

STATEMENT OF DANIEL A. WARD, DIRECTOR OF TRANSPORTATION SECURITY, DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION OF THE HOUSE COMMITTEE ON PUBLIC WORKS, WEDNESDAY, August 4, 1976

Mr. Chairman and Members of the Subcommittee:

My name is Daniel A. Ward. I am the Director of the DOT Office of Transportation Security serving under the Assistant Secretary for Environment, Safety, and Consumer Affairs, Judith T. Connor.

We appreciate this opportunity to present the Department's views on H.R. 10473, a Bill "To Provide a Comprehensive Program to Improve Cargo Security for Property Being Transported in Interstate and Foreign Commerce."

In order to conserve the Committee's time in hearing prepared testimony, three documents have been submitted for the record of these proceedings:

- A copy of Executive Order 11836, "Increasing the Effectiveness of the Transportation Cargo Security Program" signed by the President on January 27, 1975.
- A copy of "A Report to the President on the National Cargo Security Program" submitted by the Secretary of Transportation on March 31, 1976, as required by Executive Order 11836.

Please note that inserted in the front of the Report to the President is a copy of a letter from the President to the Secretary of Transportation dated March 31, 1976, accepting the Secretary's recommendation for a twelve-month continuance of the program contemplated by Executive Order 11836.

- A copy of the "Proceedings of the 1976 National Cargo Security Conference" setting forth the views of Federal and private sector representatives on the merits, progress and problems under the program outlined in Executive Order 11836.

The objectives of H. R. 10473 and those of the Department are identical -- to achieve a reduction of theft and pilferage of cargo in U. S. commerce. However, the methods of achieving these objectives differ. H. R. 10473 would require DOT to issue regulations governing packaging, labeling, documentation and personnel identification, and would give DOT the responsibility to enforce industry compliance with these regulations. In contrast, the Department has consistently advocated that the private sector should have an opportunity to address cargo theft problems under Government leadership rather than under Government regulation.

H. R. 10473 reflects experience, knowledge and close association with cargo theft over a number of years. The author and sponsor of H. R. 10473, Mr. Pickle, holds the reputation in both government and in the transportation industry as a major contributor to the development of a sensible approach to bring this billion dollar drain on our economy under control.

But the question before us is how best to achieve this objective. The Department is currently committed to a voluntary approach -- by conviction and by Executive Order. We are therefore at this time unable to support the measures proposed in H. R. 10473.

The rationale for our position is contained in the 1976 Report to the President, which is a status report by the Secretary of Transportation on the effectiveness of the National Cargo Security Program in reducing cargo theft losses by means of cooperative Government/industry actions rather than by Federal regulation.

In his transmittal letter to the President, which appears as the first page of the 1976 Report, Secretary Coleman advised:

- The airlines are making good progress in reducing the trend of air cargo theft losses.
- The motor carrier industry, which moves more theft-prone cargo than all the other carriers combined, is showing a gradual trend of improvement.

- The railroad industry reports its theft-related freight losses are increasing, but the data is not conclusive.
- The lack of maritime data is a significant deficiency in the National Cargo Security Program.

He then concluded by recommending that the National Cargo Security Program continue exactly as prescribed in Executive Order 11836 through March 31, 1977.

The decision to continue with the cooperative program for another year was based upon two major points:

- The strong belief of the Department that the transportation industry and the shippers and receivers of freight should be first given the opportunity to gain control of the problem voluntarily; and,
- The small but measurable progress of the airlines and motor carriers in reducing the trends of theft losses in relation to gross revenues.

In this age of public concern over excessive regulation by the Federal Government, the National Cargo Security Program as structured under Executive Order 11836 is one of the few government programs designed to promote freedom of action by the private sector in the solution of its problem. Although this cooperative approach to cargo

security first emerged in 1971, implementation of government and industry activities in the formal sense did not begin until the Executive Order was issued in 1975. Because the progress in reducing cargo theft during this past year has been encouraging, we believe that this voluntary program should continue under its current form for at least another year.

The report to the President summarizes the activities of the several elements of the Federal Government in the National Cargo Security Program. Executive Order 11836 assigns primary responsibilities for the voluntary program to the Departments of Transportation, the Treasury and Justice. In simplest terms, the roles of the three Departments are:

- Transportation: Overall leadership, motivation of industry, technical assistance.
- Treasury: Protection of imported cargo until tariffs are
(Customs) collected and cargo released to U.S. commerce.
- Justice: Law enforcement and prosecution of violators of the law.

In recommending continuance of the National Cargo Security Program for another year under the terms of the Executive Order,

the Secretary of Transportation listed six planned actions which can be briefly described as follow:

- Consider all options as to how to measure maritime cargo losses and recommend implementation.
- Complete an analysis of the economic relationship of security to efficient and profitable operations in the Nation's transportation and distribution system.
- Undertake a demonstration project involving rail shippers to advance their participation in cargo security.
- Undertake demonstration projects to support local cargo security activities called City Campaigns.
- Determine what can be done to assist industry in improving its personnel hiring practices and background information on prospective employees.
- Sponsor a demonstration project involving unit identification of high-loss commodities for tightened accountability controls.

It is significant to note the similarity of these six planned actions (which are now getting underway as technical assistance activities) with the four areas identified for DOT regulation prescribed in Title I of H. R. 10473:

- Packaging
- Documentation and labeling
- Uniform cargo loss reporting
- Personnel identification

There are obviously common points of view in these areas calling for increased management attention to the protection of freight from theft through tightened controls and procedures. We believe, however, that economic incentives exist to motivate management to reduce cargo theft, and strongly recommend that the National Cargo Security Program proceed in its present concept to confirm its full effects. In the 1977 Report to the President, the Secretary will carefully evaluate the effectiveness of the voluntary program and make recommendations regarding future actions. Meanwhile, the Department is unable to support the concept of regulation of cargo security measures, such as proposed in H. R. 10473.

Mr. Chairman, that completes my prepared testimony. I will be pleased to respond to any questions you may have.