SPECIAL REPORT

ASPI

September 2010 — Issue 34

Australia's national security institutions
Reform and renewal

by Carl Ungerer

'The [British] national security architecture is flawed in its design', Charlie Edwards, *National Security for the Twenty-First Century*, DEMOS, London, 2007.

'The national security system of the United States is increasingly misaligned with a rapidly changing global security environment', *Forging a New Shield*, Report of the Project on National Security Reform, Washington, 2008.

'...we need a more integrated national security structure that enhances national security policy coordination', *Australian National Security Statement*, Canberra, 2008.

It is widely acknowledged that the national security challenges of the 21st century are broader and more complex than the national security institutions that are designed to manage them. In the first *National Security Statement* to parliament in December 2008, the Australian Government committed itself to reviewing and reshaping the national security architecture and to establishing new institutional frameworks to deal with an increasingly heterogeneous security environment. Central to this effort has been an emphasis on improving the leadership, coordination and integration of Australia's national security agencies.

The resulting reforms have encompassed several important changes to the way in which Australia conducts its national security policy. These changes include: a conceptual shift (expanding the definition of national security threats to include 'all-hazards' and applying risk-based methodologies to national security planning); constitutive changes (affecting both the size of the national security institutions and their legislative foundations); and have led to distributive effects (influencing the distribution of power, resources and influence among and between agencies). Today, national security is closer to the centre of public administration than at any time since World War II.

In light of these reforms, this paper asks three basic questions:

- What is driving these changes in our national security institutions?
- What institutional changes have been put in place?
- And what further institutional reforms may be necessary to meet the national security challenges of the future?

Drivers of change

At the core of Australia's national security institutions are the four pillars of diplomacy, defence, domestic security and intelligence. The foundations of these institutions can be traced back to the time of Federation in 1901,

but it was not until the Commonwealth government assumed greater control of its external affairs power after 1945, and facing the onset of the Cold War, that these institutions became more central to national policy making.

Significantly, it was the revelations of a spy ring operating out of the Soviet Embassy in Canberra, which led the Chifley government to issue a Directive for the Establishment and Maintenance of a Security Service in March 1949. An external secret intelligence service, modelled directly on Britain's MI6, was added in 1952. These agencies, alongside the defence establishment and the external affairs department, became the principal elements of the Australian national security community during the Cold War.

Beyond the four central pillars, a number of agencies, institutions and actors have been co-opted into the national security architecture as circumstances have changed. The national security community has faced three major periods of reform: expansion in the 1970s following the Hope Royal Commissions into intelligence and security which led to the creation of the Office of National Assessments (ONA); contraction after the Cold War which saw Australian Security Intelligence Organisation's staff numbers decline to less than 500 in 1997–98; and the current reform period which began after the 2001 terrorist attacks on the United States, and then increased rapidly under the Labor government since 2007.

So, what is driving this current wave of reform? In general, analysts have put forward four main reasons why the existing institutional frameworks are no longer sufficient to manage the complexity of the modern global security environment.

First, the pace and interconnectedness of national security threats have changed as a result of globalisation. Although the threat of state-based, conventional military conflict remains low, threats from transnational non-state actors have increased. Borders are no longer effective barriers to the movement of people, drugs, weapons or disease. Ideologies of hatred and extremism find new audiences around the world and at home with the spread of the internet and modern communications technology. Smaller groupings including terrorist networks, and in some cases organised criminal gangs have acquired weapons, motivations and organisational forms that resemble low-level military capabilities.

Second, the agenda of national security encompasses a range of risks and pressures in the international system that cannot be solved by one agency or one tier of government acting alone. In an all-hazards environment, the range and diversity of national security threats—from bushfires to ballistic missiles—compels governments to find common security approaches between agencies and between states.

Third, the national security institutions that were designed to respond to the relatively predictable patterns of the Cold War now seem slow and cumbersome in the face of these new security challenges. Large departments of state are often inward-looking and fail to adapt quickly to changes in the external security environment. In particular, the institutional lines of responsibility which continue to define hard barriers between foreign and domestic security policy appear anachronistic. Allan Gyngell, Director General of ONA, neatly summarises this shift, noting that 'the barriers between the domestic and the foreign have blurred and faded'.[1]

Fourth, analysts have noted that there is a growing division between the funding for civilian and military instruments of national security policy. Despite government

rhetoric about the shifting nature of security problems towards non-military threats, the Department of Defence continues to receive the lion's share of the national security dollar—$27 billion a year compared to around $4.3 billion for the civilian agencies. In relative terms, the civilian departments are under-resourced and administratively underprepared for the national security roles that they are now expected to perform.

The political context of national security reform is also important. Historically, as others have noted[2], the working definition of national security tends to reflect different partisan interests—and, as the Iraq war debate showed, national security issues can be exploited for political gain. In one sense, 'national security' is now like 'national interests'—defined at the discretion of the government of the day. In the absence of an agreed definition of what constitutes a national security issue, the debate about threats to Australia can become captured by imprecision and emotion—most recently highlighted by the problem of irregular boat arrivals from Indonesia.

This new environment of interconnected security risks and malleable threat perceptions compels modern states like Australia to reassess what national security means and what kind of institutional structures are best suited to address the new reality.

Home renovations

Increasingly, Australia's national security interests are being shaped by domestic sources of insecurity. Notwithstanding the longer term pressures of a regional security environment influenced by shifting power balances and competing nationalisms, the rise of religious extremism at home, the growing sophistication of foreign espionage, organised criminal groups and cyber-security threats have all created a greater need for security managers to look inwards. The sub-title of the 2010 Counter-Terrorism White Paper, *Securing Australia: protecting our community*, is indicative of this trend.

But we have responded to new and emerging challenges with an incremental approach rather than looking comprehensively at the organisational challenges ahead. Recent reviews into discrete aspects of the national security system, including intelligence, border security, energy security and cyber-space, have all yielded more resources, more money and some movement towards the fusion of government capabilities, but very little in the way of systemic reform.

Issues that were once on the periphery of the national security debate, such as climate change, emergency management or energy security, have become incorporated into existing work practices without any real understanding of how they affect Australia's national security interests or where the potential linkages to other policy instruments might prove more effective in dealing with them. Once these issues have been identified by governments as relevant to national security planning, the bureaucracy must show some effort against them. Identifying and funding priorities becomes more difficult as the national security agenda becomes more crowded.

Despite a decade of reform and large funding increases, Australia's national security architecture remains similar to its original design in the 1940s. Moreover, the changes that have occurred have largely been copied from counterparts in the US, the UK and Canada. Following the 'intelligence failures' of September 11 and Iraq, all four countries have sought to improve the leadership and coordination among national security agencies. Each has published a national security strategy or statement and each has allocated more resources, both human and financial, to the bureaucracy.

In Australia, these reforms can be grouped into three main areas: centralisation of decision making authority, increased policy coordination and higher funding.

Centralisation

The centralisation of effort within the Department of the Prime Minister and Cabinet has been a common response to the increasing number of multi-faceted challenges confronting policy makers. The creation of the office of the National Security Adviser (NSA) in 2008 was seen as an opportunity to bring greater coordination and cohesion to national security policy and to assist in the transition from a stovepiped departmental culture to one that favoured issue-based, cross-agency interaction.

Despite receiving only a modest increase in staffing levels (around twenty new positions were created), the office of the NSA has assumed a much higher level of responsibility and authority for the direction of the national security community. The National Security Adviser is now the principal adviser to the Prime Minister and chairs both the National Intelligence Coordination Committee (NICC) and the Border Protection Taskforce.

Central to the government's coordination effort has been the introduction of a National Strategic Policy Framework.[3] This framework, announced in the December 2008 National Security Statement to parliament but largely unheard of since, establishes priority setting, resource allocation and performance evaluation as the three guiding functions of the NSA. As a result, it fundamentally tips the coordination power in the national security community away from the intelligence agencies and towards the central policy departments.

Whereas the Director General of ONA is still legislatively mandated to provide government with an agreed set of foreign intelligence priorities and cross-agency planning, those tasks have been given to the National Security Adviser without any consequential changes to the ONA Act. This new arrangement reverses one of the key recommendations of the Hope Royal Commission—that national assessments on intelligence and security should be conducted outside the line agencies.

As the Obama Administration was recently reminded, the centralisation of intelligence and security planning does not necessarily produce better national security outcomes. In the wake of several failed terrorist plots in the United States, President Obama issued a directive to the intelligence agencies in January 2010, demanding that the Director of National Intelligence (DNI) 'synchronise' the analytical effort against global terrorism—a task that one would assume was already being done. And despite the DNI's efforts to find common ground and consistent approaches to analytical tradecraft, there were still 'inherent weaknesses' in the inter-agency system.[4]

Policy coordination and cohesion

Like its allied counterparts, the Australian National Security Statement identified enhanced policy coordination and cohesion as one of the government's key priorities. But other than just pushing this task higher up the food chain to the NSA, there has been very little by way of legislative or structural changes to the national security agencies that would drive improved cohesiveness.

For example, there has been no effort to standardise the naming of the geographic or functional areas within the three main departments responsible for national security—Defence, Foreign Affairs and Trade, and Attorney-General's. And the implementation of clearer performance metrics for national security—both at

the agency level, and for the national security community as a whole—remains underdeveloped.

Likewise, the appointment of senior public servants to act in coordination roles for issue-specific security problems such as counter-terrorism, people smuggling and border security, has not worked as effectively as some had hoped. These positions lack the de facto and de jure authority to direct resources across and between agencies.

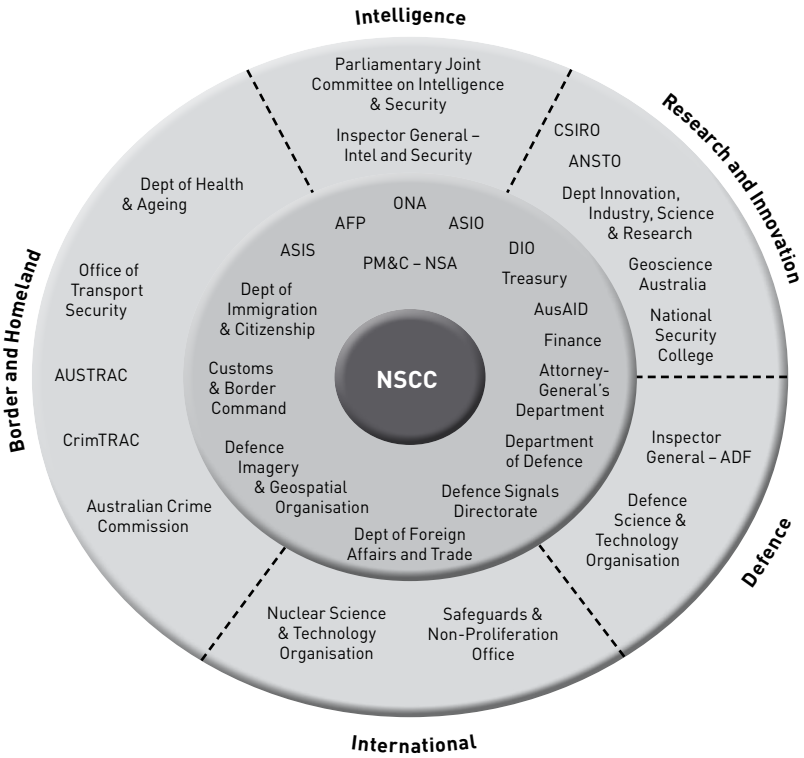
New institutional arrangements to improve cohesion among agencies, such as the National Security College, are a long-term investment. Although the college has conducted several introductory courses, and will begin offering a formal qualification in national security studies from 2011, the desired improvement in strategic policy advice to government is likely to take several years to bear fruit.

Funding

Australia's national security institutions have needed to evolve rapidly in recent years and have been richly rewarded by the government as a result. The six agencies of the Australian Intelligence Community (AIC), for example, have grown by over 300% on average since 2001.[5] In some cases, the growth has been overwhelming. The budget of the Australian Security Intelligence Organisation (ASIO) has increased from $69 million in 2001 to more than $430 million today. By growing all the national security agencies simultaneously, the harder questions about where funding should be prioritised have largely been avoided.

Overall, the annual funding for the national security agencies, excluding defence, has

Figure 1: Australia's national security institutions



Source: Department of the Prime Minister and Cabinet

National security institutions created since 2008

National Security Adviser (NSA)

The NSA provides direct advice to the Prime Minister on policy matters relating to the nation's security, including international policy issues. In carrying out the duties, the NSA engages with the heads of Commonwealth departments and agencies, relevant Commonwealth Ministers, heads of state and territory departments and agencies, as well as key representatives from business, industry and academia. In the role of overseeing and supporting whole-of-government policy development, the NSA chairs, co-chairs or is a member of various national security communities. The NSA is an official attending the National Security Committee of Cabinet, the deputy chair of the Secretaries Committee on National Security, a member of the recently established Border Protection Committee of Cabinet, and the chair of the Border Protection Taskforce.

National Intelligence and Coordination Committee (NICC)

The National Intelligence Coordination Committee (NICC) is the most senior mechanism for the whole-of-government strategic coordination of national intelligence. The NSA chairs the NICC, which consists of leaders across the Australian intelligence community and law enforcement agencies. It incorporates the Deputy Secretary of Intelligence and Security, and the Directors of the Defence Imagery and Geospatial Organisation (DIGO), Defence Intelligence Organisation (DIO) and the Defence Signals Directorate (DSD).

National Crisis Coordination Centre (NCCC)

Proposed in the 2010 Counter-Terrorism White Paper (CTWP), the NCCC aims to improve whole-of-government management of major crises, connecting federal government agencies with state and territory arrangements. New facilities will be created for secure ministerial participation in national security crisis management in parliament house.

Counter-terrorism Control Centre (CTCC)

The CTCC will be established inside ASIO to manage counter-terrorism priorities, identify intelligence requirements, and ensure the processes of collecting and distributing counter-terrorism information are fully harmonised across the counter-terrorism community. It will be the key agency for evaluating and integrating counter-terrorism intelligence.

Criminal Intelligence Fusion Centre (CIFC)

The CIFC will be located within the Australian Crime Commission and is designed to better detect and prevent organised crime, including operations set up to facilitate people smuggling in the region.

Border Protection Committee of Cabinet

The government created the Border Protection Committee (BPC) of Cabinet in 2009 to deal with border protection issues. The BPC largely focuses on policy

National security institutions created since 2008 (cont.)

responses, but it also reviews border protection operations. The BPC is chaired by the Minister for Immigration and Citizenship. The ministers for Defence, Foreign Affairs, Home Affairs and the Attorney-General are members of the BPC. The attending officials are the NSA, Chief Executive Officer (CEO) Australian Customs and Border Protection Service (ACBPS), Secretaries of the Department of the Prime Minister and Cabinet, of the Department of Immigration and Citizenship (DIAC) and the Attorney-General's Department (AGD), Director-General ONA, Director-General ASIS, the Commissioner of the Australian Federal Police (AFP), and the Chief of the Defence Force.

Border Protection Taskforce

The Border Protection Taskforce (BPTF), made up of relevant officials, supports the BPC. The BPTF develops policy advice and provides expert input from across government to better coordinate and streamline arrangements to manage and respond to irregular maritime arrivals. The NSA chairs the Taskforce with the CEO ACBPS as the deputy chair. Deputy Secretaries (or equivalents) attend from Defence, DFAT, AGD, DIAC, AusAID, AFP, ONA, ASIO, ASIS and others as required.

National Security College

This new initiative plans to enhance the capacity of senior officials across the broad national security community to achieve whole-of-government outcomes and to lead cultural change within their own areas. Its stated aims include:

- enhancing the functioning of the national security community
- contributing to the development of a new generation of strategic analysts
- achieving effective outreach to business and the wider community.

From February 2011 the College will offer a Graduate Studies in National Security Policy (GSNSP) program.

reached more than $4 billion. The May 2010 budget included an additional $500 million investment in border protection, aviation and identity security, intelligence and support for the Australian Defence Forces in Afghanistan.

New institutional arrangements announced in the budget included: $14.5 million to establish a Criminal Intelligence Fusion Centre within the Australian Crime Commission; $17.3 million for the National Security College; and $9.1 million to establish a Counter Terrorism Control Centre within ASIO.

Sustaining this level of funding will prove increasingly difficult in the absence of a major national security incident on Australian soil.

Today, the institutional model for Australia's national security policy can be characterised as one that is based on strict compartmentalisation and limited coordination. The primary mode of policy delivery is organised under vertical lines of responsibility within departments and agencies rather than horizontal networks between them. The burden for coordinating and harmonising national security policy rests entirely with the office of the NSA.

Despite the ubiquitous 'whole-of-government' rhetoric, there is still an important hierarchy of power and responsibility within this system. As Figure 1 shows, the inner core are those agencies that have a traditional connection to national security policy through their role as advisers to the National Security Committee of Cabinet (NSCC). The outer core includes agencies that have been co-opted into recent policy debates as a result of shifting national security priorities, or have been established by government to provide administrative oversight. Ongoing barriers between the inner and outer cores include the strict classification system, the difficulties of comprehensive IT connectivity and the embedded cultural practices of different agencies.

This model reflects a particular vision of administration that has its historical roots in the post-war evolution of public service. And there are both centrifugal and centripetal forces at play in this system. Globalisation and the increasingly 'presidential' style of international affairs compel political leaders to assume greater control over the national security apparatus. At the same time, the complexity and interconnection of national security threats devolves responsibility for prevention and response further away from central governments towards community groups, businesses and even individuals.

Making radical changes to this model is unnecessary and would probably be counter-productive. But a more appropriate model for Australia's national security institutions would better align strategy, resources and administrative functions.

Three recommendations to accelerate a more integrated national security policy

Over the next decade, Australia will confront an international security environment that will be more competitive and less amenable to a 'business as usual' approach. Two broad policy approaches are available to the Australian Government to confront these challenges.

The first response would be to continue along the same incremental pathway that the federal government has adopted since 2001. This approach seeks to identify and plug weaknesses in the existing institutional arrangements, and to add additional functions or make legislative changes as necessary, but to maintain the overall division of responsibilities between departments and agencies. And it would also continue to place the primary burden for integrating and coordinating the national security community within the office of the National Security Adviser, a non-statutory body.

There are several problems with this approach. It wrongly assumes that funding for the national security community will continue to grow at the same rate as it has in the past and that the creation of 'fusion' centres within the existing agencies will bring immediate results in terms of community-wide cooperation and cohesion. As fiscal pressures on the public service continue to rise, governments are already looking for ways to offset new spending initiatives with savings. Moreover, there is growing public and media scrutiny of national security spending. In recent weeks, the structure of US national security institutions has come under intense pressure following the assertion of waste, duplication and incompetence that results when one element of public policy is overfunded and under scrunitised.[6] Similar questions are being asked in Australia.

The incremental approach also underestimates the difficulty of building a cohesive national security culture between more than forty separate departments and agencies, across eight jurisdictional divisions.

Recent Inspector-General of Intelligence and Security inquiries

Ul-Haque Inquiry

During 2008 the Inspector-General conducted an inquiry into the actions taken by ASIO in 2003 in respect of Izhar Ul-Haque following the dismissal of charges against Ul-Haque in the NSW Supreme Court and criticism of two ASIO officers by that court. The inquiry upheld the previous recommendations from the Street Inquiry that ASIO and the AFP Australian Federal Police (AFP) needed to develop closer operational protocols for managing domestic counter-terrorism cases.

DIO Inquiry

In 2008 the Inspector-General initiated an inquiry into the integrity of DIO assessments. During the course of the inquiry concern was expressed about pressure on DIO in relation to its input to the Defence White Paper process. Although the inquiry found no evidence of improper influence on DIO analysts, the IGIS recommended several improvements in analytic tradecraft to better equip individuals and the managers who oversee the intelligence assessment process.

The 'whole-of-government' rhetoric is commendable and follows the judgement that national security agencies must operate in an all-hazards environment, but fails to convert these good intentions into practical outcomes. One needs only to read back through the recent inquiries conducted by the Inspector General of Intelligence and Security (IGIS) to see the challenges of building a seamless national security architecture from agencies that have distinct cultures, embedded prejudices and highly compartmentalised ways of doing business.

The alternative response would be to re-organise the national security community around the concepts of functional responsibility and accountability.

1. Make networks the main institutional design feature of the national security community

Better coordination could be achieved if agencies in each of the five functional areas—border and homeland security, intelligence, international, defence and research and innovation—were more integrated and better networked. Making networks and not departments the main institutional design feature of the national security community would force managers to find synergies (and potentially savings) in how national security issues are addressed both inside and outside of government.

In practical terms, this would require the federal government to establish networks of analysts, policy makers and trusted community groups around thematic issues such as border security, science and energy, emergency management or counter-terrorism. These networks could be both formal (with a permanent staff) and informal (such as a cross-agency team). This is how consultancy firms operate in 'hot teams'. And the role of collaborative websites, such as wikis, can help here—the US intelligence community has implemented a virtual online network called 'A Space'.

Networks would be more flexible than current inter-departmental structures or 'fusion centres' and they could be formed and disbanded as needs arise. They would not require any physical changes to existing departments or agencies but instead would operate between and across them.

Most importantly, they could become more inclusive of external expertise, both domestically and internationally.

2. Place the functions of the NSA on a statutory basis

There is real merit in placing the current functions of the NSA on a statutory basis so that it has clear legislative authority and can operate independently of both the policy agencies and the intelligence community.

This was the 'maximalist' option first put to the government in 2007, but rejected in favour of a continuation of the current minimalist arrangements. But as a $4 billion a year enterprise, the national security community has grown to the point where the minimalist option is no longer sensible or viable.

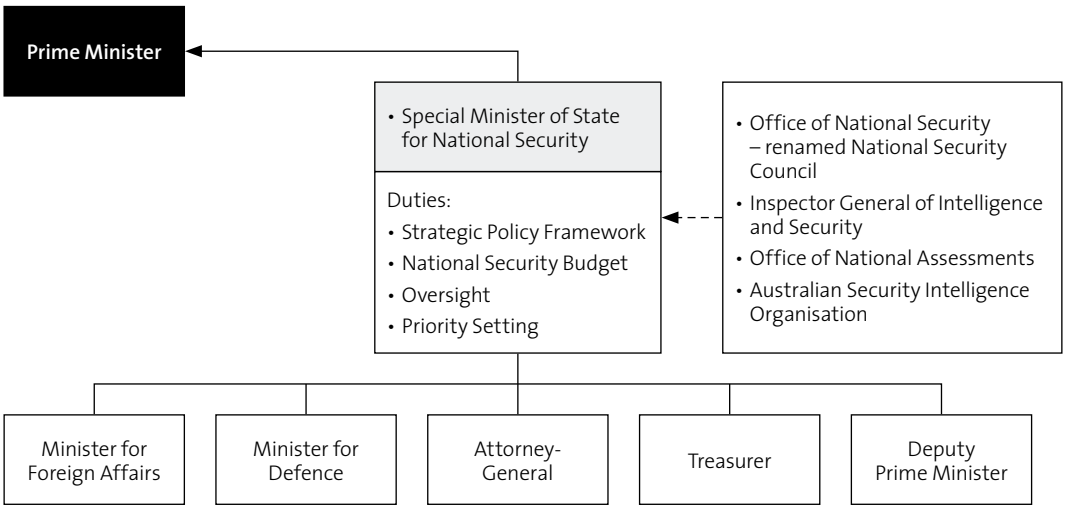
The office of the NSA should be renamed the National Security Council. It could then replace the Secretaries Committee on National Security and the National Intelligence Coordination Committee as well as provide a permanent secretariat to the National Security Committee of Cabinet.

3. Appoint a Special Minister of State for National Security

Although the approach outlined above would not involve the creation of new departments, and would potentially lead to the combining of some institutional functions, it would require a greater deal of ministerial oversight and direction than is currently the case. In this regard, the government should consider the appointment of a Special Minister of State for National Security.

This model has been used successfully in the Australian Cabinet system for several decades. It is a mechanism for providing support to the Prime Minister on critical issues of cross-portfolio significance. It has been used successfully on matters such as public sector governance and electoral reform. Given the growth in the size of the national security community, and the complexity of issues confronting it, having a dedicated minister to provide oversight and accountability is both necessary and overdue.

Figure 2: Functional responsibilities of a Special Minister of State for National Security



The ministers for defence, foreign affairs and the Attorney-General would retain ministerial responsibility for operational matters within their respective portfolios, but the Special Minister would have responsibility for setting priorities, strategies and direction. In addition to incorporating the functions of the new National Security Council, the Special Minister would have responsibility for the Inspector General of Intelligence and Security and the Office of National Assessments. There is also merit in considering whether the functions of domestic security intelligence should also be incorporated within the Special Minister's portfolio. The main advantage here is that it would bring priority setting for both foreign and domestic intelligence into closer alignment.

Most importantly, the Special Minister of State should have responsibility for making recommendations to the NSCC on resource allocations between agencies based on a national risk assessment as part of the annual national security budget cycle and responsibility for reporting on the performance of subordinate agencies (see figure 2).

Conclusion

These recommendations are neither complicated, technically difficult or resource intensive. What is required for greater institutional integration and coherence among the agencies of the national security community is leadership—to overcome entrenched bureaucratic bottlenecks and the existence of unnecessary silos. Some of that leadership will come from within the bureaucracy. But the more important element of national security planning will rest with executive government and what priorities it has for Australia's security.

Endnotes

1 A Gyngell, National security lecture at the University of Canberra, 28 May 2010. http://www.ona.gov.au/media/3725/allan-gyngell_nat-security-lecture_28-may-10.doc.

2 A Dupont, 'Australia and the concept of national security', Strategic and Defence Studies Centre, ANU Working paper No. 206, May 1990.

3 See also C Ungerer, 'Measuring up: evaluating cohesion in the national security community', ASPI Policy Analysis No. 64, 24 June 2010. http://www.aspi.org.au/publications/publication_details.aspx?ContentID=260&pubtype=9.

4 http://www.whitehouse.gov/sites/default/files/potus_directive_corrective_actions_1-7-10.pdf.

5 *The Australian Defence Almanac 2010–2011*, ASPI, p. 124. http://www.aspi.org.au/publications/publication_details.aspx?ContentID=263&pubtype=8

6 See, for example, the Washington Post's recent report on the growth and complexity of the US intelligence community, http://projects.washingtonpost.com/top-secret-america/.

About the Author

Carl Ungerer is the Director of ASPI's National Security Program. Prior to joining ASPI, Carl lectured in international relations at the University of Queensland. His previous appointments include Foreign Affairs and National Security Advisor to the Leader of the Australian Labor Party (2002–2004), senior Strategic Analyst in the Office of National Assessments (1999–2002) and the Department of Foreign Affairs and Trade (1993–1999). Carl has published widely on foreign policy and national security issues, including *The Politics of Nuclear Non-Proliferation* (co-edited, 2001) and *Australian Foreign Policy in the Age of Terror* (edited, 2008).

Other Special Reports

Special Report Issue 33 – June 2010
The Pakistani surge: The way forward for counter-insurgency in Pakistan
by Haider Ali Hussein Mullick

Special Report Issue 32 – June 2010
A case for collaboration: Enhancing the development outcomes of Australian resource companies' operations overseas
Report of an Independent Task Force

Special Report Issue 31 – May 2010
Naval gazing: The future of Australia's naval shipbuilding and repair sector
by Andrew Davies

Special Report Issue 30 – April 2010
Australian defence policy assessment 2010
by Andrew Davies, Rod Lyon and Mark Thomson

Important disclaimer

About Special Reports

Generally written by ASPI experts, Special Reports are intended to deepen understanding on critical questions facing key strategic decision-makers and, where appropriate, provide policy recommendations. In some instances, material of a more technical nature may appear in this series, where it adds to the understanding of the issue at hand. Special Reports reflect the personal views of the author(s), and do not in any way express or reflect the views of the Australian Government or represent the formal position of ASPI on any particular issue.

ASPI
Tel +61 2 6270 5100
Fax + 61 2 6273 9566
Email enquiries@aspi.org.au
Web www.aspi.org.au