



Supply Chain - Information Sharing and Analysis (ISAC)

4th Quarter 2011 Supply Chain ISAC Report on Cargo Theft Activity

Introduction

The Supply Chain Information Sharing and Analysis Center's (SC-ISAC) stated mission is to "facilitate communication among supply chain dependent industry stakeholders" and to "foster a partnership between the private and public sectors to share critical information". The SC-ISAC continually works towards achieving these goals by:

- collecting and disseminating supply chain theft related incidents
- publishing time sensitive Alerts with actionable steps to protect SC-ISAC members from identified vulnerabilities
- creating a trusted community of supply chain stakeholders, including manufacturers, shippers, distributors, consignees, insurance and law enforcement
- analyzing theft events to identify potential operational weaknesses and trends exhibited by cargo thieves

For the months of October, November and December 2011, the SC-ISAC published 22 twice weekly bulletins of member-generated and/or public source information of predominately theft related events. During this same period, SC-ISAC member organizations received two Alerts regarding holiday security measures to incorporate with their current operational protocols for facility and in-transit assets.

The SC-ISAC collected a total of 152 supply chain incidents for the last three months of 2011, down from 233 for the same period last year. Of those, 140 were identified as **Theft**; five were categorized as **Fraud**, and the remaining seven as **burglary** or **robbery**. The fact that we are seventy-one (71) less incidents than the same quarter of 2010 is quite remarkable. We receive information from the same and probably more sources than ever so it is possible we are seeing some downward trending in the theft and this is very good indicator. Let's keep working hard to continue to move in the right direction.

The reported events used to create the 4th Quarter 2011 reports were provided by SC-ISAC member organizations, regional security councils, insurance investigators, and law enforcement agencies. We appreciate the batch cargo theft data we receive from both the California Highway Patrol and New Jersey State Police as well as being extremely grateful for the completeness of information provided by a variety of sources. All of this



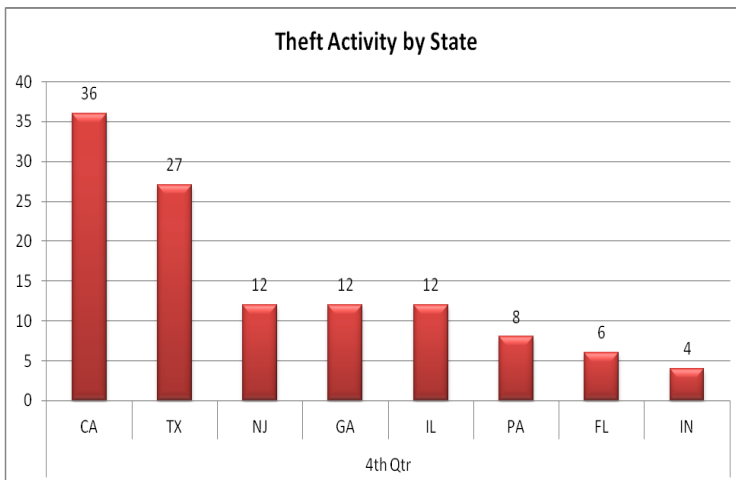
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information allows us to provide a more thoughtful and complete analysis of potential vulnerabilities and emerging crime trends which negatively impacts the global supply chain, a critical infrastructure of the United States.

Cargo Theft Activity by State

For the last three months of 2011, even though the reported incidents were down by 71 from the same quarter last year, the geographic locations with the most cargo theft activity remained consistent with incidents from earlier reports. Every since we started this analysis, we see just about the same seven or eight states rotating back and forth through the top spots with California most consistently in the number one position.

This Quarter's top four states (CA, NJ, TX and GA) are perennial favorites for cargo



thieves and were also the same four in the top spot in the 2010 4th Quarter report. California held the top spot for three of the year's four quarters; New Jersey reached the pinnacle once and the rest of the time the four jockeyed for position in the top four or five. The states of Ohio, Illinois, Florida, Pennsylvania and Indiana have consistently

been identified throughout the year for significant theft activity and in the top eight to ten spot each month.

The states continually identified in the SC-ISAC quarterly reports and other publications, as the most active for cargo thieves conversely have some of the most active regional security councils, and law enforcement agencies focused on combating cargo theft crimes. We applaud and encourage these efforts while at the same time ask that the reader not misconstrue the information by casting a negative shadow over the business climate within a given geographic area. The sharing of cargo theft information is critical to supply chain stakeholders as we strive to quantify the magnitude of this burgeoning



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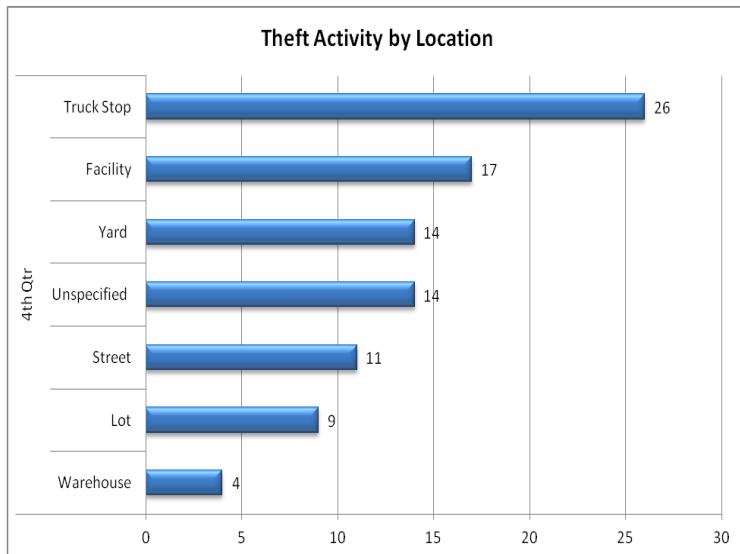
crime trend while investigating an array of operational, technological and security measures to combat the problem.

Where Theft Occurs

Of the 152 reported cargo theft incidents, 57 incidents (37%) did not identify a specific location where the loss occurred. A significant number of these unidentified locations are attributed to batch data records received from law enforcement.

Of those incidents where a location was identified, Truck Stop moved back into the top spot. This is a trend also noted in the 3rd 2011 quarterly reports. Earlier in the year, lot was on the top for the first two quarters but has fallen off sharply in the latter part of 2011.

For the months of October, November and December 2011, thefts which happen at Truck Stops edged out losses occurring in facilities and yards. Over a period of time, we have seen several locations move up and down through different cycles. Even though we have consistency of the last two Quarters, we know that the thieves are looking for an opportunity when the vehicle is left unattended. Where ever that should occur, will be the location where the theft will happen.



Our analysis finds that cargo theft victimization is not by chance. The criminal enterprise engaged in cargo theft activity employs an organized and strategic approach towards their business. Over the past couple of years we have seen an evolution of cargo theft groups progressing from purely “opportunity” crimes to displaying sophistication in methods and tactics. The increase in theft activity at truck stops supports our contention that cargo theft groups target loads by commodity and will take them when



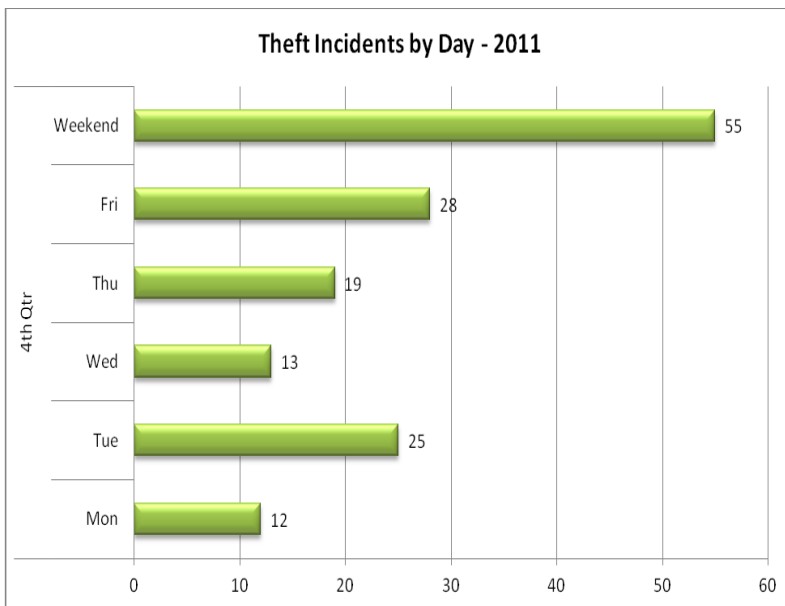
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the opportunity presents itself and the where the vehicles are left, even for a short period, unattended.

Cargo theft groups are also displaying flexibility in their operations allowing them to deploy additional resources (equipment and personnel) when needed. While we continue to see an increase in the number of tractors and empty vehicles stolen, reports of stolen cargo being transferred from one vehicle to another are becoming more frequent. Increasingly recovered vehicles are being found with their markings painted over. The willingness of cargo theft groups to perform labor intensive and time consuming evasive tactics, also demonstrates the crime groups ability to learn from past mistakes.

When Thefts Occur

In theory we see the global supply chain as always moving, but the reality in North America is that the supply chain rests on weekends and major holidays. Thieves are well aware of this and are poised to take full advantage of the vulnerabilities associated with in-transit at rest and the closure of warehouses and manufacturing facilities. Every since we started doing this analysis, we have not had a quarter when the weekends did not have the most incidents and this quarter is not any different.



The chart illustrating the days in which theft occur, essentially mirrors the 3rd quarter report, with a similar drop off in reporting on Tuesdays. While our previous speculation of thieves enjoying a day off, may still apply, we now believe that the drop off in Tuesday theft activity is based more on when thefts are reported versus when they actually happen.

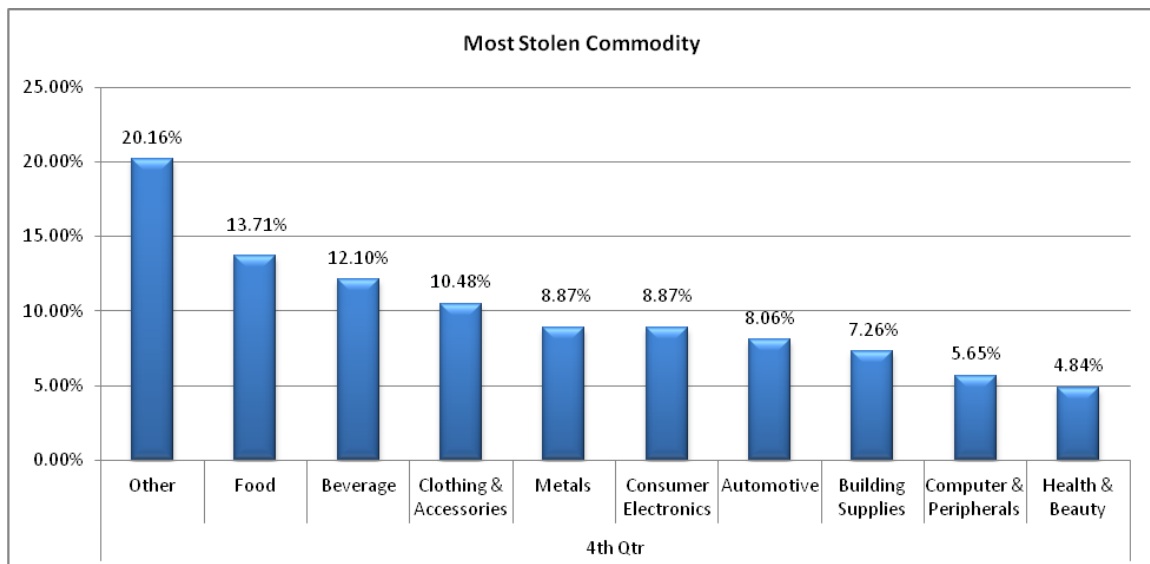


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Our analysis reinforces past conclusions:

1. Warehouses and other facilities are vulnerable to theft activity during holiday closures and extended weekends
2. Regardless of the location, vehicles and /or cargo left unattended for an extended period of time (over 48 hours) make them highly vulnerable to theft.
3. Cargo thieves continue to target loads. By focusing on a specific vehicle /load, the thief can strike the minute the vehicle/load is left unattended.

What's Stolen



When we turn our attention to what type of cargo has been most stolen during the quarter we again see categories, which typically make the top 5 list, except the number one entry this time is Other. Other encompasses items not in the designated categories. When I look at the spread sheet where this data has been recorded, I find many mixed loads of freight, dog beds, plant food and other items not the norm. This seems to tell us that the thieves are spreading their wings and not being as picky. They seem willing to operate in areas where they have not in the past. The commodity has always been the number one way to determine risk but this may be telling us that thieves may now just be looking for value, knowing that they can sale almost anything. The other category



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was fifth during the 4th quarter last time and seems to rate higher during the holiday seasons.

Food, which has led most of the quarters lately, fell to second.

Out of the 152 reported incidents, all provided identifiers of the stolen cargo. Because of the level of detail that the SC-ISAC members continue to provide on individual theft incidents we are able to drill down and look more specifically at the types of products being stolen.

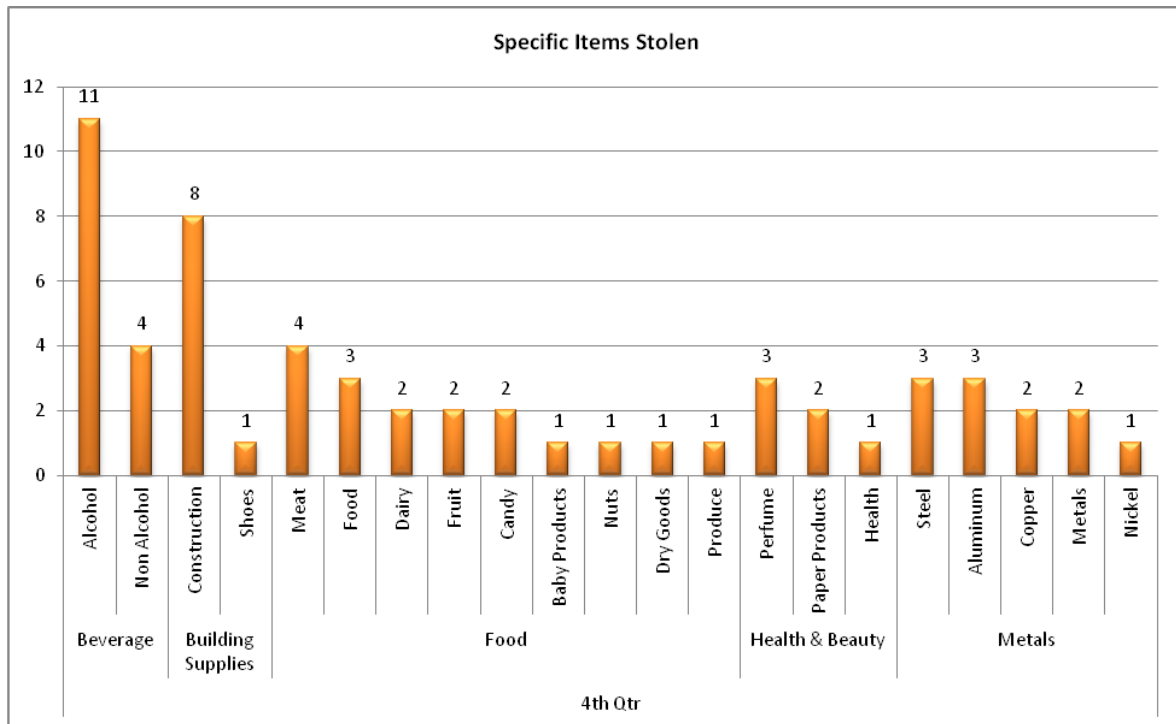
The Specific Items Stolen chart illustrates the frequency in which a specific product(s) is stolen in relationship to the most stolen commodity. Of the nine most stolen commodities for the 4th Quarter 2011 discussed earlier in this report, we have analyzed and identified the most frequently stolen items within that category.

While Food was the most stolen commodity during the 4th Quarter beyond the Other category, Meat/ Poultry and Fish was the most frequently stolen item within the category. Alcoholic Beverages were the most identified stolen item within the beverage category and construction materials lead the way in the building supply group. Metals including Copper, Steel, Aluminum and assorted types of wire top the items most stolen in the Metals category.



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Specific Stolen Items



The most often stolen items under the remaining categories include:

Category	Items
Health & Beauty	Perfume
Tobacco & Spirited Beverages	Alcohol/Whiskey

Many of these items have been listed on previous reports, what steps have you taken to ensure that the goods will safely reach their destination?

Loss Average

For the months of October, November, December 2011, we recorded dollar losses on 39 reported cargo theft incidents (25%) of the 152 involving vehicles, cargo or both. Those 39 incidents have an average loss amount of **\$195,266**. If that average was spread over the total of 152, the loss amount would be **\$29,680,432** for the fourth quarter.



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Summary

The cargo theft data collected during the months of October, November and December, 2011 and used in this analysis show strong and consistent patterns in key areas, including where and when cargo thieves are most likely to strike and the products they are more apt to steal.

As the SC-ISAC membership continues to share current and on-going investigative reports, we are able to analyze the data and identify some of the thieves operating patterns. Over the past couple of years we have seen cargo theft groups mature in their thinking and actions. Organized cargo groups have shown a willingness to learn proven business practices, coupled with mastering current technology in order to advance their criminal enterprise. Supply chain stakeholders should ask themselves if they have the aptitude for change, resiliency and innovation in order to win this battle.

We appreciate our membership and strive to provide robust and meaningful analysis based on collected theft reports. We cannot do our job in a vacuum and depend on the SC-ISAC membership to share theft related incidents. The sharing of information allows us all to learn (or revisit) lessons without having to be victimized as well.

The downward trends of this quarter and the year are good signs. We see more evidence of companies being proactive and taking necessary steps to protect themselves from the risks that have been identified.

For further information about the Supply Chain ISAC or the data used in this report feel free to contact April Hughes at ahughes@sc-isac.org or JJ Coughlin at jjcoughlin@sc-integrity.net.