



DEPARTMENT OF HOMELAND SECURITY

STATEMENT OF

DEPUTY SECRETARY

ADMIRAL JAMES LOY

ON

THE WORLD WIDE THREAT

BEFORE THE

U.S. SENATE

SELECT COMMITTEE ON INTELLIGENCE

FEBRUARY 16, 2005



Admiral James M. Loy
Deputy Secretary
U. S. Department of Homeland Security

Admiral James M. Loy was confirmed as the Deputy Secretary for the U. S. Department of Homeland Security on November 25, 2003.

Previously, Admiral Loy served as the first Administrator of the Transportation Security Administration (TSA), the federal agency charged with providing security for the nation's transportation system.

On March 1, 2003, TSA moved from the Department of Transportation to the newly created Department of Homeland Security.

Having served over 40 years in the United States Coast Guard, Admiral Loy retired from the Coast Guard as its Commandant on May 30, 2002. Transportation Secretary Norman Y. Mineta immediately appointed him to the newly created post of Deputy Under Secretary for Transportation Security and Chief Operating Officer of TSA.

On November 22, 2002, Congress confirmed Admiral James M. Loy as Under Secretary of Transportation for Security, within the Department of Transportation.

As Commandant of the U.S. Coast Guard from May 1998 to May 2002, he focused his leadership on *restoring readiness* and *shaping the future*. Although both themes involved many initiatives, the most visible expression of *restoring readiness* was rebuilding the Coast Guard's workforce to authorized levels, improving retention and managing operational tempo. The primary element for *shaping the future* was his oversight and leadership in the Integrated Deepwater System acquisition project, which will modernize the ships, aircraft, and sensors that the Coast Guard uses to perform its many open ocean missions.

Prior to his service as Commandant, Admiral Loy served as the Coast Guard Chief of Staff from 1996 to 1998, during which time he redesigned the headquarters management structure and overhauled the Coast Guard planning and budgeting process to focus more sharply on performance and results. From 1994 to 1996, he was Commander of the Coast Guard's Atlantic Area, leading U.S. forces during the mass Haitian and Cuban migrations of 1994, and leading Coast Guard forces participating in Operation Restore Democracy. His other flag assignments included Chief, Office of Personnel and Training, and Commander, Eighth Coast Guard District.

A career seagoing officer, Admiral Loy has served tours aboard six Coast Guard cutters, including command of a patrol boat in combat during the Vietnam War and command of major cutters in both the Atlantic and Pacific Oceans.

Admiral Loy graduated from the U.S. Coast Guard Academy in 1964 and holds two master's degrees, one from Wesleyan University and one from the University of Rhode Island. In 2003, he received the Honorary Degree in Science from the Webb Institute. He also attended the Industrial College of the Armed Forces and interned at the John F. Kennedy School of Government at Harvard University. His commendations are numerous, including the Department of Transportation Distinguished Service Medal; four Coast Guard Distinguished Service Medals; the Defense Superior Service Medal; the Bronze Star with Combat "V"; the Combat Action Ribbon; and other unit and campaign awards.

Admiral Loy was named SEATRADE Personality of 2000 in London, UK, has received the NAACP Meritorious Service Award for 2000, and was recognized by the Soldier's, Sailor's, Marine's and Airmen's Club with its Military Leadership Award for 2001. The American Society of Public Administration and the publication, *Government Executive*, recognized Admiral Loy with their Leadership Award for 2001.

The Reserve Officer Association inducted Admiral Loy into its Minute Man Hall of Fame. He received the National Cargo Security Council National Leadership Award for 2002, and was honored with the Seaman's Church Institute Silver Bell Award. He also received the Navy League prestigious Admiral Arleigh Burke Leadership Award for 2002. The Admiral was honored by the Naval Order of the United States with the Distinguished Sea Service Award for 2003. In May, 2004, he received the Intrepid Foundation Lifetime Achievement Award. In November, 2004, Admiral Loy was inducted into the National Defense University Hall of Fame; presented the 2004 Distinguished Eagle Scout Award; and was inducted as a Fellow in the National Academy of Public Administration.

Admiral Loy is married to the former Kay McGirk. They have two grown children, Kelly and Michael. The Loys have three grandchildren.

**Statement of
Jim Loy
Deputy Secretary
U.S. Department of Homeland Security
Senate Select Committee on Intelligence
Hearing on "The World-Wide Threat"
February 16, 2005**

Good morning Chairman Roberts, Vice Chairman Rockefeller, and distinguished Members of the Committee. I am privileged to appear before you today to discuss the primary threats currently facing the United States homeland, as well as their probability, immediacy, and severity.

Most current threats to the homeland continue to be directed by al-Qaida and its affiliated elements within the broader Sunni extremist movement. Despite the successes the United States and our coalition partners have had against al-Qaida and other extremists, al-Qaida leaders and operational planners continue to think about--if not actively plot-- the next dramatic attack in the United States. We believe that attacking the homeland remains at the top of al-Qaida's operational priority list, despite the fact that more than three years have passed since September 11, 2001. We judge that al-Qaida continues to view the homeland as an attractive target for a variety reasons, and that the next dramatic attack will attempt to replicate the 9/11 "model" of multiple attacks against geographically distant and symbolic targets that cause unprecedented economic damage, mass casualties, and physical destruction. While al-Qaida and its affiliated elements currently appear more capable of attacking United States interests outside of the homeland, we believe that their intent remains strong for attempting another major operation here.

While there are other transnational terrorist groups that possess noteworthy capabilities to conduct attacks against United States interests, we currently do not believe these groups are ready for or oriented toward conducting attacks inside the homeland. However, there is a legitimate threat posed by groups and persons who are present in the country today (not necessarily connected to transnational terrorist groups), including multi-national gangs and domestic groups that engage in violence to achieve political and economic goals. These groups range from single-issue groups such as the Earth Liberation Front to violent criminal gangs like MS-13 to right-wing or neo-Nazi groups to "lone-wolf" threats. Additionally, the threat from criminal groups and persons who engage in criminal enterprise that supports or contributes to terrorism and which has homeland security implications remains of concern. Examples of such activity include narcotics trafficking, money laundering, people smuggling, contraband smuggling, illegal arms transfers, illegal technology transfers, currency counterfeiting, document forgery, and false identity provision. However, none of these threats currently rises to the level of threat posed by al-Qaida and its affiliates.

While there is no single "crystal ball" that allows intelligence analysts to perfectly determine which terrorist threats are the most probable, we believe the al-Qaida and affiliated extremist threat remains the most likely in the near term. The strategic intent of

al-Qaida's remaining leaders and planners to attempt another dramatic homeland attack is clear. What is less clear are al-Qaida's current operational capabilities to execute such an attack. Though al-Qaida's current capabilities for dramatic attacks inside the United States might seem reduced, we also assess, based on past activity, that al-Qaida is patient, deliberate, and methodical in operational planning for major attacks. Al-Qaida operates on a very long timeline.

Thus, the probability of an attack in the United States is assessed to be high but very much conditional and circumstantial. We believe that while several attacks may have been considered inside the U.S. since 9/11, and some moved forward beyond initial planning, none of these plots was ever successfully executed due to the attackers' operational limitations and the heightened intelligence and security measures employed since that time.

The cyber risk from various types of malicious actors is more significant than previously understood, and could be used to increase the impact of a physical attack by disrupting emergency communications. .

The National Intelligence Council released last year its first National Intelligence Estimate (NIE) for worldwide cyber security since 9/11, and the DHS/National Cyber Security Division's law enforcement and intelligence branch participated in that assessment. It assessed the cyber threat, and the result showed a significant capability and threat from various actors.

Adding to our concern over the possibility of the next al-Qaida attack is the potential threat of individuals inspired by al-Qaida and its affiliates who are not in any way directly connected to the al-Qaida core. In early 2004, several individuals in the United Kingdom attempted to conduct attacks there, but none of these individuals was considered an active al-Qaida member. This and other examples of similar activity in Europe demonstrate how individuals or small groups, who previously had provided only financial or logistical support to Islamic extremist activities, themselves attempted to transition into active operational roles.

The key locales that we currently judge as being at risk for attack by al-Qaida and affiliated terrorist organizations include key person and large group assemblages, major events as judged by the Department of Homeland Security (DHS) and the United States Intelligence Community, ports, depots, stations, and related infrastructure, and stadiums, auditoriums, and large buildings. Additionally, critical infrastructure of primary importance includes nuclear, chemical, biological, and other hazardous material facilities, bridges, tunnels, dams, and power generation/transfer stations, energy facilities including petroleum refining and related industries, and iconic cities and facilities, large buildings, and complex high-density infrastructure.

The possible means of attacking such national interests are far ranging. We know from operational activity around the world that al-Qaida can execute mass-casualty attacks using improvised explosive devices (IEDs) combined with suicide operatives. The

capture of operatives overseas this past summer led to the identification of detailed casing reports prepared prior to 9/11. The specific tactics recommended in these reports highlights al-Qaida's ongoing interest and preference for using vehicle-borne improvised explosive devices (VBIEDs) to attack high-profile or symbolic targets.

Al-Qaida has demonstrated operational proficiency in using aircraft as weapons, in particular hijacking operations, and has explored the idea of bringing down aircraft in flight through the use of several different IED configurations. Al-Qaida has also demonstrated a capability to use man-portable air-defense systems (MANPADs) in operations against aircraft overseas, although there are no indications that it plans to use this capability for attacks inside the United States. .

Al-Qaida and its affiliated groups have demonstrated an operational capability to conduct dramatic, mass-casualty attacks against both hard and soft targets inside the United States and abroad. Within this broad operational spectrum, the most severe threats revolve around al-Qaida and its affiliates' long-standing intent to develop, procure, or acquire chemical, biological, radiological, and even nuclear, weapons for mass-casualty attacks. Al-Qaida and affiliated elements currently have the capability to produce small amounts of crude biological toxins and toxic chemical materials, and may have acquired small amounts of radioactive materials. However, we currently assess that al-Qaida has not been able to acquire or develop a functioning nuclear weapon (i.e., one that generates a nuclear yield).

Despite al-Qaida's intent to strike us with Weapons of Mass Effect (WME), we assess that the United States is a "harder target" for the terrorist and for the illegal migrant than it was in the past because of improvements in information sharing and security measures since 9/11. There remain, of course, difficulties in securing the over 95,000 miles of coastline and 7,000 miles of border shared with Canada and Mexico. Indeed, the efforts of DHS have been successful, and the determination of the 180,000 plus Department personnel working around the country and around the world day in and day out is strong and completely dedicated to securing our homeland.

There is much evidence to convince us that interdiction measures have improved; intelligence is working, technology has helped, and far fewer illegal immigrants are now able to enter our ports of entry or cross our borders than in the past. However, we still see persons using fraudulent documentation; many are already on our watch lists, attempting to enter the United States at the borders and at ports of entry. Thus, we assess that the threat of illegal and even covert entry is still present and likely will be for the foreseeable future.

On land, we now have greatly improved systems to keep track of persons who cross the border and we have begun to apply technology to monitor the border where there is no direct border patrol presence. We also believe that fraudulent documentation is far more likely to be discovered than in the past – owing in part to improved technology, better training, more comprehensive databases, the increased use of biometrics, and better coordination among agencies.

However, entrenched human smuggling networks and corruption in areas beyond our borders can be exploited by terrorist organizations. Recent information from ongoing investigations, detentions, and emerging threat streams strongly suggests that al-Qaida has considered using the Southwest Border to infiltrate the United States. Several al-Qaida leaders believe operatives can pay their way into the country through Mexico and also believe illegal entry is more advantageous than legal entry for operational security reasons. However, there is currently no conclusive evidence that indicates al-Qaida operatives have made successful penetrations into the United States via this method.

In addition to the problems posed by the southwestern border, the long United States-Canada border, often rugged and remote, includes a variety of terrain and waterways, some suitable for illicit border crossings. A host of unofficial border crossings can be utilized when employing the services of alien smugglers, especially those winding through mountain ranges and across the vast western prairie.

In addition to the threats posed at the extensive United States land border, we believe al-Qaida remains focused on targeting civil aviation. Since the creation of the Department in March 2003, DHS has led federal government effort to harden and protect the aviation infrastructure. The barriers and checks put in place since 9/11 at airports and the system of baggage and cargo checks for air transported materials have proven very effective in identification and interdiction of unauthorized items and in the identification of persons engaged in air travel. However, al-Qaida operatives have received flight training, and we believe al-Qaida continues to consider new and novel methods for planning and conducting attacks against civil aviation in the United States. Al-Qaida still views the hijacking of commercial passenger aircraft inside the United States as a primary objective.

Other aviation threats include the possible use of ultra-light aircraft or remotely-piloted vehicles (RPVs), although we have no specific or credible information suggesting that terrorists have considered these platforms for attacks in the Homeland. Additionally, while al-Qaida has considered conducting an attack against United States interests overseas using helicopters packed with explosives, there is no specific or credible evidence supporting the use of helicopters in aerial attacks within the United States. There have been recent media reports about lasers being visible to pilots in commercial aircraft in the United States. Although no specific or credible information suggests terrorists plan to use high-powered lasers in the United States, groups overseas have expressed interest in using these devices against human sight.

At sea, we see positive changes and advances in the control system similar to those made in land border crossing and aviation. These advancements include improving vessel registration documentation and identification capabilities and better search technologies and procedures. While the complex problem with sea-transported cargo and the checking especially of containers and container vessels remains, significant improvements have been made since 9/11.

Al-Qaida remains the preeminent organization with both intent and capabilities to target United States maritime assets. A variation of the familiar VBIED, the small, explosive-laden boat usually piloted by a suicide operative, remains al-Qaida's weapon of choice in the maritime environment. In addition to threats posed by terrorist attack, the smuggling of illegal migrants via maritime means continues to be a major concern for homeland security. This threat is expected to grow as organized criminal groups continue to expand their operations throughout the world. The huge profit potential in this trade will ensure that it will remain a lucrative venture for the foreseeable future. The inability of Central American nations to control their borders is also an important factor favoring the smugglers.

Additionally, a small but increasing threat to homeland security is represented by stowaways on merchant vessels and by crewmen jumping ship. Most of these individuals are economic migrants and account for a small fraction of illegal migration. However, their illegal activity highlights persistent border security vulnerabilities that may be exploited by contraband smugglers and terrorist organizations, as well as concerns for merchant vessel and crew safety. When acting alone, stowaways take advantage of poor security in foreign ports to simply walk on board vessels and attempt to stay hidden for the duration of the voyage. However, many stowaway incidents are part of criminally organized attempts to traffic people and require the complicity of merchant ship crewmembers. The threat posed by merchant seamen illegally entering the United States includes deserters who depart the ship legally but do not return and absconders who illegally depart the ship once in port. The use of these methods by criminals or terrorists to enter the United States is probable.

The bottom line is that the best efforts of the DHS, of the United States Intelligence Community, and of the entire Federal government are allied against terrorist efforts to stage attacks in the homeland. However, despite these efforts and innumerable advances in information sharing, technology, communication, and organization, any attack of any kind could occur at any time. While we have not seen a trend by any terrorist group to tie an act of terrorism to a particular date or time, or even place, beyond the obvious goal of striking a locale or transportation mode when a larger number of people might be present, we do not believe we can predict timing unless we are somehow inside the decision-making mechanism used by the terrorists.

An attack against the homeland with the most severe ramifications would include the use of a WME, especially nuclear. We also give due respect to the potential for some forms of biological attack to generate high casualty numbers. Beyond that, most attacks would be locally severe and would have larger implications psychologically, culturally, and economically even if their immediate destructive impact was very limited. While we have not seen such methods employed in the homeland to date, we do worry about the possibility of small attacks – the grenade into the outdoor restaurant, the small bomb in the public place, the random shooting on the street – that would ostensibly be carried out to influence U.S. authorities to react strongly in the context of preventing such acts from occurring.

There is a risk of cyber or combined physical-cyber attacks from various malicious actors, though it is difficult to quantify that risk. However, the Intelligence Community believes there is sufficient risk, and while there is no known information that anyone is preparing a significant cyber attack, there appears to be circumstantial evidence that terrorists are using a variety of illegal Internet behaviors to finance their activities.

Given the anecdotal and imprecise nature of information in this regard it is important to focus on the whole risk picture, including threat, vulnerabilities, and potential consequences. Accordingly, the government is enhancing its interagency coordination through the National Cyber Response Coordination Group (NCRCG) formalized by the Cyber Annex to the National Response Plan to prepare for and respond to national level cyber attacks from any sources and in the Interagency Security Plan (ISP) to reduce our vulnerability to attacks that might cause a major Internet disruption.

Which is the largest of the potential threats to the homeland? Which is the most severe? Which is the most probable? These are questions that cannot realistically be answered beyond the information provided here. We are hesitant to make an attempt to answer these questions beyond stating that, conditionally and circumstantially, any event and any terrorist action is worthy of, and will continue to receive, our full attention and interest.

Chairman Roberts, Senator Rockefeller, and Members of the Committee, this concludes my prepared statement. I would be happy to answer any questions you may have at this time.