

U. S. DEPARTMENT OF TRANSPORTATION  
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STATEMENT OF CHARLES D. BAKER, DEPUTY UNDER SECRETARY,  
DEPARTMENT OF TRANSPORTATION, BEFORE THE SENATE SELECT  
COMMITTEE ON SMALL BUSINESS REGARDING AIR CARGO THEFT,  
TUESDAY, JULY 22, 1969.

Mr. Chairman and members of the Committee:

I am Charles D. Baker, Deputy Under Secretary of Transportation.

I am pleased to be here today in response to your invitation to testify  
with respect to air cargo theft.

The Department of Transportation is aware of and concerned about  
the problem of loss of air cargo through theft and pilfering. In an attempt  
to develop solutions the Department has sponsored a general survey of  
loss and damage in transportation to get a better idea of the dimensions  
of the problem. The main conclusion of this study, now nearing completion,  
is that statistical data available from the industry are inadequate to  
develop a complete picture of the economic cost of air freight loss and  
damage, making it impossible to relate this cost to other economic  
indices. Subsidiary tentative conclusions of the study indicate that carrier  
management has in the past tended to delegate cargo inspection and theft  
prevention to personnel at loading and receiving docks, and that the legal  
structure for settlement of shipper claims discourages carrier attention  
to the problem. This latter point needs elaboration. Maximum rates

of liability are set by law at an inadequate, minimal level. These can be raised, but only if the shipper knows he can do so by declaring the value of his cargo and paying an extra fee. There is no incentive to the carrier to disclose this option to the small shipper, who typically is unaware of any limits on carrier liability.

Regarding authority over air cargo facilities, the Federal Aviation Administration has no power over such facilities at public airports, except Federally owned installations such as at Washington National and Dulles International Airports. The Administration does, however, issue Advisory Circulars as guidelines and recommendations to assist public airport managers in various safety aspects of their airport operations.

Similarly, the Department supports certain innovations in procedures at Kennedy International, which, although designed primarily to relieve congestion and facilitate the movement of international cargo, will hopefully have a collateral beneficial impact on the susceptibility of air freight to pilferage. One such mechanism is the shifting of customs clearance and consignee pick up of palletized and containerized international cargo from the airport itself to off-airport container terminals. Consolidation of many separate packages into one container and the expedited handling and reduced storage which will result should tend to reduce loss through theft.

Another recent innovation at Kennedy is designed to eliminate the use of cargo terminal facilities as warehouses. As of July 1, 1969, a rule of the International Air Transport Association limits the free hold-time for imported cargo to about three days, after which time a storage fee is imposed. The resultant reduction in the quantity of cargo stored at the airport should lessen the opportunity for theft.

The extensive problem of air cargo security at the airports surrounding New York City prompted the formation a little over a year ago of a voluntary association of some forty-three air carriers and the Air Freight Forwarders Association into the Airport Security Council. As Mr. Noto reported to the Committee at the May 23d hearing, the Council has taken certain specific steps to attempt to handle the theft and damage problem in New York. It has established centralized reporting requirements on members to provide adequate statistics; and it has begun to develop adequate security systems. I will not go into the Council's activities in detail, except to commend this recognition by carriers of their primary responsibility for assuring air cargo security.

I understand that one of the large air cargo carriers at Kennedy has taken action to control theft at its container facility. Access to the area is strictly limited to persons with a special pass and by a fence and gate operated by an outside guard service. Only bonded, uniformed, badge-wearing personnel of the carrier are allowed inside the warehouse area. High value shipments are given special treatment.

The Department believes these are excellent examples of how the problem can best be approached.



Although the Department is deeply concerned with the problem of air cargo security and its detrimental impact upon the small shipper, it believes it would be premature at this time to inject the Federal Government directly into the security standards for air cargo facilities. We simply do not know enough about the extent and the characteristics of the problem, aside from the need for additional reporting requirements by carriers of cargo theft and damage like those of the Airport Security Council. Once the dimensions of the problem can be more precisely delineated, the various segments of the industry -- carriers, airport operators, and users -- will be in a much better position to take steps to carry out their responsibility to provide adequate protection against air cargo loss through theft or damage.

After affected segments of the industry have had an opportunity to deal with the adequately delineated problem, expanded Federal involvement in air cargo security might appear to be desirable. If so, the Department believes it should not be in the form of direct regulation by the Federal Aviation Administration, but through the certification procedures of the Civil Aeronautics Board. Whereas the FAA is concerned with air safety up to the point of the delivery of passengers and cargo to airport terminal facilities, the CAB has general responsibility for regulating the carriers to insure that they provide adequate service to the public. In general the FAA's safety regulations stop at the airport landing apron, and the

funds it administers are not provided to improve or construct air cargo facilities. The FAA views its mission as securing the safety of aircraft at airports, with local authorities having responsibility for the security of airport facilities. The Department and the FAA do not construe their enabling statutory authority as giving them power to regulate the minimum physical security standards of air freight terminal facilities.

In short, it is the Department's position that it does not have authority over the security of air cargo facilities. Moreover, since the extent and characteristics of the problem of air cargo theft and damage are unclear at this time, it would be premature to attempt to make a judgment of the desirability of additional Federal activity, except possibly increased reporting requirements, until the problem is better defined. Once the true dimensions of the problem are known and industry has had an opportunity to control it, there are other agencies from which such expanded activity would more appropriately come should some direct Federal involvement become desirable. In the meantime the Department will continue its promotional activities to develop management concepts and encourage the industry to more adequately handle the problem of air cargo theft.