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USE OF INTERNATIONAL CARGO FOR NARCOTICS SMUGGLING

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HEARING

BEFORE THE

SELECT COMMITTEE ON NARCOTICS ABUSE AND CONTROL HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

OCTOBER 24, 1978

Printed for the use of the
Select Committee on Narcotics Abuse and Control

SCNAC-95-2-25



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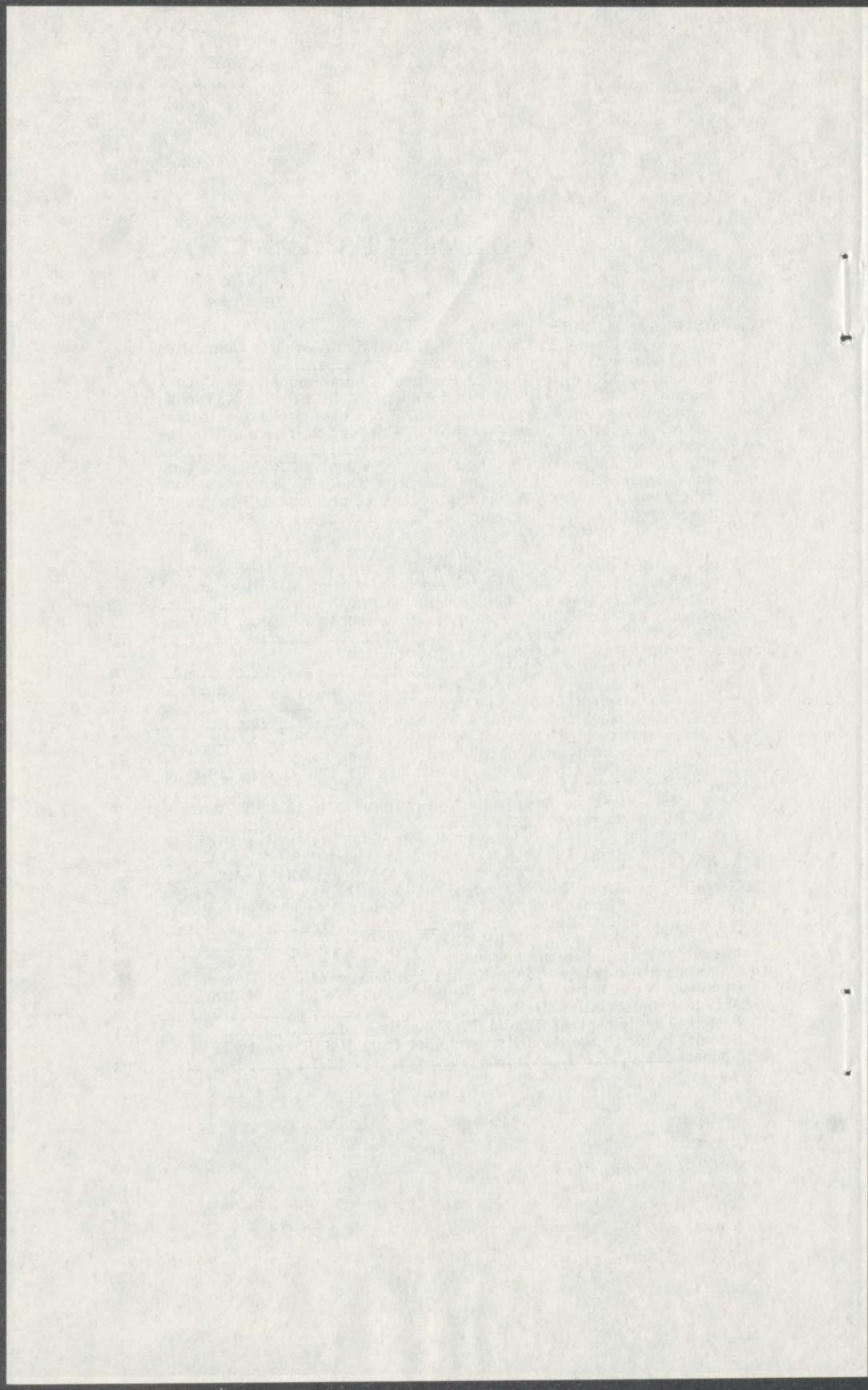
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CONTENTS

	Page
Tuesday, October 24, 1978 :	
Testimony of Daniel F. Leonard, staff investigator, Select Committee on Narcotics Abuse and Control-----	4
Testimony of Fred R. Boyett, Regional Commissioner, New York Region, U.S. Customs Service; accompanied by Edward T. Coyne, Regional Director, New York Region, U.S. Customs Service; Albert Seeley, Special Agent in Charge, U.S. Customs Service, and George Dunn, Area Director, U.S. Customs Service-----	11
Testimony of James C. Trombetta, past president, JFK Airport Customs Brokers Association, and Dennis O'Donnell, Ltd., president, JFK Airport Customs Brokers Association; accompanied by David Serko and Carl R. Soller, counsel-----	33
Testimony of Joseph A. Sullivan, Pan American World Airways; Louis Parillo, chief, cargo security, Pan Am; Edward J. McGowan, executive director of the Airport Security Council; accompanied by Richard D. Parsons, Esq., representing Airport Security Council and Robert F. Doran, Esq., representing Pan Am-----	52
Testimony of Daniel P. Keneally, security superintendent, Western Route, British Airways-----	58
Prepared statements and supplementary information :	
Prepared statement of Daniel F. Leonard-----	69
Prepared statement of Fred R. Boyett-----	71
Prepared statement of James C. Trombetta-----	74
Prepared statement of Dennis O'Donnell-----	74
Prepared statement of Edward J. McGowan-----	75
Supplementary statement of Edward J. McGowan-----	77
Response by the air industry to attacks by the Queens District Attorney-----	79
Article from the New York Daily News "Indict Nine in JFK Thefts—DA Blasts 'Coverup'"-----	83
Article from the New York Times "Nine Indicted in 'Massive' Kennedy Thefts—Santucci Charges 'Cover-Up' at Airport"-----	84
Article from the New York Post "Queens DA Seeks JFK Unit"-----	85
News Release from Queens County District Attorney "District Attorney Santucci Probe at JFK Nets Nine Men in Alleged Multimillion-Dollar Fencing Ring-----	85
Text of TV program on WCBS, New York City-----	87
Memorandum to all airport security delegates-----	94
Correspondence between John Santucci and Edward J. McGowan-----	96
Correspondence between Henry English and Waller B. Smith-----	99
Article from Aviation Daily-----	100
Prepared statement of Daniel P. Keneally-----	101
Standards for Cargo Security, pamphlet from U.S. Treasury Department-----	103



USE OF INTERNATIONAL CARGO FOR NARCOTICS SMUGGLING

TUESDAY, OCTOBER 24, 1978

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON NARCOTICS ABUSE AND CONTROL,
Jamaica, Long Island, N.Y.

The Select Committee met, pursuant to notice, at 9:30 a.m., in room 200, Building No. 141, Port Authority of New York and New Jersey, Hon. Lester L. Wolff (chairman of the Select Committee), presiding.

Present: Representatives Benjamin A. Gilman and Mario Biaggi.

Staff present: Joseph L. Nellis, chief counsel; William G. Lawrence, chief of staff; David Pickens, project officer; and Dan Leonard, investigator.

Mr. WOLFF. Please be seated. The committee will come to order.

The committee has just returned from a very cursory, illuminating tour around the airport. We have had our investigators in this area for some time now. And I might, before reading the opening statement for the introduction of this particular hearing, comment and commend the people from Customs for their cooperation, as well as commend the various airline people and the airport people, who have been thoroughly cooperative in this investigation.

This is just the beginning of an intensive investigation that will take place by the committee within the next session of Congress on the question of the supply of narcotics.

Recent hearings that we conducted in Florida, Guam and elsewhere have highlighted the resourcefulness of organized narcotic traffickers in transporting their illicit cargoes from areas of production to the continental United States.

Today this committee will explore an area of great potential to the large-scale trafficker, commercial air cargo shipments. Air cargo provides many features which are greatly desired by these international criminals. It is an extremely fast method to ship multikilo amounts of narcotics. The shipments are relatively secure, being protected by paid airline security personnel. The cost of shipment is extremely low when compared to the value of the narcotics. The trafficker doesn't have to buy a boat and abandon the boat. He doesn't have to buy an aircraft and abandon the aircraft. Scheduling is relatively easy, and it is possible for the trafficker to know the location, route and arrival time of his deadly cargo. Depending upon the route chosen for shipping, the package is subject to a less than 1 percent chance of inspection by U.S. Customs.

Upon arrival of the narcotics at JFK Airport, the trafficker has two options. He can either arrange for the container to be pilfered

from the airline cargo facility, or he can simply permit it to be delivered to a prearranged address.

With all these advantages to the trafficker in mind, the committee has to explore some of the disadvantages. The primary disadvantage is obviously the customs inspector who is charged with the responsibility for interdicting illegal shipments across a U.S. border.

I really must pay tribute to the customs inspectors who are doing their job. I also must say that I am highly critical of all those at top level within our budgetary and fiscal areas of responsibility who do not provide these people with sufficient funds, manpower, or equipment to do the job that they are supposed to be doing. And this seems to be the case not only in Customs, but in DEA and the whole so-called war against narcotics. We went into a war in Vietnam with one hand tied behind our backs, unfortunately I think what we are doing now is that we are crippling those who are supposed to have the responsibility for doing the job and cutting them off at their legs.

Our preliminary study has indicated here at JFK that customs inspectors are grossly understaffed, able to inspect only the smallest fraction of incoming cargo. Pressures from airlines and customs brokers to expedite the handling of cargo, frequent reassignment to clear arriving passengers, and pressures from headquarters to increase tariff revenues by detecting shipments which are in violation of the tariff laws, all contribute to the inability of the customs inspector to properly conduct inspections for contraband, which includes narcotics.

We will attempt to do three things today:

First, we will attempt to ascertain the exact capability of U.S. Customs here, including any observations that our witnesses might have to enhance the interdiction of narcotics.

Second, we will inquire into the roles that the airline security branches play in trying to insure that illegal cargoes are not accepted for shipment.

Third, we will attempt to explore the degree to which theft from international cargo shipments may be related to narcotics trafficking.

In closing, let me reiterate that we are aware of the burden that must be met by U.S. Customs at this airport. Over 50 million pounds of freight pass through here each month, and it would require the addition of thousands of inspectors to do a 100-percent inspection of each package. We are not here to snipe at dedicated Government workers. We are here because the Congress is concerned that more should be done to stop narcotics trafficking.

Before our witnesses proceed, I would like to have the chief of our investigating team come before the committee. Dan Leonard, would you come here and sit at the table with these gentlemen?

I am going to ask you to give us a report of your original inspection before we go on to the others involved. However, I should like to ask my colleagues here if they have some statements they would like to make.

Mr. Gilman?

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Chairman, again I want to commend you for having brought the committee right here on the frontline to take a look at the cargo

operations at Kennedy, the extensiveness of the amount of import cargo that comes in through this facility, and the limited manpower that we have on hand to regulate and police that cargo. I think it has been one of the significant lessons that we have learned from this field inspection. It's another indication of the low priority that is being placed on the narcotic problems by the administration. When we see only 6 to 10 men involved in investigation, in full-time investigation in an airport of this size, it's an indication that there's some trouble out there, that we are not doing the job we should be doing. And I think that this hearing certainly will highlight for us the need to improve the attention that we are giving by way of manpower and equipment in a coordinated effort to try to plug another loophole in the vast border that we have around our Nation, where we have tons of narcotics coming in daily and monthly, adding to the \$10 billion of illicit narcotic trafficking that we have in this Nation.

I am hoping, Mr. Chairman, that this hearing will help us to further improve our enforcement effort and to try to plug up another hole in our fences.

Mr. WOLFF. Thank you very much, Mr. Gilman.

Mr. Biaggi?

Mr. BIAGGI. Thank you very much, Mr. Chairman.

As a result of our trip this morning, examination of several cargo areas, it became quite evident to me that there are varying degrees of operation in these areas, one vastly superior to another; and the latter is one that is conducive to easy thefts.

Now, the problem of law enforcement in this area is broad, but the area to which I would like to address myself is the theft of some 700 pounds of hashish which was under the direct supervision and surveillance of two members of the DEA. Now, I am hopeful that this hearing will produce some answers to some very critical questions.

I know that if you had two police officers in the city of New York under the same circumstances that permitted 700 pounds of hashish to be stolen under their very eyes, knowing full well that it was the intent of someone to come in and pick that hashish up, they would at least be brought before the grand jury to make accurate assessment.

I would like to know who the individuals are, where they are, what's happened to them, and what happened to the backup operation that would of necessity have to be provided. It's highly offensive to me, and it's an indication of the type of thing that has resulted in a discrediting of the law enforcement effort on the part of some, despite the fact that we have individuals who have committed themselves, as a matter of life and living, to fighting all types of law violations.

Mr. WOLFF. Thank you very much, Mr. Biaggi.

I might say at this point that, in response to Mr. Biaggi's statement, while we were traveling around the airport, that we have requested through the DEA liaison man who is traveling with us to have the two men involved in that particular incident brought before the committee to investigate further what has been done in this situation.

But here again, we are not here specifically to look at individual situations, but at the broad perspective. What concerns me more than anything else is the fact that there is the grave possibility that organized crime and an organized effort is being used in this area.

The airport—I was here first with Mr. Biaggi back in the early 1970's, when we were looking at the whole question of airport security, and at that time the whole situation was much worse than what I see today, where cargo was just stacked indiscriminately throughout this airport. At least there are facilities now.

But those facilities provide a vehicle for organized crime, because it's handled in a more routine manner—let me put it that way—than it was before, in the indiscriminate manner in which cargo was handled in the past. And we do know that on an overall basis it's much easier to land a large shipment of illicit merchandise cargo on our shores. But it also, because of the limitations that have been placed on our Customs Service and our DEA at the present time, it's much easier to send through a small, highly valuable shipment of a substance that can find its way into our Nation, that can come in in no other fashion.

It is strange that in the air—that the seaborne hits that we have been able to accommodate, we don't find any heroin and we don't find any cocaine. We find marihuana and some hash. Now, how is the heroin coming into our country? Nobody seems to know.

The major interdiction that we have had of heroin by air have been of a very, very limited amount, and when you consider the fact that the market now soaks up about 5 tons of heroin in a year, we are not interdicting even that elusive 10-percent figure that was supposed to be the rule of thumb on all interdictions. If we were ever to interdict the 10 percent, you guys would have enough supply here that you could handle almost the whole market that exists in the United States.

However, our proposed agenda here today after this tour now takes the route of questioning the various people responsible for the enforcement side of our narcotics. But as I said, before we do that, I would ask you, Mr. Leonard, would you please be sworn?

[Witness sworn.]

Mr. WOLFF. Thank you. Would you please proceed, and if you will, summarize your testimony.

**TESTIMONY OF DANIEL F. LEONARD, STAFF INVESTIGATOR,
HOUSE SELECT COMMITTEE ON NARCOTICS ABUSE AND CONTROL**

Mr. LEONARD. As you know, Mr. Chairman, we have been looking at JFK for quite a while. I've been up here, you have been up here, some of the other investigators have been up here. The principal thing we found was that JFK has grown by leaps and bounds. It is probably the fastest-growing industrial complex in the Northeast. In the last year \$28 billion of cargo passed through JFK. \$6.5 billion of that was in-bond cargo coming through customs.

At the same time that customs was handling that cargo, they were handling 6.5 million passengers.

Now, this workload was handled by 340 inspectors. That is a force that would be divided almost equally between cargo and passengers; 340 is not a very impressive figure, but it's reduced even more drastically. On any given day 20 percent of that number will be on their regular day off. On the day that I asked for the figures, 12 were on annual leave, nobody was sick, one was appearing before a jury, 5 were in training, 2 were doing clerical duty, 1 was on a special assignment,

and 13 were misassigned, which meant some were in Newark, 1 was in Washington, D.C., 1 was with the Department of Commerce.

In effect, what you had on that particular day was approximately 240 inspectors handling JFK. That's not a hell of a lot of men. Incidentally, that's around the clock, too, gentlemen.

Mr. WOLFF. So in other words you'd have one-third of those people, or do you have certain shifts?

Mr. LEONARD. No, I'll get on to that. Most of your cargo inspectors work a day shift, 8 to 5. On the 4 to 12 there will be five inspectors assigned. They will handle perishables, emergency shipments. If you come in as an airline passenger and your baggage is several hours late, they will accommodate you or perhaps a plane is delayed by engine trouble or something like that; they will meet that plane to clear the paperwork.

The thing that we noticed here mostly was that the Government itself has contributed to the growth of JFK with subsidies and they have relaxed regulations. They haven't done the same thing for their own Customs Service. The Customs Service in the past 10 years has remained virtually stagnant at JFK, and yet you have had a 106-percent increase in passengers, and you had an 83-percent increase in cargo that's been handled here, and you are still using 240 inspectors every day.

Mr. NELLIS. Of that 240, Mr. Leonard, what percentage is passengers and what percentage is cargo?

Mr. LEONARD. Roughly half.

Incidentally, over half of the cargo that comes into this facility comes in on passenger aircraft. That's something I only learned today. So those passenger men may be responsible for that cargo, too. I don't know.

You saw some of the new facilities today. In the last 10 years they have built 10 or 12 of those big, beautiful buildings. In the Pan Am building, you could play 3 National Football League games at the same time and maybe throw the World Series in at the same time. The growth here is unbelievable.

Problems? Well, the manpower problem is really evident. I don't think we should even go into that any further. It's there. They haven't got the manpower.

Modern technology? It's virtually nonexistent. With the exception of the dog teams, Customs at JFK is examining the cargo the way they did 100 years ago. That's it. There is no X-ray here at this airport. The nearest X-ray machine is in Manhattan.

They should have, in my opinion—I'm not an expert, but I don't see why you can't have big mobile units that could be driven right through those cargo facilities. If that don't work, then build a separate facility and drive the cargo through, or at least 20 percent of it, instead of 1 percent.

The inspectors rely on instinct, and you saw instinct today. And they open packing crates with the tools you saw today: Crowbars, jimmys, screwdrivers, hammers, what have you. I haven't seen one power tool in this airport. I haven't seen a power saw or a power drill.

I'm sure other witnesses are going to address the other problems—the intransit shipments, big problem; immediate deliveries, they're a problem for customs.

I would like to talk a little bit about narcotics interdiction because that's my shtick. I only found one small group of men here at this airport that are dedicated almost exclusively to narcotics interdiction, and that's a TAC team, six men. They work a roving assignment in the cargo areas. Now, they work very closely with the line inspectors. If the line inspector comes across a piece of paperwork in his routine examination and there is something suspicious, a source country or what—I don't want to go into that—whatever, he will call his TAC team. The TAC team will take the paperwork, they'll follow up with their investigative skills, and then they will either open the cargo or not open the cargo.

I don't really know how many hours they spend on one assignment, but it's a six-man team for this one airport. Again, you have vacations, days off, a man gets sick, a man goes to Washington.

The TAC team is a wonderful idea. I really can't understand why there aren't 10 of them here, maybe 20.

Mr. BIAGGI. Mr. Leonard, that TAC team, do they work a 40-hour week or do they have limitless hours?

Mr. LEONARD. They work a 40-hour week, and Mr. Boyett can address whether they're allowed overtime or not. I didn't get the impression that they got a lot of overtime. There's a union problem with them. They have to be rotated, and the union's reason for the rotation is that the other inspectors are making more overtime. So that may be a very good question for Mr. Boyett, Mr. Biaggi.

Mr. BIAGGI. While you're there and Mr. Boyett is here, why don't we complete that phase.

Mr. Boyett, will you respond to that?

Mr. BOYETT. Well, all customs inspectors are assigned a 40-hour workweek over 6 days. We work basically, by law, a 6-day week, and Sunday is an overtime day. And anything over 40 hours is overtime. And our TAC inspectors are working basically FEPA overtime, that is, Federal overtime, in the cargo areas and reimbursable overtime in the baggage areas.

If a TAC team needed to work overtime, it has really preauthorized authority to work overtime and to follow through in any given interdiction effort.

Mr. BIAGGI. That's a permanent assignment? TAC team, permanent assignment?

Mr. BOYETT. No, sir, the TAC team turns over, as other assignments do, once a year. All customs inspectors rotate through all assignments. It's necessary to maintain their expertise and their grade levels, and also to keep them fresh in all aspects of their work. It keeps all of our inspectors narcotic interdictors, potentially.

Mr. BIAGGI. Thank you, Mr. Boyett.

Mr. LEONARD. I would like to go on to cargo theft next as a means of smuggling narcotics or any other contraband. When the shipment is unloaded at JFK—and you were out there today—it is stored in the carrier's cargo facility until such time as a local trucker or an interstate trucker calls for it. He will present the proper customs documents to the customs people. And, believe it or not, that presentation may be the first time that customs is even aware that shipment is there. Oh, yes, they've seen the manifest, but they probably have not seen that shipment. That shipment may rest in that cargo room 5 or 10 days.

Now, there are several ways to utilize cargo to smuggle narcotics and to steal it, and if you have a couple minutes I'd like to demonstrate and give you examples.

Customs uses the word "to tap," and what it is, to take a piece of a shipment out of a shipment. Now, somebody in the cargo room will be expecting this box, and usually when the box comes in the waybill numbers are on the side, there may be spelling on the top to identify it. Nobody is around, virtually nobody from Customs is around after 5 o'clock. He is unsupervised. He will hit this box, open it, dig into whatever the shipment is [indicating], and he will come up—and if that was a kilo of heroin, DEA has told me that's worth \$150,000 today if it's pure.

Now, when the people from the carrier come along and find this box, they'll take the manifest, look at the manifest, and it will call for 12 sweaters. And they'll take the sweaters out, count them, and if there's 12 you don't even have a theft. The box will be repaired and it goes on its way.

Now, the next one is the switch. Same type of operation, but they will use in-transit for this. A shipment will come in today and it will be a legitimate shipment, say, of brass ornaments. That shipment will be destined for Long Island City. It will clear customs right here at JFK. It's a legitimate shipment that goes through, no problem. The boxes will go to a warehouse in Long Island City and they will be left there. Two weeks from now a shipment will come through and perhaps it will have hashish in it. Those boxes will be destined for Dallas, Tex.

An interstate trucker will pick them up with the proper documentation, Customs will sign off on the truck, the truckdriver stops in Long Island City, pulls into a warehouse, takes the 12 boxes of hash off the truck, takes the 12 boxes of ornaments onto the truck, on your way you go. Nobody will ever know the difference.

I don't even know if you will get a theft report. You won't get a theft report, because nothing has been stolen. Those brass ornaments will be delivered in Dallas and the original shipment has been delivered in Long Island City. So again, you have had a delivery using a theft technique, but there is no theft to be reported. It's there.

All right. The last one is the outright theft. And I will give you very sketchily an example of one. Earlier this year there was a shipment in a cargo facility in JFK. It was a large shipment. In a matter of 9 minutes, a rented truck signed it at the gate, backed up to the loading platform, somebody took a lift truck, went over, picked the pallet up, into the truck, and away it went—9 minutes.

Now, that took—there had to be somebody on the inside. Let's not forget that. Somebody had to be on the inside, because you and I both know you can't find something in any of those warehouses in 9 minutes unless you know exactly where to go first.

But that was an outright theft. That's reported. But the shipment would have possibly called for sweaters or called for brass ornaments or whatever. Value? Maybe a \$1,000 cargo theft. Actual value, over a million dollars. We will never know. It doesn't show up anywhere. The thief and the smuggler gets his stuff, Customs and the police investigate the loss of brass ornaments, African drums, cashmere sweaters, anything.

Now, all of these operations are performed while the shipments are under Customs control.

Mr. WOLFF. Excuse me. Are they under Customs control or are they under airline control.

Mr. LEONARD. They are technically under Customs control. They are in-bond. Now, you were there today—and this is not a criticism of Customs, please. I am not criticizing them. You saw a hell of a lot of customs men there today. If we go back there tomorrow unannounced, Mr. Wolff, you will not see those same gentlemen. And that is not criticism. They are doing the best they can with what they have. It's not like that every day, with customs bosses, customs investigators, dog teams. It's a skeleton force. It is the best way they can do it.

But that's custody, that's control. It's too strong a word, because the control is a paper control. When a shipment disappears, Customs still has the papers, but that's all they have. Oh, they've got the manifest and they have a carbon copy of the waybill, but they don't have the shipment.

Mr. BIAGGI. Excuse me, Mr. Leonard. You said paper control. We understand it. But in fact, doesn't the airline—is the airline required to provide the security for that?

Mr. LEONARD. Yes; I'm going to get into that, Mr. Biaggi.

As I said, there's no customs people, really, after the 5 o'clock shift, except perhaps if the carrier or the man running a container station is willing to pay overtime. And that's kind of a little strange for me, too. I'm paying for my own customs inspector when I do that. I don't even like that arrangement.

When the inspectors go home, the patrol, the CPO's, take over, the Customs law enforcement branch, the armed cops of Customs. They take over. And we have to rely on them to prevent the thefts, a package being thrown over a fence, a truck backing in and loading up a ton of anything. There are 96 of them. Days off, leave, sick report, jury duty, what-have-you, again reduce the number perhaps by 30.

I have been told—and nobody has argued this point—that it's not unusual on the late shift, the 12 to 8 shift here in New York, to have one car with two officers covering Newark, La Guardia, JFK, and the seaport. Now, anybody that went out today and drove around this airport realizes that one car and two men can't check every cargo facility in this airport in 8 hours. And yet, they are responsible for the whole metropolitan area.

Again, it's a matter of no manpower. You just don't have it.

So when we speak of Customs custody, we are really speaking of airline security. That is where it lays, with the airlines. In the current year there will be about \$850,000 in cargo theft reported to the Customs people. They will tell you that this figure is miniscule. You know, when there's \$28 billion, less than a million? That's not much. And I could buy that if they could tell me: Is everything that's stolen reported? I don't know. I'm not satisfied that it is.

And second, I don't think the carrier really knows what is being stolen. A smuggler isn't going to put hashish or heroin on the waybill. When the shipment is stolen, that's all that's left. There's nothing else there. So, all right, brass objects. Mr. Rangel's district up in Harlem will get a flood of heroin from those brass objects.

Somebody in 1976, it was a writer, referred to JFK as a fortress. Well, if it is, it's full of holes. I have been in various cargo facilities 16 times. I was challenged 3 times. For the record, I would like to say where, so that they get the credit. I couldn't get into BA, British Airways. I was challenged by a uniformed security man at JAL, Japanese Air Lines. And once I was challenged by a cargo supervisor at Pan Am. The other 13 times I walked pretty much at will.

Now, I have been told that employees and supervisors have been trained to challenge anybody without an ID badge. I didn't have one, and in fact I saw damn few ID badges anywhere in the facilities.

The security people are going to tell you about their high-value cribs or their strong rooms, and they are very, very good vaults, very effective. If Harry Winston or Tiffany is sending in a quarter of a million dollars worth of jewelry, the airlines will know it because they insured it. An armed security man will meet that plane, he will sign off for the cargo or the cargo man will, and it will be escorted to the crib, and it will be signed into the crib. And it will be totally controlled, and it's very rarely stolen anymore.

I don't know what happens with the rest of the cargo. You saw it thrown all around Pan Am. It's just unloaded and thrown in.

If I'm going to smuggle hashish in, I'm not going to tell you it's diamonds, because Customs is certainly going to look at diamonds. The low-risk cargo may be stored outside the warehouse. I've seen a lot of that. We saw some today. The only people that really know what is in there is the guy with the computer, and the computer is always 24 hours behind. It takes 24 hours for the computer to know what's in that warehouse.

I know a lot of the security people that work for the airlines. They are professional ex-policemen, ex-FBI men, and they're good. There's not enough of them.

The airlines depend upon private security outfits: Wackenhut, Landsell, Mercury, what-have-you. We used to call them "square badges." I called one such agency and I asked them about how they trained their men and what was their pay scale, and I was told very simply, it was none of my business.

My last point will be containerization. Security people are constantly writing that the containers are the cure-all for cargo theft. You saw them today. They are not our idea of containers that we see on board ships, strong boxes with locked doors. You have a net thrown over it, a net that can be cut without too much problem.

The reason for containerization, gentlemen, in all honesty, is to load and unload those planes faster. The plane at Lufthansa will turn around in 2 hours. You saw it. It will be unloaded, cleaned, serviced, fueled, loaded and on its way back to Europe in 2 hours. That's why we have containerization. You can unload a containerized load in 1 hour. It takes a full crew of men, to load bulk or loose cargo into that 747, 8 hours. Big difference there. That's the reason for containerization.

I never saw a sealed container, incidentally. They tell you they are sealed. I have never seen one in all my visits to the airport.

I would like to conclude, because we are running short, that I have met a hell of a lot of dedicated, hardworking men both in the Customs

and security at this airport. They really break their back, the majority of them. They are overwhelmed. It's a tidal wave. It's a tidal wave of humanity coming off those planes and off those cargo planes. They are being crushed.

One old-timer, an old friend of mine, a Customs man, told me, "We're standing here in cargo up to our noses," and he didn't use the expression "noses," and he said, "No matter what your committee recommends, main Treasury and OMB will never raise our budget. Well, gentlemen, for all our sakes, I hope he's wrong."

Mr. BIAGGI. Mr. Leonard, you asked the heads of the security agencies—

Mr. LEONARD. One.

Mr. BIAGGI [continuing]. The training and the salaries, and you got an unfavorable answer, certainly not a responsive one. I know the point you are making. Most of these agencies don't have training and pay the minimal salaries.

Mr. LEONARD. Right.

Mr. BIAGGI. I think the course open to you, just to verify for the record, would be to ask some of the employees I'm sure they would reveal it to you.

Mr. LEONARD. I'm sure we'll be getting around to that. Yes; we do know for a fact the average man is in a minimum wage.

Mr. WOLFF. One point on this. Now, as I saw the operation—and I want you to either confirm or deny it—when the vehicles come into this airport to pick up a cargo, many of those vehicles are rented vehicles, am I correct in that?

Mr. LEONARD. Yes, sir.

Mr. WOLFF. Is there any record kept of who the people are that rent the vehicles from the U-Haul services or whatever you want to call them?

Mr. LEONARD. You must present a license and generally a credit card whenever you rent a truck, so there would be a record. Again, you know, credit cards are stolen and licenses are stolen. If you're talking about an organized operation, I am quite sure they can get a license and a credit card.

Mr. WOLFF. When something is picked up at the airport, picked up by one of these carriers, the hauling services, an item that is inbond, is the truck sealed?

Mr. LEONARD. I never saw a truck sealed. The trucker may put his own lock on it and sometimes he doesn't. When he leaves—say he's leaving—

Mr. WOLFF. How can it be inbond if it isn't sealed?

Mr. LEONARD. If it's going out of State, it's still inbond. I have never seen a truck sealed, Mr. Wolff. I don't even know if there are seals any more. I know there were, but I don't know.

Mr. WOLFF. How is merchandise transported from here to the customs broker, for example?

Mr. LEONARD. By truck.

Mr. WOLFF. Now, who controls that truck?

Mr. LEONARD. The driver. You mean, is there a customs control of that truck—

Mr. WOLFF. Has that cleared customs already, that truck?

Mr. LEONARD. Oh, no, no. It will probably be cleared at the container station, where there will be one, two, or three customs inspectors assigned.

Mr. WOLFF. Do they have any scales here for weighing those containers at the time that they are brought in?

Mr. LEONARD. I have never seen that done. I would say no. But please ask somebody else. I don't think it's done.

Mr. WOLFF. All right, thank you. You have provided us with a background, and I hope that our witnesses will address themselves to some of these problems that we have found. We do know that you have prepared testimony.

[Mr. Leonard's prepared statement appears on p. 69.]

Mr. WOLFF. Thanks very much, Dan.

I'm going to ask the witnesses to be sworn, please.

[Witnesses Boyett, Coyne, and Seeley sworn.]

Mr. WOLFF. Our witnesses are Mr. Fred Boyett, regional commissioner of New York region, U.S. Customs Service; Edward Coyne, regional director of New York region, Customs; Albert Seeley, special agent in charge, Customs.

You can proceed at your own pace, Mr. Boyett and Mr. Coyne. I would ask you to summarize your statements. The complete statements, without objection, will be included in the record.

[Mr. Boyett's prepared statement appears on p. 71.]

Mr. WOLFF. And perhaps you can give us an overview of what you consider to be the problems, how we can be of help to you. We do know that what our objectives are, they are joint objectives, to stop the trafficking that is taking place here. And any way that we can be of help to you, we would be delighted to.

TESTIMONY OF FRED R. BOYETT, REGIONAL COMMISSIONER, NEW YORK REGION, U.S. CUSTOMS SERVICE; ACCOMPANIED BY EDWARD T. COYNE, REGIONAL DIRECTOR, NEW YORK REGION, U.S. CUSTOMS SERVICE; ALBERT SEELEY, SPECIAL AGENT IN CHARGE, U.S. CUSTOMS SERVICE, AND GEORGE DUNN, AREA DIRECTOR, U.S. CUSTOMS SERVICE

Mr. BOYETT. We certainly appreciate the opportunity to air our problems and some of the Nation's problems before the committee, and I think it is wholesome and helpful for both branches of the Government to focus on priority-setting and expenditure of public funds.

I think all of us recognize that it is imperative to make every effort to control narcotics. And I think everybody here is aware that Kennedy Airport occupies a rather unique status among the airports in the Nation. Over 5.8 million persons arrived in the United States through Kennedy Airport last year. And I want to be sure that the prepared testimony is corrected in that regard. I think we showed about 5 million instead of 5.8 million. But that million makes an awful lot of difference in priority-setting. This is approximately 28 percent of all those arriving by air nationwide.

In addition to clearing passengers and baggage, Kennedy Airport has, as you witnessed this morning, a tremendous cargo operation.

We handle some 1.3 million bills of lading. And I know some of these numbers are not going to be consistent with other numbers, but then that's what the business of statistics keeping is about.

In the months between January and June of 1978 alone, we handled some 144,000 long tons of air cargo, which was a 24-percent increase over the same period in 1977.

Currently Customs has a combined total of 494 inspectors, patrol officers, and special agents deployed at Kennedy Airport, who operate to insure compliance with the revenue and other enforcement provisions of the law. Although this sounds like a large body of officers, when you consider that we operate in 5 baggage terminals at JFK, as well as process the preclearance operations from Canada at La Guardia, and that we operate in 33 cargo rooms, servicing 65 different carriers, and that we operate in 23 container stations off the field, and 3 bonded warehouses, and that every officer has annual leave, sick leave, court appearance leave, training leave, and that we work 16 hours in baggage in the International Arrival Building and patrol, then you get an idea of the juggling and the mirror act that we really go through.

If we didn't use massive amounts of overtime and part-time summer help, we could never get our jobs done.

In 1968 there were 271 customs inspectors at JFK to cope with the workload of 220,000-plus formal entries and 2.7 million passengers. In 1978, there are 382 inspectors, including supervisors, to cope with 419,000, almost double the workload, in cargo, and 5.8 million arriving air passengers.

Revenue collections, despite rate reductions, have risen from \$173 million in 1968 to \$638.5 million in 1978. Even with the improved methods and specialization, the arithmetic doesn't make sense.

Therefore, we must look to the priorities in the use of our blue line and also to the philosophy of operation. All passengers are still processed one declaration at a time, even though one declaration may cover an entire group of passengers, a family group or something.

And I just have to say to the committee that, when the crunch comes, people are still more important than boxes.

We made 216 narcotics seizures from passengers in 1978 and we made 41 narcotics seizures from cargo. In addition, there were dozens and dozens of agricultural and plant quarantine violations discovered in passengers' baggage every day, and as you know, we do a large job of protecting that aspect of American life.

On any given day, there are approximately 112 customs inspectors who start their work tour in cargo and 127 who start their work day in one of the several shifts in the 5 passenger terminals. The balance is accounted for by the 6-day work week, and I believe that I mentioned that before. On any given day there are 42 patrol officers assigned to cargo and 32 to baggage. And with respect to Dan's figures, some of them weren't as broken down as some of these numbers that I am giving you. Again, these are spread over 2 tours and 5 baggage terminals and dozens of cargo and ramp operations, the patrol operation, that is.

Obviously, with the workloads and the numbers of officers involved, our basic enforcement efforts have to be tactical in nature.

Mr. WOLFF. Excuse me for interrupting. What percentage of your activity would you consider to be narcotics or for narcotics enforcement?

Mr. BOYETT. I really have a very hard time answering that, Congressman, because our efforts in interdiction cover all aspects of both revenue and smuggling laws. So if we are looking for smugglers, it can be a diamond smuggler or a jewelry smuggler or a narcotics smuggler. Any violation like that is going to be turned up by a systematic approach to customs inspection.

Mr. WOLFF. Would the Department have any figures on the total interdiction of contraband substances from this airport?

Mr. BOYETT. Yes, sir. We can give you the statistics about contraband. In terms of narcotics?

Mr. WOLFF. I'm talking about all contraband.

Mr. BOYETT. All contraband? Yes; we can give you the numbers of the seizures and type of seizures.

Mr. WOLFF. If you will do that for the committee, we certainly would appreciate it.

Mr. BOYETT. I certainly will do that.

[The information referred to is in the committee files.]

Mr. BOYETT. But to answer your question, it's very, very difficult, because our approach to inspection can turn up narcotics or any other attempt to smuggle.

Mr. WOLFF. What I'm particularly interested in and I know the committee is interested in is the priority that you give to narcotics.

Mr. BOYETT. Well, I think we give as high a priority as we can possibly give to narcotics.

Mr. WOLFF. Let's pin that down still further. When you say "as high a priority as you can possibly give," what do you mean by that?

Mr. BOYETT. I mean if we had any inkling or any intelligence that narcotics is involved, we would dedicate an entire work tour to that.

Mr. WOLFF. Now, we do know you have a record, according to the information we have secured—you have a record of theft here of \$800,000—some odd, is that correct? Reported theft?

Mr. BOYETT. In a year.

Mr. WOLFF. In a year, out of \$23 billion worth of cargo.

What percentage of that was narcotics? Nothing, I take it.

Mr. BOYETT. Not invoiced as narcotics.

Mr. WOLFF. So therefore we really don't know what the figures are of how much narcotics were stolen—

Mr. BOYETT. If any.

Mr. WOLFF [continuing]. Coming through here?

Do you get any of that information from DEA?

Mr. BOYETT. If we had information—if DEA had information, I am confident they would give us the information about cargo.

Mr. WOLFF. Have you gotten any?

Mr. BOYETT. Yes, we have worked with DEA in cargo interdiction, yes, sir.

Mr. WOLFF. I am talking now specifically of narcotics interdiction that has taken place after clearing customs. In other words, the continuing operation that DEA has going.

Mr. BOYETT. In other than the airport operation in an ongoing investigation, cooperative effort, I think Mr. Coyne ought to answer that question.

Mr. WOLFF. Mr. Coyne, could you give us an idea of that?

Mr. COYNE. On narcotics seizures that have been turned over to DEA as a result of a customs interdiction, I can't think of one instance that the Office of Investigation has gotten information to follow up on.

Mr. WOLFF. Well, your responsibility does not extend now, any longer, as I understand it, to followup, is that right?

Mr. COYNE. No, sir, not into the investigation of narcotics. But it does extend into monetary instruments. And any narcotic case, as you know, is done for money, and there should be followup as far as people who are arrested or that any amounts of money were seized from, or what have you, to enable us to investigate—to initiate any investigation we would have in the laws that we would be enforcing.

Mr. WOLFF. Of the hits that you have made here, what percentage of those hits have been made on the basis of prior information that has been given to you?

Mr. COYNE. Well, I would have to pass that back to Mr. Boyett.

Mr. BIAGGI. Mr. Coyne, you said there wasn't a single instance in which you received information, intelligence. Over what period of time, Mr. Coyne?

Mr. COYNE. Well, I have been the regional director of investigation since February of this year, so I would state from February up to the present date.

Mr. BIAGGI. I see.

Mr. Chairman, may I stay with this just for a minute. I want to establish something for the record.

Mr. WOLFF. Yes, sure.

Mr. BIAGGI. Traditionally, what has been your experience in cooperation with DEA insofar as investigation intelligence is concerned?

Mr. COYNE. Traditionally, when we were in the narcotic investigation business there was a tremendous rivalry, which we all know and we're all aware of. There has been very little exchange in that area on their part. We were mandated by our agency prior to 1973, when we were in the investigative end of it, to furnish them with the information on the cases which we had, which we did obey, and our superiors—

Mr. WOLFF. I would like to get back to the question I asked now. What percentage of the hits that you have made are as a result of prior information?

Mr. BOYETT. A relatively insignificant number of the total narcotics seizure. I think we're talking something over 300 seizures from passengers and in cargo, and probably not more than 5 percent were on the basis of prior intelligence.

Mr. WOLFF. To what do you attribute that lack of information?

Mr. BOYETT. Lack of intelligence, lack of information on the part of the intelligence figures. Because I am certain there's no hesitancy on their part to furnish intelligence that they have. It would be contrary to both our missions.

Mr. NELLIS. May I? Mr. Boyett, we know there are 12 customs inspectors stationed at El Paso at EPIC. How is it that you don't hear from them with intelligence?

Mr. BOYETT. Well, the information center at El Paso, which is EPIC, covers a wide range of intelligence-gathering, as you know, and we do not have just customs inspectors, but prior investigations, as a matter of fact, the man who headed the investigations unit prior to Mr. Coyne taking over in New York now is there.

Mr. NELLIS. Why is it you don't hear from them?

Mr. BOYETT. Well, we do have profiles.

Mr. NELLIS. If you have less than 5 percent of your interdictions based on prior intelligence, that says to me that the customs people at EPIC are not keeping you posted, because surely we know that JFK is a major port for the introduction of narcotics to the United States, particularly from Europe, from the Middle East and other places.

Mr. BOYETT. But you have to remember what EPIC is. EPIC is a center to gather things that have been gathered by other people in other countries and the dissemination of it. If they have nothing to disseminate, they disseminate what they have, and those are profiles, and they do that. We do get profile information on typical or on specific types and methods, and we do use those in our profiling of shipments.

Mr. NELLIS. How many of those profiles have you used to make hits here at JFK? Are you able to say? Is it a large number?

Mr. BOYETT. Our tactical team does get all those profiles, and how many of them have been instrumental would be a very hard question to answer. It's something that you know and put in the back of your personal computer, and if something comes up and rings a bell that you read in an EPIC presentation or a DEA profile that rings a bell, and you go to that cargo shed.

Mr. NELLIS. In your investigatory report when you report on an incident, wouldn't you say somewhere in that report that this information came to us through an EPIC profile, so you would have a record of where the original information came from?

Mr. BOYETT. There is currently no way or no official recording of that, sir.

Mr. WOLFF. Do you have any TECS facilities at the cargo facilities?

Mr. BOYETT. I really don't know the answer to that—none of them? The only secondary machines we have and primary machines are in baggage terminals.

Mr. WOLFF. Is there a reason?

Mr. BOYETT. Yes; we can consult the TECS machine through the office, the baggage office in the international arrivals building, and that is our practice with respect to any suspect or individual or crew-member.

Mr. WOLFF. Do you think it's feasible to continue with the operation as it is on the basis of just merely almost guesswork or intuition? We talk about female intuition and I'm not a male chauvinist, but my God, it seems to me that you have to have people with either a crystal ball or something else in order to be able to ascertain whether or not a shipment is coming through that would have any contraband merchandise in it that would be narcotics.

Mr. BOYETT. Mr. Chairman, I think it's really a little bit more specific than the information thing. We do have—

Mr. WOLFF. I saw your profiles this morning. But let me tell you something: I think the profiles are exaggerated just the same way that

the ethnic profiles are exaggerated, if you know what I mean. The fact is that I think that the people who are in the business of trying—you're in the business of trying to interdict narcotics. Those people who are professionals at the job of trying to smuggle things in here know your profiles fairly well and they are, to my mind, a hell of a lot more sophisticated in their operation than we are giving you the tools with which to meet their operations.

What we have seen as a committee throughout the country is disgraceful, for this Nation to make you operate under the conditions which you have to operate. I am talking about now having to operate with the type of equipment in the way of the aircraft, of the type of even vehicles that you have in many cases.

The fact that you don't have an X-ray machine here—I know I have to go through an X-ray machine every time I take my baggage to Washington. Now, I think it's just a disgraceful situation. And we have found this not only at this place; we found this in Honolulu, we found it at Guam. And all the baloney that we keep hearing about a war on narcotics is just merely that. I think they're using popguns in the war.

Mr. BOYETT. Well, we're using all the guns that we have, sir. And we are attempting to do a better job. But anybody who tells you that, with a couple of hundred guys working a 6-day week, that we can stop all of the narcotics that can come through this port in cargo is not telling you the truth.

Mr. WOLFF. We don't even want you to stop all of the narcotics. We just want you to get up to the 10-percent figure that everybody talks about.

Mr. BOYETT. We'd like to do better than that, but we would be happy to get up to the 10-percent figure if we knew what the 100 percent was. Really, that's a very indistinct number, too.

Mr. WOLFF. I would like to get the area of these contract carriers that are here. When I talk about carriers, I'm talking about vehicular carriers. I am talking about the people that come in and out of this airport.

Now, I made a prior visit here, and in my prior visit I saw people coming in, I saw vehicles coming in here, and the man at the gate would look at the vehicle, he would note the license plate, the vehicle would come in. Then he would note the license plate when it went out. There was no inspection of the vehicle whatsoever. There was no weighing of this vehicle.

I don't know whether you use extrasensory perception or what to find out what the hell is in that car that's coming in and out.

Mr. BOYETT. Well, actually—

Mr. WOLFF [continuing]. The fellow couldn't even understand English, the fellow I spoke to.

Mr. BOYETT. That really isn't a customs man. As you know, the person you saw at the gate is not a customs person. That is a person hired by the terminal, by the carrier, by someone else.

And the problem of delivery of merchandise which has been released from customs custody and merchandise which is in the warehouse and has not been released from customs custody is basically a cargo security matter which is under the control of the airline.

Mr. WOLFF. Mr. Boyett, what you're saying to me is the fact that we are half pregnant in our whole operation, and there is no such thing as half pregnant—you either have security over the cargo or you don't have it. And from what we can see, there is little or no security that is exhibited, except that which you do on an almost, well, cosmetic, if you want to call it that, fashion.

And this is not being critical of you, but it is being critical of the overall operation that exists.

Now, we were at the Lufthansa station there, and I understand that they have about the best operation that is existing in this area.

Mr. BOYETT. It's one of the best.

Mr. WOLFF. I think the people at Pan Am are trying, and I don't think the people at top level at Pan Am are aware, perhaps, of the problems that they face in the field. What I am concerned about is the fact that this offers a very good opportunity for organized crime figures to operate with almost immunity in this area.

And I would like you to comment on what type of organized crime activity you feel exists in this area, whether you're getting cooperation from the FBI, whether or not you're getting cooperation from the local police authority, whether or not you have any interfacing with them at all. I know that there has been a longtime rivalry existing between the DEA and Customs. But I think that that's trying to be handled at high levels today, and I don't think that the competition should exist. Both services are really dedicated services, and the type of risks that the people take in all law enforcement activities today, I do not feel that the people are being adequately compensated for the risks that they take.

And it does lead to all types of corruptive influences that could possibly infiltrate. Not that there has been any widespread corruption that we have seen evidenced. But it does create a climate for corruption.

Now, it seems to me on an overall basis that—you say you are operating with a skeleton force. I think we ought to take the skeletons out of the closet. I think we ought to really face facts as they exist. You are not and cannot, unless you are given adequate funding—and I don't care who those guys at OMB are. They operate with computers down there and they don't operate with any fashion of a realization of the total problem that exists.

And I can assure you this—and I think I can speak for Congressman Biaggi and for the rest of this committee—we are not going to sit idly by while these computers tell us what to do. I think it is about time that the people of this country were made aware of the grave injustices that are being done to the people who are asked to perform a service and they are not being equipped with the implements that they need in order to do the job.

Mr. BOYETT. That's a noble effort, and I would welcome the opportunity to take any of the President's people around the same kind of tour that I took you and show them.

Mr. WOLFF. We do have someone from the White House staff, and I hope that she is listening, because unfortunately, today we have—OMB is going to cut back my budget, I'm sure, or they're going to try to cut back my budget. But they can't do it because ours is a legislative budget.

But the fact is that these people—unfortunately, today there is not one narcotics person on OMB, and they are trying to run the whole narcotics budget. And that's not going to happen. We're going to turn things around there.

The other factor is that I would like all of you to really tell it like it is and not be concerned about any area where there might be retribution. I assure you we will give you congressional immunity.

Mr. BIAGGI. Mr. Chairman?

Mr. WOLFF. Yes?

Mr. BIAGGI. I think that's an excellent notion. However, you are looking at three very experienced individuals who have been around a long time, and the Service continues and the memories are long, and we're transitory.

Mr. WOLFF. Maybe we won't be around here. [Laughter.]

Mr. NELLIS. Mr. Chairman, could I add one other question to the one you just asked?

Mr. WOLFF. Yes.

Mr. NELLIS. Mr. Boyett, perhaps this is one area that ought to be brought out in the open. Do you regard the customs operation here as primarily one of collecting revenue? Is that your major focus? That's in conjunction with the chairman's last question, and I thought maybe if we brought that out it would start us out on the right foot.

Mr. BOYETT. Mr. Nellis, as I mentioned to you earlier, I consider all of the people who work for customs to be law enforcement officers, and I consider that the revenue laws are deeply important to the Nation, as are the narcotics laws and the fraud laws. And we do our best to balance our staff between all the priorities that have been laid on us and continue to be laid on us. But to say that we are prioritizing the collection of revenue is really not so.

Our inspection methods are designed to cope with the workloads that exist. Our appraisal and classification efforts use as few people as we can devote to them and still maintain control of three-quarters of a billion dollars at this airport. And that takes some doing, too, you know. You just don't throw it in a peach basket.

Mr. WOLFF. Let's get to another area here. What priority have you—of assignment, have you been given on the question of terrorism, terrorists and weaponry?

Mr. BOYETT. We have—as you know, we have interface in our computers with all known terrorists. And if we have someone coming in who has a record of terrorist activity, we would be able to apprehend that individual. But we have given all of our inspectors training. We have given this a very high priority in terms of police-type cooperation. We know what to do in case something happens like an airport terrorist act. And our people are armed, despite the fact that Dan didn't see a lot of our inspectors carrying weapons. All of our customs inspectors—and there are about 800 of them in the Port of New York overall—all of them are trained and all of them are able to bear arms, and most of them do.

Mr. WOLFF. Have your people picked up any shipments at all of arms in this area?

Mr. BOYETT. Yes, we have made seizures of weapons, both import and export.

Mr. WOLFF. What type?

Mr. BOYETT. Ed, would you like to comment on that? You've probably done more of the investigative work on this.

I'd like Mr. Coyne to respond.

Mr. COYNE. In this area here, I really have to defer to Al Seeley, and mainly because we have investigations ongoing in our office with arms being shipped out of the United States into terrorist countries. That's ongoing at the present time. I am not aware of any large arms seizures that we have coming into the New York area since I have been here in May. So I'll have to pass it along to Mr. Seeley.

Mr. SEELEY. As the Agent in Charge here at the airport for the past 2 years or more, terrorist activity is a prime priority with our investigative force. And we have had occasion where our ongoing investigations have taken us into terrorist activities through seizures made by frontline personnel, dealing primarily with routing an activity, without getting into specifics, through Canada, the Mideast, Western Europe, and also, at times, with the Southeast.

We do find that there is some terrorist groups that are inter-related—

Mr. WOLFF [continuing]. With drug groups?

Mr. SEELEY. With drug groups, yes, sir.

Mr. WOLFF. We know. Some of us on the committee serve on the International Relations Committee. We know that some of the terrorist groups are financing themselves today through the sale of drugs, particularly with the Mideast situation with Lebanon right now.

Do you confirm that?

Mr. SEELEY. Yes, sir. And also with the Caribbean terrorist groups, which are very active here in the metropolitan area. This is one of the working areas that our agents are actively engaged and one of the priorities. It's not a localized condition. It's a regional, national and international activity.

Mr. WOLFF. One final question from me, and I think that Mr. Biaggi might have some further questions.

We have found that the Jackson Heights area, an area that is not far from here, has been characterized as the cocaine capital of the East. Now, that stuff must get here in some fashion. I haven't noticed very many in the way of cocaine seizures. There have been a lot of hash seizures, a lot of marihuana.

I am just wondering what sort of effort is being made—or let me put it another way. We have only recently seen an increase in the seizures of marihuana and hash. We have not seen too much of an increase in cocaine seizures. There has been a heavy emphasis upon heroin.

Have you received any directive from headquarters at all on cocaine or on hash or on marihuana of recent date?

Mr. BOYETT. Yes. As I mentioned before, we don't prioritize any narcotic over any other thing.

Mr. WOLFF. Let me get back to that. I can't agree on that, because the stated policy—we have a gentleman here who was on the Domestic Council, and we talked about this some time ago. The priority was heroin. We were letting other items of narcotics go by the boards

because we didn't have the facilities or the funds in order to attack the other problems.

I'm just wondering how of recent date this whole situation has evolved that we are into in getting all of this marihuana.

Is it a question that we are trying to confuse the public by saying, you know, we are interdicting a whole lot of narcotics coming into this country, and what are we doing, we're interdicting a lot of marihuana coming in.

Mr. BOYETT. We have interdicted at JFK in the last year 43 separate seizures of cocaine totaling over 100 pounds, and that's a lot of cocaine, too.

Mr. WOLFF. Do you know how much cocaine is coming into this country?

Mr. BOYETT. No, sir, I don't.

Mr. WOLFF. Well, I might say that one agency of Government says there's 14 tons. Another agency of Government says that there is 70 tons. And we estimate that there's about 100 tons that are available for shipment into the United States. So when you talk about pounds, you know, we're talking about tons.

Mr. BOYETT. One hundred tons would take a lot of coca bushes, I'll tell you.

Mr. WOLFF. Well, I want you to know there are a lot of coca bushes down there.

Mr. BOYETT. Well, I can't question that, sir. But we do make every attempt and we do have heroin profiles.

Mr. WOLFF. Have you had any directives from Customs of recent date on the priorities that you have so far as narcotics are concerned? Do you have any communications from headquarters?

Mr. BOYETT. Our communications from headquarters are numerous and myriad, as you know. In terms of neglecting—

Mr. WOLFF. I'm not talking about neglecting. I'm talking about priorities for interdicting. Have you had any priorities that ask you to evidence large seizures or increase seizures of narcotics?

Mr. BOYETT. It's very hard for me to answer that question, to say—

Mr. WOLFF. Now, Mr. Boyett, you get a lot of communications. I'm asking you whether or not you have received any communications at all regarding narcotics and an increased emphasis upon narcotics.

Mr. BOYETT. There has never been any deemphasis on narcotics, sir. We have been working in a steady effort against narcotics for as long as I have been in the Customs Service, and we have prioritized—

Mr. WOLFF [continuing]. In other words, what you're saying is the fact that there has been no special emphasis on narcotics, then?

Mr. BOYETT. Not in the last—well, there's been a special emphasis on it over the last several years because the problem has been better publicized over the last several years, thanks, in a lot of measure, to your efforts. But to say that we are now dedicating more of our manpower to that over this past fiscal period is not true.

Mr. WOLFF. I see. So that there really is no special effort, then, being made over and above what has gone on, of the overall special effort that has taken place over the years.

Mr. BOYETT. That's correct. I'll just have to say yes.

Mr. WOLFF. How about at the local levels? Have you had any directives on that, Mr. Coyne, at all, to increase your activities in the investigative field?

Mr. Seeley?

MR. SEELEY. Mr. Chairman, I would like to address that question in this respect, particularly in view of the activity here at the JFK Airport. Generally, as you know, since the reorganization in 1973, we have reoriented our priorities and generally our agents, including here at the JFK Airport, do not become involved in the smuggling of narcotics, since that function has been passed on to another Federal agency. And there are exceptions to that, such as, we may occasionally have communications from overseas directly, because of time frames with aircrafts, where you have two or three different hours to act, together with the customs front line, which we support here at JFK, and furnish that intelligence to them so that they can perform whatever action is needed within a matter of hours.

So we, as far as the special agents go, normally do not get into this intelligence field, and unless it's provided to us where it overlaps into another customs violation, such as our currency restrictions involving a customs violation where we as agents would have a dual investigation in that area, particularly. Also, where we may have joint investigation with a customs violation, such as theft from customs custody with air cargo here at the JFK Airport, we would actively participate and work on behalf of the U.S. Customs Service to fulfill that responsibility.

MR. WOLFF. On the export of currency today, there is supposed to be a reporting procedure, as I understand it, a new reporting procedure on the export of currency over—what is it, \$5,000? Have you been furnished with any information from any sources on particular individuals who are exporting larger amounts of Customs—larger amounts of currency unreported?

MR. SEELEY. We do get that type intelligence, and we do act, where possible, with our Customs frontline people.

MR. WOLFF. Have you had any recent examples of this, Mr. Seeley?

MR. BOYETT. Are you speaking of information from Internal Revenue or on the forms filed for export, right?

MR. WOLFF. Right, or the FBI or the other agencies of Government, on the export of currency.

MR. BOYETT. The forms go to Internal Revenue, don't they, on forms filed for export? Actually, we don't examine exports; on import we get them in the declarations.

MR. WOLFF. Forget about import. I'm talking about export now.

MR. COYNE. There have been instances where information has been furnished to the Customs Service for the currency going out of the United States. It was furnished—I believe it's correct—it was furnished to the Inspection Division of the Customs Service, and they work with the agencies concerned on it. That's export.

You're talking about exported currency?

MR. WOLFF. I am, because we have found that the Achilles' heel of the narcotics operation is money and the handling of currency. We have found, for example, when our committee was in Chicago, one of the outstanding jobs I remember as far as the investigatory staff was the activity that they engaged in on uncovering a large agency for the transfer of funds from Chicago to Mexico and to other areas of Latin America. In fact, the recent apprehension of one of the Herreras, Jaime Herrera, is an outgrowth of cooperation between DEA and the IRS and the committee activity in Chicago.

That's why I'm interested in it. The reason I ask you the question, Mr. Boyett, and I followed on the question is, I want to find out, you know, whether or not the stories we are told at various places are factual, whether or not there is an increasing evidence of effort being made in the narcotics area. Not that you haven't done things in the past, but is there an increasing effort that is being made in this area?

We have found one very important aspect in the whole narcotics situation. This committee has examined narcotics from one end of the spectrum to the other, that in the question of supply, if you are able to cut down on the supply, you do have an effect upon the number of addicts and the addict population in this country. There's a cause-and-effect relationship.

Now, it's not the complete answer. But you people stand in the last line of that defense. And the first line of it, naturally, is agreements that we make with other countries and the cooperation that we get from other countries. Now, I know that we have people now that are serving in Thailand, for example, in order to interdict, if possible, and to furnish information for us here.

Have you had any information at all from Thailand? Not from Thai authorities, but from Thailand, coming in here on any stuff that emanates from Thailand, any of the traffickers?

Mr. BOYETT. From the Thais directly?

Mr. WOLFF. Not from the Thais, but from our sources, DEA and the like and Customs.

Mr. BOYETT. I'm not aware of any specific—Mr. Chairman, this is Area Director Dunn. He's my district director and runs the entire airport operation or is in charge of it. And if he would, I would like to get his response on that.

Mr. DUNN. We do get regularly, from the OES in headquarters, directives and information regularly, as to trends of narcotics smuggling. You referred before to the cocaine. It did give us a history of the number of seizures and the number of shipments that we detected coming in. They have also told us—they also informed us of the problem they have locally in Elmhurst and Jackson Heights with respect to these cocaine activities.

So all this is given to our people on the line to alert them. We have been given no instructions to increase our narcotic interdiction efforts. But this information is provided to us regularly, I would say weekly, to keep us informed of trends.

Mr. WOLFF. My staff here has provided me with something that's not a hell of a lot of something to the guy on the line who's trying to do some work.

Mr. BOYETT. It doesn't specify an individual, and I think the question you are asking us, have we had specific information with respect to specific shipments, and the answer is, rarely, once in a while.

Mr. WOLFF. We do know one thing, however, and this has been established—that there is now coming into the United States, via transshipment from Europe primarily, stuff coming in from the Golden Triangle from Asia. We have got Asian heroin coming in here now and substantial quantities of it.

Have you interdicted any Asian heroin here at this airport?

Mr. DUNN. We have made several interdictions of heroin from Rome, coming by way of Rome.

Mr. BOYETT. But it is white heroin, not brown heroin, not traditional Mexican.

Mr. WOLFF. All right. How about from Amsterdam?

Mr. BOYETT. I just have to go back through my records. We have made, as I mentioned to you before, at the airport we have made 18 seizures of heroin in the last year, totaling 51 pounds. And you know, I could furnish the committee the specific seizure dates and the amounts in those, if that would be helpful.

Mr. WOLFF. Mr. Biaggi?

Mr. BIAGGI. I would like to get back to Mr. Coyne. We had started a dialog on cooperation between DEA and Customs. You have talked about a traditional rivalry. Does that rivalry have a negative impact on law enforcement?

Mr. COYNE. It's a little difficult to answer. I would say normally, under normal conditions, a rivalry like that would have a negative impact on investigative work. However, at times it was, I would say, extremely stimulating. We were in competition with each other.

Mr. BIAGGI. Exclusive competition, each agency functioning exclusively, having their own resources and keeping it to themselves?

Mr. COYNE. That would have a negative impact.

Mr. BIAGGI. OK; so let me pursue it. Wouldn't it appear to be advantageous to supplement each other's intelligence or whatever efforts are being made by each agency?

Mr. COYNE. Absolutely; that leads to good enforcement.

Mr. BIAGGI. Of course. I know that. And I'm just getting this for the record, and I want to elicit it from you.

Do you have any situation where you have representatives working together with DEA on a fixed basis in a fixed unit?

Mr. COYNE. In this region, sir?

Mr. BIAGGI. Yes.

Mr. COYNE. With the investigative end of it?

Mr. BIAGGI. Yes.

Mr. COYNE. The answer is only the organized crime units.

Mr. BIAGGI. How about drug interdicting?

Mr. COYNE. The answer is generally no.

Mr. BIAGGI. Generally no?

Mr. COYNE. Yes.

Mr. BIAGGI. Have you ever made a request, has anyone ever made a request, that a more definite relationship be established by assigning or creating a unit which encompasses representatives from both agencies?

Mr. COYNE. I have taken it upon myself to make a written request in May of this year to DEA with the monetary instrument field, and I never received a reply.

And then I would say in September I made a telephone call requesting that we get together, Mr. Fallon and myself. He suggested I send a special agent in my office over to talk to his intelligence division, which I did.

The latest, I have a memorandum from my agent dated, I believe, October the 13th or the 18th—I'm not certain—wherein a man from

the intelligence division said that he couldn't make a decision for our people to join them, and he would bring it to Mr. Fallon's attention.

Mr. BIAGGI. Mr. Fallon is a solid professional, and I hope his good judgment prevails and doesn't permit the rivalry to interfere with what appears to be a direction that both agencies should be aspiring to.

Mr. Chairman, I think that's an area in which this committee should look to, at least to have further discussions. There may be some liabilities to that suggestion, but at least they should be discussed and aired. If there are liabilities, then they should be made known.

But on the face of it, it seems to have the potential for great advantage, because each agency functions effectively. But I think that efficiency would improve geometrically if they worked in a more cohesive effort.

Mr. WOLFF. If the gentleman would yield for a moment, I do know that Mr. Bensinger and Mr. Chasen are working closely together, and I do believe that DEA has had a close working relationship with Customs at the highest levels, and I think this is extremely important.

There was at one time a sort of competitive element that existed. I think that is behind us. I just might venture the fact that it seems to me that perhaps it is time for a kind of a strike force, combination strike force of Customs and DEA, to integrate the services a little bit better, to not just take agents from one service and put them in another, but to integrate the services much closer and to try to find some way of having a combined force.

Mr. COYNE. It's my understanding that in various regions around the United States this happens to be true. I'm talking about the investigative end right now, because Mr. Boyett and Mr. Dunn, they don't seem to have any problem in that area. But there are regions throughout the country where they are working closely together, it's my understanding, and no problems. Because I have made calls to my counterparts throughout the United States, and they don't seem to have the problems that I could possibly be having.

Mr. BIAGGI. Let me put this to you: I am informed that Mr. Fallon asked you to assign a customs agent to a DEA unified intelligence operation and that you emphatically declined. Is that true?

Mr. COYNE. If that question is specifically to me, the answer is that is untrue. I can't answer for what happened before I got here.

Mr. BIAGGI. I see. Well, it would seem to me, at this point, in light of this contention, it might serve all our purposes best if you contacted Mr. Coyne and make an inquiry as to whether or not this invitation still exists—excuse me. Mr. Fallon.

Mr. COYNE. OK, that sounds like a fine idea.

I see Mr. Seeley would like to say something.

Mr. SEELEY. Mr. Chairman and Congressman Biaggi: I think it's only fair to call to your attention at this time, for the benefit of all concerned—and you may not be aware of it. You should be aware of it—one of the working arrangements with the new Commissioners at the headquarters level, with their endeavors to have both agencies work fully and completely and jointly, cohesively together, exists in a memorandum of understanding which is in 1975, and that puts it right down to us working people. That's me, that's you, that's everyone else at the working level.

There is no need for me to tell you that I have intelligence that would be helpful to you in your agency. It's obligatory for me to furnish that.

Mr. BIAGGI. We know about that memorandum of understanding. The fact is, is it being complied with?

Mr. WOLFF. It's almost like the Middle East peace agreement.

[Laughter.]

Mr. BIAGGI. That's the question, Mr. Seeley: Is it being complied with?

Mr. SEELEY. If you're directing the question to me, Mr. Biaggi, I will answer that for myself here at JFK Airport.

Mr. BIAGGI. Fine.

Mr. SEELEY. Since I have been here, for the past 21½ years, it has been apparently the policy of my counterpart at this airport that only in rare occasions do I get intelligence furnished to me that will be helpful to my office in our endeavors with dual investigations, where both agencies are concerned.

Yet I take every opportunity to abide by my Commission and headquarters directives in furnishing at all times full and complete cooperation with all Federal agencies.

Mr. BIAGGI. Is one of those instances where they failed to comply with that memorandum of understanding the theft of the 700 pounds of hashish?

Mr. SEELEY. Again, you are directing the question to me?

Mr. BIAGGI. Right between your eyes.

Mr. SEELEY. OK. I would have to say yes.

Mr. BIAGGI. I'm going to pursue it a little further, just to make the point.

Is it your judgment that if there was a closer relationship on that particular instance that that theft might have been avoided?

Mr. SEELEY. In my personal professional opinion—

Mr. BIAGGI. And that's substantial.

Mr. SEELEY [continuing]. They much—all the help you need, in cases where you have organized smuggling operations, you have smuggling experts available and Customs frontline people at all times, they should be utilized wherever possible.

Mr. WOLFF. What is the date of that incident, do you know? February some time?

Mr. SEELEY. Offhand, I don't know. I think you are referring to sometime in April. I'm not sure.

Mr. WOLFF. When we are at—if the gentleman would yield for a moment?

Mr. BIAGGI. Sure.

Mr. WOLFF. When we were at Lufthansa, they spoke of another incident. Could you enlighten us about that? They said it wasn't their fault. Something was stolen en route. Can you tell us anything about that?

Mr. SEELEY. No, because if it was stolen en route, it wouldn't have come—

Mr. WOLFF [continuing]. But some people say it was stolen here.

Mr. SEELEY. Well, I would have to say no, I can't give you any information.

Mr. WOLFF. They say the aircraft came over here and stopped at Dakar, I think, first, and then came here, and then there was a missing cargo of narcotics.

Mr. SEELEY. If it's a narcotics investigation it would be of record, an investigation pursued by DEA. If the information would have been—

Mr. WOLFF [continuing]. You know nothing about what they were talking about?

Mr. SEELEY. We would not normally get involved with that type of investigation.

Mr. BOYETT. There is a thing that ought to be added to the record and for the record here, though, in that our investigators have been specifically excluded from investigating narcotics conspiracies, and it would not be routine for the DEA people to be in touch with our investigators in strictly narcotics matters. If there is specific intelligence that the DEA people have—and I do have a full-time officer working with them in narcotics information intelligence, one of my patrol people, and I intend to put another person onsite in the DEA uptown office—but normally, the furnishing of narcotics intelligence would be to my interdiction force, not to the investigative part of our Customs Service.

Mr. BIAGGI. Let me pursue that. That being the case, don't you think it was incumbent upon DEA to communicate with either you or Mr. Coyne or Mr. Seeley in connection with the hashish situation, which was located in the Pan Am cargo area, which they knew was addressed to a false addressee, they knew was to be picked up, and they expected that it would be stolen? It was under surveillance. They put two agents to watch it, provided for no backup. There was no capacity to pursue it by vehicle.

I mean, that's what I'm talking about. Don't you believe, in light of that, there should have been some communication with somebody in your agency?

Mr. BOYETT. There was communication with our agency and no one should deny that we were aware that the hashish was in the warehouse. The investigation and the arrest of the suspects were in an investigative way strictly a DEA matter. And I really am not prepared to even express an opinion because I don't—I really have never investigated with Mr. Fallon how many people he had assigned to it whether he had backup troops, where the whole foulup was, Mr. Congressman. I just don't know that.

Mr. BIAGGI. Mr. Boyett, I appreciate your response. I appreciate your position. But that whole operation has an aroma to it. If it's pure neglect it still has an aroma. And I will give you that it is neglect. I don't know that it is anything else.

But there's no question in my mind, in the light of the precision of the operation, that there was internal information. In light of the total operation—two men are stationed there to watch it. One man ostensibly goes for coffee. He has coffee a short distance from that location. Shortly thereafter, there is a beeper call which takes that man away and leaves it totally unguarded.

If there was anybody else assigned besides those two, it would have been under continued surveillance.

Mr. BOYETT. If we had been requested to surveil it or to assist in a backup way, we would have done so.

Mr. BIAGGI. One question, Mr. Chairman, then I simply must go to Washington.

What happened to the agents that were in charge of this supervising? Does anyone know?

Mr. BOYETT. I do not know.

Mr. BIAGGI. Of keeping that under supervision. Mr. Coyne, do you know? DEA agents?

Mr. COYNE. To the best of my knowledge, when I was down in Washington on this matter I was told that they received letters of reprimand.

Mr. BIAGGI. What?

Mr. COYNE. Letters of reprimand.

Mr. BIAGGI. That's all, Mr. Chairman.

Mr. WOLFF. Thank you.

Mr. NELLIS. Mr. Wolff, could I ask a question on another area?

Mr. Boyett, I am interested in the penalty area. We have done a little bit of research, and if these figures are wrong I know you will correct me. First of all, Customs may impose a \$500 penalty for each reported loss. Is that a correct statement?

Mr. BOYETT. That is a provision that, by policy, we have not done.

Mr. NELLIS. OK. You have come right at what I want to ask you.

Mr. BOYETT. OK.

Mr. NELLIS. \$7 million in penalties incurred, and I think you collected \$25,000. My question is this: If Customs imposed the full penalty provided by law, don't you think the airlines would be inclined to impose tighter security measures? Wouldn't they do a much better job if they knew that each time they had a false invoice or an entry requirement violation and so on, that they would be charged \$500 for same?

Mr. BOYETT. Well now, there's a couple of things involved here.

Mr. NELLIS. There sure are.

Mr. BOYETT. When you say a false invoice, that's not the \$500 statute. That would be a section 592 of the Tariff Act violation, which is fraud.

Mr. NELLIS. I just happened to read a penalty case summary from your records, and the first one happened to be fraud, false invoicing. But I realize that that penalty is different from the \$500.

Mr. BOYETT. Yes, sir, that's a lot different.

Mr. NELLIS. Let's direct our answer, if we can, to this issue: Would the airlines be inclined to impose tighter security measures if they knew that, instead of assessing penalties, you really meant to collect them?

Mr. BOYETT. That's a very hard question to answer, and it would be one that would be answered economically. If it was to their advantage to do it one way as opposed to another, they would improve security.

Mr. NELLIS. You know corporations don't like to pay out money.

Mr. BOYETT. But if the security arrangement to hire 20 people around the clock, to walk cargo in and to walk cargo out, and to put up more and more elaborate—if that costs \$5 million, and the amortization of their losses over a given period—you are asking me a judg-

ment that they would have to make, and it would be based on the economics. I don't know whether the \$500-penalty-per-loss would have that great an effect, sir.

Mr. NELLIS. Mr. Boyett, I will ask them that. But what I am getting at is this: You do have a sanction in your hands which you apparently ignore. I'm trying to find out why it is that you don't collect more penalties. You assess \$7 million worth and collect \$25,000. Is there something wrong with the penalty provision in the law that does not permit you to use it as a basis for securing tighter security?

Mr. BOYETT. There is not anything wrong with the penalty provision in the law.

Mr. NELLIS. Why don't you use it?

Mr. BOYETT. Because in a policy decision way, we have simply decided that it is a better practice to make the revenue whole, and that is what we do in every instance of loss of dutiable merchandise. The revenue is made whole, and that is really what would have happened had the cargo gone through our hands in a legitimate delivery way.

Mr. NELLIS. You're saying the duty is paid?

Mr. BOYETT. Yes, sir.

Mr. NELLIS. I'm talking about the penalty provision which is in the statute. Now who made the policy decision not to use that provision? Did you or was that made in Washington?

Mr. BOYETT. It was made out of headquarters. It's a national policy.

Mr. NELLIS. It's a national policy and you are the recipient of that policy and you simply follow it.

Mr. BOYETT. I follow it, that's correct.

Mr. NELLIS. In your personal opinion, wouldn't it make sense that if you applied this provision more widely that the airlines would become very concerned about security? They would not commit all these penalty violations?

Mr. BOYETT. If we did assess a \$500 penalty in every one of those instances, there would certainly be some different handling, yes. I think it would be a significant deterrent to allowing lax methods, to allow cargo to get away.

Mr. NELLIS. Why don't we do it, Mr. Boyett? You don't do it at all now. I'm not saying do it 100 percent. Maybe that would really impose a burden on them. Why don't we go up to 50 percent?

Mr. WOLFF. With counsel's permission, it might be that some of those thefts would not be reported.

Mr. NELLIS. That's possible.

Mr. BOYETT. We'd still have the record of the undelivered cargo, and there would have to be, in our cargo detection program, that we would know that the cargo is missing, whether or not they reported it, because there would be an unfilled manifest clearance system.

Mr. NELLIS. May I just ask: Do you have the discretion to go above this tremendous ratio of \$7 million assessed and only \$25,000 collected?

Mr. BOYETT. Do I have the what?

Mr. NELLIS. Do you have the discretion here to say, by God, we're going to collect a million of that \$7 million, not \$25,000?

Mr. BOYETT. If those are penal amounts and if the reduction there is—I don't really know what figures you are using, Mr. Nellis.

Mr. NELLIS. These are figures that we got from you that show \$7 million in assessment of penalty for 1 year and \$25,000 collected. That's the correct ratio, Mr. Boyett.

Mr. BOYETT. Many times when you issue a penalty notice it's later discovered that there was no violation. The cargo turns up and then the penalty case is washed out. Or the demand for liquidated damages is eliminated.

Mr. NELLIS. All right, let's eliminate those that are washed out, Mr. Boyett. My question is this: Do you have the discretion to tighten up on the penalty procedures, with the hope that that will persuade the airlines to do a better job on cargo theft? That's my question.

Mr. BOYETT. Do I have the discretion? Yes, I have the discretion.

Mr. NELLIS. Do you think it would be wise to exercise it a little bit?

Mr. BOYETT. If we are not exercising it to the maximum extent, we should be exercising it.

Mr. NELLIS. Thank you, Mr. Chairman.

Mr. WOLFF. One final question to the panel, and I'd like each of you, if you would, to answer it. Is the figure that we have, of \$800,000 of reported theft in this airport, an accurate one?

Mr. Boyett?

Mr. BOYETT. It's the figure that the airline security people have as their reference figure. I believe that's the number you're talking about.

Mr. WOLFF. I'm asking you if it's an accurate figure of the amount of theft that exists at the airport.

Mr. BOYETT. I can't answer that. I really can't, because we're only dealing with imported cargo and those figures cover both import and export losses.

Mr. WOLFF. So actually, then, you would say that because of a lack of information you would stand by that figure?

Mr. BOYETT. I have no way to refute it, sir.

Mr. WOLFF. Mr. Coyne?

Mr. COYNE. The documentation that I have from my headquarters is \$975,000 that was stolen from Customs custody.

Mr. WOLFF. Was any of that narcotics?

Mr. COYNE. Well, you couldn't determine that.

Mr. WOLFF. So if there was a single theft, like there was here, of \$1 million of narcotics, that would throw that whole picture out, wouldn't it?

Mr. COYNE. It would if you were in the narcotic area, which I thought we were discussing merchandise.

Mr. WOLFF. I'm discussing theft at the airport.

Mr. COYNE. OK.

Mr. SEELEY. I would like to answer that, Mr. Chairman. The answer to your question would be, the theft that would be reported would be the value of the shipment. That is the value we would cover. Exactly what was in that shipment that was stolen, we wouldn't have that information, nor the value it was worth.

Mr. WOLFF. I'm getting to one point which I think is important here, and that is the fact that if a lower theft figure is reported, then there are lower insurance costs that have to be paid. And as I understand it, much of the insurance here is self-insurance by the airlines. Am I correct in that?

Mr. SEELEY. I couldn't answer that question.

Mr. WOLFF. We will ask some of the airline people about that.

The important point, I think, in all of this is that really we don't have the information as to what is going on here, and the lack of information is something that is not just significant here, but it is the total lack of information that we have nationwide on the whole question of narcotics themselves. And I really am appalled at the fact that we have indicated here a total theft figure, excluding narcotics, of some \$900,000 or \$1 million.

I remember when I came to this airport only a couple of years ago, there was a theft of one art object that was worth more than \$1 million. When you start talking about the fact that all of the thefts that occur at this airport are less than \$1 million, then something is wrong with the reporting procedures.

I think if that is the case when we are talking about the question of thefts of legitimate articles, licit articles, then what can be—what is beneath the surface in that iceberg; that is, illegitimate and illicit theft that is occurring at this airport?

Mr. SEELEY. Mr. Chairman, I think we should point out that that statistic is the statistic we can only give you, which was stolen from Customs custody. It does not include other thefts, which have already been released, are waiting domestic delivery, which have already been cleared, which could also have been stolen, and that could be the difference which is not in that figure we are giving you. Customs only maintains that which is reported stolen involving the Customs violation.

Mr. WOLFF. All right. One final point. What is there, in addition to manpower, that you could be provided with that would help you to do your job and to control the situation better?

Mr. BOYETT. I have to say that there is no substitute for manpower. There is no substitute for presence and for the individual intelligence that goes in increased numbers of people doing tactical jobs and doing basic enforcement work full time.

Mr. WOLFF. We understand that.

Mr. BOYETT. But there are R. & D. efforts in process in our headquarters, by our headquarters types with outside contracts, in sniffing devices which might be the answer to narcotics enclosed in containers. Not necessarily these palletized things, but we deal with large containers as well at the airport.

And there are some great possibilities in mobile X-ray units. We are experimenting with mobile X-ray. It takes—in the X-ray development of the art, it takes a very large machine to do a case of cargo. You can take a mail package, a thing as big as a briefcase, and run it through a relatively small and safe device. But to do cargo shipments, to take boxes half as big as—well, like we saw this morning—takes a very large machine and it takes an elaborate safety precaution, something as large as a flatbed trailer.

But we are working toward that. And I have a pilot project in process. If those things do pan out, the committee could help us greatly, and the President's people could help us greatly, in resource allocation to buy and keep those things updated.

Mr. WOLFF. How about scales?

Mr. BOYETT. We have scales in the airlines. I noticed your questions before asked whether or not we weigh things in and out. There is a gross misconception on how we handle cargo. We really do not weigh things going in, so it would help us not at all to weigh things going out.

Mr. WOLFF. Well, is there any reason why things aren't weighed going in?

Mr. BOYETT. No reason at all, except manpower.

Mr. WOLFF. If you have a manifest and have a complete schedule of what is supposed to be in a containerized piece of cargo or in one of these conglomerate cargoes, then why shouldn't it be weighed in?

Mr. BOYETT. The only reason why we don't do any of the other things that you suggested, and they are all able and noble suggestions: It would take another 100 or 150 men to weigh all these things.

Mr. WOLFF. I know it would take another 150 men. But a total cost of 150 men at \$20,000 or \$25,000 a year would cost us maybe \$3 million or \$4 million. That's one shipment of stuff that's coming into this country tax free.

Mr. BOYETT. Absolutely right. I can't argue that.

Mr. WOLFF. See, I'm not the lawyer on this committee. We have a lot of lawyers on this committee and everything else. I'm a businessman, and I know if I can collect some revenue, as you're doing on collecting hits on bits of stuff that's coming into this country, and the amount of revenue that you're collecting—if we can knock off a couple of these shipments that are coming in, and make it a little more difficult for the narcotics smuggler to operate, then I think that the money will be well spent. And this committee supports the idea of increased personnel and increased equipment for you.

But the one other factor I'm interested in is in the way of cooperation. And I think, Mr. Coyne, you have indicated it very strongly. I will be in touch with both Mr. Bensinger and Mr. Chasen as to enhancing the cooperation and seeing if we can't get joint working operations. I think it's again disgraceful that you guys have to operate like the dogs in trying to sniff things out. I don't think your noses are that good, and therefore I think you should have more people to be able to do the job of investigation that is necessary. You should not be forced to do the type of work that you are.

I want to say that this has been very enlightening to the committee. I appreciate your frankness. If you have anything else that you would like to submit to this committee in executive session, we will be very happy to receive it, which will give you the opportunity of perhaps the anonymity that doesn't go with an open session.

And if there are any other points which you would like to make before we excuse this panel, I would ask that you come forward.

Mr. COYNE. The one thing I would like to say is that, with Mr. Boyett's last statement about manpower and technical equipment, I'm in 100-percent agreement with him. But I also think that a special emphasis should be placed on intelligence. If you have the proper intelligence, you can actually cut down on the manpower which you need.

I am not trying to reduce it. I'm trying to increase the manpower, if it was within my power. But you need the intelligence. I think

Mr. Leonard had said earlier that there are methods where we are operating maybe for 100 years, and maybe these methods aren't that bad if you have the proper intelligence. If you have the proper intelligence, it doesn't matter whether you have a power tool or a hammer and a chisel to open it up, because, you know, it's there and you have directions to go into.

Mr. WOLFF. Well, you have the problem, and it's a constant problem that has existed from time immemorial, on not only the competitive nature of services that exist within Government, but the lack of sharing of information, which is most important. You are not supposed to be the intelligence gathering overseas operation, but at least that information should be shared with you so that you do have the effective means of coping with the situation at this point of contact.

Mr. COYNE. At least from the investigative end, which you are aware of, we're out of it, and I'm not asking to get back into it. But what I am saying is, with the monetary end of it and what-have-you, we have a very definite jurisdiction there.

Mr. WOLFF. How about INS? Do they have any tie-in with you at all?

Mr. COYNE. We have been working with them. One of the things that you had asked earlier was, was there any definite directives out to us about narcotics interdiction or what have you. We really didn't have an answer for you. But in thinking it over, in the Office of Investigations we have very specific instructions now to beef up our monetary instrument investigations, which would be twofold:

One would be in the narcotics field, although we wouldn't be investigating narcotic cases as such and the other would be funds going back and forth into terrorist activities.

So we have, you know, if you want to stretch it a little, we have had specific directives from Commissioner Chasen in Washington.

Mr. WOLFF. Mr. Seeley?

Mr. SEELEY. Mr. Chairman, I would like to make a comment, particularly since you are here at JFK. As far as my office that I have worked with the past 2 years, the special agents here at JFK, I think you should be aware of, is composed of 2 groups, a total of 14 agents. They have an area immediately to support, some 400 or 500 Customs frontline personnel, 7 days a week, 24 hours a day.

In any and all arrests and seizures, they are responsible for preparing and following those to prosecutions wherever warranted. And without question, we go into as much as the 30 different type case categories of investigations we cover. In addition to that, we support Mr. Boyett's people in their regulatory function by conducting the necessary investigations for customs brokers, bonded cartmen, and others who require ID cards here at the airport or otherwise.

And we also are not associated just with JFK, but we are responsible for half of Queens and all of Nassau and Suffolk. And if you can visualize that, together with the other enforcement problems which you have identified through your committee here as being primarily a cargo theft program, the cargo theft problem demands attention—and certainly I agree with what has been said here, additional manpower and resources to attack this law enforcement problem, with

uniform—with intelligence and certainly everything that begets intelligence. You can't leave out your investigators.

And I would like to just leave that thought with you, that the agents here on a monthly basis conduct anywhere from 75 to 100 investigations. For this past fiscal year, we have had in excess of 1,100 investigations. We support our front-line daily, and passenger and cargo, and the duty agent can expect, on a daily basis, 10 to 20 more referrals for his followup and support action. And needless to say, that, together with his other responsibilities in servicing outside investigative offices, where it's on a national and international level, without assistance. We do the best we can.

Mr. WOLFF. Thank you very much.

I might say that, as a result of increased activity in law enforcement in the Florida area, you can anticipate greater problems in this area, as was indicated by the recent apprehension of that yacht off the Long Island waters. I do think that you are going to have a very substantial increase in activity from other ships operating up here, as well as into the airport; and increased currency transactions, because there is not only one grand jury investigation, but strike forces now down in Miami on currency transactions. So that you are going to have more here.

I'm going to ask that we take a very short recess here for a few minutes while we excuse this panel. We are going to go right through the lunch hour because of the problems of time.

I am wondering whether or not we could ask you fellows to stand by while we have some of the other people come before us, in order to try to, if there is any interfacing of any questions, that we might be able to handle it.

If there is no further information that we have, I will declare a short recess.

[Recess.]

Mr. WOLFF. The committee will resume.

We have as our next panel, Mr. James Trombetta, who is former president of the JFK Airport Customs Brokers Association, Mr. Dennis O'Donnell of Dennis O'Donnell, Ltd., and present president of the Import Brokers Association, Mr. David Serko representing the association, and Mr. Soller.

Will you identify yourself, please?

Mr. SOLLER. Mr. Serko's partner, Carl Soller.

Mr. WOLFF. Would you gentlemen mind being sworn, please?

[Witnesses sworn.]

TESTIMONY OF JAMES C. TROMBETTA, PAST PRESIDENT, JFK AIRPORT CUSTOMS BROKERS ASSOCIATION, AND DENNIS O'DONNELL, DENNIS O'DONNELL, LTD., PRESIDENT, JFK AIRPORT CUSTOMS BROKERS ASSOCIATION; ACCOMPANIED BY DAVID SERKO AND CARL R. SOLLER, COUNSEL

Mr. WOLFF. Who would like to proceed first?

If you don't mind, I would like to ask you to summarize your statements, and your entire statements will be included in the record.

Mr. TROMBETTA. All right.

I only have approximately two pages.

Mr. WOLFF. Go ahead at your own pace.

Mr. TROMBETTA. Mr. Chairman, members of the committee, and ladies and gentlemen, my name is James C. Trombetta, and I am the immediate past president of the JFK Airport Customs Brokers Association, and currently a member of the board of directors.

Our association is comprised of approximately 150 members, all located at and in the immediate vicinity of the JFK International Airport.

The general responsibility of the customs broker is to aid importers of commercial merchandise and the clearance of that merchandise through customs.

The expertise of customs brokers in performing this task has widely been recognized, and specifically former Commissioner of Customs, Vernon D. Acree, when testifying before the House Committee on Small Business in March of 1974, stated:

Customs brokers are required to be familiar with the laws and regulations applicable to the importations of their clients. Their professionalism and expertise greatly simplified customs tasks throughout the entry process.

Thus, we as brokers, in that we clear virtually all commercial entries filed with the Customs Service, are intimately familiar with the technical and practical procedures necessary to clear goods through U.S. Customs.

I am quite aware that this House Select Committee on Narcotics Abuse and Control is presently looking into the entry into this country of contraband material, specifically narcotics.

I have also been advised that authorities in the past years have discovered that narcotics of various types have been illegally included together with other merchandise being imported into the United States through Kennedy Airport. However, I must tell you that in my 20 years as a customs broker, I personally have never encountered a situation in which any of my clients have imported narcotics into this country.

We are not, however, naive enough to believe that narcotics have not, in the past, and will not in the future continue to come into this country through supposedly legitimate import channels.

Those responsible for such importations are unknown to me. However, the mere fact that such a small percentage of importations—and I have been told the maximum is 2 percent—are examined by Government officials upon entrance into this country and through JFK Airport, leads one to the necessary conclusion that since there are narcotics in this country, and since those narcotics for the most part are not produced in this country, they must have arrived through some source. And we must further assume that one of these sources is the regular import channels.

That concludes my statement.

If there are any questions, I will be happy to attempt to answer them.

[Mr. Trombetta's prepared statement appears on p. 74.]

Mr. WOLFF. Thank you.

We will ask questions after the panel has concluded its testimony.

Mr. O'Donnell, would you like to proceed.

Mr. O'DONNELL. My statement is very similar to Mr. Trombetta's. I am currently president of the association. James Trombetta was the past president, immediate past president.

Mr. Chairman, members of the committee and ladies and gentlemen, my name is Dennis O'Donnell and I am currently the president of the JFK Airport Customs Brokers Association.

As my colleague, Mr. Trombetta has stated, customs are responsible for the clearance of the majority of imported goods and merchandise which enter into this country through JFK Airport and various other ports throughout the United States.

Being in this capacity, we as brokers are intimately aware of the various steps which must be taken in order to properly move these goods and merchandise through customs and into the commerce of this country.

We are all too aware that in addition to the goods and merchandise which are imported legitimately into this country, a considerable quantity of narcotics also enters into the commerce of these United States. Both as a businessman and a concerned citizen, I hope that this practice ceases.

I must say, however, that we as customs brokers are rarely, if ever, in a position to detect the importation of narcotics into this country and through the JFK Airport. Mr. Trombetta has stated that he has never experienced in his years at the airport an illegal importation of narcotics.

I can say that in my 20 years at the airport, I have only experienced this unfortunate occurrence once. And when it did happen, it was reported to the authorities and action was taken.

I should also stress that being used to help in the illegal importation and transportation of narcotics made me quite upset.

It has already been amply pointed out that the Customs manpower capability severely restrict the amount of merchandise that is actually physically examined prior to coming into the commerce of the United States.

It should also be noted without any accusations being made, that this merchandise prior to getting into and prior to its leaving JFK Airport, passes through the hands of many, many private individuals who have access to this merchandise and who, if they are so inclined, could easily manipulate this merchandise to hide contraband material.

Although we have not seen such activities taking place, we are aware from our knowledge of the handling of merchandise, that such a situation would not be difficult to arrange.

The question of the problem thus remains as to how to prevent narcotics from coming into this country. One of the answers which I might give is to have harsher penalty provisions for violating certain of the laws pertaining to narcotics, so that individuals importing such contraband as marihuana and hashish would not be willing to take the risk of being caught.

It would seem that the task would be very difficult to adequately control merchandise leaving JFK Airport. However, if the risk of bringing merchandise which is illegal into this country was greater, then those taking that risk would be less likely to do so.

That concludes my statement.

[Mr. O'Donnell's prepared statement appears on p. 74.]

Mr. WOLFF. Thank you.

Mr. SERKO or Mr. Soller, do you have statements?

Mr. SERKO. I have nothing at this time, Mr. Chairman.

Mr. SOLLER. No statement.

Mr. WOLFF. Thank you.

Customs brokers are licensed, am I correct in that?

Mr. O'DONNELL. Yes.

Mr. WOLFF. Do you know of any licenses that have been lifted of any people here at the airport in the last year or 2 years, 5 years?

Mr. TROMBETTA. I, personally, do not.

Mr. O'DONNELL. I am not familiar with that.

Mr. WOLFF. Who is responsible for the licensing procedure and the enforcement of the licensing procedure?

Mr. TROMBETTA. Treasury Department, U.S. Customs Service.

Mr. WOLFF. And the security responsibility?

I recall coming here a number of years ago, at a time when you did not have the so-called satellite stations and the satellite clearance that customs brokers were asking for.

Now you employ, I take it, the transportation companies that bring the merchandise, under bond, from the airport to your place of business?

Am I correct in that?

Mr. TROMBETTA. No, not exactly, Mr. Chairman.

Some brokers do engage truckmen; some brokers have their own trucks. By and large, in the case of which you speak, you are speaking particularly of what we call container stations. Generally the operator of the container station arranges the trucking. That might well be a broker. However, that is not always the case, and it doesn't have to be the case.

So that if an outside truckman, for instance, runs a container station, he does his own trucking under the aegis of a customs bond, of course.

Again, generally speaking, in those cases, container stations only, the broker does not arrange for the transport of merchandise.

Mr. WOLFF. Now, do you have within your organization, some type of self-policing operation?

Mr. TROMBETTA. Yes, we do.

We, as a matter of fact, together with the Airport Security Council, some years ago, and KAAMCO, which is the customs—excuse me, the Airport Managers' Association, we pioneered a system of ID cards. We also instituted an imprimatur, so to speak, on the tally, to eliminate at least false delivery orders, and to identify our employees as such.

And to that extent if you mean do we police our own people; yes, we do.

Mr. WOLFF. What type of scrutiny do your employees get?

In other words, what type of investigation do you do of employees before they are hired?

Mr. TROMBETTA. In hiring, per se, clerical people?

Mr. WOLFF. Yes. Anybody

Mr. TROMBETTA. No more, no less than other industries.

We ask for a résumé and—generally ours is a highly specialized type of field, and if in the résumé former employment is indicated, we do check.

Mr. WOLFF. Suppose they don't have any former employment?

Mr. TROMBETTA. Well, in the absence of former employment, I would be hard pressed to know in what capacity I personally might hire them, because again, ours is a specialized field.

To answer your question, generally, there are no other procedures except a general appraisal of his appearance. And I am sure I would have to have—I'd have to know something further of his background. Where I might get the information, I don't know.

Mr. WOLFF. Do you have any part-time employees?

Mr. TROMBETTA. Yes, I do.

Mr. WOLFF. Does the industry employ part-time employees?

Mr. TROMBETTA. Yes, they do.

Mr. WOLFF. Is there any scrutiny of those part-time employees that you know of?

The reason I ask these questions is that I feel you have a special responsibility. You are acting as a security agency, in effect.

Mr. TROMBETTA. I understand the reasons.

Certainly, in my case, we check into the background of part-time employees. And again, particularly in this case, I am speaking of clerical help. I suspect you might be speaking in the area of cargo handlers.

Mr. WOLFF. That's correct.

Mr. TROMBETTA. I would have to now make a distinction.

Generally speaking, a customs broker does not handle cargo per se. We deal in paper. It's very rare, again with the exception of those instances where a broker is running his own equipment, that we would handle freight at all.

Mr. WOLFF. You employ truckmen, do you not?

Mr. TROMBETTA. Yes. Independent truck operators, yes.

Mr. WOLFF. Now they are licensed for customs work?

Mr. TROMBETTA. They can be. They need not be.

Mr. WOLFF. They need not be?

Mr. TROMBETTA. They need not be, with the provision they are picking up merchandise that has been cleared from customs. It is not required they be licensed.

If they are picking up bonded merchandise it is required they be licensed.

Mr. WOLFF. In other words, any piece of merchandise or article that is picked up here at the airport, the truckmen must be bonded. Am I correct in that?

Mr. TROMBETTA. Not entirely.

Mr. WOLFF. If it has been cleared.

Mr. TROMBETTA. If it has been cleared he need not be bonded. If it has not been cleared through customs, he must be bonded.

Mr. WOLFF. Now we heard from our investigator that the trucks that carry the merchandise from the airport to the broker are not sealed.

Mr. TROMBETTA. To the container station, you mean?

Mr. WOLFF. Container station or—

Mr. TROMBETTA. Forgive me, but I think I have trouble with the question as it is posed.

“To bring freight to the broker”—normally the broker would contact him after clearance to deliver to the importer’s destination or his premises or wherever he directs him.

Mr. WOLFF. Don’t you handle any cargo that is in bond other than containerized cargo?

Mr. TROMBETTA. The broker, specifically?

Mr. WOLFF. Yes.

Mr. TROMBETTA. Yes, but not the physical handling of the freight.

Mr. WOLFF. All right.

Now, let’s come to the containerized cargo as such. It is not an igloo all the time, as I understand it. It might be a conglomerate that is palletized cargo, is that correct?

Mr. TROMBETTA. Palletized, yes. But it must be a full pallet or full container.

Mr. WOLFF. What sort of protection is given to that palletized cargo when it is in bond. That is traveling from the airport to your station or to the member station?

Mr. TROMBETTA. To the container station, none except the bond.

Mr. WOLFF. Therefore, there is a chance—we are not saying that it happens, but we are saying there is a chance that there might be some diversion of cargo between the time that it leaves the airport until the time that it arrives at your station.

Mr. TROMBETTA. A very real chance in the case of palletized cargo. Containers generally are sealed.

But in the case of palletized—

Mr. WOLFF. We heard the containers were not sealed, and we saw some containers at the airport that were not sealed.

Mr. TROMBETTA. That is possible. That is possible.

Mr. WOLFF. Therefore, actually when we are talking about something that is in bond, we are talking about the opportunity for diversion that might occur.

Mr. TROMBETTA. The opportunity exists, yes.

Mr. WOLFF. Is there any way that you could suggest to us that could tighten that loophole?

Mr. TROMBETTA. Not effectively.

One method of diversion might be in transit I believe. If diversion of that type were to take place, assuming that the possibility does exist, I would consider it would be far easier to do it on the premises of the container station rather than in transit, rather than in the truck.

Mr. WOLFF. It has to get there some way.

Mr. TROMBETTA. Of course the container station operator transfers it to his container station. Now he breaks down the container or igloo and stores the merchandise in various bins to be cleared at a later time.

So at this point it is very easy, I would presume, to make a transfer, if that is what you are suggesting.

Mr. WOLFF. Yes?

Mr. O’DONNELL. Looking at the map, the geography of the situation is rather evident.

On the top part of the airport, there is a small section surrounded by the Belt Parkway and the park and water to the right. This area is basically the complex that all of the container stations servicing Kennedy Airport are in right now.

Indications are the security in that area is nowhere near the security that is within the confines of the airport. Whether this area could be incorporated or included—the area is devastating. The roads, access to and from this area is terrible, indications that trucks could spend hours in tie-ups just getting from the airport to those particular facilities.

I think that the area in the future should be included as an industrial area for the airport in that it is almost entirely comprised of container stations, customs brokers and freight forwarders. It is an extension of the airport without the benefits of the airport security or the port authority security.

Mr. WOLFF. Cargo that has been cleared, the men who operate those vehicles, are they permitted—do they have identification?

Mr. TROMBETTA. In some cases they do, yes.

Mr. WOLFF. What if they don't have identification?

Mr. TROMBETTA. Forgive me. I thought you were alluding to customs identification.

Bonded drivers should have a bonded ID card.

Mr. WOLFF. Stuff that is cleared already?

Mr. TROMBETTA. He does have identification yes, because generally the airlines now use a camera type of release. And they ask for a driver's license along with a pickup load order. They photograph the driver.

Mr. WOLFF. I must tell you that I was here and I came to several of the airline stations, and the man who was the security guard there looked at the vehicle, noted the license number and waved the man on. He had no identification whatsoever. He didn't even talk to him.

Mr. TROMBETTA. To pick up the freight or to enter the terminal area?

Mr. WOLFF. Into the area.

And as he left the area, there was no identification whatsoever. He waved to him—

Mr. TROMBETTA. Yes; but at this point—

Mr. WOLFF [continuing]. With all of his fingers. [Laughter.]

Mr. TROMBETTA. If he is coming to the premises to pick up freight, his identity is challenged at that point. If he came in—

Mr. WOLFF. I saw nobody identified, nor did my investigators here in the field.

Mr. TROMBETTA. Did he pick up freight when he went into the airport, Mr. Chairman?

Mr. LEONARD. At the gate they just took the plate number, Mr. Wolff.

At the clearance point they will ask for identification.

Mr. O'DONNELL. There are a few airlines that have identification at the gate, I believe. Northwest Airlines in particular checks you in and checks you out.

They don't all have this facility, but some of them do.

Mr. WOLFF. We now have these air courier services.

Do they circumvent your operation in some way?

Mr. TROMBETTA. By and large I'm afraid they do, although we have perhaps reached an area of some disagreement with customs. But, it is our opinion and in many cases we do have direct knowledge that they in fact do, yes.

Mr. WOLFF. Now you have indicated that you have been in this business for a long period of time, and you have never had a situation whereby narcotics were involved.

Doesn't that seem kind of strange, with all of the trafficking that has been taking place?

I'm not just talking to you. Has anybody in the association been faced with that.

Mr. TROMBETTA. Yes, Mr. O'Donnell has personally.

Mr. WOLFF. Let's look at it on a fairly wide basis.

Mr. TROMBETTA. It doesn't seem strange. Only, as I have said in my opening statement, we have to be naive to think that it doesn't exist.

Obviously, there is a tremendous shortage of manpower which would allow a proper enforcement agency to uncover contraband smuggling. And there is the very real problem.

I notice, Mr. Chairman, in your statement you alluded to the fact that brokers and airline people were rushing customs to get freight out, or something of that nature, and you specifically omitted, and I think the culprit behind all of this is the importer. And he is also our livelihood. I don't mean to be derogatory in that sense.

Nonetheless, this is a very large airport. The airport has outgrown—the amount of cargo has outgrown the facilities already, which is what gave birth to the so-called container stations. It was not necessarily that the brokers opted for it. There just wasn't anyplace to put the freight. Particularly when we had a dock strike, as we have had, the freight that comes in here is tremendous.

So that you do have the very real task of expediting or moving cargo through the airport. Now that gives rise, of course, to the availability or the opportunity for smuggling. A good question. It is a very poor situation. If you ask directly of me now to plug up the holes, I can only give you little pieces of how to plug up the holes. And one of them, obviously, is more manpower.

I'm not prepared to say that 100 percent examination would be the answer, because I don't see how, realistically, you can do that without crippling the port entirely.

You might, for instance—one of the little areas you might plug up a hole in the container station, you might put a 24-hour Government enforcement man in the station, a guard in the station, rather than no security at all other than antitheft security.

In other words the operators in the station and the personnel of that station have direct access to the cargo, direct access to the content of the carton, and obviously that is an area that perhaps is more porous than other areas.

Mr. WOLFF. Have any former employees of the customs brokers been apprehended for any narcotics activities?

Mr. TROMBETTA. I have no direct knowledge of that. And my answer would be, I would rather think that I would have knowledge, at least in my exposure here. And I know of none.

I know perhaps there are truckmen that are involved in the theft of merchandise, but not narcotics as such, no.

Mr. WOLFF. Mr. O'Donnell, we were talking about a particular situation that, I believe your company had some identification with, on that hash shipment.

Mr. O'DONNELL. I would just like to mention, as far as the customs brokers are concerned, I think the brokers that would get involved would be utilized, or used, or duped by an individual, would generally be a larger company, a company with many employees and many different aspects to their service. A smaller broker, a group of less than 10, generally their clientele is limited, and is limited to what—their knowledge to that clientele. They don't get transients, they don't get people coming from consolidations. They are generally solicited and the broker knows who their clients are.

The larger brokers don't have this available to them, like the company I was with prior to—they went bankrupt in June. But it was at that point that I became involved, or was being used to import hash.

I don't think now, when you are talking about—before, about the 700 pounds that were lost, I don't think that was the particular consignment I was involved in, mainly because the dates don't correspond with the dates I have in my files. It was not in April. I was involved in May, July, and August. And this seems to have been an April situation.

The other thing is that the consignment that was under surveillance with me was approximately 3,600 pounds. And to my knowledge that merchandise was never picked up or stolen. It was retained or seized by DEA, eventually. So I don't think it is the same consignment that was brought up before.

Mr. WOLFF. Was that in September, did you say?

Mr. O'DONNELL. The involvements I had were in May, July, and in August.

Now I don't know of the one in April. I wasn't given any specifics. If I was given some specifics I might be able to identify it against the records I have. But at this time it doesn't seem to be the same consignment.

Mr. WOLFF. Well, now, could such a situation exist again?

In other words, that your offices might be used as a device, unknowingly?

Mr. TROMBETTA. Very definitely.

Mr. O'DONNELL. They could be used. I feel as though the situation through my office and through my supervision couldn't happen again in the same way, because I became aware of what was going on and I could see the methods that were being used.

I don't think I could be duped again in the same way. I could be duped in other fashions, but not in this particular—

Mr. WOLFF. How about your employees? We spoke to Mr. Trombetta, what do you—

Mr. O'DONNELL. You have to realize that I am only currently opening up under—the beginnings of opening up my own association. I have been employed out here for 20 years, but my company went bankrupt.

Mr. WOLFF. On an overall basis, how do the customs brokers, the people that deal with the handling, whether it be paperwork or what have you—after all, in an intelligence factor paperwork is pretty important because the information can be given over to someone else through the paperwork to alert them to shipments that might be arriving that are under a different designation, under a different identification. How are the people generally, in the association, investigated to determine that they are not either part of an organized crime group, or that they have had no prior identification or history of that conduct?

Mr. O'DONNELL. I can only say in the past 5 years I have staffed one office and I am in the process of staffing another. And the employees that I have hired at the first company, every one of them were known to me prior to my hiring them. They had been at the airport for a number of years. They came to me with recommendations. And certainly, every one of them was of a caliber that I would want in my office.

We do—as any other business—we would take references, and we would look into the references and hope that the recommendations we get from people—

Mr. WOLFF. Do you ever turn anybody down?

Mr. O'DONNELL. Yes; I have rejected some people on applications.

Mr. WOLFF. Do you ever get any information—is there some sort of a list that is circulated by customs or someone else as to people who are undesirable, who might be seeking employment?

Mr. O'DONNELL. I have never seen such a list.

Mr. TROMBETTA. If I may, Mr. Chairman, I think the bulk of our people are, because of the nature of our business—again, we need certain personnel—the bulk of our hiring is done from company to company. Beyond that, generally what we then hire are trainees. And they are usually people out of school, sometimes out of high school as clerks-typists, sometimes out of higher education.

But what you are asking, I think, would be very difficult in the absence of, again, some kind of background on the people other than what they tell us. And I can give you an example where we did, or I did, when at one point I was vice president of Shulman Airfreight, vice president of OAFCO Division of Shulman Airfreight when they opened at the airport.

One of the people we hired—I didn't actually do all of the hiring, but they hired maintenance people to staff our operation. It wasn't until we got some considerable amount of thefts out at the local warehouse, they called in a polygraph examiner and then we found several things; one of which was that several of the people we hired, the night watchman, was out on parole for one thing, for burglary. Now he was screened prior to hiring. I don't know to what extent you can go beyond that. It is physically impossible in the absence of information from another source about an illicit background.

I don't know how we can protect against this.

Mr. WOLFF. Under your licensing agreement, what restrictions are placed upon you so far as personnel is concerned?

Mr. TROMBETTA. None, except that we are required to inform customs of the list of people and the names of people working for us and to

keep them informed of changes in personnel. Beyond that—forgive me. There are some very specialized areas. For instance, if a licensed broker has lost his license, then he is prohibited from working in the industry for a period of time.

I can only say in rebuttal, or in defense of our position, however limited it might seem, that you asked the question, "Do we know of any brokers having been involved in the smuggling of narcotics?" I personally don't.

As for employees of a broker, again I would be hard pressed to say except for the limited instance which I know through Dennis. So that, if it is not perhaps all that you think it should be, at least from this point, to our knowledge, it has not been so remiss.

Mr. WOLFF. I ask these questions as somewhat of a devil's advocate. We are trying to establish some—

Mr. TROMBETTA. I take no umbrage.

Mr. WOLFF [continuing]. Establish some method of doors that are open to some of the people that are involved. It is quite obvious there are some people who must be operating from the inside, and we are trying to find out where that exists.

Mr. TROMBETTA. They need not even be from this side, you know, Mr. Chairman. Many containers are built on the other side. When I say built, loaded by the shipper, and the manifest will so indicate "shipper loaded." It is very easy for that shipper to put whatever he chooses. You know, we are talking of hard drugs, or we are talking of something of high value, not perhaps hash or marihuana, but if you are talking about so-called "snow" and you take a 40-foot container which contains perhaps 4,000 hanging garments in it, it is obvious I would think that you have a 4,000—a 1 in 4,000 shot that you are going to get away with that one, because they are not going to inspect all 4,000 suits that come in. Again, it is impractical to do so.

So that in the absence of information—what I mean by that is informants—I don't know how you would close the door on such an operation.

Mr. WOLFF. You know, of course, in the shipping of textiles today, there is a method of impregnation of the textile itself with something like hash oil coming in from India and Pakistan, where the garment itself is impregnated with the hash oil. And then upon receipt, it is reconstituted by boiling out the material.

So it is very difficult to make a determination as to whether or not the stuff has been impregnated in that fashion.

Mr. TROMBETTA. Indeed it is.

Mr. WOLFF. Are there any other areas, other than the question of the air courier, that you think there might be avenues of activity that could add to the problem?

In other words, is there any specific area that you think—whether it be in—I particularly level my question in the trucking area and the like. I have gone through here at night and not been challenged at night.

Or, I could have been on the other side of the fence, and something just thrown over the other side of the fence to me. You know, you can't make a high enough fence to keep this stuff in.

And there is certainly no electronic activity around here. I see some barbed wiring and the like, but that is about all. Now there may be

some electronic devices that are used at those fences. But it seems people travel in and out with almost immunity.

The other one point, and then I will conclude—there was a charge made some time ago that it only took 6 hours for cargo to come across the Atlantic Ocean, but it took 6 days to find that cargo in this airport. [Laughter.]

Mr. TROMBETTA. Is that a question?

Mr. WOLFF. Yes; that's a question.

Mr. TROMBETTA. That is entirely accurate in too many cases.

Mr. WOLFF. It is still apparent?

Mr. TROMBETTA. Yes; I'm afraid so.

Mr. WOLFF. Well, if that is the answer, then it is quite evident that a lot of things can happen between here and the final delivery point.

Mr. TROMBETTA. Absolutely so.

On any given occasion—and again, it is obvious because of the tremendous congestion, and probably because of the success of our collective endeavors—and I mean the airport per se—but on one particular occasion I had—and this is only 2 weeks ago—I had the opportunity to put people on overtime for a shipment coming in on Friday night, and we checked with the airline when the documents might be available. The plane was touching down at 4 o'clock.

When I called, I was informed they were still breaking down papers from Tuesday's flight, and this was already Friday. And they had four 747's to break down on Tuesday, and I think three on Wednesday, and perhaps a similar amount on Thursday.

So therein lies the answer to why it takes 6 days.

Mr. WOLFF. Are you talking now about the pressure of the amount of traffic, or are you talking just about merely losing stuff at the airport?

Mr. TROMBETTA. It is a combination of both. That is the way it gets lost, it gets overstored in too many cases.

Again, I think it is somebody's law, I hesitate to say who, somebody akin to Murphy's law or something of that nature, that the longer it sits here, obviously the greater risk it takes of disappearing.

Now I have heard figures discussed regarding dollar shortages and thefts, and I cannot accurately state how many thousands of dollars of thefts are realistically involved. However, I would question what proportion of that might be the so-called no-locates, or the lost freight, or the short-shipped freight

We don't necessarily have statistics on that, and this is basically the area you were talking about. I don't know when it comes, how do they deduce it is theft, as opposed to actual lost freight?

We do have a considerable amount of lost freight, and that is again because of the fact the aircraft are overloaded, the terminals are overloaded, and the people are understaffed in too many areas.

Now I don't know when that lost freight becomes stolen freight or vice versa. I don't know how it is deduced? How is the distinction made between lost freight and stolen freight?

Mr. WOLFF. The other aspect here that has been brought to our attention by our investigative team, is that there is high priority given to high-value cargo. Now nobody labels a shipment of heroin as a high-value cargo. Therefore, it would have a low priority of security, I take it.

Mr. TROMBETTA. Well, the assumption is somewhat correct. But you have to also assume that no one knows there is narcotics in it, so it would take in its normal course, the order of priority assigned to it.

I would think that if you are going to smuggle narcotics, and you are aware of the incidence of high priority in the case of values, then you wouldn't disguise it as a shipment consisting of value. To that extent, it would take less security, yes, you are correct.

Mr. WOLFF. Either that, or you put it in the safe shipment, then you are sure you are going to get protection.

Mr. TROMBETTA. If I would do it, I would certainly not do it in that way, because in the case of valuables, that is usually 100 percent examination by Customs. That goes on a bonded truck generally, to what is called the public stores, and it is opened and examined in a secured area. And it does receive 100 percent examination.

Mr. WOLFF. Dan, when you testified before, you indicated the fact that the trucks were not—the bonded trucks were not sealed. Am I correct in that?

Mr. LEONARD. Yes. And most people at the airport told us, because a truck will leave one terminal and have several stops to make, and the guy at the last stop doesn't know it is the last stop.

I never saw a sealed truck there. I saw the truck have a lock on it, but I never saw a sealed truck.

Mr. WOLFF. Would that create a great hardship upon you if these trucks were sealed?

Mr. TROMBETTA. Well, the hardship—unfortunately our hardship is the time element always. And creation of hardship to us, whenever you seal a truck, our only concern is that the merchandise is maintained properly and transferred properly.

Mr. WOLFF. Really, I am terribly confused by the fact of saying something is in bond, and then it is not in a sealed container, and it is not in a—

Mr. TROMBETTA. I didn't say that, Mr. Chairman. You said not in a sealed truck. The carton itself, in the case of high value merchandise—

Mr. WOLFF. Forget about high value. I am talking about just bonded cargo that is not in any fashion completely under scrutiny at all times, and is not sealed cargo.

I don't see how it could be in bond.

Who is bonding it?

Mr. TROMBETTA. The carrier, the cartmen.

OK. I think perhaps we are thinking in two areas. Bond, it is the cartmen's performance is bonded, and true—

Mr. WOLFF. But if you don't really know that there is something that is illicit in the bonded merchandise, and it can be lifted, then what is the bond?

Mr. TROMBETTA. Well, the bond—

Mr. WOLFF. The bond is only on that illicit merchandise that is coming in.

Mr. TROMBETTA. That's correct.

Mr. WOLFF. And the bond is just to see that the tax is paid on the illicit merchandise. That is what it amounts to.

Mr. TROMBETTA. Yes, yes.

Mr. WOLFF. Do you have any questions?

Mr. NELLIS. Yes, sir, I do.

Gentlemen, I would like to ask you some questions about your business practices.

How are you paid by your customers? Are you paid by check or by cash?

Mr. TROMBETTA. We are paid poorly, for one thing. [Laughter.]

Mr. NELLIS. I know that. I am sure that much time elapses.

Mr. TROMBETTA. We are generally paid by check.

Mr. NELLIS. Your customers pay by check?

Mr. TROMBETTA. Generally, that is correct.

Mr. NELLIS. Would you be alerted to the possibility of misuse of your office by someone who offered to pay you cash for your services?

Mr. TROMBETTA. No. As a matter of fact, there are—it is not at all unusual that we insist on cash.

Mr. NELLIS. Most of them are by check, but you can insist on cash?

Mr. TROMBETTA. Absolutely.

Mr. NELLIS. And why do you insist on cash?

Mr. TROMBETTA. Well, in many cases if a new client comes to us—we do have some type of a credit reporting system. However, in the absence of information, in the absence of any background on a particular importer who might be unknown to us, and particularly, for instance, if he has a hotel address—I deal, for instance, in a great deal of merchandise out of the Orient. They come over for jewelry shows, for example. In these cases, it is not unusual for me to ask or for them to offer cash. It is not a totally unusual practice, and not one necessarily that would arouse suspicion, if that is what you are suggesting.

Mr. NELLIS. Let's take that factor, plus one other.

Suppose you get instructions; here is merchandise coming in, in transit; ultimate destination, let's say, Peoria, Ill., or Dallas. The inspection, as I understand it, doesn't take place until the merchandise arrives. Is that correct?

Mr. TROMBETTA. At the ultimate destination; yes.

Mr. NELLIS. Now, you have a man that comes in that is going to pay you cash. You don't know much about him, which is one of the reasons you might want your fee in cash.

And then he gives you some extensive routing instructions.

Would that alert your suspicion in any way?

Suppose he says, ultimate destination is Dallas or whatever, but I want you to route the merchandise through Detroit, Cleveland, and on to Dallas rather than the way the truck would normally go.

Mr. TROMBETTA. You can't do it. Well, I'm sorry, if you are talking of just routing the truck per se, you might, but not into the port necessarily—the port of destination.

Mr. NELLIS. I am talking about the truck because that is where the theft might take place.

Mr. TROMBETTA. He could ask me that, but if he asked that of me, I would have no control over that.

Mr. NELLIS. Don't you route the truck?

Mr. TROMBETTA. No. If it is moving by truck overland to some inland point, my sole function and the broker sole function at that point is to turn it over to a bonded common carrier.

Mr. NELLIS. And you don't care how it goes?

Mr. TROMBETTA. We try generally to find a direct carrier.

Mr. WOLFF. Are you considered a freight forwarder as well as a broker?

Mr. TROMBETTA. Not a freight forwarder. No; not necessarily in the semantic use of freight forwarder.

We are an agent, perhaps.

Mr. NELLIS. In freight lines?

Mr. WOLFF. For freight.

Mr. TROMBETTA. Yes.

Mr. WOLFF. Many of the freight brokers, however, are freight forwarders as well, are they not?

Mr. TROMBETTA. Yes.

Mr. NELLIS. That is what I was involved in.

If not speaking about yourself; there might be a broker in your association or a number of them, who would perform that service.

Mr. TROMBETTA. Yes. But not through routing of the truck unless he was the truck operator. These are ICC carriers.

Mr. NELLIS. These freight forwarders do operate trucks at times, do they not?

Mr. TROMBETTA. Not generally. Not ICC trucks. Not interstate trucking.

Mr. NELLIS. OK. Well, we have covered cash, we have covered routing. What other possible areas of alert might occur to you that would indicate to you that there is something about this particular shipment that is not quite, for want of a better word, kosher?

Mr. TROMBETTA. I honestly could not put my finger on anything, really, that would arouse my suspicion, including the country or origin.

We handle merchandise from South America—

Mr. NELLIS. Suppose you get a man coming in who says, "I have a shipment from Lebanon." Now, you know that a lot—right here at this airport, 17,000 pounds of hash have been grabbed at this airport. It isn't a lot, but it is something.

A man comes in, shipment from Lebanon, wants to pay cash, and let's assume you were a freight forwarder as well, otherwise my example is not that good, and wants to route it so that the shipment is in transit, so that it does not get inspected here.

What would you say? What would you do?

Mr. TROMBETTA. Well, if you are about to drop a brick on my head, I would be aroused.

Mr. NELLIS. Good.

Mr. TROMBETTA. You are creating a very narrow set of circumstances.

Mr. NELLIS. Let's broaden it out.

I need your experience, Mr. Trombetta, Mr. O'Donnell.

Mr. TROMBETTA. In my experience—and it is fairly extensive—I have not—my suspicions to date have never been aroused, and I have never had any indication of narcotics.

I was duped at one point in a similar bunco-type operation, not narcotics.

Mr. WOLFF. Excuse me for interrupting for a moment.

Mr. NELLIS. Yes, sir, that's all right.

Mr. WOLFF. What is it that with all of the opportunities the narcotics agents have, why is it you think, that you or the members of your association have not been singled out for activity?

Mr. TROMBETTA. Because the areas are much, much too porous is precisely why.

Mr. WOLFF. You mean the other areas are much too porous, did you say?

Mr. TROMBETTA. The whole situation is much too porous, the opportunity to bring narcotics, to our thinking. And when I say "to our thinking" I am speaking for Dennis at this moment—to our thinking, anyone that knows the intricacies of this business, I think would have very little trouble in bringing in a given amount of narcotics within a given time.

Mr. WOLFF. But the whole objective of a customs broker is to facilitate the transfer of merchandise from a shipper to the importer.

Mr. TROMBETTA. Generally speaking, that is correct. Yes, sir.

Mr. WOLFF. Well now, why wouldn't—if I was going to get into the narcotics business, I would use you fellows. After all, you guys, you know the ropes.

Mr. TROMBETTA. That may well be the case, Mr. Chairman.

However, we haven't any investigatory powers that will lead us to find out if we are being duped. There is nothing. You ask me, there is nothing to indicate on an invoice that something illicit is happening.

Mr. SERKO. May I just make a technical comment, Mr. Chairman?

The function of the customs broker is to facilitate the transfer of merchandise once it has arrived.

The function of the foreign freight forwarder is to facilitate the shipment to this country.

So that the customs broker is really not in the middle of the transfer.

Mr. WOLFF. But doesn't the customs broker work with the freight forwarder?

Mr. SERKO. The customs broker may or may not work with the freight forwarder. The customs broker usually receives his instructions from the importer as to what is to be done with the merchandise once it arrives.

But I think you have—it is changing, but currently you have two distinct parties. And the broker does not have control of it first. There is the foreign freight forwarder, who is the one who arranges for the shipment in transit to this country.

Mr. TROMBETTA. The freight forwarder generally would be an indirect air carrier. And to that extent we would deal with him with the same relationship that we would with the carrier.

A freight forwarder generally is a carrier without an airplane, is basically what he is.

Mr. WOLFF. Yes. Do you have any restrictions placed upon you by the airline security people?

Mr. TROMBETTA. Yes; we do.

Mr. WOLFF. What kind?

Mr. TROMBETTA. ID, photographs.

A broker must make an application to our association, for one thing, to get a card to go through the security agency to get a photograph and an ID.

Mr. WOLFF. But you said in order to get that ID card, there is very little except past references, that you—is there any way that you can go to one of the security agencies, Customs, or Treasury, or someone like that, in order to get any past history of the individual?

Mr. TROMBETTA. Not to my knowledge. But I would defer the answer to that question, perhaps, to one of the other agencies, whom you suggested.

If that information is available to us, I am not now aware of it.

Mr. WOLFF. Thank you.

Mr. NELLIS. One last point, Mr. Chairman.

Mr. O'Donnell, when I was asking you about the items that you could think of that would be helpful in trying to correct the situation insofar as the customs broker was concerned, you raised your hand. I know you had an answer for me.

Mr. O'DONNELL. Well, I think what you pinpointed—you pinpointed the operation that was involved with me.

Mr. NELLIS. Exactly.

Mr. O'DONNELL. Almost verbatim for what had taken place.

Mr. NELLIS. That is where I got it. That is exactly where I got it. Now if that is an unusual situation we are fortunate at least to have had it because it teaches us something.

What I am trying to find out, can you give me some additional indicia that would enable the customs broker to help the law enforcement authorities discover these types of shipments?

Mr. O'DONNELL. Well personally I don't think that that method could be used with me again, because I am very familiar with it. As a matter of fact, I had conversations with a personal friend of mine, who was with DEA only prior to that seizure. And it was his conversation with me that started to make things suspicious to me.

Mr. NELLIS. Did you alert the other members of the association to your experience?

Are they aware of what you learned?

Mr. O'DONNELL. They are aware of it now.

As a matter of fact, at the last general meeting which was held last week, my last comments were concerning this committee today. And also I had asked anybody to come to me or call me if they had any other information regarding illicit importations. I had four responses to that.

Mr. NELLIS. Well, if in your association, when you discuss this, you come up with any other ideas as to how the customs broker might be alerted to situations of this kind, we would like to hear from you.

Mr. Chairman, I think that would be useful.

Mr. WOLFF. One final point.

There have been a variety of newspaper stories, there have been a variety of allegations that have been made that organized crime is in some way tied into the activities here of theft at the airport.

In fact, I did get this only today from someone on the CBS program, "Eye on New York," and the crime at Kennedy Airport, where one man said that he is tied into organized crime, and he passes through about \$6 million a year himself in the way of illicit merchandise.

Now the figures are misleading that we have had indicated to us. We have had a figure of \$900,000 that was involved in that which had already passed through customs, or that was theft from customs.

What would you estimate to be the question of theft at the airport on an overall basis? Do you have any idea of that?

Mr. TROMBETTA. No; I don't, Mr. Chairman.

Mr. O'DONNELL. Numbers I couldn't give you.

Mr. WOLFF. Well now you are very close to the situation here at the airport. You men have had real experience.

Mr. TROMBETTA. I would say this, if you would allow me.

I find it hard to believe that the amount is as insignificant as stated, some \$800,000 or \$900,000.

Mr. WOLFF. See, that is where the misleading part is. I was misled in that. That is the theft from merchandise that is in the hands of customs. This is not what has cleared customs.

Mr. TROMBETTA. Yes, sir.

Mr. WOLFF. But the point that I am asking is, do you think, since you have a closeness and a knowledge of what goes on here at the airport, do you see any ties that organized crime has here in the airport, that facilitates the theft and the smuggling operation?

Mr. TROMBETTA. Mr. Chairman, I would have to first state the assumption that there is such a thing as organized crime. And if there is, I would have to say to you, on the basis of those names—and I haven't read the report myself—on the basis of those names and the allegation that they are, in fact, part of organized crime, then I would be inclined to say yes.

Mr. WOLFF. Of course, the whole complexion of organized crime has changed in recent years, as you know.

Mr. TROMBETTA. Within those parameters, I would say yes that there is organized crime, particularly those names as mentioned, are in fact identified with organized crime.

Mr. WOLFF. I am not even talking about the old names that have been identified with organized crime—

Mr. TROMBETTA. Are you asking me if I know of any new names identified with organized crime? [Laughter.]

I doubt that seriously.

Mr. WOLFF. What I am referring to, you know, since you deal with the Orient, there are the triads today. They are an organized crime group.

There are the so-called black groups now that are identified with organized crime that we had found in the narcotics area.

There are Chicano groups that are tied to the organized crime area. So it is not the old prototype as has been explained over the years of organized crime figures.

Mr. TROMBETTA. We welcome the competition. [Laughter.]

Mr. WOLFF. I don't know how you mean that.

Mr. TROMBETTA. From an ethnic standpoint.

Mr. O'DONNELL. They don't carry identification of that nature, but the innuendoes from the field still indicate there is some type of involvement. As far as who and where, it is impossible to say.

Mr. TROMBETTA. I would be naive to think that there were individuals acting without concerted effort. It is too vast an operation.

Mr. WOLFF. It would seem to me just as a student of the problem, rather than someone who has the experience in the field, that this would be the area that organized crime would be looking at rather than the independent amateur efforts that are being extended on the coastline where they have a single trip that they make or something like that. Because they would have to have some kind of an organized effort in order to penetrate the infrastructure here.

Mr. TROMBETTA. I agree.

Mr. WOLFF. We thank you very much.

If there is any additional information you would like to have inserted in the record, we would be very happy to put it in the record.

Mr. SERKO. Mr. Chairman, on behalf of our association and my firm, I would like to thank you for this opportunity.

There was one suggestion that we wanted to make to this committee, and that is that while it may not be easy to state what solution could be offered by our association at this public hearing, there are a number of things that have been thought about. And our association would be very happy to cooperate with this committee as well as with the Customs Service.

One of the thoughts that might bear some consideration on the part of the committee and the Treasury Department, is the possibility that the licensing which applies to customs brokers might be widened to apply to others who service the import community.

And perhaps the answer to your question earlier, is the lack of problems among customs brokers in this area might have to do with the underlying fact that their living depends on their license. That before a license is granted, that there is an investigation by the agency service and the FBI, that following that they try to use the best business practices which they know in order not to hire personnel that any prudent businessman would not hire. And an extension of that concept might be of some help.

It has not been clearly thought out. It is just a suggestion.

Mr. WOLFF. Well I might say to you, Mr. Serko, that I see from some material that we have here on air transport, that the Civil Aeronautics Board, in Economic Regulation 996 issued effective April 21, 1977, eliminated most of the data necessary to evaluate the status and progress of any efforts and trends to reduce theft-related losses in the air cargo industry.

1977 data was collected only in the loss and damage area and not broken down into categories that make up the theft-related losses.

DOT and CAB are presently discussing enlargement of the present data base, or a return to the extended data base of several years ago.

We do feel that the problem of narcotics is not just one of enforcement. It goes far beyond that. It goes into the areas of, no matter where we travel in the world this committee, we are told that if a market didn't exist for our drugs, then we wouldn't be selling any of the stuff to your country.

So we have got to, as the admonition says, "physician heal thyself," we better do something about the kids in this country who are using this stuff and abusing this stuff, and eliminate the market here so that there will not be the financial advantages to those who are trying to exploit our young people.

Thank you very much.

[Panel excused.]

Our next panel is Mr. Joseph A. Sullivan, vice president, Audits and Security, Pan Am; Mr. Louis Parillo, chief of cargo security, Pan Am; Mr. Dan Keneally, chief of security, Western Route, British Airways; Mr. Ed McGowan, executive director of the Airport Security Council.

You gentlemen, I take it, are all accompanied by counsel, and we welcome you to the panel.

[Witnesses sworn.]

TESTIMONY OF JOSEPH A. SULLIVAN, PAN AMERICAN WORLD AIRWAYS; LOUIS PARILLO, CHIEF, CARGO SECURITY, PAN AM; EDWARD J. MCGOWAN, EXECUTIVE DIRECTOR OF THE AIRPORT SECURITY COUNCIL; ACCOMPANIED BY RICHARD D. PARSONS, ESQ., REPRESENTING AIRPORT SECURITY COUNCIL AND ROBERT F. DORAN, ESQ., REPRESENTING PAN AM

Mr. WOLFF. I take it, Mr. McGowan, that you are going to lead off?

Mr. MCGOWAN. Yes, Congressman Wolff, I am going to lead off.

Let me say at the outset that we appreciate and admire the effort of this committee to solve this very difficult national problem.

And we also appreciate and admire the efforts of Customs to continue to do the excellent job they are doing, considering the manpower restrictions that they are under.

I submitted a statement which I will summarize.

Mr. WOLFF. Without exception, the entire statement will be included in the record.

[Mr. McGowan's prepared statement appears on p. 75.]

Mr. MCGOWAN. Thank you.

In that statement, I pointed out that the Airport Security Council is an airline organization, and its purpose is to coordinate airline actions in reducing cargo thefts.

We are in the theft-prevention business.

The council is made up of a representative of each of the airline members, and we have a small, but very effective professional staff. The staff is small, but we have the opportunity, and we take the opportunity all the time, of augmenting it with the professional security people who work for the individual airlines, and the cargo management people of the airlines.

Over the approximately 10 years of its existence, we have seen really great improvement in security. I have heard here today of instances here and there of poor security and of problems about security.

We haven't eliminated all the problems, nor have we eliminated all the thefts, but we have made really great inroads in this direction. And I think that if you inquire of people who are knowledgeable of transportation security problems, you will learn that Kennedy Airport is gaining the reputation, among those people, of being a leader in cargo security.

The particular subject that you are addressing today is not a cargo theft problem, but actually a problem of the airlines being victimized by sophisticated smugglers who use the airline facilities to accomplish their nefarious aims.

We as transportation companies—when I say “we” I don't mean just the council, I mean the airlines—have opportunities to accept cargo all over the world, bring it into the United States on documents that I know you are familiar with called airway bills. These are contracts of carriage. They entitle us at the outset to an opportunity to determine what is in a particular package and so forth.

But as you can well imagine considering the millions of packages that are transported by the many airlines, we do not have many situations where we actually open and identify the contents of packages,

other than those which we have a specific reason to question, and this would be outstandingly in the area of high-value shipments.

We recognize that narcotics are not only of extreme value, but a very sensitive product. When we transport narcotics legally, when we transport legal narcotics, I should say, we give them the special treatment that is afforded all high-value type shipments.

We are aware that there are occasions in which we will transport unknowingly—and therefore unwillingly, of course—sensitive items that may be smuggled, including narcotics. In those instances they will receive the usual care that merchandise is given when put into the hands of an airline, but they will not receive that special, high-value handling which I mentioned.

For this reason, we recognize that it is possible for goods to be smuggled through our system, through our pipeline, if you will. We feel that, while we have no investigative responsibility for smuggled goods, it is a subject of national interest and concern, and one in which we want to be as helpful as we can.

I anticipate that you are interested in the manner in which airlines screen their personnel. I would say, as I did in my statement, that they make use of good personnel procedures in interviewing and checking up on past employers, checking references and that type of thing.

Unfortunately, what we can do in the area of checking past criminal records is, as I'm sure you know, quite limited by law: State law and Federal regulation. We cannot inquire about prior arrests. We cannot inquire about prior convictions unless they are concerned with the employment.

Mr. WOLFF. May I just interject at that point? You say you cannot, yet you are responsible, the airlines—when I say “you” I'm talking about the airlines—are responsible for the bonded merchandise, are you not?

Mr. MCGOWAN. We are responsible for it while it is in our possession; yes.

Mr. WOLFF. The people who handle that, who handle the merchandise, the bonded merchandise, they are responsible for that merchandise remaining in bond, are they not?

Mr. MCGOWAN. Yes, they are.

Mr. WOLFF. Then why is it that they are not—the information is not available to you on their prior background, to see to it that you do not have people who are irresponsible in the performance of your bond?

Mr. MCGOWAN. I don't know of any particular capability we have of getting into that area. I can tell you what we do.

Mr. WOLFF. I'm sure—

Mr. MCGOWAN. I was leading up to asking you for something, if I may.

Mr. WOLFF. OK, please.

Mr. MCGOWAN. I was going to say that, while we do not have this capability, one of the things that not only the airlines, but everybody in transportation has been asking the Federal Government for, for many years, is the capability of making criminal checks. One of the suggestions that we would like to make to the committee is that you assist us in seeking to have this kind of information made available to us.

Mr. WOLFF. Well, I'm amazed, really. I sit here as a Member of Congress, and someone who has a district that fairly well adjoins this airport, and I never knew that this information was not available to you.

Mr. MCGOWAN. Don't you know that there is a State law——

Mr. WOLFF. Yes; but you're operating under Federal law.

Mr. MCGOWAN. We're operating in the State of New York, sir.

Mr. WOLFF. You're operating under a Federal law. Your bond is not a State bond. You're operating under a bond that is a Federal bond.

Mr. MCGOWAN. I don't know of any way that would qualify us to obtain the information. I know also that there are Federal regulations that stand in the way, too.

Mr. WOLFF. If you're talking about the Privacy Act, that's one thing. However, you are performing a particular service that has a particular responsibility attached to it, and that responsibility is to see to it that you maintain the security of certain elements that are in your charge. Now, I am not a lawyer. We have adequate counsel here. But the fact is that it would seem to the average layman that you should be made available of any information regarding the individual status of the person involved who is charged with a security responsibility.

Mr. MCGOWAN. We think so, too.

Mr. WOLFF. Have you tested that at all?

Mr. MCGOWAN. Ten years ago we would ask applicants these questions; about convictions, and so forth.

Mr. WOLFF. We're talking about now.

Mr. MCGOWAN. We were stopped from doing it.

Mr. WOLFF. Have you attempted to get, either from the Customs Service, Treasury or whoever is the agency involved, the opportunity of getting this information? Yes?

Mr. SULLIVAN. At the National Cargo Security Council conferences, every time we have one, which is about every other year, this is one of the motions that comes from the floor to the Government. And in each instance it has been considered by the Justice Department, the Department of Transportation, and put back on the table and not acted upon. We have made this recommendation in every forum that we have ever had relating to transportation security, and we have been turned down in every forum, or at least not given a satisfactory answer.

Mr. WOLFF. Let me say, before I came into Congress I was an investigative reporter for television, and I investigated the waterfront. And the waterfront has the ability of looking into the backgrounds of individuals. They have the responsibility of looking into the records of individuals who are part of the cargo-handling operation, because they have a crime operation going. I don't know what it's called, but in the shape-up the individual has to carry a card and his background is available.

Did you want to say something?

Mr. RICCRO. That's the waterfront commission and that's a voluntary group. There's a slight difference.

Mr. WOLFF. But it certainly has precedence for an action that could be taken here.

Mr. DORAN. Mr. Chairman, a waterfront agency is a State agency, a bistate agency, and they have access to that. We do not have access to those things any more. It used to be that years ago we could get the yellow sheet on people. We are not able to do that any more.

Mr. WOLFF. I would suggest that the airlines are just as important as sea freight coming into this country and that something ought to be done about that, and I'm going to request counsel to look into it.

Mr. MCGOWAN. May I suggest, Congressman, that also there is a precedent for this in private industry, in the banking business. It could be done for us just as it was for the bankers.

Mr. WOLFF. Who was the major objector in this case, the Civil Liberties Union or something?

Mr. MCGOWAN. Department of Justice and the Department of Transportation.

Mr. WOLFF. Would you find that the people who had a record were a higher risk than the people that didn't have a record?

Mr. MCGOWAN. It would depend upon the record.

Mr. WOLFF. I'm talking about a record, a criminal record of some sort that involved either burglary, theft, embezzlement or some sort of activity.

Mr. MCGOWAN. We think we should not have to hire someone with that sort of criminal record.

Mr. WOLFF. Counsel asks, is it a problem within the unions that are involved?

Mr. MCGOWAN. I don't believe it is a union problem, no. I would say it's a Government problem.

Mr. NELLIS. Mr. Boyett?

Mr. BOYETT. Yes, sir.

Mr. WOLFF. Do you feel that there's any great problem involved in this type of thing?

Mr. BOYETT. I think there would be a fairly significant problem in this thing, sure, and I don't think the unions would be that happy to get into it. I think it's a very desirable aim. But in order to do it, we would need some kind of leverage like a quasi-public commission or a Treasury agency.

Mr. WOLFF. If someone applies for a bond in private industry, they sign a statement that they will permit their record to be made available. Now, why is it that such a situation does not obtain here? Aren't these people in some fashion bonded?

Mr. SULLIVAN. I think, Mr. Congressman, that Treasury is capable of asking for this and getting it, if they will invoke a proper regulation.

Mr. BOYETT. Treasury is concerned with the revenue which the bond guarantees.

Mr. WOLFF. If that is the only responsibility of Treasury, then I think we are in bad shape, because I think that we are interested in the overall welfare of the country, and we are interested not only in the receipts that come in, but the cost of crime in this Nation which is so closely tied to narcotics and other elements.

Mr. BOYETT. That's what the bond covers, sir. I'm just trying to explain what bonded coverage is, and it's really just a financial fiduciary.

Mr. WOLFF. Well, maybe we better draw up the bond.

Mr. MCGOWAN. I would just conclude my statement by saying that, with the suggestion I made, and with the offer to assist in any way we can, I might point out that throughout the years the airlines have operated closely with law enforcement, including the excellent Customs people with whom we deal here in New York, and we will continue to do that. If they or you or anybody else can point out additional ways in which we can be of significant assistance or any assistance at all, we will be very happy to do it.

Mr. WOLFF. Mr. McGowan, what do you consider—or the airlines, for that matter, in fact—consider the responsibility, so far as security is concerned, the responsibility of the airlines?

Mr. MCGOWAN. In what respect, Congressman? As far as narcotics is concerned?

Mr. WOLFF. Overall shipments, security of the shipments.

Mr. MCGOWAN. It is our contractual responsibility to deliver what we receive.

Mr. WOLFF. Including illicit merchandise?

Mr. MCGOWAN. We don't know that it's illicit merchandise. If we have an inkling that it is illicit merchandise, we will immediately notify Customs or other authority.

Mr. WOLFF. Now, when I go on an airplane my baggage or my hand baggage is searched. If there are press in the room, I will not discuss other parts of the baggage.

But by the same token, would the same type of security apply to other baggage going on that aircraft, cargo as well as my hand luggage?

Mr. MCGOWAN. You are getting into an area of possible explosives and that sort of thing.

Mr. WOLFF. Yes.

Mr. MCGOWAN. Where there is an apparent need for—where it would appear to be significant, that sort of check is made, as you know.

Mr. WOLFF. Well, we do know that there have been statements made recently by terrorist organizations that they plan to make the United States a target of their terrorist organizations. Now, I would like to know whether or not increased security measures are being taken by the airlines to prevent the misuse of the airlines, in this case for this type of cargo?

Mr. MCGOWAN. I would say yes. I look to the airlines people themselves, perhaps, to give some detail on this. It's a little aside from just pure cargo security because it is something that entails safety as well as security.

Mr. WOLFF. Well, you know when we talk about narcotics, we're talking about the safety of people here, too.

Mr. MCGOWAN. Absolutely.

Mr. WOLFF. This is as explosive a situation as any that you can find.

Mr. SULLIVAN. My name, by the way, is Joseph A. Sullivan. I'm with Pan American. Inadvertently, I was not included in your roster here today.

The basic answer to your question is that the airlines are more conscious of this problem than anybody else. These are our employees,

our aircraft, our livelihood and our whole future goes up with that airplane. If anybody is zealous about assuring that this is a safe product that we are carrying, you may be sure that it is the airlines.

Now, we deal with this in various ways. For the most part, we know our customers, and in the normal business cycle our cargo is aged before we take it on board. The process assures that the cargo has been sitting for a sufficient time cycle so that any explosive would probably affect us on the ground rather than in the air.

There are other kinds of explosives that we hear about. We have airborne alert systems that deal with this kind of problem if we get any sort of warning after the aircraft has left the ground. Airline alert systems are extensive. We go through this kind of ritual very frequently, responding to false alarms. We're so sensitive that we react to alerts frequently even though they very rarely ever have any substance.

Mr. WOLFF. The reason I ask the question, it is really a question of priorities that we have in this Nation. I do want you to know that I give very high priority to terrorism. When I was an Ambassador to the United Nations, I was the one that got through the antihijacking resolution, the first one that ever got through the United Nations. And that, let me tell you, it's a big job to get those birds to understand that there was such a thing as terrorism.

But I also feel that it is not only the protection of the people who are in the air; it's the protection of the people on the ground. And I do feel that there is responsibility. It must be a shared responsibility by the airlines, since they are a carrier that is a public carrier, to exercise greater vigilance in the cargo that is carried that is as deadly a cargo as the cargo that blows up that particular airplane, because there are lives involved.

I don't have to give you the long story about the lives that are involved in narcotics trafficking. And therefore, I feel that there are certain areas that seem to me to be open areas that, with the cooperation I have seen with the airlines, as someone who is interested in aviation generally, that I would like to see some activity taking place.

I think that in the question of airline personnel, we have found—and this is not airline policy, by any means—we have found that airline personnel are carrying narcotics. There are a number of people who have been apprehended. Because there is not the same type of scrutiny to those people as there is to the other passengers who travel. And without that type of cooperation—this may not be American airlines, it may be some other airlines that are involved—but without a closer scrutiny of airline personnel, we will continue to have these people used on a one- or two-time basis.

The second area that would seem to me to be most important is in the cargo handlers themselves at the various airports, including here at Kennedy. I think that there is a great lack of attention given to the people who handle cargo. Now, we find we are told at one end of the line, the brokers tell us, you know, they have nothing to do with anything but the paperwork that is involved. Customs tells us that they have only to collect and to see to it that there is the duty that is collected.

Who is minding the store? That's what I am worried about. Who is seeing to it that there is security all the way through? There are too many avenues open for the people who are trying to profit at the expense of a great number of people in our population. The problem of drug addiction does not exist in many of the countries where they are growing this stuff. But the problem is here, and it would not exist if we had a greater effort of trying to really enforce the law. We don't need any more laws on our books. My God, we've got too many laws on the books already.

You can't put every abuser in jail. We would have more people in the way of marihuana in jail, we would have to have the people who don't use the stuff in the jails and the other people on the outside. So that we have to close some of these loopholes that exist.

And I would hope that there would be the same type of scrutiny and the same type of care that you attach to the safety of your passengers to the safety of the people of this country. And in that I am sure that right now we have just—we passed and then took out the additional funds that are needed for the retrofitting of aircraft.

You know, had a bill in to see to it that the airlines get loans for the retrofitting of the aircraft. Why? Because I felt very strongly that they should not be requested to do this, because it was the people on the ground who are benefiting by it, and therefore they should not have that extra burden.

I am sure you don't have to pay the burden of your security, even for the examination of people coming through, because the public pays that in the form of a tax. I am sure that there could be some arrangement made for extra funding, whatever it happens to be that is necessary to stop what is a very definite channel of narcotics that is coming into our country. Because I don't think that it's all seaborne and I don't think that it's all landborne. I think that there is a goodly quantity of narcotics coming into our country today that is coming in along regular carriers.

You can tell me I have seen the aircraft that are abandoned, aircraft that are used on clandestine strips in this country, that are landing on farms and what have you. But still, you are a vehicle for the transmission of narcotics into the country, and every avenue that we can possibly find to close off that, we have to exert in behalf of finding a solution to the problem.

Mr. McGowan, I thought you were speaking for the entire group. Do you have another statement here?

Mr. KENEALLY. I have a statement here.

Mr. WOLFF. I'm sorry.

Mr. KENEALLY. Do you want me to—

Mr. WOLFF. If you will, Mr. Keneally.

TESTIMONY OF DANIEL P. KENEALLY, SECURITY SUPERINTENDENT, WESTERN ROUTE, BRITISH AIRWAYS

Mr. KENEALLY. Mr. Chairman and members of the committee:

My name is Dan Keneally and I'm security superintendent, western division, for British Airways, a foreign air carrier serving 9 cities in the United States, including New York via our terminal at JFK.

My responsibilities include the security arrangements for all British Airways' many airport and nonairport locations in the United States and Canada, and of course extend to the prevention of cargo losses at our terminal at JFK. I am pleased to offer this committee any expertise I may possess on the subject of international cargo security and narcotics smuggling.

May I first point out, however, what may seem obvious, that the area of cargo security is the primary concern of the air carrier, whereas the detection of narcotics smuggling is the primary responsibility of the U.S. Government, although cooperation between the private and public sectors is important to effective security operations.

I would like to go on record in stating that our security staff have excellent cooperation with all the law-enforcement agencies assigned to Kennedy, including the police department, Port Authority of New York and New Jersey, the Federal Bureau of Investigation, the postal security section, the Drug Enforcement Administration, and the U.S. Customs Service.

To hold up our end of the security establishment at JFK, British Airways employs nine full-time security officers, all of whom were recruited from the police department, city of New York, or the police department of the Port Authority of New York and New Jersey. They are all experienced investigators who attained the rank of detective or sergeant or similar in their private employment. In addition, they have each attended formal training courses in airline procedures and airline security in particular.

This full-time staff is supplemented by a private guard service supplied under contract by Lansdell Security Agency, Inc. It is the responsibility of our security officers to protect our cargo from the time the aircraft arrives until its delivery to consignee.

British Airways does not itself fly on any of the southern routes from JFK, over which I believe the highest incidence of soft drug smuggling occurs. We do, however, act as handling agent for several airlines who fly these routes from New York. In connection with servicing these airlines, we accept into our JFK cargo terminal all freight carried by them.

Our security team assigned to the cargo terminal is instructed to be particularly watchful for consignments which might be suspected of containing narcotics, and liaises with both U.S. Customs Service and the Drug Enforcement Administration in an effort to identify such shipments and the persons responsible for importing this contraband. As a result of the cooperation between our security staff and those agencies, several arrests for the possession of controlled substances have been made at our JFK facility and there have been several sizable seizures of marihuana in the past years.

There is little doubt that quantities of soft drugs enter the United States via air cargo shipments, as is evidenced by the seizures of these drugs at the cargo warehouses at JFK. I do not believe, however, that significant quantities of hard drugs are carried through these facilities. We have ourselves experienced some internal problems in connection with marihuana being stolen from our warehouse. With the assistance of the U.S. Customs Patrol Section and the Drug Enforcement Administration, I am pleased to say that this problem has been corrected.

As I mentioned before, the air carrier's responsibility is to protect the cargo it carries from theft. No carrier should be faulted for having carried contraband in its aircraft. There is simply no way for a carrier to know exactly what a well-packaged consignment contains.

The responsibility of detecting and intercepting contraband lies with the U.S. Customs Service. We at British Airways have worked closely with all responsible agencies of the U.S. Government to aid them in their task. They appear to have been particularly successful when using dog teams trained to sniff out drugs at the warehouse. I would recommend, therefore, that the patrol branch of the U.S. Customs, especially the dog patrol teams, be beefed up.

I would like to thank you for giving me this opportunity to present British Airways' views on this important and very difficult subject. I hope that this statement will be accepted in the cooperative spirit in which it is offered, and will contribute in some small way to the success of these hearings.

[Mr. Keneally's prepared statement appears on p. 101.]

Mr. WOLFF. Thank you very much, Mr. Keneally.

Mr. Parillo, do you have anything you would like to add?

Mr. PARILLO. No, sir.

Mr. WOLFF. Mr. Sullivan?

Mr. SULLIVAN. I would like to, on behalf of Pan Am, join in the airport security council's statement, since the nonspecific prior information available seemed to be covered pretty well in there.

But in the course of this meeting today I have heard several things that I would like very much to address. I have been associated with this airport operation now for 12 years, wearing both the law enforcement and security hats. During this time I have had, I think, a splendid opportunity to evaluate the nature of our problem in crime.

Hearings like this today, which are done with the greatest of good will, seeking very legitimate aims and targets, tend to reflect upon the performance of the airline industry. We have been accused in the press and media of having organized crime at this airport dominating the airport operation. We have been accused of being victims of millions of dollars of thefts annually.

But we have never been confronted with any statistics that would justify this kind of accusation. When we come down to the facts, we have only our own statistics, and it is our own we furnished to you. Our loss experience is really far less than anybody in the public sector can imagine and appreciate, because the carriers are doing an excellent job and they're fighting a very tough war. They have spent millions and millions of dollars on the equipment and the personnel that make a security system go, and they are totally dedicated to developing a system that will meet with the satisfaction of all avenues of government and the public.

One of the things that we hear about constantly is that we are not careful about dispatching our cargo; our terminals are wide open. Still, I don't think any place else in the transportation industry will you find practices specifically laying down employee guidelines that are as stringent as those we use in the airlines. We use heavier manning than the ordinary level of transportation, just to guarantee the type of security that we feel we need.

Where we were experiencing our maximum losses, through high-value thefts and things of that sort, we put in special systems of transportation.

We are extremely sensitive to the narcotics problem and any other problem in theft, and I guarantee you that we do everything in our power to assist law enforcement in the fulfillment of its duty. We volunteer information. We spend a good deal of time researching our own records, doing things in our own terminals on behalf of law enforcement when they have specific investigations.

Realizing the nature of narcotics investigation, however, which is quite different than the lost product, the theft report, where you have a theft on the table and you know what you are dealing with—here we have a victim who doesn't want to be identified, we have a vendor who doesn't want to advertise his product, we have a recipient who is not at all cooperative in any measure. And there is nothing in the format of our business that customs or the industry has been able to devise that will cover this kind of reluctant, anonymous shipment.

Mr. WOLFF. Mr. Sullivan, one point. I take it, on the question of theft, that there has been a great tightening of security. And yet we see that various of the media have alluded to the fact that there are fencing operations that operate from stolen merchandise from the airport. According to CBS Reports Thursday night, March 29, approximately 29 people were arrested in the city. Of these, nine were arrested in Queens, and they were part of a multimillion-dollar domestic fencing ring. I mean, that's just one report that we get.

Now, would you see any way that someone, for example, of the employees, the cargo handlers—now I'm referring back to the statement that was made before that you have, when you have high-value cargo you put intense security on this and it's put in a particular area. It would be hard to realize anyone getting out with about \$25,000 worth of merchandise on their person.

Mr. SULLIVAN. I hope so.

Mr. WOLFF. Unless it was heroin.

Is there any search or anything of the airline employee, the cargo handler leaving the airport, leaving the place, going through the gate or what have you?

Mr. SULLIVAN. There is not. We would run into a little bit of a problem here, but it's probably manageable.

Mr. WOLFF. Well now, suppose someone, taking a hypothetical case, suppose someone shipped in a quantity of heroin and they stashed it someplace in the area that was within the gates, within the bond, whatever you want to do, and announced that—heroin today is selling for what, about? An ounce of heroin today is selling for what, about \$25,000?

You know, we had total—from customs, we said, \$900,000. You know, this guy wouldn't have to take out many ounces in his pocket of heroin in order to make and equal the amount of total theft that exists at the airport from customs.

Mr. SULLIVAN. I agree you have somebody in an illegal business piggybacking on our industry.

Mr. WOLFF. Now let me ask you another question: Do you think that it is happening?

Mr. SULLIVAN. We know of certain shipments, based on the information we have received from law enforcement. And we have on several occasions, usually through inadvertence, discovered shipments that we thought were probably narcotics and called customs' attention to it, and they proved to be narcotics.

Mr. WOLFF. Now, as to the personnel that are involved in the airlines themselves, that's one point. Now, how about the security people that you hire? What record do you have of these security people, that they are—I'm talking about the various agencies. What record do you have of these security people? How do you know that they are legitimate?

Mr. SULLIVAN. Our security people are——

Mr. WOLFF. We hear that they're one of the lowest-paid people around here.

Mr. SULLIVAN. I know you're talking about our guard force.

Mr. WOLFF. Yes.

Mr. SULLIVAN. Now, in the case of our guard force, we have a management function here that utilizes this kind of employee very effectively. We have, usually, a one-function job that this person is hired to do. He is instructed in his mission, and that is all he is required to do. And he stands at the gate. If he is supposed to stop trucks and write them on a log, that's his job. If he sees something go wrong, he's supposed to notify security or call the law enforcement sector, whichever is more important.

In using people of this type in a disciplined manner, they are really a very effective adjunct to our security and they do something that we couldn't achieve if we had to pay a lot of money to just run this post.

Mr. WOLFF. Now, do you think that theft of the 700 pounds of hash could have occurred if there were adequate personnel that were involved in policing that and providing security?

Mr. SULLIVAN. Based on that one-time case?

Mr. WOLFF. Just the one-time case, yes, that one case.

Mr. SULLIVAN. There's no way we could have stopped that if we had an army of security officers standing out there. This was a rigged delivery. It was a sophisticated operation.

Mr. WOLFF. Well now, do you think that that's a single instance?

Mr. SULLIVAN. I really don't know. There are indications that there have been others, but we don't have any evidence to document those situations.

Mr. WOLFF. Well, if it is that sophisticated, so sophisticated that 700 pounds could be stolen in 9 minutes, it's quite obvious that there might be other instances that you don't know about.

Mr. SULLIVAN. All right. In dealing with that problem, of course, we set up a program designed to intercept this type of shipment with customs and with customs guidance.

Mr. WOLFF. How could somebody without inside information be able to locate the shipment, get into the area, know when the enforcement officer was going to be called off duty, load the shipment and get out of the secure area in 9 minutes' time?

Mr. SULLIVAN. A very sophisticated operation.

Mr. WOLFF. I really don't think that's the answer, the fact that it's a sophisticated operation. We have sophisticated people in this drug business. I think one of the problems that we have is we don't under-

stand them as sophisticated, as they're supposed to be. We take it for granted that they're a bunch of bungling dopes. But they're handling—I think we underestimate them many times.

Mr. SULLIVAN. You realize as a result of that case, of course, the narcotics people had a polygraph examination done, and all the people who are employed in the terminal who could in any way have been concerned in that, and some who couldn't have at all, were screened, and as a result of the screening that was done with polygraph, various additional investigations were done.

The intelligence value of the information developed was exploited, but as I understand it, it hasn't solved the case to date.

Mr. WOLFF. Not only hasn't it solved the case—and I want to thank Pan Am, by the way, for the cooperation that you have given us, because you have provided us with the opportunity of coming in and looking at your operation without any restraints whatsoever. And I don't take Pan Am as a case in point. But I did find a very definite laxity in security, as our investigators found in the area there, Mr. Sullivan, whereby incoming merchandise could be commingled with export merchandise.

At the time that I was there, there was an aircraft that had come in from—I think it was Asia or some other foreign port—and was going to Latin—there was another aircraft going to Latin America. The two piles of merchandise, one that was coming in was on the right side and the other merchandise that was going to, I think, Puerto Rico or some other place, was on the left side.

All they would have had to do—I'm not experienced at this—take one of the packages from there, put it into the Puerto Rican side, and the merchandise could have come in here without any further inspection whatsoever.

Mr. SULLIVAN. I think Mr. Parillo can tell you that that's not really—it's not really that simple.

Mr. PARILLO. It's not the usual practice that they will stage incoming and outgoing on the same aircraft.

Mr. WOLFF. Not on the same aircraft; it's in different piles.

Mr. PARILLO. Right. That's unusual in staging. But what would happen—what you're saying is, a piece that could be of the same nature, even if you had an airway bill, what they call a 7512, an IE—where it's coming in-bond, you wouldn't even have to pick it up. You can instruct the airline to do that, and we will do it for you, to take it from A to B, just from the documentation as a piece of shipment that isn't manifested and no airway bill cut. This fellow would have to know in advance what container we may throw it in, what pallet we might put it on, whether at the time that he is going to take the piece, who is around, his supervisor may be there. A number of things.

Mr. WOLFF. We just heard a few moments ago about someone who obviously knew what was going on here. You know, we keep coming back to that, and it's unfair to you.

Mr. PARILLO. You mean about this other shipment? OK.

Mr. WOLFF. Well, that's a million dollars worth of merchandise.

Mr. PARILLO. Well, that came in, but that is not what we're discussing. It is the shipment that came in from Kuwait Airways, given to us in London in bond, under a manifest with the documentation, like a normal shipment of brassware or copperware?

Mr. WOLFF. But the point is that these smugglers are not using the Marquis of Queensbury rules.

Mr. PARILLO. OK, so now the shipment comes in, and fortunately we were clued. And then, fortunately or unfortunately, we shouldn't have been clued. But anyhow, we were aware of the shipment, and the reason for that, a tipoff was received that the shipment was coming in. But if it came in without a tipoff, it would have been stored in the normal manner, checked and recorded and accounted for.

Mr. WOLFF. Counsel does refer to the fact that there was a pretty sophisticated mechanism, as Mr. Sullivan indicated, so that it's quite obvious that either your or somebody else's intelligence has been penetrated in that particular case.

Mr. PARILLO. We will agree that there must be an employee that assisted.

Mr. WOLFF. As I understand it, the DEA agents that were involved have only received reprimands. Is that correct?

Mr. PARILLO. I heard that today, but I don't know that as a fact.

Mr. WOLFF. Well, we are calling those agents before the committee in order to try to make a determination. We are not sitting in judgment. We are just going to try to find out why the situation has not been at least resolved in some fashion.

Mr. PICKENS. Would you facilitate a customer—if he were to request of a broker that he knew and indicate what flight, a particular parcel, is coming in, would you facilitate the broker with that information?

Mr. PARILLO. Yes.

Mr. PICKENS. If I instructed you to bring a parcel in on a Saturday afternoon at 4 o'clock and want it to come in on the 601 flight, would you not do that for me?

Mr. PARILLO. There's a procedure for that.

Mr. PICKENS. Would you be able to tell me what number pallet it was coming in on, if I had a parcel coming in via Pan Am?

Mr. PARILLO. It's possible, yes, you can.

Mr. PICKENS. So basically, in order to facilitate commerce, I could move contraband, be told when it would arrive, choose when it would arrive, choose what container it would arrive in, and know what number pallet it would arrive in. I could instruct it to be moved in a certain way, from your airline to a friend at Braniff on a Saturday afternoon so that it can catch that Saturday afternoon flight to Houston.

Mr. PARILLO. OK, yes. But you would only have to use certain flights. They would have to be all-cargo aircraft. Passenger aircraft, the 747, we do have big containers. I'm talking about igloos that you would move. But a passenger aircraft, just a belly-load, or even if it is in a container, it is taken out. The whole container is not moved. It is taken out and checked in, and then given to another carrier.

Mr. PICKENS. I'm talking about a passenger aircraft.

Mr. PARILLO. Right.

Now, I'm talking, you would have to use an all-cargo aircraft that would be routed in that fashion.

Mr. PICKENS. To my instructions?

Mr. PARILLO. Right. This happens.

Mr. WOLFF. Mr. Parillo, as well, you know, there's a big door that I saw there between the cargo that has been cleared and the cargo that is not cleared.

Mr. PARILLO. Many of—in the system those 300 positions have yet to be checked in and examined, because that's where we put those igloos that you saw going in at the time.

Mr. WOLFF. I'm not talking about the igloos; I'm talking about the palletized cargo, palletized cargo that something can be lifted from very easily.

Mr. PARILLO. You mean that was on the floor? Yes, that was in the process of being cleared.

Mr. WOLFF. But someone—I take it that you don't really believe that every one of your cargo handlers is totally clean?

Mr. PARILLO. Well, DEA doesn't, either. [Laughter.]

Mr. WOLFF. That's the understatement of the year.

On that basis, it would seem to me that there has to be some tightening of security. I know that you are exercising whatever you possibly can at the present time. But it seems to me that we have got to make the job for the smuggler a little bit more difficult. We are not going to be able to stop all of the drugs coming into this country by far, and we'll never be able to do that, even if at one time we tried to—and we try to indicate that—right now, well, they're going to put up—Customs is going to put up a 12-foot-high fence down for 20 miles in Mexico, near the Mexican border. So they're going to stop those people from going that 20 miles. But what about the other? We've got a 2,000-mile border down there.

Mr. PARILLO. We are in the course of developing our own trends and profiles on thefts, which include narcotics and loss. We monitor our flights. We have our programs and we check air waybills for questionable items. We have a valid procedure for high-value, special-handling, general cargo, restricted articles, hazardous cargo, all included. What we do is monitor. I personally monitor these procedures, to see that there isn't a breakdown. This has proven to be very successful, and if I see a practice that is faulty I will get together with the cargo managers.

Mr. NELLIS. Mr. Parillo, let me ask you a question. We have had Mr. Leonard—and I assume you were here when he talked?

Mr. PARILLO. Yes.

Mr. NELLIS. We had him test the proposition of walking into the area without ID, and apparently he was very successful in doing that. I see by the procedural standards for cargo security issued by the Customs Service—I assume you're familiar with this book?

Mr. PARILLO. Yes.

Mr. NELLIS. That you must conduct procedures whereby everybody that gets an ID card must wear that ID card, he must be identified.

How is it possible for unidentified people to go into the cargo facility areas?

Mr. PARILLO. My particular area?

Mr. NELLIS. Or any of the other airlines that want to comment on that.

Mr. PARILLO. Well, I talk for my particular area.

Mr. NELLIS. Our investigator said there's nothing to it.

Mr. PARILLO. Well, it all depends where you are.

Mr. WOLFF. He was only challenged 3 times out of 16 times that he went into various cargo areas. He was challenged at Pan Am's.

Mr. LEONARD. Not Mr. Parillo's area.

Mr. WOLFF. No, I say 16 different points.

Mr. NELLIS. That's what I'm asking you about; 13 out of 16 is not a very good record. And I just wondered, in view of this standard that has been published by the Customs Service, which says that, quote: "Identification cards must be used to enter or to leave any cargo facility area," end quote, how meaningful is that requirement to you?

Mr. PARILLO. It's quite meaningful. We had some instances to prove that it is meaningful. We utilize basically the same guards at employees entrance, the south gate and customer service lobby and these guards get to know individuals and who they are and who they are not. The individual who is not familiar to the guard is challenged for proper identification. It's like me, I am familiar to the guard and, therefore, I am not challenged. But he sees me every day. OK.

Now, what happens is, we change the guards occasionally, and now the cargo rep, who has seen the other guard constantly, when being challenged now he has to put his badge on. He gets very upset and he comes to me and complains about the guard.

So we do change guards and sometimes have problems, but these are passing matters.

Mr. NELLIS. But you require them to wear their ID's at all times?

Mr. PARILLO. Well, we have a problem, particularly in the summer-time. Where are they going to put their ID in a sweatshirt and short pants.

Mr. WOLFF. Tatoo it on.

Mr. PARILLO. I would like to sometimes. [Laughter.]

And the union insists on this. It's too hot.

Mr. NELLIS. Mr. Chairman, I would like to enter in evidence the standards for cargo security, and I have been reading them here as you gentlemen have been testifying, and I am quite secure that if some of these precepts were followed we would have better security at the airports. I assume you're all familiar with it.

Mr. WOLFF. Without exception, the standards will be—

Mr. BOYETT. Those are suggested standards. They're not mandatory.

Mr. NELLIS. Some of them are mandatory. Customs regulations, 19 CFR 4.30, already requires international carriers, proprietors of bonded warehouses, and customhouse brokers to submit employee lists to the district director.

What do you do with those employee lists, Mr. Boyett? Don't you check them out?

Mr. BOYETT. Sure we do.

Mr. NELLIS. And if you find somebody with a record for burglary and embezzlement, don't you notify the airlines? Wouldn't you notify the airlines if you find—

Mr. BOYETT. We don't have that list.

Mr. NELLIS. It says you're supposed to have it. It says you're supposed to have a list of all the employees involved in cargo security.

Mr. BOYETT. These are container stations and not airline cargo rooms, and there is a difference, a different law governing cargo, approved security arrangements in those two areas.

Mr. WOLFF. In other words, you're saying that you have different security requirements in both of those areas?

Mr. BOYETT. Yes; we have the right to approve—as a matter of fact, we have the obligation to approve the security arrangements for con-

tainer stations. But we do not have the same obligation with respect to airline cargo routes. I think the part that you were reading into the record, Mr. Nellis, was a suggested approval—

Mr. WOLFF. It was a reg.

Mr. NELLIS. A customs regulation.

Mr. BOYETT. That every person has to wear an ID card?

Mr. NELLIS. Let me read it to you again. No; I won't take the time to do that, Mr. Chairman. I will just show this to Mr. Boyett. I think this will be a useful document for you to read.

Mr. WOLFF [reading]:

General Standard. Procedural Security Standards. Customs Regulations, 19 CFR.

Operators of cargo handling facilities should conduct employment screening of prospective employees.

Customs Regulations—

and I cite the customs regulation—

already require international carriers, proprietors of bonded warehouses, and customhouse brokers to submit employee lists upon request from the District Director of Customs. Such list must contain the name, address, social security number, date and place of birth of each employee, and kept up to date.

[The document referred to was admitted as evidence and appears on p. 103.]

Mr. SULLIVAN. Mr. Wolff, may I just say one more thing? I do wish that the record here today would show that, in spite of all the criticism that we have had at JFK over all these years, the history of JFK has been one of constant growth and genuine acceptance of carriers' performance by the people using our services.

This is one of the major industries in Queens and Nassau County. It is one of the few growth industries that we have in New York City, and I think it should be recognized, in spite of the problems we are talking about, that this is a genuinely high-performance industry, which is something the city and the community may well be proud of and should be proud of.

The record should show that, by virtue of customer acceptance, our growth is in progress. Growth in this case is a reflection of a fine job by carriers and support industry.

Mr. WOLFF. Oh, I think that you're right, and there's no criticism leveled at the airport at all. To the contrary, the airport has been doing a good job.

But what we are questioning is its role in the international trafficking operation. That's all.

Mr. SULLIVAN. I understand.

Mr. KENEALLY. Mr. Chairman, permit me to address myself to these penetrations that you were speaking about a while ago. I was very happy this morning to hear Mr. Leonard say he tried to get into British Airways' cargo facility and was unable; and I would hope he would be unable if he went out there right now. But we must recognize that anyone who goes into a cargo terminal—it depends on how far he can penetrate. I dare say Mr. Leonard might have walked into several terminals maybe 50 feet, 70 feet. But I think that the other terminals would be similar to ours.

All our supervisors in the terminal, we feel wear a security hat, and they're all instructed to challenge. We hope also that the agents would

challenge, and many agents do. As a matter of fact, they come to my security man very often saying, "there's a fellow around," and he will challenge them immediately.

So as I say, this can happen. It's not a fool-safe thing. And while I'm wearing a 100-percent record now from Mr. Leonard, I hope to maintain it. But it is possible. And I think, on the whole from my experience, especially the international carriers do a good job in this respect.

Mr. MCGOWAN. I think that's true of all the airlines, Mr. Wolff. And sometimes when I go in I'm challenged myself. Other times people will look at me and know who I am and not bother.

But the general rule would be, if you get into a so-called restricted part of the area, you're going to be challenged.

Mr. WOLFF. Well, we thank you gentlemen very much for appearing, for your cooperation. We have certainly developed an indepth view of what is happening here at Kennedy. It is of more than passing interest to me since I am in the vicinity of the area. That's one of the reasons why I saved it almost until last, because I wanted to be sure that there would be adequate scrutiny of a problem affecting my own communities.

We thank you for your cooperation. We will, in the same vein as you have offered us cooperation, offer cooperation to you. We are going to look into this question of background and information. It is something that I think is very necessary, especially in a situation where the magnitude of the problem is so apparent.

Mr. MCGOWAN. Mr. Wolff, may I, on behalf of the airlines, compliment you on your vigilance in holding this hearing? And I think that you must take some satisfaction in the Associated Press article which came out yesterday or the day before stating that, for the first time in many years, there has been a reduction in heroin use and heroin deaths in this country. Surely much of that credit must lay at the door of your committee, as well as the Customs Service and DEA and the other vigilant portions of our investigative Government staffs.

Mr. WOLFF. Well, we thank you very much for your comment, Mr. McGowan. That is basically what we are all about, this committee. It's composed of a group of dedicated individuals who are determined to see not just the number of busts recorded, the number of pounds confiscated or what have you. But our bottom line is a reduction of the addict population in our country.

Our big problem in the past has been the—I won't say lack of attention, but almost, to use or paraphrase the words of someone who was talking about the benign neglect that has existed in this country, it sure as hell existed when it came to narcotics. And what was unfortunate is the fact that when it was existent only in some of the ghetto areas of our country, people didn't pay too much attention to it. It was only because it spread into our military and it spread into our affluent areas of the country that people started to really pay attention to what is a very serious and destructive problem for not only the youth of our country but, as well, the older people of our country.

I am extremely happy to see the type of cooperation that you have given to our people who have come up here and to this committee and to the customs people. We, as well, thank them for the cooperation that they have given to us.

DEA is not represented here, but they have got a tough job to do and they should be congratulated on the job that they have been doing.

I think that we can all take some degree of satisfaction from the point that there is a reduction in the addict population in our country. We just hope that it continues along this line. We cannot accept even the 400,000 to 500,000 heroin addicts that we have in the country. And I for one can't accept the fact that we had a young man who Dan Leonard worked with only recently in our hearings on the public schools, who OD'd this week on methadone.

It's just not enough for us to attack one particular drug, and it's not enough for us to just single out one particular area. It's an overall problem. It's a problem that has to be solved. Otherwise it will undermine the very basic foundations of our society.

Again, we thank you.

The committee stands adjourned.

[Whereupon, at 3:10 p.m., the hearing was adjourned.]

PREPARED STATEMENTS

PREPARED STATEMENT OF DANIEL F. LEONARD, COMMITTEE INVESTIGATOR, SELECT COMMITTEE ON NARCOTICS ABUSE AND CONTROL

Mr. Chairman, Congressman Biaggi, Congressman Gilman. As you know the select committee's staff has been looking at the handling of and theft of in-bond cargo at J.F.K. International Airport for some time. Investigation has shown that the airport has grown faster than any other industrial complex in the Northeast. In the past year approximately \$28 billion worth of cargo has passed through J.F.K.—\$6½ billion of that cargo was in-bond. In addition to the cargo customs personnel cleared more than 6½ billion international passengers.

This work load was handled by approximately 340 inspectors, a force divided almost equally between passenger and cargo examinations. 340 inspectors is not a very impressive number, but it becomes less impressive when you take into consideration the loss of personnel to—

Regular days off, 20 percent; annual leave, 12 inspectors; sick leave, 0 inspectors; jury appearance, 1 inspector; training, 5 inspectors; clerical, 2 inspectors; bonds, 1 inspector; misassigned, 13 inspectors.

(Misassigned: 3 Newark, 1 Washington, D.C., 1 Dept. of Commerce, 3 Warehouse, 2 Building 89, Etc.)

The above figures are for October 18, 1978 and when you calculate the total days off and other off the line assignments you find that there were 240 inspectors available for passenger and cargo inspections around the clock.

When you look at Kennedy Airport today, the tremendous growth of the airlines industry is obvious—growth brought about by Government subsidies and relaxation of regulations. It seems a shame that the Government hasn't encouraged and nurtured its own Customs Service in the same manner.

In the past ten years there has been an increase of 106 percent in passengers cleared at Kennedy and an 83 percent increase in cargo entries, there has been no matching increase in manpower in the customs force to match this avalanche. In the same decade there has been a building explosion at J.F.K. between 1972 and 1973, ten huge cargo terminals were constructed, each equivalent to the average sports stadium.

CUSTOMS PROBLEMS

Manpower shortage:—Self evident.

Modern technology:—Virtually nonexistent. Customs inspectors at Kennedy are, with the exception of dogs, examining cargo in the same manner as it was examined 100 years ago. Instead of large mobile X-ray units or a fixed X-ray examination facility, inspectors are relying on instinct and breaking down packing crates with hand tools: hammers, chisels, jimmys, crowbars, screwdrivers and hand drills. This method consumes a great deal of time and labor to examine a well built crate.

I'm sure other witnesses will address in detail the many other problems such as "ITs" (Intransit Shipments) and "IDs" (Immediate Delivery). I would like

to go on to narcotics interdiction. Frankly, I found only one small group dedicated almost exclusively to narcotics interdiction—the Narcotics Tactical Unit. Six men working a roving assignment in the cargo areas. They work closely with the inspectors on the line. If an inspector comes across suspicious paperwork, the TAC team is summoned and does the follow-up investigation and examination. In addition the team works profiles and will meet certain planes from source countries.

The tactical team is an excellent concept and why there aren't ten such teams at J.F.K. is beyond my comprehension.

Next I would like to cover cargo theft as a means of smuggling narcotics or other contraband. When a shipment is unloaded at J.F.K. from overseas it is stored in the carrier's cargo facility until such time as a local or over the road trucker calls for the shipment and presents the proper customs documents. This presentation of the documents may be the first time that the customs inspector at the cargo warehouse is aware that the shipment even exists. The shipment can rest in the cargo room for days before being called for.

There are several ways an enterprising smuggler can utilize to steal cargo from customs custody. The first is the "TAP".

"The TAP: A cargo shipment, containing narcotics and other merchandise, is imported and only the narcotics are removed from the shipment and custom's custody."

With your permission, Mr. Chairman, I would like to demonstrate the "TAP".

"The PULL: A cargo shipment, containing partially or totally narcotics, is imported and the shipment is removed from custom's custody."

There was an excellent example of such a PULL earlier this year.

"The SWITCH: A cargo shipment, containing partially or totally narcotics, is imported and another shipment or contents are substituted for the narcotics shipment or narcotics content."

I can also give you an excellent example of the SWITCH.

All three operations are performed while the shipments are under custom's control. Control is really too strong a word, for custom's control at J.F.K. is in reality paper control. All but five of the inspectors actually working cargo are assigned to the day shift. The five inspectors assigned to the evening shift handle late flights, perishables and the problems of private citizens. After 5 p.m. there are no inspectors at the cargo facilities or container stations unless the carrier or station manager is willing to pay overtime. Custody of in-bond cargo now fall upon the customs patrol officers (CPOs). All 96 of them less regular days off, annual leave, radio dispatcher, etc. I have been told that it is not unusual on the late shift for one customs patrol car and two officers to cover Newark, La Guardia, J.F.K. and the waterfront. Anyone familiar with this airport knows that one car can't possibly cover every terminal in eight hours—never mind the metropolitan area.

So when we speak of customs custody we are really speaking of airline security. In the current year about \$850,000 in cargo theft will be reported to customs special agents. The airlines representatives will tell you that this figure is miniscule when you look at the volume of cargo traffic at the airport. This is true—if—1st, everything stolen is being reported and 2nd does the carrier really know what is being stolen—he is only reporting what is on the manifest.

A writer in 1976 referred to J.F.K. as a fortress—well, if it is a fortress there are a few holes in the walls.

I have been in various cargo facilities a total of 16 times, I was challenged 3 times. I have been told that employees and supervisors have been trained to challenge anyone without an ID badge. I had no such badge and in fact I saw very few badges anywhere I went.

I'm sure the security people will tell you of their high value cribs or strong rooms. A "Winston" or "Tiffany" shipment of jewels will run into six figures if lost—so naturally the carrier is concerned with their security. An armed security man will meet the plane and escort the shipment to the strong room where it is kept under lock and key, watched 24 hours a day by an armed guard. Unfortunately the same precautions are not taken with the tons of "ordinary" air freight passing through the same warehouse. No security man meets the plane, it may be stored in the open or it is placed in the cargo room. Security is provided by private security agencies. One such agency, when I inquired about their training standards and pay scales told me that information "was none of my damned business."

My last point on airline security is containerization. The security people will tell that containers are the cure all for cargo theft. I seriously contest that idea. Containers cut down on the loading time of 747's. (One hour for a containerized load, eight hours to load bulk cargo). Supposedly containers are sealed boxes—I saw none in my visits to J.F.K. that were sealed. Most containers used are totally open on one side. I have some photos here for your examination if you are interested.

Let me conclude gentlemen that I met many dedicated, hard working men both in Customs and the security field at J.F.K. Men who are actually being overwhelmed by a tidal wave of humanity and cargo bearing down upon them. One old Customs friend of mine told me "We're standing here in cargo up to our noses and no matter what your committee recommends, main Treasury and OMB will never raise our budget." For all our sakes I hope he's wrong.

PREPARED STATEMENT OF FRED R. BOYETT, REGIONAL COMMISSIONER, NEW YORK REGION, U.S. CUSTOMS SERVICE

Mr. Chairman and members of the Committee, it is a pleasure for me to appear before you at today's hearing. At the outset, I want to thank the committee for the opportunity to discuss the resources and operations of Customs vis a vis the interdiction of narcotics in commercial cargo at John F. Kennedy International Airport.

As we all recognize, it is most imperative to make every effort to control the continuing national problem of drug abuse. It is apparent that the importation of illicit narcotics is a substantial aspect of this problem; and it is to this aspect that I address myself today. We of Customs provide the first line of defense at our borders and our many narcotics interdiction efforts play an integral and vital role in coordinated federal law enforcement programs. Implementation of such programs has required a major commitment of both the financial and physical resources of Customs. This is particularly apparent at John F. Kennedy International Airport.

As I am sure you are aware, Kennedy Airport occupies a rather unique status among the various ports of entry with which Customs is concerned. Over 5 million persons arrived in the United States through Kennedy International Airport in fiscal year 1978. This is approximately 26 percent of those entering by air nationwide. In addition to clearing passengers and baggage, Kennedy Airport has a tremendous cargo operation, and has handled some 1.5 million bills of lading in fiscal 1978. In the first six months of fiscal 1978, alone, some 144,000 long tons of air cargo entered Kennedy Airport from abroad under the supervision of Customs. This represents an increase of nearly 24 percent over the tonnage handled during a comparable period in fiscal 1977. To perform the work necessary to ensure compliance with all the provisions of the various laws which we enforce, Customs has a combined total of 490 Patrol Officers, Inspectors, and Special Agents deployed to the Kennedy Airport area.

Air cargo can enter Kennedy Airport either on a commercial passenger flight or on board a carrier used solely for the transportation of cargo. Cargo which enters on passenger flights usually consists of small packages stored with passenger luggage in the belly of the aircraft, while cargo entering on a commercial flight is, for the most part, unitized. Thus, we are dealing with two basic types of cargo: unitized and non-unitized shipments.

The vast bulk of cargo entering the United States via air is unitized. When I speak of unitized cargo, I am referring to merchandise which has been consolidated by the shipper into units which are physically easier to transport, and thus more economical, than an assortment of individual small packages.

This situation is further complicated by the enormous size of modern aircraft which allow massive quantities of cargo to be discharged at a single time, rather than spread over an extended period as had been the case in the not too distant past. Thus, we are charged with the difficult task of physically moving this merchandise through our facilities with sufficient speed so as to maintain a steady flow, while at the same time not deviating from an appropriate standard of vigilance in inspection.

In order to effectively deal with a constantly increasing and potentially overwhelming cargo volume, we at Customs have developed certain standard operating

procedures for the processing of such importations at Kennedy, the basis of which must be a theory of "selectivity."

We must select those items out of the thousands that arrive daily which require an intensive Customs examination. The selection process is accomplished by two methods—screening the documents submitted with the cargo and actual physical examination of the cargo once it arrives. We have designed cargo profiles for each of these methods which alert Customs officers to suspicious shipments. These profiles have been carefully compiled so as to include certain key items which have proven to be reliable indicators of shipments which are likely to contain contraband narcotics. Factors such as point of origin and point of ultimate destination (other than Kennedy Airport), the identity of the shipper and/or consignee, and the type of goods shipped and declared value of the goods have been isolated as indicative of a possible smuggling operation. This information is gleaned from various shipping documents such as the manifest and the airwaybill.

We also have discovered that smugglers tend to tip off their illicit cargo by the manner in which it has been packaged. We continually must update our information in this area, however, since the smuggler is never content using just one modus operandi.

The use of these profiles is of utmost importance in an operation such as Kennedy where the volume with which we are dealing makes the examination of every package a virtual impossibility. Thus, a trained Customs inspector can select those pieces of cargo which deserve a more thorough examination.

Small packages receive the same treatment with regard to cargo profiles as do the unitized shipments; however, there are additional procedures as well. Our Dog Detector Unit has proven to be of great assistance in locating certain types of narcotics concealed in smaller parcels of non-unitized cargo. Furthermore, in exceptional cases, the Customs Inspector has the discretion to order a parcel transferred to the mail facility in New York or to the Newark area for X-ray examination. These procedures remain most effective with smaller parcels.

Integrated with our physical inspection procedures is the information received from various sources of intelligence. This network is constantly fed by information received from airline personnel, other federal agencies including the Drug Enforcement Administration and Immigration and Naturalization Service, international sources, state and local authorities as well as private informants. Much intelligence information is stored in the Treasury Enforcement Communications System (TECS), a data bank consisting of known and alleged violators of Customs and related laws.

Despite our profiles and sources of intelligence, we face major obstacles in applying these techniques.

When unitized cargo is unloaded it is transported by private cargo service companies to Cargo Inspectional Facilities located in buildings operated by various individual airlines. There it is temporarily placed in bins for future processing. Cargo inspectional facilities and service companies function within voluntary guidelines of "Standards for Cargo Security" as promulgated by the Department of Treasury and Customs. Although Customs does not have the authority by law to compel adherence to these standards, the facilities remain in substantial compliance through the inspectional efforts of our Regional Cargo Security Branch. We constantly review and update our voluntary Cargo Security Standards with an eye to tightening these guidelines wherever circumstances so demand.

Cargo entering Kennedy Airport in transit for an ultimate destination other than Kennedy has proven to be particularly suspect. In addition to the aforementioned standard inspection procedures we are further using our Cargo Inspection and Control team members in a tactical way to make spot checks, unannounced, particularly at odd hours, on weekends and holidays when they are least expected. In this way we have attempted to remove the aspect of predictability from inspection of highly suspicious cargo and have been extremely successful.

In addition to these purely physical pressures of cargo processing, bona fide commercial interests attempt to assert pressure of their own. Carriers and importers are naturally concerned with the rapid delivery of their merchandise, and as a consequence, many attempt to give a cursory treatment to Customs procedures, so that we must remain constantly on guard against inadequately completed manifests and bills of lading.

We must be certain to ensure that our manpower is not overwhelmed by the constantly increasing flow of commercial cargo, and consequently we must make a substantial commitment of our resources to maintain a sufficient number of Customs officers to deal with the ever-growing volume of cargo.

We cannot underestimate the importance of the deterrent factor which accrues as a result of keeping our manpower highly visible. It is essential that we meet arriving aircraft, perform landed quantity verifications, ascertain suspect shipments through documentation review, and then physically examine those pieces of cargo which we have selected. Immediate examination of suspect shipments prevents narcotics in commercial shipments from being stolen or substituted with legitimate merchandise by cargo handlers as part of an internal conspiracy.

Notwithstanding, all of the aforementioned difficulties, as a direct result of the effective utilization of our procedures, some 16,000 pounds of contraband dangerous drugs were seized by Customs at Kennedy Airport in fiscal year 1978.

For example, on September 1, 1978 the Narcotics Detection Unit of the Cargo Inspection and Control Team seized 3,600 pounds of hashish at Kennedy Airport, a major cache resulting from the detection of questionable information in entry documents by an alert Customs inspector. During the course of a physical inspection of cargo in the general order warehouse, Customs officers discovered 2,200 pounds of marijuana.

As these examples illustrate, there can be no substitute for a diligent and efficient Customs officer: professionalized scrutiny of entry documents in conjunction with sophisticated cargo profiles as well as physical examination of the cargo itself is the most effective method by which to interdict the flow of illegal drugs into the United States.

Although we expect to maintain our emphasis on developing our human resources, we must appreciate that such programs alone will not be sufficient to deal with new and more sophisticated methods of illegal narcotics smuggling in commercial cargo shipments. The technological revolution which has left its impression on every aspect of society has also had ramifications which affect Customs. We have successfully made use of electronic cargo data transmission from abroad to carrier data terminals at Kennedy Airport which simultaneously interfere with Customs terminals for pre-arrival data accessibility. One of our major objectives is to further develop and make additional use of these electronic transmissions. Moreover, we have also committed ourselves to the continuing development and utilization of sophisticated technological equipment such as X-ray units and hand-held detector beams. This will serve to increase the effectiveness of our surveillance and additionally, free up Customs officers for more judgment-oriented matters. New-found technological abilities vis a vis our liaison with other federal as well as state and local agencies will aid us in developing an even more detailed network of intelligence to be incorporated into Cargo Profiles so as to enable us to more effectively deal with the interdiction of dangerous drugs.

As noted in the Comptroller General's Report to the Congress of September 7, 1978, ("Customs' Cargo Processing—Fewer But More Intensive Inspections") future Customs successes will no doubt be founded upon structuring inspection plans which incorporate statistically-based scientific sampling. These plans would be based on the theory that inspecting a limited number of items, selected on sound criteria, will effectively deter violations as well as negate the need to inspect every item. Thus, our objective is to integrate our available manpower with new technology to conduct fewer, but more comprehensive inspections.

Before closing, I would like to comment briefly on the role that Customs must play in the processing of commercial cargo shipments. It is evident that the large volume of cargo provides a natural conduit for the unlawful introduction of all types of merchandise, narcotics being just one example. Ideally, we should thoroughly examine each and every package that arrives. Since this is unattainable, we attempt to do the next best thing: by being selective in those we do examine. At the same time, we must facilitate the flow of commerce, because a great majority of the cargo arriving each day is legitimate and must be processed as quickly as possible. There is no hard and fast rule concerning the amount of cargo we inspect. We try to balance the two roles that we play—law enforcement and cargo processing—so that our constituents are satisfied. To the extent that we have been able to apply our theory of selectivity, we believe that we have reached a successful balance.

I will be happy to answer any questions at this time.

Thank you.

PREPARED STATEMENT OF JAMES C. TROMBETTA, PAST PRESIDENT, JFK AIRPORT
CUSTOMS BROKERS ASSOCIATION

Mr. Chairman, members of the Committee and ladies and gentlemen. My name is James C. Trombetta and I am the immediate Past President of The JFK Airport Customs Brokers Association. Our Association is comprised of approximately one hundred fifty (150) members all located at and in the immediate vicinity of the JFK International Airport.

The general responsibility of a Customs broker is to aid importers of commercial merchandise in the clearance of that merchandise through Customs. The expertise of Customs brokers in performing this task has widely been recognized and specifically former Commissioner of Customs, Vernon D. Acree, when testifying before the House Committee on Small Business in March of 1974 stated, "Customs brokers are required to be familiar with the laws and regulations applicable to the importations of their clients. Their professionalism and expertise greatly simplify Customs tasks throughout the entry process." Thus, we as brokers, in that we clear virtually all commercial entries filed with the Customs Service, are intimately familiar with the technical and practical procedures necessary to clear goods through U.S. Customs.

I am quite aware that this House Select Committee on Narcotics is presently looking into the entry into this country of contraband material, specifically narcotics. I have also been advised that authorities in the past years have discovered that narcotics of various types have been illegally included together with other merchandise being imported into the United States through Kennedy Airport.

However, I must tell you that in my twenty years as a Customs broker, I personally have never encountered a situation in which any of my clients have imported narcotics into this country. We are not, however, naive enough to believe that narcotics have not in the past and will not in the future continue to come into this country through supposedly legitimate import channels. Those responsible for such importations are unknown to me. However, the mere fact that such a small percentage of importations, I have been told the maximum is two percent, are examined by Government officials upon entrance into this country and through J.F.K. Airport, leads one to the necessary conclusion that since there are narcotics in this country, and since those narcotics for the most part are not produced in this country, they must have arrived through some source, and we must further assume that one of these sources is the regular import channels.

If there are any questions, I will be happy to attempt to answer them.

PREPARED STATEMENT OF DENNIS O'DONNELL, PRESIDENT, JFK AIRPORT CUSTOMS
BROKERS ASSOCIATION

Mr. Chairman, members of the committee, and ladies and gentlemen. My name is Dennis O'Donnell and I am currently the President of the JFK Airport Customs Brokers Association.

As my colleague, Mr. Trombetta has stated: Customs brokers are responsible for the clearance of the majority of imported goods and merchandise which enter this country through JFK Airport and various other ports throughout the United States.

Being in this capacity we as brokers are intimately aware of the various steps which must be taken in order to properly move these goods and merchandise through Customs and into the commerce of our country.

We are all too aware that in addition to the goods and merchandise which are imported legitimately into this country, a considerable quantity of narcotics also enters into the commerce of these United States. Both as a businessman and a concerned citizen, I hope that this practice ceases.

I must say, however, that we as Customs brokers are rarely, if ever, in a position to detect the importation of narcotics into this country and through JFK Airport. Mr. Trombetta has stated that he has never experienced, in his years at the airport, an illegal importation of narcotics. I can say that in my 20 years at the airport that I have only experienced this unfortunate occurrence once, and when it did happen, it was reported to the authorities and action was taken. I should also stress that being used to help in the illegal importation and transportation of narcotics made me quite upset.

It has already been amply pointed out that Customs' manpower capabilities severely restrict the amount of merchandise that is actually physically examined prior to coming into the commerce of the United States.

It should also be noted, without any accusations being made, that this merchandise prior to its getting into and prior to its leaving JFK Airport, passes through the hands of many, many private individuals who have access to this merchandise and who, if they are so inclined, could easily manipulate this merchandise to hide contraband materials.

Although we have not seen such activities take place, we are aware from our knowledge of the handling of merchandise that such a situation would not be difficult to arrange.

The question or the problem thus remains as to how to prevent narcotics from coming into this country. One of the answers which I might give, is to have harsher penalty provisions for violating certain of the laws pertaining to narcotics so that individuals importing such contraband as marijuana and hashish would not be willing to take the risk of being caught.

It would seem that the task would be very difficult to adequately control merchandise leaving JFK Airport. However, if the risk of bringing merchandise which is illegal into this country was greater, then those taking that risk would be less likely to do so.

Should you have any questions regarding the movement of freight at JFK Airport, or similar questions I would be happy to submit answers.

PREPARED STATEMENT OF EDWARD J. MCGOWAN, EXECUTIVE DIRECTOR, AIRPORT SECURITY COUNCIL

Mr. Chairman and members of the committee: I am Edward J. McGowan, executive director of the Airport Security Council. I am appearing today in response to a Committee invitation. It is a privilege to contribute, in whatever way I can, to the studies of the Select Committee on Narcotics Abuse and Control. Since we have been afforded only a bare outline of the agenda for this meeting, my prepared statement is brief and general in nature.

By way of introduction I should explain that the Airport Security Council was founded by 27 airlines—and now consists of 39 airlines—which serve the airports of metropolitan New York and New Jersey. The Council's mission is to develop, coordinate and fulfill security programs, especially in the cargo area. In addition to developing programs coordinating airline cargo security activities, we serve as collator of cargo data relating to frauds and theft losses; conduct terminal inspections; and maintain liaison with law enforcement and other elements of the public and government sectors concerned with cargo security matters.

The Council has published extensive data as a result of its findings. This data represents a combination of operations and security experience, which is universally applicable in air transportation. The procedure found effective at our NY/NJ airports have proved universally applicable in world-wide airline/airport operations and have been adopted by airlines and airports worldwide.

Since the founding of the Council in 1968 dramatic improvement has been registered in air cargo security.

Nationwide, the loss experience of the domestic airlines in 1977 was the best on record. The total airlines paid, that year, in claims for cargo damaged or undelivered, for all causes, amounted to only 65¢ on every one hundred dollars of revenue earned. The NY/NJ record has been as good or better security-wise than the industry records elsewhere. Here, at the airports of metropolitan New York/New Jersey, the value of cargo lost to thieves has amounted to three cents on every thousand dollars worth of merchandise, over the past three years.

This wholesome progress has been recognized by the DOT. In his report to the President, in 1976, on the National Cargo Security Program, Secretary of Transportation Coleman declared, "The airlines are making good progress in reducing the trend of air cargo theft losses". The current Secretary of Transportation, Brock Adams, in his annual reports on 1977 and 1978, agreed that "... the claims-paid all-causes ratio and the theft-related claims ratio (of the airlines) are definitely declining".

Operational sophistication in cargo handling has been the key to the improvements that have been made. For instance, the airline industry takes special

precautions with especially valuable commodities. Whenever we are informed by a shipper that a package contains merchandise of great value, we provide additional security by way of hand-to-hand signatures, special high-value vaults, or compartments. Locks and seals are used where needed, guards are deployed where warranted and advance notice to points of destination is furnished to assure security coverage. Here in New York and New Jersey escort service is provided by the Port Authority Police Department for high-value movements between aircraft and terminals.

This type of special protection includes "sensitive" cargo, such as drugs when identified as such. When aware of a shipment of legal drugs, airlines will afford it high-value treatment. In 1976—the latest year for which this CAB data is available—the airlines nationwide paid less than \$53,000 in claims for non-delivery of legal drugs, medicines and pharmaceuticals.

The air cargo industry is aware that criminals attempt to exploit carrier regulations, designed for honest shippers, to secure their nefarious aims. Criminals do not describe their shipments to airlines as "illegal narcotics" or "contraband drugs". Just as obviously, airlines do not conduct massive searches of the contents of the millions of packages they fly.

Whenever an airline becomes aware of an illegal shipment, however—or even suspects that a shipment might be illegal—proper law enforcement authorities are notified. Airlines have cooperated heartily with law enforcement agencies to avoid the shipment of illegal goods. They will continue to give such cooperation as needed.

The Airport Security Council and the airlines serving the New York/New Jersey metropolis enjoy excellent support from professional law enforcement—the Port Authority Police, City Police Agencies, FBI, U.S. Customs, both its Office of Investigations and its Customs Patrol Force, the Drug Enforcement Administration and U.S. Post Office among others.

The Council and the airlines reciprocate, by supporting law enforcement whenever we are able. Not only do we give prompt notice to the public agencies when we know or suspect a crime within our premises, but we also help in other ways. Most of our security officers are former members of local, state and federal investigative agencies. They are well aware of the needs of these agencies. We have a reward program for information resulting in conviction for cargo theft. This program has contributed to successful investigations of crime.

As one of our services we record information about defendants prosecuted for crimes against air cargo. This data is often of value, not only to officers investigating current crimes, but also to managers considering applicants for employment.

In screening new employees the airlines do everything allowable under law and governmental regulations to obtain information on applications and follow up on applicants through interviews of former employers and references when appropriate. An applicant can be asked only about convictions relevant to the job, not about every arrest or conviction. Numerous requests have been made to the U.S. Departments of Justice and Transportation and various legislators, by members of the National Cargo Security Council and by many others, for legislation that would grant transportation companies the right to check criminal records on applicants/employees in sensitive cargo positions. In view of the sensitivity of our business and vulnerability of the system to use by criminals for the purpose of moving contraband it is important to us that we acquire the right to make fingerprint checks. Even without this capability, however, airline applicant screening enjoys a good measure of success. This is attested to by the fact that, with few exceptions, we find that airline employees who are arrested for cargo theft turn out to be first offenders.

Our industry gives its support also to the National Cargo Security Program, which I mentioned earlier. This is a voluntary, joint effort of all modes of transportation with the U.S. Department of Transportation. It has served to focus the attention of carriers on the need to protect, as well as move, cargo. It has given carriers, shippers and manufacturers expert guidance, in the form of Cargo Security Advisory Standards as well as motion picture and slide programs and publications designed as training devices to help the security education of employees. DOT annual reports to the President testify to the effectiveness of the program.

Our intensive and expensive efforts at security, plus our close cooperation with the law enforcement agencies, have not served to eliminate cargo crime com-

pletely. Your Committee may see, however, from the attached long-term statistics, that our industry here at New York and New Jersey, has a record of cargo delivery that we can all be proud of.

It has been a real pleasure to meet with the Committee. Thank you.

CARGO THEFTS 1969-77—3 METROPOLITAN NEW YORK/NEW JERSEY AIRPORTS; KENNEDY, LA GUARDIA, AND NEWARK

	Number	Gross value	Recoveries	Net losses	Armed holdups	Net after armed holdups
Kennedy:						
1969	545	\$3,917,231	\$529,914	\$3,387,317	978,095	\$2,409,222
1970	384	1,615,253	169,867	1,445,386	217,500	1,227,886
1971	243	976,063	407,722	568,341	0	568,341
1972	207	628,794	13,714	615,080	0	615,080
1973	325	1,125,564	162,956	962,608	427,608	535,000
1974	316	1,760,515	30,949	1,729,566	358,561	1,371,005
1975	207	1,388,856	795,017	593,839	0	593,839
1976	212	942,165	367,566	574,599	0	574,599
1977	193	1,126,006	273,672	852,334	0	852,334
LaGuardia:						
1969	28	85,865	2,799	83,066	0	83,066
1970	17	45,056	14,150	30,906	0	30,906
1971	38	143,028	300	142,728	0	142,728
1972	18	91,643	48,000	43,643	0	43,643
1973	24	131,205	500	130,705	0	130,705
1974	23	48,195	130	48,065	0	48,065
1975	10	24,850	10,000	14,850	0	14,850
1976	10	49,100	38,000	11,100	0	11,100
1977	7	11,850	8,000	3,850	0	3,850
Newark:						
1969	46	238,278	426	237,852	0	237,852
1970	50	353,728	1,050	352,678	193,480	164,198
1971	30	11,314	50	11,264	0	11,264
1972	27	12,608	200	12,408	0	12,408
1973	53	140,426	1,615	138,811	0	138,811
1974	52	84,440	1,960	82,534	0	82,534
1975	36	60,884	90	60,794	0	60,794
1976	35	45,169	1,121	44,048	0	44,048
1977	42	89,450	3,214	86,235	0	86,235
3 airport total:						
1969	619	4,241,374	533,139	3,708,235	978,095	2,730,140
1970	451	2,019,037	185,067	1,833,970	410,980	1,422,990
1971	311	1,130,405	408,072	722,333	0	722,333
1972	252	733,045	61,914	671,131	0	671,131
1973	402	1,397,195	165,071	1,232,124	427,608	804,516
1974	391	1,893,150	32,985	1,860,165	358,561	1,501,604
1975	253	1,474,590	805,107	669,482	0	669,482
1976	257	1,036,434	406,687	629,747	0	629,747
1977	242	1,227,306	284,886	942,420	0	942,420

	Net thefts	Value of tonnage	Loss ratio ¹ (percent)
3 airport total loss ratio:			
1969	\$3,708,235	\$11,655,000,000	0.032
1970	1,833,970	10,699,000,000	.017
1971	722,333	12,263,000,000	.006
1972	671,131	13,184,382,000	.005
1973	1,232,124	14,600,000,000	.008
1974	1,860,165	18,000,000,000	.011
1975	669,483	22,000,000,000	.003
1976	629,747	24,000,000,000	.003
1977	942,420	29,000,000,000	.003

¹ Represents the percentage of cargo hauled which is lost to theft. Value of tonnage is estimate based on data from Port Authority of New York and New Jersey.

SUPPLEMENTARY STATEMENT OF EDWARD J. MCGOWAN, EXECUTIVE DIRECTOR, AIRPORT SECURITY COUNCIL

In view of the wide-ranging extemporaneous comments and discussion at the Kennedy Airport hearings of October 24, 1978, I am accepting Congressman Wolff's gracious offer to submit a supplemental statement formalizing some of this commentary.

The hearing served the useful purpose of demonstrating how complex and tenacious the problem of drug abuse is, especially that portion relating to smuggling narcotics into the United States.

The testimony established, that faced with the sophisticated ingenuity of drug smugglers abroad and the comparative ease of making contraband appear to be part of the tons of legitimate cargo imported into the United States, our enforcement agencies' needs in funds and manpower must be increased commensurately with their workload. This is confirmed by the experience of the recent past at Miami International Airport, where a concentration of enforcement strength deterred and may have diverted the flow of smuggled drugs moving through this facility.

The concern now is, that finding themselves impeded at Miami, international drug smugglers might turn to Kennedy Airport as an alternative route to the United States. In this connection, a number of points arose at the hearing, which we did not cover in our written submission. This supplemental data, therefore, will be of value to the Committee in completing its study.

The natural temptation arose to speculate that any drug traffic we have is a product of "organized crime". There was no documentation of organized crime presence at Kennedy Airport, but some speculation of this nature. Organized crime presence at Kennedy Airport has been similarly suggested in the past with figures operating on the periphery of the airport in the trucking industry. However, in actual fact, no known "organized crime" figure has been proven in court to have participated in any major crime at the airport.

The script of a CBS-TV documentary on crime at Kennedy Airport was cited as a source of proof of organized crime presence at the facility. This script was derived from arrests made in March 1978. Much ado was made, in the press and on television, about nine men charged with an alleged "million-dollar" theft of air cargo from Kennedy Airport. The actual truth was that a small quantity of guitars, jackets and electronic parts constituted air cargo that was stolen. These items were not stolen from Kennedy Airport itself, nor from the hands of any airline, but rather from an off-airport trucker. The "million-dollar" item in the loot consisted of blank stock certificates, stolen in Manhattan, which were never part of air cargo in any manner.

Since Committee questions attributed some credibility to the CBS text, we want you to know that the Airport Security Council has made a detailed study of this case and the allegations in the CBS script. No credible data was adduced in this study to substantiate either the allegations that the thefts occurred at Kennedy or that organized crime has a presence at this airport. A copy of this Airport Security Council study is attached for your review.

Questions were raised as to the defenses of Kennedy Airport and the airlines against theft of cargo. It was suggested that more guards, stronger locks and higher fences would somehow control thefts better and thus deter illicit flow of narcotics. More intensive scrutiny of new employees to prevent "insiders" from participating in efforts to smuggle was suggested.

As to new employee scrutiny, we agreed with the staff, pointing out that state laws and federal regulations deterred airlines from conducting checks in several very revealing areas. We asked that the Committee look into this area and help transportation companies to gain as banks have the capability of checking criminal records in certain instances.

With regard to cargo theft, which is a moderate problem at Kennedy, we pointed out that our security programs are effective. It must be recognized, however, that defenses against cargo thieves may not suffice to deal with sophisticated smugglers, who may hope to defeat the Customs inspection program of spot-checking cargo shipments. It is conceivable that good security for legitimate merchandise also protects contraband and the "profit" that the smuggler anticipates for his crime.

The real solution to the problem of drug smuggling is to intensify the efforts of law enforcement, by means of greater funding and manpower, especially in the intelligence area, to detect and seize contraband. The airlines and their professional staffs at Kennedy Airport will continue to cooperate wholeheartedly with all programs to stem illegal narcotics traffic. This we have done all along.

In the midst of the speculation about what might be smuggled at Kennedy Airport, and the lack of true factual data on that subject, one hopeful positive measure of truth was mentioned at the hearing. This is the disclosure, by the Federal government's Institute on Drug Abuse, that heroin deaths dropped by fifty percent in 1977 and heroin addiction by twenty-five percent. This, we submit, proves that the work of this Committee and enforcement agencies is making genuine progress. The air industry is glad to support and contribute to this valuable effort to reduce narcotics traffic.

RESPONSE BY THE AIR INDUSTRY TO ATTACKS BY THE QUEENS DISTRICT ATTORNEY

Since his appointment as District Attorney of Queens County in January, 1977, Mr. John Santucci has on several occasions made derogatory public statements about crime conditions at Kennedy Airport. Statements to the news media pertaining to cargo matters particularly, have been erroneous and misleading.

He has said the airport and its air cargo industry are centers of "organized crime activity". He has claimed that "millions of dollars" in merchandise is lost each year to thieves; that airlines and insurance companies "conspire" to conceal thefts, passing the costs of loss to the public in the form of higher prices; and that these conditions can exist only because law enforcement "blinks an eye" or "covers up" crime.

These charges were accentuated in March and May, 1978, in the wake of the arrest of nine men for alleged possession of stolen air cargo in an off-airport freight forwarding operation near Kennedy Airport. The District Attorney's news release tended to make an alleged "cover-up" of these cases appear to be a concerted activity of the entire air cargo industry, including the airlines.

The truth is that, far from covering up losses or conspiring to conceal thefts, the airlines at Kennedy Airport have been diligently engaged for the past ten years in a professional crime prevention program designed to reduce cargo thefts. Their efforts are recognized nationally in the crime prevention field as effective and productive. The combined work of law enforcement, government and industry in reducing cargo thefts has brought Kennedy Airport recognition as a leader in crime prevention.

When crime occurs, objective reporting is legitimate news and a legitimate service to the public. However, inflammatory releases and announcements designed mainly to attract personal recognition serve only the source of the statements and the news media.

Sensational comments by a District Attorney, even though not factual, tend to be believed by the public, including in this case, people who would ship goods by air. Such statements hurt the economy of the air industry.

The air transportation industry, the largest employer in the Queens/Nassau area, obviously must be concerned with its reputation. The airlines are working diligently to prevent crime. They need the cooperation of the law enforcement and criminal justice community to succeed in this endeavor. Harassment of the industry by a public official for his own purpose may be gratifying to him personally, in terms of news headlines, but it injures business and does nothing to prevent crime.

District Attorney Santucci aired his accusations without documentation, until the arrests announced in March. Even then, while adding names of defendants, little more than general information was revealed, none of which proved to relate to on-airport crime, as he so badly inferred.

If there is actual cover-up of airport crime by industry and airport authorities, Airport Security Council members are anxious to have the responsible parties exposed. Mr. Santucci has refused to acknowledge repeated requests by the Council for specific data on the matter, while at the same time releasing voluminous misleading data for presentation in the press, on TV and radio. This failure in communication, preventing any corrective action by industry and airport authorities, makes it necessary to seek elsewhere for answers to the allegations Mr. Santucci has raised.

Facts available at this time indicate to us that the District Attorney, acting under the colors of his office, has made his statements without concern for accuracy or for the effect on the economic well-being of an industry which is part of his constituency. This we see as serious malfeasance by a public official.

Specifically inflammatory accusations by the District Attorney and rebuttal data appear in the following:

PRESS RELEASE OF MARCH 31, 1978 AND INDICTMENTS

"Queens District Attorney John J. Santucci today announced that a seven-month undercover investigation by his office into hijacking and related criminal activities in and around John F. Kennedy Airport has resulted in the indictment and arrest of nine men—including a police detective—and the smashing of an alleged fencing operation dealing in stolen airline cargo and stock certificates worth millions of dollars".

The official indictments, filed in court, made no mention of hijacking, robbery, theft or even petty larceny against any of the nine defendants.

Granted, possession of stolen goods presupposes larceny; but there is no actual charge filed of goods stolen from the airport or from the custody of an airline.

"As a result of this investigation literally hundreds of thousands of dollars worth of stolen goods were traced, much of which was recovered, along with stolen negotiable securities whose potential value ran into the millions of dollars," said District Attorney Santucci.

The securities were blank certificates. They would have to be completed by thieves in such a way as to deceive financial authorities, in order to be negotiable. They were stolen in Manhattan from a railroad office and never constituted air cargo.

Wherever they may have been traced, and/or recovered, none of the stolen goods was taken from the airport nor from an airline. The recovered goods were gained in a buy-back operation instigated by Santucci's staff.

"This investigation, conducted by my Rackets Bureau and DA Detectives Squad, was carried out without benefit of special funding or an extensive multi-agency task force, but nevertheless uncovered a vast amount of thievery material and a variety of activities as alleged in the indictments," Santucci said.

The identified "material" which was recovered from thieves consisted of: 9 guitars, small quantities of radio parts, stereo and electronic equipment, 1 camera, 2 jackets, a night-vision scope, small quantities of radios, scanners, alarm systems, tape recorders, a bullet-proof vest, a telephone "debugging" device, 9 blank stock certificates, two of which were allegedly completed by defendants, and 100 interest coupons from bonds.

The "variety of activities" alleged in the indictments were: criminal possession of stolen property, criminal possession of forged instruments, conspiracy.

"My investigation is continuing and more arrests can be expected. I believe we have touched but the tip of the iceberg and that a massive law enforcement effort, adequately funded, must be mounted to do the job of ridding the airport scene of criminal element."

Santucci's predecessor as Queens District Attorney opened a branch at Kennedy Airport, enjoying free rent in an airline's terminal, in January, 1975. In the months that followed, the operation resulted in the arrest of a man for alleged loan-sharking. By November of the same year the office was gone.

"The thefts in which we had recovered property were not reported to us as thefts and perhaps would never have been reported."

Thefts from the victim, an air freight forwarder in Queens, were reported to the FBI, according to the company's manager of cargo claims. Furthermore, in a buy-back operation the authorities usually are first to know of a loss, since they usually buy the stolen goods from truckmen moving the goods, as in Santucci's operation.

Santucci's staff alleges that his accusation of unreported cargo crimes at the airport results from his conclusion that the volume of goods moved at the airport is huge (approximately \$29 billion in value in 1977) and the goods reported lost (\$852,000 in value in 1977) is small; hence, he suspects that thefts are not reported.

"According to the allegations," Santucci said, "VGS Delivery Service, in addition to conducting legitimate business at its premises, a one-story commercial brick structure, also served as a depot and fencing center for goods stolen from a number of airlines."

This company office was not on Kennedy Airport. None of the stolen goods allegedly "fenced" there came from the custody of any airline or on-airport operation.

"The stolen goods which allegedly were fenced through VGS in the person of Scafo and others who were employed at VGS included electronic shipment, photographic gear, clothing, audio entertainment equipment, and musical instruments."

"Among the more unusual allegedly offered for sale—some of which were purchased by the undercover agent posing as a buyer of stolen goods—included telephone "de-bugging" devices, infrared nightscopes, bulletproof vest, police radio scanners, radar detectors, concealable tape recorders, spyglasses, and electronic paging devices."

All of these are classes of goods which move in all modes of transportation as "general cargo". No really valuable freight, such as the airlines classify as "articles of extraordinary value", was allegedly gained by thieves.

TELEVISION SHOW OF MAY 2, 1978

Santucci, utilizing this case as the basis for his accusations, appeared on a 30-minute Channel 2 TV show, May 2, 1978, and declared there were millions of dollars in goods stolen through organized crime operations at Kennedy Airport. He said that airport authorities, airlines and insurance companies "cover up" losses, to conceal them, ostensibly because it is a cost-free means of doing business to charge losses to insurance. He, and apparently the program moderator, Chris Borgen, displayed undercover agents, one of whom alleged that he stole goods regularly at the airport in his six years of employment there since his prison release. This man claimed he knew 50 ex-convicts who bought jobs at the airport and stole goods regularly.

Mr. Santucci's staff subsequently stated they had no data concerning the alleged ex-convicts working at the airport and had made no investigation of this matter, since they felt the data was "dated" and that the speaker was not an airport employee, even though it was so indicated in the program.

District Attorney Santucci: "... one of the first things I did was have a meeting with airport officials who ... began to assure me ... that there is no crime at Kennedy Airport ..."

None of the airline and law enforcement officials assured this man that "there is no crime" at Kennedy Airport. They did advise him that loss of cargo to thieves is at an historically low level. The whole truth has repeatedly been made available to him, but his public statements ignore the truth.

Santucci again: "You have a company who's engaged in freight shipping—transporting. They will pick up a cargo from the manufacturer, take it to the airport ... Somewhere along the line that truckload of cargo is lost ... Is it lost in the loading or is it lost thereafter? Frequently, we believe that it may be lost at the airport or on the way to the airport, but it is reported as being stolen or lost or missing at its destination. This corrects the statistics here in New York."

Even if this were true, the opposite would be true also. That is, shipments lost in flight to Kennedy Airport would be missed here and reported lost here. That would more than correct any imbalance, because the airport handles more import cargo than export. Actually records permit a more precise measure of the missing. Any merchandise known to be in the hands of an airline at the airport and unaccountable thereafter while in airline custody is required to be included in loss reports made to airport authorities when it exceeds \$100 in value.

It should not be inferred that airlines are responsible when "on the way to the airport" or "somewhere along the line that truckload of cargo is lost", unless the shipment is in airline custody. Airline security is applicable to goods while under airline control. Obviously an airline cannot protect a shipment while it is in possession of a shipper or consignee or some other mode in the transportation chain, any more than Mr. Santucci can be responsible for investigating crimes committed outside Queens County.

Santucci again: "We found out, through the use of various investigative means, that there was a significant amount of theft taking place at the cargo loading platforms at the airport ... We bought cameras, jackets, guitars ... because it's for sale at the airport ..."

The theft was committed, and the stolen property recovered, outside Kennedy Airport, not "at the cargo loading platforms at the airport."

Again Santucci: "... We found in addition to these items that there were more sophisticated things being made available at the airport ... We were able to buy in excess of a million dollars worth of stock certificates in the Union Pacific Company."

Blank certificates, capable of being completed in the guise of securities, were stolen in Manhattan from a railroad company and were never part of an air cargo movement. Only by ascribing a kited value to this paper, and inferring that it was the product of an airport theft, was Santucci able to generate media exposure favorable to the pursuit of his political ambitions.

Santucci again: "The insurance companies reimburse, but ... it's not reported to the police ... the companies don't even ask the manufacturer or shipper to produce proof of police report."

Santucci has been told, but neglected to disclose, that most airlines are self-insured and absorb their cargo loss costs internally, hence losses are

deducted from profits. When a loss of freight in airline custody is discovered by an airline, the airline reports to the police and the FBI. If the missing merchandise is under bond, U.S. Customs must be notified, by regulation.

Insurance companies, where they do have liability, do not pay simply on request. They require documents proving the existence and value of the goods, and the fact of loss. They also require the owner of goods to file a claim against the airlines or other transportation company.

Again Santucci: "I don't think that we can have this organized crime activity at the airport, if law enforcement did not blink an eye or cover up . . ."

This is a series of misstatements. Collusion by two employees to cheat their employer's customers does not constitute "organized crime". Stealing from a warehouse on Merrick Boulevard is not "at the airport". Stealing blank certificates from an office in Manhattan is not "at the airport". Airport law enforcement cannot be accused of "blinking an eye" or "covering up" crime that occurs beyond its area of operations. Off-airport losses are reported to city police and reflected in their statistics, rather than in airport police statistics.

Santucci once more: "If the airlines were to report their lost cargo, if the shippers were to report what's missing from factory . . . to destination . . . If they all did what good citizens are supposed to do, we would not have this problem."

He infers that off-airport losses should be reported in airport statistics. This is a false premise. He did not mention checking police data sources. We must presume he didn't bother. His "missing" data was probably available, had he taken the trouble to seek it.

Santucci said further: "They are conspiring somehow to keep this information from the public, to pass the cost on for whatever is lost to that same public, at the same time keep their appearance looking as if they are unsullied and unsoiled."

Conspiracy is a very serious accusation. Actually, the Air Transport Association and the Civil Aeronautics Board make public every dollar charged against all the airlines of America for failure to deliver cargo safely. Although the amount of freight carried has been rising through the decade, the cost of loss has been dropping. By 1977 the cost was 65 cents for every \$100 of charges paid by the public for air service, down from \$1.88 in 1970. And less than half of that 65 cents is chargeable to missing cargo; the rest is attributable to damage or delay.

Mr. Santucci's ignorance of air cargo matters appears to exceed his factual findings considerably.

RADIO PROGRAM OF MAY 31, 1978

Santucci in a TV program of May 31, 1978, referring to Kennedy Airport, said: "I have the judgment that crime is not only well on its way there, that if it's not controlled, if we don't do something about it immediately, it will grow to such proportions that it will be totally impossible to control. It's impossible to be in that airport, out in that reservation without becoming a victim of the other thieves in the airport without becoming involved in the gambling mess that takes place out there, without getting into the loansharks. And those who do work out there, who do become involved with the loansharks ultimately steal to pay their debts or they steal in order to be relieved of repayment of debts. And this grows and grows to the point where those who work at the airport notify those who would hijack a cargo that a particular cargo is there, that it is being moved, and that theft runs into the millions of dollars and perhaps into hundreds of millions of dollars."

In the eighteen months he has been in office, Santucci has not announced any arrests for loan-sharking at Kennedy Airport. Airport industry and law enforcement are zealous in prosecuting offenders, through Santucci's office when appropriate, thus rendering the airport a high-risk area for criminals. For instance, in the last 18 months three of the tens of thousands of trucks on the roads in Queens, serving the airport, have been hijacked. One of these crimes was solved by the New York Police Department, and the merchandise recovered. Another was solved by the FBI and the New York Police and is under prosecution in Federal Court.

Airlines must take the blame when shipments are lost through their own shortcomings. They should not be criticized for anyone else's failures.

Mr. Santucci has never come to airport authorities or industry with data about the crime and criminals he describes. If he has such data, he has a sworn duty to impart it to appropriate authorities.

The whole truth is that the airlines, with the support and advice of experienced law enforcement officers, have made Kennedy Airport a model of security. Losses of cargo to thieves within the airport are at a historically low level. This can readily be verified by shippers, importers and insurance underwriters.

The dramatic success at Kennedy in reducing thefts has inspired emulation at other airports throughout the world. It is the opinion of the Airport Security Council that Mr. Santucci's charges of a cover-up by law enforcement authorities and industry at Kennedy Airport, to benefit organized crime, must be investigated by responsible authorities. If Santucci is correct, the offenders should be exposed, named and charged with their malfeasance.

If, contrary wise, Mr. Santucci is publishing fictional embellishments to gain personal publicity and political recognition, this misconduct, damaging to industry and the economy of Queens County, must too be dealt with.

[From the New York Daily News, Fri., Mar. 31, 1978]

INDICT NINE IN JFK THEFTS—DA BLASTS "COVERUP"

(By Thomas Pugh and Arthur Mulligan)

Nine men, including a city detective, were under indictment in Queens yesterday on charges of criminal possession of millions of dollars of property stolen from shipments at Kennedy Airport.

Queens District Attorney John Santucci, who announced the indictments, angrily blasted the corruption at Kennedy and the way he said it is "covered up."

"We have been told that there is no crime at Kennedy Airport," he said. "I don't know if the insurance companies are winking an eye at this but I have up to a million shares of unreported stolen Union Pacific Corp., stock certificates that currently sell at \$42 a share."

Santucci said that most of the wholesale thefts of cameras, hi-fis, radios, stock certificates and a variety of other items were never reported to his office or the police. He said that the victimized companies "are being reimbursed by the insurance companies and everybody in our society pays for it."

He said that a number of gangland-style slayings in recent days were tied to the airport activity. He also said that his undercover agents, who conducted a seven-month investigation into the theft and fencing operation, had run into jurisdictional disputes with the FBI.

"They (the FBI) are part of the group telling me that there's no crime at the airport," he said.

"At Kennedy Airport, you name it and we can buy it because it's for sale at the airport," Santucci declared. "Members of my Rackets Bureau and Detective Squad were able to purchase anything, sometimes at 10% of its value."

The district attorney said that the investigation is continuing and that there will be more indictments.

He described the headquarters of the alleged fencing operation as a one-story brick structure at 153-33-A Rockaway Blvd., Jamaica, just outside of the airport grounds. The building is occupied by a luggage transportation company called V.G.S. The initials stand for Very Good Service. Four of those arrested were employed by the company.

The indicted detective was identified as Patrick Santoli, 36, of Holbrook, L.I., assigned to the Auto Crime Squad. He was suspended following the indictment. Santucci said his alleged operations as part of the ring were not connected with his police work.

Santucci said that Union Pacific did not know of the stock certificate thefts until informed by his office that they were for sale in the underground market and that Union Pacific contributed \$10,000 to help his undercover men buy them back. He said Minolta Camera Co. also contributed \$10,000 to the probe.

[From the New York Times, Fri., Mar. 31, 1973]

NINE INDICTED IN "MASSIVE" KENNEDY THEFTS—SANTUCCI CHARGES "COVER-UP" AT AIRPORT

(By Pranay Gupte)

Nine men, including a New York City police detective, were indicted yesterday by a grand jury in Queens on charges of hijacking millions of dollars worth of cargo and stock certificates at Kennedy International Airport and selling them. The Queens District Attorney described the hijacking and sale as a "massive operation."

At a conference at his office in the Queens Criminal Court Building, the District Attorney, John J. Santucci, accused various law enforcement agencies, including the Federal Bureau of Investigation, as well as airlines, of non-cooperation in his investigation.

Mr. Santucci said these organizations had been, in effect, deceptive in "repeatedly" telling his office that there was "no crime at the airport."

"We believe there are efforts being made at the airport to cover up—whether for public-relations reasons or what, I don't know," the prosecutor said.

"We've had difficulty with the F.B.I.," he continued. "What concerns me greatly is that at every meeting we're told that Kennedy Airport is a 'Garden of Eden.' Nobody cooperates in these investigations. If I want to fandango, I go to a dance, not to meetings with these law enforcement officials."

A spokesman for the Federal Bureau of Investigation, when informed about Mr. Santucci's remarks, said that there would be no immediate response from his agency. But other bureau officials pointed out that the agency maintained a permanent staff of a dozen agents to monitor criminal activities at Kennedy Airport and that several arrests had been made over the last few years as a result of these agents' efforts.

Asked what he thought was behind the bureau's alleged noncooperation, Mr. Santucci shrugged.

He said that perhaps the bureau was "jealous" of other law enforcement authorities, such as his office. "The F.B.I. is part of a group telling me that there's no crime at Kennedy Airport," he said. "I don't know why."

Mr. Santucci then accused airline shipping concerns and labor unions of "conspiracy and collusion" and said that in many instances shipping concerns, manufacturers and various airlines handling cargo failed to report thefts.

Thefts Not Reported

"They only report it to their insurance companies, which pay them, and everybody knows that the consumer pays with higher rates," he said. "Somewhere along the line, people find it profitable not to report thefts."

"There is something strange about these proceedings," Mr. Santucci said.

The prosecutor said that yesterday's indictments of the nine men stemmed from a seven-month undercover investigation by his office. He said that members of his staff had been able to buy, for 10 percent of the market value, such goods as radios, stereos and tape recorders, cameras, bullet-proof vests, telephone "debugging" gadgets and musical instruments.

The police detective who was indicted by the grand jury was identified as Patrick Santoli, 36 years old, of Holbrook, L.I. He had been assigned to the Police Department's automobile crime unit, and the indictment accused him of possessing and using an unnamed device that had been stolen from the airport.

The other accused men were Joseph F. Scaffo, 39, of Woodhaven, Queens, a delivery manager for V.G.S. Delivery Service of Queens, whose office allegedly served as a "fencing center" for the stolen goods, according to Mr. Santucci; Pasquale Rainone, 35, of Brooklyn, a truck driver; John Sadowski, 28, also of Brooklyn, a dispatcher for V.G.S. Delivery Service.

Also, Jerome A. Lowry, 49, of Ridgewood, Queens, a driver for the delivery concern; Douglas Grady, 51, of Rockaway, Queens, a truck driver for Amerford Air Freight; Salvatore Scala, 44, of Brooklyn, head loading-dock foreman for Amerford; Pasquale Cocco, 48, of Ozone Park, Queens, night manager for the delivery service, and Terence O'Neil, 37, of Howard Beach, Queens, a data-processing operator with the Union Pacific Corporation.

[From the New York Post, Sat., Mar. 26, 1977]

QUEENS DA SEEKS JFK UNIT

(By Marsha Kranes)

Funds for a special bureau to investigate criminal activity at Kennedy Airport are being sought by the Queens District Attorney's office.

Calling Kennedy "a haven for organized crime," DA John J. Santucci said he believed a 15- or 20-member bureau with offices at Kennedy could make a significant dent in crime there and at La Guardia and save millions of dollars. He said much of the crime is unreported cargo thefts.

In addition, there is loansharking, hijacking and narcotics, Santucci said, and "a great deal of prostitution, gambling and bookmaking, all related to organized crime," at Kennedy.

Santucci has already been promised free space in an airport hangar by the Port Authority. And he has \$100,000—obtained but never used by his predecessor, Nicholas Ferraro—for the project.

He's now seeking \$250,000 in state or federal funding to supplement the \$100,000, which was granted by the state Dept. of Criminal Justice. The airport office will open if he gets that money.

Noting that 5000-acre Kennedy makes up "a large part of Queens, it's a city of sorts," the DA noted that a member of investigative agencies already have offices at the airport. They include the FBI, the U.S. Attorney, Immigration, Customs, the Post Office, the Drug Enforcement Administration, the Port Authority and several airlines' security offices.

"We're not interested in duplicating their functions," said Santucci. "We'd like to help coordinate their activities and make some sense out of the contradictory and confusing information we receive from them."

He said that "these agencies claim there is very little airport crime, that reports of crime are grossly exaggerated." But his own staff's reports "show significant crime."

Santucci's bid to curb mob infiltration of the airports is not the first such move by a Queens DA.

In the summer of 1971, Thomas Mackell set up an Organized Crime and Rackets Bureau aimed at cracking down on loan sharking, cargo hijacking and short-weighting of freight at Kennedy Airport.

The bureau was shortlived, and federal law enforcement officials at the time questioned its effectiveness.

"SHORTAGES"

Three years later, then-DA Nicholas Ferraro established a Queens Task Force to investigate rising airport thefts and mob impact in the cargo terminals.

According to Santucci, "the lost cargoes alone are in the millions; it's costing the taxpayer and the consumer a lot."

He said that there is now "no fixed system for reporting crime statistics at or related to the airport." One reason, he said, is "the airlines' reluctance to report thefts. They refer to them as 'shortages.' If they called them thefts, they'd have to publish them, and a high theft rate would hurt their sales."

Since most losses are insured, "the way they're reported is unimportant to the airlines," he said.

Santucci said he didn't consider his plans to open and also handle La Guardia and Flushing Airports—an intrusion on the other investigatory agencies' domain. "The DA is the chief law enforcement officer in the county. They've all offered to cooperate," he said.

[District Attorney of Queens County news release]

DISTRICT ATTORNEY SANTUCCI PROBE AT JFK NETS NINE MEN IN ALLEGED MULTIMILLION-DOLLAR FENCING RING

Queens District Attorney John J. Santucci today announced that a seven-month undercover investigation by his office into hijacking and related criminal activities in and around J. F. Kennedy Airport has resulted in the indictment and arrest of nine men—including a police detective—and the smashing of an alleged fencing operation dealing in stolen airline cargo and stock certificates worth millions of dollars.

"As a result of this investigation literally hundreds of thousands of dollars worth of stolen goods were traced, much of which was recovered, along with stolen negotiable securities whose potential value ran into the millions of dollars," said District Attorney Santucci.

"This investigation, conducted by my Rackets Bureau and DA Detective Squad, was carried out without benefit of special funding or an extensive multi-agency task force, but nevertheless uncovered a vast amount of thievery material and a variety of activities as alleged in the indictments," Santucci said.

"My investigation is continuing and more arrests can be expected. I believe we have touched but the tip of the iceberg and that a massive law enforcement effort, adequately funded, must be mounted to do the job of ridding the airport scene of the criminal element.

"The thefts in which we had recovered property were not reported to us as thefts and perhaps would never have been reported. The cost of lost cargo would merely be passed on to the consuming public in the form of increased prices. It is obvious that the larceny here is not only from manufacturers and shippers but it extends to everyone who is a potential buyer."

The investigation was conducted by Santucci's Rackets Bureau, in particular ADAs Victor Hakim, Allen Cohen and George Heymann and the DA's Detective Squad members under the direction of Lt. Remo Franceschini.

Santucci said his office's investigation began last September with the placement of an undercover detective close to the scene of activity under investigation.

As * * * private personal luggage handling service firm, Very Good Service, at 153—33A Rockaway Blvd., Jamaica, managed by Joseph Scafo.

According to the allegations, Santucci said, VGS Delivery Service, in addition to conducting legitimate business at its premises, a one-story commercial brick structure, also served as a depot and fencing center for goods stolen from a number of airlines.

The stolen goods which allegedly were fenced through VGS in the person of Scafo and others who were employed at VGS included electronic equipment, photographic gear, clothing, audio entertainment equipment, and musical instruments.

Among the more unusual items allegedly offered for sale—some of which were purchased by the undercover agent posing as a buyer of stolen goods—included telephone "de-bugging" devices, infrared nightscopes, bulletproof vests, police radio scanners, radar detectors, concealable tape recorders, spyglasses, and electronic paging devices.

The detective-defendant, Patrick Santolli, is assigned to the auto crime unit of the Police Department. He is accused of possessing one of the stolen devices after supposedly using it.

Another defendant, Salvatore Scala, the head loading dock foreman with an air freight company, is accused in connection with the stolen de-bugging devices and other stolen items in the field of electronic detection equipment. (Names of all defendants and charges are appended)

Charges against the defendants vary in individual cases. They include criminal possession of stolen property and forged instruments as felonies, and misdemeanor charges of conspiracy and related offenses.

In the course of the investigation, the undercover agent was afforded the opportunity to purchase 2 negotiable stock certificates of the 10 stolen in early 1978 from the Union Pacific Corp. Each certificate was in blank and any number of shares up to one million could be entered as the denomination. Since the company's stock was trading at the time in the area of \$42 a share, each of the certificates had a potential value of up to about \$42 million.

Santucci said that two certificates with a combined value of \$104,000 were purchased by the undercover agent for \$10,000, according to the allegations. The DA stressed that all of the certificates ultimately were recovered and accounted for with the cooperation of the Union Pacific * * *.

Joseph F. Scafo, 39, of 90-15 84th St., Woodhaven; a delivery service manager for V.G.S. Delivery Service, charged with criminal possession of a forged instrument, first degree; six counts of criminal possession stolen property, 1st degree; conspiracy second degree, criminal possession stolen property, 2nd degree; criminal possession stolen property, third degree, and three counts of conspiracy in the third degree.

Pasquale Rainone, 35, of 686 East 78th St., Brooklyn, truck driver charged with criminal possession of a forged instrument, first degree; five counts of criminal

possession stolen property, 1st degree; conspiracy, 2nd degree; criminal possession stolen property, second degree; criminal possession stolen property, third degree; and two counts of conspiracy, third degree.

John Sadowski, 28, 230 Kingsland Ave., Brooklyn, dispatcher for V.G.S. Delivery Service, Inc., charged with criminal possession forged instruments, 1st degree; four counts of criminal possession stolen property, 1st degree; criminal possession stolen property, 2nd degree; conspiracy, 2nd degree; criminal possession stolen property, 3rd degree; and conspiracy, 3rd degree.

Jerome A. Lowry, 49, of 1679 Palmetto Street, Ridgewood, V.G.S. Delivery Service driver, charged with criminal possession of a forged instrument in the first degree; criminal possession of stolen property, first degree; and conspiracy in the second degree.

Douglas Grady, 51, of 323 Beach 88th St., Rockaway, truck driver for Amerford Air Freight, and

Salvatore Scala, 44, of 1310 Pennsylvania Ave., Brooklyn, head loading dock foreman for Amerford Air Freight, both of whom are charged with criminal possession stolen property, first degree and conspiracy in the third degree.

Pasquale Cocco, 48, of 75-05 97th Ave., Ozone Park, night manager for V.G.S. Delivery Service, is charged with criminal possession of stolen property, 1st degree; criminal possession of stolen property, 2nd degree and conspiracy, 3rd degree.

Terrence O'Neil, 37, of 164-42 97th St., Howard Beach, a data processing operator with Union Pacific Corp., is charged with criminal possession of a forged instrument, 1st degree; criminal possession of stolen property, 1st degree; conspiracy, 2nd degree, and criminal possession of stolen property, 3rd degree.

PROGRAM : EYE ON, WCBS TV, MAY 2, 1978, NEW YORK CITY

FULL TEXT

CHRIS BORGEN. On Thursday night, March 29th, approximately five hundred people were arrested in this city. Of these, nine were arrested in Queens. The nine men included a New York City detective, arrested as part of a multi-million dollar fencing ring. The men allegedly deal in stolen air cargo from Kennedy Airport.

But Kennedy Airport officials insist that crimes like this never happened.

John F. Kennedy Airport, the world's largest cargo center, where forty-five thousand people go to work each day. Last year, gems, clothing, securities, furs, cameras and other assorted cargo, valued at 29 billion dollars passed through these gates.

Airline and airport officials at Kennedy claimed air cargo thefts amounted to only a fraction of one percent, but others, including the Queens District Attorney say, no, just not true. There's a coverup. They allege millions of dollars worth of cargo are stolen each year, most of it by organized crime.

In this broadcast, Channel Two News Eye On investigates crime at Kennedy Airport.

(Visual.)

BORGEN. John F. Kennedy Airport, center of the air cargo industry, where eighty million dollars worth of freight pass through each day. But it has been charged much of this cargo finds its way into the hands of organized crime. For most airlines, shippers and retailers, the theft of this cargo becomes part of the cost of doing business. No one deny that ten years ago Kennedy Airport was open city for organized crime. Profits from cargo and mail theft, hijacking, loan sharking and gambling were divided up among the five New York crime families, Luchese, Genovese, Columbo, Milano, and the family of Don Carlo Gambino, the boss of bosses.

And thousands of cargo handlers and truck drivers were tightly controlled by teamster boss Harry Davidoff, a man identified by the State Commission of Investigation as the one time associate of Murder, Incorporated. But today, airline and law enforcement officials at Kennedy say things have been cleaned up. In the late 60s, forty-two airlines formed the Airport Security Council, to coordinate crime prevention efforts. They claim that through containerization of cargo, hard nose prosecution, and better security procedures, Kennedy crime and cargo theft has been cut by more than 80 percent. However, the Queens District Attorney's office maintain that the low theft figures cited by the airlines are mis-

leading. Pointing out, they do not include theft of air cargo being carried to and from the airport. Nor, do they include thefts of baggage, or thefts of cargo from air freight buildings just outside the perimeter of the airport.

Eye On spoke with Queens District Attorney John Santucci.

JOHN SANTUCCI. * * * Back to my early days at DA, one of the first things I did was have a meeting with airport officials. We sat around a luncheon table and began to issue, one by one, that there is no crime at Kennedy Airport, and in their words, crime at Kennedy Airport is something that newsmen like to play upon every once in a while because it makes headlines. And the airlines don't want that. The airlines want reputations of being impeccably pure. Now they want to be able to sell their service to the business community, and they coverup.

BORGEN. While there are sixteen different law enforcement agencies at Kennedy Airport, the New York City Police Department does not maintain a presence (?) at the airport itself. Major law enforcement responsibility rests with the Port Authority Police, two hundred and seventy uniformed men, with seventy additional private security guards. They patrol roadways and exits, but can only enter airline cargo buildings if requested.

Port Authority officials are adamant: Extensive cargo theft at Kennedy is a thing of the past.

MAN. The figures of our theft was—the final analysis was something like slightly less than nine hundred thousand dollars. The explanation from most of the airlines and the ATA, as everybody indicates, that eighty-five percent of the thefts are generally from employees. And not organized crime. You throw organized crime into this ballpark—I don't think we have any.

BORGEN. He was asked about the other fifteen percent.

MAN. It happens I have people coming in.

BORGEN. Was he saying there was no organized crime?

MAN. Yes; I'll say it. No organized crime at the airport.

BORGEN. Our judgment (?) says you're able to walk around the airport now.

Jojo Jones is an associate of an organized crime family. A four-time loser who has spent half his life in jail. Kidnapping, burglary, armed robbery. For the past six years, Jojo has worked at Kennedy Airport.

MAN. Every year, how much do you take off (?) at the airport?

JOJO. Try (?) money.

MAN. It's true?

JOJO. Yeah. Maybe thirty thousand.

MAN. Thirty thousand that's in your pocket?

JOJO. Oh, of course. Okay.

MAN. So if you take off thirty thousand for yourself, how much do you take off for the mob, do you take off for the—

JOJO. Oh, I forget it. I couldn't count.

MAN. I can try. Give me—try (GARBLED) the ballpark now.

JOJO. Well, without me, now, you understand, the mob couldn't bring in, say, six million dollars a year.

MAN. Once organized crime gets their hooks into an employee, who up to that point has been an honest, hardworking employee, and suddenly, has a couple of loan sharks leaning on him for repayment of the debt, they trade off the debt for inside information on valuable cargo that's moving in or out.

You have a company who's engaged in freight shipping, transporting. They will pick up a cargo from a manufacturer, take it to the airport, leave it there on a pallet for loading onto an aircraft, eventual flight to some destination. Somewhere along the line that truckload of cargo is lost. Is it lost when it comes from the factory to the airport? Is it lost while it's at the airport? Is it lost in the loading, or is it lost thereafter. Frequently, we believe that it may be lost at the airport or on the way to the airport, but it's reported as being stolen or lost or missing at its destination. This corrects the statistics here in New York.

BORGEN. Airport Security Council head Edward McGowan, is firm, there is no manipulation of statistics.

EDWARD MCGOWAN. The airlines report to the law enforcement agencies at the airport, and to us, when anything is stolen of a hundred dollars value or more, or even if it's less than that, if it's say, commodity, or object which is sensitive or easily disposable, or something that could be dangerous, or something of that nature.

BORGEN. VGS stands for Very Good Service. It's located at 153-33A Rockaway Blvd., in Jamaica, Queens. Everyday VGS drivers would pickup and deliver personal luggage for passengers, traveling on such airlines as Delta, United and Allegheny. That was the legitimate business. But investigators from the Queens District Attorney's office say VGS also served as a depot and a fencing center for cargo stolen from Kennedy Airport.

Over a six month period a police undercover detective infiltrated and operated within the fencing ring. Eye On spoke with that undercover detective.

MAN. Right now, my reputation out there is that I'm a truck hijacker, and I'm a buyer of stolen property. Normally, I'd be told that something was in, I'd go down and look at it, I'd receive samples of the property. They thought I was taking it to my connection. We'd bring it in; ascertain where the theft was, and then I would go back and purchase the remainder of the property.

Now, let me have your attention. Tonight we're going on that operation that we've been working on for several months. * * *

BORGEN. At six o'clock on March 29th, detectives from the Queens District Attorney's squad prepared to round up the suspects in the VGS fencing operation.

MAN. On team two, and six, I'd like you to be especially careful, because we've received information that the defen—suspects in this case supposedly have weapons on them. So be particularly careful when we execute those arrest warrants; make a thorough search, and make sure you place handcuffs on them.

BORGEN. A half hour later detectives arrived at VGS, and wait for one of the suspects to arrive. Meanwhile, detective team number two, arrest three men at a diner on Queens Blvd.

(Visual.)

BORGEN. At 8:15 PM, forty-eight year old ex-jockey Patty Coco, VGS night manager is arrested when he shows up for work. Coco is charged with criminal possession of stolen property in the first degree; criminal possession of stolen property in the second degree, and conspiracy in the third degree. By 8:45 PM, the detectives have arrested eight men.

(Visual.)

BORGEN. Who they are, what they did, and how the mob fits in, when Eye On returns.

These nine men are charged with criminal possession of stolen property and conspiracy.

Jerome Curley Lawry, driver for VGS, 25 years behind bars, suspected by police of being a hit man in several recent mob contract murders.

Pasquale "Patty" Coco, known to police intelligence as an associate of the Gambino crime family.

On the right, Douglas "Red" Grady, driver for Amafort Air Freight, member of Teamster Local 295.

On the right, Salvatore "Sally" Scala, lead cargo agent for Amafort Air Freight. Member of Teamster Local 851.

Pasquale "Big Patty" Raimone, described by police as being a major loan shark at Kennedy Airport. A member of Teamster Local 295, and an associate of the Gambino crime family.

Joseph "Junior" Scalfio, alleged to be the brains behind VGS. A former employee of American Airlines. Convicted for cargo theft in 1969. Overturned on appeal. An alleged associate of the Gambino crime family.

John Sandowsky, dispatcher for VGS. Indicted as the keeper for property for the operation.

Terrence O'Neill, a data processing operator at Union Pacific Corporation, charged with supplying stolen stock certificates to VGS. O'Neill is related to Scalfio by marriage. Police say he was a heavy gambler.

Patrick Santoli, part time driver for VGS. An eight year veteran detective for the New York City Police Department's auto crime unit.

The nine are suspected of stealing more cargo in three months, than the airlines will admit to having been stolen for the entire year. Each faces up to seven years in prison.

MAN. We began undercover operation here, six or seven months ago. We found through the use of various investigative means that there was a significant amount of theft taking place at the cargo loading platforms at the airport. You can see some of the property that was recovered. We bought a good deal of property at ten percent of its value. We bought electronic equipment; we bought

bullet proof vests; we bought cameras, jackets, guitars, you name it, we can buy it at ten percent of its value, because it's for sale at the airport.

We went through this, we found in addition to these items, that there were more sophisticated things being made available at the airport. They mainly appeared in the form of stock certificates. We were able to buy in excess of a million dollars worth of stock certificates in the Union Pacific Company.

BORGEN. Union Pacific Company say the theft, the first in the company's history, was traced to its transfer office on Broadway, where Terrence O'Neill had worked for over a year.

MAN. These things were not reported stolen. We bought them as stolen property.

BORGEN. Eye On found shippers and airlines inconsistent in reporting cargo thefts. Thefts are frequently reported as losses, or shortages. Claims for these losses, these thefts, are routinely paid, with no requirements for public reporting. Result: Steadily rising insurance rates, which the public pays.

MAN. Insurance companies reimburse, but I suppose, frequently, as a business matter, they prefer not to report the case to begin with. It's not reported to the police. Insofar as insurance company recoveries are concerned, it's our information, and we plan subsequent meetings on this, but it's our information that the companies do pay, and the companies don't even ask the manufacturer or the shipper to produce proof of a police report. Now if the average citizen's home is burglarized, and he makes a claim to his insurance carrier, the carrier says, when did you report it to the police. And ask for a number, or some reporting information. In these cases, where the cargos run up to hundreds of thousands of dollars, there's no requirement for a police report.

BORGEN. In fact, Eye On learned that air cargo thefts, valued at less than six thousand dollars are seldom fully investigated.

After the arrests, Eye On traced what happened.

A portion of the stolen property purchased for VGS came from Amafort International Corporation, a freight forwarding company in Jamaica, Queens. Prosecutors alleged the key inside man behind the Amafort thefts was Salvatore Scala, lead cargo agent. Scala was responsible for supervising the distribution of goods that passed through Amafort's warehouse. Also a suspect, Douglas Grady, an Amafort driver for twelve years. Grady owed several thousand dollars to a Nassau County loan shark. He reportedly paid off some of that debt in stolen cargo.

Records show at 7:25 on the morning of February 14th, Grady picked up a container from Los Angeles at the United Airlines cargo terminal at Kennedy Airport, and delivered that container to Amafort's warehouse. Inside, a box of Minolta cameras bound for Berlin. Value: \$4,500. As lead cargo agent that morning Sally Scala was the first man to inspect the containers and learn of the cameras. Scala then supervised the unloading of the container. The cameras were supposed to be set aside for a Berlin flight. But when Pan American Flight 2166 took off for Germany at 5 o'clock that evening, the cameras were not on board.

The next day the undercover detective allegedly purchased that same shipment of cameras from Patty Coco and Pasquale Rainone at VGS. It was six weeks before Amafort reported the Minolta theft to its insurance company and the FBI. Amafort officials could give no reason for the delay, nor why the stolen cameras were reported as a warehouse loss and not as a theft. Twelve thousand dollars worth of law enforcement equipment destined for Swiss police was another Amafort's shipment which found its way to the VGS fence. On the afternoon of January 26th, Scala and Grady were seen by investigators at VGS, collecting a five hundred dollar payment for that load, which was supposed to be in Geneva, Switzerland. That same day, a Zurich custom broker alerted Amafort that the shipment was missing from a sealed container flown in by Swiss Air. A search was ordered at both Amafort's warehouse, Swiss Air's Kennedy Terminal, and the warehouse in Europe. The next day, Joseph Scalfo allegedly sold the same law enforcement equipment to the undercover detective at VGS. And again, the insurance claim, filed a month later showed a loss, not a theft. A claim was also filed against Swiss Air, since the airline signed for a sealed container that should have included that shipment.

In all the thefts at Amafort, Sally Scala was the key man. He controlled the movement of millions of dollars in high value cargo. Amafort's president, Hector Garcia, tells how Scala was hired.

HECTOR GARCIA. Well at the time our shop steward checking our personnel decided that we didn't have the proper amount of lead agents. We're supposed to have one lead agent for every twelve employees. And he told us that we were short, and he brought Mr. Scala down, and he hired him.

BORGEN. But Eye On learned that the union official who got Scala that job, was 26 year old, Mark Davidoff, head of Teamster Local 295. He is the son of Harry Davidoff, the former local union president, whom police and intelligence sources identify as a known associate of the Luchese crime family. Two ninety-five controls the movement of most air cargo into, and out of, Kennedy Airport. In the past eight years the local has been found guilty of coercing and harassing dozens of companies in and around Kennedy Airport.

On December 22, 1977, Teamster members, Joseph Arpino, John Perniciero, and Mark Davidoff, were arrested and charged with labor racketeering. They face up to seven years in jail.

The incident began last September when Teamster Local 851, the clerical arm of 295, moved in, and tried to organize workers at C.F. Air Freight, a small freight forwarder near the airport. During this four month period C.F. Air Freight workers say tires were slashed, cars followed, and people threatened with physical violence. On June 16, 1977, at 1:50 PM, a truck left C.F. headed for the Flying Tiger cargo terminal. Mark Davidoff and two other 295 members allegedly rammed the truck off the road and threatened to kill the driver. Davidoff reportedly spat in his face. The driver managed to get his truck to Flying Tiger. Davidoff, it is said, chased the driver inside, and threatened to picket Flying Tiger if they unloaded that truck. Flying Tiger did not accept the C.F. Air Freight load.

But despite arrests such as these, the air cargo industry has still not found a workable way to clean house of criminal element.

MAN. You're not supposed to have a record—you're supposed to have a license; you're supposed to be a high school graduate. Supposed to have—as a matter of fact you're supposed to have the Holy Bible to get down there, right? There's fifty guys down there, you understand, just got there when, two months ago, just come out of prisons, and all, you know, don't mean nothing.

BORGEN. You worked at the airports?

MAN. Of course.

BORGEN. You have a record.

MAN. Twenty-five years in prison.

BORGEN. How did you get to the airports?

MAN. Connections. Through a connection.

BORGEN. And yet you have to fill out, and swear to . . .

MAN. . . Yeah, I fill them all out. You know. And the manager in there knew it, you know. I had no license or nothing. Driving around there in a jeep, you know.

BORGEN. And you got (garbled)?

MAN. Right. Bringing the mail down to the post office, and all that, you know.

BORGEN. Handling the U.S. mails.

MAN. Oh, yeah. Money, cash, jewels, bonds, stocks, all that.

BORGEN. The bargain that ends up costing you a fortune, when Eye On returns. Stolen air cargo, be it TVs, Cameras, jackets, or watches, ultimately gets back to a willing public. The public that will buy a two hundred dollar ring for fifty dollars, and not ask any questions. But we all pay in the form of higher prices. Consumers pay from ten to fifteen cents on every dollar for crime-related business thefts. Yet, airport officials continue to deny that there's a problem.

MAN. We have found over the years, through checking with law enforcement, and through checking with insurance people, through checking with people who ship goods and so forth, that, no, we don't have a perfect system, but we have an excellent system, one that we have come to know that we can depend upon. The cooperation I get from various airlines and the other various law enforcement agencies—the airport is tremendous. We're like one big family working together for a common goal. That's why our losses are low.

MAN. I think there is a conspiracy code(?), and I speak of conspiracy in the law sense rather than the legal sense. To allow things to happen as they are. I don't think that we could have this organized crime activity at the airport if law enforcement did not blink an eye, or cover up for whatever reason. If the airlines were to report their lost cargo; if the shippers were to report what's missing from factory to airline pallet, from manufacturer to destination in Hong Kong, or wherever else, if they all did what good citizens are supposed to do, we wouldn't have this problem. What's happening, for business purposes, or for whatever other reasons, they're not reporting, and that's the conspiracy that I talk about. They are conspiring somehow to keep this information from

the public, to pass the cost on, whatever is lost, to that same public, at the same time keep their appearances looking as though they're unsullied and unsoiled.

BORGEN. You want to tell it like it is, like it really is?

MAN. Right. No phoniness about it, you know. The airport is run by organized crime, that's all there is to it. Well, I can put this guy in tomorrow to work.

BORGEN. You can put me in tomorrow to work?

MAN. Sure.

BORGEN. Even if I had a thirty year record.

MAN. Oh, I don't care. If the guy turns you down, I call up my boss, and my boss'll make the call. You know—

BORGEN. If it's so direct, and so obvious, as all this, (garbled) just what do you do, what can you do, to stop the crime at JFK, what can you do?

MAN. Nothing.

RADIO TV REPORTS, INC.,
New York, N.Y., May 31, 1978.

For: Airport Security Council.
Program: Newscenter 4—WNBC/TV.

BROADCAST EXCERPT

CAROL JENKINS. Organized crime has long been big business in the United States, and that's exactly how the leaders of the Mob see themselves, as businessmen. The syndicate, however, runs its businesses according to its own laws, not those of the United States, as Tony Guida reports in the second part of his Topic A series on organized crime.

TONY GUIDA. In New York City, the Mob is into everything. The five crime families who dominate organized crime are involved in gambling, which leads to loansharking. And loansharking in turn leads to the takeover of legitimate businesses. Narcotics, hijackings, and labor racketeering are three other lucrative activities of the Mob. Yesterday we saw how organized crime has moved into the garment district and Wall Street. But the Mob traces its origin to another part of Manhattan.

Little Italy, with its tenements, is no longer a place where many Italian Americans chose to live. But its Italian restaurants, clubs and stores still make it an important social center. And it also attracts the Mob.

Sudden death is no novelty in Little Italy. It was here outside the Benito's Restaurant on Mulberry Street that Salvatore Brugulio was shot to death by two gunmen two months ago. The killers threw their victim to the sidewalk and without a word pumped bullets into him, and they fled in a waiting car. Brugulio was a prime suspect in the presumed murder of Teamster chief Jimmy Hoffa. Brugulio was a reputed member of the Genovese crime family and he was a close associate of Tony Provenzano, secretary-treasurer of Teamsters Local 560 in Union City, New Jersey. Provenzano is now on trial in Kingston, New York, charged with the murder of a union rival. And if Brugulio had lived, he would have stood trial with Provenzano on the same murder charge. He was killed only a block from Umberto's Clam House where Joey Gallo was gunned to death in 1972.

Behind the Mob killings big money is at stake, according to Lieutenant Remo Franchicini (?), an Italian American who commands the DA's Undercover Squad in Queens.

REMO FRANCHICINI. In New York City, organized crime is dominated by five exclusive families. They're on a hierarchy of organized crime. They represent people of Italian-American abstraction. However, every ethnic, every race is involved in this hierarchy. Every leader of organized crime has paid his dues. What I mean by paying his dues, he came up the rough way. He had to fight his way to the top, he'd have a certain ability to lead a group of rough, tough people.

GUIDA. The five organized crime families mentioned by Lieutenant Franchicini, with a total of more than 2,000 members and associates, are the Gambino family, the largest, headed by Paul Toscalano; the Genovese family, headed by Frank Funzicari; the Bonano family, headed by Carmine Galante; the Luchese family, headed by Tony Tuscularo(?); and the Colombo family, headed by Joseph "Peg Leg" Broncatto.

Gangland feuds have taken 27 lives this year, and the killings often occur in clusters. For instance, January 8th. Charles Monaco, a Gambino family associ-

ate, killed by a lone gunman as he sat in Doc's Lounge on 17th Avenue in Bensonhurst, Brooklyn. January 22nd, Frank Boricci(?), another Gambino associate said to have been involved with Monaco in drug trafficking, shot to death as he walked to his car from a girlfriend's house near Independence Avenue in Bath Beach, Brooklyn. January 31st, Ralph Broccoli(?), said to be the superior of both Monaco and Boricci in the Gambino family drug ring, riddled with bullets in Jay's(?) Lounge on 86th Street, Brooklyn, by two gunmen. And during that period two Bonano family members were shot to death, including Wayne Buff(?), gunned down as he opened the door of his home at 141 Bay 50th Street in Brooklyn.

(Sound of airplanes flying.)

Kennedy Airport appears to have taken over from remote sections of Brooklyn as a favorite place for dumping gangland murder victims. In less than two years seven corpses have been found in parking lots at the airport, six in the trunk of cars, and one in a back seat. JFK's longterm parking lot got most of the bodies; cars can remain there for extended periods without attracting suspicion, and none of the murders has been solved.

Queens DA John Santucci has other problems with organized crime at Kennedy Airport.

JOHN SANTUCCI. I have the judgment that crime is not only well on its way there, that is if it's not controlled, if we don't do something about it immediately, it will grow to such proportions that it will be totally impossible to control. It's impossible to be in that airport, out in that reservation without becoming a victim of the other thieves in the airport, without becoming involved in the gambling mess that takes place out there, without getting into the loansharks. And those who do not work out there, who do become involved with the loansharks ultimately steal to pay their debts or they steal in order to be relieved of repayment of debts. And this grows and grows to the point where those who work at the airport notify those who would hijack a cargo, that a particular cargo is there, that it is being moved, and that theft runs into the millions of dollars and perhaps into hundreds of millions of dollars. I find it incredible to believe that in a place where there's \$24 billion worth of cargo in and out each year that the losses are estimated at less than one million dollars.

GUIDA. Santucci claims that he's been frustrated by both federal and Port Authority officials in his efforts to clean up organized crime at Kennedy.

SANTUCCI. Well, our experience was that in some cases not only were other agencies uncooperative, but they were totally obstructionist. And they not only didn't help us do what we were trying to do, but in very many cases they were in our way and impeded us from doing what we should be doing ourselves.

MAN. Could you be a little more specific about which agencies?

SANTUCCI. Well, it was in the federal area. We had an unpleasant experience with the FBI. We've talked about it before. We were somewhat on the same track at one point in time during this investigation, and I might tell you that it might have continued for awhile had we not run into what appeared to be an obstructionist policy.

GUIDA. Despite Santucci's claim that the FBI and the Port Authority are trying to cover up crime at Kennedy, Santucci has succeeded in uncovering one crime ring. Nine men, including a city detective, have been indicted on charges of stealing millions of dollars in property from Kennedy, where goods worth \$24 billion passed through the airport each year. The nine were accused of the wholesale thefts of cameras, hi-fis, radios, stock certificates, and a variety of other items whose theft was never reported to the police. Santucci charges that the fencing operation was located at the VGS Company, a luggage-handling company on Rockaway Boulevard, close to the airport. According to Santucci, his detectives were able to purchase most of the goods at ten percent of their retail value.

Crime at Kennedy Airport is just another manifestation of the Mob's activities, which also extends to the waterfront, and even permeates the forces of law and order themselves.

Tomorrow, in the concluding part of our series, we'll take a look at Joe Colombo, the man who broke the Mob's unwritten code of silence, and paid for it.

AIRPORT SECURITY COUNCIL,
FOREST HILLS, N.Y., February 10, 1977.

MEMORANDUM TO ALL DELEGATES

Re Meeting with Mr. John J. Santucci, district attorney, Queens County, February 1, 1977.

NEWLY APPOINTED DISTRICT ATTORNEY WILL RUN FOR THE OFFICE IN AUTUMN 1977

Mr. John J. Santucci was recently appointed by Governor Hugh Carey of New York to fill out an unexpired term, during 1977, of former Queens County District Attorney Nicholas Ferraro. If Mr. Santucci is to continue as District Attorney thereafter, he will have to run for election on his own in the Autumn of 1977. If he has rivals within his own party, of course, he may have to run before that in a primary election.

MR. SANTUCCI MEETS WITH COUNCIL REPRESENTATIVES TO DISCUSS AIR CARGO CRIME CONDITIONS

Since his appointment, Mr. Santucci has been quoted in the press as saying he intends to emphasize cleaning up airport crime and halting "the millions of dollars in thefts each year at the airports". With this in mind, the new District Attorney was invited to meet with Airport Security Council representatives to discuss air cargo crime conditions and other airport matters.

Mr. Santucci agreed, and on February 1, 1977, Chairman Joseph A. Sullivan, William J. Mulligan, Security Officer, British Airways, and I met with him and his Assistant, Thomas A. Demakos.

Mr. Santucci and his Assistant listened attentively as we explained the improvement of air cargo security at our airports over the past several years. We will not repeat this detail here. The economic importance of the air transportation industry to Queens County and to the entire New York/New Jersey community was emphasized.

We welcomed Mr. Santucci as a new member of the law enforcement group and urged him to direct his efforts, in cooperation with all others involved, toward our common goal of further diminishing crime at the airports.

DISTRICT ATTORNEY HAS HEARD CRIME CONDITIONS AT AIRPORTS ARE STILL VERY BAD

After the air industry's position had been summarized for him, Mr. Santucci said that he understood our position, but that it was not consistent with other things he had heard about crime conditions at the airports. He has heard that the incidence of cargo thefts and other crimes at the airports is still very bad.

Whenever he meets with the news media, one of the first questions he is asked is "What are you going to do about the airports?" He has had similar inquiries from friends in the New York State Legislature. He has also been asked by friends in the legislature and the Waterfront Commission for his support in extending the Commission's jurisdiction to the airports. The advisability of such an extension of the Commission's powers is something he plans to study. His problem, he claims, is to discover the truth about crime conditions at the airports.

"SOMEONE IS LYING TO ME"—DISTRICT ATTORNEY WILL VISIT THE WATERFRONT COMMISSION

We pointed out to Mr. Santucci that as a result of coordinated crime prevention activity by law enforcement, industry and government, cargo crimes at Kennedy Airport are declining, while most other crimes throughout the country are on an upward trend. "Someone is lying to me" he remarked, noting that he had listened to us and now he is going to listen to the other side of the story. To accomplish this, within the next few weeks he is going to visit the Waterfront Commission to hear what they have to say.

We told him the Commission is not a credible source of airport data. The people there are not experienced in airport operations. Their assertions are substantially fictional. We suggested that the knowledgeable and reliable sources to seek out are law enforcement officers at the airports, shippers and consignees of air cargo, and others who do business with the airlines, such as insurance men who are directly involved in or concerned with air cargo.

THREATENS "WORST PUBLICITY" IF WATERFRONT COMMISSION CAN SUBSTANTIATE
ITS STATEMENTS ABOUT AIRPORT CONDITIONS

It was pointed out to the new District Attorney that there is no question about what the Waterfront Commission will say, because they have been saying the same thing for years. Their comments are inaccurate and exaggerated. They refuse to recognize the progress that has been made at the airports, because they are motivated by a pressing self-interest: The need to expand to the airports, in order to perpetuate themselves in the face of declining activity on the waterfront.

He said, if the Waterfront Commission can show him that conditions at the airports are bad, and can substantiate its position, he will give "you people" of the airlines that worst publicity we have ever had. We told him we want an opportunity to respond to any data emanating from the Waterfront Commission. He promised us that opportunity.

DISTRICT ATTORNEY MAY OPEN OFFICE AT JFK; SEEK WATERFRONT COMMISSION
JURISDICTION AT AIRPORT

Mr. Santucci has under consideration these possible options: 1) He may re-establish a branch of the District Attorney's office at Kennedy Airport; 2) He may endeavor to have the jurisdiction of the Waterfront Commission extended to cover the New York airports.

In answer to his question about his plans to open an office again at Kennedy Airport, we told him that as far as we know, nobody would object to such a proposal. However, based on past experience, we would not expect any real benefit from such an office. In fact, as a result of statements by previous representatives of the District Attorney that appeared in the press—criticizing both law enforcement and industry at Kennedy Airport—these people were evaluated as placing their desire for a subsidy from the Law Enforcement Assistance Administration above their credibility.

DISTRICT ATTORNEY SEES PERSONAL GAIN FROM PUBLICITY; PROMISES "OPEN DOOR"

Mr. Santucci promised "an open door", to give us an opportunity to discuss industry positions about security and crime conditions with him and his staff. He did not agree to desist from making derogatory public statements concerning airport crime conditions. He openly acknowledged that he sees personal value in publicity resulting from sensational statements about the airports. He commented: you have to recognize that we are in a political situation. He remarked that, if he were to say that security at the airports is now good, or even that conditions have improved, he would be accused of "selling out".

Realistically, he said, an airline position or statement that there has been improvement will never get any recognition. He added "you will have to submit". He explained: you will never get any place unless some new authority comes in and says the airlines have to do this and that, in order to clean up the terrible conditions, even if these requirements are only descriptive of what is already being done by security forces at the airports. Later, he continued, this new authority could say: The airlines have now done this and that, and because they have done what I said they should do, conditions have improved. He can then tell the news media "I have cleaned things up. I made the airlines do it". Then, he added, the airlines' position might be accepted until someone else with an investigative mind comes along and puts them back into the same box again.

IF FACTS PREVAIL, PROBLEM WOULD ABATE; SITUATION WILL BE FOLLOWED

A course of action such as he suggests, if obdurately pursued by the new District Attorney, would be a nuisance to the air transportation industry. If, however, facts and better judgment prevail—as happened in the case of his predecessor—this problem would abate. We will follow the situation closely. Any comments you may wish to make will be appreciated.

EDWARD J. MCGOWAN,
Executive Director.

APRIL 4, 1978.

Mr. JOHN J. SANTUCCI,
District Attorney of Queens County,
Kew Gardens, N.Y.

DEAR MR. SANTUCCI: This letter confirms the telephone conversation of April 3, 1978 in which John R. Kennedy, of this office, informed Sgt. Tanza, NYCPD, who is assigned to your office, that the Airport Security Council is desirous of assisting in identifying any merchandise that may have been stolen from shipments handled by airlines at the New York airports.

For this purpose we would appreciate being furnished a list of merchandise recovered in connection with your investigation that resulted in the March 30th arrests, together with any identifying data concerning these items.

Your cooperation in this matter will be appreciated.

Very truly yours,

EDWARD J. MCGOWAN,
Executive Director.

MAY 4, 1978.

Mr. JOHN J. SANTUCCI,
District Attorney of Queens County,
Kew Gardens, N.Y.

DEAR MR. SANTUCCI: I am sure you recall that the Airport Security Council is the airline organization which has responsibility for cargo theft prevention at the metropolitan New York airports.

Relative to your March 30 arrests of nine individuals for possession of stolen property near Kennedy Airport, I wrote to you on April 4, 1978, pointing out our interest in identifying merchandise that may have been stolen from shipments handled by airlines at the New York airports.

To accomplish our mission of preventing future thefts, we need to determine what circumstances may have resulted in what thefts from what shipments handled by what airlines. To do this, of course, we need whatever information is available that will help identify specific goods, shipments and airlines.

Success of our endeavors has always depended upon cooperation on the part of law enforcement and criminal justice authorities and we have fortunately always received such cooperation.

You have not furnished any information on this matter to us to date. We have examined the public record as well as your publicity on the case and have found little that is helpful so far.

We assume that you have data that would assist us. With that in mind, I invite you, on behalf of the members of the Airport Security Council, to personally attend our Council meeting on May 18, 1978 to discuss your case and to furnish us with the specific details we need for operational crime prevention purposes. I hope you will agree that at this time it would be most appropriate for you to join us at the meeting personally instead of sending a representative as you have in the past.

Our meeting will begin at 10:00 a.m., May 18th, at the Friendship Room, 2nd Floor, United Air Lines Terminal, JFK Airport.

All of our airlines will be most interested in any factual data you may be able to furnish.

Very truly yours,

EDWARD J. MCGOWAN,
Executive Director.

AIRPORT SECURITY COUNCIL,
Forest Hills, N.Y., May 31, 1978.

Mr. JOHN J. SANTUCCI,
District Attorney—Queens County,
Kew Gardens, N.Y.

DEAR MR. SANTUCCI: The Airport Security Council is the airline organization which has responsibility for prevention of cargo theft at the metropolitan New York airports.

Relative to your March 29, 1978 arrests of nine individuals for possession of stolen property near Kennedy Airport, I wrote to you on April 4, 1978 pointing out our interest in identifying merchandise that may have been stolen from shipments handled by airlines at the New York airports. We have also made a number of telephone calls to your office offering our cooperation in furtherance of your investigation. On May 4th I wrote you again outlining our desire to assist in your activities, soliciting any data pertinent to airport operations disclosed in your investigations and inviting you to personally attend a meeting of the Airport Security Council on May 18th. On May 17th your secretary advised that you would not attend nor send a representative to that meeting.

When someone in a responsible position such as the District Attorney makes charges such as you have been making about airport crime conditions, the airline industry must look into these allegations, analyze them and take such corrective action as may be appropriate.

To accomplish our Council's mission of preventing future thefts, we need to have whatever information is obtainable that will help identify, not only specific stolen goods, but shipments and airlines that may have been involved. Success of crime prevention endeavors of private industry is dependent upon the cooperation and assistance of law enforcement and criminal justice authorities. We have sought and still seek the participation of your office in our efforts to prevent and deter crime at the metropolitan airports.

Our airline delegates were, of course, disappointed that they did not have an opportunity to hear you discuss your investigation, which you have widely described to the news media. It was hoped that you would furnish the Council whatever identifying data and intelligence information you have that would assist our operational theft prevention program.

The Airport Security Council cargo theft prevention efforts are part of a highly professional approach to crime prevention that is gaining success. The progress being made by industry, government and law enforcement in air cargo security has been recognized nationally during recent years, and Kennedy Airport is in a leadership role in this nationwide effort. The Secretary of Transportation, in his March 31, 1978 Report to the President on the National Cargo Security Program, took note of the reduction in air cargo thefts. His report devoted three paragraphs to describing some highlights of Airport Security Council activities at New York.

We are asking you, then, to join an established movement against cargo theft. Even if you are unable to meet with us, perhaps you can furnish us with some specific information that will help prevent future thefts. Here are some of the questions we would have asked, had you come to the Council meeting. My colleagues and I respectfully request that you respond to these inquiries:

1. From the list of alleged stolen property recovered in the case that was the subject of your press release of March 30, 1978 regarding nine defendants arrested for possession of stolen property, please identify for us any items that you know were stolen from an airline or from John F. Kennedy Airport.

2. Your press release on page 2 mentions several kinds of items without giving specific identifying information. Please give us whatever identifying data you

do have regarding any items recovered which could have been stolen from an airline or from the airport.

3. Please identify as far as you can specific shipments from which each recovered item was taken.

4. Regarding each item: was it taken from the custody of an airline? As far as you know, when, and under what circumstances did each incident occur?

5. In furnishing identifying data please include the following alleged stolen property which you indicate you have recovered: 9 guitars, property of Guild Musical Instruments, division of Avnet, Inc.; 25 jackets, property of Catalina Corporation.

Were these items stolen from the custody of an airline, or from premises on Kennedy Airport?

6. Your press release of March 30 and the CBS-TV show "Eye On" of May 2, 1978 referred to stolen negotiable securities whose potential value allegedly ran into millions of dollars. You described them as Union Pacific Stock Certificates. Were these at any time part of any air cargo shipment? Or in the custody of an airline? Or in any premises on the airport?

7. The opening sentence of your press release on March 30, 1978 refers to a seven-month undercover investigation into "hijacking and related criminal activities". What specific information do you have about specific hijackings of goods in airline custody or on the airport?

8. The undercover detective on the TV program said ". . . I'd receive samples of the property; they thought I was taking it to my connection; we'd bring it in, ascertain where the theft was, and then I would go back and purchase the remainder of the property". Where did these thefts take place? Please identify any that took place at an airline terminal or on the airport.

9. The CBS television program "Eye On" of May 2, 1978, on which you appeared, also depicted a masked man known only as "Jo Jo" who, it was inferred was supplied by your office. The announcer said that this man is an "associate of an organized-crime 'family', a four-time loser who has spent half his life in jail—kidnapping, burglary, armed robbery. For the past six years, 'Jo Jo' has worked at Kennedy Airport". The man said that he spent twenty-five years in prison; that he takes "maybe \$30,000" from the airport each year; and that, without him, "the mob couldn't bring in, say, \$6 million a year".

(a) Is this man working at Kennedy Airport now?

(b) If so, is he employed by an airline?

(c) Does he actually have a lengthy criminal record?

(d) Have you plans to prosecute him for admitted \$30,000 of thefts each year?

(e) A source of information alleges that the masked man was a "stand-in", impersonating an informant, and that much of the background attributed to "Jo Jo" was fictitious. Is that correct? How much of what "Jo Jo" said was factual?

10. Your masked man on your CBS-TV show referred to 50 men recently released from jail and employed at the airport. Will you give us the identity of those 50 ex-convicts known to you who are employed at the airport? We are most interested to know the identity of any such persons employed by airlines. Employment, he said, was secured through a "connection". Who is the "connection"? We would also appreciate the names and business affiliations of the Gambino family crime figures who Chris Borger indicated control airport crime.

11. In your CBS-TV show "Eye On", you mentioned sitting around a luncheon table and being assured by airport officials that there is NO crime at Kennedy Airport. Were you referring to your luncheon of February 1, 1977 with Joseph A. Sullivan, Edward J. McGowan and William J. Mulligan and/or your meeting with law enforcement officials of February 24, 1977?

12. On the CBS-TV show you alleged a conspiracy to hide thefts and losses. Do you have facts on which to base that charge, especially data concerning specific thefts which have not been reported to the Port Authority or this Council?

13. What evidence do you have of law enforcement blinking an eye or covering up, as you put it on the TV show, thus allowing organized crime activity at the airport? Will you name the agencies and officers involved? Do you propose to present the data concerning this matter to a grand jury or other forum besides the news media?

Your cooperation in furnishing information in the possession of your office needed for crime prevention purposes is a matter of some urgency based on your media statements. An early meeting concerning this matter or other form of reply will be appreciated.

Very truly yours,

EDWARD J. MCGOWAN,
Executive Director.

3 METROPOLITAN NEW YORK/NEW JERSEY AIRPORTS—KENNEDY, LA GUARDIA, AND NEWARK

	Number	Gross value	Recoveries	Net losses	Armed holdups	Net after armed holdups
Kennedy:						
1969	545	\$3,917,231	\$529,914	\$3,387,317	978,095	\$2,409,222
1970	384	1,615,253	169,867	1,445,386	217,500	1,227,886
1971	243	976,063	407,722	568,341	0	568,341
1972	207	628,794	13,714	615,080	0	615,080
1973	325	1,125,564	162,956	962,608	427,608	535,000
1974	316	1,760,515	30,949	1,729,566	358,561	1,371,005
1975	207	1,388,856	795,017	593,839	0	593,839
1976	212	942,165	367,566	574,599	0	574,599
1977	193	1,126,006	273,672	852,334	0	852,334
LaGuardia:						
1969	28	85,865	2,799	83,066	0	83,066
1970	17	45,056	14,150	30,906	0	30,906
1971	38	143,028	300	142,728	0	142,728
1972	18	91,643	48,000	43,643	0	43,643
1973	24	131,205	500	130,705	0	130,705
1974	23	48,195	130	48,065	0	48,065
1975	10	24,850	10,000	14,850	0	14,850
1976	10	49,100	38,000	11,100	0	11,100
1977	7	11,850	8,000	3,850	0	3,850
Newark:						
1969	46	238,278	426	237,852	0	237,852
1970	50	358,728	1,050	357,678	193,480	164,198
1971	30	11,314	50	11,264	0	11,264
1972	27	12,608	200	12,408	0	12,408
1973	53	140,426	1,615	138,811	0	138,811
1974	52	84,440	1,960	82,534	0	82,534
1975	36	60,884	90	60,794	0	60,794
1976	35	45,169	1,121	44,048	0	44,048
1977	42	89,450	3,214	86,235	0	86,235
3 airport total:						
1969	619	4,241,374	533,139	3,708,235	978,095	2,730,140
1970	451	2,019,037	185,067	1,833,970	410,980	1,422,990
1971	311	1,130,405	408,072	722,333	0	722,333
1972	252	733,045	61,914	671,131	0	671,131
1973	402	1,397,195	165,071	1,232,124	427,608	804,516
1974	391	1,893,150	32,985	1,860,165	358,561	1,501,604
1975	253	1,474,590	805,107	669,482	0	669,483
1976	257	1,036,434	406,687	629,747	0	629,747
1977	242	1,227,306	284,886	942,420	0	942,420

	Net thefts	Value of tonnage	Loss ratio ¹ (percent)
3 airport total loss ratio:			
1969	\$3,708,235	\$11,655,000,000	0.032
1970	1,833,970	10,699,000,000	.017
1971	722,333	12,263,000,000	.006
1972	671,131	13,184,382,000	.005
1973	1,232,124	14,600,000,000	.008
1974	1,860,165	18,000,000,000	.011
1975	669,483	22,000,000,000	.003
1976	629,747	24,000,000,000	.003
1977	942,420	29,000,000,000	.003

¹ Represents the percentage of cargo hauled which is lost to theft. Value of tonnage is estimate based on data from Port Authority of New York and New Jersey.

ROLLINS BURDICK HUNTER,
Chicago, Ill., May 13, 1978.

Mr. HENRY ENGLISH,
Insurance Co. of North America,
Philadelphia, Pa.

DEAR HANK: I'm very sorry I cannot attend the N.Y. Security Council session, for if any misapprehension needs correcting, it is the statement that there is a shocking lack of security, resulting in huge and wasteful losses in air cargo.

Let's look at the facts:

1. In 1977 cargo loss ratio for the trunk domestic airlines hit an all time low. Over the past 20 years, losses have ranged in the area of \$1.00 to \$1.50 per \$100 of cargo revenue. Breaking \$1.00 was (once) considered the ultimate goal. While accurate 1977 figures are not available, figures for three quarters and part figures for the fourth quarter indicate an annual loss ratio of about 65 cents. Since \$100 in cargo revenue represents \$20,000 in cargo value moved, losses are \$1.00 in every \$30,000 in cargo moved.

2. This record did not "just happen"! It is the culmination of a long campaign by many interests. United Air Lines led the airline conversion, introducing a full cargo loss prevention campaign in 1962. The Insurance Company of North America has trained and staffed a complement of highly skilled engineers. The Federal government and the PONY are only two government agencies lending support and drive to the furtherance of cargo loss prevention.

3. Many millions of dollars have been spent in secure buildings, fences, closed circuit TVs, guards, etc., by the air carriers.

4. It is noteworthy that the National Cargo Security Council spends only the most minute portion of its agenda time specifically to air cargo. The overwhelming majority of time is devoted to surface, or to security generally.

5. Domestic air freight has never had a serious problem with overt theft. Rather the problem has been one of pilferage or sneak theft by employees or persons having legitimate access. Losses by theft have grown modestly as a per cent of the whole, but only because the whole has shrunk faster than theft losses. Containers, the speed of jets, modern terminal equipment—these have reduced rough handling and delay claims faster than theft or pilferage.

To those of us who have worked so hard and successfully (as both you and I have) to abate all the risks of loss in air freight, it is most disheartening to hear of such an attack which is clearly denied by the record.

I hope you can introduce this statement into the record. Unfortunately a long term commitment in Los Angeles precludes my being in New York on the 18th. I would be glad to come at any later date.

Sincerely,

WALLER B. SMITH,
Vice President.

AVIATION DAILY

NTSB INVESTIGATES AIR TRAFFIC CONTROL SYSTEM ERRORS

What may be the start of a major National Transportation Safety Board investigation into air traffic control system errors began this week in New York at an NTSB hearing on the June 21 near-collision of a Cessna Citation and a DC-9 at LaGuardia Airport (Daily, Aug. 11 & 18). The near-collision occurred when the Citation was cleared by the local tower controller to take off on the same runway on which the DC-9 had been cleared to taxi by the ground controller. An accident was averted when the Citation pilot aborted his takeoff and ran off the runway at the last second, missing the DC-9 by less than 10 feet. Testimony at the hearing indicates the controllers, overloaded by traffic volume, misunderstood what the other controller was doing, according to NTSB Member Elwood Driver.

Driver told the Daily that FAA data presented at the hearing show similar system errors are on the increase this year. "It appears as if further investigation may be required" by the NTSB into the system error problem, with the amount of attention the safety board will give the subject to be determined by the present hearing and "what the technical staff digs up in the next two or three months," he said. Before the hearing, Member Philip Hogue said he would not hesitate to recommend that the safety board sit en banc in a major hearing on system errors.

The New York hearing, completed this week, is the first hearing conducted by the safety board on an incident. The hearing is a result of Chairman James King's decision to go after safety problems whenever one is evident, rather than restrict NTSB activities to the investigation of accidents. Accidents are classified as those events causing serious injury or substantial aircraft damage, while an incident is an event that is nearly an accident.

FAA AWARDS CONTRACT FOR PRECISION MICROWAVE LANDING SYSTEM

Bendix was awarded a \$1.98 million FAA contract for the prototype development of the basic-wide microwave landing system that will provide signals precise enough for operations similar to the nearly all-weather Category III instrument landing system. The equipment, called the basic-wide due to the wide aperture antenna used to produce the precise signals, will be installed at NASA's flight test center in Wallops Island next summer, FAA said.

After a period of testing the basic-wide system, two additional units will be added for further testing to provide aircraft with both flare and missed approach guidance. The basic-wide MLS with the two subsystems is called the "expanded" MLS, and will guide aircraft to landings when the ceiling is zero and horizontal visibility is less than one-quarter of a mile. The basic-wide system itself consists of an elevation unit, an azimuth unit and a precision distance measuring equipment transmitter capable of fixing aircraft distance to the runway with 100-foot accuracy.

NEW YORK AIRPORTS CONTRIBUTE \$2 BILLION TO LOCAL SALARIES

The three New York City area airports employ some 160,000 people who earn about \$2 billion annually, according to information published by the Aviation Development Council of New York. The airports also allow 11 million persons a year to visit the city, 44% of the total number of city visitors compared to a national average of 12% of the number of U.S. urban visitors arriving by air, the report says.

Although the New York area has lost some jobs and industry since the late 1960s, the number of air trips compared to the number of jobs has increased 20% in the same period, indicating a greater dependence on air travel by business. Air cargo worth \$30 billion annually is shipped through the airports, and the airports' needs for goods and services in the New York area mean another \$2.5 billion worth of business in the region.

For copies of the booklet, "Air Transportation and the New York/New Jersey Metropolitan Area Economy," write the ADC, Room 324, Hangar 2 (UAL), LaGuardia Airport, Flushing, N.Y. 11371.

WILCOX INSTALLS \$13 MILLION IN TRAFFIC CONTROL EQUIPMENT AT TURKISH AIRPORT

Wilcox Electronics, a subsidiary of Northrop Corp., has completed installation of a \$13 million air traffic control and airport electronics system at the new Yesilkoy International Airport in Istanbul, Turkey. The project provided two new solid state Wilcox Mark 1D instrument landing systems, complete control tower and computerized integrated weather system, air-to-ground and point-to-point communications system primary and secondary radar, and UHF remote control and monitoring links to seven outlying stations.

PREPARED STATEMENT OF DANIEL P. KENEALLY, SECURITY SUPERINTENDENT, WESTERN DIVISION, BRITISH AIRWAYS

Mr. Chairman, members of the committee: My name is Dan Keneally. I am Security Superintendent Western Division for British Airways, a foreign air carrier serving 9 cities in the United States, including New York via our own terminal at JFK. My responsibilities include the security arrangements for all of British Airways' many airport and non-airport locations in the United States and Canada, and of course extend to preventing cargo losses at our terminal at JFK. I am pleased to offer this Committee any expertise I may possess on the subject of international cargo security and narcotics smuggling.

May I first point out what may seem obvious that the area of cargo security is the primary concern of the air carrier, whereas the detection of narcotics smuggling is the primary responsibility of the United States Government, although co-operation between private and public sectors is important to effective security operations. I would like to go on record in stating that our security staff have received excellent cooperation from all the law enforcement agencies assigned to Kennedy, including the Police Department, Port Authority of New York and New Jersey, The Federal Bureau of Investigation, The Postal Security Section. The Drug Enforcement Administration and the U.S. Customs Service.

To hold up our end of the security establishment at JFK, British Airways employs 9 full-time Security Officers, all of whom were recruited from the Police Department, City of New York or the Police Department of the Port Authority of New York and New Jersey. They are all experienced investigators who attained the rank of Detective, Sergeant, or similar in their prior employment. In addition, they have each attended formal training courses in airline procedures and airline security in particular. This full-time staff is supplemented by a private guard service supplied under contract by Lansdell Security Agency, Inc. It is

the responsibility of our Security Officers to protect our cargo from the time the aircraft arrives until its delivery to the consignee.

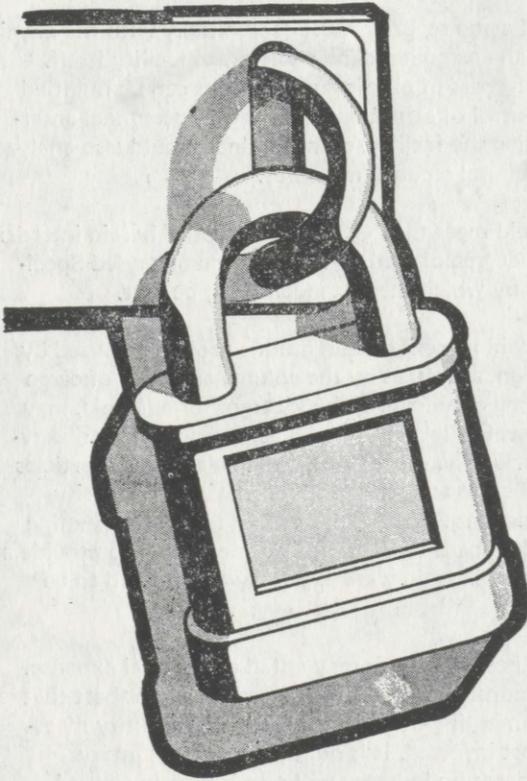
British Airways does not itself fly on any of the southern routes from JFK over which I believe the highest incidence of soft drug smuggling occurs. We do, however, act as handling agent for several airlines who fly these routes from New York. In connection with servicing those airlines, we accept into our JFK Cargo Terminal all freight carried by them. Our security team assigned to the Cargo Terminal is instructed to be particularly watchful for consignments which might be suspected of containing narcotics, and liaises with both the U.S. Customs Service and the Drug Enforcement Administration in an effort to identify such shipments and the persons responsible for importing this contraband. As a result of the cooperation between our security staff and those agencies, several arrests for the possession of a controlled substance have been made at our JFK facility and there have been several sizable seizures of marijuana in the past years.

There is little doubt that quantities of soft drugs enter the United States via air cargo shipments, as is evidenced by the seizures of these drugs at the cargo warehouses at JFK. I do not believe, however, that significant quantities of hard drugs are carried through these facilities. We have, ourselves, experienced some internal problems in connection with marijuana being stolen from our warehouse. With the assistance of the U. S. Customs Patrol Section and the Drug Enforcement Administration, I am pleased to say this problem has been corrected.

As I mentioned before, the air carrier's responsibility is to protect the cargo it carries from theft. No carrier should be faulted for having carried contraband in its aircraft. There is simply no way for a carrier to know exactly what a well-packed consignment contains. The responsibility of detecting and intercepting contraband lies with the Customs Service. We at British Airways have worked closely with all responsible agencies of the U. S. Government to aid them in their task. They appear to have been particularly successful when using dog teams trained to sniff out drugs at the warehouse. I would recommend, therefore, that the patrol branch of the Customs Service, and especially the dog patrol teams, be beefed up.

I would like to thank you for giving me this opportunity to present British Airways' views on this important and difficult subject. I hope that this statement will be accepted in the cooperative spirit in which it is offered, and will contribute in some small way to the success of this hearing.

STANDARDS FOR CARGO SECURITY



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
Washington, D.C. 20229
1973

FOREWORD

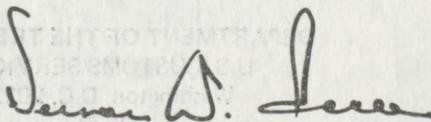
Congressional hearings have established that merchandise passing through our Nation's ports of entry is the object of widespread theft and pilferage. Surveys conducted by the Customs Service indicate that security of international cargo must be improved if we are to stem this drain on our commerce. These *Standards for Cargo Security* were drafted as guidance for Customs officers and terminal operators in achieving this goal.

Any program to improve cargo security must deal initially with the physical security provided by the cargo handling and storage facility itself. Then, because the effectiveness of physical precautions can be nullified if there is insufficient control of documentation and of personnel entering, working in, and leaving the facility, each terminal should also analyze the adequacy of its procedural security measures.

Most cargo facilities should meet the "General Standards" herein in order to achieve an acceptable degree of security. The "Recommended Specifications" suggest means by which these standards can be met.

Each facility, of course, will present certain unique problems caused by its location, size and design, as well as by the volume and type of cargo handled. Facilities handling only low-risk bulk cargo, for example, may find that an acceptable level of security can be achieved without observing all of these standards. On the other hand, terminals handling articles which invite theft may need to adopt the full range of these security measures. Overall, the Customs Service believes that terminals handling international cargo should regard these standards as essential to provide a minimum level of security unless they are explicitly determined to be unnecessary.

In some cases, attaining these standards may entail substantial expense. However, experience demonstrates that the decrease in cargo theft that can be achieved by implementing these relatively simple security measures far outweighs the cost involved. It is our belief that voluntary observance of these standards by industry will go a long way toward curbing cargo theft.



Vernon D. Acree
U.S. Commissioner of Customs

CONTENTS

PHYSICAL SECURITY STANDARDS

- Buildings, 1
- Fencing, 2
- Gates, 3
- Gate Houses, 3
- Parking, 4
- Lighting, 4
- Locks, Locking Devices, and
Key Control, 5
- High-Risk Cargo, 6

PROCEDURAL SECURITY STANDARDS

- Personnel Screening, 7
- Security Personnel, 8
- Communications, 9
- Identification System, 9
- Independent Contractors, 10
- Cargo Quantity Control, 10
- Delivery Procedures, 11
- Containerized Shipments
and Seals, 12
- Security Education, 13

Information contained in this leaflet is based on Treasury Decision 72-56, dated February 4, 1972, which recommended physical and procedural standards for the security of imported merchandise and merchandise for export.

PHYSICAL SECURITY STANDARDS

All cargo handling and storage facilities should provide a physical barrier against unauthorized access to cargo. Usually this will require a covered structure with walls, and apertures which can be securely closed and locked. In addition, fencing may be needed:

1. As supplementary protection to prevent unauthorized persons and vehicles from entering cargo storage and handling areas, and
2. As sole protection for open storage of bulk cargo or large articles which do not require covered storage because they cannot be easily pilfered or removed without mechanical handling equipment or which have their own inherent security (containers).

BUILDINGS

General Standard

All buildings used to house cargo and associated support buildings should be constructed of materials which resist unlawful entry. The integrity of the structure must be maintained by periodic inspection and repair. Security protection should be provided for all doors and windows.

Recommended Specifications

1. Equip all exterior doors and windows with locks.
2. Protect all windows through which entry can be made from ground level by safety glass, wire mesh or bars.
3. Similarly safeguard all glassed-in areas where shipping documents are processed.
4. Construct all delivery and receiving doors of steel or other material that will prevent or deter unlawful entry and keep them closed and locked when not in use.
5. Where fencing is impractical or guards insufficient, equip the building with an intrusion detection or alarm system.
6. Inspectors must insure particularly that there are no avenues for surreptitious entry through floors, roofs, or adjacent buildings.

General Standard

Where fencing is required, it should enclose an area around cargo storage structures, support buildings, and exterior stored cargo sufficient to provide maneuvering space for pick-up and delivery vehicles and to prevent use of buildings or cargo to surmount the fence. The fence line must be inspected regularly for integrity and any damage promptly repaired.

Recommended Specifications

1. Install chain link type fencing with at least nine gauge, 2-inch mesh and at least 8 feet high (not including a barbed wire extension). If the level on which the fence is constructed is lower than the area outside the fence line, increase the height of the fence to provide an effective 8-foot fence at all points.
2. Top the fence with a 2-foot barbed wire extension, consisting of three strands of barbed wire, properly spaced and at a 45 degree angle to the vertical.
3. Place fence posts on the inside of the fence and secure them in a cement foundation at least 2 feet deep.
4. Ensure that objects or persons cannot pass beneath the fencing by providing:
 - a. Cement aprons not less than 6 inches thick, or
 - b. Frame piping, or
 - c. U-shaped stakes driven approximately 2 feet into the ground.
5. Avoid any condition which compromises the fence line. Prohibit the placing of containers, dunnage, cargo, vehicles, or any other item that may facilitate unlawful entry adjacent to the fence line.
6. Where necessary, install bumpers or fence guards to prevent damage by vehicles.

General Standard

The number of gates in fences should be the minimum necessary for access. All fence gates should be at least as substantial as the fence. Gates through which vehicles or personnel enter or exit should be manned or under observation by management or security personnel.

Recommended Specifications

1. Equip gates with a deadlocking bolt or a substantially equivalent lock which does not require use of a chain. All hardware connecting the lock to the gate should be strong enough to withstand constant use and attempts to defeat the locking device.
2. Construct swing-type gates so that they may be secured to the ground when closed.
3. Separate gates for personnel and vehicle traffic are desirable.

GATE HOUSES**General Standard**

Operators of facilities handling a substantial volume of cargo should maintain a manned gate house at all vehicle entrances and exits during business hours.

Recommended Specifications

1. Set the gate house back from the gate so that vehicles can be stopped and examined on terminal property.
2. Equip the gate house with a telephone or other communication system.
3. Clear the area around the gate house of any encumbrances that restrict the guard's line of vision.
4. Post prominently on the exterior of all gate houses signs advising drivers and visitors of the conditions of entry. Include in conditions of entry a notice that all vehicles and personnel entering the area are subject to search.

General Standard

Private passenger vehicles should be prohibited from parking in cargo areas or immediately adjacent to cargo storage buildings. Access to employee parking areas should be subject to security controls.

Recommended Specifications

1. Locate parking areas outside of fenced operational areas, or at least a substantial distance from cargo handling and storage areas or buildings and support buildings.
2. Require employees exiting to the parking area from the cargo area to pass through an area under the supervision of management or security personnel. Require employees desiring to return to their private vehicles during hours of employment to notify management and/or security personnel.
3. Allow parking in employee parking areas by permit only. Maintain a record of each issued permit, listing the vehicle registration number, model, color, and year. The permit should consist of a numbered decal, tag, sticker, or sign placed in a uniform location on the vehicle.
4. Issue to vendors and other visitors temporary parking permits which allow parking in a designated area under security controls.

General Standard

Adequate lighting should be provided for the following areas:

Entrances, exits, and around gate houses.

Cargo areas, including container, trailer, aircraft and rail-car holding areas.

Along fence lines and stringpieces.

Parking areas.

Recommended Specifications

1. The Society of Illuminating Engineers recommends the following light intensities measured at ground level:

Vehicle and pedestrian areas	2.0 foot candles
Vital structures and other sensitive areas	2.0 foot candles
Unattended outdoor parking areas	1.0 foot candle

2. Illuminate all vehicle and pedestrian gates, perimeter fence lines, and other outer areas with mercury vapor, sodium vapor, power quartz lamps or substantially similar high intensity lighting, employing a minimum of 400 watts per fixture. Locate lights 30 feet above ground level and properly spaced to provide the appropriate light intensity for the area to be illuminated.

3. Establish a system of planned maintenance.

4. Protect lighting subject to vandalism by wire screening or other substantially equivalent means.

LOCKS, LOCKING DEVICES, AND KEY CONTROL

General Standard

Locks or locking devices used on buildings, gates and equipment should be so constructed as to provide positive protection against unauthorized entry. The issuance of all locks and keys should be controlled by management or security personnel.

Recommended Specifications

1. Use only locks having (a) multiple pin tumblers, (b) dead-locking bolts, (c) interchangeable cores, and (d) serial numbers.

2. To facilitate detection of unauthorized locks, use only locks of standard manufacture displaying the owner's company name.

3. Number all keys and obtain a signature from the recipient when issued. Maintain a control file for all keys. Restrict the distribution of master keys to persons whose responsibilities require them to have one.

4. Safeguard all unissued or duplicate keys.

5. Remove and secure keys from cargo handling equipment and vehicles when not in actual use.

HIGH-RISK CARGO

General Standard

Adequate space capable of being locked, sealed, or otherwise secured for storage of high-value cargo and packages which have been broken prior to or during the course of unloading must be provided at each cargo handling building. When such cargo must be transported a substantial distance from the point of unloading to the special security area, vehicles capable of being locked or otherwise secured must be used. (These standards are required by Customs Regulations, 19 CFR 4.30.)

Recommended Specifications

1. Construct special security rooms, cribs or vaults so as to resist forcible entry on all sides and from underneath and overhead.

2. Locate such special security areas, where possible, so that management and/or security personnel may keep them under continuous observation. Otherwise, install an alarm system or provide for inspection at frequent intervals.

3. Release merchandise from such an area only in the presence of authorized supervisors and/or security personnel.

4. Log all movements of merchandise in or out of a special security area, showing date, time, condition of cargo upon receipt, name of truckman and company making pick-up and registration number of equipment used.

PROCEDURAL SECURITY STANDARDS

PERSONNEL SCREENING**General Standard**

Operators of cargo handling facilities should conduct employment screening of prospective employees.

(Customs Regulations, 19 CFR 4.30(m), 19.3, and 111.28, already require international carriers, proprietors of bonded warehouses, and customhouse brokers to submit employee lists upon request from the District Director of Customs. Such lists must contain the name, address, social security number, and date and place of birth of each employee and be kept up to date.)

Recommended Specifications

1. Require all personnel, including maintenance and clerical personnel, who will have access to cargo areas to submit a detailed employment application which contains a photograph of the applicant and lists his residences and prior employment for the preceding 10 years.
2. Screen all such employment applicants for:
 - a. verification of address and prior employment,
 - b. credit record, and
 - c. if possible, criminal record.

General Standard

Operators of cargo handling facilities should employ a Security Officer or assign a particular officer of the firm to be responsible for security. All operators handling a substantial volume of international cargo should provide guards to protect the cargo.

Recommended Specifications

1. Employ the number of guards required to provide adequate security for the size of each facility and the volume of cargo handled. Alarm systems, closed circuit television and other security devices may reduce the number of guards needed.
2. Train all company employee guard forces or insure that contract guard forces are trained in:
 - a. Methods of patrolling terminals and warehouses.
 - b. Use of firearms and other equipment that may be furnished.
 - c. Report writing, log and record keeping.
 - d. Identification of security problems and specific trouble areas.
3. Equip guard forces with uniforms which are complete, distinctive, and authoritative in appearance.
4. Provide firearms, vehicles, communications systems, and other equipment deemed necessary for the successful performance of the guard function.
5. Insist on physical fitness as a prime consideration in selecting a guard force. Require guards to undergo self-defense training similar to that of police agencies. Require a physical examination at least once a year.
6. Furnish each guard a manual covering operating procedures and standards of conduct, and a clear statement of what management expects.

COMMUNICATIONS**General Standard**

Adequate and reliable communications between elements of the terminal security force and from the security force to local police should be provided.

Recommended Specifications

1. Provide security personnel with a telephone at fixed posts or two-way radio, intercom or other type of equipment providing voice communication capability within the company.
2. Arrange assured means (telephone, radio, or special alarm line) for summoning assistance from local police forces.

IDENTIFICATION SYSTEM**General Standard**

All operators of facilities handling a substantial volume of cargo should employ an identification card system to identify personnel authorized to enter cargo and document processing areas.

Recommended Specifications

1. Include on the I.D. card: (a) physical description or, preferably, a color photograph of the holder, (b) name and address, (c) social security number, (d) date of birth, (e) employer's Customs license number, if any, (f) signature of holder, and (g) reasonable expiration date.
2. Laminate all cards to prevent alterations and assign each card a control number.
3. Recover I.D. cards from terminated employees.
4. Require each employee to display his I.D. card to gain access to the facility, to cargo areas within the facility, and to areas where shipping documents are processed. Preferably, the I.D. card should be displayed so that it is visible at all times that the employee is within the facility.

INDEPENDENT CONTRACTORS**General Standard**

The background and corporate structure of independent contractors providing janitorial service, refuse disposal, or other services should be verified. Access by independent contractors to the facility should be under security controls.

Recommended Specifications

1. Periodically examine independent contractor vehicles which are parked in or near cargo areas.
2. Permit independent contractor employees to enter only those areas necessary for their particular work; permit them access to cargo areas and areas where shipping documents are located only under the supervision of security and/or management personnel.
3. Require independent contractors to display identification similar to that required by the facility for its own employees.

CARGO QUANTITY CONTROL**General Standard**

Cargo should be tallied at time of delivery to the consignee or his agent. In the event of any discrepancies at time of delivery, a U.S. Customs Form 5931 or a duplicate copy of the amended cargo manifest must be completed and submitted to Customs by the carrier or his agent. (All international carriers are required by Customs Regulations (19 CFR 4.12(a), 6.7(h), 15.8, 18.2(b), 18.6(b), (c), 123.9) to make discrepancy reports.)

Recommended Specifications

1. To facilitate accurate delivery of cargo, terminal operators should maintain and continuously up-date a location chart or list of all cargo received.
2. Segregate imported cargo, cargo for export, and domestic cargo.
3. Carriers should arrange procedures with each terminal operator to insure that all overages and shortages are reported to Customs.

DELIVERY PROCEDURES**General Standard**

Gate passes should be issued to truckmen and other onward carriers to control and identify those authorized to enter the facility. Verification of the identity and authority of the carrier requesting delivery of cargo should be made prior to the cargo's release.

Recommended Specifications

1. Require truckmen to submit proper personal identification (such as a driver's license or Customs I.D. card) and a vehicle registration certificate before being issued a gate pass and being permitted to enter the facility; require them to surrender the gate pass before leaving the facility.
2. Seal containers and trailers and note the seal number on the gate pass before delivery is effected. Verify the seal number when the gate pass is surrendered at the gate.
3. Require the company name of all onward carriers to be clearly shown on all equipment. Do not accept temporary placards or cardboard signs as proper identification of equipment. Require carriers using leased equipment to submit the lease agreement for inspection and note the leasing company's name on the delivery order.
4. Release cargo only to the carrier specified in the delivery order unless a release authorizing delivery to another carrier, signed by the original carrier, is presented and verified. Accept only original copies of the delivery or pick-up orders.
5. Personnel processing prelodged delivery or pick-up orders should verify the identity of the truckman and the trucking company before releasing the pick-up order. Limit access to areas where such documentation is processed or held to authorized personnel and rigorously safeguard all shipping documents from theft or unauthorized observation.
6. Conduct delivery and receiving operations at separate docks or doors, if feasible.
7. Tally salvage and accumulated unclaimed cargo at the time of delivery and have management representatives and/or security personnel verify that only properly released items are included. If a terminal has truck scales, weigh the vehicle used to remove bulk salvage cargo (bales and drums) when empty and loaded.

CONTAINERIZED SHIPMENTS AND SEALS**General Standard**

All containers, trailers, rail cars and air cargo lockers entering or leaving a facility should be sealed. Mounted and high value containerized shipments should receive special security attention.

Recommended Specifications

1. Inspect seals whenever a sealed containerized shipment enters or leaves a facility. If the seals are not intact or there is evidence of tampering or the seal numbers are incorrect, notify security and/or management personnel and tally the cargo.

2. Seal unsealed containerized shipments at the point of entry to the facility and note the seal number on the shipping documents. Seal all containerized shipments leaving the facility and note the seal number on the shipping documents.

3. Release seals to as few persons as possible. Require all persons handling seals to maintain strict control of the seals assigned and to store them in a secure place.

4. Maintain a seal distribution log which indicates to whom seals have been released.

5. Where possible, secure containers by butting or "marrying" their door ends against each other. However, do not butt them against a perimeter fence or building wall if that will compromise the protection provided by the fence or wall. In stacking containers, place those containing high value merchandise on top.

6. Locate high value merchandise in mounted containers or trailers in a special security holding area where it can be observed by management and/or security personnel.

7. When containers are mounted on frames, secure the fifth-wheel by a pin-lock which meets the minimum standards for locks and is constructed to withstand normal abuse from equipment. Hold designated management and/or security personnel responsible for storage and control of pin-locks.

8. Restrict access to special security holding areas and permit the release of containers or trailers from such areas only in the presence of management representatives and/or security personnel.

9. Log movements of containers in or out of a special security holding area, showing: date, time, seal number, name of truckman and company making pick-up, and registration number of equipment used.

SECURITY EDUCATION

General Standard

Management should institute a security awareness program for all personnel.

Recommended Specifications

1. Conduct a program of periodic security seminars for all employees involved in cargo handling and documentation processing, stressing the importance of:

- a. Maintaining legible and accurate cargo tallies.
- b. Processing only legible documents.
- c. Writing only in ink or ball point pen.
- d. Completing all information required by shipping documents.
- e. Obtaining clearly written signatures.
- f. Safeguarding the confidentiality of shipping and entry documents.
- g. Maintaining good cargo security generally.

2. Include in the security awareness program posters, stickers, payroll stuffers, monetary incentives, and properly worded reward signs. (Appropriate signs can be obtained from Customs field offices.)

