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## Supply Chain - Information Sharing and Analysis (ISAC)

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### 3<sup>rd</sup> Q 2010 Supply Chain ISAC Report on Cargo Theft Activity

#### Introduction

The Supply Chain Information Sharing and Analysis Center (SC-ISAC) is a subscription based organization of global supply chain stakeholders, including manufacturers, shippers, distributors, consignees, business support, insurance and law enforcement. As a critical infrastructure, efficiencies within the global supply are paramount. Disruptions to the supply chain, impact more than the organizations directly involved, making information about those negative events invaluable to all supply chain stakeholders. The primary mission of the Supply Chain ISAC is to provide information, with and amongst our trusted subscriber community, of supply chain disruptions. Our efforts to achieve this mission include publishing twice weekly email bulletins containing an assortment of information, including incidents of cargo theft, fraud activity and government updates. The SC-ISAC also publishes critical time-sensitive Alerts, offering explicit and actionable steps for member organizations to administer, mitigating the organization's vulnerability to the specific reported incident.

During the 3<sup>rd</sup> Quarter, the SC-ISAC received a total of 150 incidents of reported supply chain incidents occurring during the months of July, August and September 2010. Of those submitted incidents; 138 were attributed to Cargo Theft; 7 to Fraud activity and the remaining 5 entries listed as Intelligence, consisting of suspicious activity by suspected cargo thieves.

This quarter's reported supply chain disruptions predominately came from individual/company SC-ISAC users along with batch theft data from the California Highway Patrol. We greatly appreciate our membership's participation in supplying information, along with increasing the completeness of the data. The frequency and level of detail pertaining to an incident goes a long way towards providing a more in-depth analysis of criminal activity impacting supply chain operations.

In this quarter's analysis, we have included those incidents identified as Cargo Theft and Fraud, as all 145 incident involved the loss of vehicles or goods from their rightful owners.



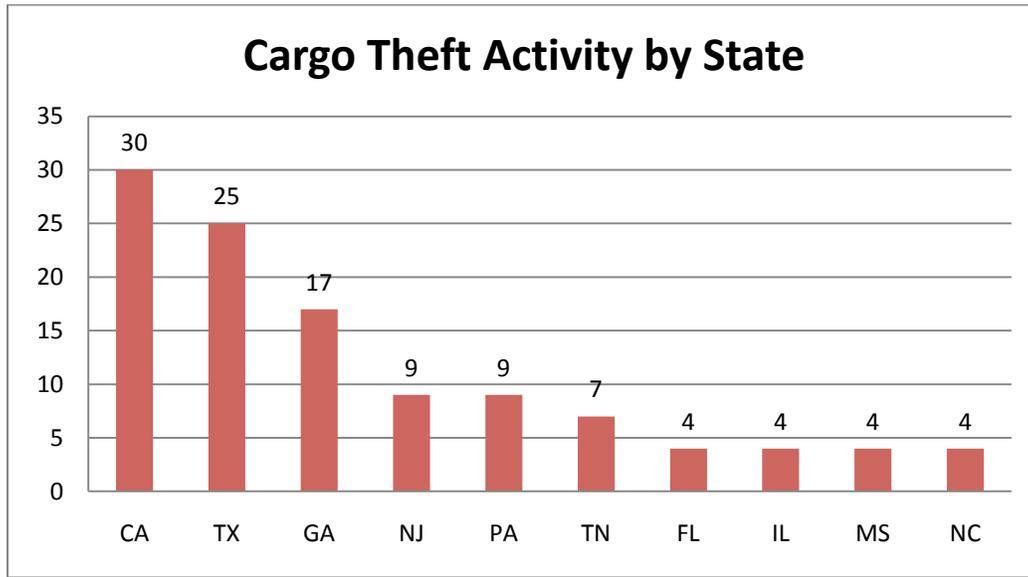
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### Cargo Theft Activity by State/ Country

Supply chain disruptions were reported from 28 states and 2 Canadian provinces during the 3<sup>rd</sup> Quarter, 2010. Year to date a total of 34 states, three provinces in Canada and one Mexican state has reported criminal activity impacting the supply chain. Included in those statistics are four states reporting activity for the first time this year, Montana, Washington and Wyoming each identified as the location of one incident while New York reporting three incidents for the time period.



The breakdown of the 3<sup>rd</sup> Quarter data, minus the newly reporting states is:

3 incidents: Arizona, Maryland, South Carolina and Canada (2 incidents in Ontario province and 1 incident in British Columbia)

2 incidents: Alabama, Arkansas and Ohio

1 incident: Iowa, Indiana, Kentucky, Massachusetts, Michigan, Missouri, Nebraska and Virginia.



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For those that look at the data from quarter to quarter the most active states for cargo theft activity remains the same with little fluctuation amongst the top 10 states. Throughout 2010, California, Texas, Georgia, New Jersey, Pennsylvania, Tennessee and Illinois have reported the most cargo theft activity. California and Texas have retained the unwanted distinction of holding the first and second spots, respectively. Given fewer reported incidents for the 3<sup>rd</sup> Quarter compared to 2<sup>nd</sup> Quarter (203 vs. 145), most of the states similarly show less reported incidents. However we have four states reporting at least three or more additional reported incidents compared to activity in the 2<sup>nd</sup> Quarter (Georgia +4, Arizona, Pennsylvania, and New York all at +3).

The sharing of information amongst supply chain stakeholders in a trusted community continues to grow, but may skew the reader's perspective of the actual threat posed for any geographic location. We continually foster and are grateful for, information sharing relationships with law enforcement, insurance investigators and various Security Council's leading to an increase in reported incidents from these entities, and the geographic locations which they serve. While the reported data may not provide the actual magnitude of cargo theft activity for any given state/province, it does supply a measuring stick of the activity. We will continue to develop and enhance professional relationships with supply chain stakeholders throughout North America in order to collect and ultimately share sensitive theft data that currently is unreported.

### Where Theft Occurs

For the months of July, August and September 2010, Carrier Facilities, Parking Lots and Truck Stops took the top three noted locations for cargo theft activity. For purposes of our analysis we consistently include "secured lots" ( as designated by the incident reporter versus the actual level of security employed under the Carrier Facility silo, while incidents listed as "unsecured lots" would be combined with incidents falling under the Parking Lot category.

The increase in activity at Warehouses is primarily attributed to the seven brokered load thefts which occurred throughout the quarter.



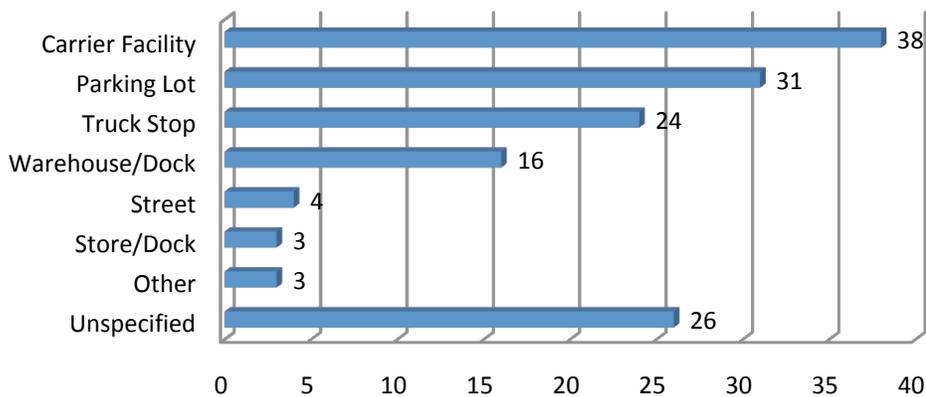
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There is a reported increase in activity at Warehouses compared to the past two quarters worth of activity (11 incidents for both 1<sup>st</sup> and 2<sup>nd</sup> Q's) is primarily attributed to the seven brokered load thefts which occurred throughout the quarter.

### Theft Activity by Location



There is also an increase (+3) in activity at Store locations, compared to the last quarter's activity, due to pharmacy related thefts. The specific "Other" locations include Rail Yards and a Hospital.

This category's data supports our assertion that cargo thieves are becoming more strategic in choosing targets, are able to deploy a variety of resources ( including equipment and personnel), and have expanded their tactics in order to successfully steal the types of products that they desire. Over the past two Quarters, we have seen cargo thieves directly take the fight to the carrier's home turf, regardless of employed physical deterrence measures such as fencing, alarms and CCTV. Increasingly, tractors and empty trailers are being stolen around the country to be used in later cargo theft incidents. As cargo theft rings look for and seize upon operational or security vulnerabilities, we have seen an increase in the number of brokered loads that have been reported stolen after picked up by individuals presenting both personal and business counterfeit documents,



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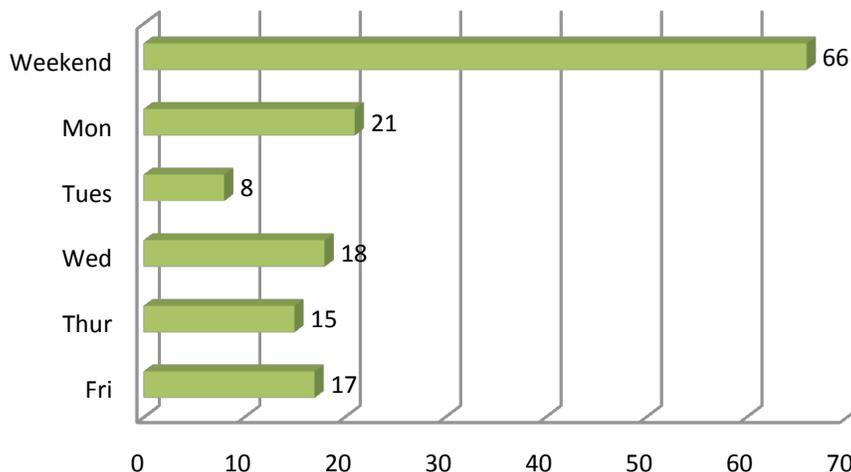
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which initially passed inspection. Cargo thieves have upped their game and if supply chain stakeholders intend to win this battle, we will need to do the same.

### When Thefts Occur

Regardless of where cargo thefts take place the chances of the incident occurring over a weekend is extremely high, as cargo typically is at rest. Additionally, during this time frame both the United States and Canada celebrated two national holiday's (Canada Day (Canada) 7/1; Independence Day (USA) 7/4 and Labor Day (both) 9/6/10) increasing the number of vehicles and length of time that in-transit cargo was vulnerable. Thieves continue to take advantage of this time frame with almost half (66) of all reported thefts occurring over the weekend during the months of July, August and September. Of the 66 thefts, 14 reported events (21%) took place during the extended holiday weekends. The lack of theft activity on Tuesday's is a departure from past quarter's results, where Monday through Thursday reported data is consistently flat in comparison to each other. We have no documented explanation for this result, but speculate that cargo thieves also wanted to take some time off during the height of the summer season.

### Day of Theft Incidents





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During the 3<sup>rd</sup> Quarter there were 7 (5%) cargo theft incidents that occurred within a short time frame of three hours or less. All but one of the 7 time-sensitive incidents took place within one hour, and 5 (71%) thefts occurred in less than 30 minutes of the vehicles and /or cargo had been left unattended. Though the percentage of time-sensitive incidents is lower than last quarter's result (12.11%), 3<sup>rd</sup> Quarter data shows that the length of time in which a vehicle and/or cargo was stolen has also decreased by 15 minutes.

This data would lead us to conclude that:

- 1) Leaving vehicles and /or cargo unattended over extended periods of time (48 hours or more) regardless of location makes them highly vulnerable to theft
- 2) Cargo thieves continue to target loads. This allows them to strike the moment that the vehicles and/or cargo are left unattended.
- 3) On board vehicle electronic surveillance systems provides valuable information regarding actual theft times versus reported times

### What's Stolen

For the second quarter in a row, we are reporting a significantly high number of tractors and empty trailer being stolen. For the months of July, August and September 2010, 28 vehicles without cargo were stolen. This is 19.31% of the Quarter's total losses compared to the 16% reported during 2<sup>nd</sup> Q 2010. We previously surmised that cargo thieves had the resources needed to initiate targeted thefts and move the stolen goods undetected. The large numbers of reported vehicle thefts provide cargo theft rings with the means to swap out vehicles with greater frequency in order to avoid detection.

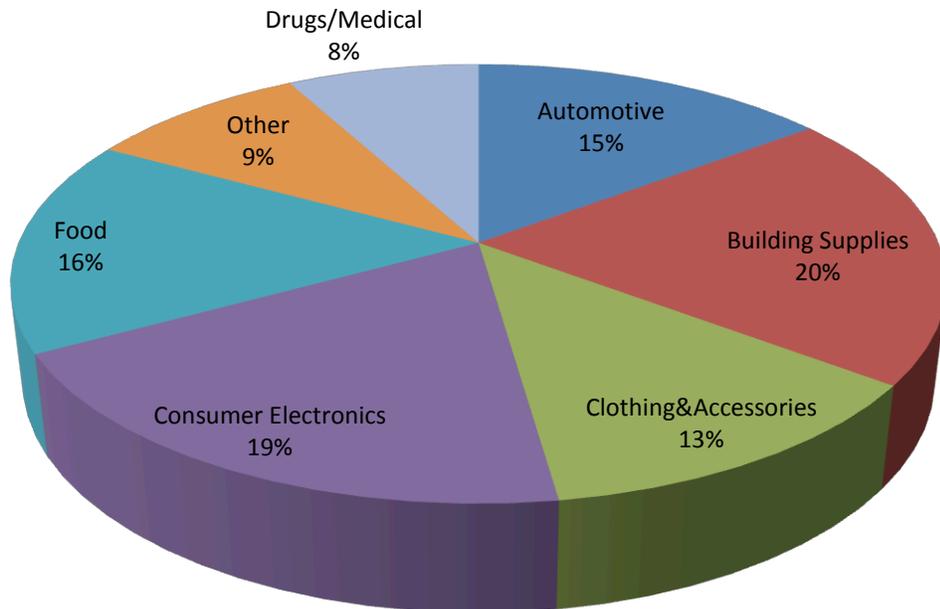


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### Most Stolen Commodity



For the first time this year Building Supplies is the most reported stolen commodity with a total of 18 incidents. The second most stolen commodity for the 3<sup>rd</sup> Quarter is Consumer Electronics with 17 thefts involving this type of goods. Food which had been the most stolen commodity for the first six months of 2010 and for three of four quarters in 2009 has fallen to the third spot with a total of 14 thefts involving food products. Automotive came in fourth with 16% or 13 incidents of the cargo losses while Clothing & Accessories round out the top five most stolen commodities with 11 incidents. The remaining categories of “Other” and Drug & Medical each reported 8 and 7 thefts, respectively.



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Of the 15 category of goods that the SC-ISAC tracks, once again Music, Movies and Software did not report any losses throughout the quarter. The remaining identified category and associated number of thefts include:

- Health & Beauty (6)
- Tobacco & Spirited Beverages (6)
- Appliances (5)
- Computers & Peripherals (4)
- Housewares (4)
- Unidentified (3)
- Furniture (1)

We are pleased that our membership continues to provide theft reports with enough detail for additional analysis. Out of the 119 theft incident involving cargo, only three incidents failed to identify the cargo in some fashion. While many types of products are grouped under an individual category (i.e. Food – meat, vegetables, non-alcoholic beverages, candy, etc) detailed reporting and follow up provide our membership with a more complete picture of the specific types of products that thieves are stealing.

The Stolen Items chart illustrates the frequency of specific goods stolen, in relation to the most stolen commodity during the months of July, August and September, 2010. As previously reported Building Supplies is the most stolen commodity for the Quarter and Metals including Copper, Nickel, Steel and assorted types of wiring was the most frequently stolen item within the category. Under the Electronics category, we had 6 reported incidents that involved the theft of TV's, while Beverages was the most stolen Food item. There were 9 theft incidents involving Tires under the Automotive category and 6 incidents were Clothing was stolen (Clothing & Accessories). The remaining most stolen commodities, Drugs & Medical and Other found Pharmaceuticals and Firearms were the most commonly stolen items within their respective category.

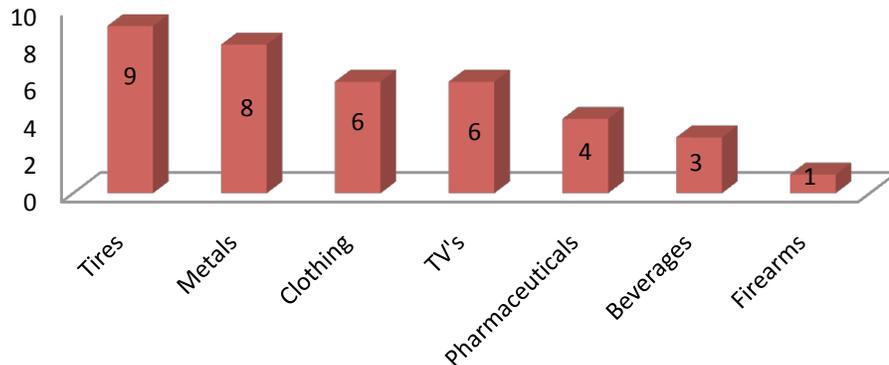


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### Stolen Items



The most often stolen items under the remaining identified categories include:

Category	Item
Health & Beauty	Perfume
Tobacco & Spirited Beverages	Wine
Appliances	Washers & Dryers
Computers & Peripherals	Memory cards
Housewares	Blankets
Furniture	Chairs

While many of these items have been identified in previous SC-ISAC quarterly reports, the fact that they continue to be stolen makes it clear that cargo thieves are able to unload these goods as quickly as they can steal them. With an illegal market ready to buy, what steps are you taking to ensure that the goods safely arrive to their legitimate destination?

Seven of the reported 8 thefts involving metals are attributed to fraudulent brokered loads, definitely illustrating the cargo theft rings willingness to change tactics in order to get the product that they want. Unfortunately they have experienced success with this method and will most likely use to it gain other commodities/ items desired. Are your operational safeguards being consistently implemented within your organization? What



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can your organization do differently to minimize becoming a victim of cargo theft rings? What steps can be instituted forcing the thieves to once again change tactics as they attempt to steal your vehicles and/or cargo? Communicating details of loss to law enforcement and trusted communities such as the SC-ISAC can educate us all.

### Losses and Recoveries

During the 3<sup>rd</sup> Quarter 2010, we collected dollar losses on 55 reported cargo theft incidents (38%) involving vehicles, cargo or both. The total amount reported lost for the 3<sup>rd</sup> Quarter 2010 was \$14,453,487 for an average of \$99,679.22 per incident. This Quarter's total reported dollar loss is lower (-\$7.9M) than the 2<sup>nd</sup> Quarter reported loss but the average incident loss is higher (+2,591.92) compared for the same period.

Losses	July	August	September	Q3
Cargo Losses	\$7,948,554	\$1,638,616	\$4,182,317	\$13,769,487
Vehicle Losses	\$312,000	\$152,000	\$220,000	\$684,000
Total Reported Losses	\$8,260,554	\$1,790,616	\$4,402,317	\$14,453,487

There continues to be a slight decline (-2%) for the quarter in the amount of data, with regards to dollar values being reported. We recognize that dollar amounts are typically provided only for the items which are owned or insured by the SC-ISAC subscriber and not for the total loss sustained, often causing a lack of reported data. Initial theft reports often lack a degree of detail until the investigation gets under way. We appreciate and strongly encourage the membership to share any of the details of the investigation, as it progresses. The SC-ISAC publishes authorized investigative updates and records findings in our database for future analysis.

The sharing of updated investigations reporting allows the SC-ISAC to offer a more complete picture of cargo theft activity, by not only reporting on losses but also on subsequent recovery's of vehicles and or/cargo regardless on when it occurs. The chart below summarizes the reported recovery information from theft incidents which occurred during the 3<sup>rd</sup> Quarter 2010.




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Recovery Info	July	August	September	Q3
# of Recoveries	17	9	13	39
# Involving Cargo	7	1	4	12
Total Recovery Value	\$6,168,000	\$110,000	\$175,000	\$6,453,000
% of Recovery to Loss \$	75%	6.14%	3.98%	44.65%

The recovery rate for the months of July, August and September is quite impressive and significantly higher (+40%) than what we have experienced in the 1<sup>st</sup> and 2<sup>nd</sup> Quarters. Drilling down into the data, shows that the recovery of a pharmaceutical load valued over \$5.5 million goes a long way in reducing the quarters overall losses. We also anticipate that recovery dollars will increase with time as vehicles and /or cargo are recovered because of the continued efforts of investigators and law enforcement to resolve these crimes.

The last component of this quarter's cargo theft analysis is identifying where the conveyance goods and vehicles are found in relationship to where they were stolen. Of the 39 recoveries made on vehicles and/or cargo stolen during the 3<sup>rd</sup> Quarter, 30 or 77% were recovered within the state/province boundaries from where the vehicle and/or cargo were initially stolen. Six recoveries occurred in adjoining states and the remaining three recoveries were several states away (Nebraska- Indiana; North Carolina – Florida and Mississippi – Missouri) with two of these incidents involving drivers. The trailer and cargo found in Indiana was originally stolen from an unidentified location in Nebraska.



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### Summary

The cargo theft data gathered during the months of July, August and September 2010 once again shows that cargo theft rings demonstrate consistency in when and where they steal and what products they target. However, our analysis is drawing a more in-depth portrayal of a group of individuals, which are quickly adapting to the pressures being placed on them by focused law enforcement and private industry. Instead of hoping to stumble onto an unattended tractor/trailer loaded with electronics, pharmaceuticals, tobacco or other high value cargo, the cargo thief is studying their crime targets and going after goods on their time table. The cargo thief has added diversionary tactics, to their criminal tool box, which has embolden them because of recent successes.

Utilizing the SC-ISAC analysis based on reported cargo theft incidents while continuing to share information within our trusted community of supply chain stakeholders, makes each of us a more formidable opponent in this battle against a burgeoning criminal enterprise.

For further information about the Supply Chain ISAC or the data used in this report feel free to contact Jackie Neill at [jackie.neill@sc-isac.org](mailto:jackie.neill@sc-isac.org) or JJ Coughlin at [jjcoughlin@sc-integrity.net](mailto:jjcoughlin@sc-integrity.net)