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

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### **2010 Supply Chain ISAC Report of Cargo Theft Activity**

#### **Introduction**

The Supply Chain Information Sharing and Analysis Center's (SC-ISAC) primary mission is to facilitate communication among supply chain dependent industry stakeholders in order to help secure the global supply chain. Towards this end, the SC-ISAC has created a subscription based-trusted community of manufacturers, shippers, distributors, consignees, law enforcement and insurance entities, where critical information impacting the supply chain is shared.

The SC-ISAC collects information from our membership and various public sources on supply chain disruptions. The information of cargo theft –related incidents, including initial notification and updates to investigations are published twice weekly. Fraudulent activity, including carrier identity theft and seized counterfeit goods are also included in the bulletins to heighten the awareness amongst the membership of these types of crimes. The SC-ISAC also publishes upcoming training events and industry seminars throughout North America to further enhance the knowledge and skills of our membership as well as foster relationships between public and private sectors. Critical time-sensitive information, published as Alerts, include specific and actionable steps that membership organizations can integrate into their current security protocols thereby minimizing vulnerabilities to the specific reported criminal activity. The SC-ISAC also analyzes the collected theft data and publishes quarterly reports and an annual report on Cargo Theft Activity. Throughout 2010, the Supply Chain ISAC published 101 bulletins, 7 Alerts, four quarterly reports and our annual report.

As one of the nation's sixteen critical infrastructures, the Supply Chain Information Sharing and Analysis Center acts as a liaison for information sharing between the Department of Homeland Security (DHS) and the nation's supply chain. We actively participate in meetings, conference calls and trainings lead by the National Councils of ISAC's, whose goal is to formalize and make operational information sharing between DHS and the ISAC's on general alerts, warnings and intelligence. Our presence in these



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activities ensures that the issues and needs of the global supply chain are being considered prior to, or if, there is a significant disruption to the nation's infrastructure. We strongly encourage the SC-ISAC membership to participate in Department of Homeland Security public/private partnership events or Critical Infrastructure Congress (CIP) upcoming seminars which are published in the SC-ISAC bulletins as dates become known.

### Data

In 2010, the SC-ISAC recorded 857 incidents, nearly a quarter more than the total number of incidents reported in 2009. Of those, 813 are categorized as **Thefts**, 26 identified as **Fraud** involving diversion tactics employed to steal goods and the remaining 18 incidents are listed as **Intelligence**, consisting of counterfeit goods, suspicious activity by suspected cargo thieves or other information pertinent to Supply Chain operations. As we have reported throughout 2010, all incidents which involved the loss of vehicles and/or goods from their rightful owners will be included in this analysis for a total of 839 reported events (813 incidents reported as Theft and 26 events listed as Fraud related).

In comparison to the four SC-ISAC 2010 quarterly reports, this annual report has an additional 45 reported theft related events. This increase in incidents is due solely to updating our database with reported theft incidents, involving the loss or goods or vehicles, as they are submitted regardless of our publication deadlines. In addition to newly reported incidents, we also update our database with shared investigative efforts which can take weeks if not months to offer some type of resolution. This follow-up information allows us to accurately analyze cargo theft trends and provide the most current and complete picture of cargo theft activity possible.

The theft data used in this report comes from the SC-ISAC membership, CargoWatch, a Canadian industry group, public source documents and batch crime reports from California Highway Patrol and the New Jersey State Police. We greatly appreciate our membership and partners for sharing this crime data with us. The frequency and level of reported detail in each incident allows us to provide an exhaustive and more robust analysis of criminal activity impacting the supply chain operations.



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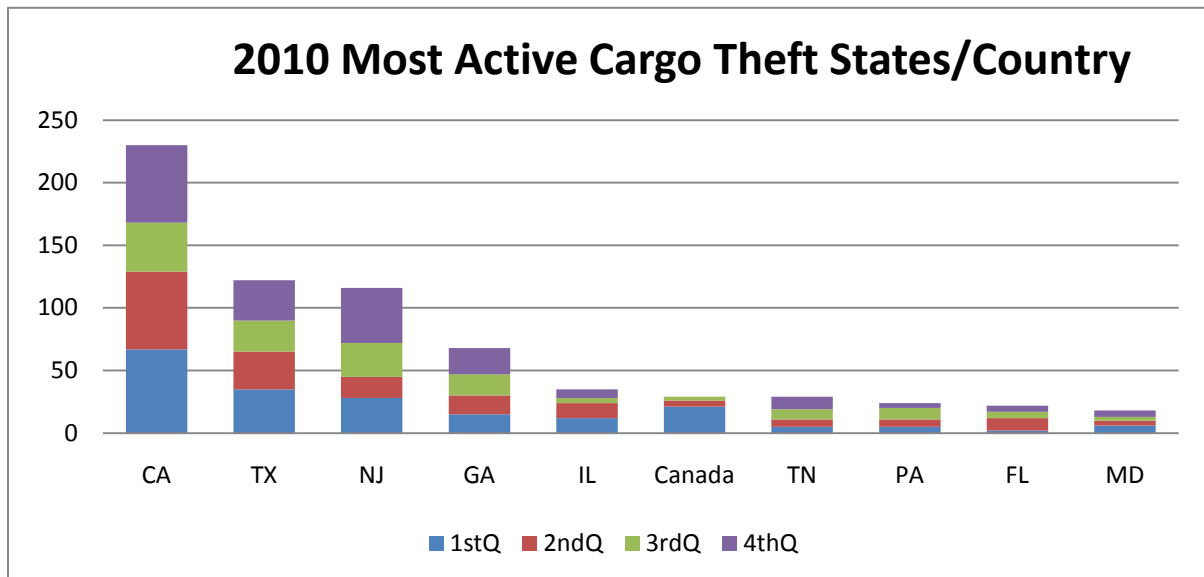
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### Cargo Theft Activity by State/Country

Cargo theft is not a crime defined by geography, as we note in 2010 with Canada, Mexico and the United States all reporting specific incidents. In the United States, 37 of the 48 contiguous states, plus Puerto Rico reported activity during the year. Three provinces in Canada reported activity while one Mexican state did for the same time period.

The states/country with the most reported incidents are not surprising as we have reported thefts in these locales throughout 2010. California has by far reported the most cargo theft activity in North America, holding the top spot the entire year. Texas, New Jersey, Georgia, Illinois, Pennsylvania and Tennessee have each appeared as top reporting states for all four quarters. Florida was on the most active states list for three of the four quarters while Maryland and Canada made the list twice.



While no state or country wishes to be identified for the amount of criminal activity taking place within their borders, we would encourage the reader to instead see these



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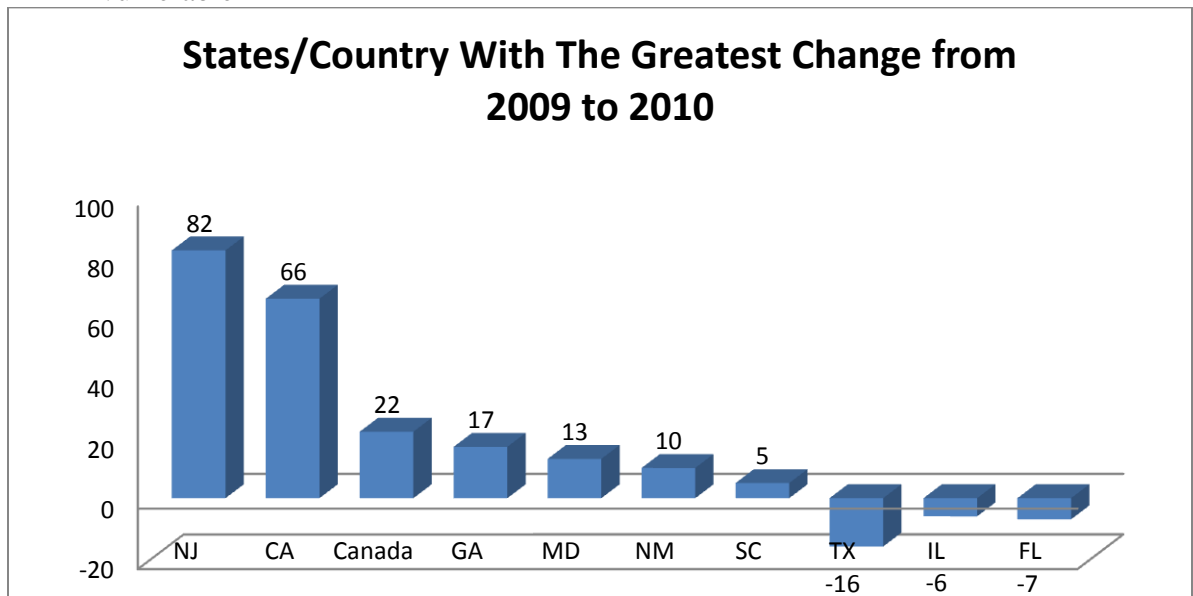
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locations as being leaders when it comes to sharing information. The continually top four states (CA, TX, NJ and GA) have some of the most active regional security councils and law enforcement agencies focused on cargo theft activity. These groups recognize that sharing information is necessary if the legitimate supply chain stakeholders are going to have a chance of winning this battle against cargo thieves. The SC-ISAC is thankful for the partnership that we have created with these groups and appreciate their efforts to thwart cargo theft activity wherever it may happen.

Comparing last year's data to the current year we find a couple of notes of interest:

- 1) The focused efforts by law enforcement in California, New Jersey and Georgia to combat cargo theft are noted by the increase in reported activity
- 2) Texas reported 16 less incidents than they did a year ago. Is this a case of less reporting or an actual reduction in thefts?
- 3) Illinois was identified as a place to watch in 2010 which bore out, but we still report 6 less incidents.
- 4) Maryland's cargo theft activity is becoming a trend that should be watched. We suggest enacting safeguards to make your facilities and in-transit assets less vulnerable





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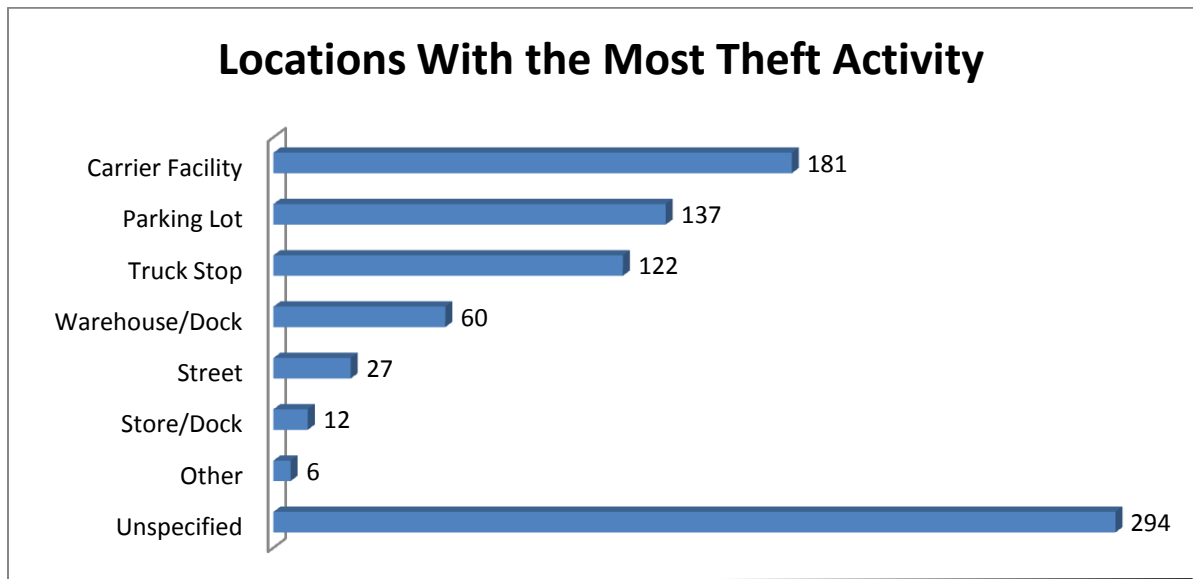
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The Supply Chain ISAC looks forward to enhancing our existing partnerships while creating new ones with supply chain stakeholders throughout North America during 2011. All of these efforts strive to increase the amount of information shared with supply chain stakeholders while developing a more accurate and complete picture of cargo theft activity in North America.

### Where Thefts Occur

Throughout 2010 we reported on cargo thieves taking a more strategic approach to where they struck. The chart below illustrates a significant shift from the 2009 data when Truck Stops help the top spot of cargo theft activity. The willingness of cargo thieves to focus their efforts on Carrier Facilities (and Secured Lots) where they are more likely to be confronted with a variety of security measures speaks volumes of their perception of the risk/reward ratio of their crimes.



This change in criminal strategy of targeting facilities and in-transit vehicles in order to obtain desired goods is supported with the increased activity at Warehouse/Docks and



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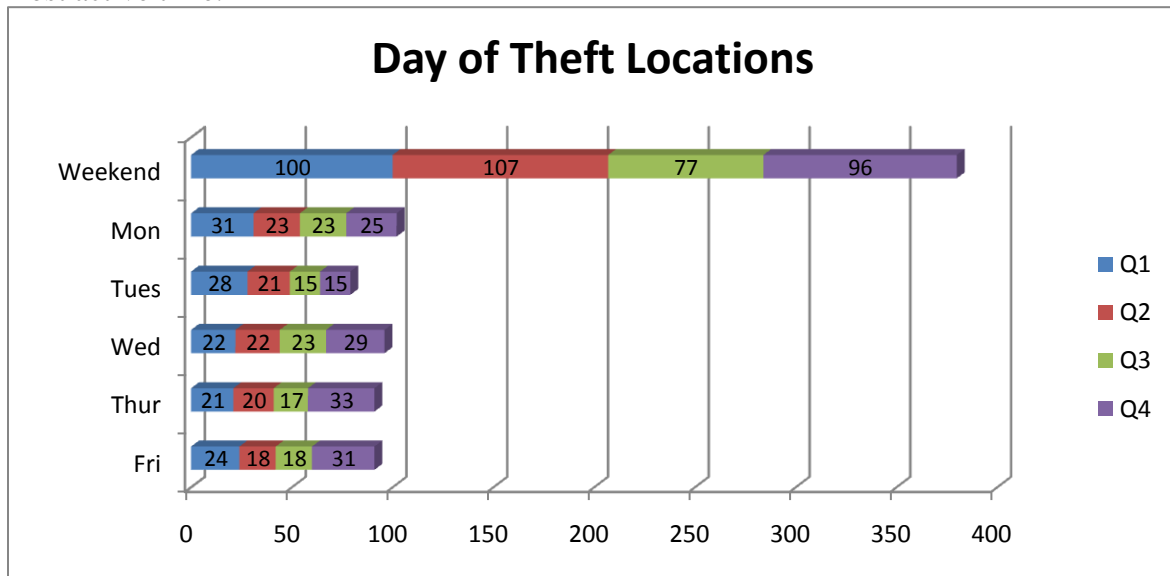
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conversely with the significant decrease of cargo thefts incidents occurring on Streets/Highways compared to last year. This leads us to believe that cargo thieves have matured in their approach, no longer stealing because it is there but with an end game in mind. If we are correct in our assessment, supply chain stakeholders will be up against a determined and formidable foe. They will not be deterred easily.

The number of incidents where a location was not specified was substantially higher than in past years, and is predominately due to the batch data received from the California Highway Patrol and the New Jersey State Police. While we encourage the membership to provide as complete theft information for as possible, we understand that this is not always possible. We do not believe, however that there would be any significant change in the current ranking of theft locations, if the sites were known of the currently unidentified 294 incidents.

### When Thefts Occur

Though cargo thieves may have altered where they strike this past year, the data collected on when they steal has remained very consistent over the years, with Weekends being the most active time.





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As the chart denotes there is not a lot of variation in the number of thefts occurring over the course of the week to draw any make any meaningful conclusions. However when will the overwhelming amount of theft activity on weekends, reported in the twice-weekly SC-ISAC bulletins and then again quarter after quarter be enough to force supply chain stakeholders to action? There is a huge opportunity for each component of the supply chain to re-evaluate their systemic operations and see how those time-honored practices may be aiding the cargo thief. Manufacturers and Shippers should consider the timing of when they release goods for shipment. Are products being loaded on trailers that will sit at the dock over night or over weekends? Consignees should look at their receiving policies and see if any current restrictions on delivery times may put an incoming load at risk for theft. Finally carriers should be evaluating their processes to ensure that unnecessary risks are not being assumed by drivers. Are compensation programs unwittingly rewarding drivers for putting vehicles and cargo at risk? Challenging your basic assumptions on supply chain practices encourages you to explore alternative processes which will not only make the supply chain more efficient but also more secure.

### **What's Stolen?**

Since the 2<sup>nd</sup> Quarter 2010, the SC-ISAC has been reporting on the high number of vehicles without cargo that have been stolen. Throughout the year we recorded 148 tractors and empty trailers stolen, leading us at the time to surmise that cargo thieves were swapping out vehicles to avoid detection. While we have begun to notice that the theft of vehicles (minus cargo) is slowing, we found ourselves wondering about all vehicles thefts (with or without cargo) and if specific brands are more vulnerable to theft than others.

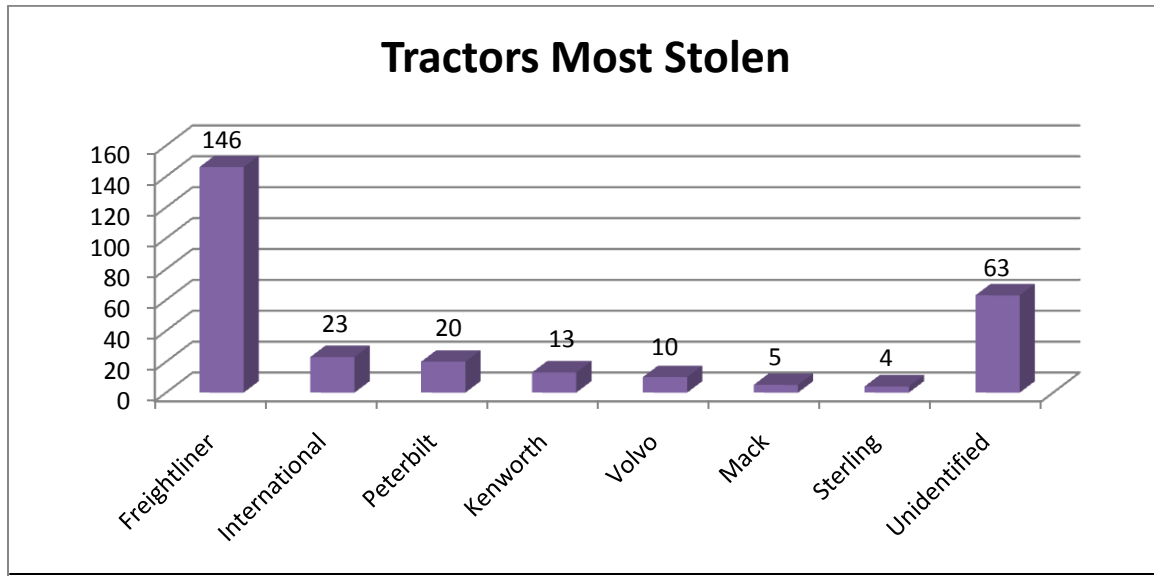
In 2010, the SC-ISAC recorded a total of 780 vehicles (tractors, trailers, chassis/containers) stolen. Of those 286 were tractors, 377 were trailers and 117 were chassis/containers. Because of the level of detail provided on theft reports and subsequent updates, we were able to drill down and identify the most stolen tractors and trailers. Unfortunately the available information pertaining to chassis/containers was not as complete and therefore we will not offer additional analysis on this type of vehicles.



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Many supply chain stakeholders and especially law enforcement may not be surprised to see that Freightliner's are cargo thieves' tractor of choice. Some of the reasons for this include:

1. The vehicles are easy to gain entry into, even when locked
2. Dismantling or hot wiring the ignition is relatively easy and quick
3. Thieves have been caught with master key sets
4. Cargo thieves are familiar with the operation of the vehicle

Given the vulnerability of this brand of vehicle, those that have Freightliner's in their fleet should employ both operational practices and technology solutions to make an individual tractor less of a target. Some suggestions include:

- Team drivers, so the vehicle is never left unattended
- Have driver kill switch technology or other mechanical components (immobilization devices) to render the vehicle inoperable when parked
- Installing remote access technology or covert tracking devices to assist with recovery efforts

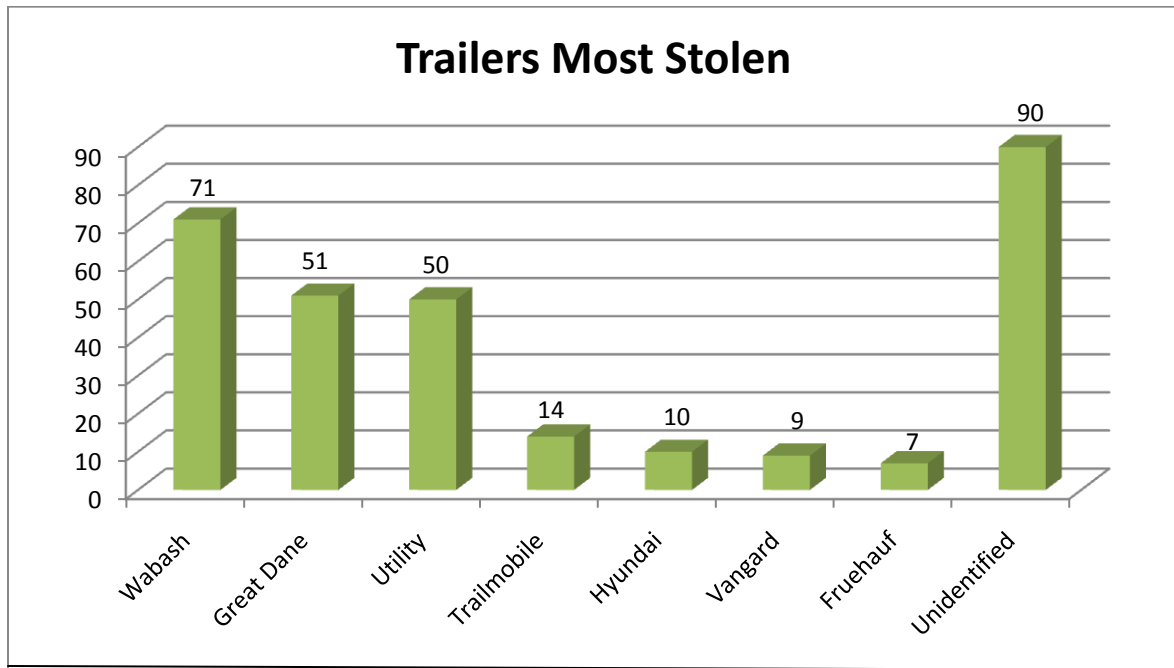


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The stolen trailer data provided throughout 2010 fails to paint an obvious connection of why cargo thieves may or may not target specific brands of trailers. However we did note that regardless of the brand name 99% of all stolen trailers were white in color and over 80% had some type of markings (Company name, unit number, corporate logo etc) on them at the time of the theft.



Though we have no discernable evidence which indicates cargo thieves favor a specific type of cargo conveyance over another, we would still encourage stakeholders to review their security protocols with regards to trailers:

1. Have readily available descriptive information ( including VIN#, unit #, license plate and state and any outward markings) of a stolen trailer



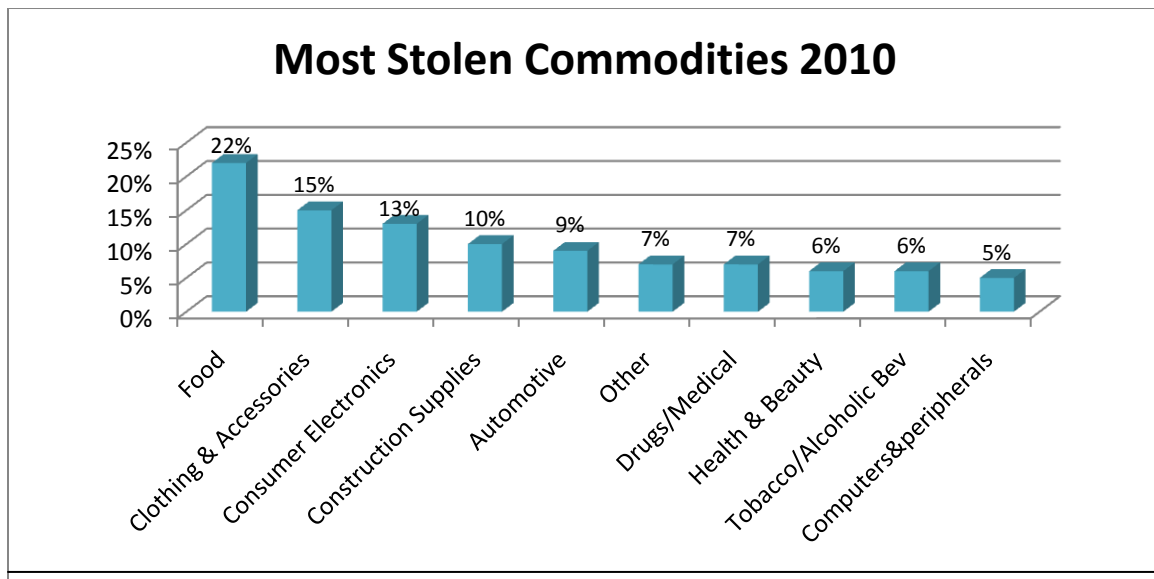
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2. If pickups are being made at your locations, log in trailers with descriptive information , including license plate and state, unit # and any additional outward markings
3. Install both overt and covert security devices on trailers, including heavy-duty padlocks, kingpin locks and tracking devices

As we shift our focus to the cargo stolen, we see familiar commodities and specific items that have been identified quarter after quarter. Food was identified as the most stolen commodity in 2009 and again in the 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> quarters of 2010. Clothing and Accessories ranked 3<sup>rd</sup> overall in 2009 but moved up as the 2<sup>nd</sup> most stolen commodity during those same three quarters as well as for the year overall. Cargo thieves consistently target the same commodities and specific items, essentially offering supply chain stakeholders with their playbook. All we need to do is to take the time to read it and identify the tactics that will shut them down.



Drilling down into the commodity data we are able to identify the most stolen items per category. Again there are no surprises with the listing, as all of the most stolen items have



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been identified on this year's quarterly reports. All of the items on the chart below were also identified as the most stolen in 2009, with the exception of Beverages.



The complete listing of the most stolen specific product throughout the year includes:

### Category

Automotive  
 Clothing/Accessories  
 Computer & Peripherals  
 Consumer Electronics  
 Drugs/Medical  
 Food  
 Health & Beauty  
 Tobacco/Spirited Beverages  
 Construction Supplies  
 Furniture  
 Appliances  
 Housewares

### Items

Tires  
 Clothing  
 Computers  
 TV's  
 Pharmaceuticals  
 Beverages  
 Perfume  
 Liquor/Wine/Beer  
 Metals  
 Chairs  
 Washers & Dryers  
 Paper products



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### Losses and Recoveries

For all of 2010, the SC-ISAC received dollar loss amounts on 429 reported cargo theft incidents (51%) involving vehicles, cargo or both. Based on reported incidents in 2010, the losses of both cargo and vehicles totaled **\$166,262,290** equating to \$387,557.78 per reported incident. This is an increased of \$31,364,646 in total losses compared to 2009. The average loss per reported incident also increased in 2010 by \$166,775.78.

As you scour the loss and recovery data please keep the following points in mind:

1. Dollar amounts are often estimated by the subscriber and change as the investigation progresses ( Dollar amounts reported in a given Quarter may change by year's end)
2. Dollar amounts are typically only provided for the items which 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 amounts for the vehicles or vice versa)
3. Single load losses and /or recoveries for pharmaceuticals often are in the millions and therefore skew the average losses /recoveries per incident (i.e.\$76m RX loss in March 2010)

Losses	Q1	Q2	Q3	Q4	2010
Cargo Losses	\$93,365,127	\$21,669,948	\$15,627,487	\$32,647,002	\$163,309,564
Vehicle Losses	\$463,100	\$1,175,626	\$750,000	\$564,000	\$2,952,726
Total Reported Losses	\$93,828,227	\$22,845,574	\$16,377,487	\$33,211,002	\$166,262,290

We are pleased that by year's end our membership has provided dollar losses on slightly more than half of all cargo theft incidents for 2010. While we strive for dollar loss




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information in every case, we understand that this information is not always available at the start of an investigation. We will continue to work with our membership and industry partners to collect as much information as possible throughout the course of the investigation. We certainly encourage all SC-ISAC members to share cargo theft activity within our trusted community, but recognize that at times confidentiality is desired and will treat the submissions accordingly. The inclusion of dollar losses in cargo theft incidents helps to finally quantify the actual losses associated with this crime.

2010 has been the first complete year that the SC-ISAC has collected data on reported cargo losses and subsequent recoveries. Just as there are changes in the loss numbers in this report compared to the quarterly reports, there are changes in the recovery numbers as well. The chart below summarizes those theft incidents which reported some recovery activity in 2010.

Recovery Info	Q1	Q2	Q3	Q4	2010
# of Recoveries	47	62	51	66	226
# Involving Cargo	13	27	18	17	75
Total Recovery Value	\$1,119,500	\$1,135,000	\$6,682,360	\$2,464,615	\$11,401,475
% of Recovery to Loss \$	1.19%	4.97%	40.80%	7.72%	6.86%

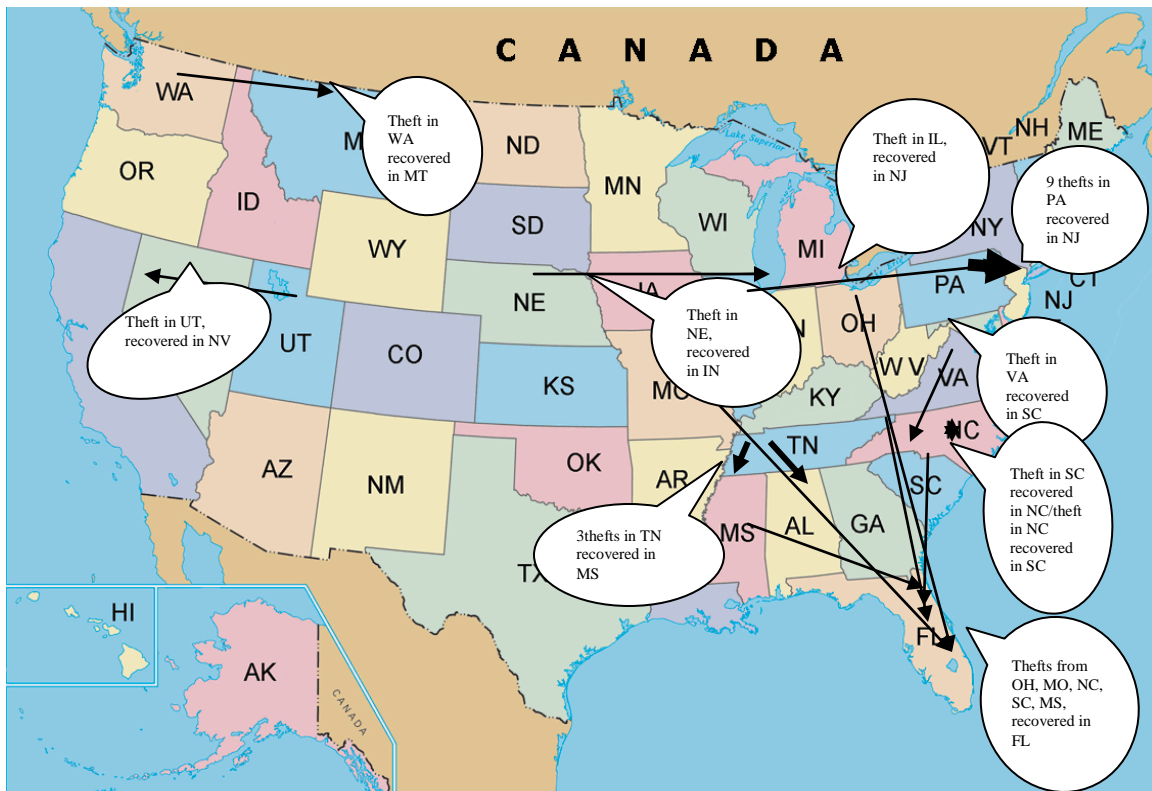
The large jump in recovery percent for the 3<sup>rd</sup> Quarter in large part is due to the recovery of a \$5.5 million dollar load of pharmaceutical products. As we look at the recovery percentages for 2010, we should first acknowledge the great strides that law enforcement and private industry is making daily in combating this burgeoning crime. After we take a moment to honor the efforts, we can delve back into the work at hand as there is much left to do.



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The discussion of recovery is not complete until we look at where vehicles or goods are recovered in relation to where they were stolen. Of the 226 reported recoveries, all but 47 were discovered in the same state in which they had been initially stolen. We find it interesting given the large amounts of theft which occur in California and Texas that all reported recoveries from those incidents have come within their own state boundaries.

The map below offers a sampling of the thefts which were recovered in another state.



As we can see from the map Florida still attracts stolen vehicles and cargo, but the recent influx of stolen vehicles and cargo in New Jersey is something to watch in the upcoming year.



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Supply chain stakeholders should also consider the distance in which some vehicles/cargo has travelled before being recovered or disappearing altogether. Have the cargo thieves travelled through your state?

### Summary

This is the SC-ISAC's third annual report. With each one we strive to provide a thorough profile of cargo theft activity based on the submitted incident reports from our membership, law enforcement and public source documents.

This year we have reported on consistent behavior patterns in almost all aspects pertaining to how cargo thieves operate. We have noticed over the years, that these crime groups have matured in their approach, displaying patience while evoking strategic thinking as they choose targets. All of this should cause us concern if we are not willing to approach this problem employing the same tactics.

There is some good news however. The thieves have created patterns of operations that they willing show us every time they steal a vehicle and/or cargo. It is up to us if we want to take the time to read their playbook and institute a defense that could ultimately shut the criminal enterprise down.

All of our analysis would not be possible without the SC-ISAC membership and partners. We greatly appreciate your continued support by providing detailed cargo thefts incidents and follow up reports. The membership's willingness to share information empowers all stakeholders of the supply chain, as we seek solutions to make our businesses less vulnerable to theft.

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](mailto:jackie.neill@sc-isac.org), April Hughes at [ahughes@sc-integrity.net](mailto:ahughes@sc-integrity.net) or JJ Coughlin at [jjcoughlin@sc-integrity.net](mailto:jjcoughlin@sc-integrity.net).