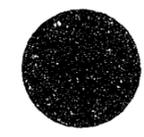


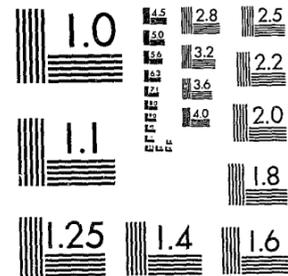
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4-12-82

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

# A report to the President on the National Cargo Security Program

U.S. Department of Justice  
National Institute of Justice

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Department of Transportation  
Washington, D.C. 20590

31, 1980



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

MAY 6 1980

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 cargo losses.

The cost to the economy from the losses is most conservatively estimated to be in excess of \$1 billion annually. The \$1 billion annual cost can reasonably be extended by two to five times to account for directly related costs in the processing, investigation and payment of the \$1 billion to shippers by freight carriers.

These costs are paid by the retail purchaser of goods and services -- the consumers, who have neither vote nor voice in the price of goods and services they must have.

The Order requires that I advise you annually of the effectiveness of the program and that I give you my recommendation for continuation or revision of the program.

I recommend the program continue in its present form. This recommendation is based on an overall stabilization of cargo losses and a heightened determination by industry to support this program. The Department of Transportation will continue its supportive efforts and seek the continued support of other Federal Agencies.

A comprehensive report of the program and accomplishments by the Federal Government and industry will be sent to you on or before May 30, 1980.

Respectfully,

A handwritten signature in dark ink, appearing to read "Neil Goldschmidt", is written over the typed name.

Neil Goldschmidt

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SECTION I  
INTRODUCTION

This is the fifth 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 is included on pages 3 and 4. It requires the Secretary of Transportation to provide a report on the status of the cooperative Federal/industry effort to reduce theft-related losses in transportation, an evaluation of these efforts, and recommendations for the following year.

Over the past ten years, the United States has spent an average of nine percent of its yearly Gross National Product for the movement of goods. For the last data year, 1978, the nation's transportation freight bill totalled almost \$191 billion. On a revenue basis, the \$191 billion was distributed as follows:

Motor Carriers-----	78 %
Railroads -----	11 %
Water Transport -----	6 %
Air Transport -----	1 %
Other Shipper Costs -----	4 %

Congressional hearings in the early 1970's publicized an estimated annual direct theft loss of cargo in transit of over one billion dollars. The indirect costs to shippers, receivers and carriers have been estimated to be two to five times this Congressional estimate. Cargo security legislation to require additional protective measures by air, rail, truck and water carriers has been considered in each Congress since 1970.

In 1971, the Department of Transportation assumed Federal leadership of a Federal/industry cooperative program, the National Cargo Security Program, to work towards a basic objective of the DOT -- that goods in commerce arrive intact, on time, at a reasonable cost to the

shipper and with a reasonable profit to the carrier. The costs of stolen cargo, both direct and indirect, are passed along to the ultimate consumer who has little, if any, voice or impact in trying to eliminate or reduce the cost of crimes against cargo.

For ease of reading, the Federal and industry actions have been set out by carrier mode with attendant loss data. These four sections are preceded by a general section and followed by the concluding section containing the recommendation of the Secretary of Transportation.

Copies of written contributions from elements in the private sector and from Federal Departments, which are the basis of this report, are available for review in the Office of Transportation Security, Room 8118, 400 Seventh Street, S. W. Washington, D. C. 20590.

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. 75-2885 Filed 1-27-75; 5:22 pm]

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

SECTION II  
GENERALFEDERAL EFFORTS

The activities of the United States Government and the four principal carrier modes are addressed by carrier mode in subsequent sections of this report.

This section will discuss Federal and industry efforts initiated in 1971 which have continued since that time.

Department of Transportation

In 1971, the Department of Transportation (DOT) created an Office of Transportation Security (OTS) to assist industry in reducing theft-related loss of cargo in transit. This was done under the broad statutory authority in Section 2(a) of the Department of Transportation Act of 1966 (49 U.S.C. 1651).

SEC. 2 (a) "The Congress hereby declares that the general welfare, the economic growth and stability of the Nation and its security require the development of national 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."

Specific authority for the voluntary cargo theft prevention program was set forth in Executive Order 11836, "Increasing the Effectiveness of the Transportation Cargo Security Program," issued by the President on January 27, 1975. This Order spells out general areas of responsibility for Federal

departments and agencies, each of which is set forth below followed by action taken in response to requirements of the Order.

The Secretary of Transportation is responsible for the following five actions.

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

The DOT sponsored several programs responsive to this mandate. Those which are primarily applicable to one mode of transportation of cargo are discussed in the section of this report devoted to that mode. Examples are the Detroit railyards demonstration project and the Maritime Study at the Port of Oakland, California. DOT sponsored programs which are industry oriented are as follow:

a. THE CITY CAMPAIGNS

The City Campaign program is an effort by the Department of Transportation in fifteen major transportation/distribution centers to express the concern of the Federal Government for the ultimate consumer of goods who pays the cost of theft-related losses and has no organization to represent him in reducing these losses.

The City Campaigns are local forums, chaired by a senior DOT field executive, with membership from the carrier, shipper, law enforcement, insurance and organized labor interests that meet to discuss the magnitude of loss of cargo in their metropolitan area; measures to reduce that loss; the resources which can be used collectively to reduce the loss; and the constraints on each interest represented.

A senior DOT field executive has been assigned from one of the following DOT operating elements: Federal Aviation Administration (FAA); Federal Highway Administration (FHWA); Federal Railroad Administration (FRA); and the United States Coast Guard (USCG). The Detroit City Campaign is headed by the President of the Grand Trunk and Western Railroad. The cities and the DOT operating mode which chairs the City Campaigns are as follows:

Atlanta (FHWA)	Los Angeles (FAA)
Baltimore (FHWA)	Miami (USCG)
Boston (FAA)	New Orleans (USCG)
Chicago (FAA)	New York/Newark (FAA)
Dallas/Fort Worth (FHWA)	Philadelphia (FRA)
Detroit (See Above)	San Francisco/Oakland (FHWA)
Houston (USCG)	Seattle/Tacoma (USCG)
	San Juan (USCG)

In essence, this is a federally sponsored program to promote community interest in identifying and trying to solve problems at the community level. DOT headquarters provides data and logistic support as requested, but does not direct the fifteen Cities Campaign programs as to meeting times, items to be discussed nor programs to be undertaken. DOT headquarters does serve as collector of meeting reports and distributes to all fifteen cities the positive accomplishments of each of the fifteen.

The resource requirements are minimal since the senior DOT field executives consider their contribution to the program to be an additional, non-recompensed, duty. A modest amount of "seed" money has been made available to each city for low-cost

local projects such as printing of newsletters, posters, and local seminar proceedings as well as preparation of audio-visual materials peculiar to a need for a specific city. More costly programs developed in one of the cities can be funded by DOT directly, or, if it appears to have a nationwide application or use, DOT will bring it to its headquarters for development and distribution.

Although success must be measured subjectively, it is the consensus of industry, Coordinators, and the staff of the Office of Transportation Security that the City Campaigns are necessary and should be continued for the following reasons:

- They provide an appropriate forum for industry, labor, law enforcement and insurance representatives to meet under Federal sponsorship to discuss and review local cargo loss problems, to understand the needs and constraints of each element involved in or affected by cargo losses, and to jointly discuss and devise corrective measures to reduce losses.
- DOT sponsorship is a continued reminder of Federal concern and assistance expressed in voluntary groups concentrating on solutions to the local situation.
- This is an appropriate vehicle for bringing this Federal program into the private sector at a local level.

## b. LITERATURE SURVEYS

### Cargo Security Literature Survey

This 135-page document sets forth the source of articles, papers, speeches and studies of the loss of cargo in transit followed by an abstract for each entry. It covers the period from 1970 to 1976.

The survey has many purposes: To acquaint the user with the fact that cargo is not as secure as it should be; to indicate that the newspapers, magazines, private industry, government agencies, trade and professional associations are aware of the problem and solutions in meetings, conferences, and seminars.

The publication provides useful information and sources of information in an effort to achieve the maximum exposure of the cargo security problem(s) and what has been said about it --both good and bad. This information has been offered in the form of citations and abstracts so anyone can secure the complete article or book to expand awareness of the problem or a specific part of it. One conclusion, made from a close review of the listings is that contrary to popular opinion, all aspects of cargo theft (not just the high profile type of hijackings) have been addressed at one time or another.

A follow-up will be made to provide the same material for the period 1977 through 1980.

### Literature Survey on Damage to Cargo

A primary objective of the DOT is that goods in United States commerce should arrive at destination intact, undamaged, on

time, at minimum shipper costs and with a reasonable profit to the carrier(s).

Less than perfect performance of any part of the first three factors (completeness, damage-free and timeliness) have a direct effect on the last two (shipper costs and carrier profits) and ultimately, on consumer cost.

Since under-packaging, mishandling, or misloading can lead to broken cartons and pilferage, DOT is undertaking a review of material for publication and distribution similar to the Cargo Security Literature Survey just discussed.

c. LOCAL LAW ENFORCEMENT TRAINING

During CY 1979, the OTS developed and presented at ten locations across the country, a one and one-half day training course for non-federal law enforcement officers. It reviews the movement of cargo and paperwork in freight operations, primarily in the trucking industry. Since many of the trucking terminals are within the jurisdiction of relatively small police departments, this training session is designed to give them an insight into freight movement, paperwork, and terminology to assist them in their investigations. The training was requested originally by officers from several cities and we could not find any nationwide program which offered this type training at this level.

The training sessions are generally requested by industry or State and local law enforcement groups. There is no fee for attendance and meeting facilities are provided free by a Federal, State or city agency. The agenda is prepared by DOT and speakers at each location are drawn from local industry and law enforcement,

as well as State and Federal agents and prosecutors assigned to the area. The DOT furnishes logistic support, assistance in getting speakers, provides the national picture and monitors the meeting so that the course content can be changed as necessary to respond to the needs of industry and law enforcement.

The average attendance at the ten sessions was about fifty persons per session. DOT plans to continue to promote and present this type training for the immediate and future benefit of industry and local law enforcement groups in reducing theft-related losses.

d. PUBLICATIONS

The studies and demonstration projects undertaken by DOT were selected by DOT (with concurrence of the industries affected) or suggested by industry (and concurred in by DOT). In almost every case, the industry or industries agreed the projects addressed both an immediate and long-term need. Additionally, industry contributes in kind to the projects by providing facilities, manpower, equipment, and technical advice.

The results of these studies are published and promoted by DOT through Transportation Associations, the Interagency Committee on Transportation Security, the City Campaigns and through articles in trade journals. A minimal number of copies are furnished on a no-cost basis to companies who request the pamphlets.

Another source to keep government and industry up-to-date on the program is a Quarterly Newsletter published by DOT with distribution as indicated in the previous paragraph. This makes known to companies within the carrier industry, the availability of material which can be useful to them in reducing theft-related losses.

Listed below are DOT publications to assist industry:

- \* Guidelines for the Physical Security of Cargo
- \* Cargo Security Handbook for Shippers and Receivers
- \* Cargo Theft and Organized Crime
- \* Truck Top Markings
- \* Claims Paid History -- Motor Carriers of General Freight
- \* Annual Report to the President -- National Cargo Security Program
- \* Cargo Security Literature Survey

The following visual aids are presently available on loan:

- \* "Signed, Sealed and Delivered" -- an overview film on the magnitude of the cargo security problem.
- \* "The Victim" - rail-oriented case study film of a theft-related loss.

- \*\*\* "A Cargo Security System" - film oriented to a truck incident reporting system using radio pinpoints.
- \* "Air Cargo Security" - slide and narration tape discussing procedures to protect cargo while in custody of airlines.
- \*\* "Study in Baggage Loss Prevention" - slide and narration tape discussing protection of personal baggage in custody of airlines.
- \*\*\* "Cargo Security Basics" - slide and narration tape covering what a railroad and its shippers can do to protect freight in transit.
- \*\* "Cargo Security Program for Maritime Clerks and Checkers" - slides with script outline of security measures for protecting maritime freight.
- \*\*\* "Socks of the Octopus" - slide and narration tape covering all facets of cargo security.
- \* "Cargo Security Training Seminar for Law Enforcement" - eighteen videotapes broken into subject areas such as: transportation systems, cargo loss problem and its impact; accountability; personnel selection; documentation procedures; theft investigation techniques and many others.

\* Office of Transportation Security, DOT

\*\* Campaign City

\*\*\*No DOT Funds Involved

SEC. 1.(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;"

Federal activities in cargo security are coordinated through the Interagency Committee on Transportation Security (ICOTS), established in 1971. It is chaired by DOT with representatives from the following Departments and Agencies: Commerce, Defense, General Services Administration, Justice, Labor, Treasury, Postal Service, Office of Management and Budget, Civil Aeronautics Board, Federal Maritime Commission, and the Interstate Commerce Commission. ICOTS is a forum for the exchange of information within the Federal Government, with formal meetings on an "as required" basis.

SEC. 1. (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."

The cargo loss data are used to measure the magnitude of the loss and damage of cargo while in the carrier's custody and as trend information to assess the effectiveness of the voluntary cooperative program called for in Executive Order 11836.

The data are made available to the industry through regularly quarterly publications issued by the Office of Transportation Security and distributed by the National Freight Claims Council of the American

Trucking Associations, the Shippers National Freight Claims Council, Inc., the Air Transport Association (semi-annual basis) and the Association of American Port Authorities. Additionally, individual carriers call or write for specific information from the data system at an average of five requests per week.

Analysis of the data is virtually unlimited with requests varying from such simple items as U.S. summaries to totals in both number and dollar by specific commodity for a particular carrier. The most frequently called for reports are time series graphs of a carrier's claims loss history either by specific commodity or by total commodities handled by the carrier. Additionally, requests for reports by geographic area and by specific loss factors are quite frequent.

The Cargo Loss Data System of the Office of Transportation Security is based on "claims paid by cause and commodity" collected for certain motor carriers and specified rail carriers by the Interstate Commerce Commission under their economic regulatory authority.

Based on claims paid by cause, as supplied by the air, rail and truck carriers, DOT conservatively estimates theft-related costs to the economy at one billion dollars per year. Directly related costs (such as, the shipper filing a claim for undelivered merchandise, the carrier's cost in investigating, processing and paying the claim) are generally accepted to be from two to five times the cost of the average claim paid. This places a three to six billion dollar cost paid for by the ultimate consumer because the theft-related claims are pass-through costs.

The DOT characterization of theft-related claims are those reported by the carriers by cause as shortages, theft and pilferage, and robbery or grand larceny. Inclusion of these three reported causes for payment of claims by the carriers as theft-related losses has been generally accepted by the air, rail, and truck carriers.

More specific information with respect to loss data in each of the four principle cargo carrying modes is set forth in Section C of the Chapters devoted to Air, Motor, Rail, and Maritime carriers later in this report.

SEC. 1. (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 element of the transportation industry, including shippers and receivers."

As a further means of assistance to the industry, the DOT has issued five Cargo Security Advisory Standards. Each Standard describes specific procedures in the movement of freight which, if applicable to a given company, can be employed to reduce theft-related loss of cargo.

The Standards listed below are published as Parts 101-1 through 101-5 of Title 49 of the Code of Federal Regulations.

- Seal Accountability Procedures
- High-Value Commodity Storage
- Internal Accountability Procedures
- Cargo Loss Report System and Procedures
- Pilferable High Value and Sensitive Cargo Transit Procedures

SEC. 6. "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."

This is the fifth report submitted to the President under this mandate. The evaluation of the program and recommendations for the next twelve months are set forth in Part VII of this report.

#### Department of Justice

The responsibilities of the Attorney General are spelled out as

SEC. 2. (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

SEC. 2. (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 1979, the Department of Justice has made significant progress in coordinating the efforts of Federal, State, and local law enforcement organizations in the investigation and prosecution of cargo thefts and other dual jurisdiction offenses. 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 approximately 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 on December 3, 1979. This Executive Working Group consists of officials of the Department of Justice, the National Association of Attorneys General and the National District Attorneys' Association. The purpose of the Executive Working Group is to encourage and enhance the efforts of the Federal-State Law Enforcement Committees and other forms of intergovernmental liaison.

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 endeavor to determine whether or not some mechanisms for referrals of cargo theft and other 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 dispositions of these cases. Finally, the study will endeavor to determine if a significant number of violators are escaping prosecution at both the State and local levels. Upon completion of this study, the Department will endeavor to take the appropriate actions to carry out the study's conclusions and recommendations.

United States Attorneys in several campaign cities continue to participate in cargo security working groups to promote increased

enforcement of cargo theft cases. Recently, the Department called on all United States Attorneys in the campaign cities to participate in cargo security working groups within their districts.

Certain United States Attorneys have entered into informal 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 efforts in the cargo theft area on multi-state cargo thefts and fencing ring activities.

During the past year, the FBI has continued to make a concerted effort throughout the Nation to target top thieves, fences, armed hijackers and organized criminal gangs involved in stealing and redistributing stolen property valued at tens of millions of dollars.

Most of the FBI's effort in this area of criminal activity has been focused along the Eastern seaboard from Boston, Massachusetts, to Miami, Florida where a substantial portion of these thefts have taken place in the vicinity of major commercial transportation depots of the air, rail, sea, and truck industries. An example of such crimes was the slaying of three Purolator Company employees in a robbery of \$1.9 million -- in cash, jewelry and securities -- from the Purolator office in Waterburg, Connecticut on April 16, 1979. The subsequent investigation resulted in the timely arrest of the subjects and the recovery of the loot.

During Fiscal Year 1979, the FBI recovered \$52,277,793.00 in stolen property, prevented an estimated potential economic loss of \$407,548,816.00, and convicted 1,322 individuals for criminal violations attributed to the theft of stolen property moved or involved in interstate commerce and related illegal activity.

These results were achieved through aggressive FBI investigation, the use of traditional and sophisticated undercover techniques, coupled with

the cooperation of local and State law enforcement agencies and liaison with security and loss prevention groups of the transportation industry.

Through its Crime Resistance Program, the FBI provides assistance in establishing preventive programs to businesses, financial institutions, and Federal agencies experiencing losses due to crimes, such as thefts from interstate shipments, that fall within the FBI's investigative jurisdiction. Assistance is rendered when losses are substantial and preventable and when personnel with crime resistance training are available. The FBI also has available a publication entitled "Crime Resistance and the Trucking Industry."

#### Department of the Treasury

The responsibilities of the Secretary of the Treasury are spelled out as follows in Executive Order 11836, Section 3:

SEC. 3. (1) "Fostering the security of international cargo in customs custody within ports of entry and in its movement and storage in bond;"

SEC. 3. (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;"

SEC. 3. (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"

SEC. 3. (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."

Set forth below are the contributions made by the United States Customs Service to the National Cargo Security Program as an excellent adjunct to their primary responsibilities. Thereafter will be two paragraphs briefly outlining the program of the Bureau of Alcohol, Tobacco and Firearms (BATF) with the carrier modes regarding theft or loss of firearms in transit.

#### U.S. Customs Service

The United States Customs Service established a Cargo Security Program in June 1971 to:

1. Minimize thefts from international cargo within Customs Service jurisdiction.
2. Combat organized crime involvement in cargo theft and smuggling.
3. Protect the American consumer from high prices in the market place.
4. Stimulate the Nation's commerce.

The United States Customs Service continues its active campaign to publicize and promote effective measures to prevent theft and pilferage of cargo imported into this country. The Customs Service Cargo Security Program is visible, effective, and viable in spite of unavoidable cutbacks.

The program is managed nationally at the Headquarters level by one part-time professional position and regionally by 9 part-time regional cargo security coordinators. These 10 part-time positions supervise the field activities of 172 district and port cargo security coordinators. The latter positions are filled by employees on docks and piers and in terminals, warehouses, and sheds. Less than 5 percent of the program's manpower is devoted to program management. Both the Treasury and the Customs Service continue to support the voluntary cooperation program between government and industry to promote cargo security.

The Cargo Security Program is divided into two subprograms, the Imported Merchandise Quantity Control (IMQC) Program and the Cargo Theft Prevention Program (CTPP). For management purposes, these subprograms were further subdivided into projects. The following separation of the above two subprograms reflect their primary elements as of December 31, 1979.

The goal of the IMQC program is twofold: to upgrade the accuracy and reliability of carrier manifests; and to identify as expeditiously as possible discrepancies between carrier manifests and quantities of merchandise actually arriving in the United States. It therefore serves as a statistical backdrop for other elements of the Cargo Security Program. It actually identifies cargo shortages due to overcarriage or previous discharge, loss at sea, clerical error, failure to ship, and similar non-theft shortages.

However, IMQC has the limitation that it cannot distinguish between cargo theft and other unexplained cargo losses because it is primarily based on loss reporting by carriers and importers, who have been reluctant to report thefts because of business and insurance considerations. The Customs Theft Information System, described later, attempts to fill this gap by separate reports by Customs Service officers of theft.

The CTPP operates through eight projects, listed hereafter. During 1979, the Customs Service began to feel the cumulative effects on this Program of an expanding overall workload but with no change in the personnel level. Several projects -- Cargo Security Surveys, Cargo Security Awareness, Cargo Theft Personnel Training, and Cargo Security Standards and Equipment -- experienced significant cutbacks, as the Customs Service had to adopt an increasing amount of selectivity in carrying out its mission under Executive Order 11836. These projects continue to be carried out, in a maintenance mode only, and few new initiatives could be pursued during 1979.

#### Cargo Security Surveys

Since 1972, the Customs Service has kept current a pamphlet entitled "Standards for Cargo Security," which recommends physical and procedural standards of security for facilities where cargo under customs control is laden, unladen or warehoused. To implement these standards, specially trained Customs Service officers throughout the country call upon warehouse proprietors, terminal operators, and transportation firms handling international cargo and offer to perform cargo security surveys of their facilities without charge. While the Customs Service is without statutory authority to compel a terminal operator to take appropriate remedial action to correct a security deficiency, it may withhold a permit to discharge cargo at a facility where the security is adjudged inadequate for the safekeeping of the cargo (19 CFR 4.30).

In addition to surveys performed at the request of firms in international trade, the Customs Service also conducts cargo security surveys of bonded warehouses, foreign trade zones, container stations, and other premises where Customs Service approval is required. The results of the surveys are a factor in determining whether Customs Service approval to operate should be granted.

As of September 30, 1979, the Customs Service had conducted surveys at 1,556 locations. The value of voluntary improvements in physical and procedural security induced by these surveys is over 41.8 million dollars.

#### Cargo Security Awareness

To make the importing community and carriers aware of the benefits of cargo security, the Customs Service has conducted Cargo Security Mini-Seminars for over 5,500 executives in transportation management as well as terminal operators, freight forwarders, manufacturers and insurance agents. These seminars consist of an overview of procedural and physical security requirements, motion picture, and slide presentations and exhibits of locks, seals, fencing, and other hardware. Approximately 46,000 copies of the pamphlet, "Standards for Cargo Security," have been distributed to private companies, educational institutions, and law enforcement agencies.

The Customs Service has printed three types of anti-theft posters and eight different anti-pilferage slogan signs. Over 500,000 of these have been distributed for display in warehouses, terminals, freight sheds, container and devanning stations, security cribs, offices, and on docks and piers.

#### Cargo Theft Prevention Personnel Training

To assure that Customs Service employees are continually motivated and equipped to carry out their theft prevention activities, the Customs Service conducts an ongoing in-service training program. At the U.S. Customs Service Academy in Glynco, Georgia, all entering Customs Service inspectors, as well as Customs Service supervisors attending in-service seminars, receive instructions in the IMQC program and the broad concepts of the Cargo Security Program.

In addition, the Customs Service has trained 610 cargo security coordinators in the proper methodology for cargo security surveys. This special training is periodically updated through national conferences that familiarize coordinators with current security techniques and the Customs Service plans to reduce thefts.

#### Theft Information System

One of the most perplexing nationwide cargo security problems is determining the extent of cargo theft. Many business firms hesitate to report thefts to law enforcement authorities because of fear of loss of prospective shippers, insurance surcharges or cancellation, criminal retaliation, or similar reasons. To deal with this problem, on January 1, 1977, the Customs Service initiated a Theft Information System.

This system is designed to collect and analyze information about thefts and suspected thefts of imported merchandise in the Customs Service custody, and to produce periodic statistical reports showing the quantities, value, tariff item number, location, and other significant information about cargo theft. It also assists the Customs Service officers in solving and prosecuting cargo theft cases, and in apprehending cargo thieves.

The system is based on reports prepared by United States Customs Service inspectors, patrol officers, and investigators present in the area of the theft or suspected theft. Their presence on docks, piers, and other places for unloading and handling foreign merchandise lends the Customs Service theft reports and statistics an authenticity that has heretofore been lacking, not only in the Customs Service, but in theft reporting systems in general, in the United States.

During Fiscal Year 1979, the Theft Information System recorded 2,008 instances of cargo theft in the Customs Service custody involving merchandise valued at an estimated 10.6 million dollars.

Cargo Theft Investigations

Historically, it has been difficult for law enforcement authorities to gather intelligence on cargo theft in the Nation's waterfront areas. However, the necessity of developing general and specific intelligence on cargo theft, as one of the primary elements in conducting an effective and efficient theft deterrent program, has been recognized by Customs. The Customs Service instituted a Cargo Theft Action Plan during 1977 to develop intelligence and information on the waterfront. The action plan utilizes the Theft Information System (TIS) through the system's computer printout and the querying of specific cargo theft information.

This program yielded the following results:

	<u>FY-78</u>	<u>FY-79</u>
Cargo Theft Arrests	163	167
Cargo Theft Convictions	89	47
Value of Seized and Recovered Goods	\$1,004,482	\$894,420
Penalties Assessed	\$1,129,104	\$899,447
Fines and Collections	\$565,275	\$61,696

Cargo Security Statistical Analysis

This project is designed to gather and analyze raw data on the various cargo security activities and to generate meaningful information for the Customs Service management. As a result of this project, it will be possible to identify problem areas and determine trends in cargo losses, and thus achieve more effectiveness in the utilization of resources.

A resume of information gathered by the system is as follows:

	<u>FY-77</u>	<u>FY-78</u>	<u>FY-79</u>
Man-Years Expended on Cargo Security Work			
Inspection	65	44	43
Investigation	5	5	5
Cargo Security Surveys Completed	78	338	392
Voluntary Compliance Expenditures(\$000)	\$4,800	\$7,946	\$4,400

Cargo Security Standards and Equipment

This project is designed to ensure that proposed statutes, regulations, circulars, notices, memoranda, and other standards affecting the Customs Cargo Security Programs are in concert with the program. This is accomplished by means of appropriate management review and recommendations regarding such proposed documentation.

In order to keep abreast of the rapid advancement in security hardware and techniques, a library of books, brochures, and films on the various aspects of security is maintained for Headquarters reference. A library of test and evaluation reports has been established on existing security equipment.

Each Customs region has been furnished with copies of films, brochures, magazines, and other aids in maintaining current training and informational efforts for the local import trade.

### High-Security Seals

The Customs Service has for many years required the use of Customs approved seals to protect the integrity of merchandise moved from place to place under Customs Service custody. In the past, the purpose of these seals has been merely to identify whether unauthorized entry was made into the conveyance containing the the goods.

Beginning in 1975, the Customs Service began the development of a high security seal program to identify and prevent, unauthorized entry, with a view toward reducing theft losses. Four brands of special tamperproof seals have been approved for high-security use by the Customs Service.

During 1977, the Customs Service regulations were changed. Carriers and shippers may now be required to use high-security seals in locations and on routes where high theft losses occur.

### Bureau of Alcohol, Tobacco and Firearms

BATF participation during the past year in this program has continued to be coordinated through their Interstate Theft Project (ITP). This project was initiated with the objective of denying the criminal element a significant source of firearms by perfecting criminal cases where the evidence in the resulting investigation warrants criminal prosecution. Another objective is to provide an intelligence base by entering the missing or stolen firearms, by serial number, into the Treasury Enforcement Communication System (TECS), and the National Crime Information Center (NCIC) computer to aid in the conduct of investigations and in the return of recovered firearms to the rightful owners.

This program calls for voluntary participation on the part of the carriers and their response has been good. During calendar year 1979, BATF initiated 1,386 investigations based on reports of loss or theft of firearms submitted by the various carriers throughout the United States. Those

investigations determined that approximately 4,112 firearms had been lost or stolen. Of that number, 345 were subsequently recovered. A total of two criminal cases were perfected involving 22 defendants. During the past year, BATF has been called on by the various carriers to contribute to their efforts in preventing these losses. Efforts in this program will continue in an attempt to improve the working relationship with these carriers and reduce their losses.

### Transportation Regulatory Agencies

The recommended actions by the Transportation Regulatory Agencies are set forth in Executive Order 11836, Section 4 as follows:

SEC. 4. "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 preventive measures, and to continue to cooperate with the Department of Transportation by:"

SEC. 4. (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;"

SEC. 4. (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

SEC. 4. (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 inter-modal and national basis."

The authority of these three regulatory agencies are more particular. Accordingly, the actions of these agencies are discussed in Part C "Cargo Loss Data and Trends" of sections III, IV, V and VI of this report.

#### Federal Recommendations.

The recommended action by Federal Departments and Agencies is set forth in Executive Order 11836, Section 5:

SEC. 5. "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."

The loss-prevention publications, audio-visual training materials, Cargo Security Advisory Standards and the Quarterly Newsletter have either been furnished to or are known to the members of the Interagency Committee on Transportation Security. It is assumed they are reviewed for applicability under this recommendation.

#### Department of Defense

The Military Traffic Management Command (MTMC) is the Department of Defense's (DoD) single management agency for military traffic, land transportation, and common-user ocean terminals. MTMC influenced approximately \$2 billion of the DoD transportation costs last year. DoD requires specified protective measures by commercial carriers for certain commodities. As an example, carriers are obligated to provide and are paid for additional in-transit protection for commodities defined by DoD as classified, sensitive, or of unusually high value.

A relatively small but significant portion of the DoD tonnage is considered sensitive, i.e., conventional arms, ammunition, and explosives (AA&E), which requires additional protection based on its potential use in criminal acts, portability, lethality, and nonavailability (in kind or in quantity) in commercial markets. Dramatic increases in the destructive capability of weapons and in-transit criminal activities have resulted in increased DoD efforts to protect AA&E from unlawful acquisition until final disposal. As the physical security of military storage facilities is increased, it is likely that criminal elements will concentrate on in-transit movements to steal military weapons, either for their own use or to sell to others.

DoD has long specified a standard array of transportation protective services by commercial carriers which the Army, Navy, Air Force and Defense Logistics Agency could use. To achieve uniform protection for AA&E, DoD published DoD Manual 5100.76-M which provides minimum standards for each of the four categories of sensitive conventional AA&E, DoD published DoD Manual 5100.76-M which provides minimum standards for each of the four categories of sensitive conventional AA&E, and the transportation protective services required for each mode. Briefly, Category I, which includes non-nuclear missiles and rockets in a ready-to-fire configuration, require the highest degree of protection, and is moved under armed guard surveillance. Category II items, such as light automatic weapons up to .50 caliber, require dual-driver protective service. Category III, such as grenade launchers and ammunition, .50 caliber and larger, with explosive filled projectile, requires constant surveillance. Category IV, which includes ammunition with non-explosive projectiles, requires signature security service.

DoD has a worldwide loss and damage reporting system for rapid notification and follow-up of transportation discrepancies in DoD shipments. This increases the opportunity for recovery when losses do occur. Experience indicates that DoD has virtually eliminated the in-transit loss of

sensitive items through improved security matters. Since the DoD cargo security program is unique, the costs are high. Adoption of a similar program by the private sector would have the dual effect of reducing costs of security services and keeping arms and ammunition out of criminal and terrorist hands.

#### United States Postal Service

During 1979, all basic programs were continued and reviewed to strengthen those where potential weaknesses were detected and to cut back where the desired degree of transit security was maintainable through the use or implementation of other security measures. A description of USPS current security programs relating to cargo movement follows:

#### Seals:

The use of twisted wire seals used in conjunction with numbered tin band seals in sealing mail vehicle trailer doors continues to meet the security requirement of providing a cost-effective physical barrier preventing easy access to the cargo. The tin band seal, a controlled item, provides the necessary accountability. A modification of the basic canvas airmail pouch strap locking mechanism has increased security of the first-class mail shipped by air. The prior design resulted in a high degree of breakage of seals in normal transit, thereby reducing the desirable degree of security.

#### Con-Con:

The USPS program to concentrate and convoy (CON-CON) registered and high-value mail moving by air continued. Because of the level of security and access control in effect, the requirement for armed escort to planeside was eliminated at all airports except JFK.

#### Containerization:

This program continues to receive emphasis by the Postal Inspection Service. It appears to be the key to reducing thefts of mail in transit. New concepts in containerization are being explored and a new lockable plastic container is under development for use in this program. The container, molded of high-impact plastic, will be expandable to accommodate different size loads.

#### Truck Security:

Use of the Routemaster Vehicle Protection System was expanded in New York City. Four additional intra-city, five-ton armored trucks were equipped with this system which allows discontinuing the armed escort vehicle previously used. The Routemaster System disables the truck ignition and fuel systems should the driver deviate from a pre-programmed and timed route. A favorable study was recently completed. Expansion of this program to Boston, Massachusetts is being considered.

### INDUSTRY EFFORTS

#### National Cargo Security Council

The National Cargo Security Council (NCSC) is a national non-profit organization dedicated to the improvement of transportation cargo security. Established under the sponsorship of the Transportation Association of America (TAA) in 1971, it has engaged in a multi-year cooperative industry/government program to accomplish this established goal.

The members of the Council represent all modes of transportation, as well as freight forwarders who employ the services of such carriers, the insurance industry, and other private sector interests concerned with this program.

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 essential purpose of TAA 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.

TAA has also fulfilled the role of providing leadership to achieve the successful implementation of its policies. 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 Nation, a series of seven comprehensive and well-attended conferences have been held since 1971, under the co-sponsorship of the Council and DOT.

The Council favors the scheduling of the eighth such conference in the fall of 1980 and invites the Department to co-sponsor this event as in the past. As was the case in the seventh conference held in Montreal in May 1979, it is anticipated that there will again be a considerable attendance by representatives of foreign countries also concerned with cargo security in transportation.

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. 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.

These activities should be continued during the year ahead.

#### City Implementation Programs

Since their beginning in 1971, the Council has continued to regard the team-work action in the 15-city campaigns across the Nation as the cornerstone of the joint industry/government cooperative program to improve cargo security. This campaign should be continued as vigorously as possible with maximum industry/government support. The Council recommends that DOT cargo security specialists be assigned to these city programs on a full-time basis to serve as catalysts and local program coordinators.

The possibility of having such a specialist coordinate the local cargo security campaigns of more than one city should budgetary limitations make this necessary, could be explored. The Council will continue to support increased participation in the city campaigns by users, investors, and carriers. Efforts to utilize improved physical security procedures, measures and devices to reduce cargo loss and damage must be continued.

#### Cargo Security Research

The Council appreciates the Government's commitment in recent years of its research and development resources to assist in the application of the latest technological and procedural improvements for the Nation's cargo security program. It is recommended that the Department continue to make available maximum R&D funding to help make available physical security hardware and techniques to benefit this program.

#### 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 or will be discontinued. The DOT should continue its program of analysis and dissemination from 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 losses and damage information from all transport modes.

#### Access to Criminal Records

The Council wishes to voice again its concern about the difficulties that transport carriers are encountering in securing access to criminal records information pertaining to prospective employees. It should again be emphasized that well over 80 percent of all theft and pilferage of transportation cargoes is accomplished by, or with the collusion of, persons whose employment entitles them to access to the cargo that is stolen. The Government is once again invited to support a policy that such data be made available in connection with bona fide cargo security programs, such as the National Cargo Security Program. To assure full and adequate protection for the rights of individuals to privacy, the Council suggests limiting availability of information to records of convictions and criminal forfeitures for a past period of seven years to be made available only with the written consent of the individual himself.

#### Voluntary Cooperation in Preference to Mandatory Regulation

Since 1971, an effective and productive cargo security program through a voluntary industry/government cooperative program has been maintained. The continuation of this approach has been recommended by the Secretary of Transportation in the 1976, 1977, 1978 and 1979 annual reports to the President, and has been so reaffirmed by the President in all of these years. Although there have been some indications of support for a mandatory regulatory scheme, please note that the transportation industry is not the perpetrator of cargo theft and pilferage; it is instead the involuntary recipient, with the consumer as the ultimate victim.

Accordingly, the Council respectfully appeals for support of a continued program of voluntarism, which has permitted significant strides in the past. Substituting a system of rigid regulation would impede, rather than encourage, future progress. The Council requests that the present cooperative program be continued essentially in its present form.

#### International Cargo Security Conference

During the period 1971 through 1978, six National Cargo Security Conferences were held in either Chicago or Washington, D. C. All were co-sponsored by the Department of Transportation and the Transportation Association of America.

The seventh Conference was held in Montreal, Canada in May 1979, and was listed as an International Cargo Security Conference. It was sponsored by the United States Department of Transportation and the Transportation Association of America. The principal cooperating organization was the Road Haulage Association of Great Britain.

Leading authorities from the United States, Canada and Great Britain addressed an international audience on the mutual problems of theft-related cargo losses in the public and private sector. The program

participants presented an across-the-board appraisal of current approaches to cargo security problems and offered some observations on how these problems may be resolved in the future in both domestic and international shipping.

Copies of the proceedings of this Conference were prepared, printed and distributed by TAA to attendees, carrier and shipper associations and to the city campaigns for redistribution to their steering committee chairmen and members.

Shippers National Freight Claim Council, Inc. (SNFCC)

This organization, founded in 1974, is a non-profit group with a membership of about 900 companies including shippers, carriers, insurers and manufacturers of claims prevention products. Its objective is to motivate and educate industry to establish equitable freight claim rules, regulations, and practices by all modes of carriage of goods.

Recommendations of the SNFCC to Improve Cargo Security Are As Follows:

1. Create a joint National Claim Prevention Program encompassing damage as well as security.
2. Enact H.R. 3365--Congressman Ambro's bill to restore CAB regulation over airline liability limits and mandatory cargo insurance.
3. Fight for an exemption from the Freedom of Information Act for law enforcement agencies, and adopt pre-employment screening legislation.
4. Fight for restoration of controls over entry into the transportation industry, but this must encompass anyone connected with transportation services.

5. Fight for mandatory reporting of loss and damage claim statistics, not only for reporting the amount of claims voluntarily paid, but also for the reporting of the total amounts filed, to give us a clear picture of the real magnitude of the in-transit losses in this country.

American Institute of Marine Underwriters

A subcommittee of this organization is exploring the feasibility of a system in which insurers would report cargo losses made known to them to appropriate law enforcement agencies. DOT has offered to review with them the experience of two such efforts by City Campaigns to accomplish the same end. Discussions are continuing.

### SECTION III AIR TRANSPORT

The air cargo industry moves one percent of all the freight that moves within the United States, even with the vast growth the industry has experienced over the last two decades. Trade publications indicate that the air freight revenue ton-miles have continued a recent trend to deteriorate in the domestic market, with the volume dropping about 1.5 percent during 1979.

Whether passenger airlines actually make money on their air freight operations is almost impossible to determine. Methods of allocating air freight cost vary, making industry freight revenue results questionable. However, it is generally felt that recent years have produced lean, not fat, profits on freight movements.

Over the last couple of years, three trends in the cargo business stand out: (1) more and better utilization of wide-body aircraft; (2) mushrooming of the small package service, and (3) more domestic air cargo deregulation.

Wide-body aircraft not only offer the possibility of larger all-freight moves but enable the better utilization of the same aircraft in passenger/freight combination movements. Small shipment movements, pioneered by several companies, have shown a tremendous growth pattern in the air freight revenues of almost all carriers. Estimates now indicate that almost 20 percent of all shipments in traffic consist of packages weighing less than 25 pounds.

The deregulation aspects of the recent trends has been a thorny one because many varying things have suddenly happened and their effects have not yet been completely determined. Barriers to entry and expansion have been removed. Schedule approvals are no longer required. Common published tariffs for cargo charges have become a thing of the past. All (or some) of these points presently worry some shippers.

The ingredients for the heavy theft-related losses that occurred in the airline industry during the last twenty years still exist: Small, high-value shipments, handled by many different people in several companies and in many small areas. All (or any) of these ingredients could lead to problems and perhaps losses. However, the airline industry over the years has concentrated on the security awareness to the point where theft-related losses are the least (per dollar of revenue) of all domestic transportation modes.

The airlines have established shorter time limits for the filing of claims. They have also decreased liability limitations and have increased excess value charges, which have resulted in many shippers paying a great deal more to the carrier for the services rendered.

#### A. Federal Actions

Mandatory passenger security measures, enforced by the FAA, also aid in the protection of air cargo. Every scheduled airline has to have an approved standard security plan on file with the FAA. Within each plan, one specific part details the security control over the airline equipment, property, cargo, including access to the airport proper and the cargo operations area.

Since 1977, the air cargo industry has been virtually free from all Federal economic regulation. Public Law 95-163 permits free entry of new companies into the air freight business. New companies entering the market can increase the opportunity for security problems. And these new companies do not have authority to transport passengers, thus, do not have to file a standard security plan with the FAA.

In 1977 the CAB substantially reduced its collection of freight loss and damage claims data from certain air carriers. This reduction resulted from an extensive re-evaluation by the CAB of its need for the reports. 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.

The CAB, in a "sunshine" action on May 10, 1979, adopted a final cancellation of the old requirement which completely eliminated any governmental collection of data needed to analyze and evaluate air cargo loss and damage. With this action, the Department of Transportation continued to work on plans to solicit and implement the same type of data on a voluntary basis from the individual carriers through the Air Transport Association. This effort is discussed in Part III (C), Cargo Loss Data and Trends.

#### B. Industry Actions

1979 was a year of progress in cargo security by the scheduled airlines. The accent continued to be on loss prevention through sound operational procedures and instilling security awareness in personnel. (Although loss statistics for 1979 are not available, the theft-related loss ratio will probably continue to be under 50¢ per hundred dollars of revenues.)

The Airport Security Council (the security coordinating body for Kennedy, LaGuardia, and Newark Airports) uses a different method to determine losses. At those airports, the cargo theft losses amounted to 3 cents for every \$1,000 worth of cargo. The value of all cargo that moves through the ports of New York are estimated by the Port of New York Authority. The loss figure represents a major improvement over 1978 and a return to the favorable declining trend that characterized most of the past decade. During 1979, the high-value depository at Kennedy Airport began operating seven days a week on a 24-hour basis.

Seminars, conferences, and workshops highlighted the 1979 industry year with particular emphasis upon all aspects of security, both internally and with law enforcement bodies.

In addition to law enforcement participation at the monthly meetings of the 50 local Air Transportation Association (ATA) Security Committees at the Nation's busiest airports, 19 airport police chiefs attended the Annual Workshop for Chairmen of local ATA Security Committees. Highlights of the workshop were presentations by the Chairman of the Security Council of the American Trucking Associations and a representative from the United States Custom Service.

The theme of the 1979 Seminar of the International Association of Airline Security Officers was "The Security Buck Stops Here." Cargo emphasis covered the necessity to follow correct operational procedures and to insure that all carriers were doing their utmost to prevent cargo theft.

The slide presentation "A Study in Loss Prevention" was shown and discussed at the seminar and was also shown throughout the year at local meetings. The Annual Freight Claims Prevention Seminar, sponsored by the ATA Freight Services Department, turned out to be more of a workshop than a seminar as the participants broke up into small groups to discuss various aspects of claims prevention.

#### C. Cargo Loss Data and Trends

It was mentioned earlier in this section that on May 10, 1979, the CAB officially adopted the ruling on Part 239, "Reporting Data Pertaining to Freight Loss and Damage Claims by Certified Route Air Carriers and Foreign Route Air Carriers." In summary, CAB stated that "This final rule eliminates a semi-annual report of freight loss and damage claims that has been required from certified route and foreign air carriers. The data submitted in this report are no longer needed by the Board and are not detailed enough to suit the purposes of users outside the Board."

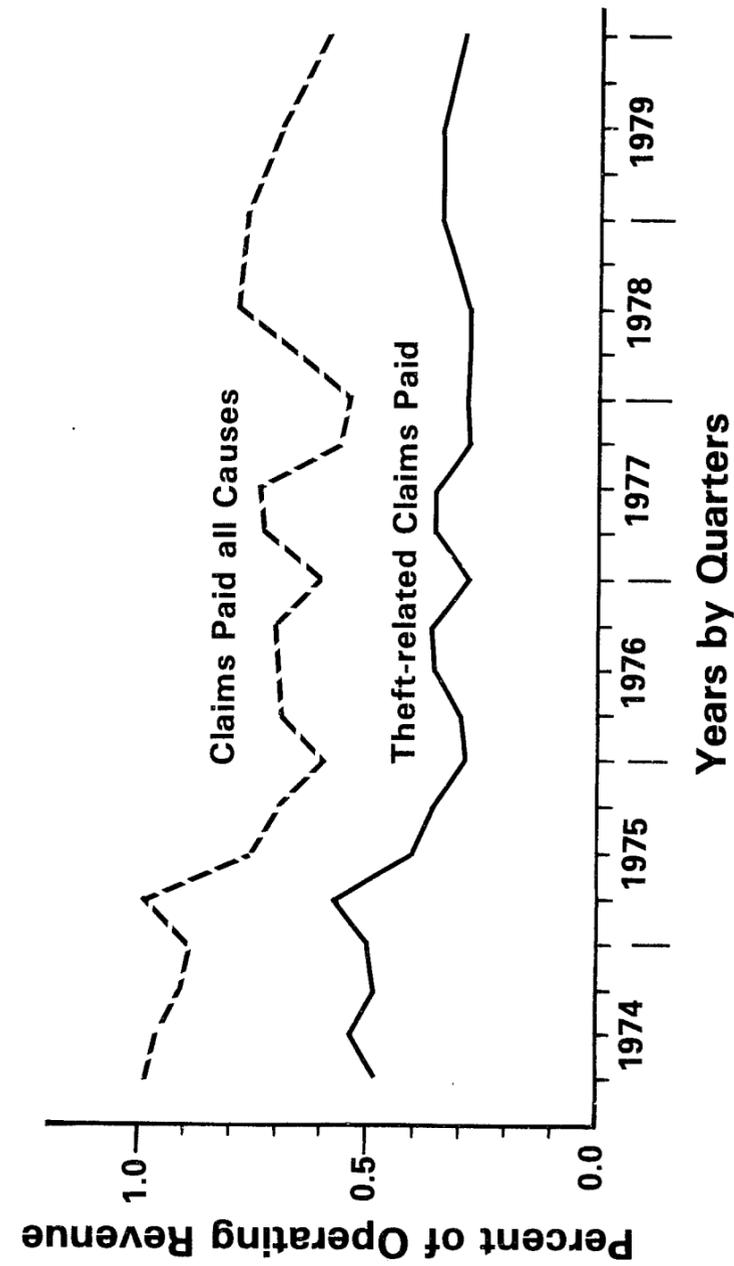
DOT's annual report in 1979 indicated that the DOT had begun discussions with the Air Transport Association (ATA) in an effort to keep the larger trunk, local service, and all cargo air carriers reporting cargo loss data to the ATA.

The elements suggested to be collected to meet DOT minimal needs are:

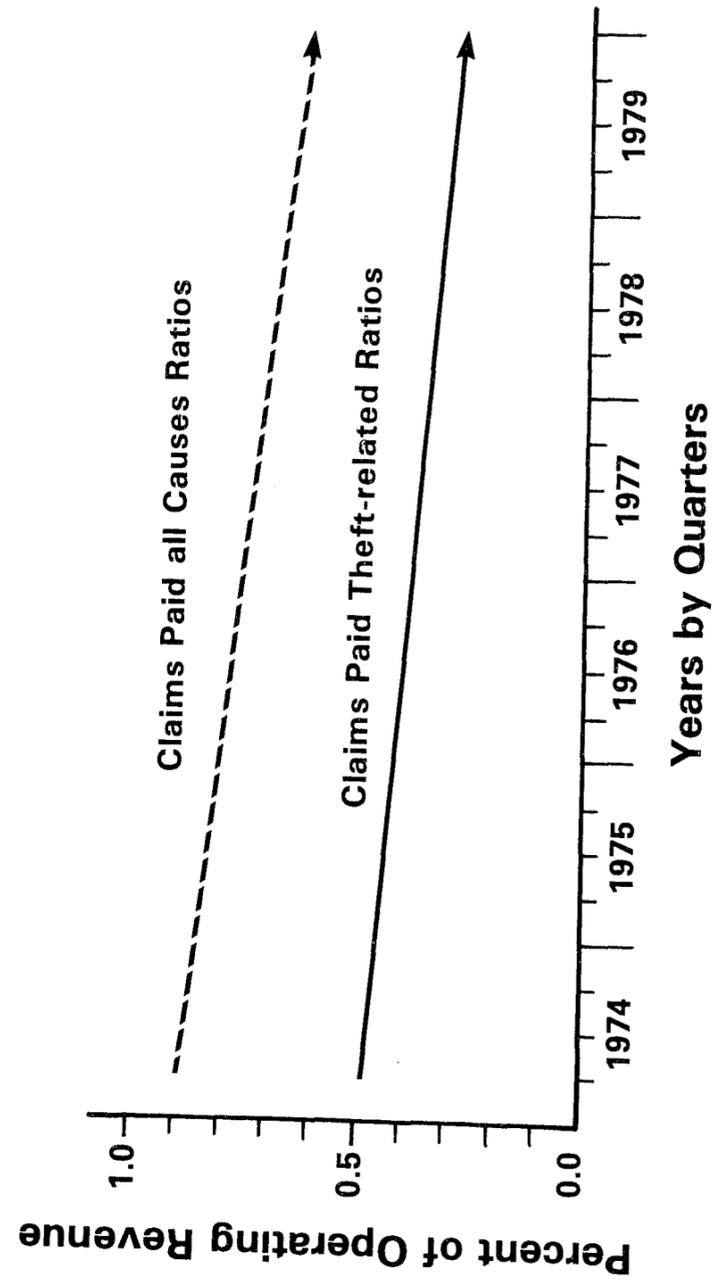
1. Total System Freight Revenue
2. Total Number of Claims
3. Total Dollar Amount of Claims Paid
4. Percentage of the Amount of Claims Paid for Theft Related Losses

Current plans are for the reports to be sent to Aeronautical Radio, Inc. (ARINC) where they will be collected and, in turn, sent to the DOT-Cambridge facility for processing and publication in as timely a manner as possible. This action by the air industry and its member association will allow the DOT to continue to project and publish the loss trend data.

Figure III-1 represents the claims paid ratio to the end of the CAB data and into 1979. The curves have been extrapolated to show the 1979 data, based on discussions with the ATA, the National Cargo Security Council and the Airport Security Council. As Figure III-1 shows, the curve indicates a continuation of the outstanding trend that has been shown in the past. Figure III-2 indicates that both claims all causes and theft-related causes are steadily declining.



**Figure III-1 Certified Air Carriers Claims Paid Ratio**



**Figure III-2 Air Claims Loss Ratio Trends**

SECTION IV

MOTOR TRANSPORT

As noted earlier in Section I, the motor carrier industry is clearly the largest transportation mode. In addition to movement of goods from shipper to receiver exclusively by truck, the motor carriers use railcars "piggyback" for the long haul of trailers. They are the domestic land-leg movers of inbound and outbound ocean freight. They are also the movers of freight from shipper to origin airport and from destination airport to the consignee.

In handling millions of less-than-truckload shipments each year, the industry is a natural prey for employees of shippers, carriers, and consignees as well as full-time thieves who take advantage of the system by stealing cartons, full shipments, and full truckloads.

The figures in Part IV (C) reflect the claims paid experience of approximately 650 large interstate carriers, who earn roughly 10 percent of the entire trucking industry's \$149 billion revenue. Assuming that thousands of individual companies who do not report claims paid -- by cause and by commodity -- experienced a similar loss, the annual theft-related loss of cargo in the trucking industry probably exceeded \$819.5 million in 1978.

It should also be noted that 92 percent of Department of Transportation defined theft-related losses (shortages, thefts, pilferage and hijacking) are categorized by the industry as "shortage." Briefly, a claim listed as a "shortage" is acknowledgement by the carrier that he signed for receipt of a shipment as identified on the shipping order, was unable to deliver the shipment in whole or in part, received a claim from the legal owner of the goods for the value of the undelivered goods, thoroughly investigated the claim, was unable to locate the missing goods, and paid the claim.

#### A. Federal Actions

DOT continues to work with a contractor to develop and publish a handbook for motor carrier executives on policies, procedures, practices, and organizational changes which have been used by certain motor carriers to reduce theft-related losses in their companies. This effort, in cooperation with the ATA, is based on interviews with executives successful in reducing losses. It will include the "how-to" as well as why. This publication will be available to the motor carrier industry and other interested parties in June 1980.

In the field of Automatic Vehicle Monitoring (AVM), it should be recalled that the Aerospace Corporation under a contract with the Law Enforcement Assistance Administration of the Justice Department discontinued in 1979 its development of a system to electronically identify for a truck dispatcher, the street location and status of truck and cargo doors for use in metropolitan areas.

The DOT co-sponsored a Users' Workshop for the Civil Radionavigation Systems with one panel devoted to potential use of the Loran C System by land users, such as AVM.

The proceedings of the Workshop held October 9-11, 1979, indicate a potential market of twenty-four million trucks. One of the fifteen members of the AVM panel represented the American Trucking Associations, Inc. The proceedings of the meeting indicate that at least initially, the motor carriers represented would need accuracy in terms of one-half to one mile, about \$250 as the acceptable cost of the onboard unit, and rated the advantage of the AVM capability as 5 on a scale of 10.

Another conference is now being planned for the Spring of 1981 to bring in a larger group of potential land users. At that time, DOT will bring them up-to-date on developments and will try to more clearly learn of potential land users.

#### B. Industry Actions

The American Trucking Associations, Inc. (ATA) is a national non-profit federation of 51 independent and autonomous "State Trucking Associations," (50 states plus the District of Columbia) each representing all classes and types of truck operations, and thirteen independent and autonomous "conferences," each of which represents a special class or type of truck operation. It is estimated there are roughly 360,000 business entities who use trucks in furtherance of their commercial enterprise.

The ATA created a Trucking Industry Committee on Theft and Hijacking (TICOTH) in 1969 as their top management organization to develop industry policy in the security area, and for determining and encouraging the most suitable approaches to reducing cargo theft in the trucking industry.

The ATA Security Council is the motor carrier industry middle management security organization and is responsible for developing and promoting the motor carrier programs and materials for reducing cargo theft in the trucking industry. The Council was established in 1976 and is composed of motor carrier security professionals capable of dealing with technical security issues.

The Council is involved in a number of programs that are designed to improve the motor carrier industry security program. These programs include: (1) News Service; (2) Security Course; (3) Cargo Security Film Projects; and (4) National Regional Meeting Programs.

The monthly News Service is designed to keep the motor carrier industry up-to-date on programs and policies affecting industry security and to provide materials to complement existing carrier security programs.

This Service includes a newsletter which summarizes key issues affecting the motor carrier industry in the security area, an 11 x 17 inch color poster which depicts sound employee security practices and an effective employee letter which discusses the importance of good security and details security procedures that should be followed by employees. The employee letter can be posted on company bulletin boards or reproduced on company letterhead to be distributed to employees.

The News Service mailings also include other materials that are of value to those responsible for security in their companies. These materials generally include written security procedures or articles of interest to security professionals. As an example, the subscribers to this service have received as a supplement, copies of each of the five cargo security advisory standards issued by the DOT Office of Transportation Security. At the present time there are about 175 subscribers to this service.

The program of Regional and National meetings is continuing in 1980 as a means to provide motor carrier industry security personnel with information and to bring them up-to-date on government and industry security programs and policies. This year's regional meetings will feature sessions on what is needed for a successful theft prosecution, review current government programs and policies, and freight accountability through effective paperwork controls.

The Security Council has completed the first part of a two-part slide presentation which will review security responsibilities for supervisor and line employees. The Committee is also developing a brochure which will describe the need for top management support of security and outline their role in the security program.

Six chapters of the planned Security Manual have been written. The manual will include an overview of the problem and specific solutions. Topics include selection and investigation of personnel, supervision,

paperwork, load, and terminal security. Chapters on investigative techniques and working with law enforcement agencies are also included.

The Security Council is also sponsoring two 1-day security awareness workshops in Newark, New Jersey on May 6 and 7. The first day will address the security concerns of those involved in the operations area of the motor carrier industry. The second day will address the responsibilities of shippers for helping to reduce losses due to cargo theft.

The Security Council states that ATA has made significant progress in voluntary efforts to reduce cargo theft. This is based on their data which show that the rate of increase in cargo theft is below the rate of increase of all crime in the United States and below the rate of increase in truck revenue.

From 1977 to 1978, operating revenues increased 17.3% while the increase in cargo theft losses were well below this percentage. They believe comparison of cargo theft losses to operating revenue is a reasonably accurate measure of the cargo theft loss situation in the motor carrier industry (See Section C.)

The ATA states that what is needed for greater cargo security effectiveness is government action, not government regulations, to bring about better investigation by law enforcement agencies, better prosecution efforts, availability of criminal record information for hiring purposes, and stronger support of the voluntary program.

Government support can best be given by putting more effort into the National Cargo Security Program which has been under the direction of the Department of Transportation since 1975. It is unrealistic to believe that a program of this nature and scope will realize its full potential in a short period of time.

### C. Cargo Loss Data and Trends

Since the fourth quarter of 1971, the ICC has required all Class I (and some Class II) common motor carriers of general freight with average annual operating revenues of \$1 million or more to file quarterly reports of their freight loss and damage claims. From these quarterly reports, the ICC prepared and published the Quarterly Freight Loss and Damage Report (QFL&D).

With the publication of the last quarter of data for Calendar Year 1977, the ICC stopped publishing the data in their QFL&D report and directed the carriers supplying the data to send the data to the DOT's Cambridge, Massachusetts address since the DOT was the only user of the data. Thus, starting with the first quarter of 1978 data, the DOT has been processing all the incoming QFL&D data.

On September 25, 1979, the ICC issued a Notice of Proposed Rulemaking for the revocation of the QFL&D reporting requirement on the carriers. This notice closed for comment on November 9, 1979, and to date a decision has not been published on the ICC ruling.

However, anticipating that the ruling will be cancellation of the data, the DOT has been working with the National Freight Claims Council (NFCC) on new sources of data, and on December 3, 1979, a meeting of the Executive Committee of the National Freight Claims Council approved a continuation of their members reporting QFL&D data. For the first year of Calendar Year 1980, the NFCC will duplicate the ICC QFL&D Motor Schedules A and C. It will be mailed to the NFCC on a yearly basis, and subsequently turned over to the DOT for processing and publication back to the NFCC in a format prescribed by the Council.

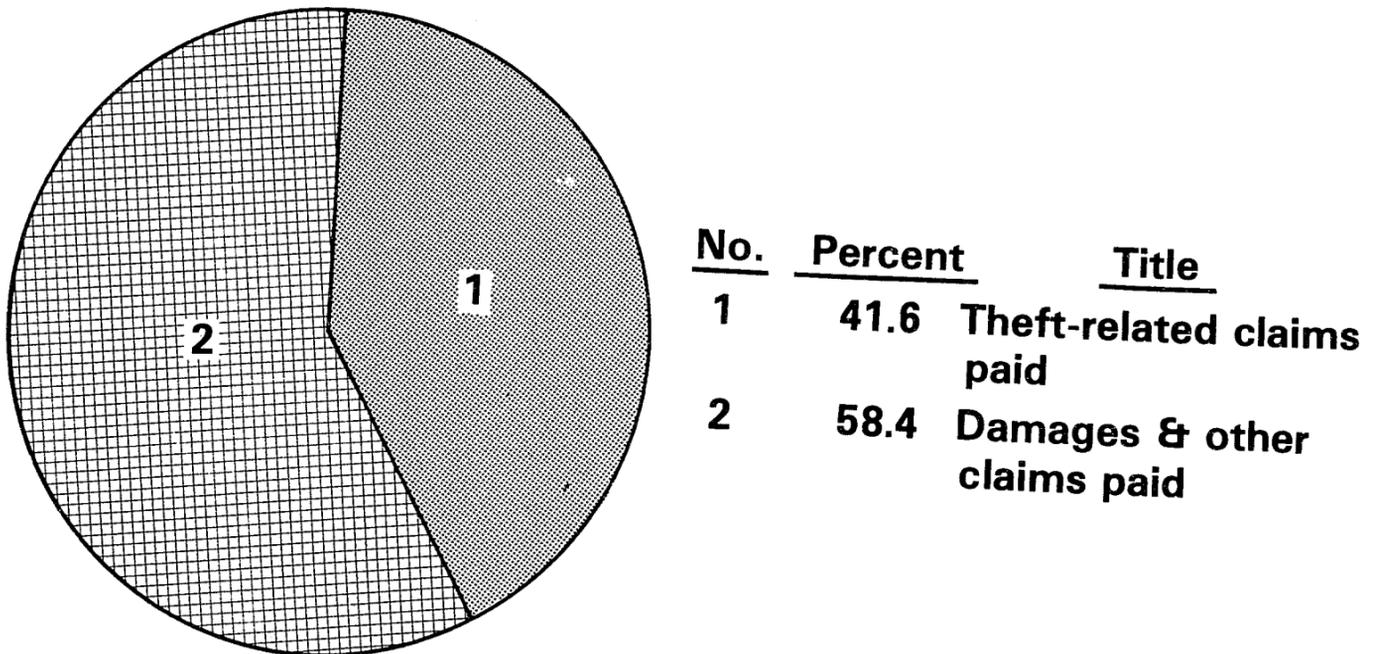
Nevertheless, the data reported in this annual report is derived from the ICC QFL&D Motor data. Figure IV-1 through Figure IV-4 show the loss and damage distribution for the full year of 1978 and for the first two quarters of 1979. Comparing these charts ('78 to '79) or with the previous year's data shows little change in 1978.

In 1979, however, there is an indication that an upward trend has been occurring. Additionally, there seems to be, at least for the first two quarters of 1979, a reduction in the shortage distribution with a corresponding increase in theft and pilferage. If the total dollar amounts of claims paid all causes are compared and a double digit inflation factor is scaled in (so that the '78 dollars can be compared to '79 dollars) there still exists an increasing tendency in excess of 15 percent.

Figure IV-5, the Claims Paid Ratio History, may provide some indication of this upward trend. The last two points (or the two quarters for 1979) are definitely up.

However, when Figure IV-6 is reviewed, the overall picture is one of stability. The claims paid all causes ratio trend line of Figure IV-6 is actually declining. It may appear to the eye as a horizontal line but in reality it is declining at a rate of .003 percentile points per quarter. Similarly, the theft-related claims ratio trend line is also declining in this case at a rate of .004 percentile points per quarter.

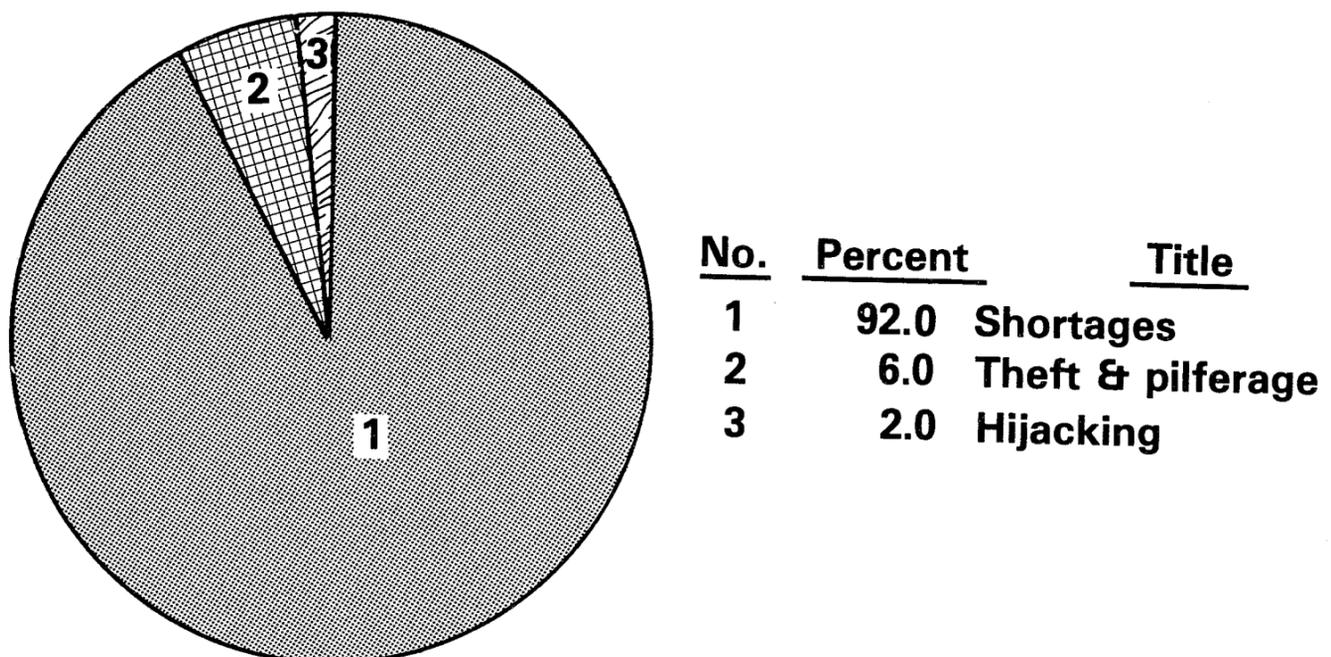
**Claims Paid All Causes \$197 Million**



54

**Figure IV-1 1978 Claims Paid All Causes**

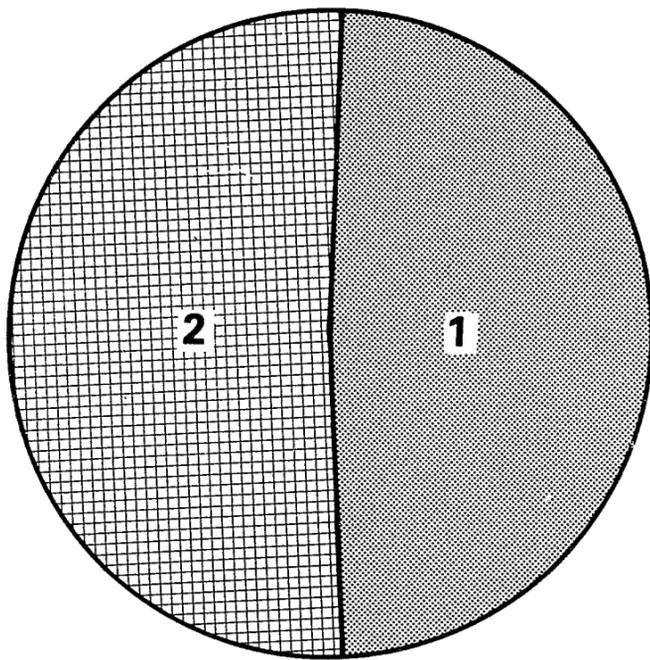
**Theft-Related Claims Paid \$82 Million**



55

**Figure IV-2 1978 Claims Paid for Theft-Related Causes**

**Claims Paid All Causes \$132.9 Million**

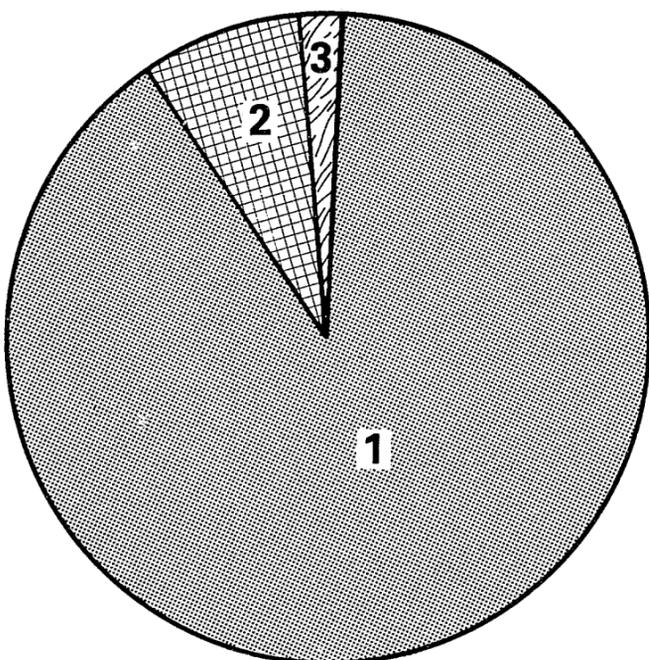


<u>No.</u>	<u>Percent</u>	<u>Title</u>
1	48.8	Theft-related claims paid
2	51.2	Damages & other claims paid

56

**Figure IV-3 1979 Quarters 1 & 2 Claims Paid All Causes**

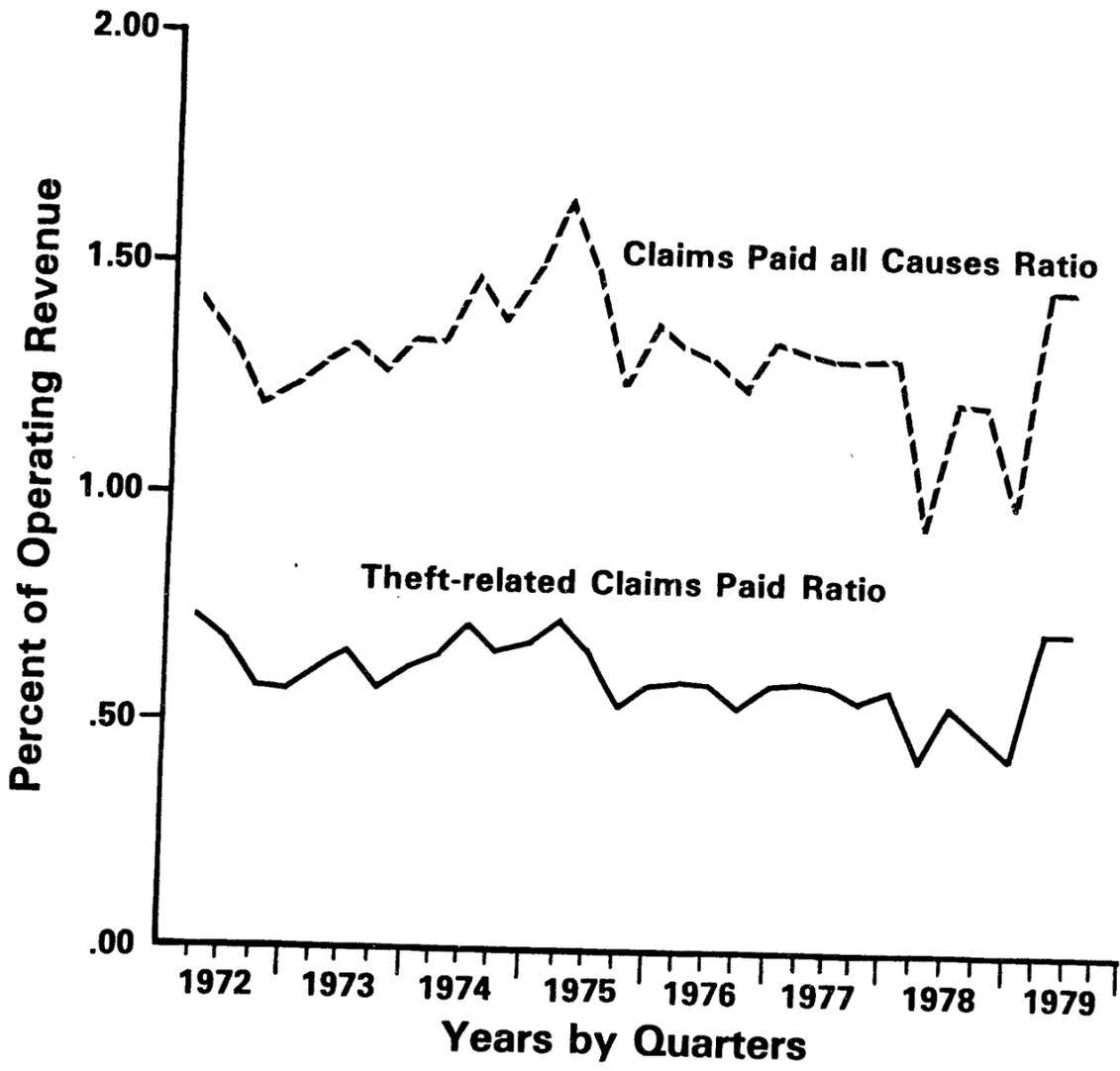
**Theft-Related Claims Paid \$65 Million**



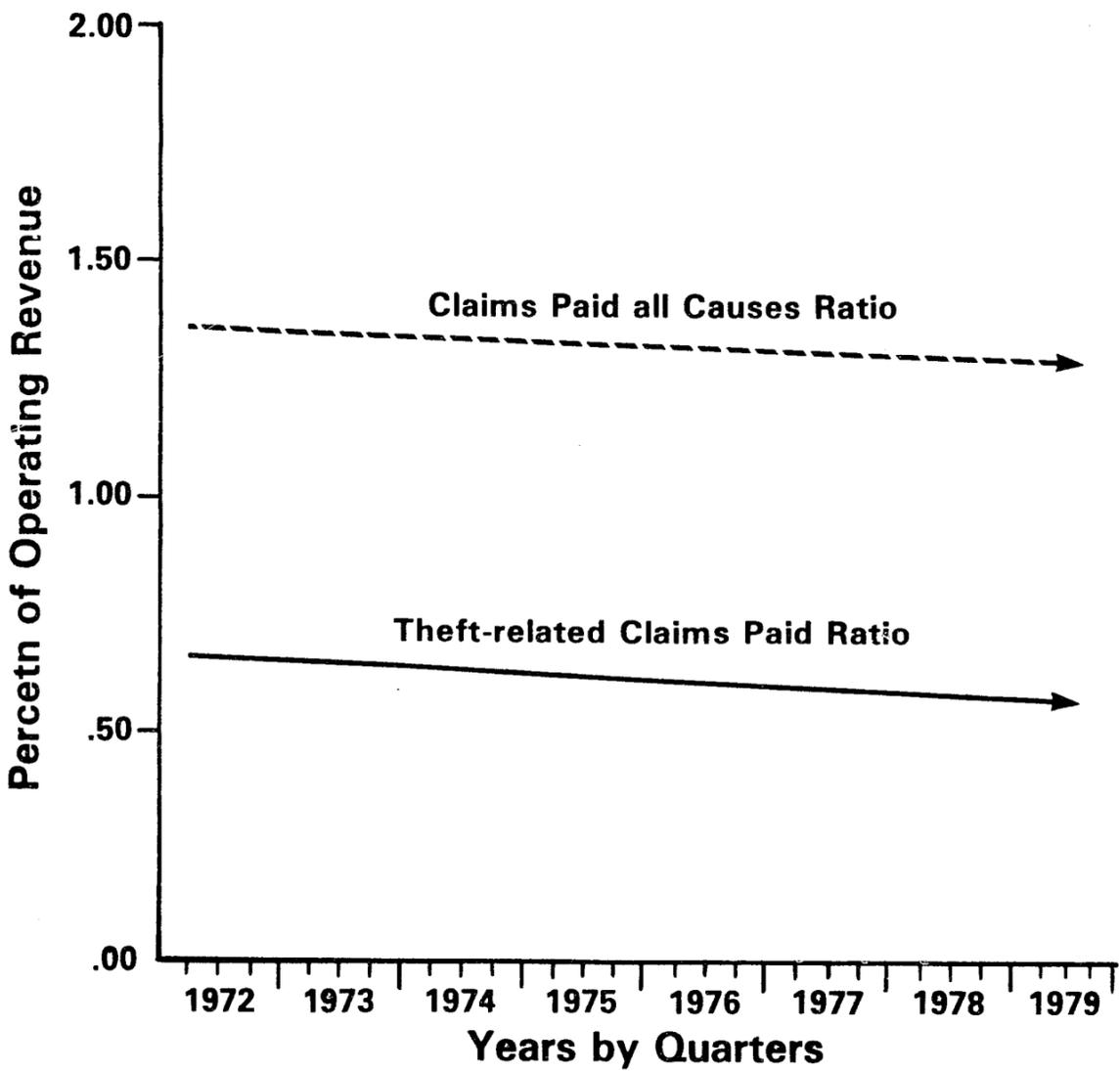
<u>No.</u>	<u>Percent</u>	<u>Title</u>
1	90.0	Shortages
2	8.0	Theft & pilferage
3	2.0	Hijacking

57

**Figure IV-4 1979 Quarters 1 & 2 Claims Paid for Theft-Related Causes**



**Figure IV-5 Claims Paid Ratio History**



**Figure IV-6 Claims Paid Ratio History Trend Lines**

SECTION V  
RAILROAD TRANSPORT

The United States railroad industry, comprising roughly eighty railroad line haul systems, accounts for approximately \$21 billion dollars of the 1979 transportation revenues. According to the Association of American Railroads, slightly over \$19.6 million will be paid in claims for theft losses in 1979, an increase in dollars over the prior years of 1977 and 1978. It is not confirmed whether these increases represent additional criminal activity or are due to the inflationary trend.

Railroads with fixed roadbeds of thousands of miles and open interchange railyards located in metropolitan areas face unique problems in protecting freight and equipment. Most theft can be attributed to causes outside the industry. However, railroad employees may contribute to losses by neglecting security functions or by 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 which invite theft and pilferage.

A. Federal Actions

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

The joint Federal Railroad Administration, Office of Transportation Security, and the rail industry project to provide a common radio frequency

for the police of six railroads in the Detroit Metropolitan railyards continues. Some technical delays were experienced in obtaining the frequency allocation and equipment. However, installation of the radios should be completed and fully operational by March 1980.

The forces of the six railroad police departments can communicate directly on a common radio frequency. They can 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 to each other. Therefore, the direct communication net will allow for immediate coordination and response when conditions develop requiring mutual support. This two-year project will culminate 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 provide a similar system for themselves.

As mentioned earlier, the DoD has long specified a standard array of transportation protective services by commercial carriers for certain commodities of military traffic. Railroads provide the levels of in-transit security on shipments of sensitive arms, ammunition, and explosives.

B. Industry Actions

Substantial efforts have been made by the railroad industry to eliminate the problem of cargo theft. As reported last year, a 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 17 percent and 25 percent, respectively, during 1979 when compared with the preceding year. The Association of American Railroads has initiated a program that will identify

the specific problems and locations where they occur in handling motor vehicle shipments. It is believed that this program will result in a further reduction in the incidence of theft and vandalism thus leading to substantial savings.

A brochure, entitled "Cargo Security," was developed by the Association of American Railroads as supplemental information to the movie film, "The Victim," that was produced last year as a joint government/industry project. It is reported that 23,000 copies of the brochure have been distributed to the shipping community. It has been found to be an excellent tool to demonstrate the need for protecting merchandise in-transit, primarily through the application of anti-pilferage devices to freight car doors.

A joint program to reduce loss and damage claims was culminated in 1979 by the Union Pacific Railroad (UP) and the Washington Oregon Shippers Cooperative Association (WOSCA). In 1976, WOSCA noted a serious boxcar break-in problem on traffic originating in its Philadelphia consolidation terminal, with over 50 cars arriving monthly in Seattle and Portland with improper seal controls.

WOSCA loss claims payments had increased from \$68,000 in 1973 to over \$234,000 in 1975. Union Pacific Railroad had an ongoing program to identify commodities and shippers/receivers that experienced excessive losses.

Both WOSCA and Union Pacific Railroad recognized a need for cooperation and, in late 1976, initiated a joint plan to use high security sealing devices and upper rail-door locks on shipments originating in the Philadelphia terminal. Additionally, WOSCA has intensified its internal security procedures in basic operations to include maintaining proper seal records.

Based on claims data for the first six months of 1977, 1978, and 1979, WOSCA paid out claims of \$158,000, \$128,000, and \$99,000 respectively, and

considers this reversal of claims cost trend (1973 through the first six months of 1979) a most cost-effective measure of the success of the joint UP/WOSCA efforts.

The Railroad Security Sub-Committee of New Orleans City Campaign conducted an informal survey of the rail/waterfront area to determine the extent of usage of the secondary security hasps by rail shippers. In a random sampling over a six-week time period, it was found that 14 percent of the railcars were equipped with the secondary hasps, but only one-half of one percent were properly used. In an attempt to educate the shipping community on the proper use of the secondary hasp, an educational slide presentation is being prepared.

#### C. Cargo Loss Data and Trends

The ICC began collecting freight loss and damage claims data from the Class I Line Haul Railroads on a quarterly basis in January 1975. In December 1978, although still collecting the quarterly data, the ICC stopped publishing their Quarterly Freight Loss and Damage Report.

In September of 1979, the ICC issued a proposed rulemaking calling for responses by November 9, 1979, to revoke in its entirety the ICC requirement for carriers to submit the QFL&D. As of the writing of this report, there has been no decision on that rulemaking. The DOT submitted a formal position and urged ICC to keep the data requirement.

At the same time and in anticipation that the Civil Aeronautics Board action regarding the cancelling of air data would provide a precedent, the DOT began developing another potential source of railroad data.

The new source of data, if required, will be the Association of American Railroads (AAR) Annual Freight Loss and Damage Report.

The 1978 data presented in this report are based on data from the ICC QFL&D requirement. Total theft-related loss dollars for calendar year 1979 were taken from the AAR's report to the DOT, Office of Transportation Security.

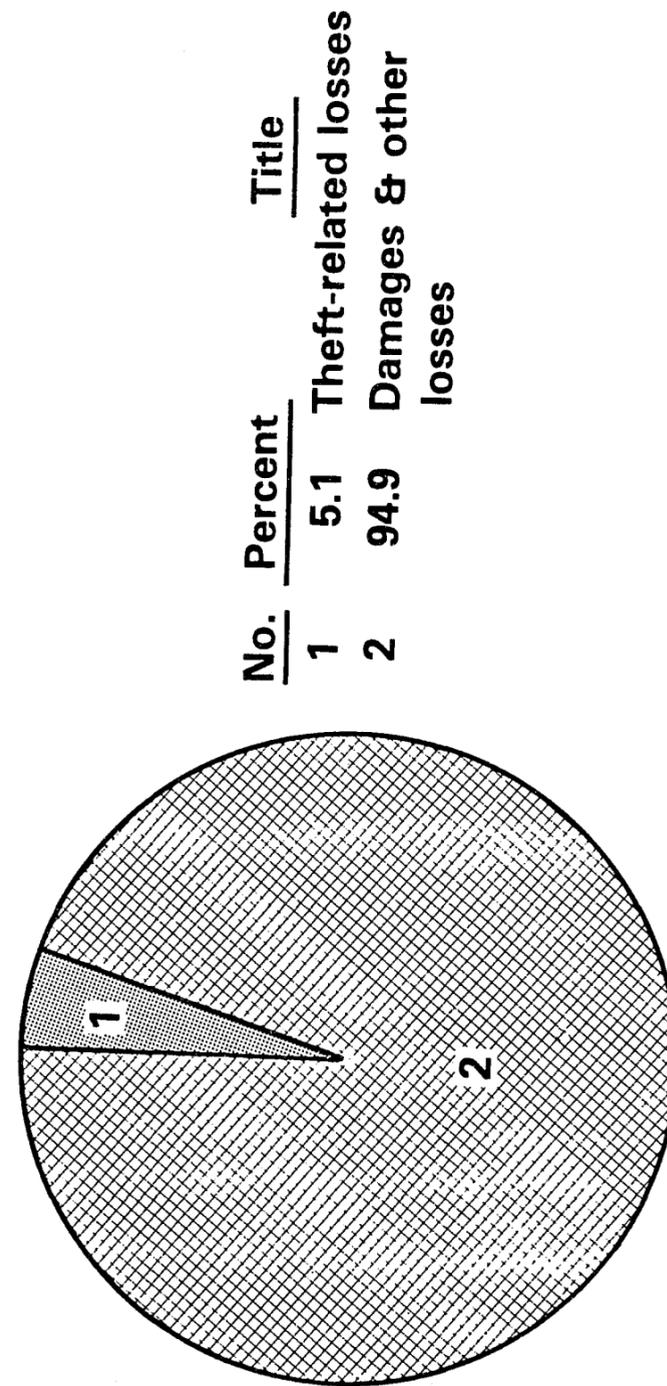
Figure V-1, 1978 Claims Paid All Causes, is a distribution by percent of the industry's claims paid for all causes divided into the two major categories: (1) the sum of the ICC categories "theft and pilferage" and "shortages and robbery" and (2) damages and all others.

Figure V-2 shows the same data for the year 1979. Except for slight changes in tenths of a percentage point, the distributions between the two years remain almost constant. In fact, these percent distributions have not appreciably changed since the data have been monitored.

However, when Figures V-3 and V-4 are reviewed, a somewhat different picture emerges as to the distribution, again by percent, of the theft-related losses. For example, there is an increase in the percent of robbery, a decrease in the percent of theft and pilferage, and an increase in the percent of shortages. No particular conclusions are drawn from these data. Industry personnel can compare them with their own individual data and reassess the thrust of their security program.

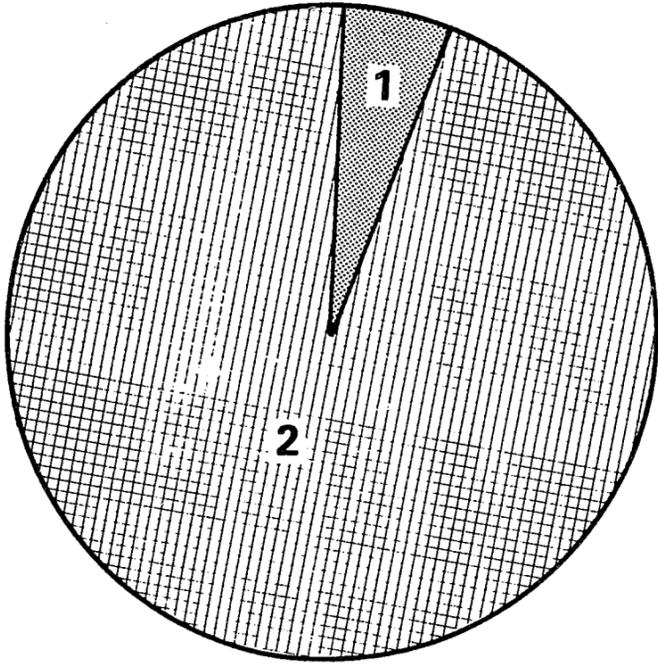
Figure V-5, the Claims Paid History, has been changed this year from what has been shown in previous years. In order to more representatively show the theft-related component of the total claims paid ratio as part of the percent of operating revenues ratio, they have been plotted logarithmically against the years in which the data have been available. As in past presentations of these data, the claims paid all causes show a remarkably stability with the value of 1.54% of revenue paid for claims, all causes. However, when a close review is made of the theft-related claims paid, it is apparent that the claims paid all causes ratio is constant, the theft-related losses ratio is rising, and loss from damages is decreasing. Conversely, if the theft-related losses can be reduced, then in fact, the overall claims ratio can also be reduced.

**Claims Paid all Causes \$330 Million**



**Figure V-1 1978 Claims Paid All Causes-Class  
I Line Haul Railroads**

**Claims Paid All Causes \$363 Million**

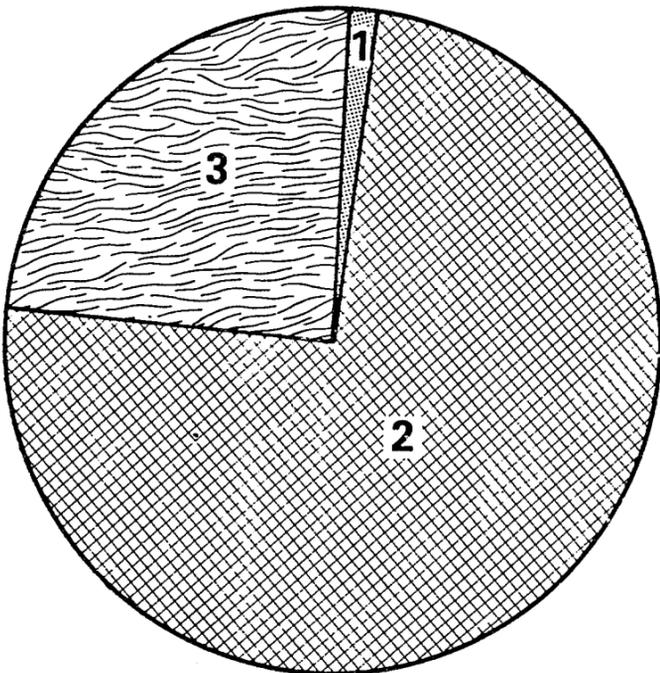


<u>No.</u>	<u>Percent</u>	<u>Title</u>
1	5.4	Theft-related losses
2	94.6	Damages & other losses

99

**Figure V-2 1979 Claims Paid All Causes-Class I Line Haul Railroads**

**Theft-Related Claims Paid \$17.4 Million**

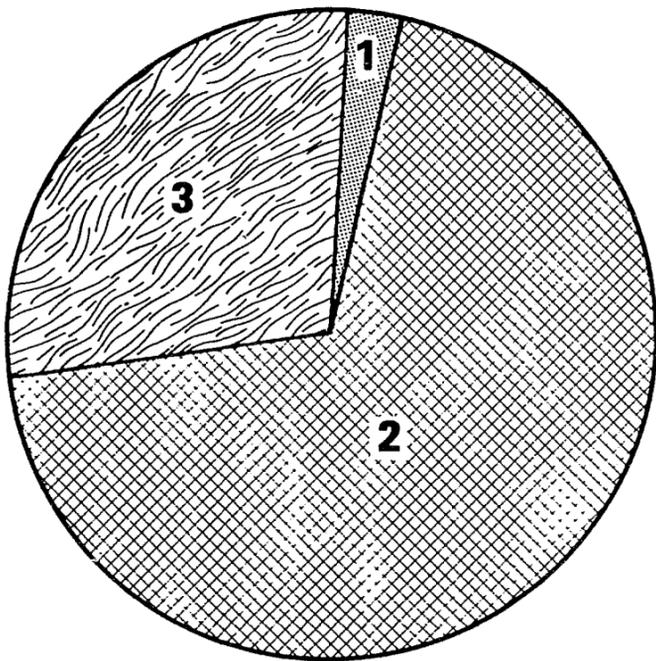


<u>No.</u>	<u>Percent</u>	<u>Title</u>
1	1.4	Robbery
2	74.8	Theft & pilferage
3	23.8	Shortages

67

**Figure V-3 1978 Theft-Related Claims Paid-Class I Line Haul Railroads**

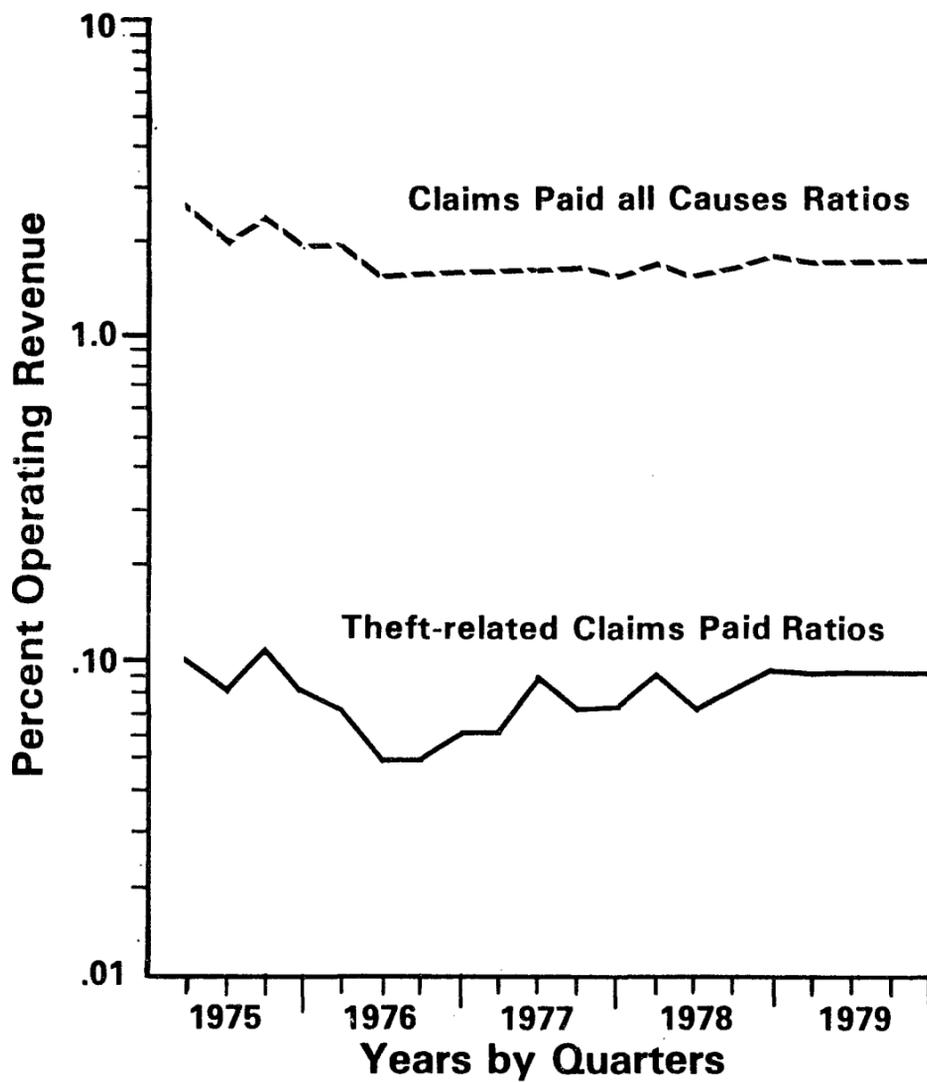
**Theft-Related Claims Paid \$19.6 Million**



<u>No.</u>	<u>Percent</u>	<u>Title</u>
1	2.7	Robbery
2	69.6	Theft & pilferage
3	27.7	Shortages

89

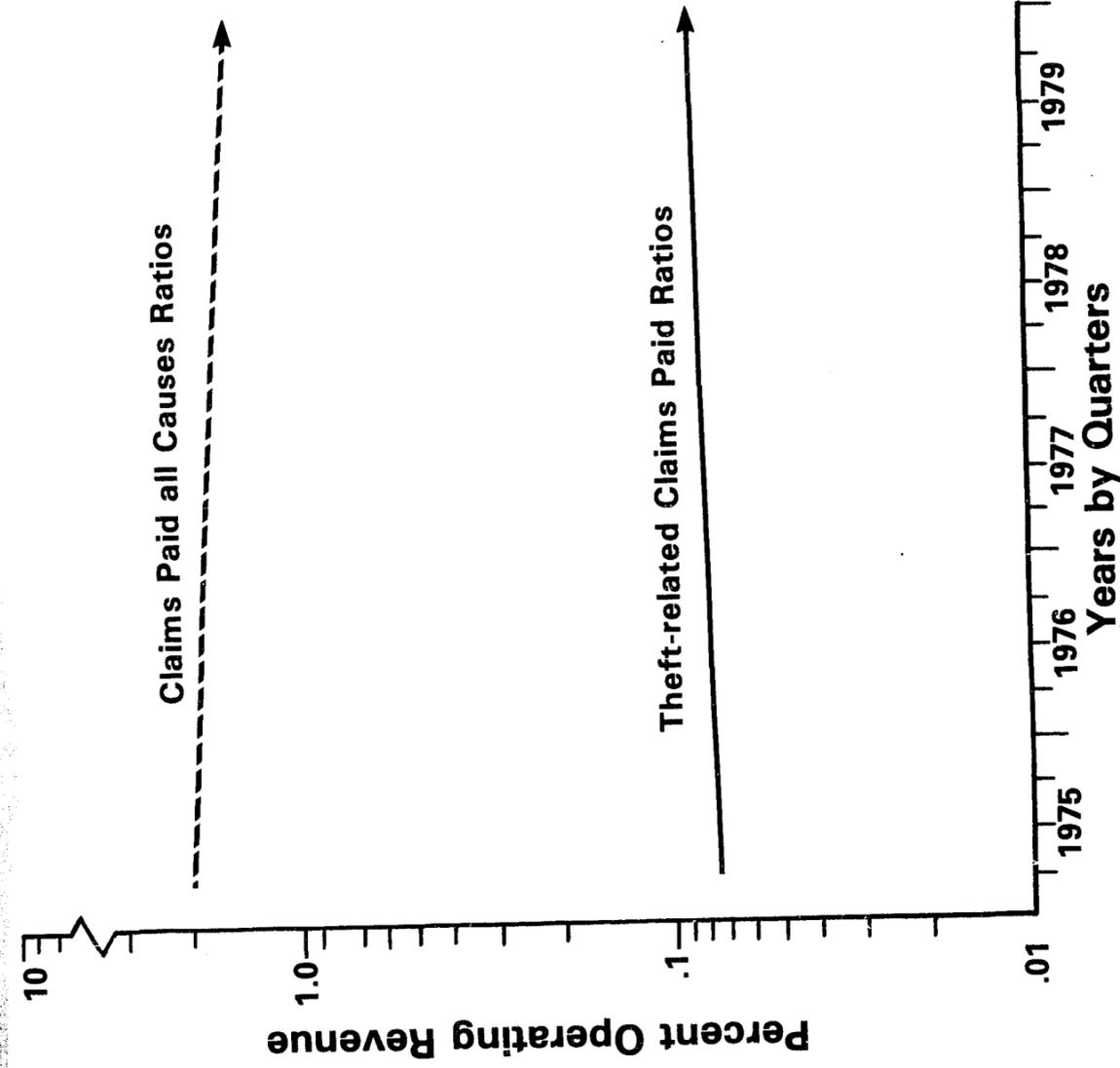
**Figure V-4 1979 Theft-Related Claims Paid-Class I Line Haul Railroads**



69

**Figure V-5 Class I Line Haul Railroads-Claims Ratio History**

Figure V-6 shows the trends of these two sets of values. Claims paid all causes show a downward slope, (or decreasing at a rate of 0.03 percent claims paid all causes ratio points per calendar quarter.) The theft-related claims paid on the other hand shows an increase, (less than 0.001 percent of claims paid all causes ratio points per calendar quarter.)



**Figure V-6 Class I Line Haul Railroads-Claims Trends Ratio**

SECTION VI  
MARITIME TRANSPORT

The maritime community appears to be taking a more active role with its problem of cargo loss. Notwithstanding this increased activity, comprehensive maritime industry cargo loss data, for government analysis, are not available. The lack of particular data continues to make an industry-wide remedial approach to the cargo loss problem difficult. However, there is now available to industry a methodology whereby a coordinated approach to the prevention of cargo loss on the waterfront is not only practicable but cost-effective.

Utilizing this methodology, the maritime community should see a significant favorable impact on its theft incidence and value of cargo loss.

The United States Customs Service continues to provide the Department of Transportation with certain maritime import cargo loss data it collects on a routine basis. DOT analysis and trend information of these data can be found in Section C of this report.

A. Federal Actions

In searching for solutions to the serious adverse impacts of cargo loss on the reliability and integrity of the Nation's commerce, the Department of Transportation sponsored a Maritime Cargo Loss Prevention Study at the major containerized seaport of Oakland, California. The excellent cooperation of the Oakland Port Administration and its facility users permitted a comprehensive management operations review of the cargo security aspects of the total seaport system.

The product of the port study is a Department of Transportation handbook on Maritime Cargo Loss Prevention for use throughout the

maritime community. Physical security is addressed in the handbook, but the predominant emphasis is directed toward management-operations security. The handbook provides the procedures and methods for analyses of operations to discover major "weak-spots." Practicable techniques to reduce the loss of cargo are described to correct the losses at specific levels during the handling of cargo. Recommended maritime cargo security advisory guidelines, presented separately for convenient reference, are included in Volume II of the handbook.

The study, which the handbook is based upon, reviewed the total cargo and documentation system of a seaport. However, the study was purposefully designed and monitored to permit its logic and procedures to be used by the air, rail, and motor industries.

The handbook, with its guidelines, is endorsed by the United States Coast Guard, the United States Customs Service, Maritime Administration, and the Port Security Committee of the American Association of Port Authorities. The DOT has printed 1,750 copies of the handbook with distribution to port executives, terminal operators, insurers, law enforcement interests as well as to air, rail, and motor transportation associations.

Foreign commerce of the United States moves from shipper to overseas consignees and vice versa. In view of this relationship, requests for the handbook have been received from major international maritime port elements.

Comments received by the Department of Transportation concerning the usefulness of the handbook are that it is comprehensive, useful, practicable and should facilitate the reduction of cargo loss.

The Department of Transportation continues to be active with the American Association of Port Authorities. The Department's Office of Transportation Security, as a member of the Association's Port Security

Committee, made security presentations to the Committee and national membership of the AAPA to encourage the seaport community to address the problem of cargo loss. As an example, the Department of Transportation provided a paper and made a cargo loss prevention presentation to the 1979 Container Terminal Operators Conference at Oakland, California.

The United States Department of Commerce, Maritime Administration (MARAD), participates in the Department of Transportation City Campaigns Program. In this program, MARAD reports on problems encountered by the maritime industry in the area of cargo security and renders assistance and guidance as needed. The Maritime Administration continues to believe that one of the most effective tools that has been developed to facilitate the dissemination of loss prevention information to the maritime industry is the City Campaigns Program.

The Federal Maritime Commission has no comments for this report on the National Cargo Security Program.

#### B. Industry Actions

The Council of American Flag-Ship Operators (CASO), a national association representing six major U.S. flag liner companies whose members own and operate 151 liner vessels, reports its members have a significant interest in the voluntary National Cargo Security Program.

CASO members report a continuation in the steady, albeit slow, decrease in theft-related losses.

The American Association of Port Authorities (AAPA) is particularly active through its Committees. In order to aid its member ports in the collection and dissemination of information pertaining to protection of cargo from theft, including prudent operating practices, a Port Security Committee -- Committee XII -- was established several years ago.

This committee was a major participant in the AAPA's 1979 Annual Conference where effective operating practices to reduce cargo crime on the waterfront were described and discussed. The Port Security Committee has scheduled a seminar in May 1980 at Seattle, Washington, where leading law enforcement, industry, and government officials will discuss the total security picture of seaports.

The International Association of Airport and Seaport Police (IAASP) continues to be active in the identification and discussion of solutions to problems of cargo loss. During its annual conference, the IAASP brings together officials from the international area to share their solutions to the common problem of cargo theft.

#### C. Cargo Loss Data and Trends

The DOT uses U.S. Customs Service loss data to assess the magnitude of maritime cargo loss. The United States Customs Service collects data on imported cargo on their Form 5931 and four categories of that data are extracted as theft-related losses. The specific categories are: "Pilfered on the Dock While in Custody of the Carrier"; "Cannot be Located, Apparently Lost"; "Shortages in Manifested Merchandise"; and "Within Case Shortages."

Table VI-1 displays this theft-related data summarized for the four categories listed. A brief review of this table will show there are extraordinarily high losses for the second quarter of 1977, while there are no data for the first quarter of 1977. Analysis of the loss data does not include these two quarters.

Because of these and other apparent discrepancies, the DOT has been informed that the CF 5931 data will not be sent to the DOT until a full review of the collection system is made by the U.S. Customs Service. That action will provide more accurate data for analyses and presentation.

**TABLE VI-1**  
**U.S. CUSTOMS SERVICE CF 5931**  
**THEFT-RELATED LOSS DATA**

<u>TIME PERIOD</u>	<u>DOLLARS IN THOUSANDS</u>	
CY 1972 Quarter 1	\$5,535	
CY 1972 Quarter 2	3,335	
CY 1972 Quarter 3	4,776	
CY 1972 Quarter 4	4,777	
Total		\$18,423
CY 1973 Quarter 1	\$4,967	
CY 1973 Quarter 2	4,479	
CY 1973 Quarter 3	9,075	
CY 1973 Quarter 4	7,402	
Total		\$25,923
CY 1974 Quarter 1	\$5,912	
CY 1974 Quarter 2	5,740	
CY 1974 Quarter 3	4,346	
CY 1974 Quarter 4	7,375	
Total		\$23,373

(Continued)

**TABLE VI-1**  
**U.S. CUSTOMS SERVICE CF 5931**  
**THEFT-RELATED LOSS DATA**

<u>TIME PERIOD</u>	<u>DOLLARS IN THOUSANDS</u>	
CY 1975 Quarter 1	\$6,238	
CY 1975 Quarter 2	5,503	
CY 1975 Quarter 3	5,140	
CY 1975 Quarter 4	6,074	
Total		\$22,955
CY 1976 Quarter 1	\$6,961	
CY 1976 Quarter 2	4,837	
CY 1976 Quarter 3	5,350	
CY 1976 Quarter 4	1,345	
Total		\$18,493
CY 1977 Quarter 1	(-No Data)	
CY 1977 Quarter 2	\$362,681	
CY 1977 Quarter 3	20,710	
CY 1977 Quarter 4	40,915	
Total		\$424,306

(Continued)

**TABLE VI-1**  
**U.S. CUSTOMS SERVICE CF 5931**  
**THEFT-RELATED LOSS DATA**

<u>TIME PERIOD</u>	<u>DOLLARS IN THOUSANDS</u>
CY 1978 Quarter 1	\$34,142
CY 1978 Quarter 2	6,421
CY 1978 Quarter 3	11,824
CY 1978 Quarter 4	6,180
Total	\$58,567
CY 1979 Quarter 1	\$28,020

**SOURCE: U.S. Customs Service Report 5931**  
**Categories B, C, 9 & 15.**

Nevertheless, the data are sufficient to indicate a significant amount of theft-related loss, remembering of course that the data are for imports only and for cargo handled by the Customs Service. To adjust for this point, a variety of multiplying factors could be applied to the data, all of which would increase the magnitude of the loss. No adjustments have been made.

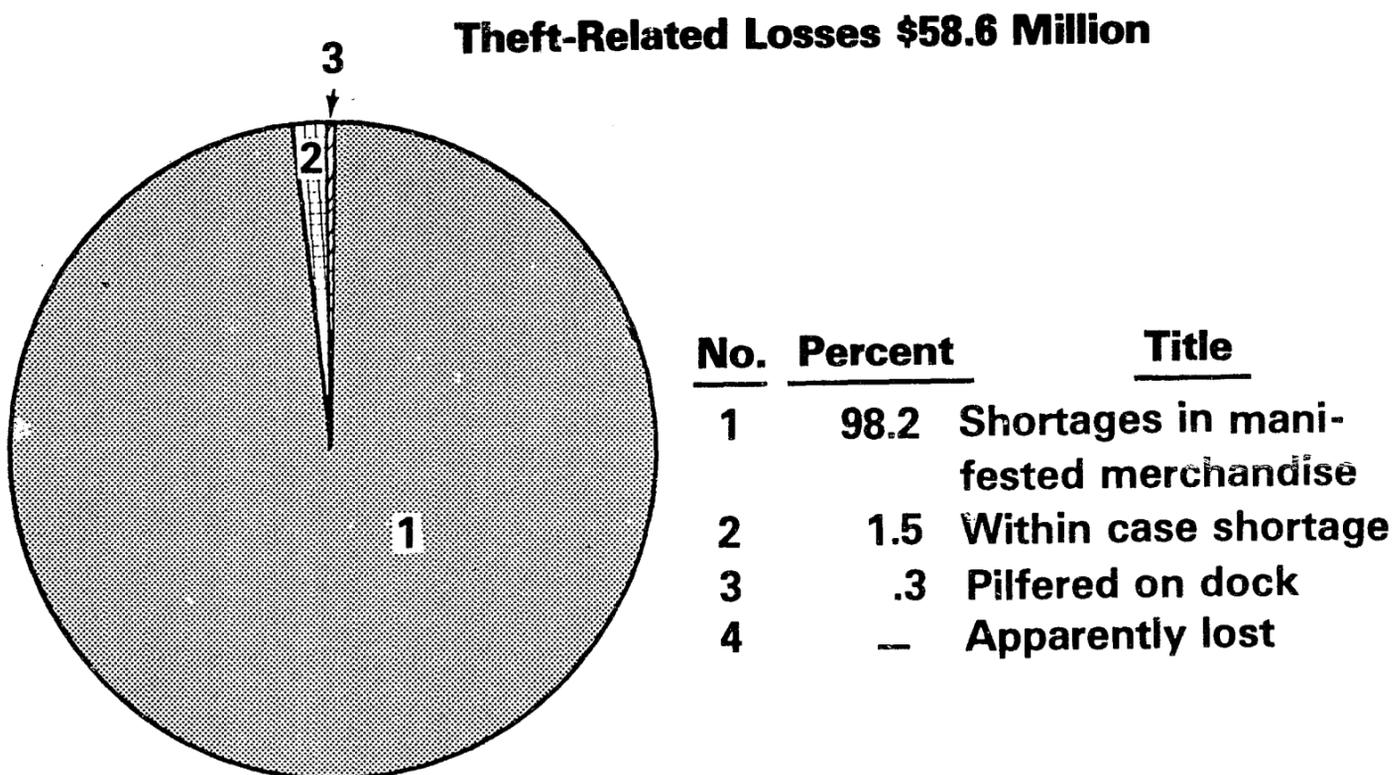
Table VI-2 represents similar data from the Customs Service Theft Information System (CF-153). These data pertain to reported thefts.

Figure VI-1 uses the CF-5931 data by the individual categories previously listed. Comparison of these data with past distributions indicate very little change. The majority of the losses, 98%, are in the "Shortages in Manifested Merchandise" category, with the Other three categories comprising the remaining 2%. However, if the CF-5931 data are analyzed from a trend aspect and an average value is used for the two "suspect" quarters of 1977, namely Quarters 1 and 2, a graph as shown in Figure VI-2 is produced. (Similarly, if the CF-153 data are plotted, the curve shown in Figure VI-3 results.) Definitive conclusions cannot be drawn from these graphs other than to note that both the CF-5931 data and CF-153 data seem to indicate significant cargo loss problems.

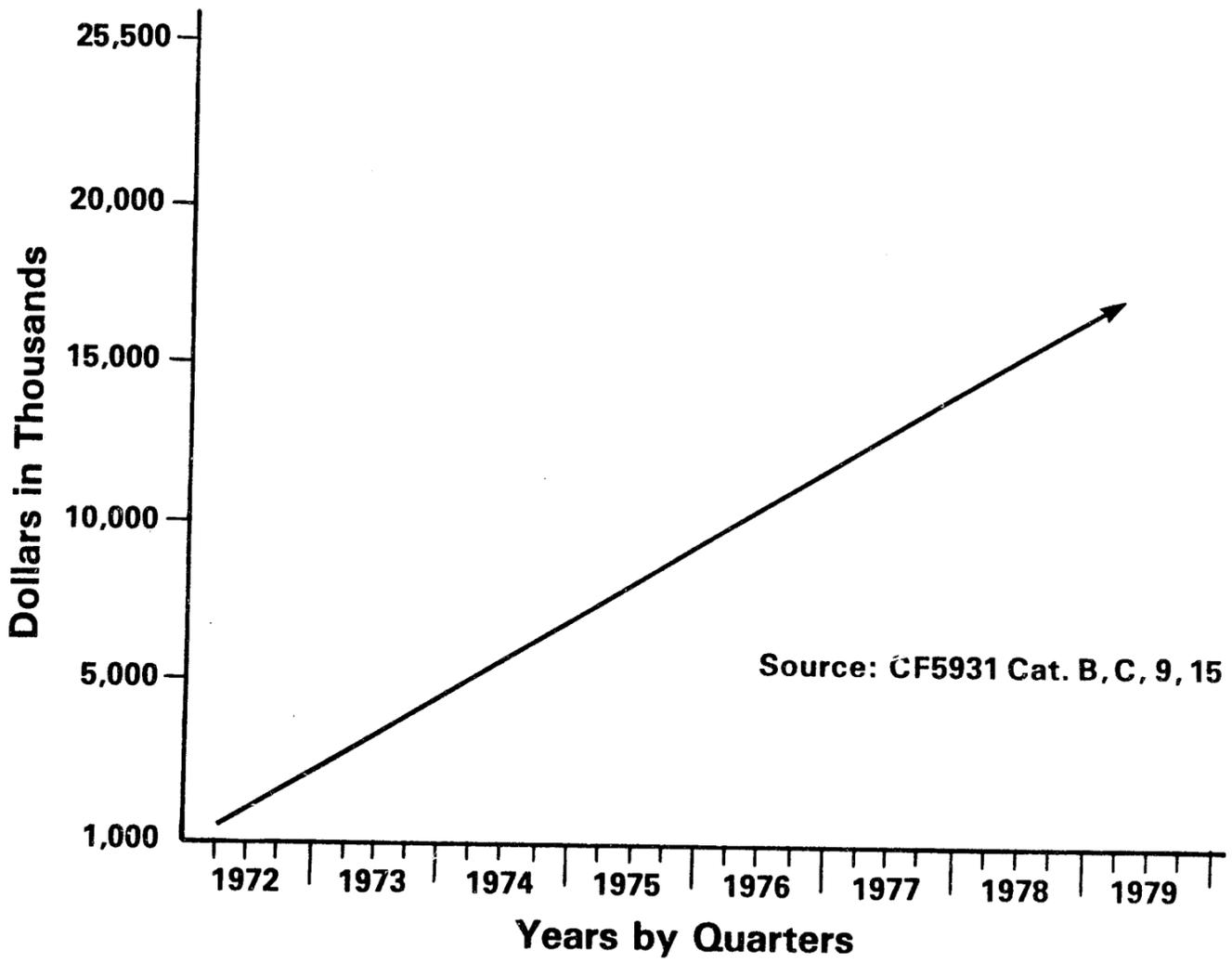
**TABLE VI-2**  
**U.S. CUSTOMS SERVICE CF 153**  
**THEFT INFORMATION SYSTEM**

<u>TIME PERIOD</u>	<u>DOLLARS IN THOUSANDS</u>
CY 1977 1st Quarter	\$555
CY 1977 2nd Quarter	296
CY 1977 3rd Quarter	398
CY 1977 4th Quarter	157
Total	\$1,406
CY 1978 1st Quarter	\$297
CY 1978 2nd Quarter	420
CY 1978 3rd Quarter	546
CY 1978 4th Quarter	462
Total	\$1,725
CY 1979 1st Quarter	\$1,270
CY 1979 2nd Quarter	612
CY 1979 3rd Quarter	394
CY 1979 4th Quarter	384 (estimated)
Total	\$2,660

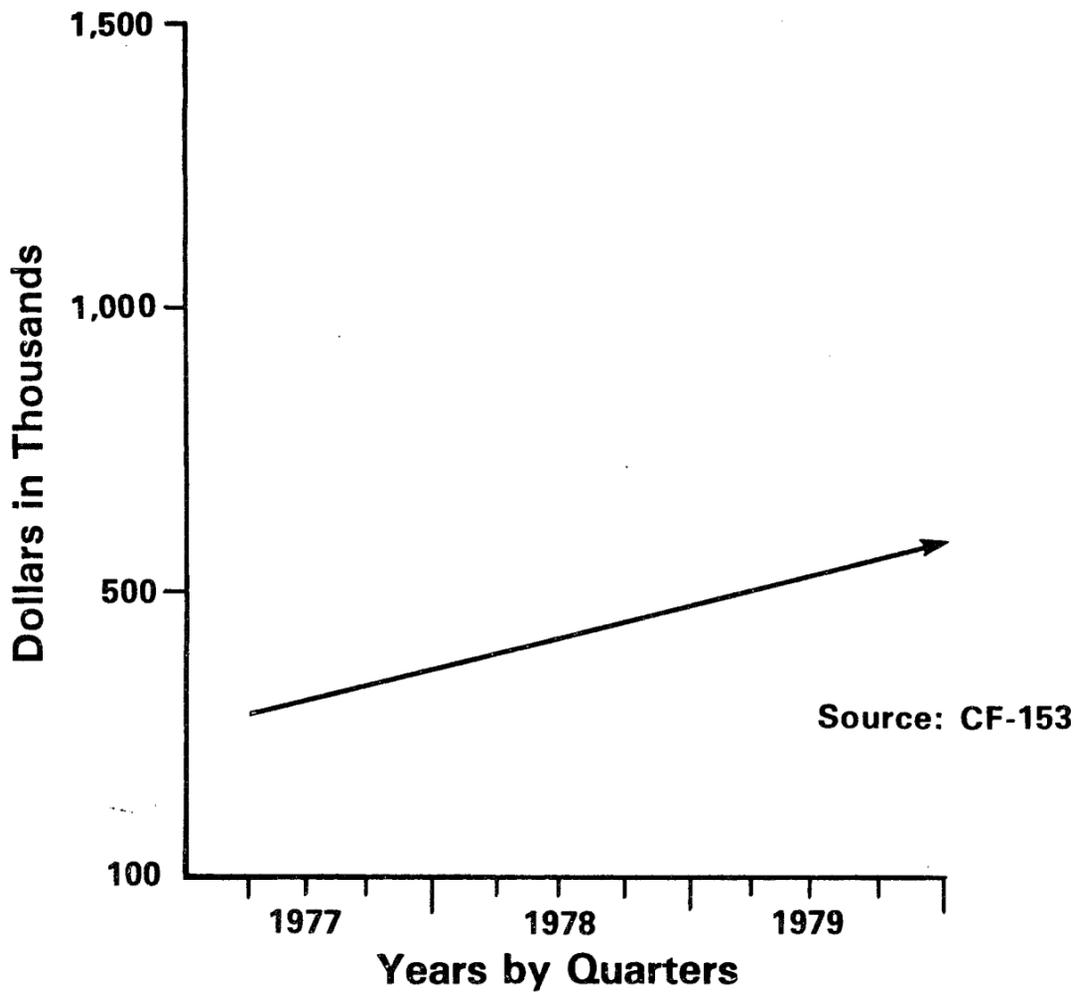
DATA SOURCE: U.S. Customs Service Report 153.



**Figure VI-1 Distribution of Theft-Related Losses-1978**



**Figure VI-2 Trend in Maritime Theft-Related Losses**



**Figure VI-3 Trend in Maritime Theft-Related Losses**

## SECTION VII

### SUMMARY

The material in this report submitted by both private and Federal participants reflects a decidedly optimistic attitude for continuance of the voluntary program. The most recently available loss data from the carrier modes indicate that, although no dramatic reductions have been accomplished, overall, losses have been stabilized.

The current and planning activities of both the private and Federal sectors demonstrate a cooperative effort to continue to define and address the cause and effect of cargo theft.

The program and Federal responsibilities as outlined in Executive Order 11836 should be continued with progress to be evaluated again in March 1981.

# END