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REMARKS BY U.S. SECRETARY OF TRANSPORTATION JOHN A. VOLPE FOR THE AMERICAN SOCIETY FOR INDUSTRIAL SECURITY, WALDORF ASTORIA HOTEL, GRAND BALLROOM, TUESDAY, SEPTEMBER 19, 1972, 12:00 NOON

Thank you for inviting me to be with you today. For once, I feel secure in New York City.

I'm sure there's very little, if anything, I can tell this Society of Security Specialists about security.

You are the experts. Without your skill, professionalism, and diligence, it would be frightening to predict what dizzying heights the industrial crime rate in America might reach.

Yet the fact remains that despite all your efforts -- and ours, together with law enforcement agencies, both public and private -- theft and pilferage in the transportation industry alone are taking a heavy toll of the nation's economy.

Back in 1883, so the story goes, a railroad company was sued for damages because a replica of the Venus De Milo was delivered -- and the customer said the arms had been stolen in transit!

The greater irony of that incident was that the railroad paid off -- without even disputing the claim!

Apparently thieves, pilferers and fast buck artists have considered the transportation industry a "soft touch" ever since.

The direct cost of this "insecurity", if you will, is estimated to be about 1 1/2 percent of gross revenues.

Indirect costs -- for paperwork, claims processing and manhours -- probably add \$2 to \$5 to every \$1 of direct costs.

Available statistics (and these must be considered conservative) indicate that transportation-related crime is costing every man, woman and child in our country at least \$5.00 a year in higher prices.

And Senator Alan Bible, whose investigating committee first put the public spotlight on the cargo crime problem, believes the aggregate cost to our economy may total \$8 to \$10 billion annually.

This is something that must be brought under control and I welcome the opportunity to discuss our efforts with you today.

In June 1971, I established a special committee -- the Interagency Committee on Transportation Security -- involving 14 Government Departments and Agencies, to do three things:

First, to work with the transportation industry to determine the extent of cargo crime; find out where, when and how it was being committed; by whom; and the modes and commodities most vulnerable.

Second, to develop and recommend corrective actions.

And third, to sound the alarm throughout the industry, so that theft and pilferage can no longer be swept under the rug or shrugged off as "just another cost of doing business."

This past June we held our second joint Government-industry Conference. If you were there, or have seen the report of that Conference, you will recall that the work of a lot of very dedicated people in Government and industry produced some rather startling conclusions.

We determined, for example, that cargo crime does, indeed, carry a high price tag. We demonstrated a "provable" cost of \$1 billion annually.

We also found that 85 percent of the industry losses attributable to theft are internal in origin. That means that while the hijacking of a truck, the carrying off of an entire container, or the wholesale plundering of a warehouse by night may represent the spectacular in cargo larceny, such bold and brazen acts do not account for the lion's share of the losses. To the contrary, it is the inside theft ... the industry shoplifter .. the furtive hand in the till, that absconds with 4/5 of the merchandise pirated from shippers and handlers.

Our analysis also isolated the key commodities preferred by the light-fingered and the larcenous .. the products most likely to be stolen.

We discovered that 13 categories of commodities account for nearly 90 percent of all thefts. Heading the list is clothing, followed by electric appliances, auto parts and accessories, and hardware. Rounding out the "top ten" targets in the truck, rail and maritime industries are: plastics, alcoholic beverages, food products, tobacco products, furniture, drugs and cosmetics -- all items with an instant market value, easily sold on the streets, peddled in back alleys, or put illegally back into the mercantile system.

One distributor reported the hijacking of an entire truckload of liquor. Subsequent investigation showed that the hijacker simply delivered the goods to the retailers listed on the manifest -- and charged them only half price. None of the liquor dealers asked any questions, and the hijacker had no trouble finding buyers.

Clothing stores have staged major sales, cutting profits to the bone, only to find a dealer down the street, handling the same merchandise, under-selling them by a substantial margin. Some merchants, probably unknowingly, have even brought their own goods hijacked on the way to their store.

Practices such as these have persisted for two reasons: high profit and low risk. The average bank robbery nets the criminal \$4,500. Truckload thefts are valued at \$35,000 each. The cargo thief operates at little risk. He steals from those places where he knows security is lax, or he depends on inside accomplices to identify lucrative shipments.

These are the leaks in transportation security that must be plugged -- the loopholes that must be closed, if we are to rid the industry of a malignancy that impairs performance and saps profits. As a result of joint Government and industry efforts, we are far better informed than we were 18 months ago.

We are also better equipped, better prepared and better organized to do something about it.

Our commitment to the cause of cargo security begins at the top, with President Nixon.

In his message to our Second Cargo Security Conference, the President said, and I quote: "We must stop the heavy toll that these crimes take as they feed inflation, contribute to organized crime, erode profits and insidiously add to the costs of the products we purchase. I have directed the Secretary of Transportation to continue his leadership of the total Federal effort that was initiated last June (1971) and has involved the co-ordination of cargo security plans and procedures of all concerned Federal agencies."

With that as our mandate, we have made progress in four significant directions.

First, as I indicated earlier, we're doing better, more complete data analysis, and we're making it difficult for anyone in the transportation business to ignore the theft problem. In the past, hard facts about cargo theft have been elusive. What is a theft to one company may be a "shortage" to another. Unexplained losses have been charged to "shipping errors" and even logged under the heading of "mysterious disappearance."

Today, we have an industry-wide formula for determining the economic impact of cargo loss, and, for the first time, a method for evaluating cargo loss reduction programs.

Quarterly loss and damage reports are now required by the Interstate Commerce Commission and the Civil Aeronautics Board. These reports plus a similar Federal Maritime Commission requirement, now being processed, will provide continuing data for determining soft spots and for gauging our progress in whipping the cargo loss problem.

We have assembled a library of theft prevention publications, including a cargo security textbook for shippers and receivers, guidelines for physical security, and an application guide for cargo security equipment.

So there's no excuse for anyone overlooking the importance of security or the availability of good security equipment and services.

Second, Congressional legislation has been a possibility for some time. But we didn't wait for legislation in setting up our Interagency Committee, and we're not waiting now. As you may know, Senator Bible introduced a Bill in the Senate which provided for a Presidential Commission to make recommendations on the effective long-range cures for cargo theft. That proposal passed the Senate, without dissent, and a version of the Bill is now pending in the House.

But with or without legislation, we are taking what we consider to be appropriate administrative measures to help the industry safeguard the cargo entrusted to it to deliver.

As I promised last June, we are developing cargo security advisory standards for intermodal application throughout the industry. To date, two advisory standards have been issued for review and comment, one dealing with the use of seals on all containers, and the other urging the temporary storage of high value cargo in the special facilities the industry calls "security cribs". Another advisory standard, calling for the uniform use of locking devices on all trailers and containers, is now being prepared.

It is not our intention to co-erce companies into security obedience. The need should be self-evident. But there has been wide disparity throughout the transportation industry in the attitude toward theft and pilferage, and little concerted action in reporting or fighting it. That means increased costs of doing business, with higher prices for the consumer -- and that means Government has a mandate to insist on better protection of consumer goods. We believe that agreement on such basic things as the use of seals and locks, and facing up to theft as something more than an insurance problem, can go a long way toward cutting down on transportation crime.

We fully recognize the involvement of labor organizations in this matter, and we have been taking steps to enlist their support. We have had contacts within the Department with a number of the major unions, and we are aware of their concern and we are confident of their willingness to assist in promoting better security.

Then, the third way we're making progress is in the application of new methods and better procedures for protecting cargo.

Such simple safeguards as the use of a tough wire cable to secure boxcar and trailer doors cut the number of break-ins by 75 percent the first few months they were used by the Nation's largest piggyback operator.

An experiment in collective security has produced better protection at lower cost for seven New Jersey trucking companies.

Motion sensors and helicopter surveillance are proving to be worthwhile theft preventatives.

And the application of technology to security challenges is producing a bumper crop of new detection devices and alarm devices. Your Association is as informed on these new devices as anyone, so I need not go into detail.

Some of the most encouraging results are being seen in the handling of air cargo. According to the Air Transport Association, the nationwide claims ratio declined 26 percent in 1971. The airlines last year paid \$1.39 in claims for every \$100 of air freight revenue, still 1.3 percent of their gross, but down sharply from the \$1.88 in 1970. According to the Airport Security Council, here in the New York City area, airport crime dropped 49 percent in the number of thefts and 80 percent in the value of losses over the past two years.

Our fourth focus of progress is in law enforcement and criminal prosecution.

There has been a tendency in the past to excuse petty theft. Now there is a growing realization on the part of all concerned that there is nothing petty about a multi-billion dollar a year racket. So this Administration has been leading the campaign to crank up the machinery of criminal justice as it applies to the cargo thief -- petty or professional. The number of Federal cases initiated under Interstate Commerce Statutes has increased 33 percent since 1970.

All told, we have made a good beginning in our campaign to curb cargo theft. The forces against transportation crime are growing -- in knowledge, in resources and in determination. There is increased awareness on the part of management and labor alike, in Government and in industry, that whoever picks the pocket of transportation picks the pocket of every consumer as well.

There is another facet of transportation crime that has taunted and tormented us in recent years. I refer to the hijacking of civil aircraft for political, extortion, or terrorists purposes.

Assuring the safe conduct of people by common carrier is clearly more compelling than the protection of goods in transit. But the two problems are not unrelated. Superior security is the solution to both.

We are attaining that level of security in the protection of civil air commerce. President Nixon has given the anti-hijacking program high priority. And the results of intensive government efforts and increasingly conscientious work by the airlines are showing up in the number of hijackings defeated and the number of attempts thwarted.

This year, for example 21 or 29 hijackings against United States aircraft were not successful. In the 18 extortion attempts, all of the persons involved have been killed, arrested or accounted for. While a number of high ransoms have been paid, all but one have been recovered.

It's more difficult to determine how many potential hijackings have been prevented, through airport security and airline precautions. The first six months of this year 37 arrests were made on aircraft, nearly 1,500 people were arrested on the ground, before boarding, and 1,100 weapons of various types were discovered.

Just this month, in Cleveland, a passenger bound for Arizona refused to open a violin case he was carrying because, he said, it contained a very valuable instrument. The "valuable instrument" turned out to be a rifle with a sawed-off barrel, complete with 44 rounds of ammunition and a seven-inch knife.

So passenger screening pays off, and it will continue. Our capacity to detect and intercept potentially harmful passengers or cargo will further improve as more and better scanners and metal detection devices come on the market and into use.

In the meantime, we're working to close the ultimate door on the hijacker. Earlier this month I went before the Legal Committee of International Civil Aviation Organization (ICAO) to urge immediate and forceful action in imposing international sanctions against any nation affording sanctuary to hijackers. The hijacker, like the cargo thief, must be given no place to run ... no place to hide.

President Nixon's direction to me is to continue to lead a "total Federal effort" to break the back of cargo crime, and to snuff our hijackers as a threat to air travel. Based on what we have accomplished to date, I believe there is no reason why those objectives cannot be achieved.

We have the tools and the talent to put a stop to transportation crime.

We have the resolve and the determination.

We have a massive Federal and industry force marshalled to meet the challenge, with increasing participation of state and local governments, and we have laid a strong foundation on which to build.

The cargo thief has had it easy too long. We must exert every discipline to deny him the occasion, the opportunity, and the incentive to steal. We must be as adamant in condemning cargo crime, and as forceful in our offense as we have been in combating the hijack threat.

Our transportation system is one of our greatest National assets. It must be kept free of the perils, the price and the stigma of crime.

I know I can count on your support.

Again, thank you for inviting me to be with you.

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