



Supply Chain - Information Sharing and Analysis Center (SC-ISAC)

1st Quarter 2010 SC-ISAC Report of Cargo Theft Activity

Introduction

The SC-ISAC is a subscription based organization made up of stakeholders in the global supply chain and continues to attract manufacturers, distributors, carriers, retailers, businesses and security services, insurers, government and law enforcements to the membership ranks of the organization. The SC-ISAC has been operating since November 2007 and has steadily increased its membership which now stands at 709 member organizations with 1793 individual users.

The SC-ISAC's primary mission is to share information and provide intelligence specific to supply chain threats and vulnerabilities with its members. The SC-ISAC accomplishes this through its website and email bulletins and by publishing periodic reports to its on-line community.

The SC-ISAC published two Alerts during the 1st Quarter 2010 of critical, time-sensitive information which include specific and actionable steps for membership organizations to administer, thereby minimizing their vulnerability to the specific reported criminal activity.

For the months of January, February and March 2010, the SC-ISAC received a total of 222 reported supply chain disruptions. The breakdown of reports included: 212 were attributed to **Cargo Theft** incidents; 7 to **Fraud** activity predominately involving corporate/carrier identity theft and counterfeit goods; and the remaining 3 reports are identified as **Intelligence** focusing on suspicious activity, associated vehicles and convicted cargo thieves whereabouts.

In addition to receiving batch data from the California Highway Patrol and the New Jersey State Police, this quarter we also received cargo theft data from CargoWatch, a Canadian industry lead group with a similar focus on sharing cargo theft information to supply chain stakeholders. We greatly appreciate all of our member organizations providing data with greater frequency and detail in order to provide a more robust analysis of the criminal activity plaguing supply chain operations.



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The following analysis is specific to the 212 **Cargo Theft** incidents reported in the first three months of 2010. A reporting on Fraud activity, including confiscated counterfeit goods will be included in greater detail in the 2010 year end report. Intelligence reporting is maintained in our database for possible connection to future criminal activities as well as providing clues into on-going criminal behavior. This information however, will not be specifically included in the following analysis, though we may periodically use the information for background reference.

Cargo Theft Activity by State/Country

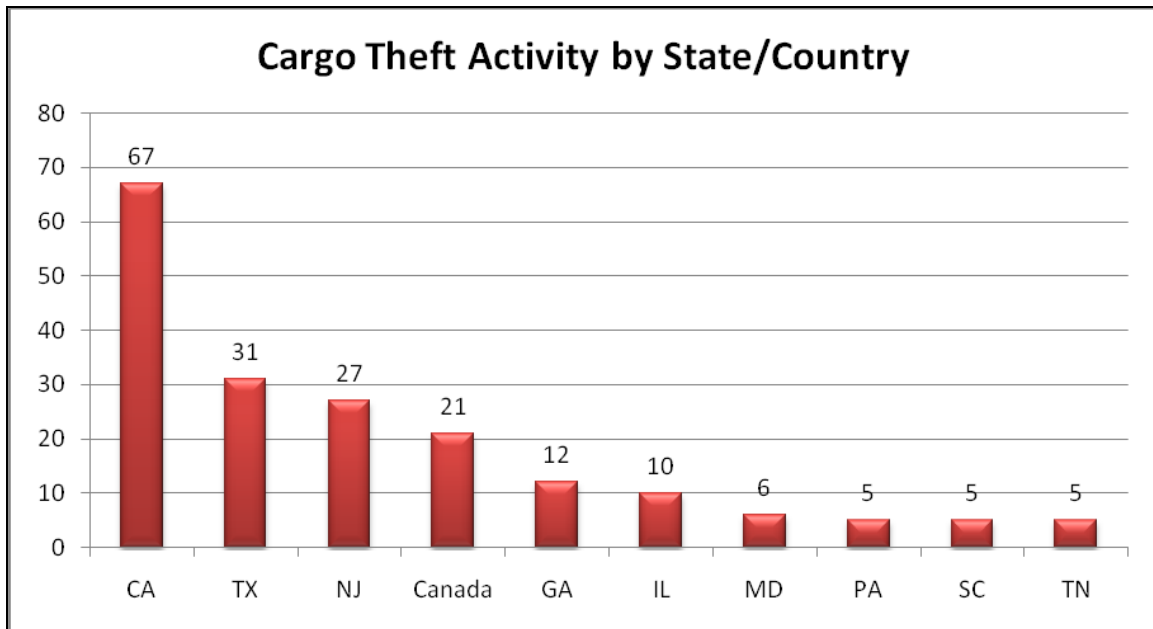
We have always known that cargo theft activity is not curtailed by geographic boundaries and during the 1st Quarter 2010, we documented cargo theft activity in all three countries of North America. Twenty-one states /territories within the United States, Ontario Province, Canada and Mexico all reported at least one cargo theft incident occurring within their borders.

The first three months of 2010 once again have California and Texas reporting the most amount of cargo theft activity in North America. Throughout 2009, Texas reported either the most activity or the 2nd most cargo theft activity in our quarterly reports, while cumulative reporting put California in the top spot for disruptive supply chain incidents last year. New Jersey had a marked increase in activity (+12) compared to the last quarter of 2009, while Georgia and Illinois both report slightly lower numbers (-4 and -6) respectively for the same period. Pennsylvania, South Carolina and Tennessee are essentially flat moving up or down by 1 incident in comparison to the 4th Quarter 2009 results. We have not seen Canada on the top locales chart since 1st Quarter 2009 while Maryland has not made this list since we began reporting.

In many states, such as Georgia, Florida, Illinois, California and New Jersey the law enforcement community have formed task forces who focus on the cargo theft issues. Industry councils exist in many areas which are assisting in the information sharing and incident reporting which brings awareness of the issue to the public.



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The remaining states/territories and countries have four or fewer reported incidents with the breakdown as following:

4 incidents: Nevada

3 incidents: Ohio and North Carolina

2 incidents: Arkansas, Indiana and Kentucky

1 incident: Missouri, Florida, Connecticut, Arizona, Utah, Puerto Rico and Mexico

A familiar pattern of reported cargo theft incidents emerges for the 1st Quarter 2010, stemming from our strong relationships with law enforcement and industry organizations based in California, Texas, New Jersey, Georgia, Illinois and now Canada (Ontario province). We are greatly appreciative of these professional relationships and look to foster similar partnerships throughout the United States, Canada and Mexico. We are also thankful for the event-based submissions from our member organizations, reinforcing the value of sharing information in a timely and trusting environment.

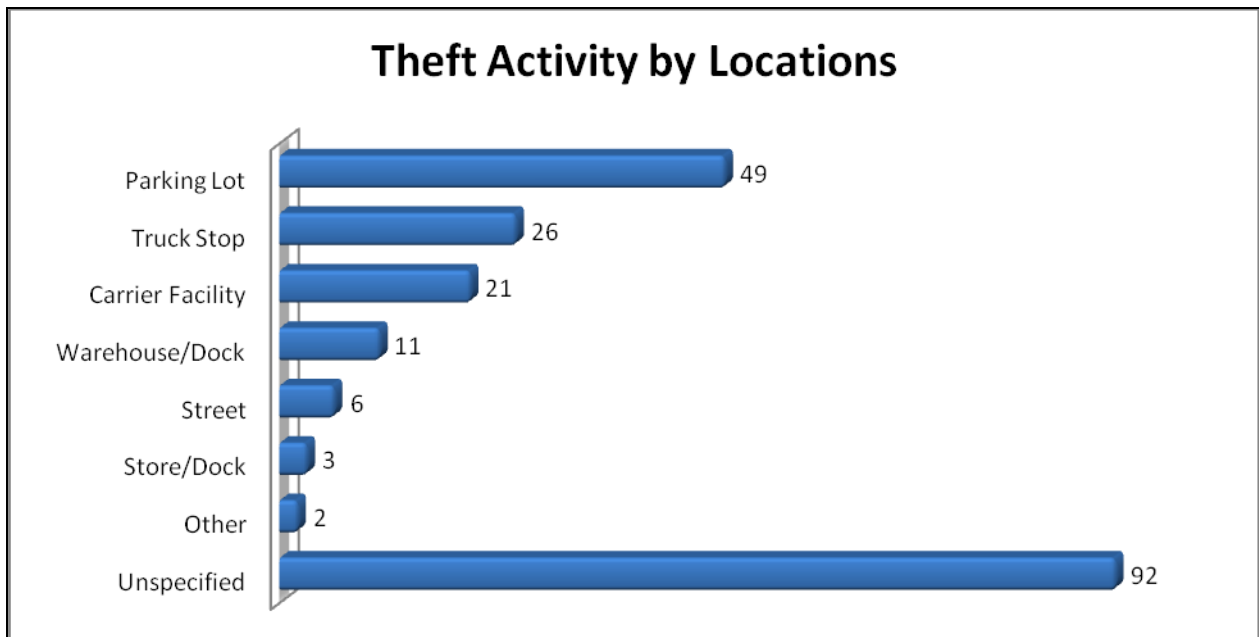


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We feel that it is necessary to point out that the reported theft activity is not necessarily a true reflection of the magnitude of cargo theft activity in each state/province, but does provide a measuring stick of the activity.

Where Theft Occur

For the first three months of 2010, excluding those incidents where a location was not specified, a majority of cargo theft incidents occurred in predominately unsecured parking lots, regardless of whether they were public or private spaces. This is a change from each of the 2009 quarterly reports, where Truck Stops or Carrier Facilities took the top spots for the most reported thefts.





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There are only five incidents that separate Truck Stops (26) from Carrier Facilities(21) for the first three months of activity, but overall the numbers for both categories have dropped in comparison to 2009 reported incidents (average quarterly activity at Truck Stops is 29, while Carrier Facility reported an average of 34 incidents for the last three quarters). Warehouse/Docks incidents are slightly below the yearly average of 12 as are cargo thefts that occur at a retail location or receiving (Store/Docks) area with an average of 5 incidents. The current data also reports a significant decrease in the average number of incidents (13) which take place on the roadways. Locations that are listed as “Other” include rail yards and seaports, and the number is on par with past quarterly averages.

The drop in reported incidents at Truck Stops, Carrier Facilities, Warehouses/Docks and Store/Docks may, based on anecdotal information, be an indication of the facilities enhancing physical security measures coupled with the inclusion of security tracking devices on and within the vehicles. If this data holds throughout the year, we may be seeing a reversal of last year’s trend of cargo thieves hitting hardened targets, where traditional security measures of fencing, cameras and alarm systems are more frequently in place. A reinforcement of security practices, including operational measures, ensuring that security equipment is functional and that drivers are familiar with and adheres to all organizational security procedures goes along way in deterring cargo theft activity, regardless of the location.

The large number of unspecified locations is due in part to the batch data that we receive from law enforcement. We suspect that if actual locations were known, the break out would be representative of those incidents where the location has been declared. We will however, continue to seek as much detailed information as possible on all theft related submissions, to ensure the veracity of our assertions.

When Thefts Occur

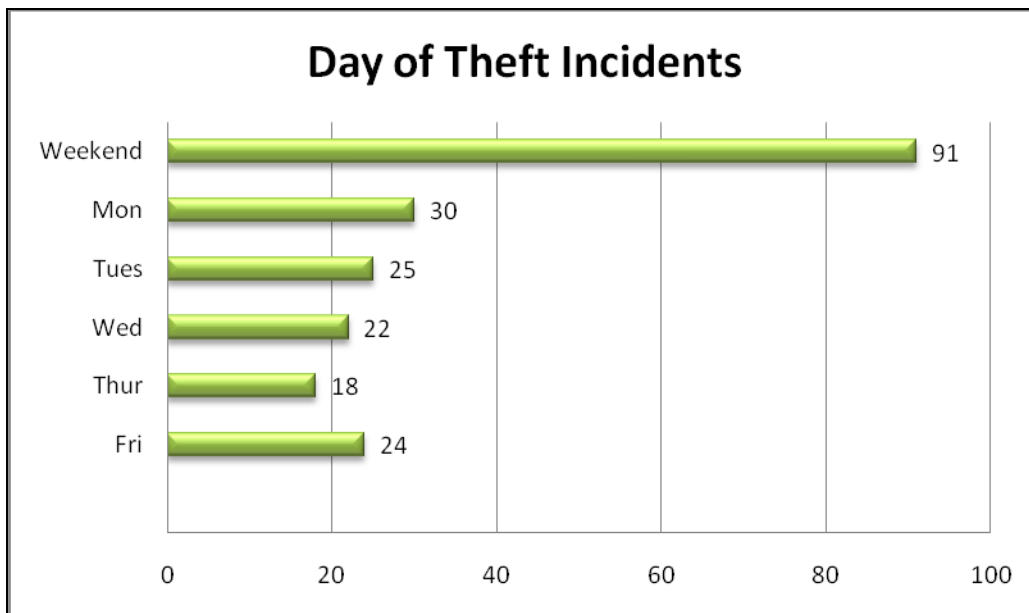
The adage “Cargo at Rest is Cargo at Risk” is no truer than when we look at the days most cargo thefts occur – the weekends. Not only are facilities vulnerable to burglaries with predictable day closures but the traditional work week leaves manufacturing, shippers and consignees receiving facilities closed for the acceptance of freight between



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Friday night and Monday morning. This schedule often leaves truck drivers with few alternatives to secure their loads while awaiting delivery and the thieves are well aware of these vulnerabilities.

During the first three months of 2010, we also had three long U.S. holiday weekends (New Year's, Martin Luther King's birthday and President's Day) and two Ontario, Canada's statutory holidays (New Year's and Family Day) which may have added to the significant increase of activity compared to the other days of the week, as well as the yearly average of 65 incidents. The SC-ISAC noted 32 cargo theft incidents occurred during a holiday period during the first three months of 2010. Where possible operators should try to control their freight carriers to avoid prolonged time from pick up to delivery, especially over weekends, where drivers have the need to drop their loads until deliveries can be made, making these loads more vulnerable to theft.



This just reinforces the need for higher security levels on the weekend or when the facilities are dark.

When we compare this data with 1st Quarter 2009, we find almost a reversal of results regarding which days are the most active during the traditional work week. The first three



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months of 2009 found Friday's and Wednesday's the most active for reporting cargo theft incidents and Monday's logged the fewest events one year ago. We are not sure what to make of this fact, but will continue to monitor to see if there is a trend, outside the obvious weekend time period, regarding the specific day(s) that cargo thieves decide to strike.

There were 14 reported cargo theft incidents (6.3%) where the freight was stolen in less than four hours of being left unattended, during the 1st Quarter. This statistic may be skewed by the number of holidays in the quarter where vehicles and cargo are being left unattended for extended periods of time. Of those 14 time-sensitive thefts, 8 incidents or 57 % took place within one hour or less of the vehicles/cargo being left unattended. Overall the length of time cargo is idle, before being stolen has reportedly been extended during this quarter; however it is alarming that more than half of those incidents occur in less than 60 minutes. These numbers reinforce a previous picture of cargo thieves identifying the loads that they are interested in, patiently biding their time and striking as soon as the driver leaves the vehicles.

What's Stolen

For the months of January, February and March, 49 cargo theft incidents involved Food, making this the most stolen commodity in the 1st Quarter of 2010. This category has retained the number one spot for the last three consecutive quarters. Rounding out the Top 6 most stolen commodities for the 1st Quarter 2010 include Clothing & Accessories (26 incidents), Automotive (17 incidents), Health & Beauty (15 incidents), Drugs & Medical (14), Building Supplies (13 incidents) and Consumer Electronics (12 incidents).

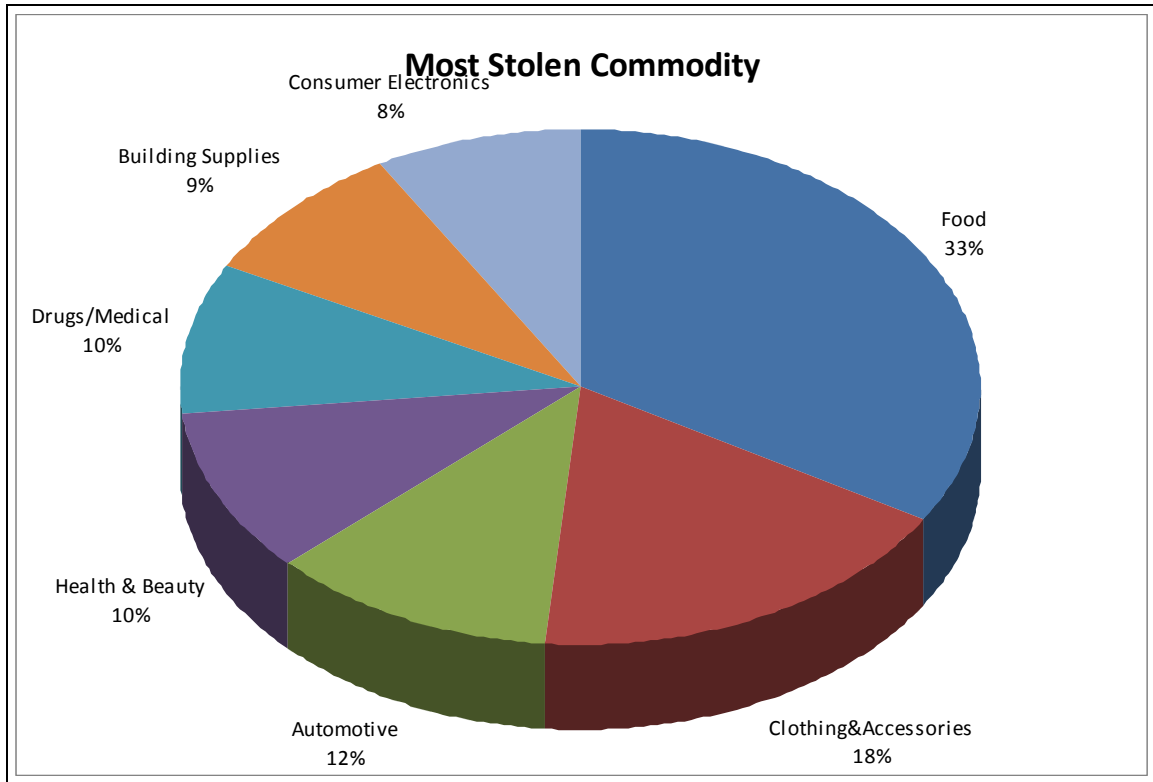
Of the 15 total categories that we currently track, only Music/Movies/Software did not report any losses during the quarter. The remaining category's that did not make the Top 7 list of most stolen, but experienced at least one cargo theft incident includes:

- Other (13)
- Computers & Peripherals (10)
- Tobacco/Spirited Beverages (10)
- Furniture (6)
- Appliances (4)
- Housewares (4)
- Unknown (1)



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During the 1st Quarter there were 17 incidents that equipment without cargo was stolen, almost double of what was reported during the 4th Quarter of 2009.



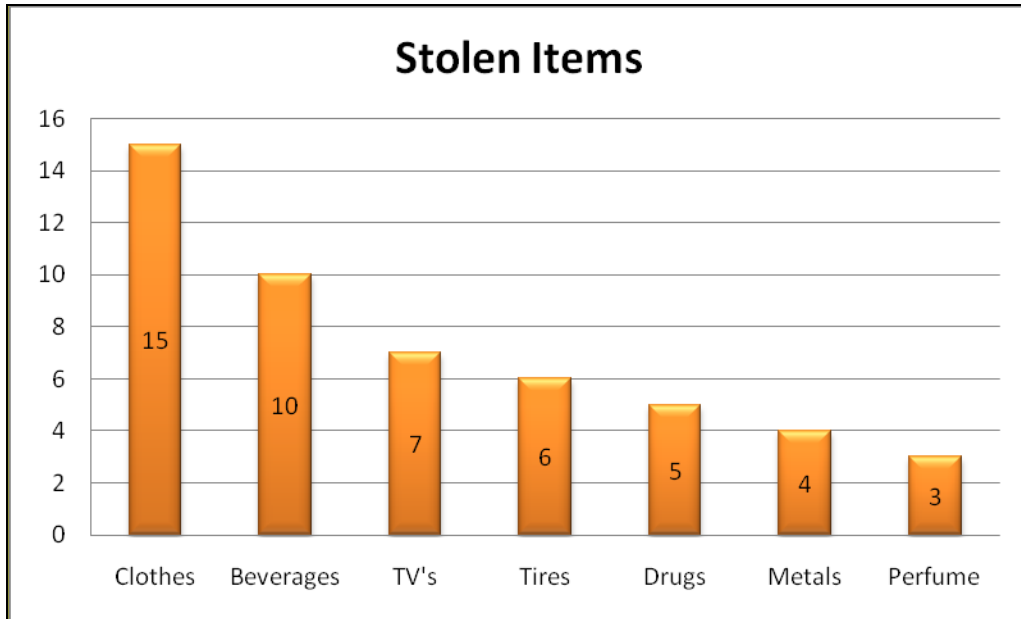
The level of detail in submitted cargo theft incidents allows us to drill down and look at specific items taken within a category of products, offering a more complete picture of what is specifically being stolen. Of the Top 7 category's stolen, the specific items relating to each has been identified in previous quarterly reports, with the exception of Perfume, under the Health & Beauty category.

Specifically, Clothing (Clothes & Accessories), Beverages-non-Alcohol (Food), TV's (Consumer Electronics), Tires (Automotive), and Drugs/RX (Drugs/Medical) were all identified as the most stolen items during the last quarter of 2009. An assortment of like Metals items including copper cathode, copper coils, aluminum t-bar, and steel piping



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was grouped together for this time period versus 4th quarter when there were several incidents involving copper tubing thefts.



For the remainder of the categories and linked items, you can debate whether thieves target specific product or take advantage of the most vulnerable freight. Anecdotally, we know both scenarios's to be true. However, regardless of your interpretation reviewing the list of commodities and specific items most stolen should help determine if your current efforts to secure the supply chain are making a difference.

Category

Other
Computer & Peripherals
Tobacco & Spirited Beverages
Furniture
Appliances
Housewares

Item

Exercise Equipment
Monitors
Liquor/Wine
Mattresses/Chairs
Refrigerators
Paper Products (Facial, Toilet, Napkins)



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Losses and Recoveries

For the months of January, February and March 2010, we collected dollar losses on 88 incidents out of the total of 212 cargo theft reports (or 42%) involving the loss of vehicles, cargo or both. The total amount reported lost for the 1st Quarter of 2010 was **\$91,904,291**. This quarter's loss is heavily skewed by a pharmaceutical loss of \$76 million in March, which if excluded brings the total loss for the 1st Quarter 2010 to **\$15,904,291**, equating to \$75,376.00 per reported incident.

Losses	January	February	March	Q1
Cargo Losses	\$6,890,250	\$5,543,865	\$79,078,076	\$91,729,466
Vehicle Losses	\$175,000	\$217,100	\$0	\$392,100
Total Reported Losses	\$7,065,250	\$5,760,965	\$79,078,076	\$91,904,291

The lower than average vehicle losses for the quarter may change with the progression of individual investigations and subsequently reported in future quarterly publications. As noted in previous reports, dollar amounts are typically only provided for the items that are owned or insured by the subscriber and not for the total loss sustained (i.e. owner/insurer of the cargo may not have dollar value of the vehicle or vice versa), which may be an explanation for the lack of supplied data as well.

For too long cargo theft activity has only focused on data pertaining to losses, however with the SC-ISAC's ability to record and track changes pursuant to on-going investigations, recoveries take on significance by offering a more complete picture of cargo theft activity in North America.



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The chart below summarizes the recovery information which has been submitted to date:

Recovery Info	January	February	March	Q1
# of Recoveries	16	15	11	42
# Involving Cargo	6	3	3	12
Total Recovery Value	\$823,000	\$176,000	\$100,00	\$1,099,500
% of Recovery to Loss \$	11.65%	3.05%	.126%	1.196%

We anticipate that the Q1 recovery numbers in all categories will increase as investigations conclude and findings are reported to the SC-ISAC. Again we seek our membership's assistance in providing as detailed information about theft losses and recoveries to ensure that we are portraying the most accurate picture of this criminal activity as possible.

The final component pertaining to recovered vehicles and cargo is where are the conveyance units and goods found? Of the 42 recoveries made to date in the 1st Quarter 2010, 33 or 79% were recovered within the state/province boundaries from where the vehicle and/or cargo were initially stolen. Of the 9 instances where either the vehicles and/or cargo was recovered elsewhere, on four separate occasions the conveyance was found in New Jersey and another three (two which were holding the stolen cargo) were found in Florida. The remaining two units were found in Georgia and Oklahoma. Timely and complete reporting of vehicle description and cargo is a factor in seeing recovery's occur in the same state/province as the theft occurs. To ensure that our analysis is on target, we strongly encourage the SC-ISAC membership to provide more complete information with every submitted theft and recovery report. Your actions will help to bolster this analysis in the future.



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Summary

The first three months of 2010 shows that cargo thieves have yet to take a break after a busy 2009 holiday season, based on two fewer reported cargo theft incidents compared to last year's 4th Quarter. The determination of supply chain stakeholders to combat this burgeoning criminal enterprise by sharing information with industry and law enforcement partners in a trusted community is heartening. We greatly appreciate our membership and their increased use of the SC-ISAC as a communication tool for reporting losses and learning valuable lessons from those unfortunate enough to have organized cargo thieves offer a quick but painful course in handling cargo losses. Working together in a trusted community, we can use our collective knowledge to graduate SC-ISAC members from the level of student to teacher, mastering the art of a secure, efficient and stable global supply chain, with the thieves wondering how we got so smart.

For further information about the SC-ISAC or the data used in this report feel free to contact Jackie Neill at jackie.neill@sc-isac.org or JJ Coughlin at jjcoughlin@sc-integrity.net