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TELEVISION PROGRAM TO "CBS NEWS' FACE THE NATION."



## **May 9, 2010 Transcript**

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SENATOR CHRISTOPHER DODD  
D-Conn.; Chairman, Banking Committee

SENATOR RICHARD SHELBY  
R-Ala.; Ranking Member, Banking Committee

ADMIRAL THAD ALLEN  
Commandant, Coast Guard;  
National Incident CDR, Gulf Oil Spill

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## TRANSCRIPT

BOB SCHIEFFER: Today on FACE THE NATION, bad news on that oil spill in the Gulf.

New questions on terrorism and the flash crash on Wall Street.

Should we have seen the Times Square terror attempt coming? We'll talk to the President's top man on terrorism, John Brennan.

And what did trigger Thursday's Wall Street panic? And what can be done to prevent it from happening again? We'll go to the top senators on the Banking Committee, Chris Dodd of Connecticut, Richard Shelby of Alabama.

And we'll get the latest on the oil spill from Coast Guard Commandant Thad Allen.

I'll have a final word on Washington then and now as an old lion calls it a day.

But first, the latest on that breaking story in the Gulf on FACE THE NATION.

ANNOUNCER: FACE THE NATION with CBS News chief Washington correspondent Bob Schieffer. And now from Washington, Bob Schieffer.

BOB SCHIEFFER: And good morning again. Admiral Thad Allen, who is in charge of the federal response of the gulf oil disaster, is with us this morning.

Thank you for coming, Admiral.

ADMIRAL THAD ALLEN (U.S. Coast Guard/ National Incident Commander, Gulf Oil Spill) (overlapping): Good morning, Bob.

BOB SCHIEFFER: And we're starting with you because of this very bad news yesterday from the Gulf: the attempt to put this giant house, as it were, on top of that oil well down at the bottom of the Gulf, clearly a Hail Mary pass. Most people knew it would be very difficult to do and it turns it out it did not work. So what happens now?

ADMIRAL THAD ALLEN: Well, the containment dome that was put over the leak site developed ice crystals, which happens when-- at very high-pressure and low-temperature water and natural gas come together. It actually started lifting the-- the Cofferdam up and it became buoyant. They had to set it over the seafloor, next to it. The next tactic is going to be something they call it a-- a junk shot. They're actually going to take a bunch of debris, shredded up tires, golf balls and things like that and under very high pressure, shoot it into the-- the-- the preventer itself and see if they can clog it up and stop the leak.

BOB SCHIEFFER: Well, do you think there are a-- any better chances that will work than-- than this-- this thing because obviously?--

ADMIRAL THAD ALLEN: It-- It's been used before. It's not as an exotic type of a technology. The real problem is-- is with all the problems down there is creating the-- the manifolds of the pressure system is actually blow it in and then get it down to the seafloor. And again, we're-- we're-- we're working at five thousand feet of depth, which has never been done before.

BOB SCHIEFFER: How bad is this thing now, Admiral, what Four thousand barrels a day pouring out of that thing?

ADMIRAL THAD ALLEN: Yeah. The rough estimate's five thousand, but I would caution against any estimate because we're dealing with a place that has no human access. Remotely operated vehicles are telling us what we see and what's on the surface, but it's a-- it's about five thousand barrels a day.

BOB SCHIEFFER: And they're saying it could go to forty thousand barrels--

ADMIRAL THAD ALLEN: Well, if it's--

BOB SCHIEFFER (overlapping): --a day?

ADMIRAL THAD ALLEN: --contained in the sur-- the same leakage, it has right now, it will stay there. What we're concerned is that, somehow, there's a failure of the well head. That's the reason it's so important to stop the leaks right now, but drill the relief well.

BOB SCHIEFFER: Well, what do you do now? I mean, you-- you say this is-- you're going to try to stuff this stuff in it. But what's going to happen? I mean, this stuff keeps coming out, is this going to go all the way around Florida and up the East Coast? What-- what is being most threatened, right now?

ADMIRAL THAD ALLEN: Well, we've been lucky that the wind has shifted around. It's kind of kept it in the area to the southeast of the Mississippi River mouth off Louisiana. The latest winds are out of the east right now and it's slowly drifting a little west across the mouth of the Mississippi River. But depending on which way the wind blows it could threaten Mississippi, and Alabama, and Florida as well. One of the good things that's happened and, if there is a good side to this at all, is that the oil has tended to stay in one place because the winds have been shifting.

BOB SCHIEFFER: I'm told that they're trying to-- to cordon off the Mobile Bay at this point. How-- how crucial and how critical is that?

ADMIRAL THAD ALLEN: Well, I had a meeting with Governor Riley and they're very, very concerned now about the Dauphin Island and the beaches to the east about, actually, water getting into-- oil getting into the Bay. And we're looking at some kind of a containment gate made with a deep-water boom. And that's actively being constructed right now.

BOB SCHIEFFER: And-- and what about the-- we-- we keep hearing that this-- what may settle to the bottom and then it picks up some sort of a current, goes toward Florida and then it-- it hits the Gulf Stream and goes up the East Coast. Is that-- is that one of the real dangers?

ADMIRAL THAD ALLEN: There is a current they call the Loop Current that-- that basically follows the terrain from Louisiana around to Florida. But that is significantly south of the southern edge of the spill right now. I think there's a very, very low probability it would be impacted. There have been concern raised in Florida and we've actually had no one take a look at. And right now, we know where that current's at. We're monitoring it, but it doesn't appear to be a threat right now.

BOB SCHIEFFER: But I guess the bottom line right now is this thing is still going full blast and-- and you really don't know what's going to happen.

ADMIRAL THAD ALLEN: Yeah, the maddening thing is it's in determinant and so what we-- what we have is a five-thousand-barrel spill every day with the wind shifting around. And it could go any direction based on the wind. And it's-- it's really kind of maddening because you can resource a spill that's coming ashore when you know the direction it's coming from, but it-- it can back off to-- to even come again, so the entire Gulf, pretty much, has to be on guard. And that's what we're doing.

BOB SCHIEFFER: Well, Admiral, thank you very much. We wish you had better news. But we thank you for coming on and giving us a-- a candid evaluation of what's happening down there. Thank you so much.

ADMIRAL THAD ALLEN: Thank you, Bob.

BOB SCHIEFFER: We're going to turn now to John Brennan, who is the assistant to the President for Homeland Security and Counterterrorism.

Welcome to you, Mister Brennan. (LAUGHING) I understand you don't have very much good news this morning either. The government was saying last week, and I'll get right to it, that there was really no evidence to suggest that this Times Square bomber was anything other than what Secretary Napolitano called a one-off; in other words, a lone wolf. I understand now that evaluation is totally changed.

JOHN BRENNAN (Assistant to the President for Counterterrorism): Well, first of all, Bob, I'd like to, on behalf of the President and the White House, extend a Happy Mother's Day to all those wonderful mothers out there, including my own and my wife who make this country so great.

It's clear that Faisal Shahzad was working on behalf of the Tehrik-i-Taliban Pakistan, that's a TTP. That's a militant terrorist organization within Pakistan that is closely allied with al Qaeda. He was trained by them. He received funding from them. He was basically directed here to the United States to carry out this attack. Investigation's ongoing. We have good cooperation from our Pakistani partners and from others. We're going-- we're learning more about this-- this incident every day, and we're hopeful we're going to be able to identify any other individuals that were involved.

BOB SCHIEFFER: May I just ask you, Sir, and I mean no disrespect in saying this but this is so different from what the government was saying last week. How do you know that?

JOHN BRENNAN: Well, the-- an-- an investigation is the result of good work on the part of law enforcement, intelligence, homeland security. We have Faisal Shahzad in custody now. He has been cooperating. We're finding out information from him. As we learn information, we're able to pull the threads. We're able to track down these leads, and working with our partners internationally. We have a much better understanding now of what was at play here that led him to try to carry out this attack in Times Square.

BOB SCHIEFFER: Well, did he tell you this? Is-- is this his version of events or?

JOHN BRENNAN: He is sharing a lot of information with us. The briefings are continuing. He was read his Miranda Rights and continued to provide this information. I think it demonstrates

the strength of our system that allows us to get this intel-- intelligence and to use it to prevent additional attacks. So, we're learning things from him. We're learning things from the other investigative leads that we've been able to uncover. And I am-- I am hopeful we'll be able to find out more in the days ahead.

BOB SCHIEFFER: Has anyone been arrested in Pakistan, yet?

JOHN BRENNAN: There are individuals that have been identified as being complicit in this. Again, we're working with the Pakistanis right now. I'm not going to go into details about the investigation. It's still at a very sensitive stage. We're trying to stay ahead of this curve. But we've been able to find out things that we didn't know in the immediate aftermath of this attempt.

BOB SCHIEFFER: May I ask you also this question: why is it, when these things seem to happen that the first response or the first reaction from government officials seems to be the old soothing syrup to, sort of, play it down: everything's okay, it's a lone wolf, the system is working, all of that sort of thing. Why is that?

JOHN BRENNAN: Well, I think what happens when these incidents take place is, first of all, the system kicks into gear. And in a period of fifty-three hours, we were able to find this individual and--

BOB SCHIEFFER (overlapping): And that's remarkable.

JOHN BRENNAN:--and capture him and arrest him, yes, before he was able to escape this country in a very short period of time. When this incident took place we knew that one individual had driven this vehicle to Times Square. What we didn't know at that time whether or not he was working at the direction or with other individuals. So what we're trying to do is to be transparent with our knowledge, but at the same time not providing information that might somehow compromise our ability to follow-up these investigative leads so. But, clearly, now our understanding is that the TTP had a major role in this incident.

BOB SCHIEFFER: Some people are saying that we really got lucky on this, that we got lucky on this just like we got lucky with the-- with the Christmas bomber, that we didn't see it coming. The guys started out on their mission and-- and they really failed because they were totally incompetent.

JOHN BRENNAN: Well, I think there are two points here. One is that Shahzad and Abdulmutallab and I think other individuals who're trying to carry out Attacks, they have not been able to receive the type of-- of training that would have allowed them to carry out an attack successfully. We've been able to degrade the capability to train at these camps in South Asia and the Pakistan-Afghan border. So I think they're opting for these less sophisticated attacks because of the tremendous blows that they have taken. But in addition, you know, when people are attributing this to luck, every day, hundreds of thousands of very brave American men and women, who are overseas fighting in Afghanistan, or are working on intelligence matters or law enforcement, Homeland Security at our ports of entry, they do a tremendous job of preventing individuals who are similarly trying to carry out attack-- attacks. So what this does underscore is that we need to remain vigilant. We can't be complacent. We need to maintain a high-security posture because we're facing a very determined and a lethal enemy.

BOB SCHIEFFER: Do we have any idea, at this point, what his motive was? Was-- was he operating and did this come about because it was in response to something we had done or was this something that had been in the planning process for a long time?

JOHN BRENNAN: Well, I think al Qaeda and a lot of these affiliated groups over the past two decades have lashed out against the United States because of what they perceive to be our policies. It's a distorted view of-- of what we are doing, first of all, and secondly, it's a very distorted view of Islam. And so a number of individuals--Shahzad, Najibullah Zazi, and others-- have been taken in by this rhetoric that is spewed forth. It's a-- it's a very murderous, venomous type of agenda that they have. Unfortunately, there are individuals who are attracted to that. And we have to find them. We got to stop them before they're able to carry out these attacks.

BOB SCHIEFFER: Do you have any idea how-- when he first started going back and forth? I mean, we know he's a naturalized citizen.

JOHN BRENNAN: Well, over the past decade or so he has been back and forth to Pakistan about a half dozen times or so. His most recent stay there was from the middle of last year until about February this year when he returned to the United States. It was during that period of time that he underwent this training and then he came involved in the TTP planning to carry out these attacks. We know the TTP-- TTP is a very dangerous organization. It's a terrorist organization that is determined to kill. It's killed many people within-- inside of Pakistan. The Pakistani military intelligence services have lost a lot of brave individuals who have been fighting the TTP. So that's why we have to stay very closely aligned with our partners overseas. This is a-- an organization as part of a broader umbrella group that will continue to try to lash out against us.

BOB SCHIEFFER: Well-- well, should not some sort of a flag gone up, somebody going over back and forth, did you say, six times?

JOHN BRENNAN: Well, eve-- every-- every day there are thousands upon thousands of individuals who come in and out of the United States, and many of them are-- are repeat travelers overseas. What we try to do is to take a look at those patterns of travel, see what other indications there might be that individuals are involved in the various activities. We have a robust system in place. We were able to put his name onto the watch list as soon as we found him. He was able to be pulled off of that plane before he escaped. So what we try to do is to create these redundant systems. And what we need to do is to take the lessons away from this as well as Abdulmutallab case and Najibullah Zazi case, and continue to refine our practices.

BOB SCHIEFFER: What are-- what are the lessons so far?

JOHN BRENNAN: Well, the lessons are: we need to-- as we instructed the airlines to do, every two hours now they have to update the no-fly list. In the past, they were updating it every twenty-four hours. But names come into the system. And so, thankfully, we did have the redundancy about when the manifest was filed, we were able to pulse that against a no-fly list. Now, airlines are required to have the updated list every-- every two hours.

BOB SCHIEFFER: Should not we have-- should not a flag have been raised when a man makes a-- a last-minute reservation? He, obviously, called the airline to make this reservation on the way to the airport and then laid down cash.

JOHN BRENNAN: Well, that's right. And it was minutes before he got to airport that it happened. So we're talking about within the course of a couple of hours. The system was able to take the information we were able to learn from the investigation, get it to the right people, be able to go to the airport, and stop that plane before he left. So it's-- you know, we're talking about a very time-compressed period here. Bringing together Homeland Security, FBI, other-- and intelligence, and bringing it together as fast as we can.

BOB SCHIEFFER: Well, if-- if somebody-- if I just called up and made a reservation an hour or so before a flight and walked in and paid cash, would that not trigger something or other, wouldn't that raise questions? I mean, in this country, we know it's very hard to buy a car for cash when people walk in with cash.

JOHN BRENNAN: Mm-Hm.

BOB SCHIEFFER: Don't we need to-- to do something on that front?

JOHN BRENNAN: Yes, well, we're looking at all of these different issues. And again we were talking about a period of just a couple of hours before he was able to get on that plane. We need to be able to respond rapidly. We need-- need to be able to bring to bear the capabilities we have, and so we're looking at what he did and how he we can tweak the system. We've already tweaked the system. We'll continue to do that so that we prevent these individuals from taking advantage of whatever opportunities there might be.

BOB SCHIEFFER: All right. Thank you, Mister Brennan, very much for coming to see us this morning. We really appreciate it.

We'll be back in one minute to talk about the Wall Street meltdown this week.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And we're back now with the chairman of the Banking Committee, Senator Christopher Dodd of Connecticut, the top Republican on that committee, Senator Richard Shelby. He is in his home state. He's in Tuscaloosa, Alabama, this morning. Senator Dodd, let me just start with you. This remarkable event Thursday--

SENATOR CHRISTOPHER DODD (D-Connecticut/Chairman, Banking Committee): Hmm.

BOB SCHIEFFER: --where suddenly the market drops nearly a thousand points in a matter of minutes. You had forty-dollar stocks going down to a penny and then bouncing back up to forty dollars. Do you or have-- has anyone been able to figure out yet what happened, what caused this?

SENATOR CHRISTOPHER DODD: Well-- well, not yet. I mean, I think, first of all it's important to say upfront here no one has come up with the answer, yet, as to why this has happened. But let me share a few things that seem to be emerging as people look more closely at it now for the last several days. High-frequency trading is a new phenomenon using these very fancy computers that can move in microseconds. The idea behind it was, of course, this would create greater fairness, take emotion out of trading, would work well for investors. But it didn't calculate. It's all math-driven is that, of course, when panic sets in and there's a lack of liquidity depth in these markets and a lack of circuit breakers in all exchanges. And this may be the-- I -- I think may be the answer we may discover. What happened in the midst of this is the New York

Stock Exchange began to slow down, had a circuit breaker. They realized something was happening. This was not market-wide. So you didn't have the circuit breakers in the other exchanges. And so you had a migration to these fast, high-speed computers in other-- in currencies, in Treasury bonds, and the like. And that created this spiraling down very rapidly that we saw. It looks to me that may be what's needed here, I don't know how Richard feels about this, but my sense is that we need to look at this market-wide circuit breakers. We're going to have hearings on this right away. I've asked Jack Reed, who's the chairman of the subcommittee dealing with the Securities Exchange Commission, the CFTC that-- Commodities Future Trading Commission needs to look at this as well. We need some answers pretty quickly on this issue. And because, obviously, we may talk about Greece as well, all the more reason why our hope is this bill that Richard and I have been working on for sometime, we can move along this week. We're trying to deal with systemic risk. This is an issue that raises systemic risk--

BOB SCHIEFFER: Mm-Hm.

SENATOR CHRIS DODD --the problems in Europe raise systemic risk. We need to get in place our bill, have the President sign it, so we have the tools to protect our economy from these kinds of events.

BOB SCHIEFFER: Because as you're saying what a lot of people don't understand now is that a stock listed on the New York Stock Exchange, you can actually buy it in other places.

SENATOR CHRIS DODD (overlapping): That's right.

BOB SCHIEFFER: So when the curbs set in on the stock exchange in New York, they weren't in place in these-- in these other places.

Senator Shelby, it seems to me this is like one of those science fiction movies where the robots takeover and-- and somehow the humans are trying to figure out what the robots are doing. How serious do you think this thing was? Could this have been disastrous, as it were?

SENATOR RICHARD SHELBY (R-Alabama/Ranking, Banking Committee): Absolutely. Bob, very serious. You-- you're absolutely right. I don't know if they're robots, but they're tech-- they're mathematicians and what they're doing, they're setting these programs up and they trigger at different levels. And a lot of these trades are done off the exchange now--high-speed trading as Senator Dodd referred to. I believe what's really happened is the technology has gotten ahead of the regulators, and the regulators have got to get ahead of the technology. That's going to be a big challenge down the road. Otherwise, we could have more of this.

BOB SCHIEFFER: Well, I mean, is-- is-- is this at an emergency level? I mean, do you need to do something immediately here, Senator Shelby?

SENATOR RICHARD SHELBY: I-- I-- as much as we can, I think that we'll know more as the forensic experts exact-- find out exactly what happened, what triggered this. But I have-- I have a hunch, but that's all a hunch now that some-- some program that was preprogrammed set this off or somebody set it off and there was no control of it. There were not enough circuit breakers off the New York Stock Exchange and others and we could have had a real catastrophe financially.



BOB SCHIEFFER: Well, Senator Dodd, I mean, should the SEC have been there, should-- should some enforcement agency have been ready to step in? I mean, I know it all happened so quickly. But isn't this is the warning that we got to change something here.

SENATOR CHRIS DODD: Absolutely. What you're getting in a sense is because in the midst of all of this, we had some of the best economic news we've had in years (LAUGHING). You had two hundred and ninety thousand jobs emerged in the month of April, hundred and twenty-one thousand additional jobs beyond what were the expectations were in February and March.

We had the best productive-- best job growth in the manufacturing sector since 1998. So here you had some great news. What you're getting is finance is getting detached from the real economy. And so you are getting sort of this casino environment that's appearing in our markets. It does not reflect what's going on in the real economy. You would have expected in those Thursday and Friday with good news coming up that the market would have been reacting to that news. Instead, of course, we had as a market tumbling out of control for seventeen minutes dropping a thousand points because we didn't have these things in place.

So clearly the SEC, the Securities Exchange Commission, needs to act. We need to-- they need to step up very quickly and let us know what happened here and what steps need to be taken. I don't think you need legislation in this area, my guess is. You need the regulators to step up and make sure that this high-frequency trading, this flash trading that's going on, which worries me, Bob, in a way because that-- that person in Hartford or in Birmingham, Alabama, who calls his broker to make a trade, they're disadvantaged in many ways over these fancy computers that can do it in a nanosecond, in a micro second. And-- and that clearly is something we got to take a look at.

BOB SCHIEFFER: Senator Shelby, and I'll ask both of you is-- do either of you have anything to suggest that this was a cyber attack? I know Bloomberg moved a story Friday saying that there was going to be an investigation into whether this might have been triggered on purpose by someone who was trying to make illegal profits? Do you have any idea that this was a cyber attack or that somebody was in here doing this with the criminal intent to make a bunch of money?

SENATOR RICHARD SHELBY: Bob, I have no information on that. We'll have to wait forensic evidence, but I-- I can tell you when you have these high-speed computers doing this and you have all these mathematicians programming these things to be triggered at a certain level, you got a high risk in the marketplace that something wrong-- could go wrong. And once it really goes wrong, it could be catastrophic.

SENATOR CHRIS DODD: This is in, by the way-- in-- in our-- in the bill that's before the Senate--

BOB SCHIEFFER (Overlapping): Yes.

SENATOR CHRIS DODD: --right now that Richard and I are working on. One of the areas that we have great agreement on I think is this whole idea, Bob, of having that early warning system, a radar system. Now I don't think we thought about this particular fact situation, but nonetheless where you've got a set of eyes, not just one set of eyes of the Federal Reserve looking over the horizon. What's going on out there? What's happening in the Greece or the Portugal or Spain? What's also occurring in things like this that are coming up?

That-- but look at this and say, you know, by the way, we have a problem out there. These circuit breakers only exist in one exchange. That shouldn't be the case. You shouldn't have a crisis like this happen before noticing that. Our bill is designed to deal with these early warning system (sic) that's a positive contribution.

BOB SCHIEFFER: All right. Well, I'm going to thank both of you very much.

SENATOR CHRIS DODD (Overlapping): Bob, thanks.

BOB SCHIEFFER: Again--

SENATOR RICHARD SHELBY (Overlapping): Bob.

BOB SCHIEFFER: --not much good news on this broadcast this morning on several fronts.

SENATOR CHRIS DODD: Yeah.

BOB SCHIEFFER: Thanks to all of you.

SENATOR CHRIS DODD: Thanks.

BOB SCHIEFFER: Be back in a moment with some final thoughts.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Finally today, the smart, powerful, sometimes cranky Democratic Chairman of the House Appropriations Committee David Obey has announced he is quitting Congress after four decades because he is, he says, bone tired.

We came to Washington the same year, 1969. And his announcement reminded me what a different world it was back then when members didn't go home every weekend to raise money and actually stayed in Washington and got to know one another. I can remember social occasions back then when Democrats and Republicans, who fought by day, actually enjoyed each other's company after hours. No more. They say such awful things about each other today. They're uneasy socializing and generally don't. Not long ago, for example, a staffer for a congressional leader actually asked if we could provide a private waiting room for his boss who was appearing on FACE THE NATION because the boss didn't want to share a waiting room with someone from the other party.

In the old days when an old war horse like Obey retired, members of the other party frequently said something nice if innocuous, but in Obey's case here's what happens today. The Republican National Committee spokesman took a final shot saying, it was understandable that the architect of the President's failed stimulus package has decided to call it quits. And Obey managed a parting shot as well. Not at Republicans but at his own party at the Senate his own party controls. He said one reason he was leaving was he decided there was just more to life than explaining the ridiculous rules of the Senate to angry, frustrated constituents.

In 1969, a House member wouldn't have said that either. But he might have thought it.

Back in a minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: That's it for today, and a Happy Mother's Day to all the moms and grand moms out there. See you next week.

ANNOUNCER: This broadcast was produced by CBS News, which is solely responsible for the selection of today's guests and topics. It originated in Washington, DC.