



DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

14-S-73

REMARKS DELIVERED BY SECRETARY OF TRANSPORTATION
CLAUDE S. BRINEGAR TO THE NATIONAL CARGO SECURITY
CONFERENCE, CHICAGO, ILLINOIS, SEPTEMBER 6, 1973.

I first had the pleasure of meeting with members of the Government's Interagency Committee and industry's Cargo Security Council early last March. At the time I had been on my new job for only a short time and, to my surprise, had just received a letter from President Nixon commenting favorably on the progress being made in the prevention and suppression of cargo theft. That letter certainly got my attention--for at least two reasons: first, it made it clear that the President knew more about one of my programs than I did, and, second, it suggested that I had a really fine group of people working hard on an important subject.

The Presidential compliment was, of course, not directed to me but was a tribute to the initiative of Secretary Volpe, to the leadership of Ben Davis, and to the dedicated efforts of a strong government-industry security task force. When we met last Spring, the Penn Central problem and the legislative push on the Administration's highway bill, as well as various matters competing for my immediate attention, kept me from understanding the Department's cargo security program as well as I wanted to. I promised then to dig into the subject thoroughly and bring you my recommendations on legislation and other matters at the earliest practical time. This Conference now affords me that opportunity.

In reviewing cargo security developments, I have been much encouraged by all that has been accomplished in little more than two years. When you began no one really knew the extent of cargo theft or its economic dimensions. Industry in general appeared willing to accept some "shrinkage" or "shortage" as one of the costs of doing business--sort of an undesirable negative entry on the income statement. The factors involved in industry's

losses were thought to be uncontrollable. And there was little incentive, in Government or elsewhere to mount a major effort against such an invisible problem.

Yet today, though more remains to be done than has been done, there are signs that the job is not as hopeless as it once appeared. In the 27 months since you first addressed this problem, the feelings of frustration that once accompanied efforts to cope with cargo theft have been replaced by a sense of assurance that with the proper attitudes, tools and techniques, the problem is manageable.

Through Senator Alan Bible's dogged early investigations and your own steadfast efforts in uncovering, defining and tabulating losses, cargo theft is no longer an "invisible" crime, and its \$1 to \$2 billion annual cost to the Nation is now well known. By revealing that some four-fifths of the losses occur as a result of "inside" activities, you have focused management's attentions on its own responsibilities. And through innovative pilot projects, you have shown that with well planned and executed programs, theft and pilferage can be reduced.

I commend such leadership. From my review of the past two years, it is clear that your work has been highly effective in bringing about stronger cargo security programs and in developing the techniques to make these programs work.

Our challenge now is to make the shift from the study/analysis/planning phase of cargo security to an active, permanent program of theft prevention and inventory accountability at the local level. The emphasis at this conference is on local actions, because the sums of knowledge and expertise that have been acquired must now be applied to local situations. That subject, as keynoted by General Davis this morning, will be pursued in the panel discussions this afternoon and tomorrow. I would like to use my time to describe what I consider to be the Federal role in the follow-on phase of our joint cargo security programs.

First: After carefully weighing the pros and cons of tough regulatory authority attainable through legislation, we have concluded that Federal cargo security regulations should be considered only as a last resort, and we have so notified the appropriate Congressional Committees.

Federal regulatory power has a tendency to become inflexible, autocratic, and costly to the taxpayers. I am not convinced that such a burden is appropriate in this area, especially since there is now ample evidence to demonstrate that a vigilant security posture is in the industry's own best economic interests. We will continue to issue Cargo Security Advisory Standards to assist in protecting property in transit, and we expect a high level of voluntary compliance with these Standards.

Second: We will continue to participate in pilot projects designed to demonstrate security strategy and anti-theft tactics, but we hope to see transporters and trade associations take up the challenge and engage in more projects on their own. Experience indicates that such projects can be highly profitable.

You will recall that we reported early last month on the results of a collective security experiment undertaken by seven trucking terminals in New Jersey. Over a one-year period, losses were cut in half and profits increased significantly. Similarly, 14 railroads operating in the St. Louis area recently joined in a mutual security

demonstration program. A report on the first six months of that program is now being prepared, but preliminary data indicate that the program is proving to be eminently successful. I know from the considerable exposure I have had recently to railroad operations, especially those of the Penn Central, that the looting of boxcars has long been a chronic rail management problem--one that now shows signs, at least in demonstration projects, of being controllable at reasonable costs.

We also anticipate reductions in losses in the 15 metropolitan communities where we are instituting Special Action Programs mobilizing the forces of all those concerned with transportation-related crime in a given geographic area.

These and other projects clearly prove the point that well-designed and managed security efforts can pay for themselves and add to profits. But the Federal arm is neither long enough nor clever enough to reach out from Washington to police the movement of goods every step of the way from origin to destination. That is not the Federal role. We will continue to be involved, but we will look

increasingly to the carriers, wholesalers, and warehousemen to adopt proven procedures for the protection of the merchandise entrusted to them.

Third: We are proposing that Government shippers be encouraged to do business with those carriers who demonstrate an affirmative attitude toward security principles and a record of compliance with Cargo Security Advisory Standards. I find it quite proper to seek insurance for the taxpayers' dollars by shopping for the best protection possible for Government cargoes. So while our Advisory Standards do not carry the badge of regulatory authority, we do recommend that carriers endeavor to implement them as a pre-condition for future Government contracts.

We issued our first Advisory Standard, dealing with seal accountability, last June. A second standard, relating to high-value commodity storage procedures, recently completed the public comment phase and was published in the Federal Register on August 20th. A third Advisory Standard, on the subject of Cargo Accountability, was published in the Register for public comment a few days ago. Five more standards are scheduled to be published during the

coming nine months. All of our Advisories are written with the objective of assisting industry in safeguarding cargo--to share with the entire transport industry what those who have labored in the interests of cargo security have learned through investigation and experience. We solicit your comments on the draft versions and your compliance with the final version. As I indicated earlier, we do not see the need for additional authority to hold anyone's feet to the fire to enforce compliance with these standards. The research we have done suggests that the profit potential alone should be ample motivation. As General Davis pointed out this morning, every one dollar reduction in cargo claims can mean 25-50 cents in extra after-tax profits to the carrier. How many other steps can you take that can so quickly add to profits?

We believe the carrot of higher profits and the freedom of voluntary action are clearly preferable to the stick of Federal enforcement. However, I'm sure you all realize that if, after a reasonable test period, losses are still high and industry programs are lacking, it will be necessary to re-examine the Federal role.

To sum up: we will not seek legislation to compel security vigilance, but we shall continue to enlist widespread industry support through pilot projects, advisory standards, and security clauses in Government shipping contracts. I believe that that's the best way-- and I'm confident that you will prove me right. Let me now turn to some related National transportation issues.

During my first few months as Secretary of Transportation I've occasionally had the feeling that the job consisted entirely of problems--that the solutions had somehow been mislaid, along with some of our other missing cargoes. Yet, I must now admit that I have been encouraged in recent weeks by some developments that indicate that progress is possible in the directions that I believe we must go.

The Federal Aid Highway Act of 1973, enacted last month after much pulling and tugging between highway and mass transit interests, emerges as a victory for flexibility and common sense. For the first time, urban planners can now consider a variety of transportation uses for their

portions of Highway Trust Fund money, ranging from the purchase of buses to the building of rapid rail transit-- including, of course, the construction of urban highways if that best fits their needs. President Nixon proposed this flexibility and we worked hard to get it in the final bill.

Certainly, we continue to need more and better highways throughout America, and this bill should not be misconstrued as an attack on our fine highway program. But at the same time, highways alone are not solving our very serious urban congestion problems. I believe the revival and growth of high-quality urban public transit is a necessary first step to lessening our excessive dependence on private automobiles as a means of moving about in our cities. The necessity for this step has been made even more urgent with the emergence of a National energy shortage.

In addition, traffic congestion is a serious burden to the shipper who suffers the high cost of delays and to the carrier who finds trans-shipment schedules difficult to meet and deliveries during rush hours nearly impossible to accomplish. It's well known that the longer goods sit

awaiting movement, the more vulnerable they are to loss. While we have no way to measure the losses directly attributable to shipping delays due to urban congestion, there is no doubt that once city streets are made more accessible for urban commerce--once urban planning is done on a scale to include intermodal terminals or perhaps express truck lanes--cargo will be easier to safeguard and simpler to distribute.

Along with passage of the Highway Act, I am modestly encouraged by the progress being made toward a settlement of the Northeast rail problems and, in the larger view, toward resolution of that industry's basic economic difficulties. I believe that we now have an opportunity to reverse rail's long down-trend, not through massive Government subsidies or piece-meal nationalization, but by providing for more freedom of operation and a better chance to take advantage of rail's position as the Nation's most efficient carrier of long-haul freight. That efficiency is seriously diluted today by excessive regulations, by lack of adequate capital, by surplus trackage, and by operational inflexibility. The situation is the most serious in the Northeast, where six railroads are in bankruptcy and the Nation's largest, the

Penn Central, is on the verge of court-ordered liquidation. We believe that a crisis can be averted by restructuring the railroads in the Northeast and by revising out-dated regulatory machinery.

Congress now has before it various legislative proposals to accomplish these changes. The vital points--the ones that we feel the final legislation must contain, are these: (1) it must provide for a restructuring that involves the private sector to the maximum, (2) the restructured system must be economically viable, and (3) federal financial assistance should be limited to the minimum amount that is necessary to make the restructuring plan workable. We believe that these are reasonable and attainable goals, and we seek your support in achieving them.

As a matter of interest, stronger efforts to stop vandalism and theft on the railroads already are making a small but significant contribution to the reduction of losses in the rail industry. In one six-months period, the Penn Central--which needs every penny it can find--sharply cut theft and pilferage in the New York City area for a savings of some \$1 million. A new electronic system

put into operation at the Erie-Lackawanna yard in Jersey City just two weeks ago promises not only to reduce losses but to make yard operations more efficient as well. I hope the rail industry as a whole will continue to move forward in such progressive and productive ways. I know many rail companies are doing so, and I encourage the others to get aboard.

This Conference, too, in its prospects for new initiatives and firmer measures to prevent cargo theft, is a means of encouragement--an assurance that where problems abound, problem-solvers can be found. I appreciate all your efforts and your dedication to a challenge that--less than three years ago--had no takers. You have made us all believers in the workability of cargo security--and that alone is a giant step forward.

Finally, speaking from my experiences as a corporate executive, I would encourage you to set yourself specific, attainable annual goals in theft and pilferage reduction and to regularly report your progress--converted to "dollars added to net profits"--to your boss. And whenever he asks "How goes it?", have a quick answer ready. Tell him how

many dollars you've added to profits this year and how many more you expect to add. That's the language he understands. That's the language that will make your job easier and, ultimately, mine as well.

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