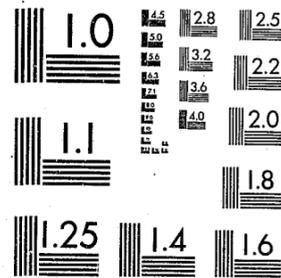


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National Institute of Justice
United States Department of Justice
Washington, D. C. 20531

4-23-82



National Cargo Security Program

A Report to the President

U.S. Department of Justice
National Institute of Justice

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March 31, 1981

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THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20591

March 30, 1981

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

Executive Order 11836 entitled, "Increasing the Effectiveness of the Transportation Cargo Security Program," assigned to the Secretary of Transportation the lead Federal role in working with industry on a voluntary basis to reduce the incidence of theft-related loss of cargo in transit.

The enclosed report describes the activities of the various elements of government and the transportation industry in this cooperative national program dedicated to the prevention of cargo theft.

This Order requires that I advise you annually on March 31 of the effectiveness of the program and that I give my recommendations for continuation or revision of the program.

We have no evidence to indicate that this Federal program has been effective in reducing the incidence of cargo theft. We conclude that private sector and local government activities are better suited to attack problems of theft.

Therefore, I recommend the Executive Order be rescinded and each agency concerned with cargo security act in accordance with its own statutory obligations.

Respectfully,

A handwritten signature in cursive script, appearing to read "Drew Lewis".

Enclosure

RECEIVED

AUG 01 1981

ACQUISITIONS

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SECTION I

INTRODUCTION

This is the sixth Annual Report to the President on the National Cargo Security Program required by Executive Order 11836 entitled, "Increasing the Effectiveness of the Transportation Cargo Security Program." The Executive Order, included on pages 3 and 4, requires the Secretary of Transportation to reduce theft-related losses in transportation, provide a report on the status of the cooperative Federal/industry effort, an evaluation of these efforts, and recommendations for the following year.

PROBLEM MAGNITUDE

The Transportation Association of America (TAA) reports in its annual "Transportation Facts and Trends" that over the past decade the United States has spent an average of nine percent of its yearly Gross National Product for the movement of freight. For 1979, the last full year in which TAA data are available, the Nation's estimated transportation freight bill totaled over \$203 billion, distributed as follows:

| | <u>DOLLARS IN BILLIONS</u> | <u>PERCENTAGE</u> |
|---------------------------|--------------------------------|-------------------|
| Motor Carriers ----- | \$156 | 77% |
| Railroads ----- | \$ 25 | 12% |
| Water Transport ----- | \$ 11 | 5% |
| Air Transport ----- | \$ 3 | 2% |
| Pipeline Transport ----- | \$ 6 | 3% |
| Other Shipper Costs ----- | \$ 2 | 1% |
| | \$203 | 100% |

From this distribution of the cost to move cargo and a composite average of the percent attributable to theft-related losses, a total in excess of \$1 billion is obtained.

This report will discuss what is being done to reduce this \$1 billion per year loss. A general section discusses and presents individual efforts by the Federal Government and by national transportation-oriented organizations. This is followed by individual carrier mode sections including loss data discussions. A summary contains the recommendations of the Secretary of Transportation for the period, March 31, 1981 through March 31, 1982.

THE PRESIDENT

EXECUTIVE ORDER 11836

Increasing the Effectiveness of the Transportation Cargo Security Program

Theft of cargo has emerged during this decade as a serious threat to the reliability, efficiency, and integrity of the Nation's commerce. The total cost of theft-related cargo losses from our Nation's transportation system is now estimated to be in excess of one billion dollars annually. These losses seriously erode industry profits, results in higher prices for consumer goods, and provide support for unlawful activities.

In recognition of this problem, the Secretary of Transportation, at Presidential direction, has provided leadership, guidance, and technical assistance in coordinating the efforts of Federal agencies and the transportation industry in the search for solutions. Through the cooperative efforts of the Federal agencies, an effective National Cargo Security Program has been developed and is now being implemented on a voluntary basis in cooperation with the transportation industry, and with the support of State and local governments, shippers, consignees, organized labor, and insurers.

To assure more effective Federal leadership in this effort, I am directing that certain additional responsibilities be carried out by the Secretary of Transportation, delineating the functions and responsibilities of the other Federal departments and agencies with respect to the National Cargo Security Program, urging full participation and cooperation in the program by the independent regulatory agencies and all Federal departments and agencies, and requesting the Secretary of Transportation to submit to me on March 31, 1976, a full evaluation of the effectiveness of the Federal program.

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered as follows:

SECTION 1. *Responsibilities of the Secretary of Transportation.* The Secretary of Transportation shall be responsible for:

(1) assisting the transportation industry by planning, developing, and testing cargo security measures and by providing technical assistance and arranging demonstration projects related thereto;

(2) coordinating the activities of Federal departments and agencies relating to the prevention of cargo theft, and studying means by which Government agencies can, through the procurement of transportation services, improve the cargo security programs of common carriers;

(3) collecting and analyzing cargo loss data for all modes of transportation, and preparing and publishing periodic reports on the extent and nature of theft-related cargo losses, local and national loss trends, and other special analyses useful to the development of theft prevention measures; and

(4) issuing, after coordination with the interested Federal departments and agencies and after opportunity for public comment, Cargo Security Advisory Standards for the prevention of cargo losses by any elements of the transportation industry, including shippers and receivers.

SEC. 2. *Responsibilities of the Attorney General.* The Attorney General shall be responsible for:

(1) developing and conducting programs designed to promote the coordination of Federal, State, and local law enforcement efforts against criminal activity relating to cargo thefts; and

(2) supporting, to the extent possible and appropriate, the provision of financial assistance to State and local law enforcement organizations for the establishment and maintenance of cargo theft prevention programs and for the investigation, prosecution, and prevention of cargo theft.

THE PRESIDENT

SEC. 3. *Responsibilities of the Secretary of the Treasury.* The Secretary of the Treasury shall be responsible for:

- (1) Fostering the security of international cargo in customs custody within ports of entry and in its movement and storage in bond;
- (2) Investigating the theft of cargo stolen from customs custody and, consistent with the responsibilities of the Bureau of Alcohol, Tobacco and Firearms, the theft of firearms, ammunition, explosives, tobacco, and alcohol;
- (3) Analyzing cargo theft reports to identify theft-conducive practices and theft-prone facilities employed in the handling of cargo controlled by the Customs Service at ports of entry, providing for the implementation of cargo security advisory standards with respect to that cargo, and initiating other corrective measures as appropriate; and
- (4) Coordinating with the Department of Transportation and other interested Federal departments and agencies measures being proposed to improve the security of cargo at facilities controlled by the Customs Service.

SEC. 4. *Recommended Actions by the Transportation Regulatory Agencies.* The Interstate Commerce Commission, the Civil Aeronautics Board, and the Federal Maritime Commission are urged, in exercising their regulatory responsibilities, to recognize and consider the problem of theft-related cargo losses and encourage preven-

tive measures, and to continue to cooperate with the Department of Transportation by:

- (1) Developing cargo theft reporting systems affording full opportunity for presentation of views by the public, the Department of Transportation, other interested Federal departments and agencies, and those elements of the transportation industry from which reports would be required;
- (2) Obtaining cargo loss data from carriers, freight forwarders, and terminal operators (including such information as cargo lost, missing, stolen, presumed stolen, or damaged as a result of theft); and
- (3) Providing the Department of Transportation with the cargo loss data collected in a form that will permit both general and detailed analyses and preparation of reports on an intermodal and national basis.

SEC. 5. *Recommended Action by Federal Departments and Agencies.* All Federal Departments and agencies, in their procurement of transportation services for goods and commodities, are urged to encourage carriers to adopt cargo theft prevention measures.

SEC. 6. *Report and Recommendations.* The Secretary of Transportation shall submit to me on March 31, 1976, and annually thereafter; a report evaluating and making recommendations concerning the effectiveness of the Federal program prescribed by this Order in reducing theft-related cargo losses.

THE WHITE HOUSE,
January 27, 1975.

[FR Doc. 75-2865 Filed 1-27-75; 5:22 pm]

FEDERAL REGISTER, VOL. 40, NO. 20—WEDNESDAY, JANUARY 29, 1975

SECTION II

GENERAL

FEDERAL EFFORTS

This section of the report will provide general background and efforts by both Federal and industry components, excluding specific accomplishments by mode. Specific modal programs will be discussed in the applicable modal section.

DEPARTMENT OF TRANSPORTATION

During the period 1969 through 1971, hearings before the Senate Select Committee on Small Business (SSCSB) documented the cost of loss of goods in transit as an unwarranted cost to small business and a pass-through cost paid for by the final consumer -- who has no voice to represent him regarding these costs. The Department of Transportation was severely criticized by Senator Bible (D-NV), then Chairman of the SSCSB, in an appropriations bill, because of its indifference to the cost of loss of goods in transit.

Shortly after this criticism, in June 1971, the DOT created an Office of Transportation Security to assist industry in reducing these losses through demonstration projects, publication of cost-effective loss prevention methods for use by companies in the private sector, and maintenance of a loss data system to assess yearly national trends in the success of a voluntary program.

This was done under the broad statutory authority in the Department of Transportation Act of 1966:

"... the general welfare, the economic growth and stability of the Nation and its security require the development of national transportation policies and programs conducive to the provision of fast, safe, efficient, and convenient transportation at the lowest cost consistent therewith and with other national objectives, including the efficient utilization and conservation of the Nation's resources."

In 1973-1974, both the House and Senate passed legislation to give DOT regulatory authority for this program, however, the Congress adjourned before the variances between the Senate and House Bills could be reconciled. The DOT response to this was to initiate and obtain Executive Order 11836, "Increasing the Effectiveness of the Transportation Cargo Security Program," signed by President Ford on January 27, 1975. The Order designates DOT as the lead Federal entity to work with other Federal Departments and Agencies and with the private sector to measure the impact of cargo loss annually and to develop voluntary cooperative programs to assist industry in reducing these losses.

As stated earlier, the yearly cost to the economy for theft-related losses of goods in transit remains in the multi-billion dollar range. Legislation which would require the DOT to issue and enforce regulations continues to be introduced into the 97th Congress. A GAO audit of the National Cargo Security Program was conducted and the results were published on March 30, 1980 (GAO-CED 80-81). The GAO concluded that the effectiveness of the program was marginal.

On December 3, 1980, Congressman Howard, (D-NJ) the Chairman of the Subcommittee on Surface Transportation, House Committee on Public Works and Transportation, held a one-day hearing on H.R. 655, titled "To provide a Comprehensive Program to Improve Cargo Security for Property being Transported in Interstate and Foreign Commerce."

The conclusion of that hearing can best be summarized by quoting the closing remarks of Congressman Pickle (D-TX) concerning the general problem of theft-related losses in the transportation industry:

"I end my plea with a request that the Public Works Committee consider . . . an indepth probe. You could either do it yourself, get the GAO to do it, or pass legislation creating a task force to do it. If the resulting concern leads to permanent legislation like mine, then good, if not, then so be it. At least the problem will have been reviewed by the Congress."

In consideration of the Congressional history on cargo security, and other relevant factors, it is time for a critical reassessment of the future potential of the cargo security program as it is now constituted under Executive Order 11836. The problem of theft-related cargo loss, expressed in dollars, continues to be about one billion dollars in direct cost annually. Data presented later in this report shows that the accepted industry measure of theft-related cargo loss, the ratio of theft dollars to operating revenue dollars, seems to remain about the same, notwithstanding DOT led programs and activities to reduce it. In addition, consideration must be given to the recent Congressional action on the FY 81 appropriation request for DOT cargo security program funds which was reduced to zero and based on OMB guidance will be continued at a zero level for FY 82. The GAO report,

previously cited is a third major influencing factor. It pointed out the budget restraints, the limited cargo security office staff, a minimal interest on the part of industry in participating in the DOT-led efforts, and the conclusion that the magnitude of the DOT loss data was overly conservative and not truly representative of the problem. Considering these factors, the GAO finally concluded that the DOT staff could realistically do little to promote cargo security.

The DOT is aware that industry is concerned with theft of cargo and is continually adjusting its operations in an attempt to reduce the incidence of theft. Further, results from the city campaign program indicate that solutions to most problems are local in nature and are most effectively handled by local industry groups and local law enforcement communities. Federal assistance in other than general technical assistance may in fact be detrimental to these local solutions.

Field Program

For the past year the National Cargo Security Program has concentrated its efforts to assist industry in reducing theft-related losses in three major areas. They are educational and motivational in nature and consists of a modified field program, a training program and a data program.

As early as 1973, the Department of Justice realized the need for field representation in the United States Attorney's Office to deal

with the transportation losses. This was the beginning of the field program called the "City Campaign" project. The effort was led by the U.S. Attorneys and structured around a forum concept which provided a means for members of local law enforcement agencies, local attorneys and industry to meet and discuss their mutual problems of cargo security.

The signing of Executive Order 11836, "Increasing the Effectiveness of the Transportation Cargo Security Program," on January 27, 1975, shifted the leadership of the cities program to the DOT. In early February 1975, a meeting hosted by the Department of Transportation and including U.S. Attorneys from 15 major cities, formulated the structure and direction of the DOT program officially designated the "City Campaign."

Throughout FY 80, it became evident that the City Campaign Program as originally structured in February 1975 could not survive. It has become evident from discussions with industry leaders and other elements associated with the City Campaign Program that cargo loss remains an important problem and that any program to combat these losses must ultimately reach down to the local or metropolitan level. It was also made clear that the key ingredient for success of such efforts is directly related to the commitment of the private sector and local government activities and their capability to deal effectively with the problem. Thus, the field program was redirected to one dependent upon private sector commitments and activities initiated from local industry and community groups.

The following are the most significant inputs received describing field activities for the past year:

Baltimore:

"The anti-cargo theft bumper sticker project funded by the Department of Transportation as a demonstration project, was formally initiated in February. A "kick-off" ceremony at Dundalk Marine Terminal in Baltimore attracted a large number of representatives from carriers, stevedoring companies, shippers, the State, and perhaps most importantly, the ILA. The event was covered by the Baltimore newspapers and one television station. An article latter appeared in "Transport Topics." Since then, requests for stickers and/or information have been received from a number of carriers and trade organizations in several States and Puerto Rico.

As a natural follow-up to the bumper-sticker project, we have funded a small billboard project in the Dundalk and Locust Point Marine Terminals of the Maryland Port Administration. The State has erected eight billboard structures in conspicuous locations. The projection and placement of posters on the structures was DOT funded. The billboards present a large size reproduction of the bumper stickers and are changed as the new bumper sticker slogans are distributed. This project will conclude in mid-1981."

Chicago:

"The law enforcement subcommittee is represented by 17 police and prosecutive agencies and associates in Northern Illinois. A close relationship has been formed with the U.S. Attorney's Office to help with the prosecution of cargo theft-related crimes. Through the subcommittee, the channel of communication has been opened throughout the transportation industry and law enforcement. An example, is a program established by the Chicago Police Department to discuss mutual problems and assist each other with solutions."

Dallas:

"Dallas had a relatively successful year with both good interest and participation by Steering Committee Members. A Cargo Security Seminar held in the fall of 1979 was very successful, bringing shippers and receivers, carriers and law enforcement personnel together to discuss cargo loss/theft problems. There was almost unanimous opinion that additional workshops and seminars were needed to provide information and education concerning employee screening; packaging, labeling, invoicing and identification of shipments; theft prevention strategy; and approved legislation to deter theft. In response to this concensus, a follow-up workshop to address the above issues was held on June 30, 1980, at the Braniff Airline facilities at Dallas/Fort Worth Airport. This workshop was attended by 59 people representing shippers, carriers, receivers and law enforcement personnel. The program included the Vice Chairman of Braniff International, and the workshop sessions were led by individual steering committee members representing Texas Instruments, Central Freight Lines and the Dallas Police Department."

"Based on comments received from participants of this workshop, it was decided to sponsor another Cargo Security Seminar on December 1, 1980. This was an all-day seminar focusing on such topics as case histories of cargo claims, discussion of the features of House Resolution 655 before the House of Representatives concerning transportation security, crime and theft related to cargo security, prosecution of cargo theft cases, and a panel concerning "do's and don'ts" of employee screening. The seminar featured

Congressman J. J. Pickle, sponsor of cargo security legislation; the Assistant U.S. Attorney for Fort Worth, Texas; Director of Safety and Security of Jerrell, Inc., Dallas, Texas; a representative from the Equal Employment Opportunity Commission; a representative from the Fort Worth Human Relations Commission, and a consultant involved in employee screening activities. This seminar attracted 83 attendees from whom we received comments that such information and educational seminars are very worthwhile and should be continued."

Houston:

"Cargo theft in the Port of Houston has increased by approximately 30% over 1979. The value of cargo lost was approximately \$12 million in all modes. The majority of theft occurs in trucking mode. To combat this problem, local officials have taken the following action:

- a. Houston Police have established a new cargo theft branch with full-time officers at each of the modes (1 airport, 2 port authority, 2 railroad, and 2 trucking).
- b. Houston Port Authority now has a 24-hour central dispatch capability for their security force.

There has been increased cooperation and involvement by several agencies: USCG, Customs, FBI, Port Authority and Police. Last summer this unit and Houston Police Department succeeded in stopping a large theft operation of bulk fuel from barges. The operation is still under investigation by the U.S. Attorney."

New York:

"The New York/Newark Steering Committee sponsored a one-half day seminar for various law enforcement jurisdictions in the Northern New Jersey area on March 11. Held at the Port Authority facilities at Port Newark, the seminar was attended by the Chiefs of Police and/or their Deputies and the Chiefs of Detectives of most of the law enforcement jurisdictions in Essex, Union and Hudson Counties. The purpose was to introduce these key law enforcement officials to the whole area of cargo security and to obtain their support for sending working-level police to a subsequent one and one-half day seminar.

The first of the one and one-half day law enforcement workshop sessions was sponsored by the New York/Newark Committee at IONA College on May 6 and 7. Approximately 56 law enforcement officers from the New York City Police Department, Greenwich, Connecticut Police Department, the Westchester County Police Department and a number of other local police departments in the Westchester County area attended. The purpose of this longer workshop, similar to those that had been conducted in other parts of the country, was to acquaint members of the smaller police jurisdictions with approaches, methods and contacts in the cargo security area that they may not have been aware of. Response from the attendees indicated that this was a much needed and very useful workshop.

A similar workshop was held on October 15 and 16 for the Northern New Jersey police jurisdictions. Approximately 65 representatives of these police departments attended the session.

In November 1980, the New York/Newark Committee published a 60-page booklet entitled, "Guidelines for the Maintenance of Air Cargo Security." Based in part on the experience of the Port Authority of New York and New Jersey and the Airport Security Council at Kennedy Airport, the booklet provides a blueprint for establishing effective cargo security in the air freight industry. Copies of the guidelines were sent to airport and air carrier management throughout the country."

Training Program

The DOT has developed and presented 13 seminars for local law enforcement officers for their education in the movement and accountability of goods moving from shipper to receiver. Each seminar is one and one-half days in length/no cost to the attendees and held at no cost to DOT other than staff support. These programs are aimed at focusing the attention of the transportation industry, shippers and others on the problems of theft of cargo.

Data Program

Executive Order 11836 directs the Secretary of Transportation to collect, analyze and publish reports on the extent, nature and trends of theft-related cargo losses. It urged ICC, CAB and FMC, in exercising their regulatory responsibilities, to collect cargo loss data from carriers and provide it to DOT.

From 1972 through 1976, CAB collected and published air cargo loss data. Available to DOT was such information as the extent of theft-related claims paid by each airline and the entire industry, those commodities being stolen and at what airport the thefts occurred. CAB curtailed its

reporting requirements in 1977, and in 1978 completely dropped air cargo loss data reporting. The data presented in the 1979 report was projected from the last previous year of data while for this 1980 report, national level data has been estimated from discussions with the Air Transport Association and the New York/New Jersey Airport Security Council.

The DOT has never been able to obtain cargo theft data from the maritime industry because there has been no regulatory requirement for that industry to report their losses. As a result, the DOT in the past has published data based on U.S. Customs Services's national summaries of theft-related losses for imported cargo handled by Customs. This source has now been cancelled.

From 1972 through 1980, the ICC collected and published quarterly freight loss and damage data from major regulated motor carriers of general freight. Effective January 1, 1981, this requirement for data was cancelled. Similarly, the ICC collected rail data from 1975 through 1980. This, too was cancelled on January 1, 1981. To fulfill the void left by this discontinuance of data collected by the ICC, the ATA's 1200-carrier National Freight Claims Council has agreed to continue reporting loss data on a voluntary basis in a format and content suitable to the members of the NFCC. This effort will be entirely voluntary by the NFCC and the members have indicated an almost unanimous desire to continue to collect and report freight loss information through the NFCC.

Recently, about 30 major air carriers were briefed on this NFCC data program. Their interest was renewed and it is expected that the air carriers will also continue their freight loss reporting on a voluntary basis.

Also, the Association of American Railroads will provide the DOT with their annual claims loss reports which contain theft-related loss information.

DEPARTMENT OF JUSTICE*

The responsibilities of the U.S. Attorney General regarding cargo security are spelled out in Section 2 of the Executive Order 11836, as follows:

"(1) developing and conducting programs designed to promote the coordination of Federal, State, and local law enforcement efforts against criminal activity relating to cargo thefts; and

"(2) supporting, to the extent possible and appropriate, the provision of financial assistance to State and local law enforcement organizations for the establishment and maintenance of cargo theft prevention programs and for the investigation, prosecution, and prevention of cargo theft."

During 1980, the Department of Justice has made progress in coordinating the efforts of Federal, State and local law enforcement organizations in the investigation and prosecution of cargo thefts and other dual jurisdictional offenses.

*This portion of the annual report was submitted by the Department of Justice.

United States Attorneys

In the past year, United States Attorneys have established or participated in Federal-State Law Enforcement Committees or existing State or local prosecutor groups in 42 states. The principal purpose of these committees is to increase the enforcement of dual jurisdiction offenses such as cargo theft.

As an adjunct to the Federal-State Law Enforcement Committee Program, the Executive Working Group for Federal, State, and Local Prosecutorial Relations was established in December 1979. This Executive Working Group is to encourage and enhance the efforts of the Federal-State Law Enforcement Committees and other forms of intergovernmental liaison.

The Executive Working Group met four times during 1980. Various aspects of concurrent jurisdiction offense enforcement and Federal grants for local criminal justice legislation issues were discussed. Significant progress was made in prosecutor participation in joint training programs and the impact of the Federal protected witness program on local prosecutors, Federal investigative support for local prosecutions, prosecutorial cross-designation and communications channels among State prosecutors, local prosecutors and personnel of the various components of the Department of Justice.

To achieve greater enforcement of cargo thefts and other dual jurisdiction offenses, the Institute of Law and Social Research (INSLAW) is conducting a study under a contract with the Department of Justice to determine the number of dual jurisdiction cases, including cargo theft cases, originated by Federal Agencies which are referred to State or local law enforcement agencies for prosecution. This study will also endeavor to

determine whether or not some mechanisms for referrals of cargo theft and dual jurisdiction offenses are more successful than others.

In addition, the INSLAW study will determine the manner in which these dual jurisdiction case referrals are handled at the State and local levels, including the development of information relating to final disposition of these cases. Finally, the study will determine whether a significant number of violators are escaping prosecution at both the State and local levels. Upon completion of this study in June 1981, the Department will take appropriate actions to carry out the study's conclusions and recommendations.

Several United States Attorneys continue to participate in local cargo security groups to promote increased enforcement of cargo theft cases. Certain United States Attorneys have entered into formal understandings with their State and local counterparts for the prosecution of cargo thefts and other high volume dual jurisdiction offenses. The United States Attorneys have continued to concentrate their prosecutive efforts in the cargo theft area on multi-State cargo thefts and fencing ring activities which have significant interstate impact.

Federal Bureau of Investigation

Within the limitations imposed by national priorities and available resources, the FBI, during the past year, has continued to emphasize a Top Thief Target Program as one of its primary techniques to effectively combat the efforts of thieves, fences, and organized criminal groups involved in cargo theft-related matters.

Use of the undercover technique has met with notable success in many cases. One example is an undercover operation code named "Applejack," which was conducted in the Brooklyn/Queens, New York area and culminated in 1980. This operation targeted individuals who have organized crime connections and who are preying upon the trucking industry. Through the use of one undercover Special Agent of the FBI and the expenditure of \$22,500 in funds to buy stolen property, this undercover operation recovered property totalling \$249,120 and is anticipated to result in convictions of 27 individuals.

FBI investigations in the Property Crimes Program during Fiscal Year 1980 resulted in \$100,458,921 in recovered stolen property, \$59,904,410 in potential economic losses prevented, and convictions of 1,235 persons.

Joint investigative efforts with other State and Federal law enforcement agencies, refinement of sophisticated investigative techniques including use of electronic surveillance equipment and undercover operations, and liaison with the private sector are the principal elements in the FBI's program to address cargo theft.

DEPARTMENT OF THE TREASURY*

The Department of the Treasury participates in the fight against the problem of cargo theft. The United States Customs Service and the Bureau of Alcohol, Tobacco and Firearms, as parts of the Department of the Treasury, have made the following contributions to the National Cargo Security Program:

*This portion of the annual report was submitted by the Department of the Treasury.

United States Customs Service

During the past years, the Cargo Theft Prevention Program has felt the effects of an expanding workload combined with a static personnel level. Several projects -- Cargo Security Surveys, Cargo Security Awareness, Cargo Theft Personnel Training, and Cargo Security Standards and Equipment -- experienced cutbacks, as Customs had to adopt an increasing selectivity in mission. Now these projects are carried out in a maintenance mode, at best, with no new initiatives. As shown by Table I, this may be an expensive course to follow.

Through September 30, the Customs Service conducted 259 cargo security surveys. The dollar value of voluntary improvements in physical and procedural security induced by these surveys was almost \$5 million.

TABLE I
CARGO THEFT STATISTICS
IN AND BETWEEN PORTS OF ENTRY

| | | 1978-79 | 1979-80 |
|----------|--------|-----------|-----------|
| October | Thefts | 151 | 170 |
| | Value | \$196,872 | \$225,694 |
| November | Thefts | 146 | 180 |
| | Value | \$234,276 | \$426,600 |
| December | Thefts | 172 | 160 |
| | Value | \$231,323 | \$466,014 |
| January | Thefts | 148 | 226 |
| | Value | \$201,351 | \$831,002 |
| February | Thefts | 146 | 216 |
| | Value | \$192,627 | \$623,397 |

SOURCE: U.S. CUSTOMS SERVICE CF-153

The Office of Investigations investigates the illegal removal of cargo from Customs custody and control.

Customs is committed to detect, apprehend, and bring to prosecution the groups that are stealing merchandise. To carry out this mission, the following general current trends and constraints have to be addressed:

- Cargo importations are up
- The number of facilities handling imported cargo are up
- The number of licensed carting firms are up
- The value of imported merchandise is up
- The number of thefts are up
- The value of the merchandise stolen is up
- The resources and manpower committed to combat cargo theft are down

The Customs Service's Theft Information System (TIS) analyzes data collected from CF 153 and supplies up-to-date information on cargo theft trends, qualities, commodities, values, places and dates. Table II is an example of these data.

TABLE II
NATIONAL SUMMARY OF VALUE OF MERCHANDISE STOLEN/RECOVERED

First Quarter FY 1980

| Regions | No. of Thefts | Value of Mdse Stolen | Value of Mdse Recovered |
|---------------|---------------|----------------------|-------------------------|
| Boston | 3 | 17,937 | 0 |
| New York | 210 | 622,036 | 3,360 |
| Baltimore | 56 | 31,615 | 9,200 |
| Miami | 113 | 149,649 | 454 |
| New Orleans | 7 | 18,073 | 5,290 |
| Houston | 41 | 34,240 | 5,713 |
| Los Angeles | 45 | 180,409 | 1,965 |
| San Francisco | 13 | 3,264 | 0 |
| Chicago | 22 | 61,112 | 24,000 |
| TOTALS | 510 | 1,118,335 | 49,982 |

SOURCE: U.S. CUSTOMS SERVICE TIS

Specific trends and constraints that impact on cargo theft investigations include:

- Organized Crime and Racketeering (OC&R)
- Internal Conspiracy
- Supervision of the Theft Information System
- Statistics and Studies of a Major Port

There has been an increasing number of investigations involving OC&R in receiving stolen merchandise and fencing the merchandise to businesses associated or controlled by OC&R.

Intelligence indicates that some employees of importing carriers and the transportation industry conspire to commit thefts of selected merchandise. Organized crime will steal (hi-jack) or cause to be stolen commodities with a high current market value. High priority items for OC&R are firearms, clothing, meat, precious metals and jewelry.

In February 1980, the TIS was suspended due to budget constraints. This impacted heavily on Border operations and cargo security programs. Statistics are not available to indicate problem areas that need immediate attention.

For many years, Customs has required the use of Customs seals to protect the integrity of merchandise moved under its custody. In the past, the purpose of these seals has been merely to identify whether unauthorized entry was made into the conveyance.

In 1975, Customs began the development of a high security seal program destined to not only identify, but also prevent unauthorized entry, with a view to reducing theft. Four brands of special tamper-proof seals have been approved.

During 1977, the Customs Regulations were changed and carriers may now be required to use high-security seals in locations and on routes where high theft losses occur. Customs has prepared a new set of seal standards based on international guidelines. These new standards are now in the review process before Federal Register publication.

Bureau of Alcohol, Tobacco and Firearms

The Bureau of Alcohol, Tobacco and Firearms initiated its Firearm Interstate Theft Project in July 1973. Under this program, BATF attempts to locate stolen firearms, return them to their rightful owners, and perfect a criminal case against those responsible for the thefts.

No provision of the Gun Control Act of 1968 requires that thefts or losses of firearms or ammunition be reported to any Federal, State, or local law enforcement agency. BATF relies upon the cooperation of carriers to notify the Bureau of all thefts or losses of firearms moving in interstate commerce.

Upon notification of a theft of firearms from interstate shipment, BATF immediately initiates an investigation which includes notifying the local police department and the local FBI office of the incident, and entering all identifying data into the National Crime Information Center (NCIC) without restriction as to the number of firearms or financial losses involved.

During the calendar year 1980, BATF received over 1000 theft reports from carriers throughout the country.

Prompt and accurate reporting of all interstate firearm losses by the carriers is the necessary catalyst to enlist BATF aid.

TRANSPORTATION REGULATORY AGENCIES

The recommended actions by the three Transportation Regulatory Agencies are set forth in Executive Order 11836, Section 4. The authority of these three regulatory agencies are modal: ICC regulates railroads and motor carriers; CAB regulates airlines, and FMC regulates water carriers. Accordingly, these three agencies were queried for their specific comments on the National Cargo Security Program. All three had no comment to make on their fulfillment of the Section 4 urging for involvement.

DEPARTMENT OF DEFENSE*

The Department of Defense's (DOD) single manager operating agency for military traffic, land transportation and common-user ocean terminals is the Military Traffic Management Command (MTMC). MTMC influenced approximately \$2 billion of the DOD transportation costs in 1980.

MTMC works with the commercial carriers to increase security awareness, particularly the need to protect sensitive and classified shipments.

MTMC extended the policy of assistance to commercial carriers moving explosives, hazardous materials and sensitive shipments on a Government Bill of Lading. Commanders of military installations and activities are authorized to grant refuge when this material is endangered by civil disturbances, natural disasters or prevented from proceeding to destination by circumstances beyond the control of the carrier. The previous "safe haven" provision limited assistance to carriers transporting Class A and B explosives during carrier strikes, periods of major civil disorders or natural disaster emergencies.

*This portion of the annual report was submitted by the Department of Defense.

The agency provided speakers and panelists on safety and security of DOD shipments at Association of American Railroads' meetings, the National Munitions Carriers' Conference and the 1980 National Cargo Security Conference.

A particular transportation security problem arose with the development of the XMI tank. Prior to the development of the XMI, movement of bulky classified materials via rail required the military to furnish guard escorts. The alternative was to move such items by truck after dismantling them into two or more pieces. Both of these procedures were very costly. During the summer, MTMC, with the railroad industry, established the concept of Tank Surveillance Service (TSS). This new security procedure, similar to Rail Surveillance Service, prescribes seal and railcar inspection within one hour after each stop, and reinspection once each hour thereafter. In addition, TSS requires Passage Reports every 24-hours through the Association of American Railroads to MTMC and the shipper, alert procedures to be followed should external armor be penetrated, and inspection of hatches, skirts and equipment boxes. TSS is based on the concept that the tank itself is a security container and, as such, it provides the security of those items within it. This service eliminates escort guard requirements and makes CONUS-wide movement of the XMI tank a more practical reality. TSS can be provided for the same thirty cents per mile cost as Rail Surveillance Service. It therefore produces a balance between security and operating efficiency and allows the railroads to provide a valuable service at a cost consistent with budgetary constraints.

UNITED STATES POSTAL SERVICE*

The United States Postal Service's objective during 1980 was to closely monitor all security programs to ensure that the level of security provided each project was commensurate with the threat potential associated to the property and to take corrective action whenever a potential weakness appears.

The Twist Wire Seal Program continues as the most cost-effective locking system for securing cargo doors on highway motor vehicles and railroad cars transporting mail. The twist seal and a numbered tin band seal are applied to each door latch, the twist wire serving as the locking device, while the numbered seal is for accountability control.

The consecutively numbered tin band seals are engraved with USPS identification and issued to designated employees who must account for each seal. Prior to sealing a vehicle, the employee records the seal number(s) on a three-part form using a credit card type imprinter. A copy of the form is enclosed inside the cargo area, the second copy is furnished the dispatching supervisor on duty, and the third copy is filed with the cargo dispatching forms. The numbered seals and twist seals are then affixed to all cargo doors.

Upon arrival at its destination, that office verifies seal number(s) with information shown on the card(s) inside the cargo compartment after seals are removed. Final numerical verification with the copy held by the dispatch supervisor assures the integrity of the cargo. While the numbered seal program is intended primarily for cargo security, it is used to seal some containers and anywhere else an accountable, numbered seal is required.

*This portion of the annual report was submitted by the United States Postal Service.

Ongoing research and development in the containerization field has produced a selection of containers suitable for USPS's varied needs. During 1980, USPS purchased and assigned 750 lockable, high-impact molded plastic containers, in two sizes, to enhance in-transit security of registered mail. Through the use of these containers and those leased from the airlines for air dispatches, USPS has the capability of loading and transporting processed mail locally and/or cross-country with little or no unauthorized access in transit. Some experimental and authorized containers currently in use include: modified palletainer; wheeled distribution cases; bulk/pouch containers; canvas basket covers; hamper pouches and cardboard letter trays. Customized USPS containers and more than 15 assorted sized and shaped airline containers are currently in use to protect mail in transit.

The USPS CON-CON program to concentrate registered mail and convoy it to and from planeside continues. Through the increased use of the containers described and the constant attention given to security at mail facilities at the various airports, USPS has significantly reduced the need for armed escorts to planeside. In many instances, unarmed postal employees accompany the registered mail for accountability purposes.

Other programs in operation include police and fingerprint checks of all contract mail haulers, the use of armored postal vehicles for special cargo and the Routemaster Vehicles Protection Anti-Hijack System, which disables a vehicle's ignition system if the driver deviates from the pre-programmed route. Also in use are the in-vehicle security box

program and the numerical truck top marking of radio equipped postal vehicles used in the transportation of high-value shipments. These vehicles can be monitored by police helicopters during convoy shipments.

INDUSTRY EFFORTS

NATIONAL CARGO SECURITY COUNCIL/TRANSPORTATION ASSOCIATION OF AMERICA*

The National Cargo Security Council (NCSC) is a non-profit organization dedicated to the improvement of transportation cargo security. Established in 1971, under the sponsorship of the Transportation Association of America (TAA), it has engaged in a multi-year cooperative industry/government program towards this goal. The Council members represent all modes of transportation, as well as freight forwarders, the insurance industry, and other concerned private sector interests.

TAA is a national non-profit organization with a membership comprised of users, investors and carriers as well as other components of the transportation community. The TAA's purpose is to serve as a forum wherein the various interests comprising its membership may reconcile their divergent views on transportation policy applicable to issues of general importance. Its role in establishing and helping maintain the Council is a reflection of its strong policy in support of an effective cargo security program.

Cargo Security Education

With the realization of the need for strong education efforts to broaden public understanding of the cargo security problems confronting

*This portion of the annual report was submitted by the National Cargo Security Council/Transportation Association of America.

this Nation, a series of seven comprehensive and well-attended conferences have been held since 1971 under the co-sponsorship of the Council and DOT.

In Addition, the Council has placed a high priority on educational efforts at the regional and local levels, through the encouragement of conferences, seminars, demonstrations, and local public information programs.

Access to Records

TAA continues to believe that a major impediment to the industry cargo security program is the constraint on effective pre-employment screening of applicants for jobs which offer access to valuable freight. It, therefore, recommends that, with appropriate safeguards to protect individual privacy, criminal records information be made available to employers for pre-screening. With 80-85% of cargo thefts taking place with the connivance of carrier employees, access to criminal records of prospective employees would be a significant step in enhancing industry's ability to protect itself against cargo thefts.

Data Collection and Dissemination

One of the most useful tools in a program to reduce cargo theft and pilferage is to possess the best possible knowledge of the dimensions and scope of the problem. Departmental cooperation with industry is encouraged to maximize this vitally needed resource. For example, the lack of maritime-related loss and damage data has been noted as a significant deficiency in the National Cargo Security Program. The DOT should provide renewed vigor and leadership in developing a solution to this long-standing problem.

It appears the Civil Aeronautics Board and Interstate Commerce Commission involvement in this data compilation activity has been or will be discontinued. The DOT should continue its program of analyses and dissemination of cargo security data supplied voluntarily by the air, motor and rail transport modes.

The Council will continue its efforts to support such a data collection and dissemination program, by seeking better ways to collect good and credible cargo loss and damage information from all transport modes. As reflected in the reports being submitted to DOT by the modal associations, a wide variety of educational programs have been pursued during the past year. They involved the user, investor, carrier components of the transport industry, and government officials concerned about cargo security problems.

Voluntary Program

Both the National Cargo Security Council (NCSC) and Transportation Association of America (TAA) strongly support the voluntary government/industry cooperative program which has been in effect now for almost ten years. As TAA advised Chairman James J. Howard (D-NJ) of the House Subcommittee on Surface Transportation, some months ago, "It is our conviction that the imposition of a mandatory regulatory scheme on industry would be counter-productive. We submit that substituting a system of rigid regulations would impede rather than encourage future progress and unnecessarily impose significant administrative and cost burdens on the transportation industry, which is not the perpetrator of cargo theft and pilferage but rather the victim."

City Campaigns

TAA long supported the "City Campaigns" as a key to strengthening the cargo security program. It urged the Senate Appropriations Committee to fully restore funds disapproved by the House for the Office of Transportation Security. TAA, regrets final Congressional action necessitating termination of the "city campaigns." At the same time, TAA endorses the Office of Emergency Transportation for its decision to continue field programs through an individual council approach and to provide facilities and administrative support. With industry's full support, TAA looks forward to meaningful progress at the local level as essential for an effective cargo security program.

SHIPPERS NATIONAL FREIGHT CLAIMS COUNCIL (SNFCC)*

The Shippers National Freight Claims Council is a trade association representing primarily shipper and receiver interests who seek to reduce transit losses and improve freight claim procedures. Its membership includes over 700 shippers and receivers, as well as 100 transport carriers of all modes.

SNFCC has been a member of the National Cargo Security Council for several years and because of this membership, SNFCC emphasizes a common area of concern, namely, the reduction in the availability and usability of cargo loss and damage statistics compiled by the carrier modes. The Civil Aeronautics Board and the Interstate Commerce Commission have steadily discontinued their programs for the collection, analyses, and dissemination of such data, leaving only the Department of Transportation to carry out this vital function.

*This portion of the annual report was submitted by the Shippers National Freight Claims Council.

In the meantime, SNFCC has encouraged its members to take all possible steps to reduce the risk of cargo loss and damage. Claims prevention workshops have been held and were well attended by shippers and receivers, with special emphasis on packaging, labeling, employee processing and other management techniques.

SNFCC will continue on behalf of shippers and receivers to: encourage cargo liability and security programs; participate actively in the work of the National Cargo Security Council and offer special educational and training programs in this field.

Assured of carrier cooperation in this vital area, SNFCC is confident that the continuation of the voluntary government/industry cargo security program would be much more preferable to any system of government-mandated regulations and standards. This is, in essence, a private sector problem, but it cannot be effectively managed without government assistance of the type which the Department of Transportation has provided.

OTHER INDUSTRY INPUT

Several organizations responded to the Department of Transportation call for input regarding cargo security and its impact on their organization. The following are quotes taken from these organizations:

Air Line Employees Association, International:

"On behalf of the Air Line Employees Association, International, I would like to extend our endorsement to your Cargo Security Area Council Program. Our organization will always support any action that is aimed at minimizing cargo losses which does not infringe upon

the individual employee's rights. We will not support any member who engages in illegal activity; however, we will defend any member who denies or is unjustly accused of any wrongdoing."

National Association of Stevedores:

"One problem in cargo security efforts arises from the activities of local law enforcement agencies and the courts to prosecute and punish known thieves. In some areas prosecution is less than adequate, and in many instances a convicted thief is given probation or a light sentence and soon reappears at the same place and in the same capacity as he was when first apprehended.

NAS member companies are very much concerned about cargo losses and thefts and are actively doing what private industry can do to prevent it. However, private industry's resources are limited, and we believe that cargo security is a joint responsibility of management, labor, and law enforcement agencies. All three must be actively involved as anyone can defeat the efforts of the others by inaction or lack of interest."

Council of American-Flag Ship Operators (CASO)

"Council of American-Flag Ship Operators (CASO) is a national association representing a majority of the United States-flag liner operators. CASO members own and operate 151 liner vessels in the domestic and foreign trade of the United States. CASO members continue to take a significant interest in the voluntary National Cargo Security Program. We were disappointed to learn of a recent reduction in funding

for the Program, resulting in the possible elimination of the City Campaigns. Our members do, however, intend to continue their involvement in whatever voluntary Cargo Security Program remains. Although statistics are difficult to come by, our members believe that theft-related losses continue to decline gradually."

SECTION III AIR TRANSPORT

The air cargo industry moves only about two percent of all the freight within the United States, even with the growth the industry has experienced over the past two decades. Year-end reports indicate that the revenue ton-miles have continued a recent deteriorating trend in the domestic market - the volume dropping almost six percent during 1980.

Whether airlines make money on freight operation is almost impossible to determine. Methods of allocating air freight costs vary, making industry freight revenue results unclear and comparisons between individual airlines almost impossible. It is generally felt that the recent years have produced lean profits freightwise as fuel and labor costs have soared, cargo-carrying capacity has risen, - and shipper demand has been down. This is in direct contrast to 10-12 percent expansion in the sixties and early seventies.

Most of the air freight handled today is in combination passenger/freight flights during the day. Trunk carriers have cut the use of all-freighter aircraft to concentrate freight on passenger-freight flights.

Small shipments continue to show a tremendous growth curve with most carriers. Estimates indicate that over 20 percent of all shipments consist of packages weighing less than 25 pounds. Handling costs vary directly with number of pieces handled, but only marginally with per package weight. Lighter packages do not necessarily mean more revenues. More packages mean more revenue but more labor costs and increased chances for theft and pilferage.

Today, forwarders attempt to become airlines while the existing airlines have gone into ground handling. The forwarders thus lose their flexibility, and the airlines step into the many problems of handling freight. Forwarders now handle about 50 percent of all domestic air cargo business. This has come about since the deregulation act when the forwarders got the right to fly their own planes - and a large segment of them have taken advantage of this authority.

The effects of the recent deregulation trends had been a thorny one because many different things have happened and all have not been determined as good or bad for the carriers or their customers. Many new carriers have entered the field who may not have as much interest in security awareness as others have had -- and still do. Carriers must still advise the Civil Aeronautics Board their intentions of new routes and rates - but decisions now come quicker. Schedule approvals are no longer required and many all-cargo flights have been cancelled. Those points worry some shippers who may now consider using other modes.

The majority of air freight shipments will continue to be confined to time-sensitive goods, perishable items and goods with high value per unit of weight. And these criteria, are the very ingredients for the heavy theft-related losses that have occurred in the industry during the last twenty years. However, over the years, the airlines have concentrated on security awareness to the point where theft-related losses are the lowest per dollar of revenue than any other domestic transportation mode.

FEDERAL ACTIONS

The Federal Aviation Administration enforced mandatory passenger security measures aid in the protection of air cargo.

The FAA has developed an Advisory Circular which describes security procedures that indirect air carriers, such as freight forwarders, should follow when dealing with carriers. Federal Aviation Regulations (FAR's) prescribe requirements to ensure that certain security procedures are followed in the acceptance of cargo from companies and individuals.

Steps have been taken by FAA to ensure that a comprehensive and viable compliance and enforcement program is implemented to ensure compliance with FAR's and the Hazardous Materials Regulations as they pertain to air transportation of hazardous materials cargo.

Deregulation of airlines have taken some long time markets away from carriers but motor carrier deregulation may aid airlines as it eliminated restrictions on combined truck-air operations.

In 1977, the Civil Aeronautics Board reduced its collection of freight loss and damage claims data from air carriers. This reduction resulted from an evaluation by the CAB of its need for the reports as opposed to the expense and hardship imposed on both the Federal Government and the carriers. Data for 1977 were collected in the loss and damage area - not broken down into categories that make up the theft-related losses in previous collections. In December 1978, the CAB proposed to eliminate the reporting of any data regarding claims for lost and/or damaged cargo.

On May 10, 1979, the CAB adopted a final cancellation of the old requirement which completely eliminated any Federal Government collection of data needed to analyze and evaluate air cargo loss and damage.

INDUSTRY ACTIONS

The year 1980 continued to be a year of progress in good cargo security by the scheduled airlines. The accent was on loss prevention through sound operational procedures and instilling security awareness in personnel. With the increased number of airlines, both passenger-oriented and all-freight, in the industry because of deregulation, security may suffer. Little, if any data exists to know just what the theft-related experience of these new airlines has been.

Loss statistics for 1980 indicate the theft-related loss ratio for those airlines which have reported will continue to be under \$.50 per hundred dollars in revenues.

Seminars, conferences and workshops headed by individual airlines, the Airport Security Council (the security coordinating body for Kennedy, LaGuardia and Newark Airports) and the 50 local Air Transportation Association's security committees of the Nation's busiest airports, highlighted the 1980 industry year with particular emphasis upon all aspects of security, both internally and with law enforcement bodies. The Annual Freight Claims Prevention Seminar, sponsored by the ATA Freight Services Department, served as a workshop on the different problems and the solution to those problems.

The booklet, "Role of Packing and Handling in Cargo Security," published by the Airport Security Council and the Department of Transportation, went into a second printing in 1980. The Council also produced in 1980 the second edition of its crime prevention publication, "Reducing Opportunities for Crime."

The Airport Security Council and the Police Department of the Port Authority of New York and New Jersey, working with the New York/Newark "City Campaign" of the National Cargo Security Program, and the Department of Transportation published "Guidelines for the Maintenance of Air Cargo Security" in November 1980. The booklet provides a blueprint for establishing effective cargo security in the air freight industry. Copies of the guidelines were sent to airport and air carrier management throughout the country.

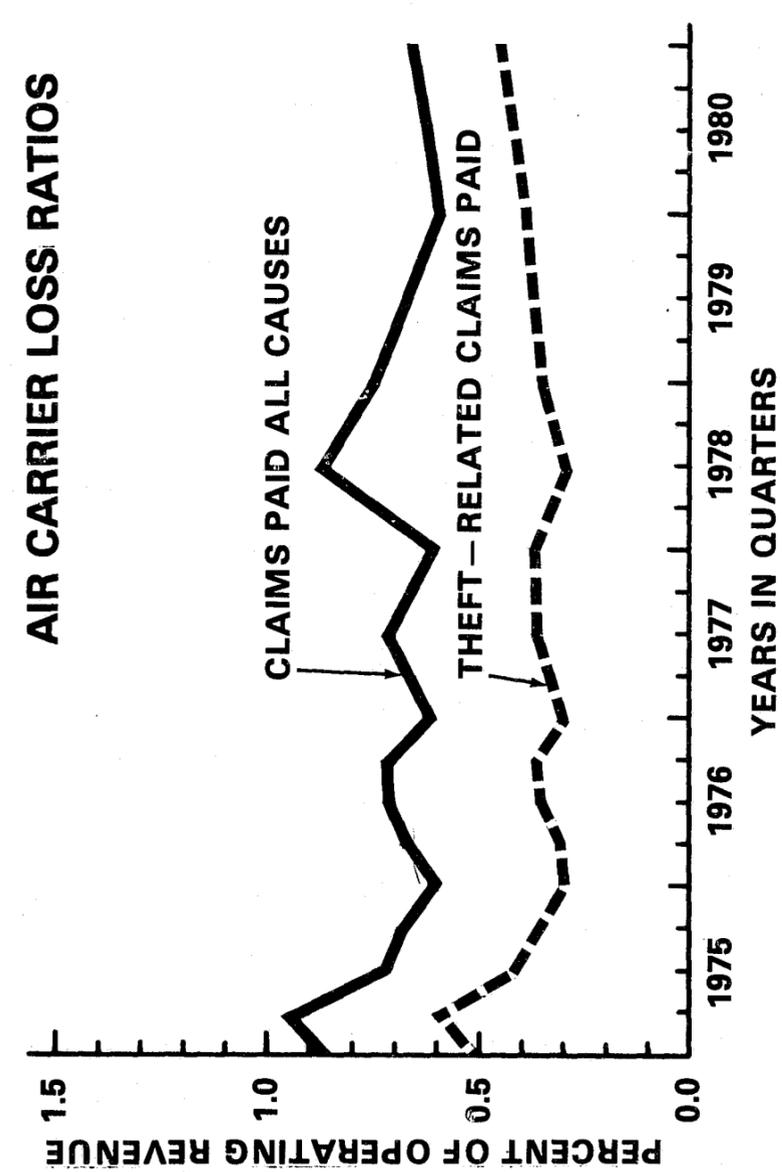
The Airport Security Council also developed a slide presentation which was reproduced and disseminated by the Department of Transportation on "Baggage Loss Prevention." This slide and tape presentation is available to any airline/airport oriented group on a view and return basis.

CARGO LOSS DATA AND TRENDS

The Department of Transportation has used data collected by the Civil Aeronautics Board as its primary source for monitoring and projecting trends in air cargo losses. For the period January 1974 - June 1977, a very detailed quarterly report was required of certain of the major air carriers. This report and its detail provided the bases for the Department of Transportation's analyses of air cargo losses. However, in mid-1977, CAB issued Economic Regulation 996 which reduced the original quarterly reports to semi-annual reports and reduced the detail to simply claims received, claims paid and total freight revenues in both dollars and numbers. And, as discussed earlier, on May 10, 1979, the CAB issued another ruling that eliminated Part 239, "Reporting Data Pertaining to Freight Loss and Damage Claims," by certified route air carriers in its entirety. The data used for the 1979 Report was the last data collected under the requirement of the Civil Aeronautics Board.

However, the Department of Transportation began discussing with the Air Transport Association the possibilities of the air carriers continuing the CAB's modified or reduced data submission on a voluntary basis. The DOT offered to receive the raw data, process it in whatever form the Air Transport Association desired and publish it for the carriers. In turn, DOT was to use the data to sustain its data base and ability to provide trend information on the extent and magnitude of air cargo losses due to theft. A final meeting of the carriers was held and the decision was not to continue to submit the CAB data and that the DOT did not need this information. Subsequent meetings with both the statistical and security officers of the Air Transport Association have now indicated that there is little interest on the part of the carriers to provide the data the Department of Transportation needs. As recently as November 1980, the DOT met with air carriers at a Washington meeting. There was little favorable indication with regard to supplying the DOT with data to continue its trend projection capability.

The data points used in Figure III-I are estimated and will be confirmed by comparison with the Air Transport Association's statistical group's annual data. These ATA data which are collected on an annual basis are required sixty days after the close of the calendar year, too late for this report but available for confirmation and subsequent publication in ATA's publication.



**FIGURE III-I AIR CARRIERS CLAIMS PAID RATIOS
-ALL CAUSES AND THEFT-RELATED CAUSES**

Figure III-I shows the history of the claims paid ratio for the certified air carriers. Six years of data has been presented with the 1980 data point estimated but considered as indicative of the industry, by the New York Airport Security Council. And, as previously mentioned, confirmation of the value of claims paid all causes and its component attributable to theft will be made from the Air Transport Association's annual data when received (late April).

No particular conclusion is drawn from this presentation other than to comment on the stability of the data. Trend lines have not been projected since they can be greatly influenced by whatever period is covered. For example, using 1977 through 1980 data, the theft-related loss trend would indicate an upward movement. However, when observing just the period shown, stability serves to be the most important aspect of the graph.

SECTION IV MOTOR TRANSPORT

The motor carrier industry, with more than 75% of the transportation freight expenditures, continues to pursue its objective of reducing cargo theft and loss within its entire operations.

The Motor Carrier Act of 1980 still contains some unknown quantities for the industry. Until some parts of the Act are court-tested and the carriers know where they are going - some uneasiness will continue. This uncertainty plus the inflation-recession period has created the following for 1980: Revenues are up but fuel costs are also; traffic volume and earnings are down but the operating ratio has risen.

Because of these ups and downs, mergers and liquidations have occurred or are occurring at a faster rate than during the last few years. Non-carriers and existing carriers look toward taking advantage of economies of scale in less-than-truckload operations. Shippers, as a rule, prefer to use fewer carriers when handling a given amount of freight. With rate competition for less-than-truckload increasing along with possible market shares, discounts (now permitted by the Act) may increase.

The motor carrier industry, more than any of the other transportation modes, handles a greater quantity of pilferable and theft-prone cargo. Merchandise transported by the motor carrier industry has in recent years greatly increased in value.

FEDERAL ACTIONS

The Department of Transportation continues to be active with the American Trucking Associations, providing security presentations to ATA's National and Regional meetings, and maintains close coordination with its Security Council.

The Department of Transportation's Bureau of Motor Carrier Safety conducted 157 cargo security surveys at motor freight carriers' terminals nationwide. These surveys consist of an examination of the physical facilities for the security of cargo such as appropriate fencing, lighting, alarm systems and guards. The surveys also includes methods and procedures for screening of prospective employees and control of employees during meal periods and other rest breaks. Also included in the survey are the arrangements for use of seals on the trailers, inspection of interline equipment and external notification in case of theft or emergency.

When and where necessary, the Bureau makes recommendations to management for changes in the company's cargo security program to enhance the safety of cargo handling, transportation and storage.

INDUSTRY ACTIONS

National representation of the motor carrier industry is by the American Trucking Associations, Inc. (ATA) whose membership consists of the motor carrier association of each State and the District of Columbia - comprising over 800 large interstate carriers.

The American Trucking Associations advises that the trucking industry is most concerned with the negative impact of cargo and vehicle theft losses on industry operations and revenue. To effectively assist the industry in

reducing theft losses, the American Trucking Associations established its Security Council. The Council is composed of many of the most knowledgeable and experienced motor carrier security individuals in the country.

The trucking industry, through the ATA Security Council is working to develop a number of programs and materials to complement carrier efforts to reduce cargo and vehicle theft. The Council issues a monthly newsletter, a security poster depicting effective security procedures for employees, and a letter for distribution by motor carriers to their employees which describes important security procedures to be followed by the employees. The Council is also developing a course which is designed to provide motor carrier security personnel with detailed instructions on how to establish, implement and maintain an effective motor carrier security program. A cargo security slide presentation for freight handlers has been completed and work has begun on a second slide presentation for terminal management personnel. The ATA Security Council also has a continuing program of regional and national meetings to provide the industry with information and materials to improve their programs. A comprehensive security manual which will provide a practical guide to carrier security personnel is also scheduled to be completed in the spring, 1981.

To assist industry efforts to reduce cargo and vehicle theft, the motor carrier industry must receive greater support from Federal and local jurisdiction investigators and prosecutors in the areas of effective cargo and vehicle theft investigation and prosecution.

Another important area critical to industry efforts to combat theft is to provide motor carriers with information that can be used in effecting appropriate employment decisions. The motor carrier industry has long

realized the importance of effective preemployment screening. The Senate Select Committee on Small Business further emphasized this need when they stated that special attention "should be given to preemployment screening from the standpoint of security." The Committee went on to state that from 80% to 85% of cargo theft losses in the trucking industry can be attributed to employee theft. The trucking industry recognizes and appreciates the importance of safeguarding the privacy rights of individuals. To assure this protection, they have urged that access be limited to conviction record information only, that the information contained in the record be limited to the period seven years immediately prior to the date of inquiry, and that it be made available only on the written authorization of the individual whose records are sought.

The ATA reaffirms industry opposition to legislation that would impose regulatory constraints on motor carriers as an inappropriate and ineffective means of controlling theft. The trucking industry is not the perpetrator of cargo theft, it is the victim. To impose civil penalties on motor carriers is irrational and seeks to contradict the government's responsibility for providing support to the industry's efforts to reduce cargo and vehicle theft.

The ATA commends the Department of Transportation for recognizing the importance of its role in transportation security and its efforts to improve its programs for reducing transportation thefts.

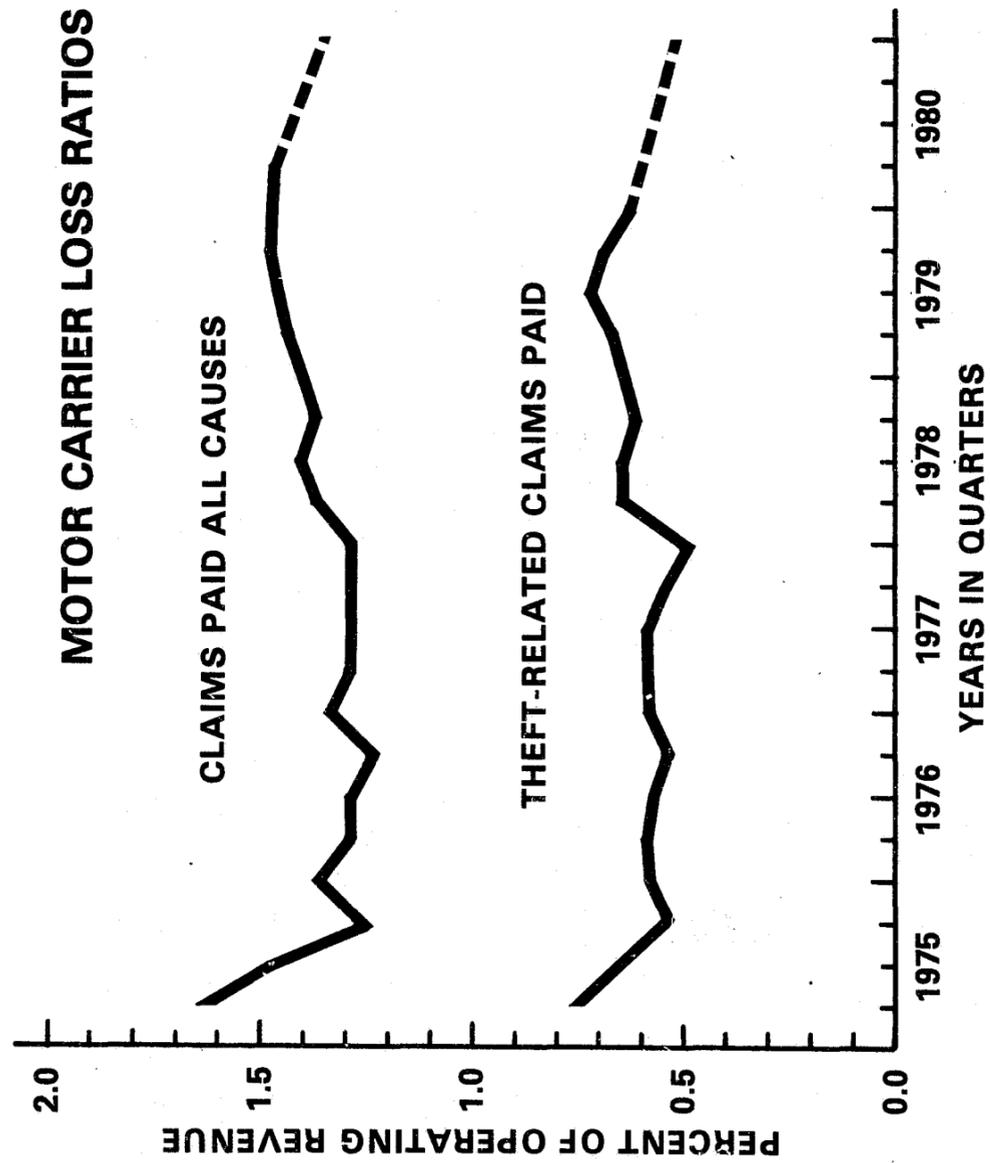
CARGO LOSS DATA & TRENDS

The Department of Transportation has used data collected by the Interstate Commerce Commission as its primary source for monitoring and projecting trends in motor carrier cargo losses. For the period 1972 through 1980, the Interstate Commerce Commission required

certain of its regulated motor carriers of general freight, those whose revenues were greater than \$1 million annually, to report their quarterly freight loss and damage data in both dollars and in number of incidents. However, certain actions by the Congressional Committee on the Reduction of Paper Work within the Federal Government and an effort to reduce the burden of reporting to the Federal Government caused the ICC to issue notice of proposed rulemaking and subsequently issue notices of cancellation of those required quarterly reports. Thus as of January 1, 1981, the ICC no longer requires the motor carriers to submit data on their freight losses.

Figure VI-I represents part of the data reported in the Quarterly Freight Loss and Damage reports. The final entry, that for the year 1980, has been supplied by a special industry-developed continuation of the QFL&D requirement. Through the American Trucking Associations' Council of Safety and Security, the Department of Transportation has been fortunate in being supplied the claims loss ratio for claims of all causes and the theft-related loss ratio for claims of shortages, theft, pilferage and hijacking by a fifteen carrier group of the Nation's top motor carriers.

Each of the fifteen carrier group members voluntarily submits its claims loss history, both all causes and theft-related, to one selected carrier. This carrier then compiles a composite display including averages and mails the finished product to each of the other fourteen carriers. The currency of their data is "within one quarter," thus, the inclusion of 1980 data in this report. Confirmation of this information, the 1980 data points, will be made from the final submission of ICC data which are now being received from the carriers.



**FIGURE IV-1 MOTOR CARRIER CLAIMS PAID RATIO
-ALL CAUSES AND THEFT-RELATED CAUSES**

Continuation of the data and the Department of Transportation's ability to provide trend information will now be accomplished through the voluntary submission of semi-annual freight loss and damage data by the members of the National Freight Claims Council of the American Trucking Associations.

The curves shown in Figure IV-1 are in agreement with comments supplied by industry contributions to this report. That is, that there continues to be a stability in extent of the cargo loss magnitude. Certain peaks and valleys are shown but the variations appear minimal.

SECTION V
RAILROAD TRANSPORT

The Nation's railroad industry, comprising roughly eighty railroad systems, accounts for approximately \$28 billion dollars of the 1980 total transportation revenues. Claims paid data for 1980 are not yet available but in 1979 the figure was \$19.6 million, an increase over 1978. Of the industry revenue dollar, almost four percent is paid out under a category entitled, "Loss and Damage, Injuries and Insurance." Based upon the \$28 billion revenue and the normal losses in loss, damage, injuries and insurance, theft-related losses are small. However, any loss attributed to theft is promptly addressed by the railroads.

Because railroads have fixed roadbeds and open interchange railyards located in metropolitan areas, they face unique problems in freight and equipment protection. Most railroad theft experience can be attributed to causes outside the industry. However, railroad employees may contribute to losses by neglecting security functions or reducing security forces to perform the necessary checks.

Shippers and receivers may also account for some of the theft-related cargo losses from the railroads through improper shipping practices which result in damaged containers, miscounted freight and failure to properly close freight car doors. All of these situations invite theft and pilferage.

FEDERAL ACTIONS

The Department of Transportation continued its information program on cargo security through publications, training films and slide presentations on security procedures for rail carriers, shippers and receivers. Data showing claims paid for cargo losses and trends are published as a source of management information for the carriers.

The joint Department of Transportation and rail industry project to provide a common radio frequency for the police of six railroads in the Detroit Metropolitan railyards continues. Installation of the radios was completed and fully operational as of July 1980.

The forces of the six railroad police departments communicate directly on a common radio frequency. They combine their efforts to reduce incidents of vandalism, theft and provide better protection of train crews, passengers and freight. The carriers involved in this project operate in close proximity. Therefore, the direct communication net will allow for immediate coordination and response when conditions develop requiring mutual support. This two-year project culminated in a report of the incidence of attacks on train crews, passengers and freight in the Detroit yards, for one year prior to and one year subsequent to the use by railroad police of the inter-railroad rail police communications. If proven cost-effective, it should prompt other railyards to institute a similar system.

The year 1980 saw the beginnings of rail service pricing innovations as many decades of Federal regulation began to subside. The Staggers Rail Act frees most rail rates from the Interstate Commerce Commission regulation and establishes a flexibility zone within which the railroads can raise rates and authorize contract rate agreements with shippers.

INDUSTRY ACTIONS

Many efforts have been made by the railroad industry to eliminate the problem of cargo theft. In 1980, as in the last several years, the major problem involved thefts from and vandalism of, assembled motor vehicles transported on bi-level and tri-level rack cars.

That situation remains unchanged. However, the incidence of theft and vandalism from this traffic was reduced by 42% and 39%, respectively, during 1980 when compared with 1979. These reductions are due in part to the reduction of automobile traffic, but tighter controls applied by the carriers also influenced the outcome.

Reports from the railroad police chiefs reveal an overall decrease of 11% in criminal offenses of all types against the carriers, when compared with 1979. The number of thefts from freight cars decreased 21% and losses from intermodal shipments (trailers and containers on flat cars) were down 38% in the same comparisons.

The Association of American Railroads (AAR) continues to publicize the "Cargo Security" brochure as supplemental information to the 1978 joint Association of American Railroads and the Department of Transportation produced movie film, "The Victim." Used together, the film and brochure are excellent tools to demonstrate the need for protecting merchandise in-transit, primarily through the application of anti-pilferage devices to freight car doors.

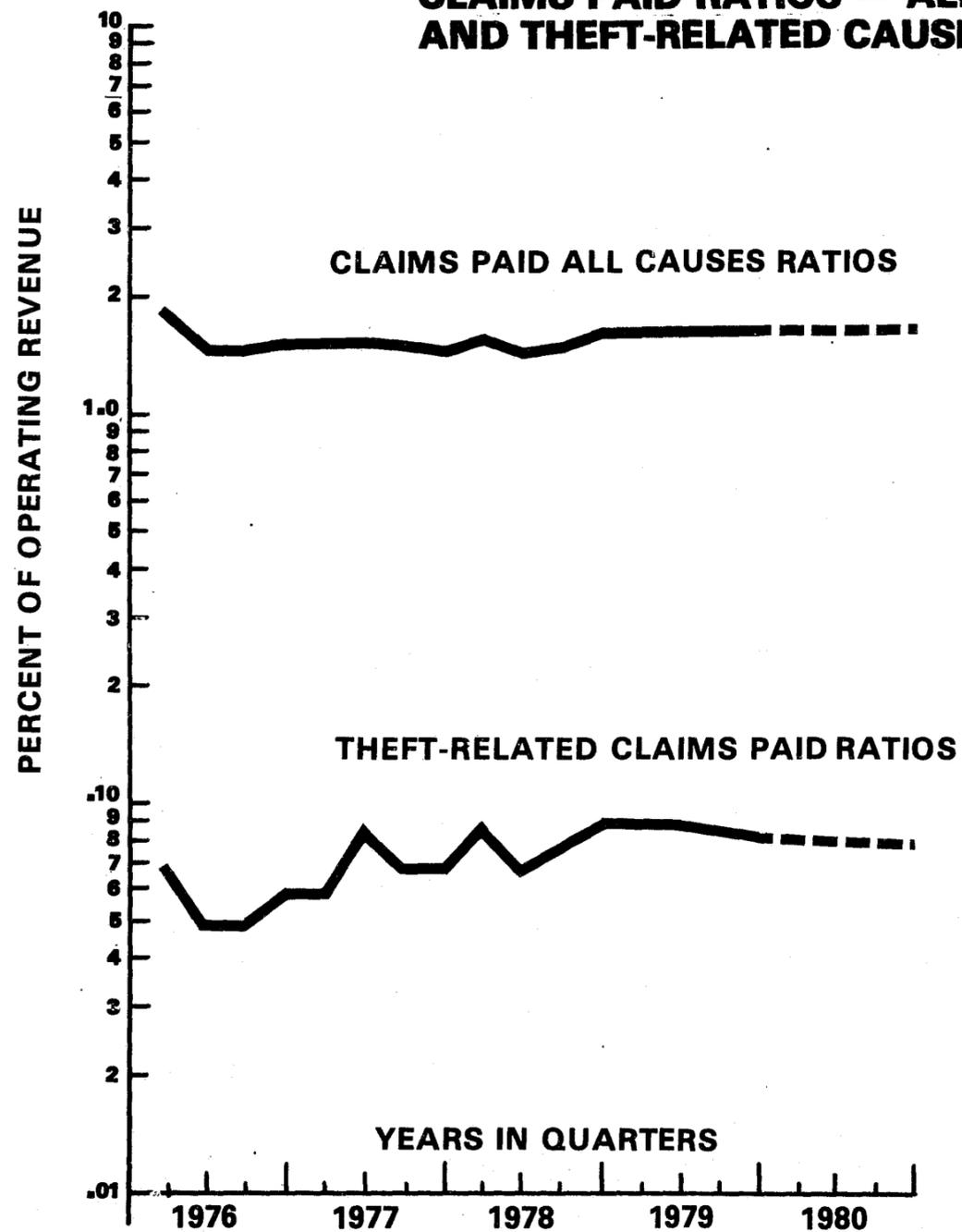
As one way of trying to discourage trespassing, the AAR provides a film entitled, "The Right Track," for showing to youth and community groups. AMTRAK, which has a particularly severe vandalism problem in the Northeast Corridor, has its own film entitled, "No Second Chance," which in general theme applies to the cargo business.

CARGO LOSS DATA AND TRENDS

The Interstate Commerce Commission began collecting freight loss and damage data from the Class I Line Haul Railroads starting in January 1975, and effective January 1, 1981, the requirement for the railroads to submit the data was cancelled. The data shown in Figure V-I has been extracted from the ICC's QFL&D report for this period 1975 to 1981, except for the last data point for the whole of the year 1980. This data is just being received as this report is being prepared, thus the inclusion of a data point for 1980 is a projection and shown as the dotted line. In part, it has been determined from the previous years of data and its trend in part determined from the Association of American Railroads reports of both its Police Chiefs' Committee and Claims Group. The latter of these groups is currently collecting and processing its members' claims loss data for the AAR's calendar year 1980 report. This report is not scheduled for release until some time in April 1981. The Department of Transportation will confirm the loss figures using the AAR report when it is available.

The previous section, "Industry Actions" provided some statistical data presented by the AAR. Although the AAR did not specifically discuss trends, their data indicate improving contradicting trends. In the case of specific theft areas, there appears to be a definite downward trend. When revenues and dollars are reviewed, there appears to be an increasing trend. No specific trend interpretation has been made for this year's data. The inputs contained in this report both for specific data points and for general activity do not provide sufficient information for trend prediction. That is, the industry is definitely active in its programs to counter and reduce losses due to theft and vandalism of cargo;

**FIGURE V-1 CLASS I LINE HAUL RAILROADS
CLAIMS PAID RATIOS – ALL CAUSES
AND THEFT-RELATED CAUSES**



and, from all areas reporting, a variety of self-initiated programs are in progress and a general increasing concern is present toward improving the movement of cargo without loss due to theft.

SECTION VI
MARITIME TRANSPORT

The problem of cargo theft is an elusive one within the maritime industry due to the diversified and fragmented nature of missions and interests of the industry. An analysis of cargo theft data in previous reports to the President and discussions with knowledgeable law enforcement officials, leads to the conclusion that a generally immobile, watchman-hardware approach has not been capable of capturing that elusiveness. To attack the problem, the Department of Transportation has published a handbook that assists in the identification of cargo loss riskpoints and describes prevention measures for use in port-related operations.

The handbook emphasizes the role of management-operations in reducing cargo theft. It is a realistic, cost-effective, prevention approach to the problem of cargo loss. Widespread use of the logic and procedures recommended in the DOT handbook could lead to diminishing security impotence that appears in many of today's waterfront and seaport-systems.

The United States Customs Service no longer processes cargo theft data into usable data. While the previously provided data, covering United States imported oceanborne foreign trade, did not encompass the totality of cargo theft, it did afford the DOT with sufficient analytic information to determine cargo theft trends. The current lack of data, coupled with the fact that the marine industry is not required to advise the government of its cargo losses, now leaves the DOT no way to continue its determination of cargo theft trends.

FEDERAL ACTIONS

The Department of Transportation through the National Cargo Security Program, provided leadership in the identification and solution of cargo theft problems. The DOT approach has been both simple and difficult: simple, because it is within the purview of management to implement; but difficult because it required a firm commitment and sustained dedication from all the diverse elements comprising the seaport-system.

It is in this vein that the Department of Transportation designed a management study of cargo operations and documentation. The study and resultant handbook focused upon terminal operations and related rail and motor interfaces at a major seaport. However, the logic, procedures and recommendations of the handbook can be readily adapted for use by the transportation modes. Comments continue to be received by the Department concerning the usefulness of the handbook. Distribution of the handbook continued throughout the year to attorneys, insurers, carriers, port officials, law enforcement, stevedores, and academia.

The Department of Commerce's Maritime Administration (MARAD), feels that one of the most effective means developed within the National Cargo Security Program to facilitate the interchange of information to the maritime industry is local programs like the City Campaign program. The Maritime Administration recommends the continuation of a local level as well as scheduling of additional seminars on cargo loss prevention. The regional offices of MARAD will continue to participate in DOT's cargo security programs, reporting on problems encountered by the Maritime industry and rendering assistance whenever possible.

INDUSTRY ACTIONS

The National Association of Stevedores (NAS), representing 65 stevedore firms whose members perform ocean carrier loading and unloading at seaports on all coasts, reports its members are very much concerned about cargo losses and theft. NAS believes that cargo security is a joint responsibility of management, labor and law enforcement agencies. The NAS expresses concern over the activities of local law enforcement agencies and the courts to prosecute and punish known thieves. In many instances, a convicted thief is given probation and soon reappears at the same place of employment in the same capacity as he was when first apprehended.

The Council of American-Flag Ship Operators (CASO), representing a majority of the United States-flag liner operators who own and operate liner vessels in the domestic and foreign trade of the United States, reports its members continue to take a significant interest in the non-regulatory National Cargo Security Program. CASO members believe that theft-related losses continue to decline gradually.

The CASO expresses disappointment concerning the reduction in funding of the Department of Transportation's Cargo Security Program. CASO members intend to continue to participate in the redirected voluntary program.

CARGO LOSS AND DATA TRENDS

In the past, the Department of Transportation has used the United States Customs Services' loss data to assess the magnitude of maritime cargo loss. These data were obtained from Form 5931 of which four categories were considered

theft-related. These categories were (1) "Pilfered on the Dock While in Custody of the Carrier;" (2) "Cannot be Located, Apparently Lost;" (3) "Shortages in Manifested Merchandise;" and (4) "Within Case Shortages." Discussions with Customs officials and an analysis of the data indicated serious data discrepancies. The DOT no longer receives the CF 5931 data pending an extensive review of the system by the United States Customs Service.

In addition to these CF-5931 data, the Customs Service initiated a Theft Information System (TIS) in early 1977. The TIS was designated to analyze data collected from a simple reporting format, CF-153, and supply Customs with up-to-date information on cargo theft trends, quantities, commodities, values, places and dates related to thefts of imported merchandise. However, this, too, has now been cancelled/suspended due to budget constraints. Therefore, the DOT has no current measure of maritime cargo loss.

The data supplied with the Customs Service's submission must suffice as the indicator for the maritime loss trend. Tables I and II in the Department of the Treasury Section have been compiled from CF-153 prior to its suspension in February 1980. Care should be used in analyzing the data for its represents thefts in and between seaports and airports. No conclusions have been drawn from these data, as there is insufficient information regarding the basis of each comparative set of values. Factors such as: inconsistent inputs; inflation and as previously mentioned, distribution between air and seaports, must be known in order to make analyses of these numbers.

SECTION VII

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

Cargo theft prevention is important to the integrity and efficiency of the Nation's transportation system. Theft-related cargo losses pose a continuing threat to society and efforts to counter this threat must, therefore, continue.

For the past five years, the Department of Transportation, in conjunction with other Federal agencies, has led a voluntary and cooperative government/industry cargo security program under Executive Order 11836. This program was designed to foster adoption of improved cargo security procedures by industry. Although a general stabilization of cargo losses is reflected in the data presented in this report, the overall effectiveness of the cargo security program is very difficult to measure. In addition, the real impact of the Department's role in this program is not known. Despite the support by private industry associations for continuing the present cooperative government/industry voluntary program, it is clear that the most important elements for a successful cargo security program involve a continuing commitment by carriers, shippers, and local governments in preventing theft-related cargo losses.

Conclusions

Several significant events have occurred over the past two years dictating a refocusing of the Federal role and responsibility in the national cargo security program. For example, the "City Campaign" program (an important element of the overall cargo security program since the mid-

1970's) was not funded by Congress for FY 1981 and was, therefore, terminated by the Department.

In addition, due principally to recent budget constraints, the Federal role in collecting cargo loss data (and thereby developing national cargo loss estimates) was severely reduced. For example:

- The CAB reduced its collection of freight loss and damage claims data from air carriers in 1977 and, in 1979, completely eliminated the collection of these data which were utilized to evaluate air cargo losses and damages;
- The ICC eliminated the need for both Class I Line Haul Railroads and motor carriers of general freight to submit their respective quarterly reports on freight losses and damages, effective January 1, 1981;
- The U.S. Customs Service suspended the processing of cargo theft data for maritime transport in February 1980. As a consequence, no current measures of maritime cargo losses are available.

While these data may continue to be collected and provided to the Department by transportation industry associations and agencies on a voluntary basis, the function of the Department under this circumstance would be merely to process and publish the cargo loss data for each segment of the industry. Clearly, it is in the interest of carriers and shippers in each industry segment to have these data provided on a periodic basis. Logic dictates, however, that the respective associations of carriers and shippers (rather than the Department of Transportation) should collect, process, and publish cargo loss data for their members. As the principal

beneficiaries of this information, the carriers and the shippers (through their associations) should bear the costs of having the data collected, processed, and published.

Recommendations

The actions reviewed above and the subsequent conclusions mean that the current functions of the Department of Transportation left in the national cargo security program are to 1) process and publish cargo loss data supplied voluntarily by private industry, and 2) to continue to exhort and support public and private agencies in their efforts to prevent and reduce theft-related cargo losses. In this regard, it is important to note with respect to the first item, above, that the principal beneficiaries of the published cargo loss data are the very carriers and shippers who supply the basic, raw, data inputs to their respective associations. The latter groups are the logical ones to collect and publish the data for the members. With regard to the second function stated above, the carriers, shippers and local governments are better suited than is the Department to solve this crime problem at its source in their own best interests.

Based upon the above factors, therefore, it is recommended that:

1. Executive Order 11836 be rescinded to reduce the future role of the Federal government in the national cargo security program to an absolute minimum and to refocus leadership in this crime problem toward carriers, shippers and local government entities;
2. Federal agencies involved in various aspects of the national cargo security program continue their cargo security functions in accordance with their statutory obligations; and

3. The Department of Transportation continue its role in the reduction of theft-related cargo loss as one of minimal technical assistance, liaison and theft-related loss trend interpretation.

END