NATIONAL SECURITY: PAST, PRESENT AND FUTURE

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Friday, 15 June 2012
PM&C Amenities Room, Canberra

A joint event of the Department of the Prime Minister and Cabinet and the National Security College

Introduction

Thank you, Michael [L’Estrange], for that introduction.

And thanks for agreeing to my suggestion that the National Security College co-host this event with the Department of the Prime Minister and Cabinet (PM&C).

I’d like to acknowledge senior leaders from the national security community who are here today including colleagues from the States and Territories. Your support is vital to the success of my role and I thank you for being here.

This event has its origins in a conversation I had earlier this year with my colleague Allan Gyngell, Director-General of the Office of National Assessments.

It was Allan who suggested that, early in my tenure as National Security Adviser, I lay out formally how I intend to approach the role and what I want to do with it.

Allan also suggested I do this by way of a newspaper opinion piece and selective interaction with journalists.

I agreed with Allan’s first suggestion but not the second. Not because anything I have to say today is classified. It’s not.

And not because journalists, and the public with whom they communicate, don’t have a legitimate interest in the role of the National Security Adviser (NSA). They do.

But I came to the view that the primary audience for these remarks should be current and future leaders of the national security community.

Current leaders, because my success as NSA will depend in large part on the relationships I build with them. So they should hear about my approach to the role, and my aspirations for it, directly from me.

And future leaders, because no matter how strong the relationships at the most senior levels of the national security community, and no matter how clear the sense of common purpose, little can happen without the active support of people at every level.

That’s why we all value so highly the executive development programs that Michael runs at the National Security College. Those programs foster a shared understanding of the complex environment in which national security policy operates. And they foster the establishment of professional networks, at a range of levels, which improve our ability to develop good policy and implement it well.
Overview

I’ll talk today about four things.

First, a very short history of the role of PM&C in national security issues.

Second, why the role of National Security Adviser was established and the difference it has made.

Third, some alternative views about the role of the NSA and what I think of them.

And finally, where and how I intend to focus my energies and the way in which I want to work with the national security community in doing so.

PM&C’s role in national security

I’m a firm believer that institutional memory is essential to good policy and effective process.

That’s why it’s important to understand there are aspects of the NSA role which long pre-date its formal establishment and which go to the wider role that this Department has always played in national security.

A strong institutional memory isn’t without its downsides. In a recent article on the progress of civil service reform in Britain, the Economist warned that a strong institutional memory makes the civil service “better at explaining why an idea won’t work than at embracing innovation or enacting radical plans”. ¹

As I think about how this warning might apply to PM&C, it occurs to me there are built-in aspects of how we do our business that help us get the balance right between the extremes of excessive prudence and thoughtless daring.

The strongest institutional memory in PM&C isn’t in the policy development camp. Rather, it’s in our ‘engine rooms’: our Government, Cabinet and Ministerial Support Divisions, where deep expertise in the machinery of government and workings of parliament make it possible for us to shepherd new ideas through the system.

By contrast, our National Security and International Policy, and Domestic Policy Groups, largely comprise officers from line agencies who stay for a few years and then go back either to the agency they came from or another part of Government.

Coming to PM&C gives those officers a rare ‘helicopter view’. And with it, the opportunity to identify solutions that may be buried in the detailed policy work of their line agencies.

How the different parts of PM&C have evolved, and how they work together, is the subject of the centenary history of PM&C published last year by Patrick Weller, Joanne Scott and Bronwyn Stevens.

In part because of the relative weakness of PM&C’s institutional memory on the policy side of the house, I’ve relied heavily on Professor Weller and his co-authors for the earlier history of PM&C’s involvement in national security issues.

But having served in PM&C in the middle of last decade, and more recently as the Deputy NSA, I’ve also been able to draw on personal experiences which cover periods both before and after the role was established.

The centenary history of PM&C is entitled *From Postbox to Powerhouse*.

The word ‘postbox’ refers to the fact that, from the outset, PM&C—or as it was until 1971, simply ‘the Department of the Prime Minister’²—acted as a clearing house for correspondence from London and to the states.³

But Professor Weller and his co-authors note that the area of public policy then referred to as ‘external affairs’ was one in which, early in its life, the Department broke away from the ‘postbox model’.⁴

This had much to do with the fact that between 1916⁵ and 1935⁶ there was no separate Department of State providing advice on the management of Australia’s relationship with other countries. Instead, all that was done directly from the Prime Minister’s Department.

The origins, therefore, of both the Department of Foreign Affairs and Trade, and the team I lead today, was a small unit established around 1919 known as ‘Pacific Branch’.⁷

The remit of its four staff was, and I quote:

“To study the affairs of the countries of the Far East and of the Pacific (including the United States of America) in so far as these may in the immediate or distant future affect the foreign relations or domestic affairs of the Commonwealth, and to study the policy of the Commonwealth in questions arising from these parts of the world.”⁸

While the reference to ‘study[ing]’—as opposed to ‘doing’—is somewhat quaint, there’s nothing the least bit dated about the scope of Pacific Branch’s work.

Because work being done today, across the breadth of PM&C, resonates strongly with Pacific Branch’s dual concern with the present and the future, and its mandate to advise on how domestic policies must adapt to take account of what’s happening in our region. I refer not only to the work of the team I lead but also that of Domestic Policy Group—in particular, my colleague Gordon de Brouwer’s policy leadership of Australia’s involvement in the G20.

And, of course, the Asia Century White Paper taskforce being run out of PM&C has a remit not dissimilar to the one given to Pacific Branch just under a century ago.

As an aside, if you want to learn more about Pacific Branch I refer you to the Secretary of the Department of Foreign Affairs and Trade, Dennis Richardson, whose Honours thesis was about the first head of Pacific Branch, E.L Piesse.

³ Weller et al: xvi.
⁴ Weller et al: 175.
⁵ Weller et al: 12.
⁸ National Archives of Australia A2399/1, quoted in Weller et al: 176.
The weight of PM&C’s influence on national security issues has waxed and waned over the years. *Postbox to Powerhouse* notes that by the Second World War, foreign policy was being run out of Defence and External Affairs, with PM&C marginalised.9

Post-war, PM&C’s role strengthened once again as Prime Ministers became key international negotiators and developments in air travel made it easier for them to engage with international counterparts.10

And by the 1970s, the part of PM&C by then known as ‘International Division’ had strengthened its policy advisory capacity such that its role was closer to the one played by Pacific Branch in the 1920s.11

Fast-forward to the world-changing events of September 11 and, according to *Postbox to Powerhouse*, PM&C’s character changes ‘drastically’.12

As the authors rightly point out, coordination between national security agencies was vital after September 11 and PM&C was the obvious place from which that coordination should have been done.13

But the national security agencies, whose efforts had to be coordinated to an unprecedented degree, extended well beyond the Commonwealth. Because the first response to any terrorist attack on Australian soil would be the responsibility of the police and emergency services of the relevant state or territory.

So PM&C’s coordination efforts post-September 11 brought together two of its traditional roles.

Its role in relation to federalism14, in recent decades most evident in PM&C’s support to the Prime Minister as head of the Council of Australian Governments. And its role in advising the Prime Minister on whether and how Australia should respond to events happening elsewhere in the world.

By the time I first joined PM&C, in the middle of last decade, the events of September 11 and the Bali bombings had led to the creation of a new ‘National Security’ Division. It inherited from International Division the so-called ‘traditional’ national security areas of defence and intelligence. And it took on a great deal of new work relating primarily to the burgeoning counter-terrorism agenda.

As head of the Defence and Intelligence Branch in 2004, I provided advice to the then-Prime Minister on issues including major Defence procurements, Phillip Flood’s review of the Australian intelligence community and the deployment of Australian troops to protect Japanese engineers undertaking reconstruction and development work in Iraq’s Al Muthanna province.

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13 Weller et al: 138. Out of solidarity with colleagues working on issues ranging from homelessness to disability, I should register my disagreement with the authors’ contention that in domestic, as opposed to national security policy, ‘activities can readily proceed independently of one another’.
14 According to Weller et al, ‘federalism was always part of [the PM&C] agenda’: xvi.
And in mid-2005, as acting head of the National Security Division, I led preparations for a Council of Australian Governments meeting that, in the wake of the July 2005 London bombings, agreed further changes to national counter terrorism legislation.\textsuperscript{15}

Further afield, a taskforce in PM&C had begun preparations for Australia’s hosting of APEC. And International Division was coordinating advice to the Prime Minister on a range of international issues, from the US Free Trade Agreement, to the benefits of joining the East Asia Summit, to the massive whole-of-Government response to the 2004 Asian Tsunami.

Then, as now, it was advising the Prime Minister on an independent review of the intelligence community, major defence procurements, Australian Defence Force deployments close to home and far away, and our regional security architecture.

Of course, there have been important changes in our strategic environment since then. Those changes aren’t the subject of this speech and this audience, more than most, will be familiar with them. The rise of China and India, and the accompanying shift in economic and strategic weight to our region. The role played by information technology—in particular the internet—in our social and economic wellbeing, and our national security. And the global financial crisis—the impacts of which are still unfolding in relation to everything from trade patterns and investment flows, to how much countries are able and willing to spend on defence and security.

Through all of those changes, PM&C supported the Prime Minister as Chair of the National Security Committee of Cabinet, in engaging with international counterparts, and as the nation’s leader in times of national security challenge and crisis.

And in order to do that, PM&C was coordinating across other government agencies both within and beyond the Commonwealth.

\textbf{The creation of the role of NSA}

So why create a National Security Adviser?

In what ways is the role of the NSA different to the role PM&C has traditionally played in national security issues?

And what difference has the role made to our national security arrangements?

To answer these questions, we need to recall Ric Smith’s review of Australia’s homeland and border security arrangements commissioned by then-Prime Minister Rudd in June 2008.

Ric concluded that, rather than establish the US homeland security-style department that had been part of the Government’s 2007 election platform, it would be better off building not one department but one community—a ‘national security community’.

Central to the approach recommended by Ric was the appointment of a National Security Adviser to provide ‘a new level of leadership [that would] go beyond coordination and committees’ and promote a ‘cohesive national security community’.\textsuperscript{16}

\textsuperscript{15} Notable among these changes were the provisions for control and preventative detention orders that the Independent National Security Legislation Monitor, in his first annual report delivered in December 2011, indicated would be part of his 2012 program of work. \textit{Independent National Security Legislation Monitor Annual Report}, 16 December 2011: Chapter 7 (available at \url{www.dpmc.gov.au/publications/INSLM/index.cfm}).
And in his reference to ‘the agenda beyond terrorism’, Ric recognised the important role to be played by the Commonwealth Government—along with the states and territories, industry, non-government organisations and the general public—in relation to a range of potential threats to national security, including catastrophic natural disasters, serious and organised crime and cyber attack.\(^{17}\)

This is as good a point as any to talk about what we mean by ‘national security’.

It’s contested territory and worthy of a speech in itself. So let me just put down a few markers.

First, compared to only a decade or so ago, and driven in large part by globalisation, national security issues involve a far greater intersection between the international and the domestic. Think terrorism. Think pandemic. Think cyber intrusions into government and private sector networks.

Second, while nearly all national security issues have an international dimension, not all international issues are national security issues. Think G20, the pursuit of free trade agreements or people to people links. All endeavours which, if they go the way we want, will provide the basis for a more secure world but which aren’t, in and of themselves, national security issues.

Third, while a natural disaster capable of threatening the security of the nation as a whole would have to be on a scale unlike any we’ve seen on Australian soil, there has always been an important role for the national government in assisting the states and territories in this area. And it does that in part through deploying crisis management arrangements and capabilities developed to respond to national security threats.

Finally, Australians don’t much care how we define policy patches: where they have needs which government has a role in meeting, they simply want them met effectively and efficiently.

As part of its response to these enduring and emerging challenges, the 2008 National Security Statement announced the appointment of Duncan Lewis as the first National Security Adviser.

The role was needed (and I quote from the Statement):

“...to provide improved strategic direction within the national security community; to support whole-of-government national security policy development and crisis response; and to promote a cohesive national security culture.”\(^{18}\)

The NSA was to interact directly with agency and department heads, complementing their role by enhancing whole-of-government coordination.\(^{19}\)

And, to quote again, the NSA was to “...guide and coordinate effort across the national security community by setting priorities, allocating resources and evaluating performance”.\(^{20}\)

I’ll come back to this in some detail a little later.


\(^{17}\) Smith: 4.


\(^{19}\) NSS: 34.

\(^{20}\) NSS: 35.
As I reflect on the role of PM&C in national security before and after the establishment of the NSA, the key differences go to the related concepts of strategic leadership, a cohesive national security community and priority setting and resource allocation.

Deputy Secretaries in PM&C have always been able to pick up the phone to Secretaries and Agency Heads elsewhere in government to work through problems and progress issues. But the new position of National Security Adviser was expected to do a lot more than invoke the authority of the Prime Minister to trouble-shoot and manage issues as they arose.

He (as it was then) was expected to lead a large group of people over whom he not only had no formal authority, but some of whom were senior to him.

How this very un-bureaucratic notion can be made to work in a bureaucratic environment goes directly to the underlying concept of a cohesive national security community, with an emphasis on ‘cohesion’ and ‘community’.

I don’t know whether Ric intended it, but I believe the concept of a ‘national security community’—which trips off our tongues now but which was not something I recall us talking much about in 2008—speaks to something in our subconscious which is very different from—indeed, almost at odds with—the exercise of formal, position-based, directive leadership.

The concept of ‘community’ we are probably most familiar is that of a ‘local’ community. And I refer here to a whole range of experiences we may have had of local communities as formed not only in neighbourhoods, towns, suburbs and cities but also schools, churches, workplace associations, and charitable and sporting endeavours.

We know that the strength of the fabric of these communities—their ‘cohesion’—relies only in part on the actions of individuals in whom formal powers are vested; important though those powers are. The cohesion of such communities is also strongly influenced by individuals with few or no formal powers. Individuals who choose to harness whatever they possess of foresight, and the ability to influence, persuade, negotiate and mediate, to the advancement of a shared vision underpinned by common goals that cut across sectional interests.

And if we look back on local communities that we’ve been part of and which have succeeded, I think we’ll find that it’s the creative interaction between those who exercise formal and informal leadership, and the creative tension (or sometimes outright conflict) between them, that has, for the most part, led to good outcomes.

I won’t pretend that it doesn’t help the NSA, in his or her exercise of leadership, that colleagues know the NSA reports to the Prime Minister and is endeavouring to carry out her or his wishes.

But to rely on this alone would be a serious mistake.

That’s why Duncan Lewis, as the first NSA, spent so much time developing and maintaining relationships with colleagues across the national security community.

Never taking them for granted. Sharing ideas and information with them as freely as possible. Being open and honest about areas of agreement and disagreement. And, while building a sense of common identity, respecting their individual accountabilities and responsibilities.

And why I am endeavouring to do the same.
It’s this concept of leadership that has enabled the NSA to work effectively across the national security community.

And it’s why we have achieved outcomes including: the establishment of the National Security College; the Parliament House Briefing Room and Crisis Coordination Centre; the development of the Counter Terrorism White Paper, the National Security Information Environment Roadmap, National Security Science and Innovation Strategy, and Cyber White Paper; and the ongoing integration of our whole-of-government efforts in Afghanistan and to counter people smuggling.

And so to the concept of **improved priority setting and resource allocation**.

I’ll say more about this in the final part of my remarks because it’s the part of the NSA’s agenda which is the least developed and on which I intend to focus a lot of my energy. At this point I’ll simply note that, given the NSA’s need to rely on shaping and influencing, rather than formal authority, it was always going to be the most difficult and complex of their responsibilities to implement.

**Alternative approaches to the role of the NSA**

It’s worth reflecting at this point why a less formal leadership role for the National Security Adviser is preferable to one either with legislated powers and/or as head of its own agency. I know Ric Smith gave a lot of thought to these issues in finalising his recommendations and they come up periodically in media and other external commentary on the role.

As regards statutory powers, the first question is how they might be relevant to the role of the NSA, whether in relation to providing improved strategic direction to the national security community or, as the 2008 National Security Statement put it, being the source of advice to the Prime Minister on all policy matters relating to the security of the nation.

The question of relevance is important because the powers of statutory office holders in the national security environment are generally those required to carry out operational, independent assessment, or accountability and oversight functions.

For example, the Director-General of Security possesses a range of legal powers without which he would not be able legally to collect and share the information ASIO needs to inform its security intelligence role.

The Office of National Assessments’ legislative mandate gives unique statutory force to the importance of independent assessments by providing that the Director-General is not subject to direction in respect of the content of, or any conclusions reached in, any report or assessment.

And the Inspector-General of Intelligence and Security has the legislative independence necessary to perform an accountability and oversight role.

Unlike national security community colleagues with sensitive operational or oversight functions, the NSA has no need for the power to collect and share information, enter premises, make investigations or compel witnesses.

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21 Smith: 2-3.
22 NSS: 33-34.
But perhaps even more important than the question of relevance, is the possible consequences to Executive decision-making during a time of crisis. Clearly, any potential tension between the statutory functions of an NSA compared to, say, the Chief of the Defence Force, the Director-General of Security or the Commissioner of the Australian Federal Police, would not be in our national interest.

As regards the NSA’s policy advising role, the Australian Public Service legislative and policy framework requires all public servants to do their job impartially, apolitically and professionally. Under that framework, the content of the NSA’s advice can’t be directed either by the Prime Minister or anyone in her office. And the Prime Minister can choose to accept the NSA’s advice in whole, in part or not at all. Any notion to the contrary would be at odds with the role of the Public Service vis-a-vis Ministers. Agencies and Departments exist to support Ministers in their decision-making role, not to bind them to particular courses of action.

And of course let’s not forget that in the Westminster system, it is Ministers who are the primary source of advice to the Prime Minister and who share with her the ultimate accountability for the decisions Government takes.

Finally, when it comes to the NSA’s role of fostering greater cooperation, collaboration and cohesion—building a sense of community—if you have to use legislated authority to direct it to happen, the battle has already been lost.

So if statutory powers aren’t relevant to the role of the NSA, should he or she nevertheless have their own agency rather than, as an Associate Secretary, being part of PM&C and legally answerable to its Secretary?

The public policy argument against the NSA sitting outside PM&C combines principle and practicality.

As a matter of good public policy, it makes sense for the Prime Minister to be able ultimately to call on one official, accountable to her, whose job requires them to take a holistic view of issues across all public policy domains. This is the role of the Secretary of PM&C.

It could be argued, of course, that having a National Security Adviser accountable directly to the Prime Minister, supported by his or her own agency, wouldn’t prevent the Secretary of PM&C providing a view on national security, along with economic, social and other areas of public policy.

That’s true. But this is where practicality comes in. Because in order to form that holistic view, the Secretary of PM&C would need to do a lot more than keep up with his or her national security reading. They would need to go to the effort and public expense—I would call it waste—of setting up a ‘shadow’ national security function in PM&C.

Finally, having the NSA’s supporting organisation separate from PM&C would see it lose the incalculable benefit of being part of an organisation that lives and breathes all areas of public policy.

I’ve experienced the benefits of the formal and informal interaction I have with my fellow Associate and Deputy Secretaries. Their expertise—in everything from international economics to legal policy—improves not only the quality of advice I give to the Prime Minister. It also enhances my ability to play a strategic leadership role across the diversity of portfolios that make up national security.
On a related point, when the NSA role was established, the Australian Strategic Policy Institute expressed concern that with the Secretary of PM&C continuing to chair the Secretaries Committee on National Security, and the NSA as Deputy Chair, the NSA would, and I quote, be “...just one of several sources of policy advice to Cabinet on national security issues [with] the potential to undermine the wider objective of giving the National Security Adviser and his office sufficient powers to coordinate the national security effort as a whole.”

I think this is to confuse better coordination of the national security community, which is a good thing, with reducing the contestability of advice, which manifestly is not.

The role of the NSA, and PM&C more broadly, should not be to eliminate dissenting opinions from the National Security Committee of Cabinet. Indeed, given the primacy of Ministers in providing that advice, how could we?

Our job, through a range of formal and informal mechanisms, is to ensure the Prime Minister and her Ministers have the best possible information available to them, understand where there is disagreement and why that’s so, and that any disagreement is about issues of genuine policy substance.

My focus as National Security Adviser

And so to the policy issue on which there is rarely unanimous agreement: how resources should be allocated across the breadth of national security challenges.

We’re all aware that in the current budget the Government has had to make tough decisions, including on national security, to achieve its objective of bringing the budget back to surplus.

The Treasurer’s answer to the question of whether he would be willing to make further cuts to protect the surplus was an unambiguous ‘yes’.

We are not going to face easier budgets any time soon. The Government’s fiscal strategy is to run budget surpluses, on average, over the medium term. And the prospects for additional revenue to fund additional spending are poor. To quote this year’s Budget Papers: “Since the Global Financial Crisis, there has been a fundamental change in structure of the domestic economy that is expected to affect tax receipts for some years to come.”

Revenue is going to be tight for the rest of this decade. That means our focus has to be on flexibility and reprioritisation.

None of us can predict whether more reductions in government expenditure will be necessary. And, should that be so, whether and to what extent those reductions will need to come from the national security community. But as people whose business involves preparing for a range of outcomes, it would be foolish to think ‘it won’t happen to us’.

That’s why the aspect of the NSA’s mandate on which I plan to focus a good deal of my energies is the direction laid out in the National Security Statement to, and I quote, “...work towards a

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coordinated budget process for national security, to advise on the best allocation of resources across portfolios to effectively achieve our priorities.²⁵

That certainly doesn’t mean I plan to ignore other parts of the role.

Indeed, priorities and resourcing are relevant to all three aspects of the over-arching NSA mandate. Which, to recap, is to provide improved strategic direction, support whole-of-government national security policy development, and promote a cohesive national security culture.²⁶

Improved prioritisation and resource allocation is inherent in the notion of improved strategic direction. We have always operated in an environment in which there are infinite demands on finite Government resources. Our response to that has to be recognition that not all threats to our security are equal and some activities will be more effective in protecting and promoting our national security interests than others.

Resourcing our priorities is also relevant to the NSA’s role in leading whole-of-government national security policy development. Resource allocation is likely to be more effective if it proceeds not on the basis of broadly stated priorities which inform what we do in a general way, but rather a smaller number of agreed national security outcomes explicitly shared across portfolios and from which there are identifiable linkages to departmental and agency activities.

And how we set priorities and allocate resource is relevant to the NSA’s role of promoting a cohesive national security culture. Because history and experience tells us that competition over resources is the issue most likely to strain relationships between members of any community, not least the national security community.

In preparing for the possibility that the fiscal environment will remain tight, or get even tighter, we have a choice.

We can hunker down and concentrate on protecting our individual budgets.

Or we can acknowledge that, over the long run, cooperation in the development and pursuit of shared objectives, rather than competition in the pursuit of individual priorities, will likely lead to a better overall outcome for Australia.

We aren’t starting from a blank sheet. For over a decade, since the events of September 11, we’ve been endeavouring to understand better how our individual efforts contribute to the whole.

And the Coordinated National Security Budget process for which the NSA is responsible is an important way of helping ensure national security funding is allocated in a way that makes the whole greater than the sum of the parts.

We’ve now been through four iterations of the Coordinated National Security Budget—the CNSB for short.

In any discussion of the CNSB we need to remind ourselves that it isn’t a single national security budget submission.

²⁵ NSS: 36.
²⁶ NSS: 34.
That would be to ignore the important role that individual Portfolio Budget Statements play in the fulfillment by Ministers of their responsibilities and accountabilities to the Parliament and the public.

To date, the CNSB has been a good complement to individual Portfolio Budget Submissions. It has provided Ministers with a very useful overview of all proposed national security spends and saves. It has grouped them according to a broad set of national security priorities. And it has provided some advice on relative priorities.

PM&C’s work on the CNSB has been very well supported by the Department of Finance and Deregulation in its annual analysis of how existing national security funding is allocated across the full range of national security hazards.

But if the CNSB is to fully realize the ambition of advising Ministers on the best allocation of resources across portfolios it needs to go further and, without cutting across Ministerial accountabilities, perform far more of an integrating function. And the advice, to be really useful, needs to be delivered much earlier in the budget process.

In deciding whether to pursue new activities, do less of existing ones, or stop some altogether, Ministers will always have regard to a range of factors, including political considerations that are outside our remit.

My aim is to ensure the Coordinated National Security Budget process brings to this task of making trade-offs the best possible combination of practical wisdom and hard evidence.

By practical wisdom, I mean the many years of experience in developing and implementing national security policy that only the most senior people in this room are able to bring to the table.

And by hard evidence, I mean what we are able to draw from the wealth of analytical expertise residing at every level of the national security community.

Bringing all this together in a way that is helpful to Ministers trying to allocate finite funding across an infinite set of public demands will not be easy. It will not be quick. And it will never be perfect.

It’s not possible to build a giant risk management or some other machine into which we plug data at one end and get from the other the right allocation of funding to activities.

But nor can we rely on the 21st century equivalent of smoke-filled rooms in which wise men, in ways never fully able to be articulated, come to judgments about how the cake should be cut.

If we are to be honest, it all comes down to reducing as far as possible the extent to which we must, as to some degree will almost inevitably be the case, ‘go with our gut’.

It’s a task that calls to mind Ernest Rutherford’s exhortation to his colleagues that “We haven’t the money, so we’ve got to think!”

I’m not implying that thought hasn’t been applied to the resources expended on national security to date.

And of course it’s not true that ‘we haven’t the money’. The Commonwealth dedicates a large amount of money to national security: in 2012–13, some $31 billion inclusive of Defence, and around $6.7 billion excluding Defence. Moreover, the per annum cumulative real growth for total national security expenditure over the past ten years is just over three per cent.\(^\text{28}\)

But regardless of funding levels, we do need to develop better tools to assist Government in discriminating between what is more and less important and applying resources flexibly in line with those informed judgements.

In working with you to develop advice for Government on how best to allocate those resources, I commit to three things: valuing wisdom and experience, rigorous analysis of data and transparent information sharing.

I expect more of the creative tension between leaders that I confidently said earlier in this address makes for good outcomes. And there will likely be moments of conflict.

But I ask that you continue to work with me in the spirit of openness and cooperation that has largely characterised the national security community to date.

This is important not only because our fiscal circumstances are tight.

But also because, for all our predictive efforts, we can never rule out being surprised by adverse events either at home or abroad. None of us want that to happen. But if it does, we may be asked by Government to advise quickly on where and how to bolster our national security capabilities in response. To do that well, we need to have as clear an understanding as possible of how what we do, individually and jointly, contributes to national security outcomes, and what difference changing that mix of activities, or adding to it, is likely to make.

Whichever scenario we find ourselves in, the quality of our advice will depend on whether, and how well, we work together.

Thank you.

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\(^{28}\) My thanks go to colleagues in the Department of Finance and Deregulation for providing these figures based on relevant Departmental Portfolio Budget Statements.