

An inflection point for Australian intelligence

Revisiting the 2004 Flood Report

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Chris Taylor

The 20th of March 2023 marked the 20th anniversary of the Iraq War. Viewed with hindsight (where the vision is of course 20/20), the Iraq War can now be seen as an inflection point for Australian intelligence. But not for the reason you might think or might have been apparent 20 years ago.

Conceived in controversy, amid ‘unaccustomed vulnerability’, as Prime Minister John Howard later referred to it,¹ the subsequent failure to identify Iraqi weapons of mass destruction (WMD) capabilities commensurate with publicised Western assessments ensured that the war was viewed as an intelligence failure equivalent to Pearl Harbor or 9/11. That was compounded when the startling coalition military success of March–April 2003 turned into a decade’s worth of grinding counterinsurgency.

In an Australian context, the war, and more particularly the intelligence failure around WMD, begat a parliamentary committee inquiry,² and, in response to that inquiry’s recommendation, the Howard government commissioned its own broad-ranging inquiry.³ The inquiry (and its outcome, the ‘Flood Report’) was undertaken by Philip Flood AO, former



Image: Australian light armoured vehicles conducting a routine patrol near Saddam's Crossed Swords of Triumph. Defence image library, [online](#).

Director-General of the Office of National Assessments (ONA), former Ambassador to Indonesia, and diplomatic doyen. It would be the Flood Report, released in July 2004, that would serve as a hinge between the Australian Intelligence Community (AIC) of the past—or at least the past constituted by the immediate post-Cold War period—and today's National Intelligence Community (NIC), now an integral part of Australia's national security architecture.

Flood set the institutional direction for what would become the NIC, most notably the future role for ONA—now the Office of National Intelligence (ONI). Flood's recommendations expanded the resourcing base and scope of Australian intelligence, hitherto a niche (polite word for 'marginally relevant') contributor to statecraft, and drew what would become sustained government support for the development of sovereign Australian capabilities. Importantly, Flood's findings substantively addressed emerging myths, including allegations of specific Australian 'intelligence failure' in relation to unrest in Solomon Islands and the 2002 Bali bombings.

The 2004 Flood Report

The terms of reference provided to Flood weren't quite so comprehensive as those provided to subsequent reviews of the AIC (that is, the 2011 Independent Review of the Intelligence Community carried out by Robert Cornall and Rufus Black or the 2017 Independent Intelligence Review by Michael L'Estrange and Stephen Merchant).⁴ This reflected the origins of the inquiry, including the conclusions of its parliamentary predecessor, and meant the inquiry was focused squarely on foreign rather than security intelligence—leaving aside the counterterrorism role of the Australian Security Intelligence Organisation (ASIO) in relation to Bali.

Rereading the Flood Report in 2023, one is struck by the insightfulness and enduring relevance of his observations on the business of intelligence. Those included reflections on the utility and limits of intelligence; as well as the need for Australia to be a 'global leader' on intelligence in Southeast Asia and the Pacific, 'exceptionally good' on intelligence in Northeast Asia, and 'very good' on South Asia.⁵ Although Flood's report didn't foresee the degree to which agencies would necessarily need to trim their approaches to those core missions in the light of counterterrorism, combatting people smuggling and SMO (support to military operations) imperatives.

Flood's uniquely candid description of the potential functionality of intelligence to Australian governments deserves full quotation, and is equally applicable to the conduct of statecraft today:

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 (e.g. military plans) and the ambitions of adversaries (e.g. 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.⁶

But Flood then rightly cautioned:

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

(e.g. 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 [sic]—provide a cautionary lesson for any policy-maker who believes intelligence is always accurate or that it can provide guarantees.⁷

What also rings out from this re-reading is the ambitious scope of Flood’s vision for Australian intelligence and his particular advocacy for sovereign Australian intelligence capability. Yes, this reflected the nature of the inquiry he had been asked to undertake, with its questions to be answered about how the AIC interacted with Allied assessments and inputs on a matter of intimate coalition planning, as well as its strong focus (as noted) on foreign rather than security intelligence. But it also reflected Flood’s appreciation of the seminal work of Justice Hope.

Flood engaged with the (for some, discomfiting) reality of the need for Australia to have its own robust sovereign intelligence capabilities above and beyond the access provided by allies, despite the more typically low profile of intelligence within Australian governments—and a past temptation to lean on those same allies. He did so in his own words and those of Hope:

[I]t 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.⁸

‘Recent intelligence lessons’—including Iraq WMD, Bali and Solomon Islands

Of course, what readers in 2004 really wanted to know was what Flood had uncovered about the ‘intelligence failures’ that had instigated the inquiry and dominated public conversation in the previous 18 months—or what Flood termed ‘recent intelligence lessons’.⁹ Each would be examined through the particular lens of the related analysis undertaken by ONA and the Defence Intelligence Organisation (DIO).

The first—and from the perspective of the review, foremost—of those failures had been the mis-assessment of Iraq’s WMD capabilities, and the subsequent coalition invasion.

Overall, ‘assessments produced by ONA and DIO on Iraq WMD ... reflected reasonably the limited available information and used intelligence sources with appropriate caution.’¹⁰ But Flood was unsparing in his evaluation of an ultimate intelligence failure by Australia: ‘Intelligence was thin, ambiguous and incomplete.’¹¹ This was particularly the case in the assessment of Iraq WMD stockpiles, although DIO had been more cautious on the subject than ONA. A comprehensive ‘national assessment’,¹² a formal intelligence product (through a structured process) reflecting an agreed AIC judgement with dissenting views and nuances made explicit, might have aided this process, but none had been produced. And, despite a heavy reliance on ‘foreign sourced intelligence collection’, both ONA and DIO had formed assessments independently of the US and UK—‘in several notable cases choosing not to endorse allied judgments’.¹³ Disappointingly for critics of the government’s stance on Iraq, Flood concluded that there was ‘no evidence to suggest policy or political influence’ on assessments by either agency.¹⁴

For many Australians, of even greater importance was finding out whether the appalling terrorist atrocity committed by Jemaah Islamiyah (JI) in Bali on the evening of 12 October 2002 could have been prevented.

Here, too, Flood didn't hesitate to call out what was 'fundamentally a regional intelligence failure'. 'Australian agencies should have known more' about JI, while the 'failure to appreciate the serious nature of the threat posed by JI was widespread outside Australia's intelligence agencies, and in Indonesia itself'.¹⁵

However, Flood disappointed conspiracy theorists who believed Australian intelligence had foreknowledge of the bombings. He had seen 'nothing to indicate that any Australian agency, including ASIO, had any specific warning of the attack in Bali'.¹⁶ Furthermore, this was 'consistent with the findings of the Inspector-General of Intelligence and Security's report'.¹⁷

The third failure was the surprising (at least to the Australian public) collapse in law and order in Solomon Islands, and the subsequent need to initiate the Regional Assistance Mission to Solomon Islands (RAMSI) in 2003, which included a considerable Australian military and policing presence.¹⁸

Noting that the Solomons had been wracked by violence and disorder prior to the intervention, Flood found that ONA and DIO's assessments on the Solomons stood 'in a positive light'. 'Particularly in the reporting from mid-2001, assessments clearly showed the ability of [ONA and DIO] to make robust, independent assessments on issues in Australia's near region.' But such assessments had been made 'against the backdrop of a government policy position that Australia could not presume to fix the problems of the South Pacific countries. [...] [A]gencies continued to paint a grim picture of the situation [...] against this policy background'.¹⁹

Flood also addressed claims expressed publicly concerning DIO, and more specifically DIO's analysis of Indonesia and East Timor. The report found that there was no evidence of 'pro-Jakarta or pro-Indonesia' assessments by DIO (or by ONA) and that there was no evidence of pressure exerted on either agency (externally or internally) to produce such assessments. Flood specifically noted that there was no evidence that the DIO Director had exerted any such pressure.²⁰

Intelligence 'failure'?

The language of 'intelligence failure' often assumes the future is ultimately knowable and that, therefore, a hindsight standard can be applied to evaluating past actions. Ergo, an intelligence agency (or community) didn't find out the truth, identify the threat or warn in time. Or the failure was a function of their flawed judgement.

There's typically a gap between expectations (on the part of governments and the public) of intelligence and the actual capacity of intelligence in any particular context. It's the responsibility of high-performing (and high-integrity) intelligence agencies to do all they can to minimise that gap: not simply through operational excellence but through sharing a suitably humble self-assessment of their coverage with customers—and by extension with the public they serve.

The gap has been most acute in relation to terrorist threats, where there has often been zero tolerance for 'failure' of this type. Hence it's to ASIO's credit that it has publicly shifted its terrorism threat assessment from 'probable' to 'possible'.

Then there's intelligence failure occasioned by actual failings in the performance of core intelligence functions—wrong or deceiving sources, poor judgements and the like. In Flood's assessment, such was the case with Iraq WMD; the 'failure' in the Solomons was more reflective of the gap in expectations; and the rise of JI was somewhere in between.

The future AIC—and NIC

Flood had not only been tasked with examining these 'recent intelligence issues'. The scope of his review extended to the effectiveness of oversight and accountability mechanisms within the AIC (including priority setting), the 'division of labour' between the AIC agencies and their communications with each other, the maintenance of contestability in intelligence assessments, and the adequacy of current resourcing (especially for ONA).

It was in addressing these matters that Flood laid the foundation for the future NIC, upon which would be constructed the reforms instituted by the recommendations of the later L'Estrange—Merchant review.²¹ Those post-2017 reforms would include the significant enhancement of ONA's coordination role through its reinvention as ONI, the creation of the Joint Capability Fund as a

mechanism to drive capability development between agencies, and the extension of the intelligence community to incorporate law-enforcement and border-protection intelligence (thereby forming a *national* intelligence community), with the resulting enhancement of the intelligence contribution to Australian statecraft.

Flood's recommendation to broaden the coverage of the Parliamentary Joint Committee on ASIO, ASIS and DSD²² to include what was then the Defence Imagery and Geo-spatial Organisation (DIGO) (now the Australian Geospatial-intelligence Organisation, AGO), as well as DIO and ONA, can now be seen in the more comprehensive remit of the Parliamentary Joint Committee on Intelligence and Security.

Flood's recommendations also drew DIGO into the *Intelligence Services Act 2001*, and the purview of the Inspector-General of Intelligence and Security (IGIS). They also extended IGIS's own-motion capabilities *vis* ONA and DIO.²³

Importantly, Flood significantly increased the resourcing and thus the capability of ONA—not only analytical resources but also the resources (and tasking) to address the more effective coordination and evaluation of foreign intelligence across the AIC. That included the creation of the Foreign Intelligence Coordination Committee (FICC). The FICC drew together the AIC agency heads with the Australian Federal Police Commissioner, and representation from the departments of Foreign Affairs and Trade (DFAT), Defence and the Prime Minister and Cabinet (PM&C), to assist the Director-General of ONA in coordination, monitoring and reporting of AIC performance but also in addressing myriad cross-community issues.²⁴ This was a critical step towards the more structured and institutionalised (if sometimes bureaucratic) NIC of 2023 and an enhanced community leadership role for ONA (and later ONI).²⁵

More generally, Flood drew attention to the growing but still small (relative to allies and adversaries, and to other government functions) cost and size of Australian intelligence. According to Flood's own assessment AIC (foreign intelligence only) expenditure in 2004 was \$506 million, and that represented an 88% increase since 2000–01. In terms of total AIC staffing, there had been a 44% increase from 2000 to 2004 (2,301 to 3,324). Excluding ASIO, that staffing growth had been 47% (from 1,696 to 2,494).²⁶

The other effect of these recommendations was on priority setting, with the integration of national and defence intelligence priorities, and the responsibility of the FICC to oversee community-wide collection management strategy.²⁷

Of high importance in this review was Flood's very important innovation to recommend that there be regularised 5–7-year reviews of the AIC,²⁸ rather than *ad hoc* responses to public and/or political disquiet about intelligence agencies (as in 1974, 1983, 1994 and 2004). In short, Flood shifted intelligence review in Australia from post-mortems to check-ups. Furthermore, Flood managed to get to the heart of actual issues facing the then AIC while refuting/addressing the perceptions and misperceptions that had given rise to the review in the first instance. It was apt in this regard that his report used the language of 'lessons learned' when considering Iraq, Bali and the Solomons.

On the matter of assessments, Flood opposed the strict demarcation (and curtailment) of ONA and DIO responsibilities,²⁹ as had been proposed post-Iraq (including by the Parliamentary Joint Committee on ASIO, ASIS and DSD). He sought to re-centre strategic intelligence assessment around the production of the 'national assessments' (see above) he had seen as so lacking during the lead-up to Iraq.³⁰ In addition, Flood's recommendations on the more robust interrogation of raw intelligence reporting (and critical evaluation of the sources of that reporting) within intelligence assessment³¹ would have profound, and uplifting, consequences for the way Australian intelligence product is now developed and utilised today.

Flood also turned his attention to the functioning of individual AIC agencies. That included suggesting the move of the national open-source intelligence (OSINT) capability from DFAT, where it was focusing on media monitoring, to ONA³² (now ONI), where it exists today.

Flood also got other matters right. For example, he prefigured a new headquarters space for ONA³³ (which at the time was co-located with ASIO)—an initiative that was achieved with the opening of the Robert Marsden Hope building in December 2011.

Not all of Flood's recommendations were accepted. Notably, the Howard government rejected his proposed renaming of ONA as the Australian Foreign Intelligence Assessments Agency. Similarly, Flood's rejection of statutory independence for the Defence Signals Directorate (DSD; later the Australian Signals Directorate, ASD) from the Department of Defence would be overtaken by a recommendation of the 2017 review and subsequently enacted in 2018.

It's interesting to compare Flood's account of DSD statutory independence (very much a minority view in 2004³⁴) with L'Estrange and Merchant's acknowledgement 13 years later that there was now broad support for that change. The situation in 2004 reflected existing broad support for DSD's counterterrorism performance and support to military operations—and the advantages of access to departmental investment funds. Thirteen years later, the requirement for ASD to shoulder cybersecurity responsibilities across government and the private sector, greater confidence that agency investment needs could be met outside of the department, and downsides from being tied to defence departmental policies (including on civilian staff numbers and salary rates), had shifted both individual and institutional calculations. The prospect of the Australian Defence Force reacting by replicating ASD functions 'in-house' had also diminished significantly due to the heightened sophistication required of SIGINT (signals intelligence) and cyber capabilities.

Flood's recommendations are detailed in full in the appendix to this report.

After release

As noted, upon receipt of the Flood Report the Howard Government quickly accepted all the recommendations except ONA's renaming.

The response of the Australian press to the report, at the time, was mixed.³⁵ *The Age* called the report 'diplomatic in its criticism',³⁶ and the *ABC* noted that the report 'cleared' the Howard government from interfering in the AIC's Iraq assessments,³⁷ while the *Financial Review* suggested that the AIC had been 'lashed' by the report's findings.³⁸

Elsewhere, the Flood Report was implicitly criticised by then shadow Foreign Minister Kevin Rudd for its conclusions on 'heavying' (that is, suggested political interference in intelligence assessments), comparing it unfavourably³⁹ to the Parliamentary Joint Committee's conclusion that, for example, a change in at least one ONA judgement 'at least unconsciously, might have been responding to "policy running strong".⁴⁰ More considered reflection by former officials was positive.⁴¹

What was absent from most commentary was any suggestion that the Flood Report had itself been 'thin' or 'ambiguous'. And for good reason. On reflection, this unclassified report remains one of the most detailed and unsparing accounts of Australia's foreign intelligence agencies and their functioning. As noted, it includes certain observations on first principles that remain relevant and have not been bettered in the following 19 years.

Of course, and as already noted, the report was not without gaps. By definition, it could not be a wholly comprehensive account of the AIC, given the exclusion of security intelligence. Furthermore, it reflected only indirectly on those law-enforcement, regulatory and border-intelligence functions that would come to share the NIC.

Understandably, given the *status quo* in 2004, Flood also heavily emphasised the role to be played by PM&C in the functioning of the AIC. He described ONA and PM&C as 'complementary and symbiotic', with PM&C having a central role in relation to AIC budgeting, for example. It's clear from the creation of ONI, and the machinery-of-government movements undertaken in that creation, and via the rise and fall of the National Security Adviser concept, that PM&C's role in national intelligence is now diminished—other than as another policy agency customer.

Flood's perspectives were also reflective of his time. Despite his own ambitious appreciation of what Australian intelligence could be, he did go out of his way to emphasise just how 'expensive' intelligence was—even in 2004. This reflected what was, even by 2004, an increasingly antiquated view, given comparisons of intelligence expenditure with the behemoth of defence spending, let alone the size of the federal Budget. This view does, however, die hard—even in today's national security discourse.

So, too, Flood didn't fully engage with the issue of the underlying capability and capacity of AIC agencies outside of ONA. Like the then government, and most successive governments, Flood was focused on the operational edge of agency activities—although he did draw attention to the persistent challenge of portfolios to AIC effectiveness, and the capability cycle he suggested in his report still has much merit.

The enduring relevance of Flood

That the Flood Report is an inflection point in the development of Australian intelligence is not universally agreed.

Carl Ungerer made the case in 2008 that the significant expansion in AIC resourcing and capacity, which could be traced back to Flood, had not fundamentally changed the AIC's functioning or brought about required improvements in coordination and collaboration:

The end result of the Flood inquiry is that the Australian Intelligence Community is larger and better resourced, but it looks and acts remarkably similar to the way it did in 2001. In particular, the continuing division between foreign and domestic intelligence appears increasingly at odds with the nature and evolution of national security issues.⁴²

While it would be unfair to overly critique that observation with the benefit of 15 years of further hindsight, it misses Flood's contributions to the AIC's enhanced utility and the critical question of sovereignty. It was also very much informed by the transnational moment of the late 2000s, and the belief that counterterrorism and other such missions had permanently eclipsed traditional state-on-state intelligence concerns. Flood's focus on foreign intelligence looks more pertinent in 2023 than it did in 2008.

An alternative view would be that, rather than the Flood Report being consequential, it was the impact of events that was more significant in driving the development of what's now the NIC. Some will point back to 9/11, others to the impact of the Sydney Olympics and the security requirements it levied on Australia, or indeed the scrambling of the Timor intervention.

Importantly, Flood gave the institutional basis for the development of the AIC–NIC. Although the Flood Report was viewed by contemporaries almost wholly through the prism of Iraq WMD blame, revisiting the report reveals it to be much more enduring in relevance. And, while it's entirely arguable that the 2017 review's recommendations occasioned the most significant changes to Australian intelligence since the Hope royal commissions,⁴³ L'Estrange and Merchant were standing on the shoulders of Flood. The advent of ONI wouldn't have been possible without the evolution of ONA's role in leading the intelligence community, as encouraged by Flood.

Importantly, the Flood Report highlights issues that remain pertinent and challenging today.

The regularisation of future reviews (at 5–7 years) was one of Flood's most important initiatives, and it's worth noting that it's now six years since the last independent intelligence review's public report.

Flood's argument for more investment in diplomatic reporting (with its positive impact on intelligence for both producers and consumers) remains pertinent. Flood rightly highlighted a 38% decline in diplomatic staff overseas—and thus their reporting—between 1990 and 2003.⁴⁴ Turns out it wasn't just intelligence that was victim of the post–Cold War holiday from history.

There's even greater resonance in Flood's engagement with the long-vexed issue of the public presentation of intelligence—a matter that had been at the heart of the Iraq WMD intelligence failure.⁴⁵ This remains a highly relevant question for governments today, as we saw during the attempts by the US Government (and other governments) in early 2022 to deter the Russian invasion of Ukraine by publicly releasing intelligence indicating knowledge of Russian intentions. It's also a question that has since been further complicated by a marked decline in public trust in governments across the Western world and a more uncertain strategic environment since 2003. Furthermore, invocation of intelligence in the political sphere—as with, *inter alia*, Iraq WMD, the course of the 'Global War on Terror' and attempted Russian election interference—necessarily politicises that same intelligence.

As Flood noted:

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.⁴⁶

Flood laid out⁴⁷ the cons of public presentation of intelligence, including the need to protect sources and methods, the sensitivities of sharing arrangements, and his suggestion that public exposure (or even its prospect) could complicate or distort the assessments process and make analysts more risk adverse. For Flood, if accountability was sought then it could be achieved through means other than exposure.

However, Flood acknowledged that there might be circumstances in which the context required in a democracy for policy decisions (especially as significant as going to war) would necessitate some form of suitably prepared public release of intelligence. That should of course be achieved without governments seeking to influence the substance of the assessments themselves.⁴⁸ There's a modern resonance here as governments and agencies try to appropriately share with the Australian public what they know about cyber and espionage threats and about the regional security environment.

Flood pointed out that a non-Iraq precedent had also been well set for public presentation: the institutionalised use of suitably sanitised intelligence to inform threat warnings to the public (in the form of travel advisories).⁴⁹ In addition, Flood recognised that intelligence agencies needed to be generally more transparent about their work, wherever they could. It's testament to the shift in approach by Australia's agencies since 2004 that his specific suggestion was the production of an unclassified brochure about the AIC.⁵⁰ Compare that to the degree of public engagement exhibited over the past few years, such as the Director-General of ASIO's annual public threat assessment.⁵¹

What Flood didn't canvass in his consideration of the public presentation of intelligence was its potential use for statecraft itself (such as in the Ukraine 2022 example).

There also remains relevance in Flood's treatment of cross-community issues, such as:

- the central importance of the intelligence community's people—including training, career management, the perennial issue of where the people are going to come from, and language proficiency⁵²
- the challenge of intelligence distribution—including avoiding overloading time-poor customers⁵³
- maximising collaborative opportunities between agencies⁵⁴
- leveraging intelligence relationships—including the broadening of relations beyond traditional allied partners.⁵⁵

Those themes remain familiar today and will be pertinent to a future intelligence review.

Appendix: Recommendations of the 2004 Flood Report

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 also cover 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

- 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 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.

Source: Philip Flood, *Report of the Inquiry into Australian Intelligence Agencies*, Australian Government, July 2004, as archived by the Federation of American Scientists, [online](#).

Notes

- 1 John Howard, 'Iraq 2003: a retrospective', speech to the Lowy Institute, 9 April 2013, [online](#).
- 2 Parliamentary Joint Committee on ASIO, ASIS and DSD, 'Inquiry into Intelligence on Iraq's Weapons of Mass Destruction', 1 March 2004, [online](#).
- 3 Philip Flood, *Report of the Inquiry into Australian Intelligence Agencies*, Australian Government, July 2004, as archived by the Federation of American Scientists, [online](#), hereafter the Flood Report 2004.
- 4 A detailed account of the 2017 review (and reflection on the 2011 review) can be found in Chris Taylor, *Informing Australia's next independent intelligence review: learning from the past*, ASPI, Canberra, June 2023, [online](#).
- 5 Flood Report 2004, 12.
- 6 Flood Report 2004, 7.
- 7 Flood Report 2004, 8.
- 8 Flood Report 2004, 15.
- 9 Flood Report 2004, 17.
- 10 Flood Report 2004, 34.
- 11 Flood Report 2004, 34.
- 12 As Flood noted, a national assessment is 'a special form of assessment [...] intended to be an agreed product of relevant departments and agencies [but with] provision for dissent to be recorded when agreement cannot be reached'. ONA led this formal process through an interdepartmental work group (during drafting) and in consultation with a National Assessments Board (on terms of reference and final text). Flood Report, 87–88.
- 13 Flood Report 2004, 34.
- 14 Flood Report 2004, 34.
- 15 Flood Report 2004, 41–42.
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Acronyms and abbreviations

ADF	Australian Defence Force
AGO	Australian Geospatial-intelligence Organisation
AIC	Australian Intelligence Community
ASD	Australian Signals Directorate
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
DFAT	Department of Foreign Affairs and Trade
DIGO	Defence Imagery and Geo-spatial Organisation
DIO	Defence Intelligence Organisation
DSD	Defence Signals Directorate
FICC	Foreign Intelligence Coordination Committee
IGIS	Inspector-General of Intelligence and Security
JI	Jemaah Islamiyah
JOIC	Joint Operations Intelligence Centre
NIC	National Intelligence Community
ONA	Office of National Assessments
ONI	Office of National Intelligence
OSINT	open-source intelligence
PM&C	Department of the Prime Minister and Cabinet
RAMSI	Regional Assistance Mission to Solomon Islands
SIGINT	signals intelligence
SMO	support to military operations
WMD	weapons of mass destruction

About the author

Chris Taylor commenced with DFAT in 2003 and is an experienced Australian national security official currently on secondment to ASPI, where he heads the Statecraft & Intelligence program. His research includes emergent and emerging issues facing intelligence services internationally and in Australia, the place of intelligence agencies in democracies, and role of intelligence in the conduct of statecraft.

Chris' national security experience has included leadership of functions such as intelligence policy and coordination; protective security; enterprise capability; governance and oversight; and strategic futures.

In 2019-2020 Chris was a Fellow at the Harvard Kennedy School's Belfer Center for Science & International Affairs.

Chris is a graduate of the Australian National University (BA (Hons), MA (Strategic Studies)), and the University of Western Australia (Grad Dip Arts). He also holds a Diploma in Government (Security), and has completed the Harvard Kennedy School's Senior Executives in National & International Security Program and the ANU National Security College's Senior Executives Development Program.

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Tel Canberra: +61 2 6270 5100

Tel Washington DC: +1 202 414 7353

Email enquiries@aspi.org.au

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