The Australian Intelligence Community: Why did the AIC emerge the way it did and how well has it served the nation?

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The Australian Intelligence Community (AIC) emerged in the Commonwealth executive branch of state throughout the 20th century, methodically reconfiguring in response to royal commission and government review recommendations. The AIC’s structure continues to be altered today in the face of ‘an increasingly complex security environment’. Such reconfiguration has been necessary in order to create a more effective and accountable AIC that serves the executive government by protecting Australian security and safety interests. Today, the AIC agencies work within a largely legislative framework, informed by liberal ends and values that balance individual liberty and privacy against communal security and peace. The AIC consists of six agencies today; the Australian Security Intelligence Organisation (ASIO), the Australian Secret Intelligence Organisation (ASIS), the Australian Signals Directorate (ASD), the Defence Intelligence Organisation (DIO), the Australian Geospatial-Intelligence Organisation (AGO) and lastly the Office of National Assessments (ONA). This essay will briefly outline the development of the AIC over the last 100 years, and then discuss in detail why it emerged in the way that it did. Particular emphasis will be placed on the changes that occurred as a result of the Royal Commission on Intelligence and Security (1974-1977), the Protective Security Review (1979) and the Royal Commission on Australia’s Security and Intelligence Agencies (1984). The essay will then proceed to analyse the ways in which the AIC has, and hasn’t, served the nation. It will

discuss arguments made in Royal Commissions, reviews, criminal trials and wider media, and critically evaluate reasons for and against the utility of the AIC.

Australia entered the 20th century without an intelligence organisation to speak of, and whilst this was not unusual (in fact, the UK lacked one too), the need soon arose for counter-espionage capabilities as World War One drew near.\(^4\) This was not because of any obvious threat to Australia at the time, but rather because Britain attributed Australia’s lack of evidence of espionage activity to ‘inattentiveness’.\(^5\) But, whilst Australia was seemingly blind to the espionage threat, espionage is inherently covert and difficult to uncover. Eventually there were concerns in Australia about German espionage, and whilst no substantive evidence was uncovered, the concerns were passed on to Imperial Britain.\(^6\) Accordingly, following prompting from Britain’s MI5, the Australian government established the small Counter Espionage Bureau (CEB) in 1916.\(^7\) The CEB ceased to exist in 1917, and was replaced by the Special Intelligence Bureau (SIB). But the SIB suffered the same fate as CIB in 1919, and was replaced by another domestic counter-espionage agency termed the Commonwealth Investigation Branch (CIB). During the 1930’s the responsibilities of CIB grew immensely, including the need to monitor the Communist Party of Australia. These tasks called for a unified body that could handle and manage the tasks efficiently and responsibly. Accordingly, on the 18th of February 1941 the War Cabinet approved the establishment of the Commonwealth Security Service (CSS).\(^8\) Only three months later though, MI5 Liaison Officer Lieutenant Colonel Eustace Airy noted that Australia still lacked a ‘really effective security organization’.\(^9\) Finally, noting the evidence of espionage in Australia,\(^10\) acting Commissioner of the Commonwealth Public Service John Pinner recommended that the CIB be merged with the


\(^5\) Andrew, *The Growth of the Australian Intelligence Community,* 214.


\(^7\) Andrew, *The Growth of the Australian Intelligence Community,* 214.

\(^8\) Horner, *The Official History of ASIO,* 20.

\(^9\) Horner, *The Official History of ASIO,* 27.

CSS in 1945 (Pinner Review). This move was a formative precursor to the creation of ASIO in 1949.

It was during this time that the Venona Intercepts occurred, indicating the extent of Soviet Espionage in Australia. This was of great concern to the UK and US, given their UKUSA intelligence sharing arrangement with Australia.\textsuperscript{11} In response to this, Prime Minister Chifley established ASIO to ‘catch the spies’\textsuperscript{12} who posed such a risk to the UKUSA agreement.\textsuperscript{13} In this way, ASIO emerged as a government initiative to placate its intelligence partners. Such a move by Australia highlights the level of influence external actors had on the development of the AIC. Interestingly, ASIO’s source of power at its inception was an executive order, and there were concerns that ASIO lacked an apolitical agenda. This was outlined in submissions to the Royal Commission on Espionage by then Labor Party Leader Doc Evatt.\textsuperscript{14} Consequentially, following the Royal Commission the Commonwealth Government passed the ASIO Act\textsuperscript{15} with the intention to make ASIO a statutory body bound by an apolitical legislative framework. This shaped the way in which ASIO emerged as it could no longer rely on broad reaching executive powers granted to it by the government. Instead, it was now bound by statute. The initial statute however, was ambiguous about the scope of ASIO’s mandate. Section 5(a) of the Act states; ‘The functions of the Organisation are (a) to obtain, correlate and evaluate intelligence relevant to security...’\textsuperscript{16} This act lacked a detailed definition of what ‘security’ meant, and amendments to the act would occur repeatedly in the future to modify ASIO’s mandate and the definition of ‘security’.\textsuperscript{17}

\textsuperscript{13}Horner, The Official History of ASIO, 79.
\textsuperscript{15}Australian Security Intelligence Organisation Act 1956 (Cth)
\textsuperscript{16}Australian Security Intelligence Organisation Act 1956 (Cth) s 5(a).
Emerging alongside ASIO in the AIC were the precursor agencies to ASD, AGO and DIO. These agencies find their origins in the Defence Department, whose first intelligence unit was the Australian Intelligence Corps (1907-1914). Soon subsumed by the Intelligence Section, General Staff (IGSF) (1909-1939), the military intelligence stream of agencies are the basis for the hybrid civilian/military agencies that are ASD, AGO and DIO. In 1947 we see the inception of the Joint Intelligence Bureau (JIB) which became the Joint Intelligence Organisation (JIO) in 1969 and then the DIO in 1990. In 1949, we see the establishment of the Defence Signals Branch (DSB), later becoming the Defence Signals Division (DSD) (1964) and finally ASD. The final two agencies of the AIC; ONA and ASIS, were both created in a more nuanced fashion. ASIS, established in 1952, is a standalone agency that assumes an original and unique foreign intelligence mandate. As former Director-General of ASIS Nick Warner noted in 2012, the Menzies government decided to establish a secret intelligence service that would ‘operate in South East Asia and the Pacific’. Similarly, the ONA also assumed a unique new role when it was created in 1977, following a recommendation by Justice Hope in his first Royal Commission on Intelligence and Security.  

1967 saw the emergence of the Special Committee on Intelligence, led by Chairman of the Chiefs of Staff (COCS), Sir John Wilton. This committee was tasked with investigating ways in which the intelligence community could move away from the single service intelligence system to a more integrated, civilian/military hybrid system. Following the committee’s recommendations, Bob Furlonger headed attempts to integrate civilian staff with the military services. In JIO for example, 300 civilians were up against 100 military intelligence personnel ‘opposed to the abolition of their single service career path’. The Committee and the work of Furlonger were exceptional in

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relation to the way in which they helped integrate the civilian and military personnel within the Intelligence Community.

During the Whitlam government years, the Royal Commission on Intelligence and Security (1975-1983) was launched. Following the Whitlam dismissal in 1975, the Fraser government pledged support for the continuation of the Commission under Justice Hope. The Commission affirmed the importance of ASIO as an integral measure instigated by the government to defend the nation. However, it also highlighted problems with the security checking role performed by ASIO. Specifically it notes at paragraphs 213 of the second report that 'ASIO should rely less than before on information obtained from referees', and that a Security Appeals Tribunal should be established to 'review adverse... security assessments' (at 215). The fourth report of the same Royal Commission presented scathing findings in relation to ASIO, noting at paragraph 664 that there have been times where ASIO has departed from conformity with its legally binding statutory obligations. The report also noted that the Prime Minister, responsible for overall security policy, should 'have the help of a non-partisan group of senior officials to advise him on security policy (at para. 695), highlighting the need to an apolitical approach to security policy.

In relation to the broader AIC, the third report of the Royal Commission stated that the AIC is ‘fragmented, poorly coordinated and organised’, and that the agencies ‘lack proper guidance, direction and control’ (at para. 42), apart from ASIS. This 3rd report recommended that an overarching intelligence assessment agency be established; the Office of Australian Intelligence

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Assessments (i.e. the ONA), and that such an agency would have statutory independence (at para. 69). It also recommended that all agencies be located in Canberra (para. 100). These recommendations had an impact on the emergence of the AIC in that they informed the government decision to legislate the ONA Act;\(^\text{27}\) which created the ONA as a statuary body within the AIC in 1978.\(^\text{28}\) The recommendations from the Royal Commission also informed the contents of the ASIO Act of 1979\(^\text{29}\) which superseded the original ASIO Act of 1956. Specifically the ASIO Act 1979 amended section 2 (definition of Security) and section 5 (Functions of the Organisation) to reform the legislative parameters within which ASIO operates.

The same year the ASIO Act (1979) was introduced, the Protective Security Review was announced. The review ‘resulted from the bombing of the Sydney Hilton Hotel during a regional meeting of Commonwealth Heads of Government in February 1978.’\(^\text{30}\) The review recommended that the Australian National Audit Office (ANAO) have a role in reviewing protective security throughout government agencies. As a result, the government accepted the recommendation and ANAO began reviewing protecting security from 1980.\(^\text{31}\) The review also affected the emergence of the AIC in that ASIO’s role was expanded as a result of the reviews recommendations. Based on the review, the ‘Permanent Heads Committee on Intelligence and Security recommended that ASIO should have sole responsibility for producing national threat assessments on terrorism’, and that it should ‘play a central role in protective security across a range of domains’.\(^\text{32}\) The review was similar to the Royal Commission on Intelligence and Security in that it paid significant attention to ASIO’s security assessment processes.

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\(^\text{27}\) *Office of National Assessments Act 1977* (Cth).


\(^\text{29}\) *Australian Security Intelligence Organisation Act 1979* (Cth).


Following the Protective Security Review, the next major influence on the emergence of the AIC was the Royal Commission on Australia’s Security and Intelligence Agencies, published in 1985 and chaired by Justice Hope. This second Royal Commission (‘The 2nd Commission’) enquired primarily into ASIO, ONA and JIO (Joint Intelligence Organisation), but also made general reports in relation to the effectiveness and efficiency of ASIO, ASIS, ONA, DSD (Defence Signals Directorate; now ASD) and JIO. The 2nd Commission studied ASIO’s intelligence functions, its collection and handling of intelligence, its role in Protective Security and its management and accountability to government. Notably, Justice Hope played a significant role in the strengthening of accountability and oversight of not just ASIO, but the AIC in general.

In particular, Hope played a strong role in the development of the Inspector General of Intelligence and Security (IGIS). He said at paragraph 16.84 of the 2nd Commission that: ‘What is needed is an independent person with the power to maintain a close scrutiny of ASIO’s performance of its functions... in order to give greater assurance... that ASIO is acting with propriety and within its character’.33 This recommendation, accepted by the Government, laid the groundwork for IGIS; the statutory body whose role it is to ‘review the activities of the six intelligence agencies referred to as the ‘Australian Intelligence Community’.34 From a statutory perspective, the Inspector-General of Intelligence and Security Act 1986 (Cth), states that the object of the act is to: ‘4(a) to assist Ministers in the oversight and review of the compliance with the law by, and the propriety of particular activities of, Australian intelligence agencies...’35. This excerpt of the legislation reflects the recommendation made at para. 16.84 of the 2nd Commission, highlighting the formative role that the 2nd commission has played in the development of the AIC.

35 Inspector-General of Intelligence and Security Act 1986 (Cth) s 4.
The 2nd Commission also confirms that some of the recommendations from the 1st Hope Royal Commission have been implemented; namely in relation to the recommendation that the ONA be created. In the 2nd Commission Justice Hope states at 5.12 that 'The Government of the day largely accepted my proposals... including... a role for ONA in coordination'.36 At 5.47(f) Hope praises the ONA and recommends that its role of reviewing be continued.37 This final point highlights the fact that Hope’s 2nd Commission not only helped find vitiating factors within the AIC, but that it also found beneficial aspects that were serving the nation effectively. In this way Hope’s recommendations helped shape the emergence of the AIC through both recommendations that change should occur in some areas and that it shouldn’t in others.

The emergence of the AIC as the powerful group of agencies we know it to be today, underwent reconfiguration in the 1990’s following the dissolution of the USSR and lack of direction which followed. This, coupled with public criticism of ASIS during the 1990’s led to the Commission of Inquiry into ASIS, headed by Justice Samuels and Michael Codd in 1994.38 Following the release of the report in 1995, Foreign Minister Gareth Evans stated that ‘the Commissioners have found that the current arrangements for control and accountability are highly effective’39. He did however accept the recommendation that ASIS be incorporated on a statutory basis and announced that steps were in place to ‘change management practices... including changes to the arrangements for internal review of grievances’.40 The first recommendation led to the Intelligence Services Act, which was passed by the Howard Government in 2001.41 The act not

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only provides the statutory basis for ASIS, but also for the AGO.\textsuperscript{42} This crucial legislative framework which regulates three out of six members of the AIC, emerged in the way it did because of the Inquiry into ASIS of 1994.

Post 9/11 we see further inquiry into the AIC, and this was led by the periodic review by Philip Flood in 2004. The Flood review had a minimal impact on the emergence of the AIC, and lacked Royal Commission powers that bodies like IGIS maintain on a permanent basis. The Flood Review did recommend periodic reviews in the future though, and this recommendation came to fruition in 2011 with the Independent Review of the Intelligence Community (IRIC). Led by Rufus Black and Robert Cornall, IRIC didn’t call for major reforms. What did call for major reforms though was the 2017 Interdependent Intelligence Review. This review called for an Office of National Intelligence to be established which would replace the ONA. It also recommended statutory reform to place ASD within a legislative framework.\textsuperscript{43} These reforms have been accepted by the Government and are currently being implemented.\textsuperscript{44} \textsuperscript{45}

The aforementioned developments helped shape the AIC and continue to shape the AIC as it presently undergoes more reform. Another question this essay answers is in relation to how well this AIC has served the nation. To understand this we must again take an historical approach and explore what past events indicate the utility of the AIC to the nation. The AIC is found wanting in the Royal Commission on Intelligence and Security, with Justice Hope stating at para. 35 that ‘At

present, I think Australia is open to attack by ... espionage...subversion... and sabotage'.46 Such a statement is critical of the work that the AIC was doing at the time and infers it was lacking in efficacy. In the Royal Commission on Australia’s Security and Intelligence Agencies - Report on the ONA and JIO however, Justice Hope notes the value of the AIC, particularly the value of the ONA as a ‘valuable source of independent assessment’.47

As the AIC developed into a mature and established body in the 2000’s, we see the true benefits such a body provides Australia. Nick Warner, former Director General of ASIS, himself states that ASIS intelligence reports are a ‘significant input into the formulation of foreign policy advice’. He also notes that ASIS intelligence can provide ‘warning of planned terrorist attacks, information on insurgent networks, and more broadly, the intentions of potential foreign adversaries’.48 Looking at the Intelligence Services Act itself, it is clear that the function of ASIS is to ‘obtain... intelligence about the capabilities, intentions or activities of people or organisations outside Australia’.49 Such a role assists the government in foreign policy advice and defence policy development; serving the nation with respect to two very important government functions.

There are also public examples of where Australian intelligence facilities operating under the aegis of the AIC are having real world outcomes that are beneficial to Australia and Australian interests abroad. The Joint Defence Facility at Pine Gap for example has long been considered to play a role in GeoInt and aided Australian and US efforts abroad.50 There are also however, instances where the AIC has served the nation in the sense that it has provided accurate intelligence but it has not been accepted by government at the time. An example of this is the

49Intelligence Services Act 2001 (Cth), s 6(1).
Haneef case, where Dr Haneef was arrested and charged with providing support to a terrorist organisation. The charge was dropped but Dr Haneef suffered major detriment. Concern arose because Intelligence agencies had allegedly been confident that Dr Haneef had no connection to the terrorist plot in Glasgow, but his detention continued. The major point here is that the AIC had been effective in serving the interests of the nation, reporting correctly on the intelligence risk posed by an Australian resident. The only problem was that this reporting somehow failed to result in the moral and just result that Dr Haneef deserved.

Examples of where the AIC has perhaps struggled to pick up on a threat on Australian soil include the Lindt Siege Cafe attack. This was a lone wolf attack, regarded as immensely difficult to detect, but contention arises in this case due to the fact that Man Haron Monis was once on an ASIO watchlist. The NSW Coroner handed down a report containing recommendations, some of which purportedly related to the lack of communication between ASIO and the NSW Police Force. Notably recommendation 44 stipulated effective liaison between ASIO and the Fixated Threat Assessment Centre. This recommendation by the NSW Coroner implicitly inferred that there was some lack of communication between ASIO and state agencies involved in the siege operation, and that better and more effective liaison could occur. This means that essentially, that the AIC did not serve the nation in the most effective way that it perhaps could have.

In summation, the AIC emerged over the last century, experiencing the majority of its reconfiguration as a result of the Hope Royal Commissions, the Protective Security Review, the ASIS inquiry and the 2017 Independent Intelligence Review. These Reviews and Commissions instigated change to the AIC by observing where changes could be made and where change was not needed. As a result, the AIC has become an effective grouping of agencies that is continuing to

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undergo change in 2018. The agencies, whilst often hidden in secrecy, have most definitely served the nation positively, although there are public examples of where mistakes have perhaps been made and where improvement could occur. Essentially though, Australia is better off with an AIC, bound by accountability and oversight mechanisms, that protects Australian's and Australian interests.

**References**


*Australian Security Intelligence Organisation Act 1956 (Cth)*

*Australian Security Intelligence Organisation Act 1979 (Cth).*


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**Intelligence Services Act 2001 (Cth), s 6(1).**


**Office of National Assessments Act 1977 (Cth).**


