

TESTIMONY OF DR. GREGORY T. HAUGAN, DIRECTOR, TRANSPORTATION PROGRAMS
BUREAU, RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION BEFORE THE
SURFACE TRANSPORTATION SUBCOMMITTEE, COMMITTEE ON PUBLIC
WORKS, HOUSE OF REPRESENTATIVES ON H.R. 655

Wednesday, December 3, 1980

Good Morning:

I am Gregory T. Haugan, Director of the Transportation Programs Bureau, which has the responsibility for the Department of Transportation's cargo security program.

I would like to begin this statement with a brief general description of the Department's program to improve cargo security and then follow that general description with three specific items addressing respectively, the General Accounting Office's "Report on the Effectiveness of the DOT's Program to Improve Cargo Security (CED-80-81): - March 31, 1980; DOT's position on H.R. 655; and finally a description of our current direction and strategy toward increasing the effectiveness of the Cargo Security Program.

The Department of Transportation established its Office of Transportation Security in 1971. In 1975, in response to Executive Order 11836 entitled "Increasing the Effectiveness of the Transportation Cargo Security Program," this office became the focal point for DOT programs and projects directed at reducing the theft-related loss of cargo in transit. The program has been chiefly comprised of four major areas of effort in response to the Executive Order.

First, we have a field program, voluntary in nature, directed at providing a forum and meeting place for those concerned with theft-related cargo losses to exchange information, air grievances and problems and seek solutions through mutual agreements. This voluntary program was called the "City Campaign" program and was located in 15 major transportation hubs throughout the United States. Secondly, there is a data program designed to collect, analyze and publish trend data and provide a measure of the extent of theft-related cargo losses. The ICC and CAB

have been used as the means for collecting these data until just recently when both, first the CAB and then the ICC, cancelled the regulatory requirement on carriers to report their theft losses of cargo. Later I will discuss our strategy to continue on a voluntary basis, the data support necessary to measure the extent of the problem.

Next, we have a training program aimed at focusing the attention of the transportation industry, law enforcement, shippers and others on the problems of theft of cargo. This program is provided, in seminar format, to any interested group. Local leaders are recruited to lead training seminars; thus, involving local problems and solutions as opposed to a general overview approach. The final element of the program is a Headquarter's initiative program, designed to gather and collect ideas from the field and from the industry and then promulgate these ideas through demonstration projects, directed, funded and managed by DOT staff personnel. Results of these projects are then published and distributed through the various local groups and then to the national associations concerned with cargo security in an effort to provide maximum dissemination of the results. Through the appropriations process, Congress directed that the "City Campaign" program be terminated at the end of FY-80, and thus the intended DOT Order establishing the "City Campaign" has been cancelled.

Let me turn now to the GAO Report. I must begin by saying that it is generally a fair observation of the functions of the Department of Transportation's Office of Transportation Security at the time of the review. However, there are certain areas and points that can be taken out of context by a reader not familiar with the problems and peculiarities of theft-related cargo loss and the respective industry claims activity. The "City Campaign" program was based on city activity, submitted needs and on required funding levels for other cargo security program elements. The report was critical of the funding of the "City Campaign" program and GAO found "that

the effectiveness of the Office's program has been hindered by a small budget, inadequate staff resources committed to the city campaign, and industry's minimal interest."

The "City Campaign" program was intended to be a voluntary program and to accomplish this we tried not to overburden it with the Federal presence. The staff resources, support and structure, using DOT modal field officials, was one which was intended to develop, through an assistance concept, this voluntary approach. In some of the cities, this was accomplished but in others a combination of things, including those observed by GAO, did not promote the desired results. The Congress resolved this issue by its recent appropriations action.

We have learned from experience and the plan which we are considering which I will describe in a moment, reflects the experience. The lack of industry activity cited in the report should not, in our view, be considered as evidence of industry disinterest in the problems of theft-related cargo loss and the efforts of the Office of Transportation Security. On the contrary, the many segments of the transportation industry have exhibited a keen interest in the problem and support the efforts of the office. To support this point, I would like to submit as part of the record, letters from the Transportation Association of America, American Trucking Associations, Airport Security Council, Air Transport Association, the Association of American Railroads and the Shippers National Freight Claims Council, all of which express their interest in the National Cargo Security Program.

The GAO report states that the data collected may in fact underestimate the extent of the problem. We have not tried to determine precisely the value of theft-related cargo loss, rather we have taken a consistent and representative sample of data, seven years for the motor carriers as an example, and used it to provide a basis for estimating the magnitude of the problem and to provide trend information.

The discontinuation of data sources does, as the GAO notes, pose a problem and we think we have a solution, which I will describe in my final remarks.

With respect to the specific legislation, the Department of Transportation endorses the objective of H.R. 655 which is basically the same as Executive Order 11836. Simply stated, that is that goods in U.S. commerce arrive at destination intact, undamaged, on time and at a minimum cost to the shippers and the consuming public and with a reasonable profit to the carriers.

Executive Order 11836 and H.R. 655 differ in approach, however. The executive order calls for a Federal program of technical assistance, advisory standards and motivational education, whereas H.R. 655 would seek achievement of the objectives through the enforcement of civil penalties for non-compliance with Federal regulations for the protection of cargo from theft.

It has been the Department's view that the "market place" should provide the prime motivation for accountability and effective management of cargo operations. Federal enforcement of security regulations by means of civil penalties upon the many participating elements of the Nation's transportation and distribution system would be difficult and costly to administer, would often be imposed upon the wrong party and, therefore, should be avoided unless there are overriding reasons clearly identified with public or national interests. We do not see these overriding reasons and the necessity to add additional paperwork and regulatory burdens on the industry.

Thus, the Department of Transportation, therefore, is unable to support H.R. 655.

On the other hand, I would like to briefly describe the Department of Transportation's current efforts and planned direction in light of the GAO Report and the direction of the Congress to terminate the "City Campaign" program. A key to reducing cargo theft appears to be sustaining a Cargo Security Program through the continuation of an adequate field program, one which provides a simple and responsive means for communication among all the participants in transportation.

"The field" is where the problems and impacts of cargo losses occur. To carry out effectively the Secretary's responsibilities under the executive order, some form of field program must be continued and to succeed, it must truly reflect the needs of the transportation industry and its users.

From discussions with industry leaders, it is evident that theft-related cargo losses remain important to them and that any program to combat these losses must ultimately reach down to the local or metropolitan level. At the same time, we feel that there is an appropriate role for DOT to play in providing guidance and coordination for a program part of this need. Based on these discussions with industry, through meetings with their representatives, namely, the American Trucking Associations, Air Transport Association, Association of American Railroads, American Association of Port Authorities, Shippers National Freight Claims Council and others, a field program concept is being formulated.

The concept involves both AREA and INDIVIDUAL COUNCILS. These INDIVIDUAL councils, oriented to major metropolitan complexes within the AREA COUNCIL, will address their specific area or local problems under the overall guidance and coordination of the AREA COUNCIL. The "City Campaign," you will recall, was focused on only 15 locales.

An important element is that an INDIVIDUAL council will only be established when there is interest from the transportation communities. In this sense, it is voluntary. Thus, each INDIVIDUAL council will, as a basis for its existence, have active industry participation. This is in contrast to the City Campaign which received its emphasis from the Federal end.

Nine AREA COUNCILS are being considered. They are coincident with the motor carrier regions of the Interstate Commerce Commission, specifically, they are:

NEW ENGLAND AREA - Connecticut, Maine, Massachusetts, New Hampshire,
Rhode Island and Vermont

MIDDLE ATLANTIC AREA - Delaware, Washington, D.C., Maryland,
New Jersey, New York, Pennsylvania and West
Virginia

SOUTHERN AREA - Alabama, Florida, Georgia, Kentucky, Mississippi,
North Carolina, South Carolina, Tennessee and Virginia

CENTRAL AREA - Illinois, Indiana, Michigan and Ohio

NORTHWESTERN AREA - Minnesota, North Dakota, South Dakota, and Wisconsin

MID-WESTERN AREA - Iowa, Kansas, Missouri, and Nebraska

SOUTHWESTERN AREA - Arkansas, Louisiana, Oklahoma and Texas

ROCKY MOUNTAIN AREA - Colorado, Idaho, Montana, and New Mexico, Utah
and Wyoming

PACIFIC COAST AREA - Arizona, California, Nevada, Oregon and Washington

The AREA COUNCILS which might be activated first are the Middle Atlantic, Southwestern, Pacific Coast and Central Areas. This would provide broad initial representation throughout the Nation and would focus on several of the areas of known previous high cargo security activity.

Initial interest and response from these areas and from the carriers have been good. Moreover, national and local shipper/receiver organizations, whose members ultimately pay for the results of inadequate cargo security awareness through increased freight rates, will be enlisted for program support and input. In the seven-year life of the National Cargo Security Program, this segment of the industry has not been actively involved. We perceive a renewed spirit of interest and mutual concern as we redirect the program to reduce theft-related cargo loss in transit.

Finally, as I mentioned earlier, we have a solution to the problems of data and the measurement, on a national basis, of the magnitude of theft-related cargo losses which have been complicated by the termination of mandatory reporting to the ICC and CAB. The motor carrier industry is the single largest mode of freight movement (by dollars of freight moved). We have had many discussions with their National

Freight Claims Council (NFCC) and we will be cooperating with it to continue the collection of data formerly submitted to ICC in a format and content suitable to the 1,200 carrier-members of the NFCC. The DOT will collect, analyze and publish the data for the NFCC and in turn will use it to maintain the original ICC data base. This effort will be entirely voluntary by the NFCC and the members have indicated an almost unanimous desire to continue to collect and report freight loss information through the NFCC.

The GAO questioned the accuracy of this data. However, a statistical analysis has been performed within DOT which has indicated that with 90% confidence, this voluntary source will be representative of the actual average losses within, plus or minus 5%.

We have also been active with the air carriers. At a recent meeting, about 30 of the major air carriers were briefed on this new direction and strategy. We feel that interest was renewed and we expect the air carriers to also continue their freight loss reporting on a voluntary basis. Plans are underway to pursue actively this new impetus and to assist the Air Transport Association to continue the collection of air loss data similar to that formerly collected by the CAB. We have also been told by the Association of American Railroads that they will provide us their annual claims loss report which contains theft-related loss information.

Thus, on a voluntary basis and through the national associations, the Office of Transportation Security will continue to maintain and update a theft loss data base sufficient, at a minimum, to measure national trends and to report annually to the President on the results of our joint efforts to reduce theft-related cargo losses.

This concludes my statement. I would be glad to answer any questions you may have.