

**Remarks and Q&A by the Director of National Intelligence
Mr. Mike McConnell**

**2007 Excellence in Government Conference
Washington, DC**

April 4, 2007

ANNOUNCER: Ladies and gentlemen, please welcome Mr. Timothy B. Clark, editor and president of Government Executive Magazine.

MR. TIMOTHY CLARK: Thank you very much. Welcome back. I hope you've enjoyed your first day of Excellence in Government 2007. It is a great privilege now to be able to introduce the Honorable John M. "Mike" McConnell, director of National Intelligence, who will join us today to deliver our afternoon keynote address. Just a few words about Director McConnell: He was sworn in as the nation's second director of National Intelligence in the middle of February. He is a true intelligence professional, having served as director of the National Security Agency from 1992 to 1996 and in key intelligence posts in the Navy during his 29-year career in that institution. He returns to government after a 10-year absence with a keen appreciation of the role contractors play in national security affairs, having served as senior vice president at Booz Allen and Hamilton.

Director McConnell's predecessor, John Negroponte, instituted new requirements that intelligence officers serve in joint duty assignments as a prerequisite for promotion, new initiatives for information sharing, and a renewed emphasis on the importance of open-source information. Director McConnell has already laid out some priorities, and he's going to elaborate on these and others, including more improvements on the information-sharing front, reform of the security clearance process, and steps to make it easier for the intelligence community to hire first- and second-generation Americans who are often native or fluent speakers of such important languages as Arabic and Chinese.

Director McConnell is going to speak for a few minutes. Then I'm going to come back on stage and help him field questions from the audience. So please be prepared with questions for the Honorable Mike McConnell, and here he is.

MR. MIKE McCONNELL: Thank you very much. I certainly appreciate that warm introduction. And since everything I plan to say was included in the introduction, are there any questions? (Laughter.)

I thought what I might do today is ask, or start to answer, the first question that I get from all of my friends and my colleagues and my family. And the question is, why are you doing this? I retired from the Navy after almost 30 years and I was enjoying the fruits of the private sector, as they say. And there's a condition inside government intelligence that we all come to know and accept. Here is the condition: There are three potential outcomes for any crisis. The first outcome is a diplomatic success. The second outcome is an operational success. And the third

potential outcome is an intelligence failure. So if you think about it from that standpoint of view – or from that standpoint or point of view – about what we do and how we do it, why would someone who retired after almost 30 years, enjoying the fruits of the private sector, want to come back? And the answer to that question is, based on the phone call that I received, initially from the vice president and then the president, they thought I could help make a difference.

This community needs to be viable and strong and capable to protect the nation. And I served the community as an insider and as a contractor. The sector that I focused primarily on was national security and intelligence. And so I was a student, an observer, and I had some opinions. So, at least the request was would I consider a nomination, and after I thought about it for a while I said, indeed I would.

The second question that I get is what's a day in the life like? I didn't quite anticipate that my day would start, at least six days a week and some days seven days a week, at 4:00 in the morning. But I have to be in the White House for a briefing session that starts generally – my warm-up starts about 6:30 and then we start the rounds in White House and generally that will start between 7:00 and 8:00. So, my day gets to start real early and so far I'm discovering the things that I wanted to focus on occupies until somewhere around 10:00 or 11:00 at night. So, my biggest challenge early is just stamina. Can I stay with this? It was a little easier when I was a little younger, but that's what I'm adjusting to.

Now I want to give you a point a view on our nation and intelligence. The United States of America, despite all the movies and despite all the novels, we don't like intelligence very much. And if you think about intelligence around the world and most countries of the world, it's a bad thing. It tends to be internal state police, torture, those kinds of things. So, by and large, when people think about intelligence, Americans think about intelligence, it's nice to have in a crisis but it's not something that we want to sustain.

Our history has been we build it for crisis, we sustain it for war, and then we take it down. The only time in our history that we've ever sustained a robust intelligence community was coming out of World War II. We invested a significant amount of our resources in to having a capability, in World War II, to be able to fight and win in that conflict. And as we came out of that period, we were facing a new "ism." We went from fascism to communism, and so there was large-scale, bipartisan support for almost 50 years to build the capability to peer inside a denied territory that spanned 12, 13, 14 time zones. And we were pretty good at it. That's the era that I grew up in. So, as a Cold War warrior, I can tell you that we had very significant capabilities to understand what was going on from the standpoint of internal dynamics, weapons procurement, operations, readiness, missile development, and so on. We were very good at it.

Well, the Wall came down November 1989, and by December 1989, this town was talking about a peace dividend. And so if you chart the budget of U.S. defense and U.S. intelligence starting at about 1990 and going to 2000, it declined about 40 percent. So different era, different "ism." Now it's terrorism. It's a war of ideas. It's ideology to try to impose an outside will on us to reduce our influence around the world. So the challenge is, how do we rebuild the right community to focus on the right issues so we can protect the country?

In the period of the decade of the '90s, we saw the community atrophy in many areas. One of them was our ability to purchase, procure, acquire large-scale systems. What happened to us as a community? What I would highlight is two things were happening: The community was declining 40 percent and there was something called a dot boom. Fungible skills inside the government, very sophisticated program-management skills, engineering talent, information-technology talent was drawn out to industry where the jobs were more plentiful. So we lost a generation in our community in our ability to buy, purchase with skill and acumen, large-scale systems.

We're on a path now to get that corrected – put some increase emphasis on acquisition so we can rebuild the community. We are going to try to make an argument, both to the executive branch and to the legislative branch, that one of the things we must attempt to do is have levels of program stability. What does that mean? Relatively steady state funding. So if you have a professional community that can buy things, that knows the magic of how to do that, you've got reasonably stable funding then you are responsible with regards to managing requirements, then I think we'll be going in the right direction to get our community back on the right course.

Let me highlight a couple of other things. We have rules and laws and regulations about how we should conduct ourselves. First and foremost, we as a community must abide by those laws. We must work to the very best of our ability to achieve the confidence and respect of the American people. And the way we do that is by abiding by the laws which govern our behavior. The laws that we had coming out of Vietnam, Watergate, Church-Pike hearings of the '70s served us well. But it also set up barriers and cultures and processes that did not make us well suited to combat a new "ism," in this case terrorism.

What do I mean by that? When someone enters this country, they are considered a U.S. person. They have all the rights and privileges – let me restate that – most of the rights and privileges of a U.S. citizen. So if the intelligence community is tracking someone of suspected terrorism and they arrive in this country in a legal status, they're now off limits to the intelligence community. Switch to law enforcement. The rules and regulations on law enforcement are much more stringent with regard to conducting surveillance of either U.S. citizens or U.S. persons. So the terrorists that came here and operated here prior to 9/11, so long as they were here legally and so long as they did not break the law, they were mostly invisible to us.

Now, the conditions for that were set in a different era. And the era was the '70s coming out of Watergate and Church-Pike and the hearings of that era about getting the rules for our community behavior established the right way. The emphasis in the community that I serve was foreign. So long as it was foreign or agent of a foreign power, it was reasonable – it was expected that we would conduct our operations for surveillance or tracking or understanding. In today's environment, it's the intent of the terrorist groups to live among us, to walk among us, and to be able to carry out these acts similar to 9/11 in the country today, and if anything, a more catastrophic way.

Now that I'm back – and I missed 10 years – in one dimension I don't feel like I miss very much at all. In another dimension, it was a different set of players, a different geography, and a different set of motivations. And so the scramble has been, on my part, to learn more about the

personalities and the locations and the activities and the rationale and so on. But now that I've been back in the business for – I'm starting my second month – I have a much better appreciation, and what I'm understanding is for many of the things that were being criticized today are absolutely essential for us to protect the nation.

You hear a lot of discussion about spying on Americans. That's really a very straightforward situation. People who are known to be terrorists outside the United States call into the United States – a terrorist calls into the United States. So the question – the judgment is, should you, could you, is it legal to monitor that phone call? The president, in his declaration that followed 9/11, concluded that is a legal activity for intelligence. And I can tell you with great confidence, because I have personal knowledge, the fact that we do that has saved lives in the United States, most recently just at the end of last year, the one that I was caught up with as I came back into the community.

So the question is, how do we do it going forward? On my tenure or during my tenure, what I hope to initiate is to get us back to a point to debate, consider, and establish the rules, the regulations, and the laws – most importantly the laws that will govern all this activity – in the most productive way for us to do our job.

The last point I want to emphasize, and then we'll take a few questions if you have questions you want to pursue, is the idea of collaboration. What I learned as a player in the government, in my first assignment – first period of time I was in the government – and what I learned in a significant way in industry is that if you have a collaborative environment, the collective lift is significantly higher than if you have stovepipes or individual piece parts attempting to accomplish some level of activity. When you have a collaborative environment that is a diverse workforce and you're working on the same common agenda, the same common set of objectives, you have a significantly higher likelihood of being successful and having a higher level of performance. That's what I hope to achieve in my brief time back in government. I want to try to get this community to be more focused on collaboration as a community.

Now, a term – those of you who follow this community closely – a term you will frequently hear is stovepipe. Today in this town, stovepipe is a bad word. I would say, well, think about that for a second. Originally what were stovepipes for? It was to keep smoke out of a room. That's a good thing. The connotation of today is stovepipe means you will not share. But let me give you a different way to think about stovepipe. Stovepipe gives you technical excellence. It gives you technical depth. It gives you understanding that's unsurpassed anywhere else in the world.

So if you take an organization like the National Security Agency, the one I was privileged to serve as its director for four years, there's a higher concentration of mathematicians, cryptographers, compute power than any other place on the globe. That was true in my time. I'm not sure it's true today but I think it probably is. That allows you to achieve a level of success that you couldn't achieve any other way. Now, the challenge is, how do you have that organization share its information, its collection, its insights, and its understanding broadly across a community to include law enforcement, to include the Department of Homeland Security, to include state and local when there is this whole issue of need to know?

Remember World War II; between the British and the United States, we were breaking the codes of the enemy. We knew the war plans frequently before the generals in the field knew the war plans. So the mindset was at all cost – at all cost you must protect this information, and so the mindset was need to know. That served us well in World War II. It served us well throughout the Cold War because you had to protect sources and methods. I would submit, today we need to shift from need to know to analysts must have a framework that says its my responsibility to provide.

If you think about it that way, a responsibility to provide, that doesn't mean you compromise sources and methods; it means you find a way to understand your customers and your clients in a way that's very sophisticated. You have an understanding of sources and methods and you can task them at the right time and the right place. Most importantly, you get the information the customers need delivered to them in a time, in a format that allows them to make a difference, whether that's the president of the United States, it's someone heading an agency or a department in the government, it's a soldier in the foxhole in some battlefield, or it's the mayor of Seattle, or it's the fire chief in L.A. It's knowing the customers in causing the right information to get delivered in sufficient time to make a difference.

So that's the way I'm thinking the community as I start off on this tour inside the government. I'm sure you probably have questions about some of that so I'd be happy to stop at this point and take some questions and see where you'd like to go. It's my understanding there's some microphones – ah, here we go – microphone is in the audience so just raise your hand and we'll get someone to hand you a microphone.

MR. CLARK: I'm joining you hear on stage, Director McConnell, and maybe I'll ask the first question.

MR. McCONNELL: Please.

MR. CLARK: A common concern all over government is about how to assemble the right staff to do the job, and it strikes me that the intelligence community has a special challenge in that regard. You need young people who understand the new technologies. You need people who speak foreign languages who might not have been eligible for employment in the intelligence community before. Could you speak for a moment about what you see as the challenges in staffing the community and how you are dealing with them?

MR. McCONNELL: Exactly the right question. Ultimately getting the right people is the key to making this whole community work. Let me give you the good news. The good news is post 9/11 the spirit of patriotism and dedication and I want to make a difference was so overwhelming that the rolls of this community filled up pretty quickly. I just had a chance to go visit Baghdad, Kabul, and Pakistan. And, of course, my focus was not only the war – one in Afghanistan and one in Iraq – but also this al Qaeda presence in that region and what we might do about it and so on.

Now, what I can report to you is the youngsters that are there working those issues today don't know anything other than collaboration. I went into a number of the watch centers where

literally side-by-side you would have CIA analysts, NSA, NGA, DIA – and if I’m using alphabet soup that’s not familiar to you, I apologize, but it’s all the major agencies in this town that represent a set of disciplines or know-how or skills to include the FBI and the [National Geospatial-Intelligence Agency] – all the piece parts and the experts were there and they’re working in a way to be successful and they’re being incredibly successful.

So, as I pass through, my thinking was if we can just figure out a way to bottle what’s happening here and bring it back to this community, we will serve the nation’s interest going forward. So the challenge is to attract them. The major challenge then becomes retaining them. And can we create the spirit of service and excitement and dedication in this community that existed throughout the Cold War when you had a very steady-state high-caliber workforce? And so that’s the challenge for leadership: Can we create those conditions to sustain that level of commitment?

QUESTION: Thank you for taking my question. What do you see that the intel world will look 10 and 20 years from now? What are some of the opportunities, if you might share those with us?

MR. McCONNELL: Opportunities in the community or opportunities for us to serve?

QUESTION: For us to serve.

MR. McCONNELL: Let me go to the one that probably commands a lot of my attention and that’s cyber. What I would ask you to think about for a second is you as an American. Every person in this room, I’m guessing, is sitting close to a wallet or a purse or something and in there is a credit card. When you start to think about how you run your day and how do you run your life, what I would submit that all of you are dependent upon networks in one way or another. If you think about your day, whether you go to work, you stop to buy gas, you ride an elevator, you turn on lights for electricity, you turn on a computer, you clear your bank account, you make a deposit – everything you do in some way involves networks.

Now the good news is, as a nation, we depend on it more and it’s raised our productivity, our efficiency, and our stand of living. The bad news is – you probably haven’t thought about this side of it – it’s introduced a level of vulnerability that’s significantly more potentially damaging than most of us think about. Let me give you an example. The financial services industry – I visited a small firm in New York not long ago and I was getting an understanding of their business. They would clear the equivalent of the U.S. gross domestic product – the equivalent of the entire U.S. gross domestic product every three days, and they did it at submillisecond timing. You do that of course to prevent arbitrage.

So, you ask about opportunity and risks for the future; one of the things I worry about most is the current laws and regulations that we have prevent us from using all the talents of the capabilities of the government to even play broadly in protecting the nation. We think mostly about exploiting, in a foreign context for foreign intelligence exploitation; I would submit there is a huge protection aspect of it. There’s the exploitation aspect, which, you know, we see movies and novels about how it’s exploited; there’s also an attack dimension. So in our community,

opportunity for those on the inside is to shape that, cause it to be better, and from opportunity for us to serve the nation, I think that's an area that we're going to have to spend a lot of time on – a lot of debate on the Hill, a lot of dialogue about the right policy and the right law to get it correct. I think that's the big challenge going forward.

Let me add one to that. People often ask me what keeps you up at night; what do you worry about? If someone were to have a sophisticated attack on our financial services system, let's just say cyber networks broadly, at the same time that they mailed through U.S. mail, FedEx, and [UPS] the equivalent of letters sprinkled with anthrax throughout the country, it would have a devastating impact. If you chose the right time, right place, right season, it may have a maybe even more overwhelming devastating impact.

I don't know how you think about it but I worry about that. So the opportunity for this community to think about it, plan for it, get the right laws passed, get the right collaboration, the right oversight, make sure we're doing it right but then preventing that sort of thing is something that – the way I think about it is would be the highest calling of public service. Sorry for the long answer but you hit one of my hot buttons.

MR. CLARK: Question right here.

QUESTION: In the wake of 9/11, a big discussion began over the proper organization of the intelligence community, and for the reasons that you cited, to better improve sharing of information within the community. When Congress debated the Homeland Security bill, they considered having a high-level directorate of national intelligence within that agency and later created the office that you hold, DNI. Do you think we've got it right? Is there something that you would change?

MR. McCONNELL: We don't have it right yet. The part of the debate earlier was to create a department of intelligence, and that was not warmly embraced in some circles, I would say. So now, as DNI, I'm responsible for basically two things if you just sort of reduce to the bottom line: the budget for the 16 components of the community and ensuring that no one breaks the law. Now, 15 of those agencies work for another Cabinet official, so I would submit that's a challenge. If you're going to dictate someone else's budget in another department and worry about compliance with the law and the regulations where you don't have direct line management responsibility, you cannot hire or fire, it puts you in a challenging management condition.

So the debate that I'm going to initiate, in the time I'm in, is do we have it right? My opinion so far is we need to adjust. And then, more importantly, what should we do about it? Now, that's a dialogue that some want to engage in and some do not. And so I'm working my way through that. I don't yet have a formula for a set of recommendations; I just know what I'm experiencing in the first six or eight weeks.

MR. CLARK: Right back there, yes.

QUESTION: Director McConnell, you mentioned the challenges that you face in finding and recruiting the right kind of people with the analytical skills, language skills, and technical skills

to deal with the intelligence issues that the country's facing right now. I wonder, along those same lines, whether you have any concerns about the difficulty and the challenges in the process of getting security clearances for personnel, not only in one agency, but all the agencies of government and the interchangeability of those clearances between the agencies?

MR. McCONNELL: Another one of the issues that I'm very, very focused on: being frustrated in industry where I would try to hire someone and have to keep them on my rolls for twelve or more months waiting clearances. It's not a very fruitful situation. A person gets frustrated; sometimes you lose the employee. I have to carry the person's salary and so on doing "happy work," quote, unquote. So I have a great deal of frustration with that situation. What I've stated as an objective is to try to get a commercial model. And what do I mean by that? Some of the financial houses in New York do the equivalent of a top-secret clearance and they do it in about two weeks, some cases one week.

Now, imagine these people who are doing this work in these financial houses are moving billions of dollars, so there's great incentive to be dishonest if you could be successful in skimming or arbitrage or whatever, yet they are very successful in reducing that to near zero. So my challenge to the community – and we're just getting started on this – is to challenge the very foundation of why do we think this way and what's the basis of it? What's the law say? What does the policy say? Whose law? Whose policy is it? And how could we turn this on its head?

I believe if we could adopt commercial models to get people in, we would be saving lots of money, reducing a very high level of frustration. But, now, I'm also responsible for protecting sources and methods. So where I would put the emphasis is not so much on the long 12-month personal investigation, long adjudication phase; I would make that go faster with commercial standards and then I would have some level of audit capability on what people do on the inside. And I think that would be a more effective way to run our community and I think we would better results and I think we would save a lot of money in the process. So we're started on that path. We're in the early stages, and I can tell you, if you're changing a bureaucracy, it's a challenge.

MR. CLARK: I think the director has time for one more question. Do we have another question there?

QUESTION: Hi.

MR. CLARK: Oh, right here, yes.

QUESTION: Director McConnell, thank you for coming today. How do you see the community's role interacting with Congress, especially in light of a slightly different political dynamic than that of your predecessor?

MR. McCONNELL: The community has to interact with Congress; they have the money. So if you think about it from that standpoint, it's in our self-interest to interact with Congress. Congress has a constitutional obligation for oversight, and so this community is remiss if we don't engage them in a positive, constructive way. So, I mean, it's my intent and as part of my

confirmation process I visited, you know, many of the members on the Hill and we had this discussion. This is an approach that I used in my previous life. It worked well for me, so this is the approach I plan to use in this life. We have to work with them. Sometimes we'll agree – hopefully that's the majority – but sometimes we'll disagree and we'll have to argue out how do we get to closure on the points we're trying to close on? So, I expect a very robust dialogue.

MR. CLARK: Join me in a round of applause thanking Director McConnell for being with us. (Applause.) I'm going to give you a small memento.

MR. McCONNELL: Oh, thank you so very much.

MR. CLARK: Thank you very much.

MR. McCONNELL: I appreciate it. Thank you all.