



**DEPARTMENT OF THE
PRIME MINISTER AND CABINET**
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Briefing to Incoming Minister for National Security and Intelligence



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Welcome and introduction

We would like to welcome you in your role as the Minister for National Security and Intelligence and the responsible Minister for the Department of the Prime Minister and Cabinet (DPMC).

We operate in an environment of both challenges and opportunities. New Zealand is subject to a wide range of national security threats and risks. In the past year, these have ranged from the East Coast floods to the Kaikōura earthquake to biosecurity incursions to cyber incidents targeting New Zealand – and then, of course, there is the deployment of New Zealand personnel overseas, the risk of terrorism from the Middle East now asserting itself into the Southeast Asia region, and threats to the rules-based international order.

The national security system has become fairly well practised in responding to events as they happen, and has developed systems to do so. As Prime Minister and Minister for National Security and Intelligence, you have the opportunity to further shape the way New Zealand thinks about risks – to make the system more pro-active, to more deliberately build resilience into New Zealand. This briefing outlines some steps we recommend you take, to ensure risks receive high priority and the national security system operates at its best to support robust Cabinet decision-making.

As Prime Minister, you also have overall leadership of the Government's response to any crisis. This briefing describes the mechanisms that are in place to support you, and to help coordinate the response.

Separately from this briefing, we will provide you with information on several matters that will need your consideration before Christmas. We look forward to working with you.

Recommendation

The Department of the Prime Minister and Cabinet recommends that you:

Note the contents of this briefing.

NOTED



Andrew Kibblewhite

**Chief Executive
Chair, ODESC**

Date: / /2017

Howard Broad

**Deputy Chief Executive
Security and
Intelligence**

Date: / /2017

Rt Hon Jacinda Ardern

**Minister for National
Security and
Intelligence**

Date: / /2017



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1. Overview

This briefing sets out:

- a. an overview of how you can use the national security portfolio to improve New Zealand's management of national security risk (pages 5-7)
- b. a summary of how the national security system works, including the overall roles and responsibilities of the national security and intelligence portfolio (pages 8-9),
- c. a description of your role in a crisis and how the national security system will help your Government in a response (pages 9-10); and
- d. an overview of how DPMC supports national security matters and your relationship with the intelligence and security agencies (pages 10-12).


2. How you can use the national security system to further improve New Zealand's management of risk

A key responsibility of any government is to ensure the security and territorial integrity of the nation, including by protecting the institutions that sustain confidence, good governance, and prosperity. National security is also a way to promote and protect the achievement of national goals and outcomes: it is a lever that supports the pursuit of economic opportunities and the progression of international relationships, and helps to build a sense of community among citizens when faced with challenges (for example, a civil defence emergency).

In New Zealand, successive governments have taken an "all hazards, all risks" approach to national security. This means we have developed an adaptable and responsive national security system that can govern a wide variety of hazards – from earthquakes and floods to bio-security events to terrorism and instability in the South Pacific, and everything in-between. As Chair of the Officials' Committee for Domestic and External Security Coordination (ODESC), I can assist you in achieving your national security policy priorities.

The all-of-government national security system has tended more to responses to events, rather than systematically bringing a forward-looking approach to risk reduction. Sharpening the focus would allow you, as Prime Minister, to weave resilience together across communities, the private sector, and local and central government. Building resilience is the right thing to do, in our view, because it will create a New Zealand where some risks are less likely to eventuate, where responses to events are more effective, where impacts are reduced, and where recovery is faster.

For that reason, we suggest you, as the leader of the national security system, emphasise a risk and resilience-based approach to national security. Doing so would give you and senior Ministers greater assurance that you would see risks to national security being identified and dealt with, and you would see the nature and size of any



residual risk. You would see the collective actions of officials working collaboratively together to identify and address problems.

Ministerial engagement in the management of New Zealand's risks would provide focus and direction for officials. This is particularly important given both the nature of the hazards and risks that New Zealand faces, and the increasing complexity of the international environment in which we find ourselves. To give three examples that involve a number of Ministerial portfolios and complex choices:

- Restoring lifeline utility supplies, such as water, electricity and telecommunications, after a disaster is critical for life and well-being and timely recovery. In earthquake-prone areas, these networks are prone to significant disruption following an earthquake. Making those networks more resilient may be costly, and possibly beyond the means of smaller local authorities or providers. If Ministers agree that greater resilience is important, how will that be brought about?
- Equally, as the effects of climate change start to be felt, it is likely there will be more floods, with some areas particularly prone. Individual land owners, local authorities, central government and insurers will all need to confront the question of how to respond to the costs of maintaining use rights to flood prone land.
- Foreign investment is important to grow New Zealand's economy and has introduced many benefits over the years. We are aware, however, that unlike many other countries New Zealand's regulatory settings do not require investment proposals to be assessed against national security criteria. We think this should be reviewed. What, if any, investments should be considered and what factors should a national security lens take into account?


To bring the system together, and maximise its performance, we have identified three actions you may wish to take:

a. Drive the system through a focus on risk management and resilience

With much better knowledge about the kinds of risks which impact on New Zealand's national security, and understanding how well placed we are to respond to them either individually or systematically, we can ensure that our national security is effective and contributes to overall resilience.

This is not new. As the Chief Executive of DPMC, I provided the National Security Committee with preliminary information about a risk approach in 2016. I demonstrated that DPMC was well along the way to develop a National Risk Register, which aims to support better identification, understanding and comparison of national risks.

Taking a systematic risk and resilience-based approach to national security may lead to harder but fruitful discussions among Ministers, and enable the resolution



of issues that affect a number of portfolios. Issues that may be illuminated would include, for instance: how much residual risk is tolerable on any given risk? What is the balance between economic growth and national security? Where is the place where further investment in reducing a particular risk is of most benefit? These are issues with which our partner countries are also grappling.

b. Ensure that Ministers are enabled to work strategically and collaboratively to manage risks

As our national security environment becomes more complex, it is more important than ever that Ministers are able to discuss strategically significant national security issues, and provide guidance to officials. The Cabinet committee focused on national security (National Security Committee in the last administration, the Domestic and External Security committee before that) is in our view the right vehicle for Ministers to meet and consider national security issues, in the broadest sense of the word.

The committee also provides oversight of the national intelligence and security sector, including relevant policy and legislative proposals. It also coordinates and directs national responses to major crises or circumstances affecting national security.

As Chair of the committee, you could shape the agenda to be more deliberate and strategic in considering national security risks and responses. Your stewardship would quickly drive a work programme and result in a series of decisions for the committee. We can provide you with advice about priorities for a forward agenda.

c. Continue the public conversation

We would encourage you to continue developing an open and ongoing dialogue with the public on New Zealand's national security. Until recently, it has been rare for Prime Ministers and the national security system as a whole to openly provide information about national security issues to the public. But when this has happened, such as through the proactive release of information about the intelligence and security agencies during the legislative process for the Intelligence and Security Act 2017, and during crisis responses, this has been positively received.

We think that a wider dialogue with the public, on a regular basis and covering a wide range of national security issues, will support a risk and resilience based approach to national security by normalising issues that can often seem quite abstract or removed from most New Zealanders. There are many options available to you to lead such a dialogue, beyond speaking engagements and the publication of national security and risk information, which we can provide you advice on.



3. How does the national security system work?

The **national security system** is an architecture that allows our agencies to work together effectively and ensures you and relevant Ministers receive timely advice on national security matters. It is adaptable and designed to cope with the wide range of different threats and risks.


Essentially, central government has two distinct roles in respect to national security:

- **governance:** ensure institutional arrangements to manage and prepare for hazards, risks and threats are appropriate and sound, including through policy settings, state institutions, the regulatory environment, and the allocation of resources.
- **crisis response:** provide leadership in crisis conditions to ensure that potential, imminent, or actual disturbances to the usual functioning of society and the economy, or interruptions to critical supplies or services, cause minimum impact and that a return to usual societal functions is achieved swiftly.

The national security system needs to be swift, agile, and effective in responding to all types of national security events and emergencies. It needs to promote strong and effective governance over national security risks, and be an example of best practice in taking a system approach. At the system level, we focus on managing consequences, rather than a specific issue or event. This means that experience gained in managing one type of security problem can be readily applied to others.

The national security system operates at three levels, in both crisis response and governance mode:

- the **Prime Minister and Ministers**. Currently, this is done via Cabinet's National Security Committee (NSC), with the Prime Minister as Chair. It includes senior Ministers with relevant portfolio responsibilities. As noted earlier, we strongly favour the continuation of a Cabinet committee focused on national security, because of the opportunity it provides for collective governance of risks by Ministers.
- **Chief Executives**, who support NSC via the Officials' Committee for Domestic and External Security Coordination (ODESC), which the Chief Executive of DPMC chairs. ODESC manifests in a variety of different guises, depending on whether it is functioning as a governance board within the national security architecture, or as an ad hoc committee which meets to manage an emerging crisis event.
- Chief Executives, or their delegates, sit on two governance boards that are the alternate manifestations of ODESC. These are the **Security and Intelligence Board** (which focuses on external threats and intelligence issues) and the **Hazard Risk Board** (which focuses on civil contingencies and hazard risks).

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- **Senior officials and other officials** (Committees, Working Groups and Watch Groups¹), who work together in formal structures, and less formally, in pursuit of shared national security objectives.

As Chief Executive of DPMC I am New Zealand's lead official for national security, and head of the national security system at the officials' level. Howard Broad, DPMC's Deputy Chief Executive, Security and Intelligence, coordinates the system and oversees its effective functioning.

Managing national security risk and supporting the country's resilience is complex. It involves a wide range of government agencies, working closely with local government, quasi-government agencies and the private sector. Effective coordination of effort, particularly of our strategic direction and communication activity, is very important.

The national security system does not override the statutory powers and responsibilities of Ministers, Chief Executives, or statutory officers. To that end, each type of crisis has a lead agency: for terrorism responses, Police; for health emergencies, the Ministry of Health; for major earthquakes, the Ministry of Civil Defence & Emergency Management (MCDEM, which is part of DPMC); and so forth. The lead agency remains responsible for managing the event itself, but there are always additional consequential issues that require management through mechanisms the national security system offer.

The national security system exists to ensure the event itself is properly managed, as well its broader implications, and to provide you and Ministers with assurance of both. The system enables effective coordination when the nature of the event requires the involvement of numerous agencies.

For an example of how this worked in a recent activation of the national security system, see Appendix A.


4. Your role in a crisis

When the national security system is activated...

Crises or events that affect New Zealand or its interests can occur at any time, and at any scale. The primary responsibility for crisis response rests with a lead agency. DPMC will activate the national security system when one or more of the following apply:

- active, or close coordination, or extensive resources are required;
- the crisis might involve risk to New Zealand's international reputation;
- an issue is of large scale, high intensity or great complexity;
- multiple smaller, simultaneous, events require coordination; and

¹ Watch Groups are called by DPMC to monitor a potential, developing or actual crisis. Watch groups are ordinarily made up of senior officials able to commit resources and agree actions on behalf of their organisation.

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- an emerging issue might meet the above criteria in the future, and would benefit from proactive management.

Decision-making relevant to the situation is elevated from the lead agency through the same three levels described above, from Watch Groups comprised of officials, through ODESC Chief Executives, to National Security Committee Ministers, as warranted by the situation.

In 2016-2017, there were 51 Watch Groups and 25 ODESC meetings, on a number of different topics, including the Kaikōura earthquake, Myrtle Rust, cyber threats, counter-terrorism, major events security, severe weather, aviation security and the contamination of Havelock North's water supply. The system is flexible and can respond quickly, regardless of the nature of the incident.

... the system supports you and the executive government in a crisis

The Prime Minister is of course the lead decision maker in the national security system. The system tends to concentrate on strategic matters, and looks to guide agencies' involvement, to ensure that resources are being directed to where they are most needed. This also assists the lead agency to concentrate on the operational response.

In many events DPMC will have been providing you advice in the lead-up to the incident actually happening, and government agencies will have started to coordinate their actions and provide advice to Ministers. Ideally, and if time permits, Cabinet's National Security Committee will have had time to consider the event, and provide guidance to officials.


Regardless of the nature of the event, however, the system supports you by providing coordinated information and advice. We ensure that the government's operational response is well-coordinated, while recognising that situations are fluid and can change rapidly. We look to support your communications needs, arrange for your and other Ministerial visits as appropriate, work on your behalf to drive the response forward, and make sure that options for recovery are put to Ministers as soon as is feasible.

5. How DPMC supports national security matters

The Security and Intelligence Group's role

On your behalf, as Minister of National Security and Intelligence, DPMC stewards the national security system. The Security and Intelligence Group (SIG) works with other agencies to ensure that potential national security risks to New Zealand are recognised and assessed, risks are reduced where possible, readiness is built and maintained, and response to and recovery from emergencies is timely, coordinated and effective.

SIG also has a leadership role within the secret intelligence community (which is comprised of the Government Communications Security Bureau (GCSB), New Zealand Security Intelligence Service (NZSIS), and the National Assessments Bureau of DPMC). This is carried out by the Director of Intelligence and Assessment,



Cecile Hilyer, who is responsible for coordinating intelligence assessment and promoting standards of intelligence analysis across the wider intelligence community.

SIG is a small group, and does not attempt to do all of these things itself. Rather, on most issues, it works through others (there are a surprising number of agencies with interests in national security issues). In particular, it oversees the functioning of the system as a whole, ensures that policies and capabilities are up to standard, and looks to drive policy development across agencies.


A key feature of the work these teams undertake is to provide consistent advice to the different Ministers with national security responsibilities, such as the Minister of Civil Defence, the Minister for Communications, and the Minister Responsible for the GCSB and in Charge of the NZSIS. Equally, the teams also ensure alignment on advice going to different Ministers where DPMC is not the lead agency, and where other agencies have not entirely resolved how to carry an issue forward.

For more information about the structure of SIG and its current areas of focus, please see Appendix B.

Recent DPMC-led developments in the national security sector

Over the past three years, there have been a number of material developments in the national security sector. The most salient include:

- The Ministry of Civil Defence and Emergency Management (MCDEM) became part of DPMC in 2014. MCDEM plays a key role in the national security system as the lead agency when a state of national emergency is declared and by supporting regional and local authorities on civil defence matters, including when they are responding to local emergencies.
- Earlier this year the previous Government established a Technical Advisory Group, with a mandate to provide advice to the Minister of Civil Defence on the most appropriate operational and legislative mechanisms to support effective responses to natural disasters and other emergencies in New Zealand. Your Government will need to consider its response to their report, *Better responses to natural disasters and other emergencies*, reasonably early in its tenure. This provides an opportunity to influence policy settings at a systems level, not only in relation to civil defence emergency management responses. [For further information, refer to the Briefing to the Incoming Minister of Civil Defence].
- The *Intelligence and Security Act 2017*. This Act, passed following Sir Michael Cullen's and Dame Patsy Reddy's review of the GCSB and the NZSIS, provides both agencies with refreshed and modern legislation, to allow them to carry out their statutory functions while at the same time ensuring that there is proper democratic oversight. The benefits of additional transparency in respect of the intelligence agencies are clear – improved understanding of legislated and policy choices, and heightened expectations of performance by the agencies. DPMC led the legislative process, and will continue to provide advice on policy matters related to the intelligence and security agencies.

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- The *National Intelligence Priorities* give you and other senior Ministers an opportunity to confirm the government's priorities for collection and assessment, across New Zealand's entire intelligence machine (not only the intelligence and security agencies). Officials will provide you with draft priorities early in 2018, and will seek Ministers' agreement to them in March.
 - Closely allied to the setting of intelligence priorities is a stream of work aimed at ensuring that Ministers and other senior decision-makers are receiving the intelligence they want, in a timely way; ministerial feedback is a critical part of this process.
 - DPMC was heavily involved in the response to the 2016 Kaikōura earthquake. The response itself was a major event, but it also led to the exercise of new statutory powers: the use of transition periods, which allow for the exercise of some statutory powers without declaring a state of emergency, and the appointment of a National Recovery Manager (who has since assisted with the flooding in the Bay of Plenty). As well, DPMC advised the Minister of Civil Defence on the passage of three pieces of urgent legislation, all aimed at ensuring recovery could start immediately.

There is further opportunity for you and your Government to build on these positive changes within the national security sector, particularly in response to the Technical Advisory Group's report. This provides an opportunity to consider whether the current legislative and/or operational setting to support effective responses to natural disasters and other national emergencies is still applicable for today's needs and into the future. For example, change could be through a combination of new legislation, changes to Cabinet approved policy, and changes to organisation structure, agency roles and responsibilities, or funding regimes.

6. Your relationship with the intelligence and security agencies

The portfolio of National Security and Intelligence gives you strategic, policy and legislative overview responsibilities for the GCSB and the NZSIS. This is a stewardship role, one that allows you to drive their work as part of the national security system.

The GCSB and NZSIS, supported by DPMC, have prepared a full briefing on the intelligence and security agencies and the intelligence issues facing New Zealand for their responsible Minister, which you may also wish to read.

You will be aware that the Directors-General of the GCSB and NZSIS both have a statutory requirement to brief the Leader of the Opposition regularly. These briefings currently happen once a month, or as required on matters of urgency. These briefings largely mirror those that will be provided to you during your monthly meetings with the agencies. There may be, however, a small number of extremely sensitive operations that the agencies do not brief the Leader of the Opposition about as a matter of course.

Appendix A: The National Security System in a crisis

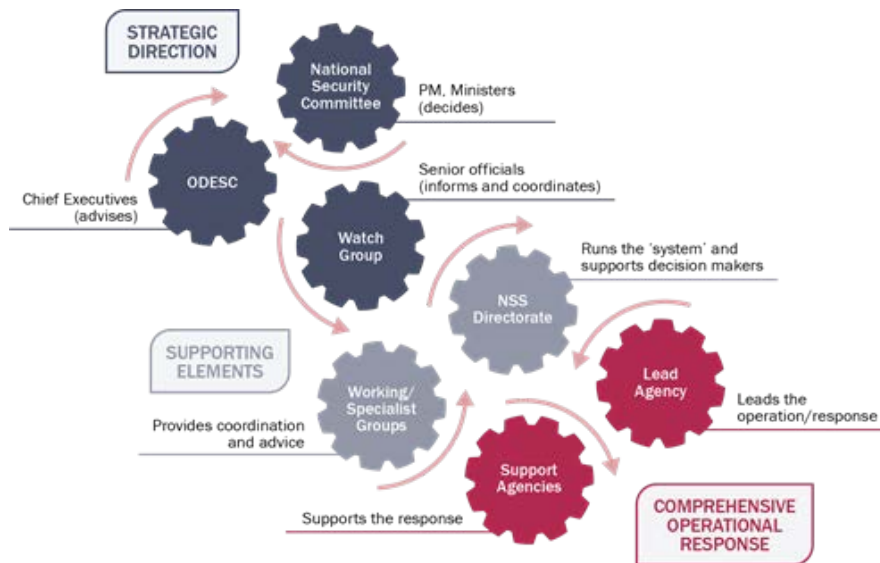


Figure 1: The National Security System in a crisis

Figure 1 illustrates how all aspects of the national security system operate together in a crisis or developing event.

The national security system was activated in the recent fuel pipeline rupture event. MBIE was the lead agency, supporting the Minister of Energy and Resources. MBIE was supported by a number of other agencies, whose involvement was managed, strategically, by ODESC. For instance:

- NZDF provided drivers to help shift aviation fuel from Marsden Point to Auckland, and the *HMNZS Endeavour*, to carry diesel.
- The Ministry of Transport led engagement with the fuel suppliers, Auckland Airport, and the airlines, to better understand what fuel resources they had on hand, and what steps they were taking to minimise disruption for the travelling public.
- Immigration New Zealand and Customs ensured that travellers in transit and air crew would not be caught out by visa requirements they had not anticipated.
- The Ministry of Transport, NZTA, and Police worked with Auckland Council to map out tanker routes through the city, and to ensure that fuel deliveries could continue outside normal hours.
- MCDEM supported the response in the National Crisis Management Centre, by a facility manager and staff with response, planning and public information expertise. MCDEM was available to exercise powers available under the Civil Defence Emergency Management Act 2002, had they been required.

As often happens, there was engagement with senior Ministers, to seek their guidance. In addition, ODESC governed the overall response and looked for areas of concern, as well as where improvements could be made.



Appendix B: The Security and Intelligence Group (SIG)

SIG consists of a number of small teams:

The **Intelligence and Assessments Directorate** comprises the **National Assessments Bureau** (NAB) and the **Intelligence Coordination Unit**. These parts of SIG are a formal part of the New Zealand Intelligence Community, along with the GCSB and NZSIS.

NAB provides you and other senior Ministers independent and impartial all-source assessments on developments and events consistent with the national intelligence priorities. Topics will include matters relating to relevant visits, stability in our region, developments in areas where New Zealand has personnel deployed, relationships between major powers, and so forth.

NAB leads a weekly briefing to the Prime Minister on national security matters of current interest or concern. These weekly briefings were well received by former Prime Ministers, and we propose continuing to provide this service to you.


It has been the practice for the Director of NAB to meet with the Leader of the Opposition occasionally, to provide all-source intelligence briefings on matters relating to New Zealand's national security. This is done with the explicit permission of the Prime Minister, as there is no statutory requirement for these briefings. I will seek your agreement to continue this arrangement.

The Intelligence Coordination Unit provides high-level oversight of and support to groups bringing together customers, collectors and assessors for each of the high national intelligence priorities. DPMC also reports to Ministers on the achievements of the intelligence community against those priorities.

The **National Security Policy Directorate (NSP)** works across a wide range of areas. It provides the annual refresh of the National Intelligence Priorities (due to Cabinet in the first quarter of 2018). It has just developed the Ministerial Policy Statements required by the Intelligence and Security Act 2017 and is undertaking preliminary work around a review of terrorism-related legislation. It is also developing policy advice for you and the Minister for Civil Defence on the response to the Technical Advisory Group's report on managing natural disasters and other emergencies in New Zealand. NSP is also considering matters like the relationship between foreign direct investment and security.

NSP provides policy advice about the role and functions of the GCSB and the NZSIS to the Prime Minister and the Minister Responsible for the GCSB and in Charge of the NZSIS, in an arrangement similar to that by which the Ministry of Justice provides policy advice in respect of the operations of the New Zealand Police. This ensures that there is separation and independence between the intelligence and security agencies and the policy framework in which they operate.

The **National Cyber Policy Office** (NCPO) leads the development of cybersecurity policy advice for the government and advises on investment of government resources



in cybersecurity activities. It oversees the implementation of the current *New Zealand Cyber Security Strategy 2015* and accompanying *Action Plan*.

NCPO works closely with counterpart policy teams in central agencies in Australia, Canada, the United Kingdom, and the United States. It also conducts broader international engagement and outreach with the private sector on cyber security policy, particularly through the 'Connect Smart' public-private partnership².

There is an upwards trajectory of cyber threats affecting New Zealand and NCPO assesses we will need to accelerate the pace of our response. NCPO considers that the Strategy provides a relevant on-going framework. If Ministers agree, NCPO could lead work to refresh the Action Plan with a focus on positioning New Zealand as an ambitious leader in cyber security, and driving stronger public and private sector collaboration. In refreshing the Action Plan, NCPO considers that there are three areas for priority attention:

- Seizing the opportunities provided by a **vibrant cyber security eco-system**, which is an enabler of economic growth, a lucrative sector in its own right, and essential to building cyber resilience.
- s6(a)
- Lifting the government's capability to deal with cybercrime, including through NZ Police resources and accession to the Council of Europe Convention on Cybercrime (known as the 'Budapest Convention').


We will engage with you at an early stage to seek your agreement on these priorities.

The **National Risk Unit** (NRU), a new unit within SIG, is positioned to support a more emphatic approach to risk. Beyond enhancing understanding of our risks, the NRU will help to develop an improved overall picture of the system's capability to manage them. Both pieces are necessary to support Ministerial decisions on investments to mitigate risk and build resilience.

The NRU is considering the scope for a public-facing report on New Zealand's risks. A public report would encourage wider ownership and fuller consideration of how to manage the risks we face. Providing consistent and practical communication to external parties and communities that play a role in national risk management could be expected to build public confidence in Government and enhance transparency.

The **National Security Systems Directorate** ensures that the system architecture performs as intended; oversees the implementation of ODESC system decisions;

² 'Connect Smart' is a public-private collaboration to drive cyber security improvement in New Zealand. It includes a growing network of banks, telecommunication companies and Internet Service Providers, ICT companies, software companies, social media, retail organisations, education institutions, non-government organisations, community groups, sectoral bodies, business associations and government agencies.



builds specific capabilities; activates the system when necessary; and ensures that experience is retained as knowledge within the system.

The **National Security Workforce** team is a cross-agency initiative, which is building career paths and the capability and capacity of the national security workforce, particularly those operating in the highly-classified space.

A specialist **coordinator for counter-terrorism** was recently appointed within SIG. The coordinator is responsible for the provision of counter-terrorism risk management advice, the delivery of an identified priority work programme, and ensuring that the Government's work in domestic counter-terrorism is aligned with its overall strategic intentions.