lieutenant Colonel Collins at the time which might have led to his assessment being prepared in a form which would have made it more valuable. The Defence Department and DIO correctly and promptly pointed out in writing to Headquarters Australian Theatre their concerns with the estimate but it is not apparent whether Headquarters Australian Theatre made these concerns abundantly clear to Lieutenant Colonel Collins.

chapter 4

oversight of the australian intelligence community

Our liberal, democratic society demands that all elements of government are accountable. Australians are entitled to be confident that government institutions are operating according to law, under the authority of ministers, and that they offer value for money, efficiency and effectiveness.

Intelligence agencies are no exception. Indeed, these obligations are, if anything, higher in relation to intelligence agencies than other branches of government. With the capacity to infringe on citizens' privacy and to undertake acts that without specific legislation might be unlawful, Australians are entitled to expect that intelligence collection agencies are properly scrutinised and held to account.

Complicating the requirement for accountability is the need for parts of the intelligence function to remain secret. It is not possible to disclose publicly the sources and methods of intelligence tradecraft without alerting intelligence targets. Disclosure of the technical capabilities of the agencies would limit their usefulness. And it is not possible to disclose the identities of some members of intelligence agencies without exposing them to danger, including counter-intelligence attack.

The system of accountability and oversight of intelligence agencies therefore differs from other parts of government. Purpose-specific institutions and systems are needed to deal with the tension between accountability and secrecy. But the need for secrecy should be no bar to a robust, effective and occasionally intrusive system of accountability. Where possible, intelligence agencies should be subject to the same scrutiny mechanisms as other parts of government. Where that is not possible, special systems and institutions should be in place to ensure a form of accountability that protects the viability of vital agency capabilities.

Current Accountability Arrangements

A system that balances oversight requirements and the need to avoid disclosure in sensitive areas has been developed over successive governments. The system provides a high degree of oversight, while keeping much of the work of the intelligence agencies out of the public domain. While it has public elements, the system necessarily works principally through a select group of ministers and parliamentarians, with the support of officials.
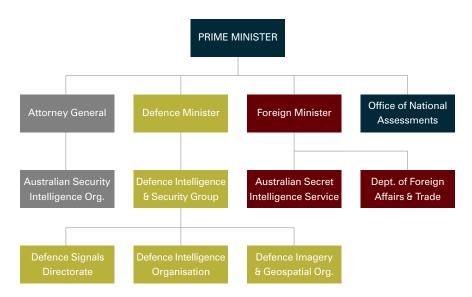
Much of this report details the substantial change in the intelligence community in recent years. The focus of the intelligence community is increasingly on terrorism; the level of public interest in intelligence activities is greater; and the funding available to the agencies has increased by nearly 90 per cent since September 11. In some areas, the oversight and accountability mechanisms applying to the foreign intelligence community have also changed—the passage of the *Intelligence Services Act 2001* and the establishment of the National Security Division within the Department of the Prime Minister and Cabinet are key reforms. But many other parts of the intelligence oversight machinery have remained unchanged—much of the architecture was established by Justice Hope, and other elements predate his inquiries.

At the highest level of government, the key oversight mechanism is the National Security Committee of Cabinet (NSC), and the Secretaries Committee on National Security that serves it. The National Security Committee, chaired by the Prime Minister, sets policy and decides the agencies' budgets. The NSC has a particular role in oversight: each year, the Committee considers the performance of the intelligence agencies, based on advice from the Department of the Prime Minister and Cabinet. In turn, the Department's advice draws heavily on an overview report on the performance of the foreign intelligence agencies prepared by ONA. In addition to this annual exercise, the Committee considers a range of high level issues on intelligence throughout the year, as part of its broader governance of national security policy.

In recent years, there has been a significant increase in the Committee's work programme, as defence issues and counter-terrorism have become pressing national concerns. The Committee has met at least monthly on average, and there have been periods when it has met on a daily basis. As a result, the Prime Minister and the group of responsible ministers are now much more focused on intelligence, and have developed a vigorous engagement with intelligence issues. One benefit from this has been that ministers take decisions

on intelligence and security matters in a more timely manner than would have been possible previously. On the negative side, the heavy workload on counter-terrorism and defence issues has driven out some less immediate but important work. In particular, the annual reports of the intelligence agencies have not been considered by the National Security Committee for the past two years, a situation that is regrettable.

With this expansion of National Security Committee activity related to intelligence and security has come a more concentrated focus for the Department of the Prime Minister and Cabinet. This is particularly so in view of the strong whole-of-government character of many of the recent reforms. However, only a small handful of staff in the Department of the Prime Minister and Cabinet are involved in intelligence matters. This Department has a key role to play in piloting policy in all areas of government, and a modest reinforcement of its resources and focus on intelligence matters would be warranted.

Like other branches of government, the key accountability mechanism applying to intelligence agencies is their relationship to ministers: ONA to the Prime Minister; DSD, DIO and DIGO to the Minister for Defence; and ASIS to the Minister for Foreign Affairs. Ministers, individually and collectively, oversee agencies' activities, approve their budgets and, in many cases, ministerial approval is required for individual operations. The sense of accountability to ministers is deeply embedded in the culture of the intelligence agencies. There is no hint in Australia of the semi-detachment from governmental structures and lines of authority that is a feature of some intelligence systems.

AUSTRALIAN INTELLIGENCE AGENCIES: MINISTERIAL RESPONSIBILITIES

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The limitation on some public forms of accountability places a special responsibility on ministers to be alert to the proper functioning of intelligence agencies. While other forms of accountability will assist, fundamentally it is ministers—with their high level of control over agencies—on whom much of the responsibility will fall. They should scrutinise carefully operational proposals that come to them and, while focusing broadly on the national interest, should consider as well the privacy and probity issues engaged in the work of the agencies. They will not have the time for exhaustive day-to-day investigation of the agencies but they and their staff should be alert to signs of sub-optimal practice, both in terms of propriety and efficiency. This places a heavy burden on ministers, who are inevitably busy with other tasks.

Following reforms in recent years, the accountability framework for most intelligence agencies has been provided by legislation. ASIS, DSD, ONA and ASIO all have legislation that authorises their functions, and circumscribes their activities. The *Intelligence Services Act 2001* provides the first legislative basis for the work of ASIS and DSD. The legislation clarifies the functions of the agencies and indicates publicly what the agencies may, and may not, do. In relation to ASIS, DSD and ASIO, the legislation renders legal activities that would otherwise not be so.

Overall, the Intelligence Services Act has been a major step forward in accountability arrangements for ASIS and DSD and is working well. In this context, the absence of a legislative framework for DIGO—like ASIS and DSD a collection agency that has the potential to infringe on the individual liberties of Australians—is a deficiency in the system that requires attention.

In addition to legislation, Cabinet oversight and ministerial responsibility, specific forms of oversight and accountability have been developed reflecting the particular needs of intelligence agencies.

Prime amongst these is the Parliamentary Joint Committee on ASIO, ASIS and DSD (PJCAAD). With the intelligence agencies unable to report to the parliament in the normal way, some system of scrutiny by parliamentarians forms a crucial part of the oversight system.

The forerunner of the PJCAAD was the Parliamentary Joint Committee on ASIO, established in 1988 under the Hawke Government. The expansion of the mandate of the Committee in 2001 to embrace ASIS and DSD represents a major step forward in the accountability of the agencies. The activities of the Committee have provided a significant parliamentary insight into the intelligence community, as well as opportunities for the agencies to benefit from the perspectives of experienced parliamentarians. Further, in the case of Iraq WMD, the Committee provided independent scrutiny of a particular issue of considerable community concern, without jeopardising the confidentiality required for the work of the agencies.

The Committee's mandate has two key limits: its terms of reference extend only to the budget and administration of the agencies, not policy and operational activities; and its coverage is of ASIO, ASIS and DSD only—not DIGO, ONA and DIO. The limitation to budget and administration reflects the complementary role that the Committee serves vis-a-vis the Inspector-General of Intelligence and Security: the Committee focuses on budget and administration, while the Inspector-General deals with the legality and propriety, including of the operational activity of the agencies.

The limitation of the Committee's mandate to ASIO, ASIS and DSD reflects a range of historical and policy issues. In relation to DIGO, the legislation that established the Committee was prepared before DIGO came into existence. In relation to ONA and DIO, the principal argument has been that, as assessment agencies, they do not engage in the sensitive activities that warrant additional

parliamentary scrutiny over and above that provided by the relevant Senate Legislation Committee. While recognising those distinctions, for reasons set out in full later in this chapter the Inquiry does not find them compelling reasons for continuing to limit the parliamentary scrutiny of some intelligence agencies.

Another accountability mechanism designed specifically for the intelligence community is the Inspector-General of Intelligence and Security (IGIS). With strong legislative backing (powers akin to those of a standing Royal Commission), the Inspector-General helps to provide independent assurance that agencies act legally, with propriety, under ministerial direction, and with regard to human rights.

The Inspector-General's functions vary: they are broadest in relation to ASIO, almost as wide in relation to the two other collection agencies (ASIS and DSD) and more limited for ONA and DIO. The Inspector-General can conduct an inquiry in response to a request by the Prime Minister, a minister responsible for an agency or, in relation to some agencies, without any specific direction from ministers. In certain circumstances, the Inspector-General can make inquiries in response to a complaint. The Inspector-General's authority includes complete access to agency records and strong powers to require evidence. The Inspector-General makes an annual public report, tabled in parliament, on the work of the office, including details on the nature and number of complaints received.

A further important mechanism, unique to the foreign intelligence community, is the oversight role performed by ONA. The *Office of National Assessments Act 1977* (section 5(1)(d)) provides that ONA should keep under review "activities connected with international intelligence" and bring to the government's notice "any inadequacies in the nature, extent or… coordination, of those activities". A key way in which ONA undertakes this function is the production of an annual report devoted to the performance of the intelligence community. This report examines the performance of collection and assessment agencies and draws broad conclusions about the adequacy of their activities.

While, overall, this reporting mechanism is of benefit to government, there are features of this arrangement that are not optimal. First, as ONA's resources have been stretched, the effort devoted to its intelligence oversight function has suffered. An oversight role for the complex and sensitive foreign intelligence programme of around $500 million per year warrants more than the scant resources that ONA has been able to devote to it in recent years. Second, the terms of ONA's coordination role, as set out in legislation, are unclear.

Third, there is no set mechanism in the Australian intelligence community to assist ONA's coordination efforts. And, finally, assessing its own performance presents complexities for ONA and can undermine the credibility of its role in reporting on the performance of other intelligence agencies. These shortcomings warrant attention, and a set of reforms is proposed later in this chapter.

Finally, the Australian National Audit Office undertakes annual audits of the financial statements of ONA, ASIO and ASIS. These are similar to audits of other federal government agencies generally. It conducts audits of the Department of Defence which broadly consider the financial operations of DSD, DIO and DIGO. The Audit Office also undertakes occasional performance audits of programmes relevant to the intelligence agencies, normally as part of broader cross-government work on security issues.

Inquiry's Findings in Relation to Accountability Arrangements

Overall, the accountability arrangements in the Australian intelligence community are working effectively. The National Security Committee of Cabinet is vigorous and engaged. The Intelligence Services Act has worked well in practice. The Parliamentary Joint Committee (by reviewing administration and expenditure) and the Inspector-General of Intelligence and Security (by reviewing operations and activities) provide complementary forms of scrutiny. And the oversight of the intelligence community exercised by ONA provides insights into the effectiveness of the agencies, on which ministers can draw for their own management.

There are, however, a number of deficiencies in current arrangements that warrant attention.

First, it is anomalous that DIGO does not come under the purview of the Intelligence Services Act. As a collector of intelligence, it has the capability to impinge on the privacy of Australians and, possibly, its actions could breach Australian laws. It is therefore appropriate that, like ASIS and DSD, DIGO's mandate be set out in legislation, so that the community can have confidence about what its functions do, and do not, involve. Similarly, it is appropriate that DIGO come within the purview of the Parliamentary Joint Committee in the same way that ASIS and DSD do.

Further, the mandate of the Parliamentary Joint Committee should be expanded to encompass ONA and DIO, as well as DIGO. This reform would widen the scope of parliamentary oversight to provide comprehensive coverage of

Australia's intelligence agencies. In turn, that would enhance confidence in the parliament and the public that the full range of intelligence agencies is accountable to a senior group of parliamentarians. The extension of the Committee's mandate will contribute to the better understanding of the agencies in the parliament and the broader community.

As is the case for ASIO, ASIS and DSD, parliamentary scrutiny of ONA and DIO should only extend to budgetary and administrative matters. It should not include the content of the assessments that they produce for government. Just as the advice that officials provide to ministers is not disclosed in Senate Legislation Committee hearings, the judgments of assessment agencies should not be subject to parliamentary scrutiny. Opening assessments to scrutiny by parliament would also weaken the instinct amongst assessors to provide forthright advice for government, which is vital for good assessment. However, the processes by which ONA and DIO produce their assessments is an area which could be open to parliamentary scrutiny.

In recommending that DIO and ONA become subject to the Parliamentary Joint Committee, the Inquiry is conscious that some of the factors which make it appropriate for ASIO, ASIS and DSD to be subject to the Committee are not relevant to DIO and ONA. As assessment agencies, they do not undertake acts that might, without specific legislation, be illegal. Nor do ONA and DIO impinge on the privacy of Australian citizens. However, the functioning of Australia's intelligence agencies is a matter of greater public interest and scrutiny than it has been in the past; and that interest is now strong in relation to assessment agencies as well as collection agencies. In these circumstances, it is appropriate that the parliament and, through it, the public should enjoy greater confidence in the activities of the assessment agencies. Moreover, ONA in particular, as the agency at the peak of the foreign intelligence structure, and which has an oversight role, should be subject to scrutiny in the way that other agencies are.

The Inquiry is also conscious that the budget of ONA is already available for public scrutiny in a way that the budgets of the collection agencies are not, and for that reason the argument for parliamentary oversight of ONA is not so pressing as it is for agencies whose budgets are not disclosed. While scrutiny by the Parliamentary Joint Committee may involve a degree of redundancy in terms of oversight, that redundancy will be of benefit if it contributes to public confidence in the intelligence system.

The mandate of the Parliamentary Joint Committee on ASIO, ASIS and DSD (PJCAAD) should be extended to all of Australia's intelligence agencies—that is, it should cover also ONA, DIO and DIGO on the same basis as it at present covers ASIO, ASIS and DSD. The parliament may consider renaming the committee as the Parliamentary Joint Committee on Intelligence and Security (PJCIS).

The Inquiry found that the Inspector-General of Intelligence and Security performs an important function in the system of accountability of the agencies. Most valuable among the roles of the Inspector-General is the power to investigate deeply into the conduct of the agencies. The penetrating character of those powers is a strong feature of Australia's accountability systems.

However, the Inquiry found that the power of the Inspector-General is not sufficiently broad. In particular, it is anomalous that the most recent addition to the intelligence community, DIGO, is not covered in the legislation governing the Inspector-General's activities. Although an informal arrangement has been settled that allows the Inspector-General to monitor DIGO, formal coverage of DIGO (comparable to the coverage of ASIS and DSD) should be provided by legislation.

Further, the Inquiry recommends that the Inspector-General should have the authority to initiate inquiries into ONA and DIO without ministerial referral. Currently, the Inspector-General needs the approval of the appropriate minister before undertaking inquiries into these agencies. While it is fully understood that assessment agencies do not have the capacity to infringe the liberties of individuals in the way that collection agencies do, it is still appropriate for the Inspector-General to have authority in relation to ONA and DIO. There is significant public interest in the activities of the assessment agencies, and recent cases have highlighted the questions that can arise about the propriety of the assessment agencies' activities, particularly from within their own ranks. It would be difficult for these questions to be dealt with by the normal public service processes, in view of the sensitivity and security issues involved. It is therefore appropriate for a mechanism to be in place for the Inspector-General to initiate his own inquiries into the work of DIO and ONA, on a similar basis to his role in relation to the collection agencies. The mandate of the Inspector-General should, however, relate to the propriety and legality of ONA and DIO's activities; and should not extend to judgments about the accuracy of their assessments.

RECOMMENDATIONS:

The functions and ministerial accountabilities of DIGO should be formalised in legislation by amendments to the Intelligence Services Act 2001. Similarly, the Inspector-General of Intelligence and Security Act 1986 should be amended to include scrutiny of DIGO on a basis comparable with that which applies to DSD and ASIS.

The mandate of the Inspector-General of Intelligence and Security should be extended to allow IGIS to initiate inquiries at his or her own discretion into matters relating to ONA and DIO without ministerial referral, consistent with the IGIS jurisdiction in respect of ASIO, ASIS and DSD.

In the Australian system, ministers direct their individual agencies. ONA is responsible for coordination, and for identifying areas of improvement in the intelligence community. ONA's responsibility is an important one. Ministers, with other heavy responsibilities, cannot be expected to exercise comprehensive daily oversight of their agencies: ONA's deep understanding of the foreign intelligence community provides a useful tool to assist ministers.

For a range of reasons, but not least for scarcity of resources, ONA's coordination role has not been fulfilled optimally in recent years. In Chapter 7 the Inquiry recommends an expansion of funding for ONA. That is principally to strengthen its role in assessments, but additional resourcing is also required to ensure that ONA properly acquits its oversight role.

ONA's oversight role also needs to be clearer, and its coordination mandate stronger. The wording of section 5(1)(d) of the ONA Act is obscure and does not clearly articulate ONA's responsibility for monitoring and reporting on the agencies' performance. Further, the Act does not provide ONA with the strong mandate for community coordination that it needs. Given the complex character of the coordination task and the key role that ONA needs to play in supporting the management of the intelligence community by ministers, a stronger coordination mandate is required.

RECOMMENDATION:

The Office of National Assessments Act 1977 should also be amended to strengthen ONA's community coordination role in section 5(1)(d).

ONA also needs additional government machinery to assist it in its coordination role. The current mechanism by which the Director-General of ONA can consult with colleagues on key issues affecting the intelligence community is an

informal meeting known as the Heads of Intelligence Agencies Meeting (HIAM). While HIAM has a role in maintaining informal contact among agency heads, a more formal mechanism is needed if the Director-General of ONA is to undertake his monitoring and coordination role in a more thorough and professional way.

The Inquiry therefore proposes the establishment of a formal committee, which could be known as the Foreign Intelligence Coordination Committee (FICC). Chaired by the Director-General of ONA, the FICC would include the heads of the intelligence agencies and the Australian Federal Police, and representation from the Departments of the Prime Minister and Cabinet, Defence and Foreign Affairs and Trade.

The key function of the FICC would be to assist the Director-General of ONA in his coordinating, monitoring and reporting function. The Committee should also consider cross-community issues including intelligence policy, capability development and resources. The Inquiry has also identified a wide range of specific issues, listed in the recommendations in Chapter 8, that the FICC should address at an early opportunity to assist in the better coordination and management of the intelligence community.

The FICC would, where appropriate, report to the Secretaries Committee on National Security and through it to the National Security Committee of Cabinet. Its work on resource issues would complement, and not replace, existing budget and policy processes, overall coordination of which would continue to rest with the Department of the Prime Minister and Cabinet. The Committee would undertake some of the more formal functions of HIAM, which would revert to meeting in an informal way.

RECOMMENDATION:

A Foreign Intelligence Coordination Committee (FICC) should be established under the chairmanship of the Director-General of ONA comprising the heads of ASIO, ASIS, DIO, DSD, DIGO and the AFP and Deputy Secretary-level representation from the Departments of the Prime Minister and Cabinet, Defence, and Foreign Affairs and Trade. The FICC should assist the Director-General of ONA in undertaking his role in coordinating, monitoring and reporting on the performance of the Australian foreign intelligence community, and should consider cross-community issues including intelligence policy, capability development and resources. The FICC should report to the National Security Committee through the Secretaries' Committee on National Security.

ONA's coordination role should be complemented by a less intensive, but still engaged, involvement by the Department of the Prime Minister and Cabinet in intelligence community management. While ONA will have the detailed knowledge of the intelligence community, the Department of the Prime Minister and Cabinet should have primacy in advising ministers, and take a particular interest in issues of funding. The Department of the Prime Minister and Cabinet should see ONA, with its deep background in intelligence matters, as a resource to use when issues of community management require decisions by government. But ONA should also have a role in highlighting issues that deserve further government action, and on which ONA will require the Department's support to pilot through the system. In short, the relationship between the two institutions on intelligence community management should be complementary and symbiotic—the Department of the Prime Minister and Cabinet should draw on ONA's knowledge base, and ONA should use the Department's authority in government to pursue key reforms.

A weakness in the system of performance reporting at present is ONA's role in assessing its own performance, as well as that of the rest of the community. This arrangement is out of step with wider performance reporting systems in government, provides at best a questionable guide to ONA's performance, and weakens ONA's role in reporting on other agencies. ONA's self-reporting role should be abolished. Instead, the Department of the Prime Minister and Cabinet should take responsibility for undertaking a short, focused analysis of ONA's performance designed for ministers, and timed to coincide with ONA's own report on the broader intelligence community.

RECOMMENDATION:

The Department of the Prime Minister and Cabinet should undertake an annual review of ONA's performance, replacing ONA's current role in reviewing its own performance.

Beyond all these standing measures, an evolving field like intelligence warrants occasional external examination. Such an examination can assist in managing the intelligence agencies by bringing fresh perspectives and assurance that systems are modern and effective. As a supplement to the full suite of accountability arrangements set out above, ministers may wish to consider the merits of an outside review every five to seven years.

The intelligence community should be subject to periodic external review every five to seven years.

Priority Setting Arrangements

A strong priority setting mechanism is vital for a healthy intelligence system. Effective priority setting ensures that the intelligence community is properly focused on matters judged to be priorities by Australian ministers. It gives collectors of intelligence the clearest identification of what information they are expected to collect. It ensures that expensive and potentially risky covert collection is not undertaken except where it is genuinely needed. And an effective priorities system helps to sort into an agreed set of targets the disparate needs of various parts of government.

While a rigorous priority setting system would have value in any system of information collection, it is particularly important for intelligence. Given the civil liberties issues and international sensitivities potentially involved, ministers should agree on what it is that covert collectors should target.

In the Australian system, the highest level intelligence priorities are set by the National Security Committee of Cabinet, which considers national requirements as a group at around 18-month intervals. The Committee also adjusts these priorities in the interim, as developments require. Overall, the Cabinet-approved priorities serve as a key source of guidance for the intelligence community.

Below this high-level consideration, considerable work goes on to ensure that collection agencies understand at a detailed level what information they are expected to collect. A monthly meeting of officials, chaired by ONA, spells out requirements in detail and indicates which collectors are expected to deliver on particular requirements. In addition, these meetings settle a list of mandatory topics for the month, on which all collectors are expected to gather intelligence, wherever possible. This provides an additional element of flexibility and allows short-term intelligence requirements to be met.

Beyond these formal priority setting processes, the collectors and their clients have developed a range of informal means by which they exchange information on their needs. The Inquiry heard from a number of intelligence agencies the high value that they place on these informal means of guiding collection effort.

Overall, the national priority setting process is working well. It engages ministers appropriately, and gives collectors a clear indication of the weight to be placed on different collection objectives. The distinctions and linkages between the processes delivering high-level guidance, and those providing finer detail are appropriate. Ministers have limited time to devote to the priority setting process, and it is appropriate that the details of intelligence requirements are dealt with by officials. The processes of informal feedback and tasking are a vital part of the system, and they too seem to be working well.

An improvement would be made to the system, however, if the National Security Committee of Cabinet were to consider intelligence priorities more frequently. As set out in detail later in this chapter, the system would benefit from working to an annual cycle, to fit into the reporting and resource allocation mechanisms (both of which are done annually). Setting priorities annually will also allow the identification of shortcomings in intelligence collection, which the reporting processes should highlight, to inform the development of priorities for the coming year.

While the national priority setting process is strong, the absence of a link to the priorities for Defence clients is a weakness. A separate system which set intelligence priorities specifically for Defence clients has fallen into disuse and, when it operated, it contained no link to the national priority system. The effect of maintaining separate national and Defence priorities is that ministers do not have the opportunity to judge the relative weight to be given to issues in the Defence priorities and those in the national priorities. Further, the absence of an integrated Defence and national priorities system means that individual collectors are left to decide what takes priority between Defence and national priorities. An important function of the priorities setting system is to ensure that collectors themselves are not forced into the difficult position of deciding between the needs of different clients.

To remedy this, the Inquiry recommends that the national and Defence priority systems be integrated. The integrated priorities system should generally follow the style (in terms of categories and level of detail) established for the national priorities system. The succinct and focused style of the national priority system is a considerable advantage of the current system, and should not be lost. Effort should be made to avoid it becoming cluttered with unnecessary detail and jargon. The integrated priorities system should be prepared jointly by ONA and Defence, in consultation with the Department of the Prime Minister and Cabinet,

for consideration on an annual basis by the Foreign Intelligence Coordination Committee, the Secretaries Committee on National Security and the National Security Committee of Cabinet.

RECOMMENDATION:

The Department of the Prime Minister and Cabinet should ensure the national and defence priorities systems are integrated, and approved by Cabinet annually.

Once priorities are set, continuous analysis of the success that collection agencies are having against key targets is also important. As part of their role, intelligence analysts should identify areas where there are gaps in coverage, and ensure that collection agencies are aware of those gaps. Further, to ensure that the collection effort is managed across the intelligence community at a senior level, there is a role for the proposed Foreign Intelligence Coordination Committee in analysing what collection agencies are producing against priorities, and what gaps are left. The committee should keep under review the success of collectors in producing intelligence on key targets, and ensure that government needs are met by a community-wide collection management strategy.

RECOMMENDATION:

The Foreign Intelligence Coordination Committee should develop and implement a community-wide collection management strategy.

Assigning Resources to Priorities

With more than $500 million invested each year in foreign intelligence, the government needs to be sure that the effort of the agencies is appropriately directed. This section analyses the mechanisms by which agency budgets are settled, and the relationship between budgeting, performance reporting and priority setting. While this chapter deals with systems, the actual resources devoted to each intelligence agency are dealt with in Chapter 7.

Resource management in the intelligence community is considered in two ways—agencies' financial allocations are settled as part of the normal budget process; and a separate report provides ministers with a comprehensive picture of the funding being applied across the intelligence community.

Each year, the budgets of ONA and ASIS (as well as ASIO) are settled by ministers as part of the budget process. The allocations for DIO, DSD and DIGO form part of the Defence budget, although specific issues relating to these

agencies are occasionally considered at the National Security Committee of Cabinet and the Expenditure Review Committee.

Beyond these regular budget setting measures, current processes also give recognition to the intelligence community as a group, operating across portfolios. The National Security Committee of Cabinet has in recent years considered a report (the resource report) examining the budgets of the agencies together, and giving ministers the opportunity to scrutinise budgets across portfolio boundaries.

Overall, these arrangements have worked well—the effective way that the budget mechanisms were used to respond to the need for greater intelligence support since 2001 is noteworthy. In response to the substantial need for greater intelligence resources following the September 11 and Bali attacks, government responded flexibly, with targeted packages of resources for agencies, tailored to the additional value they could add to government.

The Inquiry found, however, that there is scope to use the resource report better to advise ministers on the budget needs of the agencies, and to make recommendations on savings and efficiencies to be made within and across agencies. There is a key role for the Department of the Prime Minister and Cabinet, with the help of ONA, to develop the resource report as a mechanism to give ministers options for changes in resource allocation (including from one intelligence agency to another), which could flow through to the formal budget process. The resource report should also focus on the capital projects being undertaken by intelligence agencies in the Department of Defence, and provide advice to ministers on how these capability improvements relate to the wider intelligence effort.

RECOMMENDATION:

The Department of the Prime Minister and Cabinet should take an enhanced role in assisting Ministers manage the foreign intelligence community, using ONA's knowledge of the community as a resource. The Department of the Prime Minister and Cabinet should:

a) advise the National Security Committee annually on the performance of the foreign intelligence community

b) advise the National Security Committee on the appropriate priorities for the agencies, based on advice from ONA

c) undertake the central role for advising the National Security Committee on the resource needs of the foreign intelligence community.

The Inquiry found that while the budget, priority setting and annual reporting processes all work well, the absence of strong links among the three processes is a weakness. Optimal practice in financial management is to have a strong connection between processes for reporting on past activities, and planning and budgeting for future activities. The systems currently in place in the intelligence community do not provide this strong connection.

To remedy this, the Inquiry recommends a new cycle for performance reporting, priority setting and budgeting that is integrated, and designed to fit the broader government reporting and budgetary cycle. Specifically, the Inquiry proposes the following cycle:

SEPTEMBER–OCTOBER

- agencies' annual reports and ONA's report on the performance of the Australian intelligence community considered by the National Security Committee of Cabinet with advice from the Department of the Prime Minister and Cabinet

NOVEMBER–DECEMBER

- review of national priorities (reflecting any gaps identified in the performance reporting) and the report on resources, with proposals for changes in agency budgets and treatment of capital investment projects

JANUARY–FEBRUARY

- agency budget bids, reflecting ministers' consideration of the report on resources

This cycle should be led by the Department of the Prime Minister and Cabinet, with the assistance of ONA and, for the resource elements, the Department of Finance and Administration. The Department of the Prime Minister and Cabinet should also ensure that the performance reporting process feeds into the priority setting process; and that both the performance reporting and the priority setting processes feed into the resource report and budget processes. Further, the Department of the Prime Minister and Cabinet has a vital role to play in ensuring that these processes are in line with a realistic appraisal of the time that ministers can devote to intelligence community management.

Parallel to the systems for reporting on and resourcing foreign intelligence, there is a similar system in place for security intelligence. There would be practical benefit in Cabinet considering reporting and resource issues relating to ASIO at the same time as it considers those issues relating to foreign intelligence. That would promote better governance between the two systems, and ensure that complementary issues between the foreign and security intelligence communities are dealt with in parallel.

RECOMMENDATIONS:

The Department of the Prime Minister and Cabinet should ensure that the foreign intelligence community's reporting, priority setting and resource allocation mechanisms are aligned. Specifically:

a) The annual reports of agencies and ONA's report on the agencies' performance should be produced and considered by the National Security Committee promptly.

b) Annual reports, in particular the identification of intelligence gaps therein, should inform the priorities setting process, which should be undertaken annually.

c) Both the reporting and priority setting processes should inform the National Security Committee's consideration of the resource report.

d) The resource report should be considered each year in sufficient time to inform the individual budget processes of each agency.

The Department of the Prime Minister and Cabinet should ensure that ASIO's performance and resource reporting is undertaken in parallel with the process outlined in the previous recommendation for the foreign intelligence community.

suitability of the current division of functions among agencies

Clarity of Roles

The clarity of the role played by each agency in the Australian intelligence community, together with the minimal duplication of capability, is one of the strengths of the Australian system. Australia has five agencies focused on foreign intelligence. There are three collection agencies (ASIS, DSD and DIGO), and two with an assessment role (ONA and DIO). ASIO, Australia's security intelligence agency, incorporates both collection and assessment, as well as policy formulation and advice.

In general, the Inquiry found that the community works effectively and cooperatively. While many factors contribute to this, it is aided by minimal duplication of functions. It also reflects successive governments' lack of tolerance for bureaucratic infighting and insistence on broader whole-of-government approaches.

This chapter describes areas of overlap between the agencies, canvasses some options for structural change, and outlines how the foreign intelligence agencies interact with their security intelligence counterpart, ASIO, and with other closely related agencies. The inclusion of sections on AIC support to the Australian Defence Force and the Australian Federal Police, and interaction on counter-terrorism, illustrates the significant broadening in all agencies' mandates.

The Inquiry sought a wide range of views, both from within government and from external commentators, on the continuing validity of the current division of labour among the intelligence agencies. Many commented on issues related to DIO's function, particularly on the effectiveness of its support for the ADF.

Some saw a need for greater co-ordination of counter-terrorism related functions. Almost none, however, raised any major concerns related to agency roles, and only one had a proposal for a major reallocation of responsibilities among the agencies, apart from some rationalisation between ONA and DIO.

The agencies' success, by and large, in meeting the demands of a post 2001 security environment and the greatly heightened ADF operational tempo testifies to the soundness of the existing architecture. But new roles and increasing demands have brought about greater challenges in managing interfaces and new relationships. Each agency is evolving to meet the demands, and the Inquiry found no requirement for fundamental change to the structure of the AIC.

Separation Between Collection and Assessment

Within the realm of foreign intelligence, the separation between collection and assessment agencies is clearly defined. The collection agencies do not produce assessments, and although the boundary between analysis (necessary to make sense of the collection) and assessment can be blurred at the edges, the periodic issues which arise around this boundary have been resolved to date with no substantial uncertainties.

The Inquiry found strong support among the customer community for retaining a clear separation between collection and assessment activities. At both ministerial and senior official level, the clarity between unassessed intelligence and that which was the judgment or opinion of an assessor was highly valued. The distinction is also an important mechanism to institutionalise integrity of assessment, by creating a structure in which collection agencies are not responsible for assigning value or significance to the material they collect.

Notwithstanding the value of this clear separation, the Inquiry's case study into Iraq found that there was a need for greater and more dynamic interaction between collectors and assessors, and more information from collectors to assist the assessment community to attribute appropriate weight to human-source reporting.

The Collection Agencies

With the group of three foreign collectors, there is little overlap and no significant disagreement about the division of labour. This clarity, or lack of overlap, is also an important factor supporting collaboration between the agencies—with little or no duplication of function or expertise, each values the others' cooperation to achieve an optimal outcome.

Within this environment, there remain a small number of areas where the agency boundaries are less clear, and where collaborative approaches are essential to avoid duplication or conflict. Technological advances have created an area of common ground between ASIS and other members of the community. DIGO and DSD have recently commenced a project to examine the benefits of signals and imagery intelligence fusion, with imagery and geospatial analysts working alongside signals intelligence analysts to address common intelligence problems.

The Inquiry found no case for the merging of any of the collection agencies. There are periodic suggestions that DSD and DIGO, as the two 'technical' Defence agencies, might be combined. The similarity between the two agencies is limited, and the argument supporting integration ignores some major differences, including the very different skill sets needed to prosecute the sigint and imagery tasks, and partnership arrangements which argue strongly for continued separation.

Although somewhat outside the scope of this Inquiry, there have also been suggestions from time to time that ASIO and the AFP, as two domestically focused organisations, should merge. The Inquiry sees no compelling argument in favour of such a decision, and strong critical factors against it. Like DSD and DIGO, the similarity is superficial. Security intelligence and law enforcement are two distinct functions with separate methodologies, networks of relationships and constituencies.

The Assessment Agencies

The area of greatest overlap within the community exists between the two assessment agencies, ONA and DIO. The Inquiry received a broad range of inputs on this issue, and considered many arguments for and against the continuation of the current level of overlap.

The justification for overlap lies primarily in the value of contestability, which is covered in detail in Chapter 6. In essence, the Inquiry finds that the extent of contestability provided by an area of overlap between ONA and DIO is not the most effective way to achieve the desired result. In an environment of global asymmetric threat, where intelligence is playing an increasingly critical role in securing Australia, its people and its interests from attack, and where the ADF is maintaining its highest operational tempo for decades, a dollar spent wastefully on overlap is a dollar not spent on, say, more collection or more thoughtful assessment. Even more importantly, the small pool of intelligence analysts—an increasingly scarce resource as all agencies expand to meet the new government demands—is not being used optimally.

The second significant factor relates to a widely expressed concern about whether DIO is appropriately focused to meet the needs of a more operationally active Australian Defence Force. There was a perception among those interviewed by the Inquiry that DIO's successful campaign to lift the analytic quality of the agency's output had resulted in too great a focus on the strategic customer set, including those outside Defence, at the expense of its Defence and operational Australian Defence Force customers.

In its report into Iraq WMD, the Parliamentary Joint Committee on ASIO, ASIS and DSD noted its concern that ONA may be under-resourced, and suggested that either ONA be resourced at a level commensurate with the demands being placed upon it, or that a clearer division between the two assessment agencies be instituted, with DIO concentrating on military and strategic issues, and ONA looking at economic and political matters.

The latter suggestion would be virtually impossible to effect. A review of ONA and DIO reporting shows that few reports lend themselves easily to such categorisation—economic and political matters are often also strategic, and military issues often have political ramifications. But more fundamentally, it overlooks ONA's role as the peak intelligence assessment agency. ONA's value lies in its capacity to consider and integrate all relevant factors into a single assessment. Its role would be significantly weakened were its mandate to be restricted in such a way. ONA should, nonetheless, draw on DIO's expertise where it deals with defence issues.

The Inquiry found that the committee's first option, that of resourcing ONA adequately, will produce a better result. Chapter 7 sets out a proposed new

structure for ONA, with close to a doubling of resources, giving greater depth to ONA's capacity on the near region and priority global issues such as counter-terrorism, greater capacity to exploit open source material, and an enhanced community management role.

In DIO's case, the Inquiry recommends in Chapter 7 that its mandate be modified to focus DIO on producing assessments on foreign military capability and strategic intent, and on intelligence assessment, plans and advice in support of ADF operations.

Despite this narrower focus, there will inevitably remain areas of overlap between ONA and DIO, although these should be significantly reduced. The recommendation in Chapter 6 on managing this overlap is designed to extract maximum value out of what remains while eliminating waste.

Corresponding to the overlap with ONA at the strategic assessment end of DIO's business, there is a similar lack of clarity between the roles of DIO and Defence's operational-level intelligence centre, the Joint Operations Intelligence Centre, in the delivery of military intelligence support to the ADF. The Inquiry believes that the boundary issues at either end of DIO's business indicate a need for some rebalancing among DIO's major functions.

AIC Support to the Australian Defence Force

The increased operational tempo of the Australian Defence Force since 1999 has tested the effectiveness of intelligence support to operations. For the strategic-level agencies the Inquiry is concerned with, the overall picture is good, with significant progress made since Australia's involvement in UN-endorsed operations in East Timor following East Timor's independence ballot. The agencies responded well to the increasing direct support requirements of the ADF and have made good use of the opportunities presented by ADF participation in operations in East Timor, Afghanistan, Iraq and the Solomon Islands to develop and expand their capabilities. It is important to note, of course, that the extent to which the agencies' efforts can be assessed is shaped by the nature of the four major operations undertaken by the ADF since that time. The two operations led by Australia in East Timor and the Solomon Islands were peacekeeping, not combat, operations. Where Australia participated in combat operations, the overall intelligence system for the operation was planned and managed by the US, leaving critical components of the defence intelligence system untested in that environment.

Much of the comment the Inquiry received on AIC support to the ADF focused on the role played by collection agencies in support of operations. One of the most effective mechanisms employed by the collection agencies has been the deployment of liaison officers with operational headquarters. Liaison officers typically deploy with electronic reach-back access into their home agencies, enabling them to draw from the full range of strategic-level reporting and database information. For out-of-area deployments such as Afghanistan and Iraq, liaison officers provide a critical link to allied collectors.

Deployed liaison officers provided an important input to the protection of Australian forces during operations. They also assisted the deployed intelligence staffs to develop and maintain an independent assessment of operations in Iraq.

Building on the lessons learnt during these deployments, collection agencies can continue to improve their support, particularly in the way they integrate with the military headquarters and direct their efforts to supporting the deployed commander. Effective participation in exercises and earlier integration into the planning process will help agencies improve their support to operations.

Forward deployment of liaison officers during operations is the 'high end' of the collection agencies' support to the ADF. But both DSD and DIGO provide services or products on a routine basis that serve ADF needs. In DSD's case, this comes in the form of sigint support to operational ADF and allied assets. Its regular formal reporting, while aimed primarily at strategic-level customers, feeds into DIO all-source assessments which support broad ADF planning needs.

DIGO produces a range of regular products of direct utility to the ADF, such as digital mapping support of offshore areas, contingency support packages, three-dimensional visualisation packages, and graphical and animated products to support operational planning and activities.

The assessment agencies' relationship with the ADF is of a different nature. Appropriately, ONA product is of utility to the ADF only at the strategic level. DIO, by contrast, has as its primary customer ADF operational commanders and units, for whom it produces a range of products including formal assessments, military capability studies, country studies, and formal briefing products and services. It also maintains databases on foreign military equipment, capabilities and facilities to service both Australian requirements and partnership arrangements.

Leaving aside the Chief of the Defence Force and the three Service chiefs, who might be described as strategic customers in a peacetime context, the Inquiry

found ADF operational commanders had questions about DIO's role in supporting them. Most believed DIO was doing a good job, but saw its focus being at the strategic, not operational level. While few described their needs as being met by DIO product, this was usually not voiced as a criticism, but rather as a fact. DIO's work during the Iraq conflict was an important component of advice to government on Iraq, and has received wide acclaim.

AIC Support to the Australian Federal Police

The relationship between the AFP and the AIC has been increasing steadily over the past decade, primarily in relation to international drug trafficking and people smuggling, and now counter-terrorism. Both the AFP and agencies expect this upward trend to continue. The AFP Commissioner's attendance at some elements of the Heads of Intelligence Agencies Meeting has been a useful mechanism to support closer interaction, but needs to be extended to full membership to exploit fully the opportunities for cooperative efforts. Chapter 4 recommends that the substantive elements of HIAM be replaced with a new Foreign Intelligence Coordination Committee, and that the AFP Commissioner should be a full member of that committee.

While this report is focused primarily on the foreign intelligence agencies, it is important to note here that both the AFP and ASIO characterise their relationship as 'never closer'. The close cooperation, which intensified during preparations for the Sydney Olympics, was consolidated further by the Australian response to the Bali bombings. While acknowledging the challenges inherent in the different roles and cultures that exist in the two agencies, both leadership teams are committed to open and effective cooperation.

Despite the strengthening relationships between the AFP and the intelligence agencies, there remain some significant challenges in balancing the needs of the intelligence and law enforcement communities.

The first of these relates to use of intelligence for prosecutions. This issue brings the different roles of the law enforcement and intelligence communities into stark focus, where the latter's success is dependent on protecting its sources, methods and capabilities from public knowledge in order to guarantee continued access, and the former's success depends on revealing information to secure a prosecution. Lack of appropriate security clearances, restrictions on release of intelligence to overseas counterparts and problems in providing

plausible cover for intelligence have also limited the utility of AIC-derived intelligence in some cases.

Issues associated with the use of intelligence for prosecutions will be ameliorated with the passage of the National Security Information (Criminal Proceedings) Bill, currently before the parliament. This legislation, if passed, will allow the use of some AIC-derived material without being subject to public disclosure in court proceedings relating to serious criminal offences. While this will go some way to overcoming the problem, the AFP is undertaking a number of complementary steps to ensure better use of intelligence from the strategic agencies, including focus on internal security processes, intelligence training for AFP officers, better and earlier consultation with intelligence agencies, and greater efforts to develop plausible cover.

The second challenge relates to electronic connectivity, which is not optimised to support interaction outside the inner core of the AIC. This issue is covered in the discussion of electronic connectivity between the agencies in chapter 7.

The AFP is also seeking to have certain aspects of transnational crime elevated in priority with the collection agencies to increase the provision of intelligence on issues such as international drug trafficking.

Interaction on Counter-Terrorism

The primary focus of this Inquiry is the five foreign intelligence agencies and the governance systems that support them. This is a complex story, involving intelligence that feeds the Australian Defence Force, defence, foreign, immigration and security policy, and our trade objectives. Five years ago, the story would have barely touched on terrorism, which then had a relatively low rating in the national foreign intelligence assessment priorities system.

Today, the scene has changed dramatically, with terrorism the top target for the intelligence community. Counter-terrorism is not at the centre of the work of this Inquiry, whose remit extends to ASIO, Australia's key counter-terrorism institution, only in so far as it is necessary to analyse the work of the other agencies. However, given the focus in the wider Australian community on the terrorist threat and the substantial new resources devoted to it by government in recent times, it is appropriate to offer a level of examination of those new arrangements.

The high priority of counter-terrorism has given rise to considerable change in government institutions. The creation of a National Security Division in the Department of the Prime Minister and Cabinet in mid–2003 recognised that the threat of terrorism places new demands on the structures and culture of public administration. This division provides advice, briefing and support to the Prime Minister on national security issues including defence policy and operations, intelligence, non-proliferation, counter-terrorism, border protection and certain criminal law enforcement issues. In doing so, it coordinates across Australian government agencies and, as appropriate, with the states and territories.

Within ASIO itself the priority necessarily given to counter-terrorism has fundamentally affected ASIO's focus. Whereas in 1998 35–40 per cent of ASIO's resources were devoted to counter-terrorism, the figure is now well over 70 per cent.

A further major development was the establishment earlier this year of the National Threat Assessment Centre (NTAC), located within ASIO, which provides a 24-hour threat assessment capability. The centre is well resourced, with around 40 analysts directly involved in preparing threat assessments, plus support staff. It brings together staff from a range of agencies, and works in close coordination with intelligence collectors. NTAC assessments, used by the Department of Foreign Affairs and Trade in preparing travel advisories, also form a basis for determining the national counter-terrorism alert level, and inform a wide range of government decision-making about security.

A range of other institutional changes has been adopted since 2001, mostly aimed at building cross-agency cooperation. The Joint Counter-Terrorism Intelligence Coordination Unit was established in September 2002, and is aimed particularly at ensuring that all relevant national capabilities, notably collectors, are supporting significant counter-terrorist investigations and operations. The position of Ambassador for Counter-Terrorism, established in the Department of Foreign Affairs and Trade, provides a focal point for coordinating Australia's advocacy for, and contribution to, regional and international counter-terrorism activities at a diplomatic level.

A number of counter-terrorism committees have also been formed:

□ The Counter-Terrorism Information Oversight Committee (CTIOC), which exchanges information and identifies gaps in intelligence collection and develops requirements.

- The Terrorist Threat Coordination Group (TTCG), which discusses current threat intelligence, specific threat intelligence requirements, and other threat intelligence coordination issues.

- The Travel Advisory Threat Assessment meeting, which convenes after meetings of the TTCG to discuss issues relating to travel advisories and ASIO-DFAT coordination issues.

Together the changes represent a substantial amount of new structure and activity in government. Indeed, the Government has committed $3.1 billion over seven years to 2007–08 to fund these and the range of other measures undertaken since September 11 to respond to the increased threats to national security.

In the time available it is not possible, and probably premature, for this Inquiry to make a complete appraisal of the range and effectiveness of these changes in funding and organisational architecture. What is clear, however, is that the machinery of government reforms that have been implemented since September 11 and the Bali tragedy represent a substantial effort to deal with the increased terrorist threat. The scale of the response is appropriate and there are no clearly missing elements in the structures and institutions that have been developed. Another clear and positive feature of the changes is that they have been adopted on a whole-of-government level—the structures will require, and will promote, cooperation between agencies.

This range of institutional changes and new structures has, to some extent, developed in an ad hoc way. The Inquiry received some suggestions that this had resulted in unnecessary levels of overlap and ineffective use of resources. The Inquiry found that while there may be a case for rationalisation once the new architecture is fully operational, the case for that to happen now is not compelling. The serious character of the issues being addressed by the new counter-terrorism architecture is such that a level of built-in redundancy in the system is justified if it can lead to terrorists being identified and Australian lives being saved.

Another issue raised with the Inquiry was the volume and character of the intelligence product on counter-terrorism. A number of those interviewed told the Inquiry that, in the early post-Bali days in particular, the amount of intelligence material circulating in the system, including to very senior levels, was extremely difficult to manage. There was a tendency—a natural one—for threat information, almost irrespective of its provenance, to be passed to very senior levels of government. One particular example saw a task force engaged,

with very senior officials actively working on it and ministers involved, in response to no more than a single, uncorroborated, anonymous telephone call.

The Inquiry heard that better institutions and processes are now in place to assess threat information quickly, and to ensure that appropriate levels of response activity are generated. They also ensure that not every piece of threat information—particularly not those of highly dubious provenance—goes to the highest levels of government.

Notwithstanding these improvements, there is still a large amount of terrorist-related intelligence reporting that policy agencies need to digest. Like the intelligence community itself, the policy agencies need to establish mechanisms to enable them to manage this increased volume of material effectively. In relation to assessment agencies, it is already accepted that DSD and ASIS will provide information of this sort to ASIO first, so that some level of analysis takes place (and a proper judgment on the significance of the information made) before it is released to a wider range of readers.

DIO has an important role in alerting the ADF in particular to threat information, and its Military Threat Assessments are a vital tool to assist the ADF to understand, and respond to, threats to its members. At the same time, the reporting and analysis of terrorist information by DIO—particularly when it is specific threat information that is being produced—needs to take account of the specific responsibility that ASIO has for the assessment of threats to Australia and to Australian interests abroad. In particular, it is important that the provision of different threat advice to government is avoided wherever possible. This is an area where close consultation is vital, and where a divergence from the conclusions in an ASIO Threat Assessment should take place only after the most complete discussion between the agencies.

ONA has no role to report on specific threat information, focusing instead on strategic-level assessment of the terrorist threat. That is wise, and has served the government well. In other parts of this report, the Inquiry makes recommendations that would increase the size, capability and stature of ONA. While this Inquiry would in no way encourage ONA to engage in assessing individual threat information—a role that should be preserved for ASIO—the Inquiry does encourage ONA to engage deeply on the terrorist issue, and analyse it at all appropriate levels. It would make little sense to make a significant effort to reinforce ONA as Australia's peak intelligence body,

and have it work only marginally on the key near-term threat that government and the community are focused on. ONA should be deeply involved in the assessment of foreign terrorism, and should set as one of its goals to be a global centre of excellence in that field.

ASIO Support to Foreign Intelligence

ASIO fulfils a critical role in the provision of support to the foreign intelligence community. Its collection of foreign intelligence within Australia is carried out under section 27A and B of the *Australian Security Intelligence Organisation Act 1979* and section 11A, B or C of the *Telecommunications (Interception) Act 1979*. It is done at the request of either the Minister for Foreign Affairs or Minister for Defence on behalf of ASIS and DSD. ASIS and DSD report this material as they do from any other source. These relationships are well established and work effectively.

The provision of other intelligence relevant to the foreign agencies is generally in the form of formal ASIO product, including threat assessments from the NTAC. ASIO also distributes foreign intelligence reporting passed to it through its liaison relationships. The number of these liaison reports has increased significantly in recent years. This body of formal ASIO reporting has been of increasing value to ONA and DIO since the terrorist attacks of September 11 and the Bali bombings.

ASIS/ASIO

ASIS and ASIO have in common that they are both covert human intelligence collectors. But this similarity belies the substantial differences between the two agencies. Most fundamentally, ASIS's work relates to foreign intelligence, and ASIO's to security intelligence (see box). And while human intelligence is the vast majority of ASIS's work, ASIO's humint collection is only a fraction of its work—it is an integrated collection, assessment and a policy agency.

The ASIO Act defines ASIO's functions as:

- to obtain, correlate and evaluate intelligence relevant to security

- only for purposes relevant to security, to communicate such intelligence to persons appropriate for these purposes

- to advise relevant ministers and Australian Government authorities on security.

> Security is defined as the protection of the Australian people, as well as the Australian, state and territory governments from espionage, sabotage, subversion, acts of foreign interference or terrorism, both within and outside Australia. This definition also encompasses meeting Australia's responsibilities to any foreign country in relation to such harmful acts.
>
> Another function of ASIO is to collect foreign intelligence in Australia at the request of the Minister for Foreign Affairs or the Minister for Defence.

Fundamental to understanding the relationship between ASIO and ASIS is the definition of 'security intelligence', which underlies ASIO's role. As the ASIO Act makes clear, ASIO's responsibility is to protect Australia, its people and property against threats to their security from within or outside Australia. 'Security intelligence' is therefore not a synonym for 'domestic intelligence'—ASIO's role is limited only by its function of security intelligence, not by geography.

Similarly, ASIS's operational activities are not solely undertaken overseas. Collection of foreign intelligence in Australia, often in cooperation with ASIO, is a key part of its mandate. ASIO can collect foreign intelligence in Australia at the request of the Minister for Defence or the Minister for Foreign Affairs.

Because of the similarity in some parts of the two agencies' roles, the Inquiry heard views on the merits of combining the two organisations. Overwhelmingly, those who spoke to the Inquiry strongly preferred the current disposition of responsibilities. There is a range of reasons for that conclusion: the fundamental differences between intelligence collection against Australians and non-Australians; the very different legal frameworks within which the two agencies must operate; the merits in separating counter-espionage from foreign intelligence collection; and the similarity between the Australian division of labour and that of our key intelligence partners, which assists liaison.

There are inevitable boundary issues between two organisations with different, but in some areas close, responsibilities. Overall, the Inquiry found that the level of overlapping activity between ASIS and ASIO leading to tension was not great.

The Inquiry commends the efforts of the leaderships of both organisations to work more closely together, and encourages further efforts in this direction, particularly where it will reinforce good relations at the working level. Management in both agencies should look for opportunities for joint training of staff, and to continue to impart the message to their staff that cooperation between them is an important part of each agency's mission.

Communication Among the Agencies

Effective communication is one of the hallmarks of the Australian intelligence community. The cooperative nature of the community, the personal relationships between agency seniors, and the relative lack of dispute between the agencies were presented as highlights of the community by many of those who spoke with the Inquiry. These characteristics are noted and considered enviable by allied intelligence communities. There were few criticisms of the relationships within the community and the communication between agencies.

These observations were borne out by the findings of the Inquiry. There is an extensive network of interagency forums, with the longstanding Heads of Intelligence Agencies Meeting at the centre. Created soon after ONA's inception by the first Director-General of ONA, the HIAM was designed as an informal meeting to facilitate ONA's role of cooperative oversight of the intelligence community. In addition to the agency heads, deputy secretaries from the Departments of Foreign Affairs and Trade and Defence are members, and the AFP Commissioner has attended part of HIAM by invitation since 2000. Over the past few years it has become somewhat more formal, with an agenda and work programme. Nearly all involved describe this as a unifying and useful forum, not only for facilitating communication, but also as a mechanism for resolving intra-community difficulties and furthering cooperation.

Chapter 4 outlines a recommendation that the business of HIAM be transferred to a more formal committee, the Foreign Intelligence Coordination Committee, but the Inquiry sees value in HIAM continuing as an informal meeting between agency heads.

The collection agencies hold formal bilateral coordination meetings, usually at six-monthly intervals. Their agendas cover both management and operational issues, and they provide an effective mechanism both for resolving organisational conflicts not able to be resolved at more junior levels, and for setting a strategic agenda for cooperation between the agencies.

Finally, there are numerous community-wide meetings and working groups on specific issues. These range from intelligence target-specific groups through to administrative bodies like the AIC human resources forum, and the interagency security forum, established to oversee implementation of the recommendations of the Blick report on security. Some of these are standing bodies: others are formed in response to specific, time limited events. All of these are

supplemented by regular desk-level contact between agency analysts. Agency members also participate in a large number of inter-departmental committees.

While the sum of all of this is a well-networked community, this is not to suggest that there are not the normal tensions and frictions which exist between and within any organisations. But the Inquiry has received no indication that any of these are impacting significantly on the community's effectiveness. All were discussed openly with the Inquiry and, where problems have been identified, it is clear that agency seniors are investing an appropriate level of effort to their resolution.
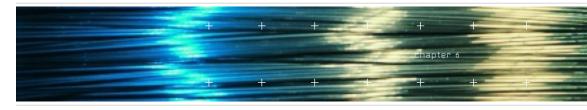
Conclusion

The architecture designed by Justice Hope in the 1970s for the Australian intelligence community remains valid, and there is no need for fundamental structural change. The separation between collection and assessment avoids duplication and provides a clarity between raw and assessed intelligence which is valued by senior consumers. It helps to ensure integrity of the assessment and collection process. The discrete boundaries around the collection agencies' functions avoid duplication and build mutual dependency and cooperation. But overlap between the assessment agencies is not being well managed and needs redefinition, with ONA's role as the peak national foreign intelligence assessment agency reasserted.

Communication and cooperation among the agencies is strong, and is a very positive feature of the Australian community. The leadership of the AIC must continue to foster this environment, noting the inherent risk of inadequate cooperation and coordination amongst agencies housed in separate portfolios.

AIC support to both the ADF and the AFP has increased markedly since 1999 and 2002 respectively, and is generally both effective and valued.

The greater interaction between foreign and security intelligence as a result of the counter-terrorist focus has required deeper cooperation and new structures. Interaction on counter-terrorism is developing rapidly and may need review once current structures are more settled.

contestability of assessments

Much of this report focuses on how the Australian intelligence community can best serve the national interest. A vital element is how to get the best information to the best analyst so that they can write the best assessment for government. But an analyst working alone, no matter how well prepared, will not produce a first-class assessment. For Australia to have the highest quality assessment, analysts need to be challenged, confronted by different perspectives, and alerted to flaws in their arguments. This chapter examines how the intelligence assessment community, with limited resources, can best challenge and test its assessment product.

The level of contestability in advice to government has, overall, been increasing in recent years. This reflects two broad trends: a changing relationship between ministers and the public service, in which governments look for a broader range of inputs to decision-making; and an enhanced capacity of the external environment to provide alternative sources of advice.

The surge in the availability of advice is not a feature of government alone. The increased flow of information, made possible by new technology, has had a dramatic impact on how day-to-day decisions are made in all fields—about which flight is cheapest, what jobs are available, and what financial services are most advantageous. In a similar way, government ministers have been able to access more competitive options, and are less dependent on the public service for advice.

Against this backdrop, it is not surprising that the Inquiry found widespread support for contestability in the area of intelligence assessments amongst ministers and those who have served as ministers in previous governments as well as in the policy, operational and intelligence communities. The rationale for contestability is strong. It supports effective decision-making by ministers by

providing differing viewpoints; it constitutes a check and balance mechanism against faulty assessment; and it ensures that the full breadth of government (and non-government) expertise is brought to bear.

What is at issue is how much contestability is needed inside government systems, how it should be achieved, and at what price. A key issue in settling these questions is how much overlap between agencies is needed to achieve contestability.

Means of Achieving Contestability

Contestability of intelligence assessment can be achieved in a number of ways:

- *Contestability between agencies*, achieved by having overlapping responsibilities between agencies.

- *Contestability within agencies*, achieved by effective challenge mechanisms inside agencies, and through access by intelligence customers to the source material behind assessments.

- *Contestability by joint assessments*, which force analysts from one agency to confront the views of others. In the Australian system, the key instrument for joint assessments is the National Assessment, which formalises consultation across the intelligence and policy communities and provides a mechanism for dissenting views.

- And, beyond the government framework, a level of contestability is increasingly achieved through the impact of *external commentators* (journalists, think tanks, academics), whose views are taken seriously by government decision-makers.

Overlap Between ONA and DIO

While the overlap in functions between ONA and DIO undoubtedly provides a level of contestability, it is interesting that this was not intended in the architecture drawn up by Justice Hope in the 1970s. He recommended the establishment of a "centrally located assessments function... placed in a location in the centre of government". He saw those parts of DIO's predecessor, JIO, which were clearly 'national' being transferred to ONA, and all other parts examined to see which should not be transferred. Thus the contestability which

is currently offered by areas of overlap between DIO and ONA is an incidental rather than planned part of our intelligence architecture.

The current level of overlap is relatively high. While a precise figure would be difficult to determine, by some estimates as many as 75 per cent of the topics covered by ONA are also covered to some extent by DIO, although the focus and level of detail are often different. But to be effective, overlap and contestability between agencies need to be properly structured—designed to maximise testing and to minimise waste.

Examining the contestability systems in Australian agencies against these criteria, the Inquiry found the system wanting in some important ways, partly as a result of contestability between agencies in Australia growing in a haphazard way, rather than being designed for specific outcomes.

First, there is very little coordination between the agencies on their work programmes, nor any clear management of which issues warrant contestability. Both have a weekly meeting—ONA to consider formally a forward work plan and DIO to brief, inter alia, current defence requirements. Collection agencies attend both, but neither assessment agency attends the other's meeting. As a result, there is a lack of coordination on what issues are significant enough to warrant coverage by both agencies.

Instituting a mechanism to enable discussion and, where necessary, agreement on duplication or reconciliation of ONA and DIO forward work programmes would be a useful step towards a more deliberate system of contestability (and would help to reduce unproductive overlap).

Second, there is no system for identifying clearly points of agreement and difference between ONA and DIO assessments. Where ONA and DIO write on the same topic, there is often some consultation but no systematic approach to weighing (and using or discarding) alternative views. Customers receive the material separately, and need to work out for themselves where the points of difference and agreement are. A clear articulation of the points of difference on substantive issues, and why they have come about—a potentially useful tool for decision-makers—is, save in exceptional circumstances, absent from the system.

RECOMMENDATION:
ONA and DIO should consult on and, where appropriate, reconcile their forward work programmes. As a minimum each should attend the other's existing weekly requirements meetings.

Notwithstanding the focus of recommendations in this and other chapters on reducing duplication between ONA and DIO, there will remain some areas of overlap. The agencies must ensure that substantive differences in assessment in this overlapping ground are clearly set out.

The National Assessments Process

The National Assessments process offers another, more formal, mechanism for contestability. The process by which National Assessments are developed, in which senior policy and intelligence officers debate and develop their key judgments on significant issues, is a robust exercise of challenge. The requirement to record dissenting views, where they exist, is outlined in section 8 of the *Office of National Assessments Act 1977*. This is an extremely important feature of the process from a contestability perspective: indeed Justice Hope had recommended that intelligence assessments should, in case of disagreement, expose the nature of the disagreement and provide for incorporation of minority dissents, and further that options of interpretation should be indicated. It is of note that dissenting views have been recorded only once to ONA's knowledge—and that some two decades ago—in the 220 National Assessments produced since 1978.

National Assessments

National Assessments are a special form of assessment provided for in the ONA Act. The Act stipulates that ONA must, as circumstances require, make assessments on international matters that are of national importance. National Assessments are intended to be an agreed product of relevant departments and agencies, although there is provision for dissent to be recorded when agreement cannot be reached.

Drafting is undertaken in consultation with an interdepartmental working group chaired by an ONA branch head. However, the Act requires that the Director-General of ONA shall consult with a National Assessments Board in relation to each National Assessment. The National Assessments Board will approve the terms of reference and the final text of each National Assessment—the terms of reference usually by an exchange of letters and the final text by a meeting of the Board.

The composition of the National Assessments Board is also laid down in the legislation. The board is chaired by the Director-General of ONA and includes representatives from the Department of Foreign Affairs and Trade, the Department of Defence, a member of the Defence Force, and an Australian Public Service officer (not from Defence or Foreign Affairs and Trade) with economic expertise. The Defence Intelligence Organisation normally provides the Defence representation. Other departments are invited to attend as observers.

The Act also required the establishment of an Economic Assessments Board. However, since 1998 the Economic Assessments Board has been subsumed into the National Assessments Board, and economic assessments have been approved by the National Assessments Board. A Treasury representative has been invited to attend most, if not all, of the meetings of the National Assessments Board since that time. Where Treasury does not attend, the position of economic expert is filled by the Deputy Director-General of ONA responsible for economic issues.

RECOMMENDATION:

The Office of National Assessments Act 1977 should be amended to remove the references to two assessments boards—the National Assessments Board and the Economic Assessments Board—to reflect the reality that there is only one National Assessments Board which covers strategic, political and economic issues, but with provision for different composition according to subject matter.

The production of National Assessments through a National Assessments Board is enshrined in ONA's legislation. During its early years, ONA produced more than 20 National Assessments annually, and they were the primary focus for the Director-General. This number has declined significantly over the years, with an annual average of less than four since 1984. In two years, none at all was produced.

NATIONAL ASSESSMENTS 1978–2004

YEAR	NUMBER	YEAR	NUMBER
1978	13	1979	39
1980	33	1981	25
1982	19	1983	13
1984	6	1985	11
1986	6	1987	2
1988	5	1989	5
1990	4	1991	4
1992	3	1993	3
1994	1	1995	0
1996	4	1997	0
1998	2	1999	8
2000	4	2001	2
2002	4	2003	4
2004	0		
TOTAL			220

In part the decline represents the increasing utility of intelligence to government, and the consequent high demand for more current intelligence. It also reflects the pace of government business—with new technology and a heightened tempo of government business, the demand for immediate advice has grown. The focus on National Assessments has also varied according to the preferences of successive Directors-General and, in recent years, has been influenced by some debate about the National Assessments Board process.

But the reasons, which are many and subject to differing perceptions, are less important than the fact of the decline in National Assessments. ONA needs the capacity both to serve current intelligence needs and to produce comprehensive assessments on issues of strategic significance.

RECOMMENDATION:
ONA should produce a greater number of National Assessments on issues of strategic importance to Australia and reflect significant dissenting views. A National Assessment should be prepared prior to any significant deployment by the Australian Defence Force, and in support of major strategic reviews.

At a less formal level, ONA and DIO joint reporting provides some of the benefits of National Assessments without the overheads. Such reporting should continue where appropriate, but not be used as a substitute for National Assessments on areas of significance.

The inclusion of officers from policy departments such as the Department of Foreign Affairs and Trade and the Department of the Treasury in the National Assessments Board is specified in ONA's legislation. The contribution of such officers is critical—they bring both unique expertise and policy context to the National Assessments process, which the Inquiry finds both warranted and appropriate given the importance of the topics under consideration. The Director-General of ONA has a vital role in ensuring that policy considerations inform intelligence judgments without influencing their integrity: the Inquiry received no indications of inappropriate influence from policy departments in any previous National (or Economic) Assessments Board.

Contestability Within Agencies

In light of the recommendation in Chapter 7 on a revised DIO mandate, internal contestability mechanisms become critically important to meeting government needs.

Within ONA, contestability is built into the process of developing an assessment, primarily through circulation of drafts, both within and outside the organisation, and through the clearance process, where both the key judgments themselves and the sources which underpin them are challenged. All ONA product is cleared for release by the Director-General. The level of challenge clearly varies with the significance and complexity of the issue under consideration, but it is a robust process underpinned by a strong culture of intellectual rigour. As a larger organisation producing greater quantities of product, DIO's processes are understandably somewhat different, with less external review of drafts, and clearance of product for release typically undertaken at a more junior level. As at ONA, there is a strong culture of contest and challenge.

Key to the success of internal contestability is the capacity of the analyst to engage widely to ensure the fullest possible range of views, and to interrogate the systems which provide the information. It is necessary not only to test what one has, but to identify what one does not have, and to seek to fill those gaps where possible. While the agencies recognise the vital nature of this and

reinforce it consistently with analysts, including through induction training, it does not always happen. Some aspects of the analytic workforce works against it: in personality terms, analysts are more likely to tend towards introspection than extroversion, and the process of broad and dynamic engagement is typically not natural. Security issues, where external sources or other government officials are not cleared for sensitive material, can compound the problem. The Inquiry's study of Iraq found that, while issues of high significance were discussed across agencies, the process of interrogating sources and engaging with external interlocutors was not a sufficiently dynamic one.

RECOMMENDATION:
ONA and DIO should institutionalise measures to ensure rigorous and interactive challenging of sources, and effective dialogue between collectors and assessors. They should also institutionalise measures to ensure effective challenge to judgments, including formal peer review mechanisms within, between and outside the agencies, and between technical and geographic experts.

An alternative approach to these 'mainstream' mechanisms for internal contestability involves establishing cells within agencies specifically designed to provide alternative—or deliberately contrary—views, either against authoritative assessments, or on self-generated topics. Often called 'red cells', these units provide contestability either by taking a fresh look at issues or playing the devil's advocate by looking for gaps or mistakes in mainstream assessments. Red cells use 'brainstorming' techniques and rigorous peer review.

This system of 'red teaming' has certain attractions. It gives contestability an established place in the system; and it ensures that specific resources are devoted to testing assessments and generating fresh ideas. In an intelligence system with bountiful resources, red cells would warrant a place.

In the Australian intelligence system, however, with limited funding, the establishment of red cells seems extravagant. Scarce high-quality analytical staff should be devoted to core assessment tasks, not to developing artificial critiques. Sufficient internal contestability should be achievable through the critical analysis of assessments by in-line staff, notably those in management positions. Further, there is a danger that artificial criticism might drive out good, straightforward assessment, and lead to as many blind alleys as fruitful paths.

Competing Sources

The focus so far has been on the Australian assessment agencies' product. But ministers and other intelligence customers get a range of related information which serves to challenge the judgments presented by the assessors. Some receive an amount of unassessed intelligence directly from the collection agencies, and can make independent judgments on its meaning. Diplomatic reporting from our overseas posts is a significant source of information—the volume of DFAT reporting on international, defence and security issues outweighs the volume of assessed intelligence by a factor of approximately twelve. And of course there is a range of policy advice from departments, which uses various sources, including intelligence, to come to judgments and make recommendations.

Foreign assessments, either in toto or as references within ONA and DIO reports, are also available to government, and provide an alternative view. Chapter 7 discusses the importance of getting greater access to, and making greater use of, assessments sourced from countries other than the US and the UK. This strategy would further extend the range and nature of material available to government.

An increasingly significant source of contestability comes from outside the government. The past four years has seen the most welcome arrival of two independent think tanks focused on international policy and intelligence and security, the Australian Strategic Policy Institute (ASPI) and the Lowy Institute for International Policy. Unlike some previous think tanks with a similar focus, which had difficulty maintaining critical mass, both have secure funding bases and strong leadership and staff. Without access to intelligence, such organisations are not on an equal footing with ONA and DIO in providing contestability; nonetheless, ASPI has already produced a number of useful strategic reports, and the Lowy Institute promises to do likewise in its field of international policy. An illustration of ASPI's utility in the strategic policy arena is the significant role its report on the Solomon Islands played in supporting government decision-making in its response to the worsening crisis in the Solomon Islands in 2003.

Complementing these institutes are a number of well informed and well respected commentators and journalists. Many have significant foreign experience, and bring to their commentaries a deep cultural understanding of the countries on which they write. Many bring a fresh perspective to the

debate—and often the capacity to view world events through the eyes of another nation or culture. And many have a deep understanding of what drives government and what its challenges are. They represent a potent and not to be underestimated capability.

How Do We Compare?

The US and UK systems offer points of comparison, but are ultimately of limited value to Australia's specific circumstances. While we have much in common with US and UK partners, Australia's intelligence needs are specific, and foreign models could not usefully be transferred without significant modification.

Size matters. The vast US system has the ability to support multiple assessment agencies—indeed, all 15 members of the US Intelligence Community are able to generate assessments, and many subagencies within those organisations produce assessments in their own right. Most American commentators regard this range of agencies—and their ability to deliver 'competitive analysis'—as one of the strong features of their system. As a point of comparison with Australian National Assessments, US National Intelligence Estimates register some form of dissent in approximately 10 per cent of cases.

US Intelligence Agencies

CENTRAL INTELLIGENCE AGENCY (CIA): provides foreign intelligence on national security topics to national policy and decision-makers.

DEFENSE INTELLIGENCE AGENCY (DIA): provides military intelligence to war-fighters, policy makers and force planners.

NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY (NGA): provides geospatial intelligence in support of national security.

NATIONAL RECONNAISSANCE OFFICE (NRO): coordinates collection and analysis of information from aeroplane and satellite reconnaissance by the military services and the CIA.

NATIONAL SECURITY AGENCY (NSA): collects and processes foreign signals intelligence information for national decision-makers and war-fighters, and protects critical US information security systems from compromise.

DEPARTMENT OF HOMELAND SECURITY (DHS): prevents terrorist attacks within the United States, reduces America's vulnerability to terrorism and minimises the damage from attacks that do occur.

DEPARTMENT OF ENERGY: performs analyses of foreign nuclear weapons, nuclear non-proliferation and energy security-related intelligence issues in support of US national security policies, programmes and objectives.

FEDERAL BUREAU OF INVESTIGATION (FBI): investigates acts of terrorism; deals with counterespionage and data about international criminal cases.

DEPARTMENT OF STATE: deals with information affecting US foreign policy. This includes the Bureau of Intelligence and Research (INR) which provides intelligence assessment to the Secretary of State and senior officials in the department.

DEPARTMENT OF TREASURY: collects and processes information that may affect US fiscal and monetary policy.

ARMY, NAVY, AIR FORCE, AND MARINE CORPS INTELLIGENCE ORGANISATIONS: each collects and processes intelligence relevant to their particular Service needs.

COAST GUARD INTELLIGENCE: deals with information related to US maritime borders and Homeland Security.

No doubt there are advantages in this level of contestability. But for Australia, with fewer resources, a level of overlap even remotely like that in the US system would be profligate.

The proliferation of US agencies also reflects the wider US government system, designed to satisfy the bifocal interests of the executive and the congress. The Westminster system, with its greater focus of power, does not need, or encourage, such a spread of assessment agencies.

Unlike the US, the UK system embeds contestability inside the core analysis unit. At the centre of the UK intelligence system is the Joint Intelligence Committee (JIC). Meeting weekly, the JIC settles the texts of all important UK intelligence assessments. Under a chairman based in the Cabinet Office, the meeting brings together the heads of all of the intelligence agencies with key policy figures—from the Cabinet Office, the Foreign and Commonwealth Office,

the Treasury and the Ministry of Defence. Servicing the JIC is a small group of talented analysts, drawn from the same group of intelligence and policy agencies. With a range of players at the analysis table, differences in view are highlighted and resolved inside the assessment process.

The JIC system has three advantages: first, it provides senior readers with one indisputably peak source of assessments on key topics; second, because all of the key agencies sit together to settle assessments, it is supported by a committee of experts from each agency, who bring a very high level of specialist knowledge on each topic; and third, because of the committee structure of the JIC system, lines of analysis are fully contested inside the system.

From an Australian perspective, the Inquiry found these benefits to be outweighed by the overheads of supporting such a committee structure, and the time delay inherent in a system where assessments are cleared by a weekly committee meeting.

Other Proposals

The Inquiry received one recommendation for an additional agency to be established—an analytic element within the Department of Foreign Affairs and Trade along the lines of the US State Department's Bureau of Intelligence and Research, commonly known as INR. While the rationale for this was to exploit more fully the information gathering capacities of DFAT officers overseas, and to provide more strategic assessments, such an organisation or element would also provide further contestability. The Inquiry does not find the arguments for creating an additional organisation compelling, primarily on the basis of affordability and further strain on the limited pool of qualified staff. The Australian system is not of a size to support duplication of intelligence functions, and runs the risk of losing critical mass in such capability if it does so. ONA has full access to DFAT reporting—indeed it is the second largest source for ONA after open source material although, as reflected in Chapter 2, analysts' access to diplomatic reporting is contracting with the reduction in Australian diplomatic resources. A rebalancing within ONA towards the strategic would produce the effect intended in the proposal for the creation of an INR-like body without the need for an additional organisation.

Conclusion

There are many positive features to the delivery of contestability in the Australian system. The culture of challenge and contest within the agencies is strong, and some simple to achieve process changes would give it greater assurance. The external environment is providing an increasingly positive and effective source of alternative views.

But against a clear and consistent message from ministers and a broad range of senior customers that contestability is valued, the Australian intelligence community needs to be more deliberate in its efforts to provide it. Most importantly, it needs to determine what is the most effective means to achieve contestability, both in terms of outcome and cost.

The Inquiry finds that contestability, highly valued by most intelligence customers, is not optimised under the current arrangements. Overlap between ONA and DIO is not managed to support contestability, and National Assessments are not being used to best effect.

The changes recommended to DIO's mandate in Chapter 7 will not—nor are they designed to—eliminate overlap between the two agencies. If the recommendations of the Inquiry are adopted, the decrease in overlap in terms of volume will be balanced by more deliberate management of what remains. This would be supplemented by strengthened internal contestability mechanisms, subject to external scrutiny. More National Assessments, with their inherent processes of debate and contest, would be produced, and the recording of dissenting views would be encouraged. As an adjunct, we can expect that the external inputs, such as those currently provided by think tanks, will continue to grow in number and capacity with a continuing strong focus on security issues nationally.

resourcing and effectiveness of the agencies

The Inquiry has examined the performance of Australia's five foreign intelligence agencies in their task of providing high-quality and independent intelligence advice to government. The Inquiry's examination has drawn from the perspectives of those working inside the organisations, key users of Australia's foreign intelligence product and a broad range of individuals with relevant expertise.

This chapter sets out the Inquiry's findings on the quality of support Australia's foreign intelligence agencies are providing government in the protection of Australia's security and the pursuit of key national interests.

The chapter also examines each agency's current resource levels. In most cases, budget supplementation in recent years has provided a firm foundation for the agencies to continue delivering high-quality intelligence on matters of enduring importance to Australia while ensuring that they are able to meet the challenges posed by new security threats and emerging national priorities. In a number of discrete areas, however, the Inquiry has identified funding shortfalls requiring further government attention.

The chapter deals in turn with each agency and includes a section on a range of issues with relevance across agency boundaries. It seeks to identify key factors currently affecting the quality of foreign intelligence produced by the agencies, to highlight areas of best practice and to propose measures to redress any weaknesses.

Each of the agencies faces its own set of challenges. There are, however, a number of themes common to all. For every agency—collection or assessment, Defence or civilian—the quality, professionalism and motivation of the people working in the organisation are fundamental to the contribution the agency is

able to make to Australia's national interests. All the agencies gain significant strength from their international linkages. And for every agency, the extent to which it is able to deliver the right product to the right recipients depends fundamentally on the relationships and the communication it has been able to foster with counterpart agencies in Australia and with the key customers of foreign intelligence.

THE OFFICE OF NATIONAL ASSESSMENTS

Background

The Office of National Assessments is Australia's peak intelligence agency. It is an autonomous body, founded by an act of parliament under which it reports direct to the Prime Minister. Its primary role is to produce analytical assessments of international developments to assist the Prime Minister, ministers and departments in the formation of policy and plans. It bases its assessments on information from within and outside government. Intelligence is one but by no means the primary source for ONA assessments, which have a heavy reliance on diplomatic reporting and published information. ONA also performs an intelligence community monitoring and coordination role.

ONA commenced operations early in1978, following royal assent of the *Office of National Assessments Act 1977* on 19 October 1977. Its genesis is found in a series of recommendations in the third report of the Hope Royal Commission on Intelligence and Security. At the time of the Royal Commission, national intelligence assessments were produced by DIO's predecessor organisation, the Joint Intelligence Organisation, and the National Intelligence Committee, both subordinate elements within the Department of Defence. Current intelligence assessments were produced by an element of the JIO operating under the direction of the Department of Foreign Affairs. Justice Hope found that there was "a need for a centrally located assessments function… placed in a location in the centre of government". He recommended that this be achieved by the establishment of an Office of Australian Intelligence Assessments, responsible to the Prime Minister, with a charter establishing its independence of control or direction by any policy department or direction by ministers as to what assessments it must make. Justice Hope saw this new organisation subsuming the national-level roles performed by JIO and the National Intelligence Committee.

Justice Hope's Office of Australian Intelligence Assessments came to fruition as the Office of National Assessments, with an Act which drew heavily on the recommendations of the Royal Commission. The Act directs ONA to prepare and furnish to ministers and other appropriate persons reports on matters of current significance and, as circumstances require, of national importance. It also gives ONA a responsibility for keeping under review Australian activities connected with international intelligence, and for reporting and making recommendations on any inadequacies in the nature, extent or arrangements for coordination.

It enshrines the independence of the assessments produced by ONA, and establishes two assessments boards, an Economic Assessments Board for matters primarily involving economic considerations, and a National Assessments Board for other than economic issues. It is headed by a Director-General who is appointed by the Governor-General for a period not exceeding seven years.

ONA produced its first report on 2 March 1978. In its first year of operations, ONA had 53 staff, and produced a total of approximately 140 reports, 13 of which were National Assessments. Since 1978, there has been considerable fluctuation in its numbers, with a peak in 1994–95 of 83 staff, 37 of them analysts, and a management structure including three Deputy Directors-General. Over the 26 years of its existence, ONA has had seven Directors-General, and served four governments, two from each side of Australian politics.

ONA Today

Today ONA is funded for a staff complement of 74, including 39 analysts. Its reporting output in 2002–03 was 908 reports (including 333 biographical notes), of which two were National Assessments. Its budget for 2003–04 was $13.1 million, representing less than two per cent of expenditure across the intelligence community.

By any measure ONA is a small agency. This is particularly apparent in comparison with US counterpart entities, but relevant too in terms of the Australian intelligence community. But despite this, or perhaps in part because of it, ONA enjoys a very strong reputation within its customer community, amongst the other intelligence agencies, with external commentators and overseas. The views expressed to the Inquiry on ONA's performance as an

assessment agency were generally very positive: this perception of ONA's strength was borne out by the Inquiry's examination of the organisation's output, staff and structure.

The key factor in this is the quality of ONA's assessments. Behind that lie high-quality staff, a clear focus, a flat structure and lack of bureaucracy, and a commitment to policy relevant, readable and short assessments. Its cooperative approach to its community oversight role is also seen as a largely positive feature of the organisation.

The Inquiry found that, while these characteristics serve ONA well, they also bring with them some downsides. In reviewing ONA's effectiveness today and making recommendations on its future size and structure, the Inquiry considered four main factors: the quality of its product, the quality of its staff, the issues associated with its small size, and ONA's role within the Australian intelligence community.

Quality of Product

ONA's capability is ultimately measured by the quality of its output. The almost universal opinion amongst those interviewed by the Inquiry was that ONA's product was very good. The qualities most commonly praised were its readable style, its relevance and its brevity. The main general concern expressed to the Inquiry on ONA product related not to quality per se, but to the balance between current and long-term reporting. There were several representations for more emphasis on strategically focused, longer term pieces. This was noted in ONA's own customer research, conducted in the context of its 2002–03 classified annual report, where several respondents articulated the need for a rebalancing of ONA's priorities to enable greater focus on longer term analysis, and noted the scope for more assessment on economic or resource issues which have important political content.

These observations were, by and large, borne out by the research undertaken by the Inquiry. ONA reporting is generally very readable, thoughtful and well-presented. Analysts are prepared to make judgments, which are typically well supported. ONA's 2002–03 customer research shows high levels of satisfaction against the quality criteria for assessment in its outcomes-outputs framework (unique, timely, responsive, relevant, accurate and forward-looking), with an average of around 75 per cent of customers finding that ONA mostly or always met expectations and requirements in these areas.

This is not to say that the reporting is faultless: the Inquiry's detailed study of the Iraq WMD-related reporting uncovered some inaccuracies, unsupported judgments and unintended judgment changes. Nor are ONA judgments invariably right, as other case studies in the report show. Although 100 per cent accuracy is not a realistic expectation, there are a number of measures identified in previous chapters which ONA could implement to guard against flawed reporting and judgments. In summary, these are:

- a conscious review and restatement of previous positions

- clearer identification of the basis for judgments in reports

- a more systematic approach to challenging assumptions

- greater active engagement of others by analysts

- more rigorous and consistent testing of sources

- greater use of external expertise.

While these measures should improve ONA's product, on balance the Inquiry found ONA's strong reputation within and outside government was well deserved on the basis of the product it distributes.

ONA produces six basic product types [see box]. Of these, the most common are the Current Assessment, and the Watch Report. Guidelines for each, including purpose, length and consultation requirements, are published in an analyst handbook, provided to every new starter. ONA also publishes a generic style guide for its product, stressing the need to be concise, logical and judgmental. It calls for spare, succinct and direct language, reports which are forward looking rather than descriptive, and focused on the implications of issues for Australian interests.

Types of Reports (other than National Assessments)

STRATEGIC ASSESSMENTS
Strategic Assessments are periodic reviews of Australia's strategic environment, or important aspects of it, prepared to assist policy deliberations. They are circulated in draft to interested agencies but are not subject to the formal mechanisms and the requirement for consensus that apply to National Assessments.

CURRENT INTELLIGENCE REPORTS

Most of ONA's reports are published as current intelligence in the following forms:

- Current Assessment
- Watch Report
- Intelligence Note
- Warning Report
- Biographic Report.

Like National Assessments, current intelligence reports identify underlying trends, forces for change, turning points and motives. They seek to make judgments and not simply report on developments. They look ahead but, especially in the case of crisis reporting, normally far less than National Assessments. Current intelligence reports do not have to be approved by the Assessments Board, but Current Assessments are shown in draft to interested departments. Watch Reports and Intelligence Notes are usually issued without consultation outside ONA.

CURRENT ASSESSMENT

The Current Assessment is ONA's standard form of current intelligence reporting for both political and economic issues. It has a normal length of two to three pages of text preceded by a short summary. Current Assessments are circulated in draft to the Departments of the Prime Minister and Cabinet and Foreign Affairs and Trade, DIO and other interested departments for comment.

WATCH REPORT

ONA produces Watch Reports during crises or when responding at short notice to sudden developments. In order to publish quickly, ONA is not committed to consult with other agencies. Watch Reports do not have any particular length, but every effort is made to keep them as short as possible.

Watch Reports are also used to provide summary analysis and narrative of an evolving situation to meet customer needs for a regular synthesis of information.

Though Watch Reports contain more narrative than most other ONA product, they should still be analytical in approach.

Part of ONA's success can be attributed to its focus, or clarity of role. At its simplest, this is to produce all-source assessments for ministers. Justice Hope noted, in his third report of April 1977, that "Ministers are, in the final analysis, the ones for whom intelligence advice is produced". This focus was reinforced in the articulation of ONA's functions in its Act, where there is specific reference to "appropriate Ministers and other appropriate persons" as the recipients of ONA's output. Much of what is valued about ONA product stems from that focus on a ministerial readership: policy relevance, readability and brevity.

But such a sharp focus on this customer set comes at a price. Policy relevance has to some extent translated to meeting only the government's immediate or short-term needs. Readability does at times result in lack of appropriate qualification or attribution. And brevity can lead to superficiality—it is not possible to do justice to all topics covered in Current Assessments, for example, in two to three pages.

The Inquiry found almost no-one who advocated major change to ONA's focus or style, but amongst some customers there was a belief that the pendulum had swung too far towards readability and brevity. The Inquiry finds that there is room for ONA to adjust the balance between readability and brevity on the one hand, and completeness and thoroughness of presentation on the other. It notes ONA's internal efforts to review its product and processes along these lines and encourages ONA to develop more flexible guidelines with respect to

length and type of reporting vehicle. In doing so, it will clearly be important not to lose the characteristics which are so valued by senior customers.

Of greater concern to the Inquiry is the current imbalance between current and longer term assessments. Greater use of the National Assessment vehicle, recommended in Chapter 6, will go some way to redressing that balance. But ONA is also encouraged to identify those issues where a longer look is needed, or where a short focused report might usefully be backed up with a longer research piece (much of the work for which will have in any case been done). The supplementation of resources recommended by the Inquiry is in part to enable more long term reporting: ONA must ensure that resources are allocated to this task and, once allocated, are not subsumed into current intelligence needs.

RECOMMENDATION:
ONA should give greater focus to longer term and strategic assessment.

While the balance of inputs to the Inquiry favoured ONA continuing with much the same focus and volume of output, some thoughtful representations were made that ONA should cater to a larger customer set—and that DIO's 'expansion' outside the strategic military assessment role reflected a market for intelligence that was not otherwise being fulfilled. The Inquiry did not, however, find strong support for greatly expanded ONA production, either internally or within the customer community, nor much evidence of unfilled requirements for strategic-level national assessments. While ONA is encouraged to give more deliberate focus to the needs of senior policy departments, on balance the Inquiry found that senior officials' needs were being satisfied by product designed primarily for ministers. Should DIO's mandate be refined as recommended, ONA will need to pay particular attention to senior Defence customers of intelligence, and may need to strengthen its analytic capacity on politico-military issues.

ONA product draws heavily on published or open source material—it is the single largest source of material for ONA reporting. Given its significance, the Inquiry believes that the Open Source Unit, currently positioned in the Department of Foreign Affairs and Trade, should be relocated to ONA. This would allow ONA to effect greater integration of open source material into assessment, ensuring that analysts are at less risk of losing sight of the substantial source material in the open domain. It would also enable ONA to manage open source collection within the broader construct of the intelligence burden-sharing arrangements, which is how the US views it. DFAT would welcome transfer of the Open Source Unit to ONA.

RECOMMENDATION:

The Open Source Unit (annual budget $2.5 million), at present within the Department of Foreign Affairs and Trade, and its budget should be transferred to ONA as soon as practicable over the next two financial years.

A vital element of the product quality question is independence. ONA argues that its Act represents a strong protection of its independence, and that this is supported by the culture of the organisation and its relationships with ministerial staff. The Inquiry finds this argument persuasive but not sufficient. Given the nature of the assessment business, where individuals' judgments are a key factor in the final product, and ONA's direct line of responsibility to the Prime Minister, with the consequent potential for charges of political influence, there is a need for some external process to ensure independence is preserved, and is seen to be so.

This relates both to the content of what is reported, and to what is not reported. In the former case, there is potential for either overt pressure from government or policy departments to reach a particular judgment, or an unconscious identification by the analyst with a particular policy outcome. In the latter case, analysts and managers may choose, either consciously or unconsciously, not to report on a particular issue of potential sensitivity for government.

A secondary element to the question of independence is whether ONA has the capacity to form assessments, particularly outside Australia's immediate region, independent of the much larger US and UK assessment agencies. This issue is discussed in Chapter 3 in the context of Iraq WMD assessments. In that case, ONA proved overall that it did have the capacity to form judgments which differed from those of US and UK agencies, although resource constraints and time pressures led to insufficient questioning of foreign-sourced intelligence reports.

The Inquiry finds that it would be appropriate for the Inspector-General of Intelligence and Security to review ONA's statutory independence on a periodic basis. As part of such a review, the Inspector-General might:

- read a selection of ONA product on key contemporary international issues to obtain a sense of the independence of the judgments

- interview a range of senior members of the relevant policy departments to gather their perceptions of the independence of ONA's assessments

- interview, under conditions of strict confidentiality, a cross-section of ONA analytical staff up to and including the Director-General

□ seek an account from the offices of the Prime Minister and Foreign and Defence Ministers of how they interact with ONA and what kinds of advice and feedback they have provided to ONA.

RECOMMENDATION:
The Inspector-General should conduct a periodic review of ONA's statutory independence.

Quality of Staff

That an organisation depends on the quality of its staff is a truism. Its meaning increases in relation to organisations, like intelligence agencies, which have a high reliance on intellectual capital. But for ONA it has a particular resonance. ONA's staff are the sum total of its capability—it has none of the technical wizardry of many of the other agencies in the Australian intelligence community. People of the highest intellectual calibre, judgment and experience are vital to ONA's success.

Justice Hope recognised this in 1977, writing that care should be taken to select people of high quality for the assessments staff. He proposed that the assessments staff largely be seconded from departments, the Defence Force and agencies, and that no-one should have a lien on any job or 'represent' his department, service or agency. He recommended that there should be an understanding that ONA may co-opt officers from other departments or agencies with particular expertise as required, and that an attachment to ONA should be recognised as an important landmark in an officer's career.

To a large extent, ONA has been true to Justice Hope's vision. The Inquiry heard very largely positive views on the quality of ONA staff. These reports were generally supported by discussions held by the Inquiry with ONA staff, both on more general organisational issues and in regard to specific geographic or functional areas. There was no indication that any staff sought to represent their home or former departments. In educational terms, ONA's record is strong, with 22 (more than half) of ONA's analysts holding doctorates or master's degrees. Despite this, the Inquiry did receive some indications that there was room to lift the intellectual calibre of ONA's effort in some areas.

Across the organisation, ONA has a strong cadre of experience, including significant language skills and cultural understanding. As at April 2004, ONA had a capability against 13 languages, mostly to a high level of proficiency.

While this is impressive for an organisation of only 39 analysts, it is notable that the loss of only two staff with multilingual skills (one of whom has six languages, the other four) would reduce that capability to eight languages. Equally importantly, around three quarters of ONA's analysts have lived and worked overseas, many in the countries on which they are working. The need for first-class analysts with depth of experience cannot be overstated: the great wealth of information available though intelligence collection, diplomatic and published sources, and through Australia's network of intelligence alliances can give optimal value to government only when assessed by analysts with appropriate contextual understanding.

A core of such experience is critical to the production of rounded assessments. ONA, with its flat structures and small numbers, is not a training ground for would-be analysts. Unlike the larger agencies, ONA would not be well served running its own graduate programme. Not only would the overheads be unaffordable, but ONA has few tasks suitable for the novice analyst. That said, ONA may obtain some benefit from participating in a limited way in the other agencies' programmes, particularly if the recommendation to increase its size is accepted. This could include involvement at the recruitment stage to enable some 'talent spotting', or work placements for graduates with particularly relevant skill sets.

But primarily ONA needs to employ people who bring with them significant levels of experience and analytic skill. While some of these are available from the private sector, mostly academia, and now potentially also think tanks, the capacity to second staff from other departments and agencies is vital to optimise ONA's success. This was clearly embedded in the Hope philosophy, but has had mixed success. ONA finds it more difficult now to second the staff it wishes to, partly because agencies are reluctant to release first-class officers, and partly because of the increasing emphasis in the public service on management experience, not available to analysts at ONA.

DFAT has agreed to make up to six officers available for secondment, and Treasury usually provides a smaller number of secondees. (Treasury has indicated the importance it attributes to continued economic representation within ONA, particularly at the senior level. While ONA is temporarily without a Deputy Director-General with an economic background, the recommended increase in staff numbers will allow that to be remedied.) There are also secondees from ASIO and DSD. While there have been up to two ADF secondees in the past, there is currently none.

The difficulties experienced by other agencies in making staff available to ONA are understandable, and it is not realistic to expect that ONA can or should have unrestricted call on any analyst it identifies, and on unlimited numbers. But agencies and departments are encouraged to view favourably ONA's requests for seconded staff, particularly during its period of expansion, should the Inquiry's recommendations in that regard be accepted. Where there is an agreed cap on the number of secondees, this should be renegotiated in line with ONA's increased overall numbers.

ONA has considerable flexibility in its employment mechanisms, and utilises this flexibility to good effect. In January 2004, its analyst population was made up of 17 ongoing employees, eight seconded employees, six contract staff and two consultants. This represents a healthy balance of core and shorter term staff, although the use of differing employment conditions creates some inevitable tension which needs to be carefully managed.

The Inquiry also found that ONA made limited use of short term contracts for specific issues, with only five contractors employed in this way since 2000. Greater use of such contracts to write a paper or share expertise would help extend the capabilities of a small workforce, and provide a relatively simple and inexpensive means of refreshing the organisation.

Training and development, and the related issue of career development are the cause of some concern within ONA. These issues were raised in the most recent staff survey, and also featured, to differing degrees, in discussion groups held with Inquiry staff, with most identifying career development as one of their top three priorities for change. It was particularly important to the younger staff who had career aspirations beyond ONA.

Despite the high level of skill that most ONA analysts begin with, they still need training and development. There is a view that analysts' skills are more inherent than learned—and this argument has some merit. But even 'born' analysts with broad experience have the capacity to become better analysts, or to retain their edge most sharply when challenged and refreshed. Apart from a reasonably well-targeted and well-received induction course, the current approach to training and development is best characterised as minimalist and ad hoc. Self-initiated proposals are usually endorsed, subject to availability, but there is little to no conscious management of staff's training or development needs, and little focus on the specific issue of career development.

In Chapter 3 the Inquiry identified shortcomings in the use and testing of intelligence sources, and the most accurate presentation of arguments in an assessment. It has also highlighted a gap in analysts' knowledge of IT tools, and the desirability of refreshing and developing analysts' cultural and/or technical expertise. There is also a need for some targeted focus on career development.

The extent to which formal training in the intelligence assessment discipline is needed at ONA is a contentious issue for staff. It is true that many ONA analysts come with well-developed analytic, research and writing skills—indeed they are selected on that basis. While these skills can certainly be honed with appropriately targeted training, the Inquiry found the real skill deficit was in the translation of those skills into the intelligence environment. Identifying gaps and driving an intelligence collection system are not necessarily intuitive—nor is an understanding or knowledge of the collection agencies' processes, capabilities and limitations. The recommendation for an intelligence community induction programme may help to meet the latter need. In relation to the former, ONA may find that the Defence intelligence training system has elements which might meet, or be modified to meet, ONA's specific needs. If ONA analysts are to take a more active role in collection management, such training will be critical.

Size and Resource Issues

As it is currently structured, each of ONA's analytic branches has between three and seven staff, including the branch head. All staff work directly to the branch head, who is also able to allocate the majority of his time to analytic work, and has few management overheads. The Director-General and his deputy review every product before publication, and all drafts go through the one editor for quality control. This contributes to a standard of product which is of a uniformly high quality. The small staff numbers add to the cooperative atmosphere and strong morale, with staff themselves attributing great value to the flat structures and ready access to the Director-General and branch heads.

Nearly all interviewed wished to retain what they saw as these positive elements of being small. Many customers and external commentators noted a concern that ONA might lose its edge if it were to grow significantly.

There was also widespread acknowledgment that ONA's small size brought with it a number of problems or limitations. These relate to capacity to produce assessments, depth and coverage of research for assessments, internal

contestability processes, active management of intelligence collection, and staff development opportunities.

The Inquiry identified the most important of these as the limitation on ONA's capacity to provide analysis on all key topics at any time. In most cases, ONA is literally only 'one deep' in expertise. It is unacceptable that ONA be unable to produce key assessments at the time they would be most useful or ensure appropriate expertise is brought to bear on assessments because the one analyst who holds that expertise is absent or unavailable. While there are other mechanisms which can help mitigate this problem, such as a conscious programme to identify and develop 'secondary' skills in analysts, the current number of analysts precludes effective reserve or back-up capability.

Many of the analysts at ONA identified inadequate time to research as of concern. To some extent it will always be so—no matter what the resources applied to an analytic problem, there will always be more that could be done. There are also a number of ways short of increasing the number of analysts to manage this problem. Training in the use of IT tools, for example, is extremely limited, with analysts both less efficient and less confident in their results than they might be. But employment of additional staff as research assistants would not only free up analytic time and potentially improve the quality of research—it would also serve as a potential source of new analysts for ONA. The proposed relocation of the Open Source Unit would also increase the size and strength of ONA's research capability.

The issues of strength of internal contestability and active management of intelligence collection are related in the context of size. Time is a significant factor in analysts' capacity to challenge and test sources, and perhaps more importantly to identify gaps and drive the collection agencies to fill those. A more systematic and formal approach to community-wide collection management is needed to ensure that the community operates to maximum value. In both cases, training, management emphasis, clarity of role, and underpinning process are also critical and need improvement. But even well trained analysts who understand the importance of doing these things and have a structure to support them in their endeavours can only do so much in one day. With current staffing numbers, the Inquiry finds that analysts do not have sufficient capacity to undertake the underpinning activities to produce the high-quality, robust, comprehensive assessments that government requires from ONA.

The opportunities for staff development are limited by size, amongst other factors. Maintaining excellence in staff requires investment, and the proposed additional expenditure for ONA contains a number of options which are not possible in a 'one-deep' organisation. Sending the one Pacific analyst to regional posts for up to three months, for example, would leave ONA unacceptably exposed. The flat structure also means that analytic staff have no management responsibility below the SES level, with a potentially adverse effect on their employability elsewhere in the public service. A placement in ONA should be enough in itself to further a policy officer's career. But the increased emphasis given to management experience in the policy agencies and the increased tempo of government activity in the international policy arena have led to a divergence in the skills valued by ONA and policy departments. Not only does this impact on ONA analysts' career options, it denies the policy departments access to the deep analytic skills developed by a secondment to ONA.

Proposed Expansion

Almost all of those who spoke with the Inquiry argued that an expansion of staff numbers was both essential and manageable. The Inquiry found that an approximate doubling of staff numbers would be appropriate to address the major issues identified. The cost of the revised structure, excluding the funding of $2.5 million to be transferred from the Department of Foreign Affairs and Trade for the Open Source Unit, will be $25 million per annum. This includes significant additional funding for analyst development overseas and enhanced engagement with allied agencies.

The main drivers behind the changes are fivefold:

- to increase the analytic strength in the top-order issues for Australia: the South Pacific, South East Asia, North Asia, terrorism, WMD and international economic issues

- to strengthen ONA's capacity to coordinate and oversee Australia's foreign intelligence agencies

- to strengthen ONA's research capability

- to strengthen quality control systems and training and development of analysts

- to ensure greater focus on cross-branch or functional issues (the importance of integrated analysis is highlighted in the Inquiry's findings on Iraq WMD reporting).

With the additional capacity, ONA will also have greater flexibility to respond to surges in demand.

It is important to note that the additional capacity for ONA is recommended not to boost the quantity of reporting output in any significant way, but to improve the quality and assurance of ONA's product—and to enable ONA analysts to create 'new knowledge' by analysing more, and reporting less. These goals will be achieved by greater analytic depth, more effective and comprehensive research, better training and development, stronger quality control, and more effective community coordination, including more rigorous collection management. Product quality will also be improved by greater focus on the process issues identified throughout the Inquiry's report.

In numbers, the changes will bring ONA staffing from 74 to 145, with the additional 71 staff made up of one additional Deputy Director-General, four additional branch heads, 18 additional analysts, 10 research assistants, five additional community coordination staff, nine additional corporate and IT services staff, and 24 staff transferred from the Department of Foreign Affairs and Trade with the Open Source Unit (five of whom are locally engaged staff (LES) based overseas). In addition, the liaison officer in Washington would be upgraded to a SES Band I position. ONA has one LES officer in Washington, and is in the process of recruiting one in London (this position is included in the current total of 74).

RECOMMENDATION:
The budget of the Office of National Assessments, Australia's peak foreign intelligence agency, should be expanded significantly from $13.1 million to $25 million (excluding $2.5 million by transfer from the Department of Foreign Affairs and Trade) by 30 June 2007 to enable a significant expansion in its analytic capacity.

An increase in ONA staffing along these lines would require appropriate accommodation arrangements. ONA currently shares a building with ASIO, an arrangement which works well, facilitates communication between the security and foreign intelligence communities, and is strongly supported by the heads of both agencies.

With ASIO too in the process of recruiting a substantial number of additional staff, the Inquiry finds that the best option for accommodation would be for ONA and ASIO, both expanded, to continue to share a single building. The Department of Finance and Administration is currently examining how this option might best be realised including through extending the existing ASIO building or through a new building.

ASIO has advised the Inquiry that one option would be for ASIO to vacate sufficient space in the current ASIO building to accommodate the recommended increase in ONA staffing. ASIO would then lease separate accommodation for those vacating the ASIO building, as well as the new recruits for which ASIO has been funded. This relocation would be temporary, perhaps for three to four years, until both agencies can again be accommodated in a single building. The Inquiry understands that the cost of such an option would be of the order of $11 million over and above the costs of any extended or new building. This includes the cost ($2.4 million) of a 24-hour guarding service at ASIO's leased separate accommodation.

This option would have several advantages: it would enable ONA to expand without the disruption of having to find new accommodation or being split across two sites. It would minimise disruption to ASIO which would, in any case, have to rent additional space to accommodate its new recruits. It would keep ONA and ASIO together, which is important for the integration of the intelligence community and its capacity to deal effectively with terrorist threats.

RECOMMENDATION:

Funding should be provided to ensure that an expanded ONA and an expanded ASIO, as already decided upon, can continue to share a building, including funding to cover transitional accommodation arrangements. The Inquiry is advised that the cost for this is likely to be in the order of $11 million over and above the construction and fit-out of an extension to the present ASIO building.

The timeline for implementing the changes will be determined to a large degree by accommodation issues, although the availability of suitable staff and ONA's capacity to absorb them successfully will also be defining factors. ONA foresees a three-year plan, starting with 15 additional staff in 2004–05, should additional space be available in the current building. Subject to accommodation availability, ONA would seek to recruit a further 20 staff in 2005–06, with the balance, including the physical relocation of the Open Source Unit, the following year.

The sum of the proposed expansion is a near doubling of ONA's current size. This will bring with it challenges, many of them of a nature or on a scale which ONA is not experienced in managing. ONA's key priorities must be to maintain the high quality of product and staff for which it is valued. While ONA will remain small in absolute terms, in relative terms the change is significant, and its impact on ONA's culture should not be underestimated. The Inquiry sees merit in ONA engaging expert assistance to help plan for and manage their expansion programme.

ONA's Role Within the Australian Intelligence Community

Within the foreign intelligence community in Australia, ONA plays a dual role, being charged with both producing National Assessments, and coordinating the activities of the foreign intelligence agencies. The combination of the two roles places ONA at the peak of the foreign intelligence community, with responsibility not only for utilising the output of the intelligence community, amongst other sources, in its assessments for ministers, but also for managing the coordination mechanisms which ensure that the community is producing what is necessary to contribute to those assessments. While ONA's assessment role is spelt out in detail in ONA's Act, the latter role is reflected only briefly, and in relatively unspecific language, reflecting what was appropriate and achievable in 1978.

The Inquiry finds that there would be merit in a clear articulation of ONA's role as Australia's peak foreign intelligence agency, and to have this reflected explicitly in legislation. Doing so would position ONA to fulfil to greatest effect the government's requirements for assessments on international matters that are of political, strategic or economic significance to Australia. The intelligence community has matured significantly over the past two and a half decades, and the requirement for the leading role played by ONA is largely accepted within the community, and more broadly within government.

There are two major elements underlying this concept of 'peak' agency. The first is to make quite clear that ONA is the national foreign intelligence assessment body, in line with Justice Hope's 1977 recommendations. A number of the changes recommended throughout this report complement this recommendation, not the least of which is the recommended change to DIO's mandate.

The second is to strengthen ONA's role with respect to coordination of the foreign intelligence community. The substantive issues which relate to this role, such as priority setting, oversight and accountability, are dealt with in Chapter 4,

and there are a number of recommendations aimed at strengthening ONA's capacity to deliver effective community coordination. Enshrining this role in legislation would formalise ONA's responsibilities to government in this regard.

The Inquiry believes that there would be merit in reflecting ONA's role unambiguously in its name. A name such as the Australian Foreign Intelligence Assessments Agency (AFIAA) would be appropriate.

RECOMMENDATION:
Consideration should be given to investing ONA with a name which reflects more accurately what it does and one which is more publicly understandable, such as Australian Foreign Intelligence Assessments Agency (AFIAA).

The new AFIAA, as the peak foreign intelligence agency, would produce more National Assessments, and more long-term reporting. It would have greater flexibility to second staff from within the public service community, and agency and department heads would be charged to ensure that secondments to AFIAA were recognised as career enhancing. It would play a more directive role in collection management, supplementing the current formal processes with working-level responsibility to identify gaps and drive intelligence collection.

Conclusion

ONA is a well-regarded organisation producing high-quality product with generally strong customer support. Its intelligence output, while highly valued for its relevance, readability and brevity, has too strong a bias towards current intelligence at the expense of more thoughtful, better researched longer term assessments, including more National Assessments.

ONA's performance is underpinned by highly skilled staff and flexible staffing strategies, with a healthy balance between permanent and short-term staff. Its secondment programme should be strongly supported by other agencies and departments, both in the release of high-quality officers, and in making clear the value that is attached to secondments to ONA. ONA's analytic talent is currently too thin, leaving it with insufficient depth both regionally and on globally significant issues. Training and career development need greater focus, particularly as ONA expands its staff numbers. ONA is also ill-equipped in resource terms to undertake effective community coordination, set out in its legislation.

ONA's role as the peak foreign intelligence agency should be asserted, both through a stronger legislative mandate, and through a more appropriate and

more publicly understandable name such as the Australian Foreign Intelligence Assessments Agency. A budget increase from $13.1 million to $25 million per annum (plus $2.5 million for the transfer of the Open Source Unit from the Department of Foreign Affairs and Trade and some additional one-off costs relating to accommodation), which includes an increase in staff numbers from 74 to 145, is recommended to equip ONA to fulfil its mission effectively. This includes an additional deputy Director-General and four additional branch heads.

THE DEFENCE INTELLIGENCE ORGANISATION

The Defence Intelligence Organisation (DIO) was established in 1990 as the Defence Organisation's strategic-level, all-source intelligence assessment agency. It is not an autonomous body; unlike ONA, DIO is a subordinate organisation within the Department of Defence with no separate statutory mandate or direct budget line. The organisation's character and purpose is defined by its position within the Defence portfolio.

DIO's current role is to develop all-source intelligence assessment to support the planning and conduct of military operations, Defence policy making and planning, capability development and wider government decision-making. Its functions fall broadly into three main areas:

◻ strategic-level foreign intelligence assessment relevant to the security of Australia

◻ assessment to support ADF operations and potential operations and

◻ technical assessment of weapons systems and defence technologies.

As an all-source assessment agency, DIO draws on a broad range of information, both covertly and overtly gathered. The Director of DIO also operates as principal strategic-level intelligence adviser to the Chief of the Defence Force (CDF) and senior ADF and Defence leaders to support strategic-level command, planning and conduct of ADF operations. In this way, DIO plays a key enabling role for the CDF and Defence leaders in executing their advisory roles to government and in the effective conception and execution of military operations.

The range of clients for DIO's product is broad, and includes non-ADF and non-operational customers, including outside the Defence Organisation. DIO's role and focus, however, are to provide intelligence support relevant to Australia's national security interests.

DIO is accountable through the Defence Deputy Secretary, Intelligence and Security, to the Secretary of Defence and the CDF. It is funded through the Defence budget and its performance is reported in a general sense as part of the Defence portfolio, as well as through DIO's own annual report and intelligence community-wide reporting mechanisms.

As a member of the Australian intelligence community, DIO's assessment priorities are guided by the National Foreign Intelligence Assessment Priorities process (see Chapter 4). Importantly, in DIO's case these general priorities are moderated by Defence-specific needs, particularly to support ADF operations, planning and capability development.

DIO Today

The organisation today operates with a staffing base of approximately 300: it has increased in number by about 12 per cent since 1999–00 and represents a mix of civilians and military personnel. Civilians increasingly outnumber military personnel. The decline in DIO's uniformed staff—from 34 per cent of total staffing in 1996 to less than 20 per cent in 2004—is a matter of concern dealt with later in this chapter. DIO has some 160 analysts, with the remainder of its staff in management and enabling functions.

DIO sits at the national level alongside Defence's key intelligence collection agencies, DSD and DIGO, and is a key part of the broader Defence intelligence system[1]. While single-Service intelligence assets still exist at various levels, defence intelligence is now regarded and managed in most respects as an integrated, cross-Defence capability.

DIO's formal output in financial year 2003–04 was 2,975 reports of all types, current and long term. Besides its formal publications, DIO maintains two major databases which are drawn on to varying degrees by the ADF and other parts of the Defence Organisation. DIO also operates as a centre of defence-related scientific and technical expertise to support broader defence capability development and national counter-proliferation objectives.

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[1] In organisational terms, the Defence intelligence system constitutes DIO, DSD, DIGO, the Defence Security Authority, the Joint Operations Intelligence Centre (JOIC) at Headquarters Joint Operations Command, the Defence Intelligence Training Centre and ADF intelligence staffs and units at the strategic, operational and tactical levels of command.

DIO's budget for 2004–05 is approximately $52.5 million (this does not include staffing costs of some $5 million a year for ADF personnel serving in DIO, which are met by the contributing Service). Of this $52.5 million, about $17 million is for civilian employee expenses and some $23 million for specific projects which DIO administers on behalf of Defence, with the remainder spent on administration, training, travel and security. DIO received supplementation in the 2004–05 Budget for 19 additional positions in priority areas.

Significant progress has been made in recent years to entrench an understanding of intelligence as a defence capability; that is, it should be regarded and developed in the same way as other front-line war-fighting assets represented by the ADF's air, land and sea forces. This is being accepted across Defence, but unevenly. Recent war-fighting trends and the evolving posture of the ADF are helping to push forward the integration of the intelligence function with broader ADF activity. As the tempo of ADF operations has gathered pace in recent years, and with the emergence of non-traditional security threats, the importance of good intelligence for ADF operations is being increasingly recognised. Intelligence is demonstrating its usefulness to military planners and operational commanders.

Institutional adjustments have reflected the evolution of intelligence as an integral military capability. Four years ago, Defence recognised that the portfolio's intelligence and security functions were sufficiently large, complex and significant in capability terms to be brought together in a single group. Intelligence was subsequently designated as one of the six key portfolio outputs. A Deputy Secretary for Intelligence and Security was appointed, charged with overseeing and coordinating the Defence intelligence system to ensure the system was structured and operating to provide the best and most relevant capability for the Defence portfolio.

DIO's purpose

DIO's remit is wide reaching, its customer base is broad and the demands on it are high. The complex character of the organisation brings with it a number of difficult challenges for DIO and Defence management.

DIO's mandate overlaps with the roles of other organisations at both ends; at the military end, there is overlap with other parts of the Defence intelligence system and, in terms of national-level strategic assessments, there is some overlap with ONA. Indeed, the two significant overlap issues in the Australian

foreign intelligence system both involve DIO. This underlines the need to define clearly the unique value DIO can bring to both the AIC and the Defence intelligence system, and indicates a need for better management of the boundaries DIO shares with other agencies. Better communication between organisations and deeper mutual understanding of their respective roles will be essential to this. DIO needs a redefined sense of purpose and its product, staffing and systems need to be geared to deliver accordingly.

Some level of overlap between ONA and DIO in strategic assessments is inevitable, given the set of common strategic issues on which each may legitimately report. Political and economic developments cannot be sheared off from a comprehensive assessment of defence strategic issues facing Australia. Seeking to define and police fixed boundaries between ONA and DIO assessment subject matter would be debilitating for both organisations and would produce assessments which are less comprehensive and contextualised —and less relevant—than they need to be. Defence leaders' understanding of key regional developments, for example, and how those developments might interact with ADF capability is at the core of their advisory function upwards and command responsibilities downwards. Just as ONA, as the government's peak assessment agency, will need on occasion to cover military matters in its assessments, so DIO analysts need to be aware of political and economic events and trends for the implications they might hold for Australia's strategic circumstances and future postures. They do not, however, necessarily need to publish on those subjects.

Some level of overlap—properly managed—is also desirable as a source of contestability in strategic-level assessments.

But there are costs. More than ever, DIO needs a sharp focus. ADF expectations of, and demands on, intelligence are growing. Far-reaching developments in war-fighting methods and military doctrine over the past several years have had a profound effect on the interaction of intelligence and military operations. The nature of modern war-fighting, notably the emergence of network-centric warfare has placed a premium on intelligence information and assessment to inform the development and execution of battle plans. While intelligence has always been crucial in war, today's wars fought with today's weaponry against today's adversaries are even more demanding of high-quality, timely and relevant intelligence support. The rise of non-traditional security threats, terrorism in particular, has also drawn intelligence as a capability to the centre of strategic and operational decision-making.

These developments are global, and have implications for military intelligence organisations and armed forces all over the world. In Australia's case, there is something more to it. Not only has the high ADF operational tempo in recent years placed additional demands on DIO (and on DSD and DIGO) but also the changing nature of ADF operations has forced a major shift in what defence planners and commanders need from intelligence. Intelligence as a military capability for the ADF is being tested now in ways it has not been tested for several decades. In East Timor in 1999, for the first time in decades, Australia was in command. Unlike many previous deployments, it was not an option for the ADF to rely on others for the intelligence and other support essential to keeping our soldiers alive and achieving the mission. While this was not the case in Iraq or Afghanistan, increasingly active Australian foreign and strategic policies in the Pacific region, in particular, have reinforced the centrality of intelligence as a war-fighting capability.

Demands on DIO from Defence are such that DIO cannot afford to be anything but tightly focused on priority defence-related needs. With finite resources, it is crucial that all members of the AIC focus on their central purpose and key clients, and that each agency concentrate its work and resources on areas where it is best able to add value.

Both DIO and the AIC would benefit from some deliberate refocusing by DIO on defence-related matters and the Defence customer. As an agency operating at the national strategic level, an important part of DIO's orientation is necessarily upwards, to the Minister, the CDF and senior Defence policy-makers. Important as this is, DIO's upwards focus should not come at the expense of its more prosaic but vital role of providing wide-ranging, up-to-date data and assessments required for the planning and conduct of military operations.

Better resourcing of ONA should help this readjustment. ONA, of course, needs to be alert to the needs of senior Defence customers when developing its assessments.

The Inquiry recommends that DIO cease to produce intelligence not directly serving Defence requirements for strategic-level defence-related analysis, noting that there are some specialist areas such as counter-proliferation on which DIO provides special expertise to support whole-of-government efforts. DIO should be more judicious in publishing on political-economic developments, and should do so only to provide context for military strategic assessments and in ways that draw out clearly the military strategic implications

of those developments. The resulting product should be more strongly defence oriented and distributed primarily to Defence customers. As leader of the Defence intelligence system, the Defence Deputy Secretary, Intelligence and Security, needs to take an active monitoring role in this area.

RECOMMENDATION:

The Defence Intelligence Organisation should cease publishing intelligence not directly serving requirements for strategic-level military-related analysis. The resultant product should be more strongly defence-oriented and distributed primarily to defence customers. The Department of Defence should take an active role in monitoring this.

Maintaining such a focus will always be a challenge and will continue to be a difficult management task for the DIO leadership team. A tighter focus is likely to mean DIO produces fewer assessments, and certainly less by way of current intelligence updates covering political and economic developments. This may require some adjustment on the part of DIO's high-level readership. Policy-makers in Defence and beyond will need to look elsewhere—including to ONA, to relevant policy departments and to open sources—for political-economic analysis and for updates on international events which do not have particular defence implications. They need to accept that DIO will not be able to continue to produce a comprehensive current intelligence update service on all matters. And they will need to appreciate that a good proportion of DIO's activity, including some of its most important and valuable work, will remain largely invisible to many.

Another set of boundary issues facing DIO are internal to the Defence portfolio and have to do with how DIO interacts and works in a complementary way with other intelligence elements in the ADF.

As with the DIO-ONA relationship, some level of overlap is inevitable. The very nature of the military intelligence environment, where the same information and analysis might have value at strategic, operational and tactical levels, has led to some blurring of the boundaries between DIO, the Joint Operations Intelligence Centre (JOIC) at Headquarters Joint Operations Command, the intelligence staffs at the environmental commands and deployed intelligence staff.

The boundaries between DIO's strategic-level focus on these issues and the operational and tactical intelligence work done by the JOIC and other ADF intelligence staff are complex and require high levels of mutual understanding, communication and goodwill to negotiate successfully. Managing these

boundaries will remain an ongoing challenge for the Defence Organisation as a whole.

The establishment of the JOIC (until recently the Australian Theatre Joint Intelligence Centre, ASTJIC) in 1996 recognised fundamental differences in the intelligence support requirements of Defence decision-makers at strategic and operational levels. At the strategic level, the principal consumer is the national-level policy-maker who is more interested in trends and broad capability assessments than the detail and ephemera of battlefield information. Intelligence needs at the operational and tactical levels are different: commanders want an intelligence staff which is theirs to task, directly responsive to their particular operational priorities and agile enough to drill down into the detail of the intelligence picture and the threat situation. While there will be some overlap—commanders need to be aware of strategic context and likely developments, and operational-level and tactical-level intelligence staff need to draw on data and analysis developed by DIO—this does not mean the efforts of the different intelligence functions are necessarily duplicative. Analysis conducted at the different levels of command—from the strategic to operational and tactical levels—supports significantly different purposes and applications.

Despite their distinct roles, there remains on going tension in relation to the division of responsibility between DIO and JOIC. This division was last agreed in February 1999 with a formal agreement between DIO and the Commander, Australian Theatre. There have been significant changes since then in ADF needs and operational orientation and reforms are still being implemented to ADF command and control arrangements. Defence intelligence arrangements must flow from and support current command arrangements, and the planned move of the JOIC from Sydney to the Canberra area, and the bedding down of new ADF command arrangements, affords a good opportunity to review the optimal intelligence arrangements to support the ADF. This move, however, will not be complete for several years and the current arrangements should be addressed, as much as possible, as soon as possible.

On this basis, the Inquiry recommends that working arrangements and divisions of responsibility between DIO and JOIC, last defined in 1999, be re-examined by the Defence Organisation to ensure they reflect current needs and command structures and to build understanding of them among staff. The performance of both organisations should be judged by their ability to work with each other in a complementary way. The Inquiry also recommends renewed efforts by both organisations to build mutual understanding and to ensure the organisations are

operating in an appropriately complementary way. The theory is not complex. Strategic-level assessment should cascade into operational and tactical-level assessment: intelligence analysts at the operational and deployed level should be able to reach into DIO product and data to inform the assessments they provide to guide their commanders and to support operational and field-level decision making. This complementary relationship should flow in both directions. The issue is not location, but communication, coordination and leadership.

RECOMMENDATION:

The Department of Defence and the Australian Defence Force should re-examine guidelines for the division of responsibility between the Defence Intelligence Organisation and the Joint Operations Intelligence Centre (JOIC), last agreed in 1999, to ensure they reflect current needs and command structures. DIO should undertake an outreach strategy with the ADF and the JOIC in particular to develop an agreed set of requirements and level of service in order to synchronise expectations and reduce duplication.

There is room for improvement on both sides. Under heavy workload pressure and information demands from high-level readers, DIO's day-to-day priorities have not always given prominence to the operational levels of the ADF and to support for Defence capability development. Even assessments produced by DIO for ADF customers are not always seen as meeting ADF operational needs.

Part of the solution rests in ensuring that DIO is staffed appropriately and has the systems in place and access to the ADF planning table it needs to underpin its understanding of ADF operational needs. DIO and the JOIC (and other ADF intelligence assets) need to continue working to coordinate their efforts to best draw on the strengths each brings to the assessment process.

While the relationship is not a direct causal one, the composition of DIO's workforce—and, in particular, the number of its ADF staff which has been reduced by about half over the past eight years—is a matter of some concern. The issue of ADF staffing is largely out of DIO's control, but DIO needs to continue to make the case to commanders to increase the number of its uniformed staff and secure high-quality ADF personnel in DIO. Even still, DIO is and will remain a predominantly civilian-staffed organisation working to a mixed civilian and ADF client base. Recognising this, the organisation needs enhanced strategies to build understanding among its civilian staff of the way the Defence organisation and the ADF operates, what its intelligence needs are and the particular conceptual lenses through which the ADF approaches intelligence assessment.

Discussion and debate within Defence about the preferred background (civilian or military) of the Director DIO position, dates back some time. Historically, DIO's leadership has been military—since the organisation was established in 1990, all but the current Director have been serving military officers at the level of Major General. A civilian head is unusual internationally. The Inquiry has considered the arguments on both sides of the debate and can appreciate some points in favour of having military officers represented in DIO senior leadership positions to help ensure the organisation is attuned to ADF needs and processes. Nevertheless, the Inquiry considers that merit should be the central consideration in determining who should lead DIO. Now more than ever, DIO needs to produce the highest possible quality of intelligence support to Defence decision-makers. The Defence Organisation as a whole cannot afford to settle for anything but the best possible leadership of DIO. The ideal outcome would be a Director of DIO who has both a strong military background and high-order analytical and management skills. To achieve this, the ADF needs to be prepared to acknowledge the importance of the position and its direct relevance to the defence of Australia by putting forward the highest-quality candidates for the job.

RECOMMENDATION:
The Department of Defence and the Australian Defence Force should, on vacancy, fill the position of Director, Defence Intelligence Organisation through a competitive selection of civilian and military candidates. Selection should be made on merit with a preference for a suitably qualified high-quality military officer if such an officer is available. The position should be filled on a 3–4 year contract basis.

The ADF for its part needs to be better at articulating its intelligence needs at all levels of command. The broader Defence Organisation has not always been good at understanding what DIO is able to do for them and in engaging DIO and the other agencies on their particular intelligence needs. An appreciation of intelligence as a core capability is also incompletely felt and implemented in some parts of the Defence Organisation. A higher level of engagement between intelligence functions and staff will be essential to the ongoing task of building mutual understanding, trust and interoperability between the organisations.

The shortage of ADF staff numbers in the Defence intelligence system is part of a broader ADF staffing deficit being felt in many parts of the Defence organisation. This deficit will not be easily solved. Here, as in other areas of ADF activity, ADF staffing levels require difficult choices—Service chiefs are finding

themselves increasingly with too few personnel available to meet demand across the organisation. Work currently underway to review staffing across all the Defence intelligence agencies for consideration by the Chiefs of Service Committee should bring a higher and welcome degree of coordination to the distribution of ADF personnel across intelligence functions.

RECOMMENDATION:

The Department of Defence and the Australian Defence Force should agree on a strategy to redress the shortfall of military personnel assigned to the Defence intelligence agencies, including in leadership positions, to ensure military staffing levels are commensurate with the growing importance of intelligence in war-fighting and planning.

A renewed mandate for DIO

There is a strong case for re-enunciating DIO's role in a way which makes clear, internally and externally, the organisation's core business—to support defence strategic policy and operational needs. Such a mandate would state DIO's role, as part of the broader Defence Organisation, to support Defence planning and operations through the provision of all-source intelligence advice on threats to the national interest, in particular military threats or those requiring a military response. A refreshed mandate would take account of organisational and structural changes, including the establishment of the Defence intelligence and security group and the creation of the position of Deputy Secretary, Intelligence and Security. It might also serve as a basis for renewed outreach efforts by DIO to build more dynamic interaction between the organisation and Defence customers and to promote a more active and engaged constituency for DIO product.

RECOMMENDATION:

The Department of Defence and the Australian Defence Force should issue a revised mandate for the Defence Intelligence Organisation which focuses the organisation clearly on supporting defence strategic policy and meeting the strategic assessment needs of the Australian Defence Force.

Quality of product

DIO produces much good quality strategic-level assessment. The organisation's staff mix, spanning analytic, technical and scientific expertise, is a valuable

asset. Readability and product presentation have improved considerably over recent years. The Director of DIO and his staff work hard to foster a culture of critical inquiry and internal contestability. Managers do not interfere inappropriately in the work of line analysts. Customer feedback to the Inquiry was generally positive.

The Inquiry did, however, hear some concerns about the breadth of DIO's range of reporting and the effect it has on the organisation's ability to provide intelligence support to ADF operations and defence policy planners at all levels. The organisational refocusing proposed above would allow DIO to be more responsive across all of its core constituency and to deepen the analytical base it is able to apply to complex defence-related assessment tasks.

Another related concern is the extent to which DIO's longer term strategic assessment task is being crowded out by perceived weight of demand for daily and other current products, including on matters not directly related to defence policy and operations. The bulk of DIO product is in the form of short daily reports and current intelligence snapshots. While this balance does not necessarily reflect the amount of analyst time devoted to current as opposed to longer term assessment, the trend lines are clear.

An ongoing challenge for DIO management, as for its counterparts elsewhere, is to get the balance right between short and longer term reporting. A lesson of recent crises has been the importance of balancing day-to-day crisis reporting with reports assessing broader trends over a longer time frame—putting immediate developments into context. The Inquiry's findings from the case studies in Chapter 3 underline the importance of wider use of the Strategic Intelligence Estimate in particular. Short descriptions and analysis of current events have limited shelf life; they do not represent the best investment of Australia's assessment resources. They distract busy analysts from the longer term strategic assessments which are of deepest and more enduring value for strategic policy-makers.

The current intelligence bias also exacerbates resource gaps at a time when demands on the organisation are high from new areas of reporting need (terrorism, ADF deployments), resulting in less work being done on issues of enduring and fundamental defence-strategic relevance to Australia. DIO must ensure it maintains its production of assessments of, and its expertise on, current and future military capabilities of most relevance to Australia's national

security. Such assessments are essential support for operational planning and procurement decisions. They must be given due priority, notwithstanding changing levels of demand for current assessments to support short-term decision-making.

The creeping dominance of the current intelligence load is not unique to DIO. The same pressures are felt by other assessment agencies in Australia and in allied communities and have been exacerbated by the quickening pace of globalisation and global inter-connectedness, the information revolution and the emergence of non-traditional security threats. There is now a greater volume of significant current intelligence for our agencies to report on. Customer appetites and expectations may also have grown in some areas, although a range of customers also expressed concern to the Inquiry about the volume of snapshot assessments flowing to them and the falling off of longer term strategic assessments. DIO managers and analysts themselves need to be more judicious in publishing current intelligence snapshots.

RECOMMENDATION:
The Defence Intelligence Organisation should give greater focus to longer term and strategic assessments. DIO should produce Strategic Intelligence Estimates for significant military operations and for issues of high security relevance to Australia.

Other areas for improvement

Chapter 2 identifies key attributes of high-quality intelligence assessment. A number of those attributes have been discussed in foregoing paragraphs. Others, including the growing need for close management of key parts of the intelligence cycle, are covered again below in discussion of essential supporting systems for high-quality assessment.

Contestability is another area integral to good assessment and one deserving of further attention. Chapter 6 of this report reviews formal and informal contestability processes operating in DIO (and ONA) and recommends more deliberate processes of critical review of product before it is published. DIO's organisational culture in general terms supports a healthy level of internal contestability. For DIO, as well as for ONA and others, the onus should continue to be on analysts and their managers to ensure that rigorous testing of assumptions, sources and inherited judgments takes place through all stages of the assessment process.

An important partner for DIO in this respect is ONA. There are many ways in which analysts in the two organisations engage with each other in testing assumptions and conclusions. Some of this takes place formally, through mechanisms such as the National Assessment and joint ONA-DIO reports. But most methods of contestability play out informally within and between assessment agencies and other sources of expertise. This should continue to be encouraged as an essential part of high-quality intelligence assessment.

Human resources and people management

The broad personnel mix that makes up DIO is a source of significant strength for the organisation. The staffing combination helps DIO straddle the different worlds of the policy-maker and the ADF planner, leavening high-quality analytical skills with relevant technical and military experience.

But the mix also presents a number of challenges to management in building methodological and cultural coherence in the organisation and ensuring consistently high-quality output. Most crucially, DIO management has incomplete control over the organisation's staffing profile, turnover rates and recruitment. It relies on the ADF for its military staffing and has opted to date to draw on central Defence recruitment processes for its graduate-level intake.

The steady decline of ADF personnel numbers in DIO (and other parts of the Defence intelligence system) is a cause for concern, including for the agency itself. While there is no mechanical relationship between the number of uniforms in the organisation and its responsiveness to ADF needs and ways, a good uniformed presence does help ground the agency in the Defence environment and assist mutual understanding. The Inquiry understands the many pressures and demands on the Service chiefs, and that civilianisation reforms have had an impact across many parts of the Defence Organisation. Still, the Inquiry considers that the pendulum has swung too far. It would be desirable if the examination of staffing coordination across the Defence intelligence agency workforce currently being undertaken for the Chiefs of Service Committee was able to go some way towards redressing the current situation.

Another part of this chapter (see Cross-community Issues) addresses training and professional development needs of the foreign intelligence agencies and recommends some community-wide coordination of analyst training, not only on arrival in an agency but during their careers. In DIO's case, training has to respond to the organisation's hybrid staffing mix. There is an ongoing, special need for DIO staff to be sensitised very early to DIO's Defence-related responsibilities and to the way the Defence Organisation—and its various intelligence components—operates. All DIO analysts and managers should undertake early intelligence staff training offered by the Defence Organisation.

The Inquiry heard from staff at all levels of DIO, including from senior leaders, a concern about the extent to which the organisation, and the broader AIC, is able to offer career paths to their intelligence professionals. There are difficult issues here for DIO and for the other foreign intelligence agencies.

The Inquiry is sympathetic to DIO on many of these points. Acknowledging these difficulties, DIO should develop and seek approval for career structures that enable it to fulfil its mission and attract high-quality staff. It should seek to develop a cadre of career intelligence professionals. The Inquiry recommends that the organisation explore possibilities for some broader use of the senior analyst designation in combination with other workplace reforms already under consideration by the agency and the Defence Organisation. Such reform should help DIO to retain key specialist analysts. Structural reforms in the direction of greater 'broadbanding' of work-level classifications and development of agency-specific workforce arrangements might also provide additional flexibility for management to attract and retain high-quality staff.

RECOMMENDATION:
The Defence Intelligence Organisation should review its workforce management structures, including possible introduction of agency-specific workforce arrangements and wider use of senior analyst positions and Australian Workplace Agreements, to attract and retain high-quality staff, particularly in key technical and scientific disciplines.

Support Systems

Good assessment is defined by more than words on paper. Good assessment also requires more than top-quality staff, important as these are. Good intelligence assessment requires active and engaged management of the full

intelligence cycle—from defining intelligence requirements right through to dissemination of product and assessment of customer feedback. Support functions are crucial. An organisation will not produce high-quality, timely and relevant assessment in the absence of effective systems for determining what to write on, in what form, for whom, in what order of priority. Effective systems are also needed to determine what raw intelligence analysts need to see and what gaps there are in the intelligence picture.

Current systems in DIO are not functioning as effectively as they need to. Reforms undertaken over the past several years to strip back inefficient processes have helped to reinvigorate the organisation but they have also revealed some systems gaps.

The need for more deliberate and systematic management of the intelligence cycle has been recognised by the organisation itself. A comprehensive review of DIO's computer support, publication and dissemination systems is planned with a view to overhauling DIO's production processes. The Inquiry commends this step and recommends that a similar review be undertaken of DIO's intelligence management processes in totality.

Acknowledging the serious security challenges facing Australia and the high ADF operational tempo of recent times, DIO should continue to re-examine and test the procedures it has in place for crisis management. Sustainability issues will be inevitable where crisis situations continue for extended periods. The problem can be eased by ensuring limited expertise is applied only to tasks which require it by internal reallocation of resources or borrowing from other agencies where possible (although others are likely also to be involved in their own agencies' crisis efforts) and by designing shifts to relieve stress on staff. None of these pressures are unique to intelligence agencies. Systems need to be shaped to deliver surge capacity as needed while minimising staff burn-out and ensuring that the rest of the organisation is able to continue with its essential tasks.

Coordination & Oversight of the Defence Intelligence System

The designation in 2001 of a dedicated Defence Deputy Secretary, Intelligence and Security, recognised the need for high-level stewardship of defence intelligence as a front-line defence capability. The appointment has already had an impact. Importantly, it has helped promote within Defence an image of the Defence intelligence agencies and staffs as distinct parts of a team, working

towards the same basic goals. It has also helped encourage closer cooperation and coordination across the agencies, and has provided a focal point for engagement with Defence capability and resource planning and with other departments and agencies on wider intelligence and national security matters.

Nevertheless, there is still some way to go in portfolio-wide coordination and communication. There is an important job to be done in cross-community management, in driving the development of the Defence intelligence capability and in coordinating activity and priority setting across the Defence intelligence system. The Defence intelligence system is a complex grouping, consisting of agencies with much in common and much also to separate them. Each characteristically has its own orientation, reflecting its technical focus and history.

The position of Deputy Secretary, Intelligence and Security, is not appropriately resourced for the task. As things stand, only two staff work directly to the position. While the coordination task is lodged with the Deputy Secretary, the staff to support the position's coordination and community management roles are lodged elsewhere, distributed among the intelligence agencies. It is something of an anomaly that staffing to support intelligence capability development, a central responsibility of the Deputy Secretary, currently resides inside DIO, just as community wide financial and administrative oversight is managed by a unit lodged in DSD.

This situation is not ideal. The Inquiry recommends a clearer matching of resources and responsibility such that the Deputy Secretary position is functionally united with its staff. This would entail a restructuring to shift the position of Director-General, Intelligence Capability and Support to Operations, and associated staff responsible for system–wide coordination and intelligence capability development from DIO to the Deputy Secretary staff. Similarly, staff lodged within DSD and performing system-wide resource management and business operations functions should also work directly to the Deputy Secretary. While accommodation shortages may preclude co-location, lines of reporting should reflect lines of responsibility, direct to the Deputy Secretary position. Correcting the current situation and ensuring that the Deputy Secretary position is adequately resourced to drive coordination of the Defence intelligence system should also relieve some pressure on the directors of DIO and DSD.

The Deputy Secretary has a key coordinating role to play to ensure the Defence intelligence system collectively is geared to producing the right kind, quality and amount of intelligence support to the Defence Organisation. This means playing

a central role in overseeing collection and liaison management, tasking and priority setting for the Defence intelligence system, and working to invigorate a more dynamic engagement by the broader Defence Organisation in the development of the Defence intelligence capability. An important part of this involves interpreting future needs and reaching back into the system to ensure priority requirements are understood by the agencies and that the agencies have the tools and resourcing to meet these needs.

RECOMMENDATION:

The Department of Defence and the Australian Defence Force should restructure current arrangements to ensure the position of Deputy Secretary Intelligence and Security is supported by adequate resources to undertake an effective coordination role for the Defence intelligence agencies. In particular, staff working on defence intelligence system-wide coordination and capability development issues, and cross-agency administrative issues, should be functionally united with and report directly to the Deputy Secretary.

Resources

For DIO, the primary issue is not resources; it is organisational focus. A number of areas of DIO activity have not received adequate attention and corresponding resources in recent times. Those gaps, discussed above, are not only in depth of coverage of key subject areas; they are also in maintenance of essential supporting systems and back-office functions through which DIO manages the intelligence cycle. The gaps have been made more obvious by the high level of intelligence activity and ADF operational tempo over the past several years.

DIO alerted the Inquiry to a number of areas in which it is seeking, or would like, resource supplementation.

A number of these relate to increased analytical staff resources to deepen the organisation's coverage of a number of important subject and country areas. The Inquiry notes recent funding supplementation provided to DIO in the 2004–05 Budget for 19 additional staff positions to increase analytical strength in a number of key areas. This targeted supplementation, combined with the sort of organisational refocusing recommended above, should help fill any gaps. Nevertheless, over time, DIO should continue to be alert to any significant resource weaknesses in emerging and priority areas and should continue to make a case for supplementation where internal reallocation of resources cannot provide the coverage needed.

Under-investment in DIO is perhaps most acute in information management. There is a risk that information may not be exploited to its potential because of assessment bottlenecks. As noted above, the Inquiry recommends an early, thorough and integrated review by DIO of its business systems and its information technology needs. Any strategy for upgrading DIO IT systems needs to be developed in a complementary way with AIC processes. Depending on the form of re-engineering required, some one-off supplementation to allow DIO to implement an information management plan and upgrade its IT may be needed. This should be considered in the context of proposed development of the main cross-community IT network, AICNet (see section in this chapter dealing with Cross Community Issues).

RECOMMENDATION:

The Defence Intelligence Organisation should undertake an integrated review of its business systems, including those for information, collection and liaison management, and of its information technology needs. The latter should take place in the context of IT network developments across the AIC and internationally and may require some one-off funding supplementation.

Finally, senior management structure and staffing levels is another area which may warrant some additional resources. DIO as an organisation faces significant management challenges. In an agency with such a broad-ranging mandate and varied client base, management cannot be regarded as a second-order issue. It needs to be adequately resourced.

The Inquiry recommends the formal designation of a Deputy Director, DIO, at the SES Band 2 lower or Band 1/military one-star level. This would be an additional position and would balance the reassignment of the position of Director-General, Intelligence Capability and Support to Operations, to provide direct support to the Deputy Secretary, Intelligence and Security. Working with the Director as part of the DIO leadership team, the Deputy Director could operate as either principal analyst overseeing the organisation's product, or be charged with management coordination for the organisation, with a particular focus on the development of DIO's analytical capabilities and on developing and overseeing systems and enabling functions to support high-quality assessment.

The appointment of a deputy would free up the Director to focus on analytical product, strategic intelligence support for senior Defence leaders and the broad management of the organisation. And while the Inquiry does not consider that the civilian or military complexion of candidates should be a primary factor in

selection of DIO's leadership group, a balance should be struck between military and non-military experience at the management level in the organisation. When the position of Director is filled by a civilian, the deputy position should if possible be taken by a uniformed officer and vice versa. This may assist DIO in the difficult task of straddling the two worlds in which it needs to operate.

RECOMMENDATION:
The Department of Defence and the Australian Defence Force should create a Deputy Director position for the Defence Intelligence Organisation. Where possible, if the Director is a military officer, the Deputy Director should be civilian, and vice versa.

The Inquiry considers that the current classification level of the Director, DIO, at the SES Band 2 upper level, is appropriate. The Inquiry does not find compelling the arguments it has heard for upgrading the position to SES Band 3 level. The current level of Director, DIO represents a good fit with the designations of leaders of the other two Defence intelligence agencies both of whom, like the DIO Director, report to a Defence Deputy Secretary at SES Band 3 level.

DEFENCE SIGNALS DIRECTORATE

Background

The Defence Signals Directorate is Australia's signals intelligence agency. Situated within the Intelligence and Security Group of the Department of Defence, DSD provides both a vital Defence and national-level capability through the interception and reporting of foreign communications.

Signals intelligence has special intelligence value. It conveys directly the views of the target, in contrast to the second-hand accounts usually provided in humint reporting or the expressions of view or position in public statements or diplomatic exchanges. Supported by sophisticated technology and large elements of automated processing, sigint is also often the timeliest source of information for analysts and decision-makers. The national-level intelligence provided by DSD is important, and is becoming increasingly so as part of the government's overall response to global terrorism. But it is the key role played by sigint during war and other military operations that is the principal driver for the significant government investment in DSD—it has the largest budget and number of staff within the intelligence community.

DSD also has an important role in advising on and supporting information security practices across government. This role involves some significant challenges, including managing complex business relationships with information technology companies, and balancing security requirements against user needs in an environment in which government business is increasingly conducted electronically. DSD also maintains a number of high-security communications and IT systems.

DSD's Origins and Role

DSD's current activities have their origins in the development of Australian military sigint capabilities during World War II. Following the war, Australia joined with Britain in the Commonwealth Far East sigint organisation with a headquarters in Melbourne. The Defence Signals Bureau was established in 1947, as part of the Department of Defence, with responsibility for maintaining a national sigint capability in peacetime.

In 1977, DSD assumed its current name, its status as a "directorate" within the Department of Defence reflecting Justice Hope's recommendations that DSD's important national role be given greater recognition. The relocation of DSD's headquarters from Melbourne to Canberra was completed in 1993 (the last member of the intelligence community to make this move). DSD's functions were subsequently defined by legislation with the enactment of the *Intelligence Services Act 2001*.

DSD's foreign partnerships, dating back to its wartime origins, have been a central factor in its development. Today these intelligence alliances remain strong, dynamic, and of immense value to Australia.

DSD Today

Today, DSD is a strong and capable organisation with a talented and highly skilled workforce and an impressive technological base. Its roles are clearly defined and it makes a unique and highly valuable contribution to Australia's intelligence effort. DSD has a sharp customer focus and sound business practices. The Inquiry found DSD to be well managed with a leadership that is closely engaged in the challenges of maintaining an effective sigint capability for Australia.

Accountability

As part of the Department of Defence, DSD is subject to the Department's internal accountability arrangements. Director DSD reports to the Deputy Secretary, Intelligence and Security, and through him to the Secretary of the Department of Defence. Externally, its compliance with legislation and ministerial direction are monitored by the Inspector-General of Intelligence and Security, who also has responsibility for oversight of the propriety of its activities. Information on DSD is provided publicly and to parliament in Defence's annual report and its Portfolio Budget Statement.

The enactment of the Intelligence Services Act in 2001 added significant new elements to this accountability framework. Key functions of DSD were set out in that legislation together with requirements relating to authority for specific intelligence collection activities. The Act also provides for DSD's administration and expenditure to be subject to scrutiny by the Parliamentary Joint Committee on ASIO, ASIS and DSD. While DSD is subject to scrutiny by other parliamentary committees mandated to consider Defence, security constraints limit the information which can be provided to these committees. The Inquiry found that DSD has encountered no major problems in working under the provisions of the Intelligence Services Act.

The Inquiry received a small number of representations that DSD should be established as a statutory body in recognition of its significance as a national asset and its powerful intelligence gathering capabilities. These views were very much in the minority, and the Inquiry concluded that DSD was appropriately positioned in Defence. The importance of sigint support to military operations and the necessity of maintaining the closest possible links between DSD and the Australian Defence Force argue overwhelmingly that DSD should remain within the Defence portfolio. DSD's activities are well regulated by the Intelligence Services Act, and the Inquiry received every indication that national customers are being well served by DSD.

DSD's Activities

The Inquiry heard almost universal praise for DSD's performance from policy departments, from other members of the intelligence community and from within Defence. DSD is widely held in high regard for the sigint capability it maintains and the quality of the service it provides. Its response to the

heightened pace of ADF operations and to counter-terrorism has been particularly noteworthy. DSD's efforts are closely focused on Australia's top intelligence priorities, with 92 per cent of its resources dedicated to issues in the highest category of requirements.

SUPPORT TO THE ADF

DSD has had a long-standing focus on effective support to military operations. DSD experience during the ADF's East Timor deployment in 1999 has been drawn on to develop enhanced support arrangements for ADF operations. These were utilised in Afghanistan and Iraq-related deployments to the Gulf. While much of the collection related to Iraq was by American or other assets, DSD performed a number of analytical and technical tasks in support of coalition forces, and provided a vital link to allied sigint organisations.

SUPPORT TO COUNTER-TERRORISM

DSD has made a strong contribution to the whole-of-government response to Islamic terrorism in South East Asia. Personnel committed to the counter-terrorism effort have risen significantly since 2001, and will rise further as a consequence of extra funding in the 2004–05 Budget. DSD's achievements have already been considerable, despite the significant adjustments necessary for DSD to understand the nature of this target and adjust its processes accordingly. DSD's close cooperation with relevant government agencies has been a key factor in its success.

GAPS AND CHALLENGES

Despite its successes, DSD has gaps in some key areas. The rapid rate of technological change and the increasing affordability of sophisticated technology have created both challenges and opportunities for DSD. Over recent years, technological changes have resulted in some loss of access by DSD, or in a limited ability to exploit collected communications. The Inquiry notes DSD's efforts to improve access to key intelligence targets, and finds there would be merit in a periodic external review of its performance against high priority and enduring targets.

RECOMMENDATION:
The Foreign Intelligence Coordination Committee should commission with the Department of Defence, a periodic review of DSD's performance against top-priority targets.

Management of DSD

As a large and complex organisation, DSD presents significant management challenges. Its staff fulfil a diverse range of functions, from highly specialised engineering and IT jobs to linguistic and analytic tasks. It manages a large investment programme, and is part of an interdependent international partnership. The Inquiry found that DSD's management and business practices provided a strong basis for the maintenance of Australia's signals intelligence capability. The inherent flexibility of DSD processes is impressive, as are the skills and dedication of management and staff alike.

The range and intensity of tasks DSD has undertaken over recent years, particularly in support of ADF operations and counter-terrorism, have placed heavy demands on DSD staff. While DSD has adopted a number of prudent measures to minimise stress, including the rotation of staff through high pressure areas, it must continue to manage problems such as potential burn-out with great care.

The Inquiry found the senior management structure within DSD stretched by the range and diversity of its responsibilities. The growth in staff numbers, and the additional responsibilities brought about by Australia's response to terrorism and a heightened Australian Defence Force operational tempo have not been mirrored by a corresponding strengthening of DSD's senior management team. The Inquiry recommends that this be remedied by the addition of two Senior Executive Service level officers to DSD's management complement.

RECOMMENDATION:
The Department of Defence and the Australian Defence Force should strengthen DSD's management structure with the creation of a Deputy Director responsible for technical matters and a branch head responsible for collection and analysis.

DSD's Resourcing

DSD is the largest of Australia's intelligence agencies, both in terms of its annual budget and personnel numbers. Resources available to DSD have increased by around 60 per cent since 2000–01.

Resourcing is provided for DSD's operations through two mechanisms— through the Defence budget and supplementation through government-wide budgetary processes. While the former accounts for the bulk of DSD funding, it has received additional funding from government over recent years, including for counter-terrorism.

An increasingly large component of DSD's budget is allocated to its capital expenditure programme. DSD currently has four major projects which, in some cases, involve capital expenditure extending out over more than a decade. Together these projects will ensure access to required communications and the capacity to process the resultant intercept. These are supplemented by a large number of minor capital projects, typically targeted against specific challenges.

Conclusion

DSD is an impressive agency that provides a first-class sigint capability and represents a major national security asset for Australia. Its response to regional counter-terrorism has been excellent, and its support for Australian Defence Force operations highly valued. It is producing high-quality product with strong customer satisfaction levels. Its management and planning processes are effective and forward looking, and its investment programme well tailored to the technical challenges facing the organisation.

THE DEFENCE IMAGERY & GEOSPATIAL ORGANISATION

Background

The Defence Imagery and Geospatial Organisation (DIGO) is an agency of the Department of Defence, established in November 2000. While DIGO is a new organisation, Australia's involvement in imagery intelligence is not. From 1964 until 1998, imagery intelligence was integrated into the role of DIO and its antecedents.

Technological improvements in the 1990s and growing appreciation of the potential utility of imagery intelligence led to a government decision to work towards an improved capability for Australia. The imagery intelligence function was separated from DIO and the Australian Imagery Organisation (AIO) was created in 1998.

In AIO, Australia developed the ability to exploit digital imagery, enabling for the first time the rapid analysis and dissemination of imagery intelligence products to customers. Until 2000, however, Defence's geospatial capability remained structurally distinct from the imagery function and was principally resident in a separate body—the Defence Topographic Agency, in Bendigo, Victoria. But with the development of the AIO came increasing awareness of the close functional relationship between geospatial information (the accurate location of an object) and imagery (the ability to capture high resolution images of a location).

As a result, in February 2000, the Department of Defence commissioned an external 'Defence Geospatial Information Organisation Study'. The key recommendation of this study was that Defence's geospatial and imagery capability should be centralised in a single organisation. In November 2000, DIGO was created by the merger of the Australian Imagery Organisation, the Defence Topographic Agency and the Directorate of Strategic Military Geospatial Information.

DIGO's role is to provide imagery and geospatial intelligence in support of Australia's defence interests and other national objectives. It is responsible for the collection, processing, analysis and dissemination of imagery and geospatial products, and for determining standards for imagery and geospatial information within Defence.

DIGO is accountable through the Defence Deputy Secretary, Intelligence and Security, to the Secretary of the Department of Defence and the Chief of the Defence Force. At the national level, DIGO's activities are guided by national assessment priorities and collection requirements.

DIGO Today

Australia's imagery and geospatial capability has developed considerably in recent years. From a 1999 pre-merger strength of 240 imagery and geospatial staff, DIGO now consists of 311 staff located in the organisation's Canberra headquarters and its geospatial facility in Bendigo. DIGO's budget has also expanded significantly—from actual yearly expenditure of $26.7 million in 2000–01 to an estimated expenditure of $90.5 million in 2004–05. Reflecting the high infrastructure costs involved, capital investment has accounted for a significant portion of the organisation's budget. Initial development of AIO saw a multi-year commitment by government of $70 million through the late 1990s. Continued development will see further capital investment in excess of $150 million over the next four years, including some $43 million in 2004–05.

The focus of DIGO's first three years has been on setting foundations for the continued growth of the organisation. This will remain the case in the short-term: considerable capability development work is still to occur in the next 12–18 months. Changes ahead include the relocation of DIGO headquarters to new facilities in Canberra in late 2004, the recruitment and training of over 100 additional staff, construction of a new geospatial facility, some workforce relocation from Bendigo to Canberra, and rationalisation of five IT systems into two.

Against this back drop of organisational change, DIGO has been able to meet ongoing and varied intelligence and geospatial demands during a period of high operational tempo. Yet despite DIGO's growth in size, capability and output, imagery and geospatial intelligence in Australia remains a developing capability. As DIGO continues to establish its customer base, refine its products and manage significant organisational and capability changes, it would be premature for the Inquiry to propose major changes in direction for the organisation. The Inquiry has, however, identified a number of key issues that will need continued attention in DIGO's ongoing development.

Building Awareness of DIGO's Role

Foremost of these is the need to build clear and widespread understanding of the capability DIGO can bring to the Australian intelligence community, the ADF and other customers.

Within DIGO itself, staff share a generally uniform understanding of the organisation's purpose as an intelligence agency. But outside the organisation, understanding of DIGO's role and capabilities is currently uneven across the Defence Organisation and DIGO's broader customer base. While there exists broadly a basic level of knowledge of what DIGO can do, detailed understanding is less evident across the board. This situation needs to be redressed as a matter of priority if Australia is to exploit fully the potential of an imagery intelligence capability in which significant resources have been invested.

To an extent, some lack of awareness is understandable: the organisation is new and has been focused on establishing its staffing, resourcing and capability foundations. Nevertheless, DIGO management has begun to focus on the issue. A customer support team has been established and engagement strategies are being developed. The Inquiry endorses these early initiatives and recommends further work in this area; raising awareness will be critical to the future success of DIGO and must be addressed in a comprehensive and structured manner.

RECOMMENDATION:
The Defence Imagery and Geospatial Organisation should develop and implement a comprehensive customer engagement strategy.

Interagency Issues

Within the Australian intelligence community, in DIO in particular, there has been some debate in recent years over the nature of DIGO's role and analytical responsibilities. Efforts by AIO and by DIGO in its early years to promote the agency as having an all-source assessment responsibility were unhelpful to relations within the intelligence community. The matter has now been resolved appropriately at the management level with clear direction by the Director of DIGO to DIGO staff. Nevertheless, there remains some level of uncertainty among some (within and outside DIGO) regarding the extent to which DIGO analysts should undertake assessment without trespassing on the territory of the all-source assessment agencies.

A balance needs to be struck. DIGO is not an all-source assessment agency. Neither, however, is it simply a provider of images and maps. DIGO undertakes single source analysis and dissemination of geospatial intelligence product. As such, it should be recognised as a single source collection and analytical agency and needs the leeway to produce in this context. This role must be clearly articulated and understood at all levels (internal and external to DIGO) if inappropriate tasking and inappropriate attempts at all-source assessment are to be avoided.

There is also a need to clarify any overlap in responsibilities between DIGO and the Joint Operations Intelligence Centre Target Analysis Facility. The overlap in relation to imagery is similar in some respects to the blurring of responsibilities between DIO and JOIC, but in this case it relates to imagery intelligence responsibilities. While "support to the ADF" is seen by DIGO as a key role, exactly what that support means and who is responsible for its provision needs to be clarified. This is essentially a matter for Defence, but given the manning pressures that exist, Defence should clearly identify what these support functions entail and allocate responsibilities accordingly.

Tasking of DIGO

Clear articulation by customers of their intelligence requirements is essential if DIGO, like the other intelligence agencies, is to work with maximum effectiveness. Once again, this will not be achieved in DIGO's case without better and broader understanding of the organisation's role and capabilities across its customer base.

Too frequently, DIGO receives tasking to provide illustrative products to support briefings, rather than being given specific intelligence requirements to produce against. While such briefing support is a useful byproduct of an imagery and geospatial organisation, it would be wasteful for customers to view this as the complete range of support available from DIGO.

A broader issue affecting DIGO tasking is the absence of a clearly articulated set of Defence intelligence and geospatial requirements. Establishing a framework of Defence intelligence requirements would help achieve the best balance with national foreign intelligence requirements. Currently there is no guidance from either Defence or national customers for geospatial production, a situation that needs to be addressed if geospatial resources are to be effectively utilised. The issue of priority-setting and the relationship between Defence-specific and national foreign intelligence requirements is discussed in Chapter 4.

Priorities

With its current level of resources, DIGO's contribution to national intelligence efforts generally does not reach below the highest priority targets. Part of the reason for this can be found in the fast growth in recent years of the number of subjects deemed to be of high priority, although additional resources have been made available to meet increased expectations. Nevertheless, the situation should be rectified: DIGO should work to satisfy a broader range of national intelligence priorities than is currently the case, particularly as the organisation grows. DIGO needs to develop rigorous internal priority-setting disciplines which align with external requirements and focus on priority subjects amenable to imagery-based analysis. Future expansion of the number of high priority targets should not default to a requirement for additional staff.

External Oversight

External oversight of Australia's foreign intelligence agencies is covered in detail in Chapter 4. The Inquiry recommends that the *Inspector-General of Intelligence and Security (IGIS) Act 1986*, which predated DIGO's establishment, be amended to incorporate DIGO formally in the Inspector-General's oversight responsibilities. Similarly, action should be taken to remedy the current situation in which DIGO is not covered by the Intelligence Services Act and does not come under the administrative and financial oversight of the Parliamentary

Joint Committee on ASIO, ASIS and DSD. As an intelligence collector with the potential to affect the privacy and civil liberties of Australians, DIGO should be included in the relevant sections of the Intelligence Services Act and come within the purview of the Parliamentary Joint Committee.

Managing Expansion

DIGO is midway through a significant expansion in all aspects of its capability—staffing, resources, communications, facilities, and imagery and geospatial production. How this expansion is managed and the capability consolidated over the next few years will be critical to the long term stability and effectiveness of the organisation.

STAFFING AND RECRUITMENT

Without the right staff and appropriate training, the full potential of DIGO's technical capability will go unrealised. It is crucial for the organisation's development that investment in personnel continues to match the significant capital investment in train. Indications to date are good: an appropriate staffing expansion programme is underway and proceeding as planned.

DIGO's needs go beyond raw staff numbers. In seeking to recruit some 100 additional analysts over the next few years, it is essential that DIGO and the Defence organisation identify and recruit for a staffing mix that is suitable for DIGO. A proper balance needs to be maintained between recruiting individuals at the graduate level with appropriate education and aptitude, and those with work experience and established skills suited to the requirements of imagery and geospatial intelligence. Staff retention will also be crucial for the organisation's future health, and management will need to focus on creative career management options, and agency-specific workplace structures, to retain good staff.

Adequate and targeted training will remain fundamental to staff development and to DIGO's effectiveness. The current suite of technical imagery training prepares staff well to undertake high-quality imagery analysis. There remain, however, shortfalls in training in broader intelligence skills—those which help staff understand how to turn imagery recognition skills into intelligence product, and to appreciate where imagery intelligence fits into the broader scheme of intelligence. Such training will be essential as the organisation continues to take on new staff. DIGO should participate fully in the cross-community training recommended later in this Chapter.

UNIFORMED PERSONNEL

Support to the ADF is a primary responsibility of DIGO. Current levels of ADF staffing in the organisation are less than ideal. A modest increase in ADF staffing levels would improve DIGO's ability to provide tailored and timely support to the ADF. Such an increase would help ensure that DIGO has appropriate staff to support ADF deployments and to build links with the ADF headquarters and units that are prime users of imagery and geospatial products.

The adequacy of ADF staffing across the Defence intelligence agencies is currently under review by the Service chiefs. The Inquiry recommends elsewhere in this chapter that a strategy be developed to redress the shortfall.

RESOURCES

The programmed expansion of DIGO should resolve most resource issues for the organisation. DIGO and its customers, however, must make the most from the resources already committed. Continued funding increases cannot be seen as a birthright of imagery and geospatial intelligence: the growth of the capability must be properly cultivated and managed to ensure that Australia reaps the best possible return for its substantial investment.

Quality of Product

Progress is being made in the quality of product DIGO is able to provide to Australia's intelligence users. Customer feedback from organisations and agencies which have been exposed to its capabilities is positive. DIGO is regarded as providing high-quality support and unique products with a professional staff that is enthusiastic about their role and keen to exploit as effectively as possible the capabilities at their disposal. In some areas, DIGO already provides world class levels of geospatial and imagery expertise.

There remain, however, areas of concern. Most notable is the balance of current intelligence and long term intelligence being produced by DIGO. The tendency for current intelligence tasks to crowd out longer term intelligence work is an issue that affects all intelligence agencies to some degree. DIGO must work to ensure a better balance is struck between current and long term reporting.

As with other areas of the AIC, there is a distinct need for better feedback from users. In those areas of close customer interaction, there has been strong and definite feedback on the utility and quality of DIGO product. In other areas, DIGO remains uncertain of the relevance of some products, unaware of whether

products are being used, and uncertain about whether its development of new capabilities and products is heading in directions complementary to future national security needs. Building better dialogue with key customers should be an integral part of the customer awareness strategy the Inquiry has recommended for DIGO.

Finally, quality control of DIGO product has been flagged to the Inquiry as an issue that needs to be addressed. Imagery and geospatial analysis are technical subjects requiring detailed training. An untrained analyst simply cannot take the raw information and understand its importance. As a result, customers may often be in no position to assess the accuracy of DIGO's product. For these reasons, it is critical that DIGO continue to monitor closely the accuracy and standard of its product and seek continuously to improve the skills represented in its staff. DIGO management should examine the need to develop a dedicated and robust quality control mechanism as a final step in its production processes.

Conclusion

DIGO is partway through a significant expansion and remains a developing, but already valuable, capability. DIGO must continue building awareness of its current and future capabilities. It is incumbent also on intelligence users to ensure they are making the best use of the asset represented by DIGO. Effective management of the organisation's expansion will be critical to ensuring a stable, well-trained and productive workforce able to exploit fully the significant resources at its disposal.

AUSTRALIAN SECRET INTELLIGENCE SERVICE

Background

The Australian Secret Intelligence Service (ASIS) was established in 1952 as a collector of secret foreign intelligence, primarily in the Asia-Pacific region. The organisation grew out of, and was modeled on, its British counterpart, the UK Secret Intelligence Service (UKSIS). The organisation was first referred to in parliament in 1975 and was not publicly avowed until 1977.

ASIS underwent a series of shocks in the 1980s and early 1990s. The ill-conceived training exercise which resulted in the use of force in the Melbourne Sheraton Hotel, and the public disclosures by disaffected members of ASIS in 1994 were

exceedingly low points. These incidents resulted in detailed inquiries into the organisation, which led to substantial reform.

The *Intelligence Services Act 2001* provided a legislative footing for ASIS for the first time, placing on the public record the functions of the organisation, and its limits. Under that legislation, the organisation's fundamental role is to produce foreign secret intelligence, but the Act allows for additional tasks to be added to ASIS's mandate.

ASIS works closely with a wide group of intelligence partners. It has particularly close links with comparable services in the UK and the US, and has a wide range of ties with intelligence services of other countries, many of them in the Asian region.

ASIS Today

ASIS is going through perhaps the most substantial transition in its history. In line with the changing security environment, ASIS's responsibilities are now more diverse. While important traditional requirements remain, ASIS also has a growing role in gathering intelligence on non-state actors, including terrorist networks and illegal immigration syndicates.

In line with the additional requirements laid on it, ASIS is growing. Since 2000, the funding available to ASIS has doubled. In the 2004–05 financial year, ASIS will have a budget of more than $100 million. An extra $20 million has been allocated since September 11 for counter-terrorism alone.

The accountability environment in which ASIS works has also changed. The Intelligence Services Act, only three years in force, has become a mainstream part of the way the organisation operates.

Overall, it is change that characterises ASIS today more than any other dynamic. Managing that change successfully is the key to the success of the organisation in the foreseeable future.

Producing Secret Intelligence

The Inquiry found that, overall, ASIS's performance in undertaking its core business of producing secret intelligence was very good.

QUANTITY AND QUALITY OF OUTPUT

ASIS is focused on its mission, and levels of reporting are rising. However, quality is more important than quantity in intelligence collection, and the quality of ASIS's reporting is mixed. Though some customers were complimentary about the value of ASIS's reporting, others indicated that there were areas where ASIS's coverage was not as good as it should be.

ASIS has clearly achieved success against some of its highest priority intelligence requirements. That success, however, throws into relief other priorities, of similar significance to Australia, on which ASIS does not produce the same quality of reporting.

In the classified version of this report, the Inquiry makes specific recommendations that would more clearly identify areas where ASIS's performance should be improved, and measures that should be taken to achieve that. The Inquiry also indicates, in the classified version of the report, ways in which ASIS should be structured to maximise its output of high-quality secret intelligence.

ASIS is still building its capabilities on the high-priority intelligence requirements which have emerged in recent years. It takes time to develop capabilities in human intelligence, and a conclusive judgment about ASIS's success against its new requirements would be premature at this point. ASIS needs to manage its development of capability against new targets carefully and effectively, to a timeframe determined by the humint business. However, high-quality performance against terrorism requirements can and should be expected from ASIS in the foreseeable future.

The Inquiry recognised that, in producing human intelligence, a compromise needs to be struck between maximising the production of secret intelligence reporting against requirements and the management of risk. The Inquiry underlined the need for ASIS not to abandon that prudent risk management framework in its effort on new requirements.

FOCUS ON PRIORITIES AND CUSTOMER NEEDS

ASIS activities are closely matched to government-approved priorities, and the Inquiry noted the considerable effort made by ASIS to tailor its output to the requirements set for it.

ASIS is focused on its customer base. It solicits feedback on its reports through a variety of methods. It has made genuine efforts to engage with customers to

ensure that their needs are being met. Despite this, some customers in policy departments indicated that ASIS reporting provided only limited assistance to them in their day-to-day work.

ADAPTATION TO NEW TARGETS AND MAINTENANCE OF EFFORT ON EXISTING TARGETS

The Inquiry examined the success that ASIS has had in adapting to its new intelligence priorities, and the impact of that adaptation on its work on traditional priorities. While it is not possible, at this point, to form a comprehensive conclusion about the success of ASIS's adaptation to new tasks, success has been achieved in some areas; in others a high degree of adaptation is being attempted. The high level of resources devoted to terrorism is notable, as is the output, at least in terms of quantity. Innovative approaches to new requirements are being developed. And in recruitment, ASIS is diversifying the skill sets required of its officers to fit the new requirements.

The Inquiry noted that ASIS had maintained its coverage of traditional intelligence requirements notwithstanding the major new effort it is directing to terrorism and to other new topics.

Management Issues

Overall, the Inquiry found that ASIS is well managed. In its historical context, that is a notable finding—prior to the inquiry by Justice Samuels and Mr Codd in 1995, the organisation had a poor record in management of its staff and resources.

Today, ASIS's managers are confidently carrying out its mandate. Their approach is contemporary and professional. While there are occasional lapses, they seem rare, and ASIS's management mostly compares well with modern Australian Public Service norms.

STAFF

On the whole, staff are satisfied with their employment. The most recent staff survey showed that 73 per cent are satisfied with ASIS, and 70 per cent believe that ASIS is meeting its current challenges well, a finding that is consistent with the Inquiry's discussions with ASIS staff. Staff were, with marginal exceptions, complimentary of management and supported the direction that the organisation is taking.

In general, commitment is a feature of ASIS staff. They are, broadly, keenly engaged in their work, and prepared to work beyond normal requirements to ensure that their tasks are performed to a high standard. A number of staff volunteered the observation that the sense of camaraderie in ASIS is high. Having said that, some sections of the ASIS workforce feel that they are not favoured for advancement. The Inquiry found that there was no systemic failing by management in this area, but notes that ASIS needs to ensure that all sections of its workforce are given opportunities to be competitive for senior positions.

MANAGING EXPANSION

With the substantial expansion of the organisation has come a need for considerable effort in recruitment. This effort gives rise to real risks and challenges. The Inquiry found that, overall, staff selection is being handled with appropriate caution, though there have been some notable recent exceptions where poor recruitment decisions are evident. ASIS management should ensure that recruitment decisions are undertaken prudently, and that they make utmost efforts to avoid the recruitment of staff who might prove to be poorly suited to the organisation in the future. If that comes at risk to the rapid expansion of the organisation, then it is the expansion that should suffer, not ASIS's standards.

Stress is an increasing feature of the ASIS workplace. Some staff, including those responsible for ensuring the mental health of personnel, detailed to the Inquiry the high level of stress experienced by a large group of the organisation's members. That is particularly so in high-priority areas, but is a feature of much of the organisation in general. ASIS's leadership should have the wellbeing of their staff as a key concern and should monitor closely the signs of stress, and act promptly to remedy them.

In summary, the key issue for ASIS is its ability to grow and diversify in a healthy and sustainable way. Poorly managed growth could give rise to the selection of the wrong staff or the wrong internal systems, with serious risks. Those involved in monitoring ASIS's performance also need to recognise the difficulties associated with substantial growth, and tailor their expectations of the organisation accordingly.

RESOURCES

Overall, the Inquiry found that the resources available to ASIS are appropriate for its mandate. Some very substantial requirements have been placed on it—

not least its new obligation to develop knowledge of the activities and networks of terrorists. The additional resources available to ASIS for that task are appropriate for the scale of the undertaking.

The Inquiry was also reassured about ASIS's continuing ability to sustain its level of reporting against traditional intelligence priorities. The fact that substantial resources continue to be available for key traditional intelligence priorities is important for Australia's national security and prosperity.

The Inquiry found ASIS's resource management practices sound, with an appropriate allocation of resources among priority tasks. The Department of Finance and Administration saw no problems with ASIS's spending pattern since the increase in its resources.

ACCOUNTABILITY

Overall, the accountability of ASIS to government is strong. It was clear in discussions with staff and management, and in documentation that the Inquiry analysed, that the organisation is very conscious of its role in government, its responsibilities to ministers and other accountability mechanisms, and that it is focused on delivering to customer needs.

ASIS has adapted well to working within the confines of the Intelligence Services Act. The Inquiry heard, however, from ASIS management and staff of the complications that the Act creates for some of their work. In the main, these concerns relate to an additional administrative burden that the Act, and a range of other legislation, places on ASIS. The Inquiry found that much of that burden is directly attributable to appropriate levels of control on the work of intelligence agencies. Overall, the Inquiry is not convinced that the additional administrative burden is out of proportion with the need for accountability.

LANGUAGE TRAINING

The Inquiry looked closely at the question of the language skills of intelligence agencies, and the topic is covered generically later in this chapter. ASIS specifically sought funds to bolster the key language capabilities of its staff.

Language skills are a vital tool of trade for gathering humint. ASIS's skill base in this area is satisfactory, but not optimal. It has a strong cadre in some areas, but deficiencies in others. The Inquiry recommended that ASIS should be provided with additional funding to bolster the key language capabilities of its staff.

RECOMMENDATION
*ASIS should be provided with additional funding to bolster the key language
capabilities of its staff.*

Conclusion

Overall, the Inquiry found that ASIS's performance against its key objectives is
very good. It has committed staff and an able management team. Its production
of secret intelligence is strong in some areas, though improvements in quality
are required in others. While there have been some early achievements, it is
too soon to make a comprehensive judgment about ASIS's success on new
requirements, including terrorism.

ASIS has a challenging period ahead. It must complete a major expansion,
which entails some real risks. It is required to produce high-quality intelligence
on new and complex subjects, notably terrorism. In doing this, it must balance
carefully the demands for new intelligence production against the maintenance
of a prudent risk management framework.

CROSS–COMMUNITY ISSUES

Each of Australia's foreign intelligence agencies faces its own set of challenges.
There are, however, a number of factors underpinning the quality of Australian
intelligence which apply across the community. These are related most
particularly to the quality of the people in the AIC, distribution of intelligence
material, management of Australia's external intelligence relationships and
agency interaction with the public. Every agency needs high-quality, well-trained
and motivated staff. All agencies need to make the most of Australia's foreign
intelligence partnerships and think creatively about how new partnerships might
be shaped. And increasingly, each agency needs to have mechanisms in place
to respond to growing levels of public interest in intelligence and the occasional
wish of governments to put intelligence-based information in the public domain.
The following section deals with these cross-cutting issues and identifies
a number of areas amenable to a community-wide approach.

Recruitment and Training

The essential ingredient for high-quality intelligence is a cadre of top-class
professionals with access to the information they need to identify significant

events and trends and the conceptual framework to judge what these developments might mean for Australia now and in the future.

As Australia's foreign intelligence community has expanded over recent years and expectations placed on intelligence agencies have grown, recruitment and training challenges have assumed greater significance. Now more than ever, each agency needs an active recruitment strategy that identifies the skills and expertise required and seeks out the talent they will need to sustain them into the future. Increasingly, agency recruitment needs to pay particular attention to identifying emerging issues and technologies and seeking out skills to match these.

There are difficult issues here. A key limiting factor in the Australian context is the restricted pool of professional talent available. The number of people with the skills, training, interest and experience to be top-class intelligence collectors and assessors is relatively small. Intelligence agencies are competing for talent with the attractions of the private sector and with alternative professions, academia and policy departments. Inevitably in some areas, the agencies are competing also amongst each other. The recent expansion of the intelligence agencies has exacerbated the supply shortages—a number of the agencies are having difficulties finding the people to fill the new positions provided to them by government in recent years.

In these circumstances, special effort is and will continue to be needed over an extended period to broaden the traditional pool of recruits to the AIC, including to target specialist knowledge currently in short supply within the community.

The Australian intelligence community also needs to be skilled at sharing expertise among agencies and borrowing it from elsewhere. It makes sense for the community as a whole to develop centres of excellence; defence-related technical expertise on issues like WMD, for example, is likely to reside in DIO. And given the small size of the community, agencies need to be able to reach beyond their boundaries and the AIC for expertise and new perspectives. This is particularly important in the case of the assessment agencies. Managers and staff in ONA and DIO should continue working to build links with government departments, think tanks and other repositories of analytical strength. Some selective development of career management across the intelligence community, including possibly a programme of secondments between agencies, should also be explored.

But even with the best recruitment strategies and the most prudent sharing of talent, early training and ongoing professional development will remain crucial.

Intelligence agencies need to invest in their staff, both through formal training and by providing them with opportunities to expand and update their knowledge, perspectives and tradecraft, in Australia and overseas. Increasingly also, Australia's intelligence professionals require dedicated training to build the special set of skills needed to collect against and assess non-traditional security threats such as terrorism.

There is no single expenditure figure for community-wide training and related activities. The figures range widely, agency to agency, reflecting in large part the different training requirements associated with different intelligence disciplines and the various approaches taken to staff recruitment.

There is currently little commonality across the community in approaches to staff training and professional development. While a one-size-fits-all approach will not meet all the needs of all staff and all agencies, cross-community understanding and interaction could benefit from some greater use of community-wide training initiatives. A common approach in key areas might also offer a number of administrative efficiencies.

The proposed Foreign Intelligence Coordination Committee (FICC) should play a role in identifying and developing strategies to address cross-cutting training needs, building on discussions already under way among agency heads. Common training would help provide a foundation for whole-of-government approaches to intelligence needs and improve employment mobility around the community.

In particular, consideration should be given to:

- An AIC-wide orientation training course to provide new starters with a general intelligence knowledge base and to build a sense of community among agency staff. This should be followed by a refresher course for middle-level AIC officers focused on cross-community issues and challenges. Some supplementary funding may be required for this

- A common training course for analysts in DIO and ONA to develop and hone skills in analytical tradecraft and professional intelligence writing. Such a course could also address topics such as the cultural dimensions of analysis and interaction with policy-makers as well as analytical approaches to non-traditional security threats. There may be opportunities for Australia to learn from analyst training approaches used overseas and in other analytical agencies of government and

- A programme of strategic seminars for AIC senior leaders to consider AIC-wide and intelligence capability issues.

Such joint courses would supplement, rather than replace, training developed by individual members of the AIC to meet agency-specific requirements (and, in the case of the Defence agencies, common training on Defence-specific needs and issues). In developing and presenting common training, the agencies would be able to draw on considerable Australian expertise available in the form of seasoned professionals who have spent careers in intelligence collection and assessment.

The FICC should also examine likely resource needs associated with developing and running common training courses. A system of cost recovery from participating agencies should be explored. The FICC should develop for government consideration a proposal for some additional funding to establish a two-person secretariat within one of the agencies to manage cross-AIC training on behalf of the broader community. The FICC might also consider the utility of engaging a professional training consultant to develop a framework for cross-community training.

RECOMMENDATION:
The Foreign Intelligence Coordination Committee should develop community-wide training initiatives, including consideration of a general induction programme, a mid-level refresher course, some joint training in the discipline of intelligence assessment, common language training and a programme of senior leadership strategic seminars.

RECOMMENDATION:
The Foreign Intelligence Coordination Committee should consider options for career management across the intelligence community, including a programme of secondments across agencies.

Language proficiency represents another core competency for the AIC. Many of the agencies lack depth in this area, a weakness that reflects generally poor levels of formal foreign language training in Australia. Most of the agencies have in place some kind of system for remunerating staff with relevant language skills, with remuneration levels reflecting not only linguistic ability but also, crucially, the importance of the language in terms of national intelligence priorities. All of the agencies need to be active in identifying and reviewing language shortfalls and building a profile of staff with necessary language skills,

paying particular attention to emerging issues and ensuring the agencies have the language skills to match developing needs.

The needs will be different for each organisation. High-level skills in key languages are an essential asset for the collection agencies (apart from DIGO), fundamental to their ability to operate effectively.

Recognising this, both DSD and ASIS place high priority on recruiting for and training in target languages. DSD's language skills are reasonably strong, but the situation in ASIS—a growing organisation - is more problematic. The Inquiry recommends elsewhere in this report some additional funding for ASIS to bolster its strength and ensure its language training keeps pace with increased staff numbers. Both ASIS and DSD should continue working to build their language bases.

While the need is most obvious for collectors, language skills are also important for the assessment agencies. Knowledge of vernacular languages can be crucial to an analyst's understanding of the context of an issue and to the checking of intelligence sources and other basic professional practices which are fundamental to high-quality intelligence assessment. About 40 per cent of ONA's analysts have language skills at a workable level of fluency. In DIO's case, only four per cent of analysts are currently accredited with relevant language skills.

An expansion of ONA's staffing numbers along the lines recommended elsewhere in this report should provide the organisation with an opportunity to supplement its stock of key language skills. The organisation should take up this opportunity. The recommended transfer of the Open Source Unit from the Department of Foreign Affairs and Trade to ONA will also help bolster ONA's language base. DIO similarly should continue to target language skills in its recruitment strategies, facilitate language skills retention, remunerate staff for relevant high-level language proficiency and to ensure best use is made across the organisation of the language skills represented in its staff. All AIC agencies should have policies in place to help staff consolidate and enhance existing skills in key languages. The approach taken by the Department of Foreign Affairs and Trade to language training and skills retention might provide a useful model for the AIC.

RECOMMENDATION:
The Australian intelligence agencies should be active in building a profile of staff with necessary language skills, paying particular attention to emerging issues and ensuring the agencies have the language skills, including in Arabic, and other expertise to match emerging needs.

ASIS should be provided with additional funding to bolster the key language capabilities of its staff. ONA also should make use of additional staff resources recommended by this Inquiry to supplement its stock of key linguistic skills.

Intelligence Relationships

Australia's set of relationships with foreign intelligence counterparts represents a valuable national asset. Our ties are strongest, and have yielded the greatest return, with the United States and the United Kingdom. The value of Australia's partnership with the United States in particular provides considerable additional potency to Australia's foreign intelligence capability.

Further reinforcing Australia's key intelligence relationships, every AIC agency maintains a network of out posted liaison officers stationed in key partner capitals. These networks are generally working well and represent a worthwhile investment of agency resources.

It should be possible over time to make better use of the agencies' liaison officer network to ensure liaison officers have the seniority, support and resources to maximise the potential of our key relationships. With this in mind, the Inquiry recommends that the AIC (through the FICC) develop a community-wide strategy on liaison relationships to maximize the value Australia draws from our foreign intelligence alliances with the US and UK. The issue of intelligence relationships is considered more fully in the classified report.

RECOMMENDATION:

The Foreign Intelligence Coordination Committee should develop a community-wide strategy on liaison relationships to ensure maximum value from traditional alliances with the US and UK.

Beyond the US and UK, there is a case for building a wider range of liaison relationships with targeted foreign intelligence organisations in our region and beyond. AIC agencies have been working for many years to develop mutually beneficial ties of varying kinds with European and Asia-Pacific counterparts. These efforts should continue. Flexibility is also important: while there will be some constants, the range and focus of intelligence exchanges and dialogue should continue to be responsive to particular events and trends, including increasingly important security issues like terrorism.

Offering best prospects in terms of expansion of intelligence relations are the more effective intelligence services in our region. Further afield, European countries' intelligence services offer prospects for increased cooperation; there may be ways to build on the interaction already in place between our assessment agencies in key European capitals. Further, ties with a range of Middle Eastern intelligence communities in addition to the basic links already in place may also offer some value. Indeed, in an age of increasing globalisation, intelligence gathered in distant places can have direct and crucial relevance to Australia's interests and to the security of Australians at home and abroad.

RECOMMENDATION:

The Foreign Intelligence Coordination Committee should develop recommendations to Ministers to extend the range and utility of intelligence partnerships.

The Public Presentation of Intelligence

Debate surrounding the handling by governments of intelligence relating to Iraq's WMD programmes has brought to prominence the issue of public presentation of intelligence. The question of whether, when and how governments should use intelligence in support of policy is one that has attracted public attention and causes some discomfort within intelligence agencies around the world.

The issue is not an easy one. Public disclosure of intelligence assessments carries real risks. There are legitimate and important issues surrounding the protection of sources and methods and the identities of Australian intelligence staff. These need to be handled very carefully. More broadly too, public disclosure can complicate and distort the assessment process and make analysts risk-averse, wary of exercising judgment precisely where users of the material most need it. While the community has a right to know how well our intelligence agencies are performing, accountability should be found through mechanisms other than the public exposure of individual assessments.

Nevertheless, there will be circumstances in which the public's right to know and the government's wish to explain the context of important policy decisions require some public presentation of intelligence-based material.

It is legitimate, under certain circumstances, for governments to commission assessment agencies to prepare material for public release and to release publicly other intelligence-based material. There is, however, no legitimate

place for policy-makers or advisers to seek to influence the substance of any assessments so commissioned or to release intelligence material without appropriate clearance.

A set of guidelines might help agencies and policy-makers navigate the issues involved in a way that protects the integrity of the intelligence process. Such guidelines should formalise the process for government to commission or clear foreign intelligence-based product for public release. Any request should be directed from the Prime Minister to the Director-General of ONA. In the case of a commissioned assessment, the Director-General should act as final arbiter of the assessment's contents. Among other things, the Director-General should ensure that the content does not compromise sources, breach intelligence-sharing arrangements or reveal sensitive national security information. Most importantly, the guidelines should state explicitly that there should be no influence from ministers and their offices or from policy departments on the conclusions of any product so commissioned.

In the case of other foreign intelligence material proposed for release, including intelligence reports from the collection agencies, the Director-General of ONA, in consultation with the relevant agency head, should ensure that any proposed release does not compromise sources, breach intelligence-sharing arrangements or reveal sensitive national security information. The following box suggests a set of guidelines for the public presentation of intelligence material.

RECOMMENDATION:
The Department of the Prime Minister and Cabinet should prepare for Government consideration guidelines, as outlined in the attached text box, for the public presentation of foreign intelligence material.

COMMISSIONING OF INTELLIGENCE-BASED MATERIAL FOR PUBLIC RELEASE: SUGGESTED GUIDELINES

COMMISSIONING OF INTELLIGENCE ASSESSMENTS FOR PUBLIC RELEASE

A request to prepare an intelligence-based assessment for public release should be made in writing by the Prime Minister to the Director-General of the Office of National Assessments (ONA) following consultation with the Director-General.

The request should set out the issues which the Prime Minister would like to be addressed in the assessment.

There should be no influence from ministers and their offices or from policy departments on the conclusions of any commissioned assessment.

The assessment should be approved by the Director-General of ONA who would retain complete responsibility for its contents.

The Director-General of ONA must ensure that the content of any assessment does not compromise sources, breach intelligence-sharing arrangements or reveal sensitive national security information. This may mean that some issues cannot be covered in a useful way.

The independence of the Director-General in producing an assessment for public release would be the same as that applying to ONA assessments under the ONA Act.

PUBLIC RELEASE OF OTHER FORMS OF FOREIGN INTELLIGENCE MATERIAL

Prior notice of an intention to release publicly any foreign intelligence material should be made in writing by the Prime Minister to the Director-General of ONA following consultation with the Director-General.

The Director-General of ONA, in consultation with the head of the relevant intelligence agency, must ensure that the content of any intelligence material proposed for release does not compromise sources, breach intelligence sharing arrangements or reveal sensitive national security information. This may mean that some material is not appropriate for release.

Similarly, in the age of the terrorist threat, intelligence-based assessment needs to find its way in some form into the travel advisories issued by the government, through DFAT, to guide Australians travelling abroad. Current arrangements, refined after the Bali bombings, as well as the coordination that should be achieved through the newly established National Threat Assessment Centre, represent a sensible way of managing this need. The approach is a balanced one which recognises and gives the highest priority to the safety of Australians abroad without compromising intelligence sources and methods. Crucially, the system is now geared to ensure that genuine threats to Australians can always be acted on.

Finally, while it is imperative for intelligence agencies and government generally to avoid disclosure of material that could prejudice the capabilities of the agencies to support the national interest, material that can be put in the public domain in relation to the agencies should be. Intelligence agencies should prepare for consideration by government an unclassified brochure on the

working of the intelligence agencies, their place in government, and the accountability mechanisms that support them. A version of this should be made available on the internet and be kept up to date.

RECOMMENDATION:

ONA should, in consultation with the foreign intelligence agencies, produce an unclassified brochure on the role of the intelligence agencies, their place in government and the accountability mechanisms that support them.

Information Technology Connectivity among the Agencies

While the work of the agencies is increasingly integrated and interdependent, the IT system that supports cross-agency efforts is less than optimal. An AIC-wide system does exist but it has to date fallen short of providing an optimal level of communication among the intelligence agencies. Further, there are difficult issues in seeking to balance analysts' need for ready access to a wide range of information, and the demands of information security.

The cost of IT upgrades to meet these needs will almost certainly be high. Nevertheless, the impact on the effectiveness of the AIC is such that the further development of the IT system that allows cross-community linkages warrants consideration as a priority task of the FICC. The Inquiry recommends that the FICC develop a strategy for IT connectivity and collaborative intelligence production within the intelligence community (including ASIO), and IT connectivity with primary customers.

RECOMMENDATION:

The Foreign Intelligence Coordination Committee should develop a strategy for IT connectivity and collaborative intelligence production within the intelligence community, and a strategy for IT connectivity with primary customers.

Distribution of Intelligence Reporting

The degree of government focus on national security and the heightened need for intelligence have led to an increase in the amount of intelligence material available to Australian customers. While this increase in the quantity of intelligence reporting is welcome, it has given rise to problems with the capacity of clients of intelligence to absorb properly all of the information they receive.

Some customers, particularly in ministers' offices and policy departments, find it difficult to digest the large volumes of intelligence product that come to them.

This gives rise to risk that material is not being fully utilised by decision-makers and those who support them.

To a large extent, intelligence customers need to adapt to the new intelligence environment. They need to accept that intelligence flows will necessarily be greater, and the effort that they expend to manage that flow will also need to expand.

Significant efforts have already been made to resolve this issue. The need for quick analysis of the large amounts of threat intelligence should now be met with the establishment of the National Threat Assessment Centre. However, there are further ways in which managing the volume of intelligence material can be addressed.

Communication between collection agencies and their customers is generally good, and the Inquiry noted the substantial effort that collection agencies make to meet the needs of assessment and policy agencies. But further effort could be made to ensure that the intelligence products produced by agencies properly match what customers need.

Intelligence agencies should be in close contact with individual readers of intelligence, and make strong efforts to tailor the distribution of products to actual needs. Collection agencies should not judge their efforts by how much material they make available to users, but by how useful it is in a practical way in assisting users with their work.

Collectors can also help by taking greater responsibility for identifying pieces of intelligence reporting that genuinely require attention at high levels and those which do not. For their part, policy agencies need to ensure that their internal distribution systems provide users of intelligence with the reports they need, without burdening them excessively.

The Inquiry recommends that the FICC take up the issue of the distribution of intelligence reporting, with the aim of ensuring that reports reaching senior readers in ministers' offices and policy agencies are well-targeted and do not excessively overload users.

RECOMMENDATION:
The Foreign Intelligence Coordination Committee should examine the flow of foreign intelligence product to senior users and identify means by which distribution can be more precisely tailored to requirements.

summary of findings and recommendations

Overview

Good intelligence is arguably more important to government now than at any time since World War II. Global terrorism has transformed Australia's perceptions of its security. Security problems in our immediate neighbourhood and the use of Australian forces to help resolve them have also brought security to centre stage. Intelligence is a key element in Australia's response to this changed environment, and the past four years have seen a doubling of the intelligence budget, with over $650 million invested in the intelligence community in 2004–05. Staff numbers in the Australian intelligence community have risen by 44 per cent over the same period. Overall, the government has committed more than $3 billion in additional funding for national security from 2001–02 to 2007–08.

Coupled with the increased investment has been far greater public scrutiny and expectation of Australia's intelligence agencies. Public interest—and concern— has been fuelled by intelligence failures on Iraq's weapons of mass destruction, and the failure to prevent either the September 11 attacks or the Bali bombings. Intelligence successes, such as uncovering terrorist networks in South East Asia and helping to disrupt planned terrorist attacks, receive little or no publicity, and must remain secret to protect intelligence capability, leaving an impression that is unbalanced.

This is complicated by the confusion in much of the public debate between intelligence assessment and raw intelligence, between policy advising and intelligence assessment, and between decision-making and policy advising. Raw intelligence—an intercepted phone call, an image, or a report from a

human source—may be used in the formulation of an intelligence assessment. That assessment may inform policy advice, and both or either may influence the government's ultimate decision. But the role of intelligence in policy formulation or in government decision-making should not be overstated.

The Inquiry found that Australian intelligence agencies are performing well overall, and represent a potent capability for government. All have adapted to the major challenges posed by global terrorism and increased requirements for support to deployed Australian forces. Despite the high profile failures, the quality of assessment provided to government has been generally very good and, just as importantly, independent of political influence. Intelligence assessment is by its nature inexact and predictive, often based on information which is incomplete, ambiguous or contradictory. Intelligence will never get everything right—even if all the recommendations of this Inquiry were to be accepted and fully implemented, there would still be intelligence 'failures'.

But Australia's intelligence community can do better—and must give optimum performance to meet the demands of the new security environment. On South East Asia and the South Pacific, Australia needs to be an unquestionable global leader—and it needs to be exceptionally good on North East Asia, and very good on South Asia. Intelligence alliances with the US and UK are a great asset to Australia, and need to be fully exploited and carefully managed. Stronger relationships can also be built with other partners.

While the structures supporting the community are fundamentally sound, the Australian intelligence community needs stronger coordination, especially in the areas of priority setting, assigning of resources and collection management. Accountability mechanisms need to be tightened and made more transparent, recognising both the increased importance of intelligence, and public interest in it. The division of effort between the assessment agencies needs refinement, and contestability needs to be better managed. While most agencies are appropriately resourced, ONA needs to be strengthened significantly.

Oversight and Accountability

Effective oversight and accountability of intelligence agencies is critically important for a healthy democracy. The more relevant intelligence becomes to government, the greater the need and public demand for strong and transparent oversight and accountability. To the greatest extent possible, these mechanisms

should be similar to those of other government agencies. In particular, greater parliamentary scrutiny is necessary to enhance public confidence in Australia's intelligence agencies. Because security issues will preclude full parliamentary scrutiny of the operations and output of the intelligence agencies, the role of the Parliamentary Joint Committee on ASIO, ASIS and DSD, extended to cover all agencies, should be supplemented by periodic external review.

Australia's oversight and accountability mechanisms have been strengthened over recent years through the introduction of the *Intelligence Services Act 2001* covering the activities of ASIS and DSD, and the extension of parliamentary oversight to ASIS and DSD. The Office of the Inspector-General of Intelligence and Security has been increasingly active in monitoring the operational activities of ASIO, ASIS and DSD as a result of these developments, and changes to the agencies' mandates. A vigorous and engaged National Security Committee of Cabinet has exercised strong decision-making on resources and strategic directions for the intelligence community. And Portfolio Ministers are closely engaged in the collection activities of the agencies. The Intelligence Services Act has brought increased ministerial accountability for the operational activities of ASIS and DSD in particular.

While these are welcome developments, they have come about in a somewhat haphazard way, and there is a lack of consistency across the community. DIGO, established in 2000, is yet to be included in the Intelligence Services Act along with the other foreign collection agencies. Similarly, DIGO is not yet legally subject to the *Inspector-General of Intelligence and Security Act 1986* although, consistent with government agreement to establish DIGO, it operates as if it were. The Parliamentary Joint Committee has no purview over ONA, DIO and DIGO. The Inspector-General of Intelligence and Security has more limited authority to initiate inquiries into the assessment agencies than into the foreign collection agencies. These anomalies should be remedied as a priority, with the Intelligence Services Act amended to include DIGO, the mandate of the Parliamentary Joint Committee on ASIO, ASIS and DSD extended across the community to create a Parliamentary Joint Committee on Intelligence and Security, and the Inspector-General of Intelligence and Security powers to initiate inquiries independent of a ministerial referral made consistent across all agencies.

Less visible to the public, but nonetheless essential for effective oversight and accountability, are strengthened processes within government. The present arrangements to support National Security Committee oversight are too

cumbersome and need to be streamlined to ensure effective and timely consideration of agencies' performance. The Department of the Prime Minister and Cabinet should have a strengthened role in providing the National Security Committee with advice independent of the intelligence community, and should supplement ONA's reporting on the foreign intelligence community with a report on ONA's performance. ONA's role in coordinating, monitoring and reporting on the foreign intelligence community needs to be strengthened and appropriately resourced. Its review of the agencies' performance needs to be more searching and comprehensive, and should highlight more explicitly successes, failures, and significant gaps in collection.

The current relatively informal arrangements for community coordination should be enhanced by a formal committee process. The Inquiry recommends the establishment of a Foreign Intelligence Coordination Committee to assist the Director-General of ONA in his coordination role, chaired by the Director-General of ONA and comprising the heads of intelligence agencies, the Commissioner of the Australian Federal Police, and senior representatives from the Departments of the Prime Minister and Cabinet, Defence, and Foreign Affairs and Trade. The committee should consider cross-community issues including intelligence policy, capability development and resources.

ONA's statutory independence should be the subject of periodic review by the Inspector-General of Intelligence and Security, who should report to the Prime Minister on the basis of an examination of ONA reporting and interviews with ONA staff and senior customers.

Priorities and Resource Planning

An effective priorities system is vital for a healthy, accountable intelligence capability. At the highest level, the system must provide for government to set broad priorities, and to allocate resources on the basis of those priorities. At the other end of the scale, it must provide detailed guidance to collectors of intelligence, matching requirements to the capabilities of each collection discipline and ensuring that expensive intelligence assets are directed only towards that which cannot be gained through overt means. The priorities and oversight system needs also to identify gaps in coverage against the government's intelligence priorities and to monitor and report on achievements.

Australia has many of the elements of a strong priorities system. Ministers endorse the national-level foreign intelligence assessment priorities, and these

are effective in setting the broad agenda and providing the basis on which agencies' performance is reported back to government. ONA chairs a committee which translates the broad priorities into guidance for collection agencies. Informal feedback is an effective supplement to these formal processes.

But there are also weaknesses in the present system. The most significant of these relates to the inadequate links between reporting, priorities and resource allocation, and the Inquiry recommends a number of changes to align the three processes for government consideration, including a stronger coordinating role for the Department of the Prime Minister and Cabinet. There is a need for greater policy engagement in the drafting of priorities and more discipline in their allocation: the number of priorities in the highest category has more than tripled since 2001, limiting the utility of a system which is designed to discriminate among priorities. Lack of integration of strategic Defence priorities into the national system further limits its effectiveness, particularly in enabling ministers to make key decisions on relative priorities, and should be redressed. These top-order changes, supplemented by stronger community-wide collection management by ONA, would deliver a tighter and more effective system which would optimise agencies' performance.

High Quality and Independent Advice

Intelligence can be a potent tool for government. It can give government— and the war-fighter—the edge in policy formulation or in battle. But its utility, as it competes for the decision-maker's attention with many other sources of information, is dependent on its quality and its independence. Good intelligence covers important strategic, as well as current, issues. It is soundly based, analytical and predictive. It should seek to create new knowledge, rather than rehearse what is known. And it must be free of political influence, of bias, of untested assumptions, and of the intent to influence policy.

While Australia is generally well-served by the quality of intelligence provided to government, significant improvements can be made against the criteria above. Intelligence derived from all sources and integrating all elements of an issue is produced by ONA, as the peak foreign intelligence agency. ONA's product is generally regarded as very good: typically it is relevant to policy and tightly tailored to the needs of its readers, comes to judgments, and explores implications for Australian interests. Despite the overall high quality, individual

reports sometimes sacrifice thoroughness for brevity and readability, and there has been too little focus on longer term reporting and National Assessments, which the Inquiry recommends be redressed.

The quality of DIO's strategic assessment has improved considerably over recent years and is also generally good. Written for a fundamentally different audience and a different purpose from that of ONA, it typically contains more detail than that of ONA. Senior-level readers tend to find it less readable but more comprehensive than ONA product.

In reviewing ONA and DIO strategic assessments and speaking with staff and customers, the Inquiry found no indication that either agency's reporting was subject to any political influence. Their reporting on Iraq also demonstrated their capacity to remain independent of allied assessments, despite heavy reliance on allied intelligence collection.

Many factors underpin the quality and independence of intelligence. The Inquiry has identified a number of challenges for the agencies in maintaining and improving the quality of their output. Key amongst these are recruitment and training, particularly in non-traditional languages and cultures, and in core intelligence analysis skills across the agencies; more active exploitation of alliances, including with non-traditional partners; more active and collaborative interaction between collectors and assessors on intelligence sources; and more active management of intelligence collection. Agencies also need to manage distribution of intelligence closely to ensure that senior readers are not swamped with too much intelligence, particularly direct from collection agencies, and at risk of missing vital pieces of intelligence as a result of too great a volume of material. The Inquiry sees a role for the Foreign Intelligence Coordination Committee in reviewing the distribution of intelligence.

Division of Labour and Communication among Agencies

For Australia to get best value from the government's significant investment in intelligence, the agencies must operate with minimal duplication and maximum cooperation. In 1977, Justice Hope found the Australian intelligence community "fragmented, poorly coordinated and organised". He articulated a set of principles on which the current intelligence architecture was built that remain valid and important, supporting much of what is successful about the community today. The separation between intelligence assessment and

policy formulation has contributed to strongly independent intelligence advice. The distinction between intelligence assessment and collection has helped to ensure the integrity of assessment and lack of bias towards particular sources. The separation of collection disciplines has produced three agencies with clarity of purpose and strong international alliances.

At a community level, the success of Justices Hope's underpinning principles is demonstrated by the minimal duplication among agencies, the lack of wasteful competition, and the cooperative and inter-dependent nature of agency relationships. Communication amongst the agencies is extensive and constructive. The community's value is particularly well illustrated by the strong support it has given to the Australian Defence Force.

The Inquiry recommends some rationalisation of the overlap between ONA and DIO, emphasising ONA's role as the provider of all-source national assessments and DIO's focus on defence assessment in support of Defence planning and operational needs. But this does not detract from the overall conclusion that the agencies are appropriately structured for current challenges, have demonstrated their flexibility to adapt to new and demanding environments, and operate effectively as a community.

Contestability of Assessments

Contestability of advice is a hallmark of the information age. It strengthens policy making and is highly valued in Australian intelligence assessments by ministers, senior officials and operational commanders alike. Contestability is being provided, to some extent, by areas of overlap or duplication between ONA and DIO. Importantly, contestability is built into assessments which have been through processes to challenge key judgments, either internally within each agency or across agencies, departments and sometimes external bodies. Finally, information from sources outside the intelligence community, such as journalists, think tanks and academics, provides government with alternative points of view on issues of national significance. But contestability mechanisms are not being used to best effect: to give greater authority to decision-makers by presenting considered alternative interpretations or judgments, or the most rounded single interpretations.

The architecture of the Australian intelligence community was not designed with contestability as a goal, nor has the issue attracted great priority in the

past. It is unsurprising, therefore, that the community is not currently optimising the mechanisms available to it to provide contestability. ONA, with support from the Department of Defence, needs to establish systems to ensure more deliberate management of the overlap between ONA and DIO, and conscious identification of substantive points of agreement and difference between analysts and agencies. ONA and DIO must foster stronger internal processes of contest and challenge, more engagement with external experts, and greater use of vehicles such as the National Assessment, including the recording therein of dissenting views. This will ensure the government's requirements for contestability are better served.

Agencies' Effectiveness and Resources

Australia's intelligence agencies have faced enormous challenges over the past five years. It has always been important to get the most accurate, timely and considered intelligence to government leaders and operational commanders. But since 1999, intelligence has not only supported Australian men and women in four operational theatres as different as East Timor, Afghanistan, the Solomon Islands and Iraq but has also, since 2001, been at the forefront of the fight against terrorism—the greatest direct threat to Australia and Australians in many decades. Intelligence hasn't always got it right, and all of the agencies can improve their performance. But the commitment of the intelligence staff and their leaders to helping secure Australia is unquestionable. The people who make up Australia's intelligence capability work under the stress of a great responsibility. They often deal with disturbing information and sometimes operate in personal danger, to ensure the provision of intelligence vital to Australia's security.

The effectiveness of the agencies in meeting these challenges has been generally strong, and in some cases excellent. The collection agencies have had some notable successes over recent years. These significant successes are balanced by collection gaps in key areas, which the agencies are working to redress. Environmental factors will always impact on collectors' capability— humint sources will come and go, and new technologies will take time to exploit. What is important is that the agencies anticipate such changes to the greatest extent possible, and overcome gaps expeditiously.

Most of the agencies have had significantly increased resources since 2000–01. Across the five foreign intelligence agencies, the budget has increased by 88 per cent, and staff numbers by 44 per cent. With the important exception of ONA, this investment is sufficient to allow the foreign intelligence agencies to meet their mandates.

ONA is a well-regarded organisation producing high-quality product with generally strong customer support. Its performance is underpinned by highly skilled staff and flexible staffing strategies, although ONA's analytic talent is too thin, leaving it with insufficient depth on both regional and on globally significant issues. Its intelligence output, while highly valued, has too strong a bias towards current intelligence at the expense of more thoughtful, better researched longer term assessments, including more National Assessments. ONA is also ill-equipped in resource terms to undertake effective community coordination, set out in its legislation.

ONA's role as the peak foreign intelligence agency might be asserted, both through a stronger legislative mandate, and through a more appropriate and more publicly understandable name such as the Australian Foreign Intelligence Assessments Agency. A budget increase from $13.1 million to $25 million per annum (plus the reallocation of $2.5 million for the transfer of the Open Source Unit from the Department of Foreign Affairs and Trade and some additional one-off costs relating to accommodation), which includes an increase in staff numbers from 74 to 145, is recommended to equip ONA to fulfil its mission effectively. This includes an additional deputy Director-General and four additional officers at the Senior Executive Service level.

DIO has made significant improvement to the quality of its strategic assessment product over the past several years, and is satisfying well the needs of strategic-level customers in Defence. The extent to which it is fulfilling the military assessment needs of the ADF operational elements is less clear. DIO's current mandate overlaps with ONA on strategic assessments, and with the operational-level intelligence centre (the Joint Operations Intelligence Centre or JOIC) in the provision of support to the Australian Defence Force. With unlimited resources DIO might be able to cover this range of requirements, but in an environment of constrained resources and high operational tempo for the ADF, DIO must have its primary focus on strategic defence issues. The Inquiry has recommended a refined mandate to reduce areas of overlap and enable DIO to become a centre of excellence on strategic defence issues. The changes made

to DIO's workforce over recent years have been positive and have lifted the organisation's capability, but will need review and refocus to respond more fully to the requirements of the Australian Defence Force.

To fulfil its mandate effectively, DIO will need assistance from the ADF, in particular through better articulation of ADF intelligence requirements and the placement of more uniformed officers in DIO, including in senior leadership positions. For its part, DIO needs to develop more robust management processes and systems to underpin its efforts. The Inquiry recommends few structural or resource changes for DIO, save the divesting of management of the broader Defence intelligence system to the office of Deputy Secretary of Intelligence and Security in Defence (along with the resource and administrative functions performed within DSD for all three Defence agencies), and the formal designation of a Deputy Director. Further review of structure and resources may be warranted once DIO has implemented its new mandate.

ASIS is undergoing a period of substantial transition with a doubling of its budget since 2000 and an expanded and more diverse range of responsibilities. It is well-positioned to meet the challenges posed by this transition, with a good management team, high staff commitment, a tight customer focus, and a strong focus on planning and managing its expansion. These characteristics represent a significant step forward from the systemic organisational failings that led to the damaging exposures of the 1980s and 1990s.

Its current intelligence reporting is well regarded, with strong coverage of some high-priority areas, and room for improvement in others. The Inquiry has recommended a number of measures to review and strengthen ASIS's business practices and its output for government. The sensitivity of the activities to which these relate precludes their inclusion in a public report. It is critical that ASIS's new capabilities be allowed to mature at an operationally manageable pace. The potential risks of pushing too hard and too soon for a return on the significant investment in ASIS are greater than any short-term benefits of increased intelligence.

DSD is a highly regarded, well-managed agency with a technically skilled and talented workforce. It represents a significant and impressive capability for Australia. DSD has adapted well and quickly to the new requirements of the post-2001 security environment, and has been much valued for its support on counter-terrorism. Its operational support to ADF operations since 1999 has also

been strong. Its alliances with its counterparts are the strongest in the intelligence community and pay a disproportionately great dividend to Australia. DSD manages a large capital investment programme effectively, and has sound organisational structures which underpin its management of the sigint capability. In view of its technical complexity and relatively large budget, DSD would benefit from a periodic external review of its capability against high-priority intelligence targets as a quality assurance mechanism for its internal processes and the ONA-led annual reporting process.

Despite suggestions that DSD might become a statutory agency, the Inquiry found DSD appropriately positioned within the Defence portfolio, particularly given its dual role as a national and central defence capability. DSD has grown significantly over the past four years, and is adequately resourced to fulfil its mission. Despite this growth, DSD's management structure has remained largely static for many years, and the Inquiry recommends an additional two SES officers or star-ranked military officers to ensure DSD is equipped to manage the significant responsibilities it carries.

DIGO is the newest of the foreign intelligence agencies, and one that has undergone a rapid expansion programme over the past four years. Although still developing capability, DIGO has provided useful support to the ADF in recent operations, and is generally regarded as an organisation of significant, if as yet undersold, potential. Its primary challenges are twofold: first, to bring the imagery and geospatial capability to fruition through effective management of DIGO's growth path through to 2007 and second, to engage DIGO's customer community to ensure that capability is fully utilised. The first of these appears to be well managed and on track, with sound processes and systems underpinning DIGO's efforts. The level of engagement with customers is less advanced, and the Inquiry recommends that DIGO develop and implement a strategy to redress this gap.

With DIGO's growth path and investment plans clearly articulated within the Defence system, the Inquiry recommends no resource changes for DIGO, other than to note the inadequacy of ADF numbers within DIGO. DIGO allocates in the order of 70 per cent of its resources to support of the ADF: it cannot realise maximum value with only five per cent of its staff coming from the ADF.

Community-wide Issues

Australia's **intelligence partnerships** are an enormous asset to Australia. While strongest within the sigint community, across the board they are deep and broad, based on mutual trust and shared goals, and work overwhelmingly in Australia's favour. But in most areas, particularly that of intelligence assessments, the agencies need a more focused effort to deliver better access to intelligence vital to Australia's interests. Australia's network of liaison officers in the US and UK is generally effective, but needs to be driven in a more deliberate way, as part of a community-wide strategy to exploit more fully these valuable relationships.

Beyond Australia's traditional intelligence allies, the agencies have a network of additional partnerships, primarily in the Asia-Pacific region, but also with key European partners. The Inquiry sees benefit in reviewing these relationships to establish how they might be strengthened to provide access to information or perspectives not gained through traditional partners. A wider range of views could help to broaden Australian assessments and provide more contestability for government. These issues are covered more fully in the classified report.

In an environment of strong growth, critically important tasks and high expectation, strategic management of the **people** who make up the intelligence community becomes ever more vital. The staffs of the various agencies are not interchangeable; nor do they need common skills or attributes in many areas. But the Inquiry found a number of areas in which a corporate community approach might maximise the value of all agencies.

At the broadest level, this could involve developing, on a selective basis, an intelligence community-wide approach to career management, reducing competition within the community and offering wider career options for staff. Cross-community training will help staff understand the system to which they contribute. This might be achieved by the development of both induction and mid-course training aimed at awareness raising, and by a targeted strategy of inter-agency secondments. Most agencies have a need for linguists and people with cultural understanding, including Arabists and specialists from other non-traditional areas for Australia. Common strategies to develop a pool of such expertise, both through recruitment and development, may ensure a better community outcome. Programmes to develop and extend the analytic skills particularly relevant to ONA and DIO might be developed in conjunction with

academic institutions. And the agencies' senior leaders might strengthen and extend the community's overall capability by organising and participating in strategic seminars.

Public Presentation of Intelligence

The use of intelligence in the public domain, brought to prominence by debate on Iraq's WMD, raises complex issues. The public interest in having access to information used by government, and government requirements to use intelligence to support policy, must be balanced against both the protection of intelligence sources and methods, and the integrity of the intelligence process. The critical importance of protecting both continued access to intelligence and intelligence officers in the field is well understood. Equally important is ensuring that intelligence assessments are not adversely influenced by the knowledge that they may become public—intelligence would serve Australia less well if analysts made assessments only on the basis of iron-clad evidence.

For these reasons, governments should take a cautious approach to public release of intelligence. Nevertheless, there will be occasions on which public interest or government's need to explain the context of important policy decisions will lead to a legitimate requirement to put intelligence in the public domain. The Inquiry recommends that guidelines be adopted to manage the public presentation of intelligence in these circumstances. Chapter 7 includes suggested guidelines.

IT connectivity, both within the community and out to policy-makers and customers, is in need of urgent attention. The AIC-wide system, AICnet, was a significant advance in the late 1990s, but has a number of limitations in the applications it can provide, and the connectivity it supports to organisations which interact at a secure level with external agencies, such as the AFP and the Department of Immigration and Multicultural and Indigenous Affairs. AICnet is further limited by policy-imposed constraints, some agency-specific and some derived from the 2000 Blick review into security. In developing a new architecture, the intelligence community should review the principles underlying the architecture, and seek to maximise the opportunities for collaborative intelligence production across the community. There are likely to be significant costs associated with this project.

Intelligence case studies

A full analysis of **Iraq WMD**, set out in Chapter 3, concludes that there has been a failure of intelligence on Iraq.

Australia shared in the allied intelligence failure on the key question of Iraq WMD stockpiles, with ONA more exposed and DIO more cautious on the subject. But many of their judgments have proved correct: that the Iraqi leadership retained the ambition and intent to have a WMD programme (and that there was indeed a weapons programme, if not stockpiles of weapons); that there was insufficient evidence to determine that Iraq had renewed production of WMD; and that production of a nuclear weapon was likely to be at least four to six years away.

The lack of comprehensive assessment, which might have been achieved by production of a National Assessment by ONA or an Intelligence Estimate by DIO to support ADF deployment considerations, was regrettable. Such comprehensive reporting may have helped to clarify a complex and fragmented picture. The failure, by and large, of the assessment agencies to explain the significance of their judgments on Iraq's WMD in terms of the threat posed by Iraq also impacted on the utility of the assessments.

The two agencies' key judgments were largely consistent until late January 2003, when ONA reporting assessed that Iraq must have WMD while DIO reporting did not. But differences in style, including ONA's lesser use of detail and qualification, led to an implicit difference in assessment on that issue from late December 2002. On the key points of Iraq's possession of WMD, and the significance of its concealment and deception activities, ONA judgments were expressed with fewer qualifications and greater certainty than those of DIO.

On the critical issue of independence, the Inquiry's investigations showed that, despite a heavy reliance on foreign-sourced intelligence collection, both agencies had formulated assessments independent of those of the US and UK, in several notable cases choosing not to endorse allied judgments. The Inquiry found no evidence to suggest policy or political influence on assessments on Iraq WMD.

Despite the key failure of intelligence judgments on WMD stockpiles, the assessments produced by ONA and DIO up to the commencement of combat operations reflected reasonably the available information and used intelligence

sources with appropriate caution, although ONA's judgments on Iraq's possession of WMD became firmer than DIO's in the weeks immediately preceding the commencement of major combat operations.

Intelligence was thin, ambiguous and incomplete. The publicly available information, including the large body of UNSCOM material, together with Iraq's history of use of WMD, deceit and obfuscation, contributed heavily to the intelligence assessments.

Saddam Hussein's behaviour in the months before March 2003 and his ultimate miscalculation, which saw his regime fall, his sons killed and him captured, further complicated the assessment challenge. By any measure his was a miscalculation of massive proportions. Prior to 19 March 2003, the only government in the world that claimed that Iraq was not working on, and did not have, biological and chemical weapons or prohibited missile systems was the Government of Saddam Hussein.

The Inquiry recommends a number of changes to ONA and DIO processes to improve the robustness of assessments.

Intelligence on **Jemaah Islamiyah** was inadequate prior to the December 2001 arrests in Singapore—in fact, little was known of Jemaah Islamiyah under that name. Australia's challenge in understanding the threat posed by JI was made the more difficult by Indonesia's failure to appreciate the serious nature of that threat. But with the benefit of hindsight, it is possible to say that Australia and regional countries should have known, by the end of 2001, much more about Jemaah Islamiyah, its development of terrorist capabilities, and its intentions towards Western targets. The importance of effective links with regional intelligence and security organisations is well-illustrated by Australia's experience with Jemaah Islamiyah.

From December 2001, ONA assessments on Jemaah Islamiyah reflected an increasingly deep understanding of the nature of the JI threat, including its potential focus on Westerners and its capacity to launch significant terrorist attacks. DIO, on the other hand, continued to assess that regional extremist groups were domestically focused and had little intent or capability to target foreigners or launch mass-scale terrorist attacks. Despite the increased focus of both agencies on regional extremist groups, the Inquiry has seen nothing to suggest that any Australian agency, including ASIO, had any specific intelligence warning of the attack in Bali. This is consistent with the findings of the Inspector-General of Intelligence and Security's report on the Bali terrorist attack.

The Australian Federal Police, in cooperation with the Indonesian police, did outstanding work post 12 October 2002 in helping track down those responsible for the bombings. JI's rise demonstrates the crucial importance of Australian agencies being alert to shifts in the regional security environment and the emergence of new threats.

Intelligence advice on the **Solomon Islands** was generally of a very high quality, particularly post-June 2000, and clearly independent of policy or political influence. The assessments produced before the June 2000 coup suffered in two aspects: they tended to do little more than monitor events, and while they recognised the potential for a coup, they either dismissed its immediate likelihood or failed to predict how and when it might occur. DIO reporting did not engage operational decision-makers sufficiently in active planning to respond to a coup, as it ideally should.

Post-June 2000, both agencies' reporting was accurate and useful, assessing that the Solomon Islands downward spiral was irreversible and highlighting the necessity for external intervention. These assessments were made in a context of Australian government policy not to intervene in the Solomons, a clear indication of the integrity and independence of the intelligence advice. The reporting of the two agencies was complementary, with ONA focused on the political and economic implications of Honiara's collapse in terms of regional reactions and Australia's national interests, and DIO focused primarily on security and operational issues to support ADF operational planning.

Lieutenant Colonel Lance Collins

The Inquiry received no evidence to support the conclusion of Captain Martin Toohey RANR in the *Report of Investigation—Redress of Grievance submitted by Lieutenant Colonel Lance Collins* that "a pro-Jakarta lobby exists in DIO, which distorts intelligence estimates to the extent those estimates are heavily driven by Government policy… in other words DIO reports what the Government wants to hear".

The Inquiry looked at all assessments on Indonesia produced by DIO (and by ONA) from 1998 to May 2004. The Inquiry found no evidence of pro-Jakarta or pro-Indonesian assessments.

The present situation in ONA and DIO is that there is no evidence of any pressure on either organisation, or pressure within either organisation,

to produce pro-Indonesian assessments or to tone down any criticism of Indonesia. It is clear that analysts are free to call the situation as they see it and that their assessments reflect a robust approach to Australia's interests.

In view of media comments about DIO, the Inquiry notes that it found no evidence whatsoever that the current Director of DIO, Mr Frank Lewincamp, has exerted pressure of any kind on his analysts to reach particular conclusions or that he expected analysts to report what the Government might be presumed to have wanted to hear.On the contrary, it is evident that while Mr Lewincamp tests analysts' views through vigorous internal debate, he encourages analysts to think freely, to express different and robust opinions, to reach conclusions irrespective of Government policy and to be prepared to take prudent risks in their assessments.

Conclusion

It is the nature of such a report as this to focus on those issues which need attention—and the Inquiry has identified a number of failings both in the way in which the foreign intelligence agencies operate as a community and in the performance of each agency. But these do not suggest that the intelligence agencies are, on the whole, performing without the diligence demanded by the importance and sensitivity of their functions. On the contrary, the Inquiry found the level of commitment, talent and integrity within the leadership and staff of the intelligence community impressive, and their focus on the goal of protecting Australians and Australian interests very clear. The recommendations which follow will underpin their efforts, and deliver for Australia a more effective foreign intelligence capability.

RECOMMENDATIONS:

1. The mandate of the Parliamentary Joint Committee on ASIO, ASIS and DSD (PJCAAD) should be extended to all of Australia's intelligence agencies—that is, it should cover also ONA, DIO and DIGO on the same basis as it at present covers ASIO, ASIS and DSD. The parliament may consider renaming the committee as the Parliamentary Joint Committee on Intelligence and Security (PJCIS).

2. The functions and ministerial accountabilities of DIGO should be formalised in legislation by amendments to the Intelligence Services Act 2001. Similarly, the Inspector-General of Intelligence and Security Act 1986 should be amended to include scrutiny of DIGO on a basis comparable with that which applies to DSD and ASIS.

3. The mandate of the Inspector-General of Intelligence and Security should be extended to allow IGIS to initiate inquiries at his or her own discretion into matters relating to ONA and DIO without ministerial referral, consistent with the IGIS jurisdiction in respect of ASIO, ASIS and DSD. The Inspector-General should also conduct a periodic review of ONA's statutory independence.

4. The budget of the Office of National Assessments, Australia's peak foreign intelligence agency, should be expanded significantly from $13.1 million to $25 million (excluding $2.5 million by transfer from the Department of Foreign Affairs and Trade—see 5 below) by 30 June 2007 to enable a significant expansion in its analytic capacity.

5. The Open Source Unit (annual budget $2.5 million), at present within the Department of Foreign Affairs and Trade, and its budget should be transferred to ONA as soon as practicable over the next two financial years.

6. The Office of National Assessments Act 1977 should be amended to remove the references to two assessments boards—the National Assessments Board and the Economic Assessments Board—to reflect the reality that there is only one National Assessments Board which covers strategic, political and economic issues, but with provision for different composition according to subject matter. The Act should also be amended to strengthen ONA's community coordination role in section 5(1)(d). Consideration should be given to investing ONA with a name which reflects more accurately what it does and one which is more publicly understandable, such as Australian Foreign Intelligence Assessments Agency (AFIAA).

7. *A Foreign Intelligence Coordination Committee (FICC) should be established under the chairmanship of the Director-General of ONA comprising the heads of ASIO, ASIS, DIO, DSD, DIGO and the AFP and Deputy Secretary-level representation from the Departments of the Prime Minister and Cabinet, Defence, and Foreign Affairs and Trade. The FICC should assist the Director-General of ONA in undertaking his role in coordinating, monitoring and reporting on the performance of the Australian foreign intelligence community, and should consider cross-community issues including intelligence policy, capability development and resources. The FICC should report to the National Security Committee through the Secretaries Committee on National Security.*

8. *The Foreign Intelligence Coordination Committee should also:*

   a) *develop and implement a community-wide collection management strategy*

   b) *develop a community-wide strategy on liaison relationships to ensure maximum value from traditional alliances with the US and UK*

   c) *develop recommendations to Ministers to extend the range and utility of intelligence partnerships*

   d) *examine the flow of foreign intelligence product to senior users and identify means by which distribution can be more precisely tailored to requirements*

   e) *commission with the Department of Defence, a periodic review of DSD's performance against top-priority targets*

   f) *develop community-wide training initiatives, including consideration of a general induction programme, a mid-level refresher course, some joint training in the discipline of intelligence assessment, common language training and a programme of senior leadership strategic seminars*

   g) *consider options for career management across the intelligence community, including a programme of secondments across agencies*

   h) *develop a strategy for IT connectivity and collaborative intelligence production within the intelligence community, and a strategy for IT connectivity with primary customers.*

9. ONA should produce a greater number of National Assessments on issues of strategic importance to Australia and reflect significant dissenting views. A National Assessment should be prepared prior to any significant deployment by the Australian Defence Force, and in support of major strategic reviews.

10. The Department of the Prime Minister and Cabinet should take an enhanced role in assisting Ministers manage the foreign intelligence community, using ONA's knowledge of the community as a resource. The Department of the Prime Minister and Cabinet should:

    a) advise the National Security Committee annually on the performance of the foreign intelligence community

    b) advise the National Security Committee on the appropriate priorities for the agencies, based on advice from ONA

    c) undertake the central role for advising the National Security Committee on the resource needs of the foreign intelligence community

    d) undertake an annual review of ONA's performance, replacing ONA's current role in reviewing its own performance.

11. The Department of the Prime Minister and Cabinet should ensure that the foreign intelligence community's reporting, priority setting and resource allocation mechanisms are aligned. Specifically:

    a) The annual reports of agencies and ONA's report on the agencies' performance should be produced and considered by the National Security Committee promptly.

    b) Annual reports, in particular the identification of intelligence gaps therein, should inform the priorities setting process, which should be undertaken annually.

    c) Both the reporting and priority setting processes should inform the National Security Committee's consideration of the resource report.

    d) The resource report should be considered each year in sufficient time to inform the individual budget processes of each agency.

12. The Department of the Prime Minister and Cabinet should ensure that ASIO's performance and resource reporting is undertaken in parallel with the process outlined in recommendation 11 for the foreign intelligence community.

13. The Department of the Prime Minister and Cabinet should ensure the national and defence priorities systems are integrated, and approved by Cabinet annually.

14. The Department of the Prime Minister and Cabinet should prepare for Government consideration guidelines, as outlined in chapter 7, for the public presentation of foreign intelligence material.

15. The Department of Defence and the Australian Defence Force should:

    a) issue a revised mandate for the Defence Intelligence Organisation which focuses the organisation clearly on supporting defence strategic policy and meeting the strategic assessment needs of the Australian Defence Force

    b) re-examine guidelines for the division of responsibility between the Defence Intelligence Organisation and the Joint Operations Intelligence Centre (JOIC), last agreed in 1999, to ensure they reflect current needs and command structures. DIO should undertake an outreach strategy with the ADF and the JOIC in particular to develop an agreed set of requirements and level of service in order to synchronise expectations and reduce duplication

    c) agree on a strategy to redress the shortfall of military personnel assigned to the Defence intelligence agencies, including in leadership positions, to ensure military staffing levels are commensurate with the growing importance of intelligence in war-fighting and planning

    d) restructure current arrangements to ensure the position of Deputy Secretary Intelligence and Security is supported by adequate resources to undertake an effective coordination role for the Defence intelligence agencies. In particular, staff working on defence intelligence system-wide coordination and capability development issues, and cross-agency administrative issues, should be functionally united with and report directly to the Deputy Secretary

    e) on vacancy, fill the position of Director, Defence Intelligence Organisation through a competitive selection of civilian and military candidates. Selection should be made on merit with a preference for a suitably qualified high-quality military officer if such an officer is available. The position should be filled on a 3-4 year contract basis

f) create a Deputy Director position for the Defence Intelligence Organisation. Where possible, if the Director is a military officer, the Deputy Director should be civilian, and vice versa

g) strengthen DSD's management structure with the creation of a Deputy Director responsible for technical matters and a branch head responsible for collection and analysis.

16. The Defence Intelligence Organisation should:

a) produce Strategic Intelligence Estimates for significant military operations and for issues of high security relevance to Australia

b) cease publishing intelligence not directly serving requirements for strategic-level military-related analysis. The resultant product should be more strongly defence-oriented and distributed primarily to defence customers. The Department of Defence should take an active role in monitoring this

c) review its workforce management structures, including possible introduction of agency-specific workforce arrangements and wider use of senior analyst positions and Australian Workplace Agreements, to attract and retain high-quality staff, particularly in key technical and scientific disciplines

d) undertake an integrated review of its business systems, including those for information, collection and liaison management, and of its information technology needs. The latter should take place in the context of IT network developments across the AIC and internationally and may require some one-off funding supplementation.

17. The Defence Imagery and Geospatial Organisation should develop and implement a comprehensive customer engagement strategy.

18. ONA and DIO should:

a) give greater focus to longer term and strategic assessments

b) institutionalise measures to ensure rigorous and interactive challenging of sources, and effective dialogue between collectors and assessors

c) institutionalise measures to ensure effective challenge to judgments, including formal peer review mechanisms within, between and outside the agencies, and between technical and geographic experts

d) *consult on and, where appropriate, reconcile their forward work programmes. As a minimum each should attend the other's existing weekly requirements meetings.*

19. *The Australian intelligence agencies should be active in building a profile of staff with necessary language skills, paying particular attention to emerging issues and ensuring the agencies have the language skills, including in Arabic, and other expertise to match emerging needs.*

20. *ASIS should be provided with additional funding to bolster the key language capabilities of its staff. ONA also should make use of additional staff resources recommended by this Inquiry to supplement its stock of key linguistic skills.*

21. *Funding should be provided to ensure that an expanded ONA and an expanded ASIO, as already decided upon, can continue to share a building, including funding to cover transitional accommodation arrangements. The Inquiry is advised that the cost for this is likely to be in the order of $11 million over and above the construction and fit-out of an extension to the present ASIO building.*

22. *The intelligence community should be subject to periodic external review every five to seven years.*

23. *ONA should, in consultation with the foreign intelligence agencies, produce an unclassified brochure on the role of the intelligence agencies, their place in government and the accountability mechanisms that support them.*

annex a

PRIME MINISTER'S LETTER OF 4 MARCH 2004

Prime Minister
Canberra

Mr Philip Flood AO

– 4 MAR 2004

Dear Mr Flood

I am writing to request that you undertake an inquiry into matters relating to the Australian intelligence agencies, consistent with the approach recommended in the recently completed report of the Parliamentary Joint Committee into ASIO, ASIS and DSD (PJCAAD) inquiry into intelligence on Iraq's weapons of mass destruction.

The PJCAAD recommended that:

Recommendation 1
"The Committee recommends that, in the course of any post war review of the intelligence agencies, the Government assess the capacity of ONA in line with the changed security circumstances."

Recommendation 2
"The Committee recommends that, in any review, the AIC should examine their processes to ensure the maintenance of their independence and objectivity."

Recommendation 3
"The Committee recommends that there should be an independent assessment of the performance of the intelligence agencies, conducted by an experienced former intelligence expert with full access to all the material, which will report to the National Security Committee of Cabinet and which, in the light of the matters raised by the consideration of the pre-war intelligence on Iraq, will recommend any changes that need to take place for the better functioning of the agencies."

Without seeking to limit your examination, I ask that you provide advice on the following matters:

- the effectiveness of the intelligence community's current oversight and accountability mechanisms as they relate to such matters as the setting of priorities, the assigning to the priorities of appropriate resources, and the delivery of high quality and independent intelligence advice to the government;

- the suitability of the current division of labour among the intelligence agencies and communication between them;

- the maintenance of contestability in the provision to government of intelligence assessments; and

- the adequacy of current resourcing of intelligence agencies and in particular ONA.

Your inquiry is to focus primarily on the intelligence agencies in relation to foreign intelligence collection and assessment. As such, your deliberations should encompass the activities of ONA, DIO, ASIS, DSD and DIGO. Should you find it necessary, you should feel free also to include consideration of linkages to other agencies as appropriate, including ASIO.

In preparing your report, you will have full access to all intelligence material that you require. You will also have access to any person you believe could usefully inform your views. You may wish to seek the views of other persons if you determine they can make a positive contribution to your inquiry. Ministers of course would be available to meet with you if you wish.

You should prepare an appropriately classified report and convey it directly to me by 30 June 2004. I will present your report to the National Security Committee of Cabinet as soon as practicable after that date. You should also prepare an unclassified version of your report.

I have asked the Secretary of my department to liaise with you in identifying appropriate secretariat and logistics support for your inquiry. The heads of relevant departments and agencies will be directed to ensure they and their staff cooperate fully with the inquiry.

A copy of this letter will be sent, for their information, to the Minister for Foreign Affairs, the Minister for Defence and the Attorney-General.

I appreciate your willingness to undertake this important task.

Yours sincerely

(John Howard)

annex b

The Inquiry was supported by a Secretariat drawn from the Departments of Defence, Foreign Affairs and Trade, and the Prime Minister and Cabinet, and from the Australian Defence Force. While the members of the Secretariat undertook a wide range of tasks in support of the Inquiry, Mr Flood accepts responsibility for all views in the report.

The members of the secretariat were:
Philip Green OAM

Stephanie Foster

Kathy Klugman

Peter Furlonger

Colonel David Gillian

Donna Woodward PSM

annex C

PERSONS INTERVIEWED BY THE INQUIRY

This list covers persons interviewed formally and informally.

GOVERNMENT

The Hon. John Howard MP, Prime Minister

The Hon. Peter Costello MP, Treasurer

The Hon. Alexander Downer MP, Minister for Foreign Affairs

Senator the Hon. Robert Hill, Minister for Defence

The Hon. Philip Ruddock MP, Attorney-General

The Hon. Mark Vaile MP, Minister for Trade

Senator the Hon. Amanda Vanstone, Minister for Immigration
and Multicultural and Indigenous Affairs

MEMBERS AND FORMER MEMBERS OF PARLIAMENT

The Rt Hon. Malcolm Fraser AC CH

The Hon. Robert Hawke AC

The Hon. Paul Keating

The Hon. Kim C. Beazley MP

Senator Chris Evans

Senator Steve Hutchins

The Hon. David Jull MP

Senator Sandy Macdonald

Senator the Hon. Robert Ray

Mr Kevin Rudd MP

AUSTRALIAN PUBLIC SERVICE

Mr Ron Bonighton AM, Deputy Secretary, Intelligence and Security,
Department of Defence

Dr Ashton Calvert AC, Secretary, and staff of the Department of Foreign
Affairs and Trade

Mr Ian Carnell, Inspector-General of Intelligence and Security

Mr Bill Farmer, Secretary, and staff of the Department of Immigration and Multicultural and Indigenous Affairs

Mr David Irvine, Director-General, and staff of the Australian Secret Intelligence Service

Commissioner Mick Keelty APM and staff of the Australian Federal Police

Mr Frank Lewincamp PSM, Director, and staff of the Defence Intelligence Organisation

Mr Les Luck, Ambassador for Counter-Terrorism

Mr Ian McKenzie, Director, and staff of Defence Imagery and Geospatial Organisation

Mr Stephen Merchant, Director, and staff of Defence Signals Directorate

Mr Paul O'Sullivan, Senior Adviser (International), Prime Minister's Office

Mr Dennis Richardson AO, Director-General, and staff of the Australian Security Intelligence Organisation

Dr Peter Shergold AM, Secretary, and staff of the Department of the Prime Minister and Cabinet

Mr Richard Smith AO PSM, Secretary, and staff of the Department of Defence

Mr Peter Varghese, Director-General, and staff of Office of National Assessments

AUSTRALIAN DEFENCE FORCE

General Peter Cosgrove AC MC, Chief of the Defence Force

Rear Admiral Mark Bonser AO, former Commander Australian Theatre

Major General Mark Evans AM DSC, Deputy Chief, Joint Operations

Rear Admiral Raydon Gates, Maritime Commander, Australia

Major General Ken Gillespie AO DSC CSC, Land Commander, Australia

Air Marshal Angus Houston AM AFC, Chief of Air Force

Lieutenant General David Hurley AO DSC, Chief, Capability Development Group

Lieutenant General Peter Leahy AO, Chief of Army

Major General Duncan Lewis DSC CSC Special Operations Commander, Australia

Major General Maurie McNarn AO Commander, Training Command—Army

Brigadier Steve Meekin, Director-General, Scientific and Technical Analysis Branch, Defence Intelligence Organisation

Colonel Mike Norris, former J2 HQAST

Vice Admiral Chris Ritchie AO, Chief of Navy

Captain David Scott, J2 Headquarters Joint Operations

Air Vice Marshal Geoff Shepherd, Air Commander Australia

Vice Admiral Russ Shalders CSC, Vice Chief of the Defence Force

Brigadier Mike Silverstone CSC, Director-General, Intelligence Capability and Support to Operations Branch, Defence Intelligence Organisation

Colonel Lester Sutton, Commander, Joint Operations Intelligence Centre

FORMER APS, ADF AND OTHERS

General John Baker AC, former Chief of the Defence Force and former Director, Defence Intelligence Organisation

Professor Des Ball, Australian National University

Mr Bill Blick PSM, former Inspector-General of Intelligence and Security

Dr Richard Brabin-Smith AO, former Deputy Secretary for Strategic Policy and Chief Defence Scientist

Mr Martin Brady AO, former Director, Defence Signals Directorate and former Chairman, Defence Intelligence Board

Mr Michael Costello AO, former Secretary, Department of Foreign Affairs and Trade

Major General Bill Crews AO (Retd) National President, Returned and Services League and former Director, Defence Intelligence Organisation

Dr Paul Dibb AM, Australian National University

Mr Ian Dudgeon, Principal, Ian Dudgeon and Associates Pty. Ltd.

Mr Robert Furlonger, former Director-General, Office of National Assessments

Dr Richard Gordon, former senior officer, Office of National Assessments

Mr Alan Gyngell, Director, Lowy Institute

Lord Brian Hutton Kt, PC

Mr Kim Jones AM, former Director-General, Office of National Assessments

Mr Neil James, Executive Director, Australian Defence Association

Mr Neil McInnes AM, former Inspector-General of Intelligence and Security

Mr Geoffrey Miller AO, former Director-General, Office of National Assessments

Mr Max Moore-Wilton AC, former Secretary, Department of the Prime Minister and Cabinet

Mr David Reese, former Deputy Director-General, Office of National Assessments

Mr David Sadleir AO, former Director-General, Australian Security Intelligence Organisation

Mr Richard Smith AM, former Director-General, Office of National Assessments

Mr Allan Taylor AM, former Director-General, Australian Secret Intelligence Service

Dr Carl Ungerer, former Office of National Assessments officer

Mr Hugh White, Director, Australian Strategic Policy Institute

Mr Richard Woolcott AC, Director, Australasia Centre, Asia Society

NOTE

In addition, members of the Secretariat visited London and Washington for discussions with intelligence agencies and commissions of inquiry.

annex d

SUBMISSIONS RECEIVED BY THE INQUIRY

Attorney-General's Department

Australian Customs Service

Australian Federal Police

Australian National Audit Office

Australian Secret Intelligence Service

Australian Security Intelligence Organisation

Defence Imagery and Geospatial Organisation

Defence Intelligence Organisation

Defence Signals Directorate

Department of Agriculture, Forestry and Fisheries

Department of Defence

Department of Finance and Administration

Department of Foreign Affairs and Trade

Department of Immigration and Multicultural and Indigenous Affairs

Department of Industry, Tourism and Resources

Department of the Prime Minister and Cabinet

Department of the Treasury

Inspector-General of Intelligence and Security

Office of National Assessments

Asian Studies Association of Australia

Mr Bill Calcutt PSM

Ms Janet Crews

Dr W Frick

Dr Richard Hames

Mr HF Keen

Mr David H Lewis

Mr Kenneth MacRae

Lieutenant Colonel BP Mahony (Retd)

Mr Alastair Paton

Mr Peter Smernos

Mr Richard Woolcott AC

ACRONYMS AND ABBREVIATIONS

ADF	Australian Defence Force
AFP	Australian Federal Police
AIC	Australian intelligence community
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
ASTJIC (now JOIC)	Australian Theatre Joint Intelligence Centre
BW	Biological Warfare
CDF	Chief of the Defence Force
CIA	Central Intelligence Agency
CW	Chemical Warfare
DFAT	Department of Foreign Affairs and Trade
DIGO	Defence Imagery and Geospatial Organisation
DIO	Defence Intelligence Organisation
DSD	Defence Signals Directorate
FICC	Foreign Intelligence Coordination Committee
GRA	Guadalcanal Revolutionary Army
HIAM	Heads of Intelligence Agencies Meeting
Humint	Human Intelligence
IFM	Isatambu Freedom Movement
INR	Bureau of Intelligence and Research (US State Department)
JIC	Joint Intelligence Committee (UK)
JOIC	Joint Operations Intelligence Centre
MEF	Malaitan Eagle Force
NSA	US National Security Agency

NSC	National Security Committee of Cabinet
ONA	Office of National Assessments
PJCAAD	Parliamentary Joint Committee on ASIO, ASIS and DSD
Sigint	Signals Intelligence
UKUSA	Agreement governing sigint relationship between the UK, US, Australia, Canada and New Zealand
UNMOVIC	United Nations Monitoring, Verification and Inspection Commission
UNSCOM	United Nations Special Commission
WMD	Weapons of Mass Destruction