OPENING STATEMENT

SENATOR NORM COLEMAN

Chairman

Permanent Subcommittee on Investigations

Hearing On

Neutralizing the Nuclear or Radiological Threat: Securing the Global Supply Chain Part Two

March 30, 2006

Good morning and thank you all for being here. Today, we will conclude our two-part hearing on neutralizing the nuclear or radiological threat and securing the global supply chain. On Tuesday, we extensively discussed the threat of nuclear or radiological terrorism and the consensus was clear – the threat is real and we are not doing enough to prevent it.

Commander Flynn, specifically, outlined a stark scenario of a dirty bomb transported to the United States via a maritime container. However, this is not simply a worst case scenario. One of our witnesses today will testify how two years ago, Palestinian suicide terrorists evaded port security in Ashdod after being smuggled in a secret compartment within a container from Gaza. Ten Israelis were killed and 16 others wounded after they intercepted the terrorists before they reached their target. It is suspected that the suicide bombers were intending to blow themselves up near the tanks of hazardous material after inspectors found unexploded grenades within the secret compartment.

Experts in the industry believe it is just a matter of time before terrorists break security measures at a port of entry, most likely with a dirty bomb. These hearings are designed to prevent that from happening.

Global trade is one of the pillars of our nation's economy. American national security is inexorably linked to economic security. Governments across the world must ensure that the supply chain is secure, but must do so without impeding the flow of commerce. More than 90 percent of global trade moves in ocean-going containers and over 10 million containers enter the U.S. annually.

The Congressional Budget Office at my request studied the economic consequences of an attack upon the Ports of Los Angeles and Long Beach. CBO found our nation's gross domestic product would decline by about $150 million per day for each day these two ports are closed, and that the annual cost of closing these ports would escalate to nearly $70 billion. While CBO did not analyze the cost to human life and property of such a terrorist attack, the economic impact of closing the ports could be comparable to both the attacks of 9/11 and Hurricane Katrina. We cannot afford the devastation these findings imply. We must secure our supply chain before we pay the high price of an attack, and seek the appropriate balance between two often competing priorities: security and speed.

Former Customs and Border Protection Commissioner Bonner had the vision to address this grave threat and balance these two priorities – security and speed – after the September 11th attacks. This balancing act resulted in the creation of two of the most prominent homeland security programs – the Container Security Initiative, or CSI, and the Customs-Trade Partnership Against Terrorism, or C-TPAT. CSI effectively pushed our borders out by placing CBP offices in foreign ports to inspect containers before they reach our shores. C-TPAT exemplified a true public-private partnership. These ideas alone are laudable –but due to the sheer magnitude of the challenge of securing the global supply chain, we must continue to improve upon these promising initiatives.

As Chairman of the Permanent Subcommittee on Investigations, I have pursued a bicameral and bipartisan investigation into supply chain security for almost three years. I worked extensively with Chairman Collins and am proud to have several of my findings and recommendations included in the Greenlane Maritime Cargo Security Act – which I know will be subject of a hearing next week.

Following our hearing last May and the two excellent GAO reports, I was pleased to see CBP and Commissioner Bonner acknowledge these findings and work to improve these programs. I am pleased to report today that CSI and C-TPAT have made substantive progress in the past ten months and are well on their way to becoming sustainable security programs. With that said, considerable work lies ahead. These initial programs were only the first step in a constantly evolving process. We must urgently move to the next level of security – especially since trade is only forecast to continue its rapid expansion.

In preparation for this hearing, the Subcommittee wrote an extensive report that analyzes the global supply chain. The Subcommittee staff's findings are troubling. In short, America's supply chain security remains vulnerable to the proverbial Trojan Horse – America's enemies could compromise the global supply chain by smuggling a Weapon of Mass Destruction (WMD), or even terrorists, into this country.

Again, these frightening scenarios are not the work of Hollywood writers. Last year, on two separate occasions, dozens of Chinese immigrants were smuggled through the Port of Hong Kong into Los Angeles using maritime shipping containers. These incidents, coupled with similar episodes abroad, demonstrate the vulnerability of the global supply chain. The 9/11 Commission confirmed these vulnerabilities, stating: "opportunities to do harm are as great, or greater, in maritime or surface transportation."

Over the course of its three-year investigation, Subcommittee staff has identified numerous weaknesses in America's programs that secure the global supply chain. A brief overview of these problems illustrates the challenges confronting these efforts:

- In CSI, the Subcommittee found that only a *de minimus* number of such high-risk containers are actually inspected. In fact, the vast majority of high-risk containers are simply not inspected overseas. To make matters worse, the U.S. Government has not established minimum standards for these inspections.

- The Subcommittee found that an overwhelming proportion of participating companies in C-TPAT receive benefits prior to having their security profile validated. Only 27 percent of the participating companies have been subjected to a validation. Therefore, 73 percent of companies have not been subjected to any legitimate, on-site review to ensure that their security practices pass muster.

- The targeting system employed by the U.S. Government to identify high-risk shipping containers entering U.S. ports is largely dependent on "the least reliable" form of data for targeting purposes, including cargo manifests data and bills of lading. Moreover, the Subcommittee has found that this targeting system has never been tested or validated, and may not discern actual, realistic risks.

The Staff Report makes several recommendations to enhance CSI, improve C-TPAT, and reform ATS, but I would like to briefly focus on the initiative that I personally observed in Hong Kong.

In December, I traveled to Hong Kong to examine the world's largest port. In addition to meeting the impressive CSI team and observing the close relationship between Hong Kong Customs and CBP, I examined a promising screening concept piloted by the Hong Kong Container Terminal Operators Association. There, containers are screened with both x-ray and radiation detection equipment.

Effectively screening containers with both an x-ray and a radiation scan is the only definitive answer to the perplexing and most important question of "what's in the box?" However, in Fiscal Year 2005, only 0.38 percent of containers were screened with a non-intrusive imaging device and only 2.8 percent of containers were screened for radiation prior to entering the United States. Overall, CBP screens or physically examines only 5.4 percent of containers with an NII machine and less than 40 percent with RPMs.

These numbers are low because, to date, the Federal Government has adopted a risk-based approach with the explicit goal of screening only high-risk containers. While this approach is fundamentally sound, the system used to target high-risk containers has yet to be validated or proven to accurately identify high-risk containers. Moreover, the validity of the intelligence used to enhance this system's targeting ability is increasingly in question. Thus, we need to both enhance our targeting capability and use technology to enhance our ability to increase inspections – *without* impeding the flow of commerce. I believe the Hong Kong concept holds great promise to achieve this goal of enhancing inspections without impeding commerce.

In Hong Kong, this system allows all incoming containers to be screened upon entry to the port *without* impeding the flow of commerce. In essence, the terminal operators, a private sector entity, have demonstrated that 100 percent screening can be a reality. The processes and policies to implement such a system are obviously quite significant – however, I believe these challenges can be overcome – and I plan to work collaboratively with DHS to solve these challenges.

It is also important to note that screening 100 percent of containers does not mean that 100 percent of images will be reviewed – our current risk-based approach is still the right one. This image is merely another piece of information, and more importantly, this system ensures that each container is screened for radiation. In addition, if an event does occur, we would have the

capability go back and identify the container involved in the incident; and, thus preserve our trade lanes. We cannot afford to shutdown our ports and stop global trade; nor can we afford the likely outcome a catastrophic event would have on our supply chain—U.S. government mandated 100 percent screening.

Implementing this system will add another layer of security to the supply chain – and demonstrate a true public – private partnership. We – the US Government – should embrace this private sector initiative that increases our screening ability – without impeding the flow of commerce.

The task is too great for government. Industry and government need to work collaboratively and move forward on programs and technologies to secure trade. Instead of security being a cost of doing business, it must become a way of doing business.

To move in this direction, we need to implement 100 percent screening measures and we need DHS to validate that our automated targeting system effectively identifies high risk containers. Currently, about 5% of all containers coming into the U.S. are actually inspected. By any test, this is a failing percentage, and we cannot afford to fail the public when it comes to security. We must secure our supply chain before we pay the high price of an attack. And this is what we hope to address today.

I am excited to see two of my close colleagues, Senators Charles Schumer and Lindsey Graham, have recognized how critical it is to improve our supply chain security. They have both just returned from Hong Kong and I am excited to hear their perspective on the screening concepts they observed. I look forward to my colleagues' insights.

I would also like to welcome and thank Deputy Secretary Jackson and our other noted panelists. I look forward to your testimony and an engaging hearing.

The bottom line is this: we are safer now than we were yesterday, but we are not safe enough. The question then becomes: how do we get there? In the words of the hockey legend Wayne Gretsky, "A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be." In other words, we cannot safeguard a post 9/11 America by using pre 9/11 methods. If we think that the terrorists are not plotting their next move, we are mistaken. We must find where the gaps are in our nation's homeland security and close them before an attack happens. That is the only way to guarantee our security.

# # #