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REPORT BY THE

Comptroller General

OF THE UNITED STATES

Promotion Of Cargo Security Receives Limited Support

The Department of Transportation's Office of Transportation Security, working through a voluntary program, coordinates and promotes cargo security activities in 15 metropolitan area "city campaigns" and encourages industry to use various cargo security measures. The Office also provides data on the extent of the cargo theft problem.

The effectiveness of the Office's program is hindered by its limited budget, inadequate staff resources committed to the city campaigns, and industry's minimal interest. The Office's data has understated the extent of the problem and may not be reliable and useful in the future.

The Department is evaluating the future of the cargo security program and the Office's collecting, processing, and publishing of cargo theft data.



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MARCH 31, 1980

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-198132

The Honorable James J. Howard
Chairman, Subcommittee on
Surface Transportation
House Committee on Public Works
and Transportation

The Honorable J. J. Pickle
House of Representatives

This report, prepared in response to your request of October 4, 1979, discusses the Department of Transportation's Office of Transportation Security's efforts to promote cargo security.

As arranged with Congressman Pickle's office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time we will send copies to the Director, Office of Management and Budget; the Secretary of Transportation; interested congressional committees; and other parties.

A handwritten signature in black ink, appearing to read "James A. Stroh".

Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN,
SUBCOMMITTEE ON SURFACE
TRANSPORTATION, COMMITTEE
ON PUBLIC WORKS AND
TRANSPORTATION, AND
THE HONORABLE J. J. PICKLE
HOUSE OF REPRESENTATIVES

PROMOTION OF CARGO SECURITY
RECEIVES LIMITED SUPPORT

D I G E S T

The Department of Transportation established the Office of Transportation Security in 1971 to help combat the widespread problem of cargo theft. Working through a voluntary program, the Office coordinates and promotes cargo security activities in 15 metropolitan area "city campaigns" and encourages industry to use various cargo security measures. The Office also provides data on the extent of the cargo theft problem.

In a limited review, GAO found that the effectiveness of the Office's program has been hindered by a small budget, inadequate staff resources committed to the city campaigns, and industry's minimal interest. With these constraints, the Office can realistically do little to promote cargo security. GAO also found that the Office's data has understated the extent of the problem and may not be reliable and useful in the future.

THE OFFICE'S BUDGET IS LIMITED

In 1976 the Office had 13 employees; it now has 9. Its fiscal year 1980 budget of \$181,000, which funds research and demonstration projects, data use, and support for the city campaigns, is the lowest since 1975. In 1979 the city campaigns were allotted \$60,000 for their activities; in 1980 they were allotted \$30,000.

INADEQUATE STAFF RESOURCES
COMMITTED TO CITY CAMPAIGNS

Because the Office has only a headquarters staff, it relies on cargo security representatives from the Department's modal

administrations (Federal Highway Administration, Federal Aviation Administration, Federal Railroad Administration, and Coast Guard) to coordinate and promote cargo security activities in the city campaigns. Five of the six representatives GAO interviewed acknowledged they do not have time to assist industry; four of the six said they did not have the expertise to assist industry.

INDUSTRY HAS MINIMAL INTEREST
IN THE OFFICE'S EFFORTS

Industry is not particularly active in the city campaigns and pays little attention to the Office's other efforts. Industry often views theft as a cost of doing business and prefers to absorb the smaller claims and rely on insurance to cover large losses.

THE OFFICE'S DATA HAS UNDERSTATED
THE EXTENT OF THE PROBLEM

As part of its work, the Office collects and publishes cargo theft data. It estimates that the direct costs of cargo thefts in 1979 were conservatively \$1 billion and the indirect costs (such as filing claims) were two to five times that amount. The consensus of those GAO interviewed is that carriers do not report all thefts and the Office's figures understate the extent of the problem.

The Office may have problems with the data it collects and publishes in the future. It is uncertain how reliable the data will be and whether it will meet users' needs.

DEPARTMENT OF TRANSPORTATION
REVIEWS ITS CARGO SECURITY
ACTIVITIES

The Department is currently considering various alternatives for modifying the voluntary cargo security program. It may reduce the Office of Transportation Security's staff and budget and city campaigns' activities; concentrate the Office's support on campaigns in cities with the most severe cargo theft

problems; or shift the city campaign leadership from the modal administrations to the Office, which would have its own field staff. Unless it can obtain reliable cargo theft data in the future, the Department may discontinue the Office's collecting, processing, and publishing of this information.

AGENCY COMMENTS

Department of Transportation officials said GAO's report is a fair assessment of their efforts. They will consider GAO's findings in the current review of their cargo security activities.

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ABBREVIATIONS

CAB	Civil Aeronautics Board
DOT	Department of Transportation
FMC	Federal Maritime Commission
GAO	General Accounting Office
ICC	Interstate Commerce Commission
OTS	Office of Transportation Security
QFL&D	Quarterly reports of freight loss and damage

CHAPTER 1

INTRODUCTION

At the request of the Chairman, Subcommittee on Surface Transportation, House Committee on Public Works and Transportation, and Congressman J. J. Pickle, we evaluated the effectiveness of the Office of Transportation Security's (OTS') efforts to promote cargo security. (See app. I.)

Cargo theft is a serious problem affecting all modes of transportation. Theft disrupts the reliable and efficient flow of goods from shippers to receivers. It is also expensive; theft-related losses, which include the direct cost of stolen cargo, higher insurance premiums, and additional administrative expenses, reduce transportation industry profits and increase prices for consumers. OTS' conservative estimate of the direct costs in 1979 was \$1 billion.

THE OFFICE OF TRANSPORTATION SECURITY AND ITS MISSION

In June 1971 the Department of Transportation (DOT) established the Office of Transportation Security to direct its antihijacking and cargo security activities. DOT used the broad statutory authority in the Department of Transportation Act of 1966 (49 U.S.C. 1651) which gave it responsibility for developing and implementing national policies and programs to provide fast, safe, efficient, and coordinated transportation. Because the act did not authorize a regulatory program, DOT began promoting voluntary measures to improve cargo security.

In 1973 DOT and the Department of Justice, working with industry associations, created 15 cargo security committees--now called "city campaigns"--in major U.S. transportation centers. Consisting of representatives of air, rail, motor, and water carriers; shippers; receivers; law enforcement agencies; Federal, State, and local governments; insurance companies; and others; these local committees were to provide a means to promote coordinated actions against cargo thefts. The U.S. attorneys in the 15 cities were assigned responsibility for Federal leadership of the committees.

In January 1975 President Ford signed Executive Order 11836--Increasing the Effectiveness of the Transportation Cargo Security Program. (See app. II.) The order specified the responsibilities of various Federal departments and agencies for the voluntary cargo security program. DOT would provide leadership, guidance, and technical assistance

to Federal agencies and the transportation industry and coordinate the 15 local cargo security committees.

In July 1975 the Secretary of Transportation issued DOT Order 6000.2 to carry out the executive order's directions. OTS was made responsible for planning, developing policy, sponsoring research and demonstration projects, and coordinating the cargo security program at the headquarters level. DOT's modal administrations--Federal Aviation Administration, Federal Highway Administration, Coast Guard, and Federal Railroad Administration--would designate field personnel to lead various city campaigns. OTS would provide staff support and assistance to modal administration field staff.

On January 15, 1979, Congressman Pickle introduced legislation--the Cargo Security Act of 1979 (H.R. 655)--to strengthen DOT's authority. The proposed bill would replace the voluntary cargo security program with a regulatory one. DOT would be directed to issue and enforce regulations on packaging, documentation, loss reporting, and personnel security in the transportation industry.

SCOPE OF REVIEW

We interviewed officials and/or reviewed documents of the Department of Transportation, Department of Justice, Interstate Commerce Commission (ICC), Civil Aeronautics Board (CAB), transportation industry associations, and a labor union in Washington, D.C. We also evaluated the activities of the Boston, New York, Baltimore, Detroit, Chicago, Seattle, and San Francisco city campaigns through discussions with representatives of the Federal departments of Transportation, Treasury, and Justice; shippers; carriers; insurance companies; and State and local law enforcement agencies.

CHAPTER 2

OTS HAS HAD LIMITED SUCCESS

PROMOTING CARGO SECURITY

The Office of Transportation Security, through its various activities and the city campaigns, has had limited success promoting cargo security. The effectiveness of its program is hindered by a limited budget, inadequate staff resources committed to the city campaigns by DOT's modal administrations, and industry's minimal interest. With these constraints, OTS can realistically do only so much to promote cargo security.

OTS' EFFORTS TO PROMOTE CARGO SECURITY

Pursuant to Executive Order 11836 and DOT Order 6000.2, OTS is responsible for

- assisting the transportation industry by planning, developing, and testing cargo security measures; providing technical assistance; and arranging demonstration projects;
- coordinating the activities of Federal departments and agencies relating to cargo theft prevention; and
- issuing cargo security advisory standards.

To carry out these responsibilities, OTS has a headquarters staff and supports 15 city campaigns across the country. 1/ It also sponsors the Interagency Committee on Transportation Security, a forum for exchanging cargo security information among Federal departments and agencies.

Part of DOT's Research and Special Programs Administration, OTS has a staff of nine--six program managers and three secretaries--who perform a range of activities. For example, in 1978 and 1979 OTS:

- Presented law enforcement seminars. These well-attended, well-received seminars train industry and

1/ City campaigns exist in Atlanta, Baltimore, Boston, Chicago, Dallas/Ft. Worth, Detroit, Houston, Los Angeles/Long Beach, Miami, New Orleans, New York/Newark, Philadelphia, San Francisco/Oakland, San Juan, and Seattle/Tacoma.

State and local law enforcement officials in preventing cargo thefts and improving investigative skills.

- Sponsored several research and demonstration projects. Based on an analysis of the Port of Oakland, California, OTS published a "Maritime Cargo Loss Prevention Handbook." It helped plan and develop a demonstration involving a common radio frequency for railroad police in Detroit. It also began drafting a textbook on proven motor carrier security procedures.
- Cosponsored (with the Transportation Association of America) an international cargo security conference and made presentations at various industry association conferences.
- Published a literature survey that lists sources and abstracts of information on the cargo theft problem.

OTS also makes films, quarterly newsletters, and publications available. Since 1973 it has issued five cargo security advisory standards.

The city campaigns primarily hold meetings and seminars and help initiate or sponsor cargo security measures. The seven we reviewed vary in level of activity. The Boston city campaign has held no meetings since 1975. The Baltimore, Detroit, and Chicago city campaigns, which had held regular meetings, have recently curtailed their activities. They have sponsored some projects. Baltimore and Detroit printed posters urging employees of trucking companies not to steal cargo. Chicago regularly published a newsletter and helped State and local law enforcement agencies develop means of gathering and sharing information on stolen cargo. The New York, San Francisco, and Seattle city campaigns are the most active of those we reviewed. They generally hold quarterly meetings and have helped develop cargo security measures in their localities. New York published a highly popular brochure on cargo packaging and helped draft an airport security guide. San Francisco helped persuade the California Legislature to establish a State clearinghouse which receives and records reports of cargo thefts. Seattle has regularly published a newsletter and distributed to industry an information packet with various OTS materials and a security survey checklist.

The Interagency Committee on Transportation Security was established so Federal agency officials could exchange views on cargo theft prevention. The committee meets twice

yearly with the Transportation Association of America's National Cargo Security Council. Representatives from OTS and other Federal agencies brief each other on their activities. Generally attending are one or two persons from the Departments of Defense, Justice, Labor, Commerce, and Treasury; the Postal Service; ICC; CAB; General Services Administration; and Federal Maritime Commission (FMC).

EFFECTIVENESS OF OTS' EFFORTS IS LIMITED

The major factors inhibiting OTS' effectiveness are: (1) a limited budget, (2) inadequate staff resources committed to the city campaigns by DOT's modal administrations, and (3) industry's minimal interest.

The cargo security program has a limited budget. The number of OTS employees has declined from 13 in 1976 to 9 in 1980. Other than salaries and expenses of its employees, OTS has a \$181,000 budget in fiscal year 1980, the lowest since 1975. With these funds, it sponsors research and demonstration projects; collects, processes, and publishes data on the cargo theft problem; and supports city campaign activities. In fiscal year 1979 OTS had \$60,000 for the city campaigns to fund seminars, travel to conferences, or small projects such as printing posters. In fiscal year 1980 it has \$30,000 for the city campaigns.

In 1978 and 1979, OTS sponsored four research and demonstration projects--the Port of Oakland study, the Detroit common radio frequency for railroad police, the literature survey, and the motor carrier security textbook. Since its first law enforcement seminar in April 1978, OTS has held seminars at 11 locations, including 8 of the 15 cities with local campaigns.

In its fiscal year 1981 budget submissions to DOT, OTS stated that its current number of staff positions (9) does not adequately reflect "the historical intent of the Congress regarding their desire to see a strong transportation security effort." It added that "successive reductions in [OTS'] manning strength have reduced the potential effectiveness of our program significantly." In requesting a budget increase for 1981, OTS argued that denying this increase would indefinitely delay the development of new security standards, minimize the number of cargo security seminars, and prevent adequate monitoring of city campaign activities.

Because OTS has only headquarters staff, it relies on DOT modal administration field staff. The Federal Aviation Administration is responsible for five city campaigns, Coast Guard for five, Federal Highway Administration for four, and

Federal Railroad Administration for one. The Administrations designate senior regional office officials and staff assistants as cargo security coordinators and representatives, respectively. These coordinators and representatives work with OTS as an adjunct to their regular duties and generally spend less than 10 percent of their total time on the city campaigns.

Five of the six representatives we interviewed acknowledged that they do not have time to assist industry. The Chicago city campaign's history confirms that the representatives need to spend time soliciting interest in cargo security. The cargo security representative used to devote about 85 percent of his time to the voluntary program. In 1979, however, he spent about 10 percent and the city campaign became much less active.

Not all representatives are trained security experts, and four of the six we interviewed said they did not have the expertise to assist industry. Highway, electrical, and chemical engineers serve as representatives. Even those with a security background do not necessarily feel they can promote cargo security effectively. One Federal Aviation Administration representative, who is an air transportation security expert, told us that because his expertise is in the air mode, he cannot establish credibility with the trucking industry. An OTS official told us that representatives do not need expertise since they are not expected to provide technical assistance. Their purpose is to organize a forum for industry and law enforcement to discuss cargo security.

Industry's minimal interest also limits the effectiveness of OTS' cargo security program. Through the city campaign meetings and seminars, OTS informs industry about its activities and provides a forum to discuss cargo security problems and possible solutions. Industry representatives who were active in the campaigns told us that the meetings enable them to share ideas and improve communication among industry, government, and law enforcement officials. Still, the typical city campaign meeting has less than 10 industry representatives, and meetings are held regularly only in some of the cities. The city campaigns are organized with subcommittees for the various modes--airline, motor carrier, railroad, and maritime. However, we found most of these subcommittees to be totally inactive.

We identified several reasons why industry takes minimal interest in OTS' cargo security program. One, according

to industry and government officials, is 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.

Another reason is that OTS to some extent duplicates what industry does for itself. Fifty major U.S. airports have their own airport security councils of airline, government, and airport security officers. The Air Transport Association distributes an "Airport Security Council Inspection Manual," developed by the New York council, that outlines procedures for safeguarding cargo. The American Trucking Association is drafting its own security manual and has a national council of safety and security managers. This council meets four times a year, publishes a monthly newsletter, and prints posters aimed at reducing theft-related losses. The American Association of Port Authorities has its own port security committee and has published a manual which outlines physical security measures and training for port security police.

A third reason is that part of industry feels it needs only limited assistance. Several industry officials told us OTS puts on good training seminars and, through the city campaigns, aids communication among government, law enforcement, and industry. However, they contend that most airlines, large trucking companies, and railroads do not need much advice from OTS, since these carriers have their own security experts.

OTS' problems in promoting cargo security are demonstrated by the mixed response to the five cargo security advisory standards it has published. 1/ The five standards are:

- Seal accountability and procedures.
- High-value commodity storage.
- Internal accountability procedures.
- Cargo loss reporting system and procedures.

1/The cargo security advisory standards are Part 101-1 through 101-5 of Title 49 of the Code of Federal Regulations.

--Pilferable high-value or sensitive cargo transit procedures.

The standards are intended to be general and cover movement of goods by all modes, although some of their provisions would not apply to every mode. Their purpose is to describe minimum steps to protect or account for cargo; they are flexible enough that companies have to judge a given provision's cost effectiveness.

Several years ago OTS surveyed 125 leading carriers and was told that roughly half had adopted or exceeded the advisory standards and one-third never heard of them. We also found that the standards get a mixed response. According to industry officials we interviewed, small trucking and maritime companies are generally not familiar with the standards but large ones are, and most railroads and airlines are familiar with them. The general consensus was that carriers following the standards do so coincidentally--either they use them without knowing it or they would take such actions anyway. In any case industry does not pay much attention to the standards.

The reasons why industry has little interest in the standards are similar to those limiting OTS' overall effectiveness. First, several industry officials told us they had their own standards and expertise and did not need the Federal Government's. Second, OTS does little to promote the standards. The city campaign representatives serve as OTS' main contacts with industry, but only one of the interviewed representatives said he actively promotes the standards and most acknowledged being unfamiliar with what the standards say. Their lack of expertise and time available for cargo security activities certainly limits what the representatives can do.

OTS officials acknowledged that the advisory standards are ineffective. To gain acceptance of the difficult-to-understand standards, which are written in legal language for the Code of Federal Regulations, they believe OTS would need more staff to actively promote and explain the standards to industry security and operating personnel. These officials prefer to spend resources on more understandable handbooks, such as the one on maritime security, and do not at this time plan to develop additional advisory standards.

DEPARTMENT OF TRANSPORTATION REVIEWS
ORGANIZATION AND RESOURCES OF CARGO
SECURITY PROGRAM

On April 17, 1979, the Commandant of the Coast Guard requested that the Secretary of Transportation relieve his personnel acting as cargo security coordinators and representatives of these responsibilities. While the Secretary has not relieved the Coast Guard of these duties, DOT is currently reviewing alternative ways of modifying its cargo security program. Four options being considered are to

- continue the voluntary program as it is;
- reduce OTS' staff and budget and the city campaigns' activities and ask the President to modify or rescind the executive order;
- maintain OTS' staff and budget but concentrate its support on campaigns in cities with the most severe cargo theft problems; or
- shift the city campaign leadership from the modal administrations to OTS, which would have its own field staff to coordinate the local campaigns.

AGENCY COMMENTS

DOT officials said our report is essentially a fair assessment of OTS' efforts. They will consider our findings in the current review of alternatives for modifying their cargo security program.

CHAPTER 3

OTS' DATA HAS UNDERSTATED THE PROBLEM IN THE PAST AND MAY NOT BE RELIABLE AND USEFUL IN THE FUTURE

OTS has published data on the extent of the cargo theft problem. The consensus of persons we interviewed is that OTS' data has understated the amount of theft-related losses. It is uncertain how accurate and reliable OTS' data will be in the future. Because government, industry, and insurance company officials do not agree on what data should be collected, it is also uncertain how OTS' data will meet users' needs.

DIFFICULTIES WITH PAST DATA

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

From 1972 through 1976 CAB collected and published air cargo loss data. Available to OTS was such information as the extent of theft-related claims paid by each airline and the entire industry, which commodities were being stolen, and at what airport the thefts occurred. CAB curtailed its reporting requirements in 1977, and in 1978 completely dropped air cargo loss data reporting. OTS projected 1978 airline industry totals from previous data, but will not provide any 1979 statistics.

OTS has never been able to obtain cargo theft data from the maritime industry because FMC has not collected such data from domestic and foreign flag carriers. As a result, OTS has published data based on U.S. Customs Service national summaries on theft-related losses for imported cargo handled by Customs.

From 1972 through 1977 for motor carriers and 1975 through 1977 for railroads, ICC collected and published cargo loss data based on quarterly reports of freight loss and damage (QFL&D) from major regulated motor carriers and railroads. OTS is processing and publishing 1978 and 1979 motor carrier and railroad QFL&D data obtained through ICC.

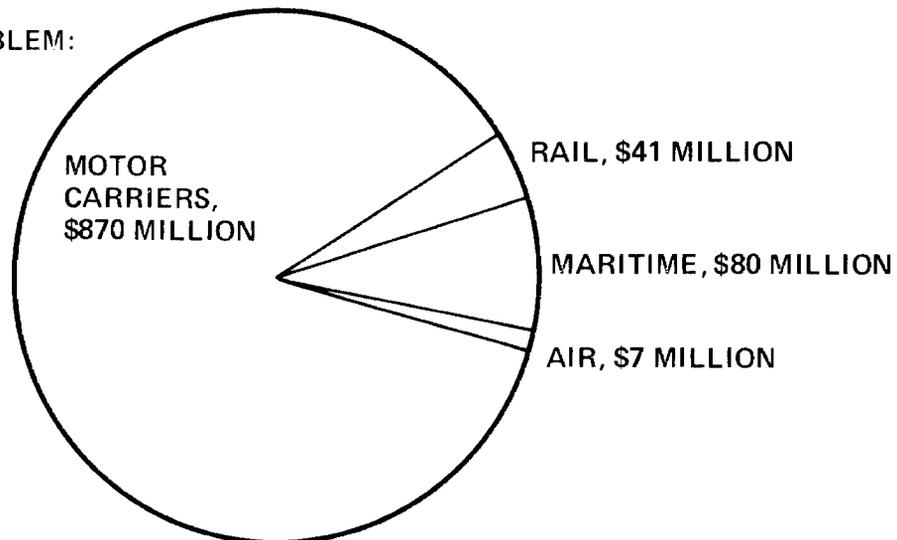
OTS has maintained a data file on those motor carriers and railroads submitting QFL&D reports. From this file, OTS could provide industrywide or company-by-company analyses.

Available information includes operating revenues, theft-related losses, claims paid (all causes), gross operating profits, and the ratios of theft-related losses to revenues or profits. OTS could break down losses by type of commodity and States in which thefts occurred and could also show historical trends.

Estimating the extent of the cargo theft problem is one difficulty OTS has with its past data. Based on the information it receives, OTS estimates conservatively that the direct costs of cargo thefts for the entire transportation industry in 1979 were \$1 billion and the indirect costs (such as filing, investigating, and paying claims) were two to five times that amount. In 1977 the modal breakdown of direct costs was as follows. (note a)

CARGO THEFT ESTIMATED AT \$1 BILLION ANNUALLY

CARGO SECURITY
THE SIZE OF THE PROBLEM:



a/In 1977 the Nation's freight bill totaled over \$172 billion. Motor carriers accounted for 78 percent, rail 11 percent, maritime 6 percent, air 1 percent, and other 4 percent.

The consensus of government and industry officials we interviewed is that OTS' estimates definitely understate the extent of the cargo theft problem. They said the problem is understated because theft-related losses are not always reported by carriers.

These officials acknowledged several reasons why a carrier often will not report cargo thefts. First, the

carrier fears that shippers may learn their cargo is not being securely moved and shift their business to another carrier. Second, it does not want a poor cargo security record available to another carrier who could use this information to compete for a shipper's business. Third, it fears that its insurance company will use the theft statistics to increase premiums.

Another difficulty OTS has had with its past data is getting reliable and useful information on where thefts occur. The CAB data identified theft location by airport, and the ICC data did so by State. In filing reports, carriers are often unable to pinpoint where cargo was stolen. On a California to New York rail shipment, for example, the carrier might file that a theft occurred where it was discovered, perhaps the final destination, but the actual location was in a midwestern State.

UNCERTAINTIES ABOUT WHAT DATA
OTS WILL AND SHOULD PROVIDE

OTS can no longer rely on its traditional sources of information. For air carriers, consistent with airline deregulation, CAB dropped the air cargo loss reporting requirement in May 1979. DOT did not formally comment when CAB proposed this action. Citing the "apparent lack of governmental* * *interest" in freight loss data, CAB stated it could not justify continuing its requirement. Air carriers continue to collect their own freight claims and loss data. The Air Transport Association will voluntarily provide OTS every 6 months with total revenue, total claims, total claims paid, and theft-related losses as a percentage of total claims paid. OTS will be able to break out the information by individual carrier but not by commodity.

For maritime carriers, OTS will continue to use U.S. Customs Service data because FMC does not collect cargo theft data. Since January 1, 1977, the Customs Service has recorded losses in its theft information system. Included is such information as theft or discovery location and value of stolen cargo. OTS officials do not have confidence that the Customs data will accurately describe the maritime cargo theft problem.

On September 25, 1979, ICC proposed eliminating its requirements that rail and motor carriers file QFL&D reports, effective in 1980. ICC has concluded that its own use of these reports did not justify the reporting burden. On November 9 DOT submitted comments on the proposed action and asked that ICC continue its filing requirements. DOT

argued that the QFL&D reports are no burden to ICC, since DOT now collects, processes, and publishes the data, and are an insignificant burden to the carriers, which keep such records in the normal course of business. DOT described how it uses the reports and acknowledged its lack of authority to require them. As of January 14, 1980, ICC had not made a final decision on its proposed rule.

Because ICC may drop its reporting requirements, OTS has arranged, through the Association of American Railroads and American Trucking Association, for major rail and motor carriers to submit cargo theft data voluntarily. The railroads will provide an annual report summarizing the industry's freight losses and damages by commodity. Data on individual railroads and theft location will not be submitted. The motor carriers have agreed to give OTS annually two of the three QFL&D schedules, omitting the schedule which identifies theft location.

DOT is concerned about the value of future rail and motor carrier data. It believes that a carrier having a bad year may not submit accurate, if any, loss data. Because DOT has no authority to require timely, accurate, and uniform reporting, it fears the data base may be unreliable. In its comments to ICC, DOT stated that without reliable data to measure trends and propose corrective actions, "the effectiveness of the National Cargo Security Program would be severely damaged."

How OTS' future data will meet users' needs is uncertain because government, industry, and insurance company officials do not agree on what their needs are. Some of those interviewed want better and more specific information on thefts. They would like data that points out local and regional problems, identifies which commodities are being stolen, and includes recovered merchandise. One reason cited was that better data is needed to show industry management and law enforcement agencies the importance of the problem. Others prefer to see OTS provide limited data. Certain industry officials said they want good cargo theft data as long as their own companies' figures are not publicized. OTS has made individual carrier information available to the public--shippers, consumers, and competitors--and some carriers prefer that OTS not do this.

We interviewed four insurance company officials and received a mixed response. One said he does not use OTS' data, adding that carrier loss records determine premiums. The others were more interested in OTS' information. They

need OTS' data to supplement their own surveys; provide specifics on the number and dollar value of losses, types of commodities, and theft locations; and show historical trends.

Data use is an issue being considered in DOT's current review of the organization and resources of the cargo security program. If DOT cannot obtain the reliable data it wants, it may discontinue OTS' collecting, processing, and publishing of cargo theft data and apply its resources to other activities.

APPENDIX I

J. J. PICKLE
18TH DISTRICT, TEXAS

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Congress of the United States
House of Representatives
Washington, D.C. 20515

October 4, 1979

APPENDIX I

COMMITTEE:
WAYS AND MEANS
SUBCOMMITTEES:
CHAIRMAN, SOCIAL SECURITY
OVERSIGHT

The Honorable
Elmer Staats
Comptroller General of the United States
General Accounting Office
441 G Street
Washington, D.C. 20548

Dear Mr. Staats:

For several years, I have been interested in the security of cargo in the transportation system. The Department of Transportation, under Executive order 11836, has an Office of Cargo Security which is to spearhead a voluntary effort in fighting this problem.

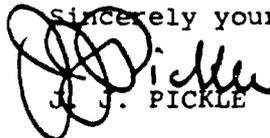
From my observations, I feel that the program is not effective, and is in fact becoming even less active.

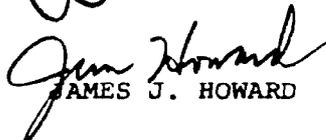
Since I have no way to judge the program, and since its budget runs around one half million dollars per year, I would like to ask your agency to conduct an internal audit of this office and its activities. It is my understanding that no audit has ever been done.

Joining me in my request is Congressman Jim Howard, Chairman of the Surface Transportation Subcommittee of Public Works. His subcommittee has jurisdiction over legislation I have introduced in this area, and he too is interested in finding out how effective our present government program is in this area.

Your consideration of our request is appreciated.

Sincerely yours,


J. J. PICKLE


JAMES J. HOWARD

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

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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.

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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.

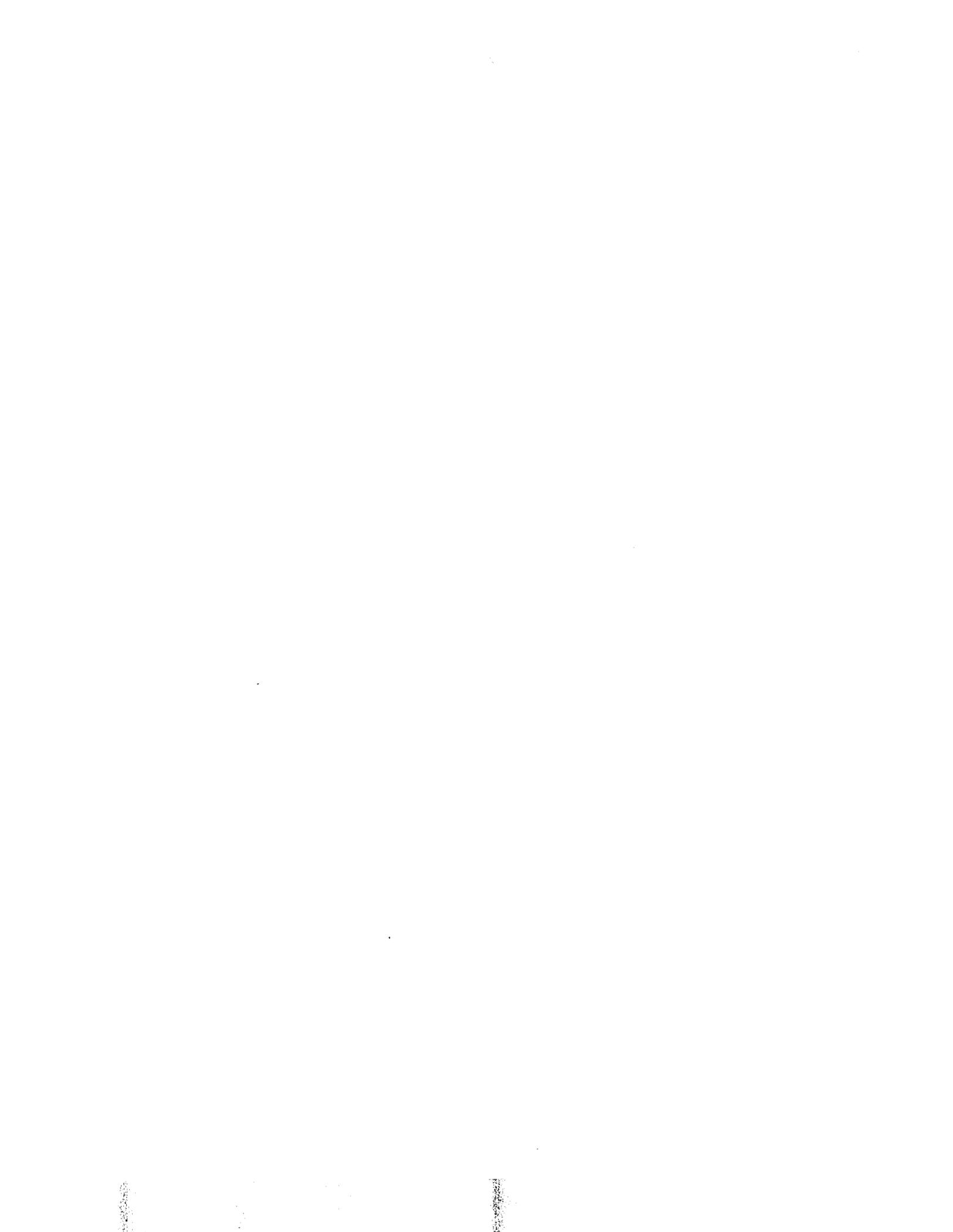
SEC. 5. Recommended Action by Federal Departments and Agencies. All Federal Departments and agencies, in their procurement of transportation services for goods and commodities, are urged to encourage carriers to adopt cargo theft prevention measures.

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.

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