

TESTIMONY BEFORE THE SENATE SELECT COMMITTEE
ON INTELLIGENCE

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By William E. Odom

Good afternoon, Mr. Chairman, and members of the committee. It is an honor to appear before you today and to offer my views on how to improve the performance of the Intelligence Community. You have asked me to address 1) the strengths and weaknesses of the Intelligence Community, 2) structural changes that might improve its performance, and 2) the concept of a Director of National Intelligence.

These questions are best answered by recognizing three distinct sets of issues.

First, the competency of the Intelligence Community.

Second, the competency of the policy-makers in directing the Intelligence Community and using its products.

Third, structural problems that can be addressed by organizational change, not just policy changes within the present IC structure.

On the first set, I can be brief. This committee's recent report on intelligence for the decision to invade Iraq is a valid assessment of the CIA, both its HUMINT capabilities and its analysis and production capabilities. They have deficiencies. They are not new. Most of the criticisms in the SSCI report were also valid in the 1980s when I was serving in the Intelligence Community. Thus I do not see anything exceptional about them.

As far as the performance of the rest of the Intelligence Community, by far its largest and most important parts, the report deals only tangentially with NSA, NGA, DIA, and the three military department's intelligence organizations. The FBI is also omitted.

All of these agencies also have problems. I am not adequately up to date on them to comment with specificity, but I am sure that other investigations, such as the 9/11 commission and the intelligence commission, will produce no less critical assessments of these agencies. At the same time, it would be wrong to conclude that they are in a desperate state of disrepair and to exaggerate their deficiencies.

The FBI, responsible for domestic counterintelligence, is an exception, in a class of incompetence all its own, needing no special investigation to convince a serious observer of its need for radical change.

On the second set of issues, the policy-makers' direction of the IC and use of its products, you have not raised that question directly in your letter inviting me today, but no assessment of the IC's weaknesses and strengths can be valid if it ignores the role of policy-makers and other users.

I would like to demonstrate the validity of this assertion by offering a historical example. It concerns the relationship between several senior commanders in WW II and their intelligence officers.

As the German Wehrmacht prepared for its counteroffensive, known as the Battle of the Bulge in December 1944, several bits of intelligence suggested that it was coming. Montgomery and his obedient intelligence officer stubbornly rejected the facts; Bradley and

his G-2 remained skeptical and passive. Eisenhower and his G-2 were somewhat quicker to sense the danger but slower than Patton, whose G-2 saw it coming several weeks beforehand, prompting Patton to initiate contingency plans to respond to it. Unlike the others, Patton was well known for his obsession with intelligence, his heavy demands on his G-2, and his praise for good work by his intelligence personnel.

Here we have a clear test: four commanders with essentially the same intelligence turned in different performances. Patton was slightly disadvantaged in being at a lower echelon than all the others with a narrower focus but far ahead of all the others in his appreciation of the impending offensive.

The late Harold Deutsch, a military historian with the US Army in WW II, in writing up this case study, shows how the dominating personalities of these commanders created an intimidating atmosphere for their intelligence officers, discouraging them from emphasizing unpleasant intelligence findings and pursuing different lines of analysis. In his words, "Whether the commanding general was on the correct or wrong track, therefore, the G-2 was likely to be right there with him. Perhaps the fine performance of Gustave Koch [Patton's G-2] was largely due to being lucky in his boss."¹

The relevant point should be clear. When you ask how to improve the performance of the Intelligence Community today, you must recognize that it cannot be much better than the performance of the policy-makers and commanders who own it. If they sit back, as

¹ Harold C. Deutsch, "Commanding Generals and Uses of Intelligence," *Intelligence and National Security* 3 (No. 3, July 1988): 194-261.

Montgomery, Bradley, and even Eisenhower did, discouraging skeptical analysis, or, to use a term recently made popular, accepting so-called "unactionable intelligence," the solution is not a better intelligence officer, but rather a better commander who will demand a better intelligence officer.

On the third issue, structural reform, I support the legislation creating a Director of National Intelligence, albeit with a couple of reservations or recommendations for changes. First, he does not need budget execution authority. As I will later explain, program budget management, which the DCI has long had, provides far greater influence on budgets of the several agencies within the IC than would budget execution authority. Second, the draft legislation does not clarify how the DNI would relate to the Defense Department and to the regional commands, such as CENTCOM, EUCOM, PACOM, and others. Unless these matters are properly clarified, the largest and most important user of intelligence, the military services, will withdraw their support of the IC, and in that event, two thirds of NSA's work force disappears. The same is probably true for NGA. And the regional CINCs, never very happy with CIA's poor support, would have to create their own clandestine service. The resulting fragmentation between military operations and the national intelligence agencies is not pleasant to contemplate.

Creating a DNI, however, is not essential. The president could separate the posts of DCI and Director of CIA by an Executive Order and assign a person to each instead of following the longstanding tradition of double-hatting one person as both. In light of the reluctance of presidents to do so over the past 20 years, and

because of the desperate need to separate the two jobs, I am now persuaded that creating a DNI by legislation may be the only way it will happen soon.

And it needs to happen because it is the precondition for all other reforms. I spelled them out in my book, Fixing Intelligence, for managing both intelligence production activities and IC resources. They cannot be fully elaborated in a short statement, but I mention them here to help refute a major criticism against creating a DNI. Critics worry that he will be weak like the drug tsar because he will have no bureaucratic base and will therefore be unable to control the Intelligence Community.

Indeed, a DNI needs a bureaucratic base, and in my scheme he will have one. He will keep the DCI's National Intelligence Council and Community Management Staff. He must also be given the Directorate of Intelligence from the CIA to augment the National Intelligence Council because it must assume a much larger role than just preparing national intelligence reports. This change will leave CIA as the national HUMINT organization, not an intelligence production agency, giving HUMINT the same single-collection discipline focus as NSA gives SIGINT and NGA gives IMINT.

The Community Management Staff will also require basic restructuring, providing additional bureaucratic ballast for the DNI. And he could also usefully have an Intelligence Community staff college under his direct control. Thus the DNI position need not be lacking an organization base. At the same time, a DNI's real power is not in the size of his supporting bureaucracy but in his skill in executing three IC-wide responsibilities: program budget

management, collection management, and national intelligence production. If his staffs are not kept small and lean, they will hamper him rather than serve as his instruments for control.

Although urgently needed, these organizational changes will not ensure better IC performance. No organizational design can compensate for poor leaders. Poor organizational design, however, often prevents excellent leaders from performing well. That has been the case in the IC for a long time.

My proposals for restructuring have been described by some critics as excessively radical. In fact, they are quite moderate, based on extrapolating past trends. They follow the logic of evolutionary development long under way in the IC, building on fundamental changes made in the 1970s.

An important example is found in changes in the DCI's resource management authority, i.e., control of budgets and personnel. In 1970, President Nixon assigned program budget management responsibility for the entire IC to the DCI. Every president since has reauthorized that responsibility, at least until today. I do not know if President Bush has continued the practice. The claim that the DCI has no budget control is simply not true. He had the authority when I was the Director of NSA to change my program budget anyway he pleased.

As another example, also in the mid 1970s, the DCI created National Intelligence Officers to manage national intelligence production, i.e., NIEs, SNIEs, and IIMs. He also formed the Intelligence Community management staff about the same time. The National Intelligence Council was formed a bit later, in 1977. Thus

the emergence of an IC management structure for the DCI is not a radical change but rather a logical process that cries out for continuation.

The same is true in the collection disciplines. CIA has had control of all clandestine HUMINT since 1947. NSA was created to manage all national level SIGINT in 1952, and NIMA was created for IMINT in 1997. Thus an inchoate system of "national managers" of the collection disciplines already exists. Yet it has never been used by the DCI to implement a planning, program, budgeting system (PPBS), the kind established by Secretary McNamara inside the Pentagon to relate resource inputs to combat outputs. As long as the NRO has an independent budget, the IC cannot move to a PPBS system for intelligence outputs. Yet the lack of such a system is the source of vast waste and terrible bureaucratic struggles among the agencies of the IC.

I am inclined to believe that a DNI would create a system of national program managers because that is the only way he can assert genuine control over IC resources. Giving the DNI "budget execution authority" will not do that because the monies are already locked into spending categories when the budget becomes law. The place to assert control over resource allocations is in the building process of the program budget. The aspect of the draft legislation for creating a DNI that specifically assigns budget execution authority to the DNI strikes me as ill-advised. It is difficult to see either how he would use it or why he would want to use it.

A DNI, if one is created, should be required to complete a structural review of the Intelligence Community every five years to

ensure that additional changes are made when needed. Changing technologies often are best exploited by structural changes. We see that in the high-technology business world, and it is no less needed in the high-tech world of intelligence.

Let me end by mentioning one additional structural issue that does not seem to have gained sufficient support: counterintelligence reform. As long as domestic CI remains within a law enforcement agency with arrest authority, it will neither be effective nor shared with users that need it most. Nor will there ever be a comprehensive CI picture available. I know the popular objections to creating a national counterintelligence service under the DNI, and I believe they are based on fundamental misunderstandings. I mention this matter here because it is one more reason for having a DNI. If, in the future, serious CI reform is undertaken, the DNI system creates a roof under which to locate a CI agency where it can be properly controlled and made an effective part of the Intelligence Community.

In brief, these are my recommendations for improving US intelligence. Thank for your attention, and I am now prepared to elaborate in answers to your questions.