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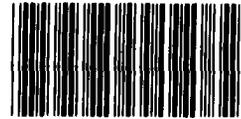
WASHINGTON, D.C. 20548

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WEDNESDAY, DECEMBER 3, 1980

STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION
BEFORE THE
HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION
OF THE
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

ON

[CARGO SECURITY]



113893

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE WELCOME THE OPPORTUNITY TO APPEAR AT THIS HEARING ON THE SERIOUS, WIDESPREAD PROBLEM OF CARGO THEFT. AT THE REQUEST OF THIS SUBCOMMITTEE AND CONGRESSMAN PICKLE, WE REVIEWED THE DEPARTMENT OF TRANSPORTATION'S EFFORTS TO ADDRESS THIS PROBLEM AND PROVIDED YOU EARLIER THIS YEAR WITH OUR REPORT ENTITLED "PROMOTION OF CARGO SECURITY RECEIVES LIMITED SUPPORT" (CED-80-81). CONGRESSMAN PICKLE'S BILL, H.R. 655, IS DESIGNED TO STRENGTHEN THE DEPARTMENT OF TRANSPORTATION'S AUTHORITY TO COMBAT THE PROBLEM.

WE REPORTED THAT WITH ONLY LIMITED AUTHORITY AND RESOURCES, THE DEPARTMENT OF TRANSPORTATION'S OFFICE OF

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TRANSPORTATION SECURITY COULD REALISTICALLY DO LITTLE TO REDUCE CARGO THEFT AND THE ESTIMATED ANNUAL DIRECT AND INDIRECT LOSSES RUNNING INTO THE BILLIONS OF DOLLARS.

BACKGROUND

CARGO THEFT DISRUPTS THE RELIABLE AND EFFICIENT FLOW OF GOODS FROM SHIPPERS TO RECEIVERS. THEFT-RELATED LOSSES, WHICH INCLUDE THE DIRECT COSTS OF STOLEN CARGO AND INDIRECT COSTS SUCH AS FILING, INVESTIGATING, AND PAYING CLAIMS, REDUCE TRANSPORTATION INDUSTRY PROFITS AND INCREASE PRICES FOR CONSUMERS. CONSERVATIVE ESTIMATES PLACED THE DIRECT COSTS AT \$1 BILLION IN 1979 AND THE INDIRECT COSTS AT TWO TO FIVE TIMES THAT AMOUNT. SHIPMENTS BY MOTOR CARRIERS EXPERIENCE THE LARGEST PORTION OF TOTAL CARGO THEFTS.

IN 1971 THE DEPARTMENT OF TRANSPORTATION ESTABLISHED THE OFFICE OF TRANSPORTATION SECURITY TO DIRECT ITS CARGO SECURITY ACTIVITIES, USING THE BROAD STATUTORY AUTHORITY IN THE 1966 DEPARTMENT OF TRANSPORTATION ACT (49 U.S.C. 1651). BECAUSE THE ACT DID NOT AUTHORIZE A REGULATORY PROGRAM, THE DEPARTMENT BEGAN PROMOTING VOLUNTARY MEASURES BY INDUSTRY TO REDUCE THEFT-RELATED LOSSES.

IN 1973 THE DEPARTMENTS OF TRANSPORTATION AND JUSTICE, WORKING WITH INDUSTRY ASSOCIATIONS, CREATED 15 CARGO SECURITY COMMITTEES--REFERRED TO AS "CITY CAMPAIGNS"--IN MAJOR U.S. TRANSPORTATION CENTERS. CONSISTING OF REPRESENTATIVES OF AIR, RAIL, MOTOR AND WATER CARRIERS; SHIPPERS; RECEIVERS; LAW ENFORCEMENT AGENCIES; INSURANCE COMPANIES; AND OTHERS; THESE

LOCAL COMMITTEES WERE TO PROVIDE A MEANS TO PROMOTE COORDINATED ACTIONS AGAINST CARGO THEFTS.

EXECUTIVE ORDER 11836--"INCREASING THE EFFECTIVENESS OF THE TRANSPORTATION CARGO SECURITY PROGRAM"--WAS ISSUED IN JANUARY 1975, AND IT SPECIFIED THAT THE DEPARTMENT OF TRANSPORTATION SHOULD CARRY OUT A VOLUNTARY PROGRAM.

PURSUANT TO THE ORDER, THE DEPARTMENT

- *PROVIDED TECHNICAL ASSISTANCE TO THE TRANSPORTATION INDUSTRY;
- *COORDINATED THE CITY CAMPAIGNS;
- *ISSUED CARGO SECURITY ADVISORY STANDARDS; AND
- *COLLECTED, ANALYZED, AND PUBLISHED DATA ON THEFT-RELATED CARGO LOSSES.

THE SECRETARY OF TRANSPORTATION ISSUED ORDER 6000.2 IN JULY 1975, ASSIGNING OVERALL RESPONSIBILITY FOR THE PROGRAM TO THE OFFICE OF TRANSPORTATION SECURITY. HE DIRECTED HIS OPERATING ADMINISTRATIONS (FEDERAL HIGHWAY ADMINISTRATION, COAST GUARD, FEDERAL AVIATION ADMINISTRATION, AND FEDERAL RAILROAD ADMINISTRATION) TO PROVIDE THE OFFICE WITH REGIONAL REPRESENTATIVES TO LEAD THE CITY CAMPAIGNS AND PROMOTE CARGO SECURITY ACROSS THE COUNTRY.

TECHNICAL ASSISTANCE

THE OFFICE PERFORMED A LIMITED NUMBER OF TECHNICAL ASSISTANCE ACTIVITIES. THROUGH MARCH 1980, IT HAD PRESENTED ELEVEN SEMINARS TO TRAIN INDUSTRY AND STATE AND LOCAL LAW ENFORCEMENT OFFICIALS IN PREVENTING CARGO THEFTS AND IMPROVING

INVESTIGATIVE SKILLS. IT HAD ALSO SPONSORED SEVERAL RESEARCH AND DEMONSTRATION PROJECTS; CONDUCTED PRESENTATIONS AT INDUSTRY ASSOCIATION CONFERENCES; AND MADE FILMS, PUBLICATIONS, NEWSLETTERS, AND HANDBOOKS AVAILABLE.

THE EFFECTIVENESS OF THE OFFICE'S TECHNICAL ASSISTANCE WAS HINDERED BY CERTAIN FACTORS. THE CARGO SECURITY PROGRAM'S BUDGET WAS LIMITED AND DECREASING. THERE WERE 13 OFFICE EMPLOYEES IN 1976 AND 9 IN 1980. OTHER THAN SALARIES AND EXPENSES OF ITS EMPLOYEES, THE OFFICE HAD A \$181,000 BUDGET IN FISCAL YEAR 1980, THE LOWEST SINCE 1975. IN FISCAL YEAR 1979 THE OFFICE HAD \$60,000 TO SUPPORT CITY CAMPAIGN ACTIVITIES, WHILE IN 1980 IT HAD ONLY \$30,000.

THE OFFICE HAD TO RELY ON INADEQUATE STAFF RESOURCES IN THE FIELD. THE DEPARTMENT'S DESIGNATED FIELD REPRESENTATIVES STILL HAD TO PERFORM THEIR REGULAR DUTIES AND GENERALLY HAD LESS THAN 10 PERCENT OF THEIR TOTAL TIME AVAILABLE TO WORK ON THE CITY CAMPAIGNS. FIVE OF THE SIX REPRESENTATIVES WE INTERVIEWED ACKNOWLEDGED THAT THEY DID NOT HAVE TIME TO ASSIST INDUSTRY. ALSO, HIGHWAY, ELECTRICAL, AND CHEMICAL ENGINEERS WERE IN CHARGE OF CITY CAMPAIGNS. FOUR OF THE SIX REPRESENTATIVES WE INTERVIEWED SAID THEY DID NOT HAVE THE EXPERTISE TO ASSIST INDUSTRY.

CITY CAMPAIGNS

THROUGH THE CITY CAMPAIGN MEETINGS, THE OFFICE INFORMED INDUSTRY ABOUT ITS ACTIVITIES AND PROVIDED A FORUM FOR DISCUSSING CARGO SECURITY PROBLEMS AND SOLUTIONS.

WE FOUND, HOWEVER, THAT INDUSTRY HAD MINIMAL INTEREST IN THE OFFICE'S CARGO SECURITY ACTIVITIES. THE TYPICAL CITY CAMPAIGN MEETING HAD LESS THAN 10 INDUSTRY REPRESENTATIVES, AND MEETINGS WERE HELD REGULARLY ONLY IN SOME OF THE CITIES. INDUSTRY REPRESENTATIVES WHO DID PARTICIPATE IN THE CAMPAIGNS TOLD US THAT THE MEETINGS ENABLED THEM TO SHARE IDEAS AND IMPROVED COMMUNICATION AMONG INDUSTRY, GOVERNMENT, AND LAW ENFORCEMENT OFFICIALS. THE CITY CAMPAIGNS WERE ORGANIZED WITH SUBCOMMITTEES FOR THE VARIOUS MODES--AIRLINE, MOTOR CARRIER, RAILROAD, AND MARITIME. WE FOUND THAT MOST OF THESE SUBCOMMITTEES WERE TOTALLY INACTIVE.

OUR REPORT IDENTIFIED THREE REASONS WHY INDUSTRY TOOK A MINIMAL INTEREST IN THE PROGRAM.

1. INDUSTRY AND GOVERNMENT OFFICIALS ACCEPTED AS A FACT THAT THEFT-RELATED LOSSES ARE A "COST-OF-DOING-BUSINESS." GOOD SECURITY MEASURES, SUCH AS ADDING FENCES AND GUARDS, CHECKING SEALS, AND COUNTING CARGO AS IT IS LOADED AND UNLOADED, CAN BE EXPENSIVE. AS A RESULT, INDUSTRY OFTEN VIEWS IT AS LESS COSTLY TO ABSORB THE SMALLER CLAIMS AND HAVE INSURANCE COVER THE LARGER CLAIMS.

2. ANOTHER REASON WAS THAT THE OFFICE TO SOME EXTENT DUPLICATED ACTIVITIES OF INDUSTRY ASSOCIATIONS IN PROMOTING CARGO SECURITY. FOR EXAMPLE, THE AMERICAN TRUCKING ASSOCIATION HAS A NATIONAL COUNCIL OF SAFETY AND SECURITY MANAGERS WHICH MEETS FOUR TIMES A YEAR AND PUBLISHES A MONTHLY NEWSLETTER.

3. FINALLY, CERTAIN INDUSTRY SEGMENTS, PARTICULARLY AIRLINES, LARGE TRUCKING COMPANIES, AND RAILROADS, SEEMED TO HAVE MINIMAL INTEREST BECAUSE THEY HAVE THEIR OWN SECURITY EXPERTS AND DO NOT LOOK TO THE OFFICE FOR ADVICE.

CARGO SECURITY ADVISORY STANDARDS

THE OFFICE PUBLISHED FIVE CARGO SECURITY ADVISORY STANDARDS WHICH RECOMMENDED MINIMUM STEPS INDUSTRY CAN TAKE TO PROTECT OR ACCOUNT FOR CARGO. INDUSTRY DID NOT PAY MUCH ATTENTION TO THE STANDARDS, AND THE OFFICE DID LITTLE TO PROMOTE THEM.

OFFICE OF TRANSPORTATION SECURITY OFFICIALS ACKNOWLEDGED THAT THE ADVISORY STANDARDS WERE INEFFECTIVE. THEY BELIEVED THAT THE OFFICE WOULD NEED MORE STAFF TO PROMOTE AND EXPLAIN THE STANDARDS TO INDUSTRY.

DATA ON CARGO THEFTS

CERTAIN PROBLEMS HINDERED THE OFFICE IN COLLECTING, ANALYZING, AND PUBLISHING DATA ON THEFT-RELATED CARGO LOSSES. THE OFFICE COULD OBTAIN ONLY VERY LIMITED AIR CARGO LOSS DATA. THE CIVIL AERONAUTICS BOARD CUT BACK ITS REPORTING REQUIREMENTS IN 1977, AND IN 197⁹~~8~~ COMPLETELY DROPPED AIR CARGO LOSS DATA REPORTING. ALSO, THE OFFICE WAS NEVER ABLE TO GET THE FEDERAL MARITIME COMMISSION TO COLLECT CARGO THEFT DATA FROM THE MARITIME INDUSTRY. RAILROAD AND MOTOR CARRIER CARGO LOSS DATA OBTAINED THROUGH THE INTERSTATE COMMERCE COMMISSION HAS BEEN USED BY THE

OFFICE. HOWEVER, EFFECTIVE JANUARY 1, 1981, THE COMMISSION WILL DISCONTINUE ITS REPORTING REQUIREMENTS.

ANOTHER DATA PROBLEM WAS ESTIMATING THE EXTENT OF CARGO THEFT. THE CONSENSUS OF GOVERNMENT AND INDUSTRY OFFICIALS WE INTERVIEWED WAS THAT THE OFFICE'S ESTIMATES DEFINITELY UNDERSTATED THE PROBLEM, BECAUSE CARRIERS DID NOT ALWAYS REPORT THEIR THEFT-RELATED LOSSES.

THESE OFFICIALS CITED THREE REASONS WHY A CARRIER WOULD NOT REPORT CARGO THEFTS. A CARRIER MAY BE CONCERNED THAT

--SHIPPERS COULD LEARN THEIR CARGO IS NOT BEING

SECURELY MOVED AND SHIFT THEIR BUSINESS TO ANOTHER CARRIER;

--A POOR CARGO SECURITY RECORD COULD BE USED

AGAINST IT BY A COMPETING CARRIER; AND

--ITS INSURANCE COMPANY COULD USE THE THEFT

STATISTICS TO INCREASE PREMIUMS.

CURRENT STATUS OF THE CARGO SECURITY PROGRAM

BECAUSE THE CITY CAMPAIGN PROGRAM HAD LIMITED SUCCESS, THE ADDITIONAL FUNDS REQUESTED IN FISCAL YEAR 1981 TO EXPAND THE PROGRAM WERE NOT APPROVED BY THE CONGRESS. AS A RESULT, THE SECRETARY OF TRANSPORTATION HAS RESCINDED ORDER 6000.2, AND THE CITY CAMPAIGNS HAVE GONE OUT OF EXISTENCE. WE UNDERSTAND THAT EXECUTIVE ORDER 11836 IS STILL IN EFFECT, BUT THE DEPARTMENT IS NOW CONSIDERING TO WHAT EXTENT THE ORDER MUST BE REVISED.

WE HAVE LEARNED THAT STAFF OF THE OFFICE OF TRANSPORTATION SECURITY HAS BEEN SHIFTED TO VARIOUS UNITS IN THE DEPARTMENT'S RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION. FOUR STAFF MEMBERS HAVE BEEN ASSIGNED TO A CARGO SECURITY DIVISION IN THE TRANSPORTATION PROGRAMS BUREAU'S OFFICE OF EMERGENCY TRANSPORTATION AND WILL DO A LIMITED AMOUNT OF PROMOTION WORK. BUREAU OFFICIALS TOLD US THAT THE DIVISION WILL RECEIVE \$160,000 FROM THE BUREAU'S FUNDS TO CONTINUE THE VOLUNTARY PROGRAM IN FISCAL YEAR 1981.

THE CARGO SECURITY DIVISION PLANS TO COLLECT AND PUBLISH THEFT-RELATED CARGO LOSS DATA WHICH INDUSTRY ASSOCIATIONS WILL VOLUNTARILY PROVIDE. HOW USEFUL SUCH DATA WILL BE IS QUESTIONABLE. IN OUR REPORT, WE NOTED THAT WITHOUT AUTHORITY TO REQUIRE TIMELY, ACCURATE, AND UNIFORM REPORTING, THE DEPARTMENT MAY OBTAIN AN UNRELIABLE DATA BASE.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. WE WILL BE GLAD TO RESPOND TO YOUR QUESTIONS.