



Supply Chain - Information Sharing and Analysis (ISAC)

2009 Supply Chain ISAC Report of Cargo Theft Activity

Introduction

The Supply Chain Information Sharing and Analysis Center's (SC-ISAC) primary mission is to collect analyze and disseminate actionable intelligence to help secure the global supply chain. Towards that end, the SC-ISAC publishes twice-weekly bulletins with information about cargo theft incidents including initial notification and updates to the investigations from our membership as well as from various public sources. News of identified counterfeit goods along with other fraudulent activity which negatively impacts the supply chain is also published in the bulletins. To further enhance the knowledge and skills of our membership, we continually report on training events and industry seminars held throughout North America. Critical, time sensitive information is published as Alerts which include specific and actionable steps that the membership organizations can ascribe to minimizing their vulnerability to the specific reported criminal activity. During 2009, the SC-ISAC published 104 bulletins and four Alerts, an increase in categories (+12 and +3) over 2008 activity.

At the end of 2008, we reported that the membership stood at 585 organizations and over 1500 users. 2009 closes with 693 member organizations and over 1768 associated users representing industries including manufacturing, distribution, transportation and logistics, retailers, insurance, security/business services, associations, law enforcement and government, all dependent stakeholders on a viable global supply chain.

The Supply Chain ISAC is also an integral part of the National Councils of ISAC's, whose mission is to advance the physical and cyber security of the critical infrastructures of North America by establishing and maintaining a frame-work for valuable interaction between and among the ISACs with government. As one of nation's thirteen ISAC's, we took on a more active role by continual participation in meetings, conference calls and the Critical Infrastructure Protection Congress to ensure that the issues and needs of the global supply chain are being considered when and if there is a significant disruption to the global supply chain. We encourage the SC-ISAC membership to participate in Department of Homeland Security public/private partnership events, or any of the Critical Infrastructure Congress meetings scheduled, which are published in the bulletins as dates become known.



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Data

In 2009 we recorded 680 incidents, nearly double the number of incidents over 2008. Of those incidents, 611 are categorized as **Cargo Theft**, 40 identified as **Fraud**, incidents involving the identity theft of carriers for the pick-up of high value loads and the remaining 29 listed as **Intelligence Reports**, usually involving recovery of counterfeit goods or other information pertinent to Supply Chain operations.

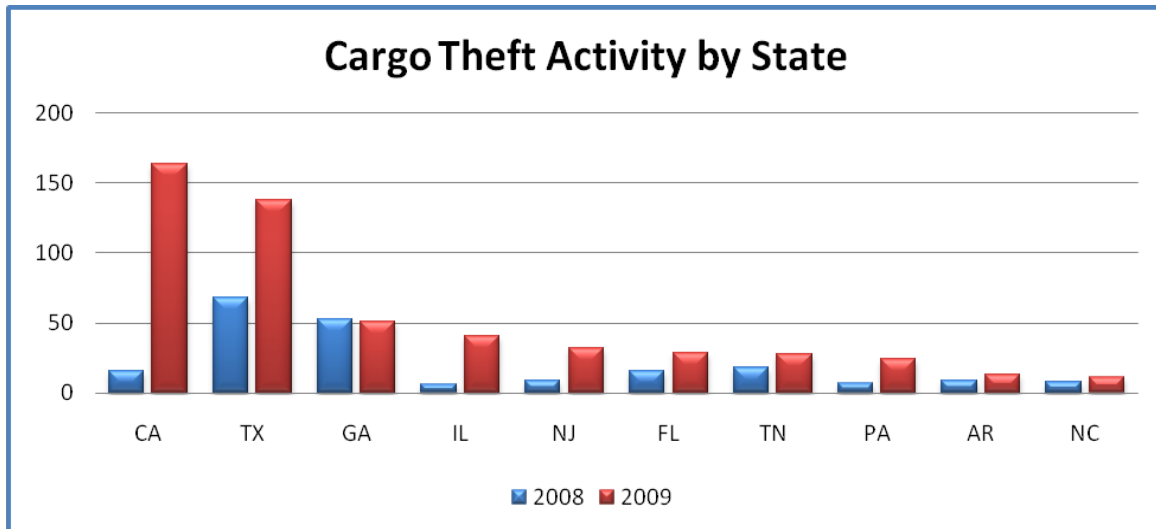
As some of you may note, the number of Cargo Theft incidents has risen by 27 compared to the data reported in the published quarterly reports. This is due solely to our commitment of maintaining a database of all reported theft incidents and any updates pertaining to the loss of goods and vehicles regardless of our publication deadlines. Many of the cargo theft investigations take weeks if not months to come to some sort of resolution, and the SC-ISAC readily reports on all updates and resolutions that are provided. This follow-up information allows us to accurately analyze cargo theft trends and provide the most current and complete picture of cargo theft activity available. We sincerely thank our members and partners for all of the incidents submitted this past year along with the growing number of updates and incident resolution data.

Cargo Theft Activity by State

Cargo theft activity has long been thought of as a crime which knows no geographic boundaries, illustrated in the increasing number of states that are reporting activity, ranging from in-transit thefts to warehouse and carrier facility thefts. For 2009, we reported 34 States, Puerto Rico and Canada experienced at least one incident of criminals disrupting the supply chain. States in the contiguous United States which report zero activity are primarily concentrated in the far northeast, north and northwest sections of the country. We are hard pressed to believe that cargo thieves have chosen to ignore these sections of the country, as a large amount of cargo flows through those areas. Instead we suspect that the information sharing efforts are not as organized in those areas. The states that continually show the greatest amount of activity are also the states where the SC-ISAC has developed strong partnerships with law enforcement, security councils and industry stakeholders interested in sharing theft information in order to enhance the recovery of their goods and vehicles.



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Two notes of interest:

- 1) Alabama and Ohio reported similar levels of activity for both 2008 and 2009 (8/9 AL and 10/9 OH) but neither state found themselves on the list of states with the most reported activity for 2009.
- 2) Illinois has reported increasing cargo theft activity in three of the four quarters for 2009. This is a trend to watch. If you operate in this area, you should enact safeguards to make your facilities and in-transit moves less vulnerable.

For the coming year the SC-ISAC will work hard to create partnerships with supply chain stakeholders throughout North American and in particular, those areas that have not participated in the information sharing as much as possible, in order to achieve a more complete picture of cargo theft activity overall.

Where Thefts Occur

Throughout the year there has been a jostling between Truck Stops and Carrier Facilities for the dubious distinction of the top location for cargo theft activity to occur, however the final count of 120 incidents in 2009 gives Truck Stops the top spot for a second year in a row. If we add the other non-secured locations such as Parking Lots and Streets, in



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with the Truck Stops category, they would win hands down. Earlier in the year we were surprised by the growing number of thefts occurring at secured yards and carrier facilities which raised the idea that thieves were becoming more organized and strategic in identifying criminal targets. The increasing level of violence by thieves against drivers is also a growing concern.



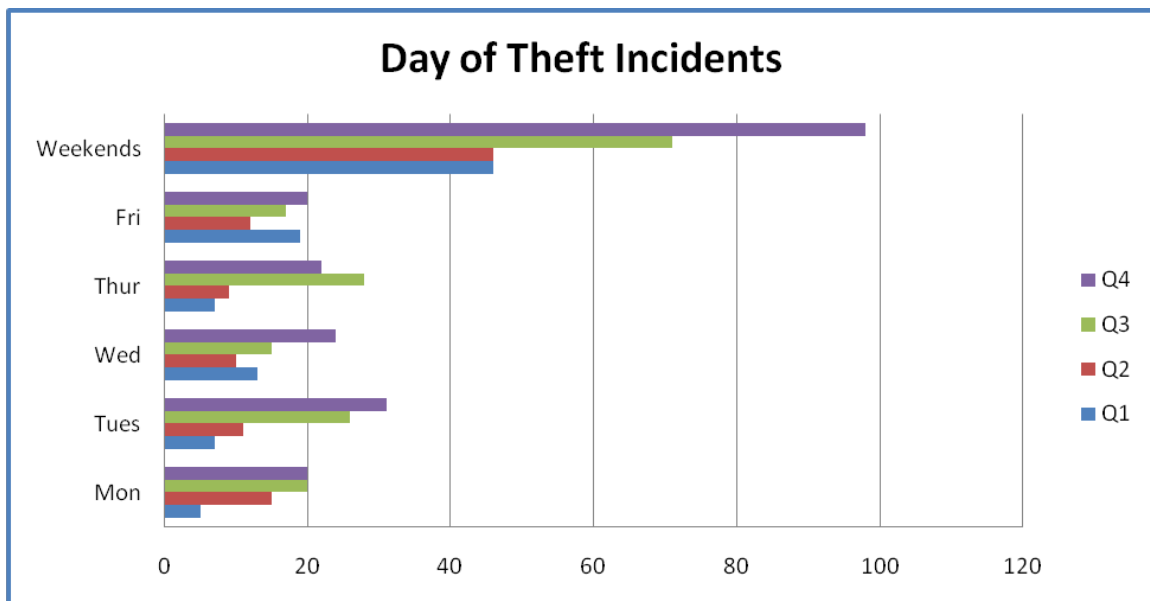
The number of unspecified locations of cargo theft activity has grown over the year especially with the inclusion of batch data from California Highway Patrol and the New Jersey State Police. While we always encourage member-generated incidents to include as much information as possible, we do not believe that there would be any significant difference in the location rankings for the 155 events which fail to list a specific venue compared to those incidents that do.



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When Thefts Occur

The chart below reinforces what supply chain stakeholders and law enforcement have known, that cargo thieves are most active over the weekend, regardless of the time of year. The bump in activity on Tuesday and Thursdays noted in the 2nd, 3rd and 4th Quarter can be attributed to extended weekends due to national holidays.



Given the consistency of the data, we would encourage stakeholders within all areas of the supply chain to re-evaluate their current operational practices and look for more secure procedures in order to combat the thieves. This should include everything from updating safety and security training for drivers, installing enhanced physical measures to facilities, yards and vehicles, and finally conducting an internal operational analysis to identify what practices leave the flow of goods and vehicles most vulnerable. Cargo thieves are well aware of distribution, carriers and consignees practices and have been exploiting them at an alarming rate, the tipping point has arrived for many organizations where they can no longer consider these losses as a cost of doing business and must seek operational alternatives in order to remain competitive.



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What's Stolen

The commodities and specific items most often reported stolen during 2009 are certainly no stranger to this list, with Food, Automotive and Consumer Electronics categories being listed on all four of the year's quarterly reports. Drugs/Medical, Clothing & Accessories and Building Supplies were on three of the four quarterly reports, and Computers & Peripherals made the top ranking in two of the four quarters for 2009.

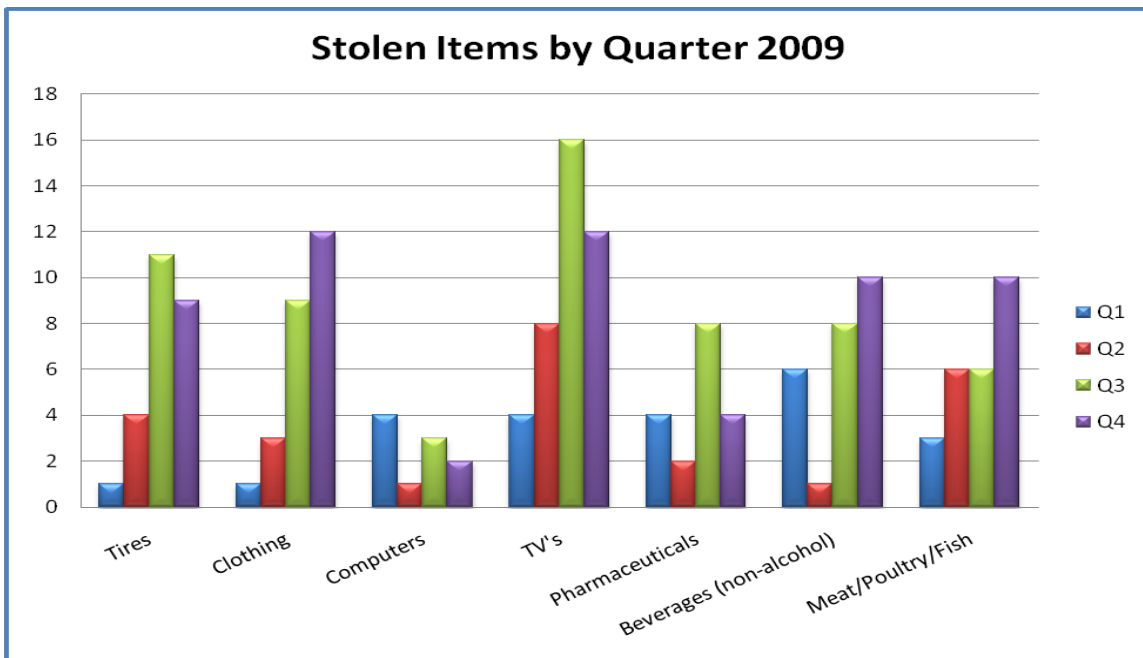




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The specific items most stolen throughout the year include:

<u>Category</u>	<u>Items</u>
Automotive	Tires
Clothing/Accessories	Clothing
Computers & Peripherals	Computers
Consumer Electronics	TV's
Drugs/Medical	Pharmaceuticals
Food	Meat/Fish/Poultry & Beverages (non-alcoholic)
Health/Beauty	Perfume
Music/Movies/Software	Video Games
Tobacco/Spirited Beverages	Liquor/Beer/Wine
Building Supplies	Metals
Furniture	Sofas
Appliances	Washer/Dryers
House-wares	Bedding/Linens





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Losses and Recoveries

Starting in February 2009, we began documenting the dollar amount for losses using both the equipment and the load information to project more accurate information.

Based on reported incidents, the losses of both cargo and vehicles for 2009 totaled **\$134,897,644.00**, equating to \$220,782.00 per reported incident.

Points to keep in mind when looking at loss and recovery data:

1. Dollar amounts are often estimated by the subscriber and change as the investigation progresses (\$ amount published in one quarter may change by year end)
2. 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 vehicles may not have dollar amount for cargo or vice versa)
3. Single load losses and/or recoveries for pharmaceuticals and consumer electronics often are in the millions and therefore skews the average losses/recoveries per incident
4. During the past year recovery information has not been as readily shared, though we expect this to increase as members know that the information is tracked and published

Losses By Quarter	Q1	Q2	Q3	Q4
Cargo Losses	\$29,516,902	\$36,258,677	\$37,335,220	\$29,097,379
Vehicle Losses	\$60,000	\$785,500	\$1,199,966	\$644,000
Total Reported Losses	\$29,576,902	\$37,044,177	\$38,535,186	\$29,741,379

With time and the inclusion of more complete data, the SC-ISAC believes that a more accurate picture of cargo theft activity can not be found by only looking at losses. The recovery dollars, associated with both vehicles and cargo should also be included in all future analysis. With the varied percentage of recovery dollars in comparison to reported



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loss amounts, there is much work to be done by law enforcement, private investigators and industry stakeholders, but their efforts are laudable. With more consistent reporting of both losses and recovery information going forward, the SC-ISAC should be finally able to quantify what the cost of cargo theft activities are to the country.

Recovery Info By Qtr	Q1	Q2	Q3	Q4
# of Recoveries	43	59	62	35
# Involving Cargo	21	16	27	12
Total Recovery Value	\$1,903,000	\$14,258,840	\$28,002,508	\$15,234,041
% of Recovery\$ to Loss\$	6.43%	38.49%	72.67%	51.22%

Finally, we must address the states in which vehicles and cargo are being recovered. Of the 611 cargo incidents reported for 2009, we have recovery location information on 185 incidents. Though there is much information regarding recoveries that is not known what we can conclude based on the submitted information is:

- A significant number (152) of vehicles and cargo are recovered within the same state from which it is stolen
- More vehicles and cargo (13) are recovered in Florida when reported stolen from another state
- 19 recoveries have been reported in adjoining states



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Summary

This has been a busy and fruitful sophomore year for the SC-ISAC; we added another 100 member organizations and over 200 associated users, we've nearly doubled the number of reported incidents of disruptions to the supply chain and we published four quarterly reports along with 52 weeks of twice-weekly bulletins.

None of our efforts would have been possible without the support and participation of our members and the various Security Councils that believe sharing information on cargo theft activity is an effective means to combat this growing crime. When we stated that membership in the Supply Chain ISAC required your participation, you answered the call. When we asked for more details of the theft incidents to include the location and the type of cargo on board, we saw an increase in the amount of information provided. We now find ourselves ready to take on the task quantifying losses and recoveries, and again look to the membership to supply dollar amounts of losses and any recovery information, when it becomes available. In advance, we thank you for continued participation.

As the database continues to mature, we are better able to identify trends, methods and cargo theft activity which will be of great value to supply chain operators and managers everywhere. We have provided theft information to various industry operators, as they create ROI proposals to mitigate the risks associated with supply chain operations. We look forward to providing more of these specialized services to our member organizations during the coming year.

The trusted community of the SC-ISAC has shown that sharing information empowers all stakeholders of the supply chain to assist in the prevention of companies becoming a victim of cargo thieves, by sharing and receiving information that can be incorporated into our business and security operations.

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