PANEL I OF A HEARING OF THE INTELLIGENCE COMMUNITY MANAGEMENT SUBCOMMITTEE OF THE HOUSE (SELECT) INTELLIGENCE COMMITTEE SUBJECT: THE DIRECTOR OF NATIONAL INTELLIGENCE'S 500 DAY PLAN CHAIRED BY: REPRESENTATIVE ANNA G. ESHOO (D-CA) WITNESSES: DONALD KERR, PRINCIPAL DEPUTY DNI; DAVID SHEDD, DEPUTY DNI FOR POLICY, PLANS AND REQUIREMENTS LOCATION: 2212 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C. TIME: 9:30 A.M. EST DATE: THURSDAY, DECEMBER 6, 2007

REP. ESHOO (D-CA): (In progress) -- have occurred to date. And three, how did these accomplishments address the goals for intelligence reform set forth by Congress three years ago? In fact it's almost to the day, the -- the legislation passed in December of 2004, and here we are in December of 2007

Much thought and deliberation has gone into how to improve the capacity of the intelligence community. In the wake of the attack on our country and our country's invasion of Iraq, Congress passed the Intelligence Reform and Terrorist Prevention Act, which among other things created the director of national intelligence. Again, that was in December of 2004.

We weren't able to identify much progress during the first two years, probably because the first director of national intelligence, Mr. Negroponte, didn't set forth a clear set of objectives. Shortly after, Director McConnell assumed that position, and early this year he issued a 100-day plan with goals for progress on improving coordination with the intelligence community.

This plan covered the period of May to mid-July of this year, 2007. A few weeks later, after assessing progress under this plan, the office of the DNI set forth the more ambitious 500-day plan which will expire with the end of this administration.

First the DNI published exactly what he intended to do with specific leads, milestones and deliverables; second, he established an office to monitor the progress, maintain momentum, and ensure accountability; third, the 500-day plan's goals, pilot projects flow from the first 100-day plan, and moved many of the initiatives into an implementation phase.

I think the committee appreciates the transparency and the accountability built into this approach, so we are going to have this entire hearing in an open session, because the issues in the 500-day plan are about management and process and can be discussed meaningfully in an unclassified environment.

Of course all of my colleagues are mindful that some of the discussions of these matters that we've had in committee have involved classified material that should not be referred to here in this open hearing.

The hearing is going to consist of two panels. In the first, we're going to hear from Dr. Don Kerr, the principal deputy DNI, and David Shedd, the deputy DNI for policy plans and requirements. They're going to provide testimony on the progress under the DNI's 100-day and 500-day plans.

The second panel is going to take a broader view of the DNI, assessing its progress in achieving the goals of the reform act in improving our intelligence capabilities. It's really what the legislation was all about.

As the witnesses give us their progress report, I ask that you do so in a way that will have the members of the subcommittee understand how the reforms

are actually affecting intelligence performance. The goals listed in the unclassified 100-day and 500-day plans have not always demonstrated the metrics for how the initiative will improve intelligence coordination.

There has been bipartisan concern and criticism that the DNI staff is another layer of bureaucratic process without adding operational value. So I hope the witnesses will be able to demonstrate otherwise. We also encourage each of you to identify the key areas that are the DNI's top priorities to ensure the most important initiatives don't fall through the cracks.

Areas this subcommittee is particularly interested in are information sharing, security clearances, and systems acquisitions. These are areas of longstanding problems, and we want to hear how you have accomplished in your 100-day plan how this will translate to real and enduring change.

I hope our second panel witnesses will find your testimony instructive as they take a broader perspective on the DNI. They have great experience with intelligence reform and intimate knowledge of the workings of the intelligence community.

As many observers have noted, Congress is still struggling with the appropriate role for the DNI. Members of Congress are debating whether the DNI should be purely a coordinating entity, or whether it must be involved directly in the operational aspects of the community. And I'd welcome the witnesses' views on this debate.

Since Mr. Issa, the ranking member of the committee, hasn't arrived yet, I will call upon my colleague from New York for an opening statement. Aand when Mr. Issa arrives, we'll welcome him to do so as well.

REP. JOHN MCHUGH (R-NY): Well, Madame Chair, thank you. I don't have an opening statement, but I do want to express my appreciation to you for holding this hearing, particularly in an opening setting. I think that's an important opportunity that I know you and I and many on the full committee agree frankly doesn't happen as often as we'd often like.

So I commend you for that. As you noted, Madame Chair, I'm hopeful the ranking member is on his way. But in lieu of that I do have an opening statement that I'd like to have entered into the record in its entirety --

REP. ESHOO: Without objection.

REP. MCHUGH: -- on his behalf. And add my words of welcome to members of both panels, but particularly to Dr. Kerr. It is my understanding this is your first appearance before this panel, and I wish you well, and I wish you survivability, and all that good stuff. (Laughter.)

Let me just say as well, Madame Chair, although I don't formally serve on this subcommittee, I do appreciate your opening it up to other members, and I do want to hear the panelists' opening comments particularly. But -- but these two phase plans are very very important. And you mentioned I think very accurately the concerns that many of us have as to the transformation occurring under the DNI. Is it going quickly enough? As it goes along what is it achieving?

And I think -- I think this outline of both 100 and 500-day plans is a very promising approach to make sure that we go forward in a way that envisions

to the greatest extent possible the positive things we had when we formed this new structure.

So I look forward to the comments. And thank you again for your leadership, Madame Chair, and I'd yield back.

REP. ESHOO: Thank you.

Dr. Kerr, you are going to be presenting the combined statement, we understand?

MR. KERR: I am.

REP. ESHOO: Both you and Mr. Shedd. And I'd like to ask that you keep your remarks to no more than 10 minutes. I think sometimes the briefer the summary the more questions we can get in. But I don't want you to be leaving out key parts of what you want to impart to us.

So welcome, and again thank you for the work that you do for our country, and you can begin your testimony.

MR. KERR: Thank you, Madame Chair. I thank you for the invitation to speak today about the accomplishments of the intelligence community initiated by the Office of the Director of National Intelligence Integration Efforts.

And as you already noted, I'm accompanied by David Shedd who is deputy director for plans, policies and requirements; plays a major role in that.

While it's my first appearance with the committee in this role, I have had of course many prior occasions over the past six years for which I'm very grateful.

We have given you a statement for the record, so to live up to your stricture of less than 10 minutes, I would appreciate it if we could enter it into the record.

REP. ESHOO: Absolutely.

MR. KERR: Over the last 60 years more than 40 studies and independent commissions have examined the intelligence community and provided recommendations on how to reform it. Not only have the same issues persisted, they have multiplied. Until the creation of the director of national intelligence, the intelligence community lacked an overarching structure to deal holistically with these problems.

I have been in the intelligence business now as a considerable time. I'm familiar with many of these problems. And what I can say is because we now have a DNI, tasks are getting done and progress is being made. The business of integrating 16 agencies is not glamorous. It deals with a wide variety of issues like information technology systems, connectivity, power, special facilities, and security clearances. But it is work that needs to happen.

After 9/11 one of the most common and accurate criticisms of the intelligence community was that we did not share information as well as we should. Today we are delivering high quality, timely, often actionable intelligence to customers better than ever before. This is not by happenstance.

It is a result of the office of the DNI's work in providing standards, policies and leadership.

What's more this is happening not only here in Washington, but also with our troops on the ground. Many of the committee have traveled to Iraq and/or Afghanistan. Our brave warfighters are receiving national intelligence support in a seamless and extremely well integrated way.

Everyday very sophisticated fused information is assembled to enable successful military and intelligence operations against terrorists and other enemies. Some of this fused intelligence takes place with our allies, with common information technology and DNI's promulgated policies that have improved information sharing.

Put simply the intelligence community is collaborating better. We are sharing information faster. And analysis and collection are being done in ways never before envisioned.

Our customers from the president to privates in the field are better able to take action from the information we provide and our nation is safer because of it.

Let me share an example that makes this point. In the spring of 2005 the National Counterterrorism Center, our mission manager for counterterrorism that was created by the Intelligence Reform Act received information indicating two individuals were on board a flight bound for Mexico that would shortly enter U.S. airspace.

Because the flight originating in the Middle East was not a U.S. carrier and was not scheduled to land in the United States there was no requirement for a passenger list review before takeoff.

The two passengers, however, appeared suspicious to the foreign airlines ticket agents in Europe. The flight departed before names could be checked. The foreign airline then contacted U.S. authority, providing the names and flight information. A classified conference call was initiated to assess the potential threat and coordinate the U.S. government's response.

Individuals' names and requested information led to the op center which found evidence the two were added to the no-fly list right after 9/11. The NCTC operational center assembled additional information. The terrorist screening center discovered both individuals had pilot's licenses. Based on the information provided by the NCTC -- NTSC, the aircraft was denied entry into U.S. airspace. The pilot and the airline ultimately decided to return to Europe.

The importance of collaboration is clear. The timely fusion of information from various sources, from NSA to CIA to the FBI, and the other community agencies, is vital to the security of our nation. And that's work the DNI is committed to ensuring takes place.

Successes like these are the result of time-sensitive plans to integrate the community and improve cross-agency collaboration. A 100-day plan for integration and collaboration, and the 500-day plan, were designed in partnership with all community stakeholders. The plans provide milestones and deliverables; stress accountability, outputs and outcomes, not inputs, processes and meetings.

We're focusing on improving collaboration across our mission areas, such as counterterrorism, and counterproliferation; and around integrating the vital functions of the intelligence community, our people, business practices, information sharing and technology.

It is helping all community members move through the critical steps of change, to ensure barriers to collaboration are removed, and cross-organizational relationships are nurtured.

We are concentrating on six focus areas to address these barriers, and to provide a more agile intelligence community: creating a culture of collaboration; accelerating information sharing; fostering collection and analytic transformation; building technology leadership and acquisition excellence; modernizing business practices; and clarifying and aligning the director of national intelligence authority.

Right now I would like to highlight a few of the accomplishments resulting from our integration efforts.

In creating a culture of collaboration we published the first five year intelligence community EEO and diversity strategy, to underscore the importance of a diverse workforce as a mission imperative.

I'm pleased to report that our FY '07 mid-year review of intelligence community demographics shows that we have increased the overall representation, hiring and promotion of minorities. For the first time several agencies have exceeded one or more of the benchmarks. African-Americans now represent 11.2 percent of the intelligence community workforce, compared to the general civilian labor force of 10.5 percent.

Similar progress has been made for Asian-Pacific Islanders, American Indians, Alaskan natives, and persons of two or more races. Additionally we are developing and implementing an intelligence community joint duty program. Just as the Goldwater-Nichols act transformed the Department of Defense, the intelligence community's civilian program will encourage and incentivize intelligence professionals to seek jobs outside of their home agencies.

In the last three months, under the leadership exchange assignment program, more than 50 billets have been identified as senior staff swap positions with personnel moving into these positions by the end of the year.

LEAP (ph) was established to demonstrate IC senior leadership commitment to joint duty, as well as to jump start the overall joint duty program.

We are also working to safeguard privacy and civil liberties. We have developed an MOU called watch list redress, an interagency agreement on processes for addressing complaints from individuals who believe they have been wrongly identified resulting from watch list screening.

We have also created an initiative to develop a source guideline manual for collectors and analysts to understand the legal, that is privacy and civil liberties parameters, when obtaining information from open sources.

Foreign language proficiency is also critical to understanding our adversaries and their culture. The ODNI has led the intelligence community in

the development of STARTALK, summer language courses, and critical languages for high school and college students and teachers.

In fiscal '07 there wee 1,322 participants, including 448 teachers and 34 institutions, 21 states, and Washington, D.C.

Key to improving mission management and transforming analysis is the acceleration of engineering -- of information sharing. This is a complex issue, and requires us to address longstanding barriers -- culture, governance, technology, management and policy. Through appropriate and effective information sharing, not only with the IC and federal government but with state, local, tribal and private entities, as well as foreign partners, we are transforming the analytic and collection enterprise.

We have accelerated moving from the need-to-know mindset to a responsibility-to-provide culture. We have formally instructed agencies to remove key barriers to intelligence information sharing and developed an implementation plan to resolve information sharing problems across agencies, networks and systems through a single consistent identity and access policy.

And on the 19th of November, 2007, the DNI signed the Improving Intelligence and Retrieval and Dissemination Strategic Intent, which will further strengthen information sharing.

He also signed a counterterrorism -- (inaudible)--policy to speed the flow of counterterrorism information to our nontraditional customers.

To foster analytic and collection transformation, on October 1st we established a National Intelligence Coordination Center in partnership with the undersecretary of defense for intelligence. For the first time, and because of the NICSE, the intelligence community has a clearly defined collection agenda based on vetted and validated strategic priorities that can be managed and directed across the defense, foreign and domestic realm. The NICSE is already showing a return. During the recent wildfires in California, the NICSE worked with the Departments of Defense and Homeland Security to coordinate imagery coverage for the fire fighters and state and local first responders to allow them to discover the hot spots in the fires, and the areas that needed more attention.

We have also established standards to guide the IC in intelligence analysis reporting. These standards are the foundation for the evaluation of analytic production, and will be included in analysis teaching model modules and case studies.

The ODNI is driving transformation in another area: promoting leading edge technologies and improved acquisition processes. Earlier this year the DNI elevated the task of transforming IC acquisitions to the level of a deputy director of national intelligence. A new strategy is underway. The IC's acquisition process is in fact improving by breaking down many roadblocks that slowed improvement.

On the security clearance front we executed with OMB concurrence a joint intelligence community DOD security clearance reform initiative to design a transformed clearance process and developed a series of demonstration projects to validate it.

The goal is to reduce clearance processing time for new hires. And we look forward to discussing these efforts in more detail with you in the hearing you've called for the 13th of December.

The ODNI is improving business practices. We have started to identify, acquire and delivery capability by building a comprehensive end-to-end strategic enterprise management system for the intelligence community. It's been a line investment against our strategy, and measure our performance against our goals and objectives.

A wise man once called politics a strong and slow boring of hard boards. He could just have easily been talking about implementing change in the government, especially the intelligence community. It is incremental, steady, but all too often as seen through our history, it does not start at all. Change was born and died on the drawing board.

Our study drilling into these issues will not bring change overnight, especially from those challenges that have built up over the course of the intelligence community's 60-year existence. More than any new spy satellite or analytic judgment there are reforms that need to take place because they affect everything else we do.

It is a common throw-away line in the intelligence community that even on our worst days we are still the best intelligence enterprise in the history of the world. This may be true, but it is insufficient. There is much work to be done, and at long last, thanks to the ODNI, we are doing it. Madame Chair, thank you very much.

REP. ESHOO: Thank you very much. Thank you, Dr. Kerr.

I want to welcome colleagues that have arrived since the testimony began. Mr. Tiahrt, Mr. Holt and Mr. Ruppersberger, and invite you to make any kind of statements if you so wish, or we can get directly to the questioning of our first panel.

Gentlemen, we are glad that you're here.

I will begin. First of all thank you for the preparation that went into your testimony, and the work that you are doing.

The first question that I'd like to ask is really tied to the huge issue that just broke, and that is the NIE on Iran. And the relationship between the analysis and the cooperation throughout, the information sharing, and what I'd like to know is, does -- well, first of all the analysis was -- that led to what the NIE contained led to a starkly different view of Iran's nuclear program than what the intelligence community presented two years ago.

Now some will say that it's because of new intelligence that led to the results. Others might suggest that it was the process that led to -- and the reforming of analysis.

Can you shed any light on this? Does -- does any of the things that you outlined from the plans and the implementations of either the 100-day or the 500-day have any direct effect on this or not?

MR. KERR: I was tempted actually to include that in my prepared remarks. Because in fact it is one of the places where we see present benefit

to many of the lessons learned and reforms that have been instituted. This is a process that is not a few months old, or a year old. It actually goes back some time to the prior estimate, and the continued work that we were directed to do with high priority against the Iranian target.

As we worked on it we of course benefited because of greater effort in collection, and most importantly, a substantially increased effort in analysis, drawing on a broader set of people and expertise than we'd enjoyed in the past.

It culminated, of course, with the National Intelligence Board meeting to wrestle with the wording of the key judgments and to establish a community position across all 16 agencies as to what should go forward as the NIE. That actually culminated on the 27th of November, a very short time ago.

Important in the process was that on two occasions, we advised the Congress that we would be delaying our delivery of the NIE, because we in fact needed to do more work, particularly on the analytic side. Second, we needed to look at alternative possibilities to explain the information that we had at hand. And so we, for example, had to address the question of whether a strategic deception was something that we were seeing.

REP. ESHOO: Is that a function of reforms or a function of the day-to-day work?

MR. KERR: The great increase in work on alternative hypotheses and their analysis was in fact part of the reform.

REP. ESHOO: Let me ask a follow-up question to that. In the Intelligence Reform Act, there were a number of specific requirements that were put forward for improving analysis. One of the examples is that the legislation required that an individual in the ODNI, an analytic ombudsman, be available to conduct arbitration and initiate inquiries into real or perceived problems of analytic politicization or biased reporting. Is that functioning? Is that part of this?

MR. KERR: It was not part of the actual work on the NIE this time, because we didn't have disputes to resolve. On the other hand, my colleague Tom Fingar who is the deputy director for analysis and also the chair of the NIC was in fact quite responsible and hands-on in terms of the process for looking at the alternatives that might explain the information, to testing hypotheses, to being sure that the language we used was in fact consistent with the information and not with previously held conviction.

REP. ESHOO: I'll just ask one more question and then have my colleagues join in. In your testimony in the information-sharing acceleration, I recall a hearing, I don't remember exactly when it was, where we had a discussion about the tear-line policy. And I think in your testimony today, Dr. Kerr, you said that it's being used in counterterrorism. Is it being used throughout the agency or just in the CT? MR. KERR: It's really been led by the applications in the CT area, because that's where you see time urgency, particularly to the non-traditional customers, the first responders.

REP. ESHOO: So is it limited to --

MR. KERR: It is not limited in any way, but it's just that the process was refined there, because that's where it's been most used.

REP. ESHOO: Thank you very much.

Let's see, we'll go to Mr. Tiahrt. He's not here.

(Off mike commentary.)

Good morning.

REP. PATRICK MURPHY (D-PA): Thank you, Madame Chair.

REP. ESHOO: Certainly.

REP. MURPHY: Good morning, welcome.

In going over the 500-day plan, it's dawned on me that the intelligence community has now gotten large enough, after years of growing, that it's facing the same problems large corporations have had over the last decades, making sure diversity was part of it, that there was proper communications within the corporation or the organization, that they had proper technology, that information sharing was accurate. And I want to commend you on your 500-day plan. I think you've made great stride.

I'm a little concerned, though, that we have grown so big now that we are having difficulty focusing on the mission. The National Intelligence Estimate now seems to be almost a complete reversal on where we were before in our relationship with Iran, and I'm a little puzzled. We have President Ahmadinejad saying that he is actively pursuing nuclear weapons, and nobody's going to stop him. So do we ignore that statement now? Is that a true statement or is that a false statement? Did he lie to us? I don't know. According to the National Intelligence Estimate, we now are now believing that he stopped his program in 2003. Then you have the problem of what Iran is doing by allowing inspectors to come into their facilities, that they're trying to process uranium. So I don't know. Is there a reason why they were stopping them from coming in? Or is there a reason why they should have had access in the past, and they just didn't have the right access codes at the time they were in the neighborhood or that the problem was?

So we have this sort of a dichotomy in my mind. We've had this -- their own words, the words and actions from Iran, that seem to be offset by the National Intelligence Estimate. And I'm wondering -- we've got so many people now in this large corporate-like body in the intelligence community, and we have so very few people out there on the retail side of this that I'm not sure we have a good, clear signal of what's really happening inside Iran. We've got a very big batch of mixed signals. National Intelligence Estimate tells us one thing that they haven't been doing anything since 2003 as far their nuclear program. Then we have the words themselves from their president. We've had the actions of their scientists when the international community has tried to visit them.

So I'm even wondering where are we going with the diversity at the level of finding people that will put boots on the ground in locations where we need to find out accurate intelligence. And one of the problems we had in Iraq, as I recall, is that we had people coming out of the country before 2003 saying that we had active programs going on, that there were chemical programs going on, there were nuclear programs going on, there were biological programs going on. That's what the people were telling us. Then we had this great technology in the form of pictures, photos, visual images that really indicated that there

were these programs going on. I mean, we all saw the photographs. Every intelligence community in the world thought that they were pursuing nuclear, biological, chemical weapons. And then when we go through the actions of overrunning Iraq, we find out that they had the intent, but we overestimated their ability.

And I think the problem is we couldn't verify it, because we didn't have boots on the ground in Iraq. We weren't diverse enough to be able to have people verify one way or the other. So I'm concerned that we're pursuing all the problems that modern corporations face today, because our intelligence community has grown to be large enough to meet those needs. And they are very important issues -- diversity, collaboration, technology. All these things that you include in your 500-day plan are good, and I don't want to demean that at all. But I'm concerned that we're losing focus, and that we're mostly concerned about how our image is to American citizens rather than our goal of verifying whether or not we have a real issue in a country that threatens the safety of this country.

So I hope that this document that we're pursuing and this whole direction of the ODNI's, the Office of the Director of National Intelligence, is pursuing, I hope that it continues successfully. But let's also remember that we have to have boots on the ground and the retail side of it so that we can be successful in protecting this country and its future.

MR. KERR: Understood. And if I might respond to your point, having spent a fairly intense weekend on the very subject that you were discussing, I think in another setting we could give you texture and granularity. But I can say here for the record that this is probably one of the most well-sourced NIEs that has ever been produced. There are over 1,000 source notes with this NIE. This benefited from the increased collection posture that we have been in since the 2005 assessment. It's benefited, too, by a substantially larger set of analysts who have been working with it and working hard to convey what they believe the information supports.

You may recall that the NIE says that with high confidence we judge that Iran shut down or halted -- suspended their covert nuclear weapons development program in the fall of 2003. Important -- implicit in that statement is they had a covert nuclear weapons program. We also judged with moderate confidence that they continue to want a future weapons capability. We also concluded with high confidence that international sanctions and other pressure brought to bear on them had something to do with modifying their behavior.

But that said, they still have the most important component of any future program. They are, in fact, deploying and starting to operate their uranium enrichment plant. They are continuing on a path towards civil nuclear power. Both of those provide people with engineering capability and knowledge, which would be important to a future restarted weapons program. And they also continue their work on medium-range ballistic missiles that could be delivery systems, and other dual-use technology.

So we did not in any way suggest that Iran was benign for the future. What we had to do was address the evidence we had, but at least a part of their program suspended in 2003.

REP. MURPHY: Thank you for your explanation, Dr. Kerr. And I like the depth in which the analysis is based on. I'm a little skeptical because of our

past -- where we've missed the mark in the past. And I think we're doing a better job today and we're -- and, as you say, over a thousand notes, reports -- very good.

I think that our diversity needs to include people who are in the areas of the world that are hot spots today. And I think you would agree with that as well. And so I don't want to lose sight of -- when we talk about diversity we need to include the entire globe, not just what America sees as our (basic ?) diversity as well.

And I think -- and I appreciate you pointing out where the direction of Iran is going, and remind us what's in the NIE about that. I do not think we can ignore what President Ahmadinejad has been telling us. I do not think we could ignore the fact that they have denied us access to areas, or denied the international community access to areas. And I do not think we could ignore those reports that have come out from the mujahedeen, regardless of whether we view them as a terrorist organization or not, we cannot ignore the information that they bring out as well. Thank you for your patience, Madame Chair.

REP. ESHOO: Thank you.

We've been joined by the -- our chairman of the full committee, Mr. Reyes would you like to make some kind of opening statement, Mr. Chairman. We're honored that you're here with us.

REP. SILVESTRE REYES (D-TX): Thank you Madame Chair. And just begin, welcome Dr. Kerr and congratulate him on his new position. And I'll wait and take my turn, Madame Chair. Thank you very much.

REP. ESHOO: Thank you.

Next I believe is Mr. Rush.

REP. RUSH HOLT (D-NJ): I thank the chair for her attention to these big picture issues and for using this subcommittee to enhance our oversight role. I think we have sort of a 500-day plan also, to improve the oversight of intelligence collection, analysis and operations. And I think -- I think we are seeing some improvement because of Congress' exertion or enhanced oversight role.

I also would say that I see quite a few changes in a number of different places in the intelligence community -- most for the better. But the one significant change that I see, that I find troubling, is the erosion between foreign intelligence and domestic intelligence. There always was thought by Americans to be a firewall. Or to put it the way most Americans would phrase it, "We don't spy on our own people."

I would like to know what in the 500 Day Plan is intended to either reestablish or strengthen this firewall, or to restructure things without such a firewall?

MR. SHEDD: I can take that question. The objective that we have in one of our top 10 priorities is to align the DNI's authorities to the Intelligence Reform Act. And in the context of your comments and your question, sir, that would mean bringing into alignment the definition of national

intelligence that crosses over between what's collected in the foreign arena, and that which is collected domestically of interest, naturally, in the protection of our nation.

Working with the attorney general and the attorney general guidelines, director of FBI, the secretary of Homeland Security and the Department of Homeland Security, we wish to bring those in alignment for the tasking authorities of the DNI, so that we are not foregoing the opportunities of information either that's passively collected within the Department of Homeland Security -- or in the case of the National Security Branch in the FBI, and in actively supporting the intelligence mission, so that information that is acquired from them is being, in fact, shared both on a timely basis in covering the breadth of the mission task that the DNI has in terms of the Intelligence community, while, of course, observing in a very practical and active way the civil liberties associated with that collection activity.

But that is a hand-in-glove relationship between the DNI and the attorney general. And that is, in fact, in our 500 Day Plan.

REP. HOLT: Forgive me but that description is so general as to have very little meaning for me. Maybe you could be a little more specific.

MR. SHEDD: Let's take the case of the National Counterterrorism Center with over 30 types of information coming in from a variety of organizations, departments, elements of the U.S. government. They're able to actively mine that information for the purposes of counterterrorism under, clearly, the guidelines provided by the Civil Liberties Protection office that we have, in terms of the U.S. person data.

But, in fact, it allows for that information to be harvested in the protection of our nation. So there's a concrete area. In our view, the FBI and the National Security Branch is one area where, in working with them, we want to increase the capabilities and capacity of not only what already is occurring on the law enforcement side -- obviously that the FBI has had as its tradition, it's traditional mission -- but then very specifically, responsive to the very task that the DNI has by way of collection in the domestic arena.

REP. HOLT: Let me ask a specific question about the Watchlist Redress program. How does that work?

MR. SHEDD: What we have promulgated is a policy that allows an individual that finds that they have correctly -- or incorrectly been listed for Watchlist purposes -- because of a mix-up on names or background information, and the intelligence community will have a process to review that, and take that and have that name removed from the Watchlist. That's the process that we've put in place.

REP. HOLT: Has it worked so far? Has anybody been removed? Do you have statistics?

MR. KERR: We do not --

REP. HOLT: Has the IG or anybody looked at it yet? Is there any independent evaluation?

MR. KERR: No, I think, Mr. Holt, that this is --

REP. HOLT: Still early?

MR. KERR: -- actually relatively new, so we would not have statistics at this point.

REP. HOLT: Do I have more time, madame chair?

REP. ESCHOO: You do.

REP. HOLT: I notice that you count the budget amendment on cyber security as an accomplishment under the 500-day plan, our amendment. This initiative wasn't included in the DNI's 100-day plan. It's not mentioned in the website version of the DNI's 500-day plan. You know, here on Capitol Hill we think it's probably a good idea, which is where it came from. But when was the cyber program added? I take it that the fact that you added it means that you also think it's a good idea. But give me a little bit about why it was added and where you see that going.

MR. KERR: It's added, really, as a signal to you that we are working with other agencies of the government to put together a real plan for execution in the cyber security area. It involves not just intelligence and defense interests, but, in fact, it involves the whole range of critical infrastructure that the Department of Homeland Security is responsible for. So we're still very much in the phase of knowing that there's a need, being able to --

REP. HOLT: Excuse me. Let me interrupt and ask you to describe, in words that the general public would understand, what the need is, why it would be included in a plan.

MR. KERR: Well, I mean, the threats have been discussed in the press to some degree, or alluded to, but they involve, for example, substantial loss of intellectual property that's, in fact, owned by the United States government. It involves intrusions into corporate data bases where their intellectual property is found or their business records. It's a situation where the benefits of our networked world have brought vulnerabilities as well.

As a consequence, we think it's important that we do some real work to put in tools and capabilities to alert those who might be under attack, to allow them to build better fire walls or other protective measures.

Now, the way we would approach it will probably go in the following direction. There's the .gov domain of the Internet and the .mil domain. The government can quite legitimately put together the tools and techniques and con-ops to protect its own information.

The other thing we're now working through in the planning is how do we now interact with the much longer domain -- call it .com as a generic identification -- and make both the information we have on threats and the tools and techniques we've developed for protecting the government's information available to the broader private sector?

And so we have seven Cabinet officers right now working through this, because they all bring authorities and responsibilities and interests that need to be combined to do this correctly. And so we've, I think, alerted you to the thinking we're doing, but it's work in progress.

REP. HOLT: Thank you. My time has expired. And as time allows in the future, I'll want to ask more about the hobby horse that I constantly ride, which is open source. And I'd like to talk more about the applications of research and development.

Thank you.

REP. ESHOO: Thank you, Mr. Holt.

Dr. Kerr, is the TALON data base still in place?

MR. KERR: It's my understanding -- first of all, it's a Department of Defense data base. And I believe General Clapper, who you know well, has shut that down.

REP. ESHOO: (Inaudible) -- just in terms of some of the questions Mr. Holt was asking, that we run back to that one to see if it, in fact, had been shut down.

Mr. Ruppersberger.

REP. C.A. DUTCH RUPPERSBERGER (D-MD): Sure, thank you.

First, I'm glad you all are here. Dr. Kerr, again, congratulations. I think that you're in a very unique position to help your country and the intelligence community, your experience with the CIA and then NOR and now as deputy. There are two areas that I would like to get into in this round of questioning, and that has to do with the area of acquisition, and I do want to get to IARPA also. And then if we have other time, we'll see where we can go.

First thing, there have been numerous studies over the years discussing the state of acquisition in the intelligence community. And unfortunately, most of those studies have not been favorable. And if we're going to be successful in what we do as far as our overhead architecture, NSA errs in the technology area. We need to really make sure that we are on top of the acquisition.

I'm very impressed so far with, I think, your new acquisition deputy. I believe he's a deputy at the DNI, Mr. Munson. He has a business background. He knows this area. And I think hopefully that business background might help from a management perspective to do what we need to do.

Now, what are the specific acquisition policies that DNI hopes to change within the 500-day plan? And what are the anticipated lasting impacts?

MR. KERR: There are a variety of things that Mr. Munson is working on. They're not all in the 500-day plan, but they're all part of what we're doing right now. So I won't try to characterize them just as part of the plan.

One of the most important things, of course, that we need to work on is the professional capability we have with the acquisition cadre within the intelligence community, the people. And so one focus for him is how we train, give experience and manage the careers of those people for whom acquisition is their primary occupation.

The second piece of it is, while some of the agencies have fairly mature systems engineering capabilities, at the national level, to make choices

between systems and between different kinds of capabilities, we do not have much resident in the government in the way of good systems analysis --

REP. RUPPERSBERGER: So right now you're really identifying the problem areas, then.

MR. KERR: Well, no, we're starting, in fact, to move some people to build up a cadre to support Deputy Director Munson. We're moving the government people and we're starting to build the requirement for what non-personnel services resources will need to support him.

REP. RUPPERSBERGER: Have you identified the problem areas with specificity, if you could? And, if not, you're not at that stage yet.

MR. KERR: Some of the problems -- REP. RUPPERSBERGER: (You ?) get there quick.

MR. KERR: -- the committee knows well, and actually you personally know well. In the past, we would undertake to acquire a system. We think about engineering it from end to end, but we never would have in our minds the fact that it would need to work with some other system in a collaborative way.

And so we're already making changes in places in the community, so that the fact that these systems must fit within an architecture where they work together, where they may be collaboratively tasked -- and some of that is underway, including some of the organizational changes, for example, the NRO is doing right now.

REP. RUPPERSBERGER: Let me get into another area as it relates to acquisition. You're developing an agile acquisition requirement process. I think that's how you referred to it. And I believe very strongly everything starts at the top, with your management. And you need the best people. You need to give them their mission. You have to hold them accountable for their performance. You must give them the resources to do the job. You must motivate them to do the job.

And unfortunately as we get larger and we get bigger, sometimes we get into a stovepipe situation or whatever. And that's where good management comes in.

Now the agile acquisition could be something good because if you have good people, you let them do the job and you give them the independence to do it as long as you're holding them accountable. But it seems to me that some of the problems that we've had in the acquisition generally or in the -- and I refer now to maybe the overhead architecture program -- has been the fact that we have given the major contracts to the -- with NRO and -- just on the major contractors.

And yet the research and development that that is necessary -- that should be done even before the contracts are given -- is taking place as the contract is given to a certain major manufacturer. And the specifications are there, and they're doing the research and development along the way when, in fact, it seems that that research and development must be done -- that's where mistakes are made. Once you get to the manufacturing phase, there is no room for failure, but there has been and we need to focus on that.

Could you address that issue, please?

MR. KERR: I can address it, Mr. Ruppersberger, simply by saying I voted with my feet. When I became director of the NRO, I found a program that was very adequately described by your remarks and recommended its termination to John Negroponte, the first DNI. It was not manufacturable, it had a number of things that had not yet been brought to a level of technical maturity and it was overwhelmed by a set of requirements that gone through bureaucratic processes for years to the point that there were more requirements to satisfy than you could fit on the satellite.

REP. RUPPERSBERGER: I think I'll say -- a general broad statement is that we are -- is my time up?

Okay.

REP. ESHOO: Finish your thought.

REP. RUPPERSBERGER: Okay. (Laughter.) Well, maybe I should get to a second round if we get -- well, let me finish my thought. I see the green light. I just follow the green light. REP. ESHOO: I don't know why the red doesn't come on, but I'm looking at --

REP. RUPPERSBERGER: That's good.

REP. ESHOO: -- my clock here --

(Cross talk.)

REP. RUPPERSBERGER: You're the chairman.

(Cross talk, laughter.)

REP. RUPPERSBERGER: We are the most powerful country in the world because basically, we control the skies. We've controlled the skies probably since the Korean War. I think if you look back at our history, when Sputnik -- the Russians put up Sputnik, that would have been a threat to our national security. Within 12 years, the United States of America and our space industry -- with our all-American -- the government and private sector responded by putting a man on the moon in 12 years. We have had some failures recently and we need to focus on that, because that is a threat to our national security. China and Russia -- especially China is getting very close and we need to get that ingenuity back. And I really would hope that the DNI really starts focusing on where we need to be, where we were and where identifying the issues that we can still maintain that dominance as it relates to our national security.

So my question basically -- and make it short because I'm getting a little push from the chairman -- is that do you see this as a major issue? And you know we're doing the -- you're a partner with us -- with these -- the Technical Tactical Committee in reviewing this whole process. Do you see that as a major issue as it relates to the DNI?

MR. KERR: I absolutely see it as a major issue. I think if there's any enterprise in our government that needs attention for not investing properly in its future, it's the intelligence community. Now there are two forces at work here. It wasn't an area where from the start, such investment was normally part of the budget process. And second, the current use of our resources against

short-term tactical needs tends to divert resources away from building for the long term.

One of the commitments that Director McConnell made early on was that we had to protect our ability to think what we would need for the long term and have mechanisms to support that. One of them you mentioned in your opening remarks -- that's IARPA. But another one that's equally important is that the mission agencies themselves have to have the opportunity for innovation and a context for doing it that's linked to their mission so that we're not acquiring just to acquire a space platform. We're acquiring a system to meet an information need that's clearly understood by the analytic community and told to those who are the developers as a need that needs to be met.

REP. RUPPERSBERGER: Okay.

Madam Chair, I -- are we going to have a chance for another round --

REP. ESHOO: I believe so.

REP. RUPPERSBERGER: Okay --

REP. ESHOO: We're --

REP. RUPPERSBERGER: I want to get into IARPA in the next round, then.

REP. ESHOO: As many know, Mr. Ruppersberger has -- chairs the Subcommittee on Technical and Tactical Acquisitions. That's the name of the subcommittee, yes?

REP. RUPPERSBERGER: Yes.

REP. ESHOO: Yes? Is that correct? I used to be on it. It's rather a mouthful, but he has taken this issue very seriously -- conducted a whole series of roundtable discussions with customers, with people within the community and it's been instructive to both of us that have been able to attend and participate. And it's meant to help really build a pathway for the future so that what you describe, Dr. Kerr, voting by your feet -- taking -- recommending that a program not go forward.

But they -- there are so many lessons to be learned from that and we don't want to make the -- both the intelligence mistakes and the costly dollar mistakes the American people end up having to carry the burden of. So it's a -- this is a very important -- it's a worthwhile discussion and we have to get this right.

MR. KERR: I agree.

REP. ESHOO: We have to get this right.

Chairman of the full committee, Mr. Reyes.

REP. REYES: Thank you, Madam Chair and -- again, good to see you here, Dr. Kerr.

I came here from another hearing on -- classified hearing on the capabilities of Iran, so I very much appreciate your comments on the results of the NIE and the work that went into it, and also, I guess, the complexity of --

that that entails. So we are very much appreciative of the work that's being done today to give us a better understanding of what the threats might be. And having said that, there are a couple of points that I want to make and then I have to get back to the other hearing. But there -- I recently -- last weekend was in the Tri-Border Area -- the area in South America where Argentina, Paraguay and Brazil. And I think if anyone is wanting a clear understanding of the necessity for our ability to go into different areas of the world and to be able to blend in, to operate, to understand the cultures, the customs, to say nothing about the language and those kinds of things -- I think a trip into the Tri-Border Area is well worthwhile.

And I mention that because I appreciate the focus on diversity that you and the DNI have included in the 500 Day Plan. There's -- there are a number of different points that need to be made. I'll just make a couple of them. The first one is the fact that we need to actively take advantage of the strength that this country represents, and that's the diversity. For whatever reason -- this is my seventh year on this committee and I have been advocating for an aggressive plan or program or process to recruit diverse people in there.

I think 9/11 really brought out the fact that while we have many strengths in the intelligence area, one that we didn't have and that needs to be prioritized is hiring a diverse work force. So I very much appreciate that.

The one concern that I have and that I picked up both in my trip last week to South America and previously to the Horn of Africa, there is apparently a program or a requirement in there that the best way for us to get up to speed on language proficiency in Arabic is to retrain some of our own linguists. Can you tell me what kind of priority that has? And the reason I ask is because we ought to be -- in my opinion, we ought to be out there trying to identify those that already speak those languages rather than trying to convert those that are already in our respective agencies to learn Arabic.

MR. KERR: Let me attempt to answer your question, and my colleague may be able to help me as well. But I think there are two threads to what we're doing. We are in fact recruiting people who basically have native-speaker ability in Arabic as we're able to. But the other point to keep in mind, although I don't think it has been in my experience, and that people who have picked up the first foreign language often are able to pick up the second one much more quickly. And that's why you see people in our community who in fact have proficiency in three or four languages. And so we try to take advantage of that, too, because there's such a need and such an urgency to what we're doing. So it's really a two-pronged effort.

Now, on the broader language area, we do have a Foreign Language Program Office within the ODNI and a National Security Language Initiative. We also have online training so that people who have modest proficiency can, on the job, increase their proficiency to the point they, too, can be on the front lines as linguists and officers.

So we've provided some funding to support advanced language training for analysts across the entire community. We've provided $4 million this year, in addition to what the agencies had planned, to jumpstart some of these programs.

REP. REYES: Well, I think -- if I could interrupt you, because I want to make sure I get you to focus on -- the apparent concern here is that some people are being taken offline, so to speak, to learn these Arabic languages,

which leaves a void. And the concern is, while those slots are open, it takes much longer to bring somebody up to that level. And the critical nature of that kind of work, interpreting in the very sensitive languages that we're most likely to be in danger from, at least it's been expressed to me, that we ought to leave those in place, go out and hire others that can possibly, through the regular process, become part of the intelligence community. Because we're in a situation -- and I've asked the staff to look at this -- we're in a situation where if we're bringing people offline to learn a completely new language, and while I appreciate your statement about their capabilities, it still leaves a void when we ought to be bringing people with those capabilities home as quickly as possible. That's my concern.

MR. KERR: I understand your point. Thank you, Mr. Reyes.

MR. SHEDD: Sir, if I could just weigh in as a native Spanish speaker with some 25 years in the intelligence community, I would suggest that it's not an either/or proposition, but it's both. The skill sets of an officer who does not have the language skill for an assignment abroad is in fact a handicap to being able to perform the roles and functions of a collector in the case of CIA, for example, for human operations. So it is a matter of some training to bring that officer up to speed in order to operate in the foreign environment.

On the other hand, clearly, the first and second-generation native speakers are an invaluable resource that, as you will hear on December 13th when we do the security clearance issue, is an area of enormous emphasis that we're placing on bringing in those individuals and getting through the security clearance side of the hurdles that I think the community has been known to have in the past. So it is really both things.

REP. REYES: Thank you, Madame Chair.

REP. ESHOO: Certainly. I've been informed that votes are expected in about five to 10 minutes on a point of order against the rules. So the bells will go off. We have some time for another round of questions.

What I'd like to ask Dr. Kerr is there are so many things to drill down on. In the 100-day plan, was everything implemented? And if not, what was rolled over into the 500-day plan? You could just maybe --

MR. KERR: We could give you that for the record if that would be all right. But let me say there were several things that could not be accomplished within the 100-day period. They have rolled over and are completing in the 500-day context. The other thing I should tell you is that since the director asked me to take a personal interest in the 500-day plan execution, we have moved the major milestones back to 400 days so that we in fact will be able to take stock after 400 days, take credit for the things that are done and have a plan to finish those that are not. So that we won't get to the end of it and still have a lot of things that require a lot more work. REP. ESHOO: Okay.

Mr. Tiahrt, do you have any additional questions?

(Off mike commentary.)

All right, let's see. Mr. Holt, do you have any additional questions.

(Bell sounds.)

REP. HOLT: Yes, thank you.

(Bell sounds.)

REP. ESHOO: We have some time. We'll make use of every moment.

REP. HOLT: Let me pick up on a couple of points that I mentioned at the tail end of my previous questioning. Open source and declassification -- I still have the sense, despite words in the 100- day and 500-day plan and in testimony over the years now, I still have the sense that use of open source, in other words, unclassified information, is still an after thought, that it really has not been integrated throughout the intelligence community. And in talks about sharing, for example, and collaboration, I find overclassification a real barrier and overcompartmentalization a real barrier to that. If the information is borne open rather than borne secret, it makes the interaction a lot better. And it makes it possible at all stages of the analysis to involve people from the outside to provide checks, you know, on our own thinking.

So what I'd like to hear from you is what is it in this plan that will make the use of open-source information truly integrated rather than having a center over there someplace that talks about open source. And provide early declassification as soon as possible, not necessarily when the product is finished but declassification of information as soon as that is justifiable, considering the necessity to protect sources (in that case ?).

MR. KERR: Let me answer your first question. My colleague will try to deal with the second. But with regard to the use of open source, since I have been in the early-morning briefing business now for a bit, I can tell you that, in many cases, the leading information we have on some of the most important problems is in fact addressed by open-source information that comes from the Open Source Center. Policymakers are getting it every day.

And I can tell you as well that even in something as complex and with classification association as the Iranian NIE, open source was a tremendous piece of that work, because, after all, the IAEA and diplomatic reporting and open-source capabilities were all brought to bear.

So I think, in fact, open source has a place in the community in support of the analysts' work far better than it did a few years ago.

REP. HOLT: Thank you.

MR. SHEDD: I would simply add that I think the young people in the intelligence community workforce have a greater expectation that more information is going to be available to them. And the analytic community specifically, I think, has an expectation that the flow of information will be without boundaries to it. And that includes the open source and the dependence on open-source information.

So we're already observing a generational change in the workforce within the intelligence community and the treatment of open-source information, from that standpoint as well as what Dr. Kerr said.

REP. HOLT: Would you say it is true or not that the most -- the preceding generations, maybe not your youngest hires, but those who have made a career in intelligence, begin with the understanding that hard-gained

information -- in other words, classified information or from secret sources or difficult sources -- is somehow better?

MR. SHEDD: I would agree with that statement that there has been an inherent and probably perhaps remains an inherent bias in that mid- generation, to describe it that way, toward believing there's greater credibility in classified information than, in fact, there is in open- source information.

REP. HOLT: So are there specific steps in this plan to combat -- well, I would call that a fallacy. Maybe you don't agree. But is that recognized as a fallacy? And are there steps to correct that perception, not just to create an Open Source Center and have some mechanism for incorporating open source, if, indeed, that's really happening, but really changing the attitude about it?

MR. KERR: One of the things in the plan is to create a collaborative environment for all analysis. And there are various steps that we're doing to achieve that. For example, there was a demonstration we called A-Space which we're now going to operationalize. Two weeks ago I actually signed the waiver to allow information that had been previously more compartmented to be freely available within the A-Space.

With regard to the cultural change or generational change that David mentioned to you, partly it's how we train our new analysts. And it's also important how they come to us, what they're used to doing through their academic training.

We're not going to make a specific objective in the 500-day plan to get a cloud away from open source, because people are using it. They're seeing the value now.

REP. HOLT: Thank you.

Thank you, Madame Chair.

REP. ESHOO: Thank you, Mr. Rush (sic).

Mr. Ruppersberger, let's see if we can finish with you and then end this panel. We'll then go over to vote and take at least a 20- minute break because we have two votes that are scheduled, as I understand it.

REP. RUPPERSBERGER: Okay, good. Fine, thanks.

First, on IARPA, I happen to believe -- there are some in our committee that don't -- that IARPA is extremely important. I talked before in my last questioning about the China-Russia threat as it relates to our overhead architecture and make sure that we stay ahead of them in the area of intelligence.

I think one of the main reasons we've done so well to this point is because we've had the best minds. We've had a great ingenuity work ethic coming together as a team. And I think the IARPA is really another DARPA, only under the intelligence arena.

DARPA has been a tremendous success, even today in dealing with the overhead architecture issues. DARPA has given us a tremendous amount of brain power, research out of the box, and this is what we need to go forward.

Now, IARPA is standing up now, and it's very important that we do it right. And there are those that think it's just going to be a duplication. I think the first thing that's extremely important is that you get the right person at the top. Now, you know, that's a tough situation. Sometimes we might be inclined to hire the best rocket scientist we know, but yet that person might not have management skills.

I think it's so important, if this is going to be a success, and the money that's going to be asked to stand this up, that you get a leader that is dynamic and knows how to manage and has the ability to pull together the different agencies that are coming together in this, which is CIA, NGA and NSA. And those are all good agencies, but they have their own focus sometimes.

Part of what DNI is supposed to do is bring it together. And I think this person has got to be a very special person. And I hope that you do whatever you do to get the right person. And I hope you -- we're not going to (picket ?), but you'd give us some insight or maybe allow us to at least recommend, if we have any recommendations. Could you discuss what you feel your goal is there, and especially as picking a leader in IARPA?

MR. KERR: Well, actually, you're touching on something that's essentially a personal responsibility for me. I'm working very closely with the people as they're dealing with those who have indicated interest in the position. I agree with you, in fact, that the selection of a director for IARPA is key to its future success. I also agree that some of the attributes you mentioned are very important.

It has to be someone with sufficient technical background to be credible to those that person is trying to lead. That's an absolute requirement, while at the same time the person has to have had sufficient experience leading a technical organization and managing it to be credible that way as well. That's what we're looking for.

We've had at this point, I think, over 40 applicants for the job. We're very much involved in screening them and preparing to --

REP. RUPPERSBERGER: I hope you don't just take applicants, that you reach out. You know, you don't always have to have an expert. You need somebody -- they can always hire experts or accountants or lawyers or engineers. It's got to be a dynamic leader.

REP. ESHOO: I'm going to ask that this --

MR. KERR: I've offended the leader of another agency already by reaching out.

REP. ESHOO: -- conclude, because we have less than five minutes to get over to the Capitol.

REP. RUPPERSBERGER: One thing I want to say; no question, you need to make sure you have a road map, so we on this side, who are appropriating, understand what we are doing. We need a road map and a plan where you're going.

Thanks.

REP. ESHOO: My walk-away question to you, Dr. Kerr, is, you're essentially issuing a report card. How do you grade yourself on the 100- and

500-day plan? MR. KERR: On the 100-day plan, I think we would grade ourselves probably in the B- category, a little better than a gentleman's C. On the 500-day plan, at this point in the process, I can't give a grade, but at the end of next year I'd certainly be prepared to.

REP. ESHOO: Thank you. Fair enough.

So we will recess. To the second panel, we will be back as soon as we can.

REP. RUPPERSBERGER: Madame Chairman, I know we have two votes, but then I think it's a motion to recommit, which is 20 minutes of debate. So do you want us to stay there for that or try to come back for 20 minutes and then go back? What do you want to do?

REP. ESHOO: I think we could take opening statements and then --

REP. RUPPERSBERGER: So we'll come back right after, then come back for the motion to recommit.

REP. ESHOO: Exactly, yes.

REP. RUPPERSBERGER: Okay.

REP. ESHOO: Thank you very much, Dr. Kerr and Mr. Shedd.

MR. KERR: Thank you very much.

END.