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STATEMENT OF BENJAMIN O. DAVIS, ASSISTANT SECRETARY FOR SAFETY AND CONSUMER AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS, HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE, REGARDING PROPOSALS TO ESTABLISH A COMMISSION ON SECURITY AND SAFETY OF CARGO (S.942, H.R. 5080, H.R. 9622, and H.R. 10295), May 18, 1972.

Mr. Chairman, I appreciate the opportunity to appear this morning to present the views of the Department of Transportation on the various proposals to establish a Commission on Security and Safety of Cargo, and to apprise your Committee of the Department's activities in this area of such vital concern to all of us.

I am accompanied today by Richard F. Lally, Director of my Office of Transportation Security.

Before commenting specifically on the proposals under consideration, I would like to briefly describe the cargo security problem as I see it after a year of experience; cite the progress made during this past year; and express our support for cargo security legislation.

Cargo theft and pilferage is a widespread problem requiring the attention of all levels of government and the private sector. It is intermodal, intrastate and interstate in its dimension. We know that it is at least a \$1 billion problem, adversely affecting the users of the Nation's transportation system who depend on fast, safe, efficient, convenient, economic and secure transportation.

The public, of course, pays indirectly in the form of higher retail prices necessitated by the cost of replacing stolen goods, increased insurance premiums and administrative expenses. Cargo theft and pilferage feeds inflation, supports crime, erodes profits, aggravates, in particular, economic problems of the small businessman and adds insidiously to the cost of the products we all purchase.

There is no simple solution to the problem of cargo theft and pilferage. The directly involved parties in the problem are the shippers, freight forwarders, carriers, and consignees -- each a link in the transportation chain who must maintain appropriate security measures and dovetail them with the other links in the chain to produce a secure transportation network.

The solution to the problem demands more than investigation and prosecution of violators of the law. The integrity of goods in transit must be protected from theft and pilferage.

In June and July of 1971, the Department of Transportation and the Transportation Association of America jointly sponsored a highly successful four-day Conference of top congressional, private sector and Government officials who reviewed, discussed and documented ideas and recommendations for combating the cargo theft problem. There was clear consensus that the problem was indeed severe and that Federal involvement and action was necessary. It was at this Conference that Secretary Volpe announced DOT's leadership for coordinated Federal action. The Conference was the starting point for joint action to correct the problem -- the Federal Cargo Security Program.

In June of 1971, the Office of Transportation Security was created within our Department with responsibility for executing DOT's new role of Federal leadership for the protection and safety of passengers and cargo in the transportation system. This new office has four major elements: an Office of the Director, responsible for overall program coordination and management; a Civil Aviation Security Division responsible for both ground and air security of aircraft and passengers; a Cargo Security Division responsible for the secure shipment of cargo in the transportation system; and a Program Development Division which concentrates on the development of systems and procedures for assuring the application of the most modern technology possible in solving these problems.

Also in June 1971, during the Cargo Security Conference, Secretary Volpe announced the establishment of the Interagency Committee on Transportation Security sponsored by the Department of Transportation. This Federal Task Force, of which I am Chairman, is composed of high-level representatives from Federal Departments and agencies concerned with the cargo theft problem. Membership on this Committee -- which I must stress is not a study group -- includes representatives of the Departments of Transportation, State, Treasury, Justice, Commerce, Defense and Labor, the General Services and Small Business Administrations, the Postal Service, the Federal Maritime, Interstate Commerce and Atomic Energy Commissions, and the Civil Aeronautics Board. The Office of Management and Budget participates regularly with an observer at Committee meetings. The primary functions of the Committee are the coordination of actions for the total Federal effort in the prevention of theft and pilferage of cargo from the Nation's transportation system and

for the investigation and prosecution of violators of cargo theft laws. More importantly, this Committee serves as our vehicle for carrying out a 12-part Cargo Security Program developed through the joint efforts of DOT, the Interagency Committee, and the Transportation Industry Cargo Security Council. The Industry Council is the private sector counterpart to our Interagency Committee. The 12-part program consists of objectives and tasks which when accomplished -- as some now have been -- should produce a strengthening of the links of the transportation chain:

1. Cargo Loss Reporting
2. Cargo Accountability and Documentation
3. Packaging and Unitizing, Marking and Sealing of Cargo Shipments
4. Carrier Liability, Insurance and Loss Claims
5. Physical and Procedural Security Measures
6. Personnel Security Measures
7. Coordination of Federal Programs
8. Coordination of State and Local Government Programs
9. Law Enforcement and Criminal Procedures
10. Pilot Projects
11. Security Research and Dissemination of Technical Data, and
12. Shipper and Consumer Activities.

Some positive accomplishments resulting from these program activities this past year are as follows:

- An analysis of the cargo theft and pilferage problem has been completed which has subsequently been confirmed by the best experts in transportation security and top industry management. Except in the case of rail cargo, approximately 85 percent of cargo theft and pilferage is internal -- that is, the goods are being taken from cargo facilities by individuals and on vehicles authorized to be in the area. Only some 15 percent of this national problem is in the category of break and enter burglary, armed truck hijackings and grand larceny of entire loads.
- We have identified the high risk commodities for each mode of transportation.
- Better data has been obtained on the extent of losses by mode and the types of theft.
- A set of recommended security guidelines have been developed and published for the transportation system. (Copies have been provided this Committee.)
- Experimentation, with encouraging success, on such innovations as helicopter surveillance to deter or prevent truck hijackings, motion sensors, collective security arrangements, and modal port facilities devices designed for maximum security.
- The operating administrations of the Department (Federal Highway, Rail, Aviation, U.S. Coast Guard) have been asked to include cargo security checks as part of their ongoing safety inspection work.
- The first class from our new theft prevention training program at the University of Louisville has been graduated.

- Through funding by the Law Enforcement Assistance Administration there will be published next month a deskbook on the involvement of organized crime in cargo theft.

Mr. Chairman, I have attempted to only briefly highlight the Department's involvement in the cargo security area, and to give you some indication of the magnitude of the total cargo security problem as we perceive it. We are making progress in our cargo theft prevention activities and anticipate even better results as our procedures and security systems are further developed and implemented.

I nevertheless, believe the Commission activities contemplated by the proposals under consideration will be a valuable aid in our Federal effort to combat cargo theft. We also believe that the broad representation and the hearing and subpoena powers which the Commission would have will serve to expedite the Federal effort and synthesize the many ongoing activities at all levels of Government and in the private sector.

I would now like to comment specifically on the proposals under consideration. We favor enact of H.R. 10295 in preference to H.R. 5080 and H.R. 9622 because it provides under Section 10, that the Secretary shall consult with the Department of the Treasury prior to the promulgation of regulations. We believe this provision to be proper because of Treasury's extensive involvement and responsibilities in the collection of duty on import cargo at our international ports of entry. For the same reason, we favor the provision in Section 3(b) which places the Treasury Department on the Commission.

However, there are two suggestions we wish to make in order to further strengthen H.R. 10295. First, we feel that State and local participation on the Commission should be increased. Since so much of cargo in transportation is shipped via non-federally regulated carriers who are involved in either intrastate or local traffic, the Commission's activities could be substantially benefitted by participation of appropriate state and local interests. Secondly, we think the legislation should direct the Commission to give consideration to the means by which the private sector could best assume the cost of implementing any proposed cargo security measures suggested by the Commission.

Mr. Chairman, we favor the enactment of H.R. 10295 because it signals to the transportation community that the Congress is determined to support a broad-based Government-industry commission with authority to help generate a stronger national effort in this area.

This concludes my prepared statement.

