



Supply Chain - Information Sharing and Analysis (ISAC)

2nd Quarter 2010 Supply Chain ISAC Report of Cargo Theft Activity

Introduction

The Supply Chain Information Sharing and Analysis Center (SC-ISAC) primary mission is to share information with and amongst global supply chain stakeholders, including manufacturers, shippers, distributors, consignees, insurance and law enforcement. In order to achieve our mission twice weekly email bulletins containing an assortment of information, including incidents of cargo theft, fraud activity and government updates are supplied to all vetted SC-ISAC members. In addition to the twice weekly bulletins, the SC-ISAC published five Alerts during the 2nd Quarter 2010 of critical, time-sensitive information. Besides the facts of the crime-related event, the SC-ISAC offers explicit and actionable steps, in an Alert notification for membership organizations to administer, mitigating the organization's vulnerability to the specific reported incident.

The SC-ISAC received a total of 207 reported supply chain disruptions during the months of April, May and June 2010. Of those submitted incidents: 198 were attributed to **Cargo Theft**; 5 to **Fraud** activity, all associated with diversion tactics employed to steal goods; and the final 4 reports identified as **Intelligence**, consisting of suspicious behavior noted by drivers or suspected activities of cargo thieves.

The reported theft, fraud and intelligence reports come from the SC-ISAC membership, including batch crime reports from New Jersey State Police and California Highway Patrol. We greatly appreciate the frequency and amount of detail provided in all reported incidents from our member organizations, allowing for a more detailed analysis of the criminal activity impacting supply chain operations.

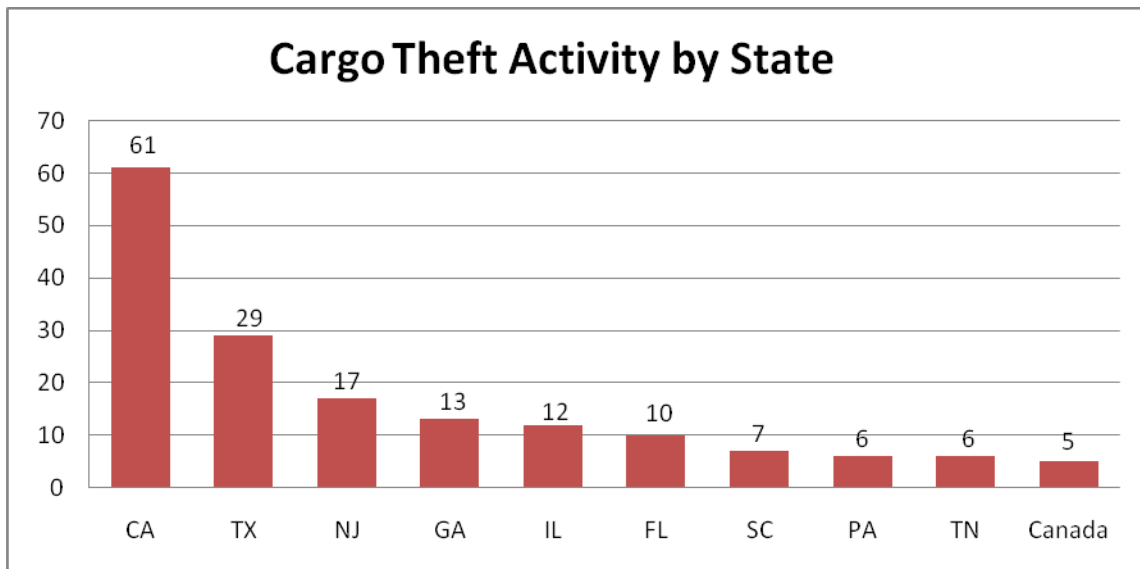
In this quarter's analysis, we have included those incidents identified as Cargo Theft and Fraud, as all 203 total incidents involved the loss of vehicles or goods from their rightful owners. The specifics of any future incidents will determine if events categorized as Fraud will be included in quarterly theft analysis.



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Cargo Theft Activity by State/Country

A total of 28 states and three Canadian provinces reported theft related activity during the 2nd Quarter 2010.



Once again, a familiar pattern develops in the theft data by geographic location, with California, Texas and New Jersey taking the top three spots, reporting the most activity for the time period.

While this ranking is not surprising, all three states and Canada reported fewer incidents in the 2nd Quarter than they did during the first three months of the year. The remaining top reporting states (GA, IL, FL, SC, PA and TN) however, all documented increases during the same time period. Compared to the 1st Quarter results, half of this group increased theft activity by one incident, while IL and SC each added 2 more thefts and FL reported 9 additional thefts compared to the 1st Quarter data. During the 2nd Quarter, we also had ten states and two Canadian provinces report theft activity for the first time this year, including Alabama, British Columbia, Iowa, Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, Oklahoma, Quebec, Virginia and Wisconsin.



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The remaining states which have four or fewer reported incidents for the months of April, May and June, 2010, along with the amount of activity compared to 1st Q data:

4 incidents: Maryland (-2), Ontario (-19)

3 incidents: Alabama (+3), Missouri (+2), North Carolina (-), and Ohio (-)

2 incidents: Arkansas (-), Massachusetts (+2), Mississippi (+2), Oklahoma (+2),
Virginia (+2) and Wisconsin (+2)

1 incident: British Columbia (+1) Iowa (+1), Indiana (-1), Kentucky (-1), Louisiana (+1),
Michigan (+1), Nebraska (+1), Nevada (-3), Quebec (+1) and Utah (-)

We are greatly appreciative of the relationships that we have developed over the years with law enforcement, various Security Council's and the SC-ISAC membership who have been generous in sharing cargo theft related incidents with us. While some sections of the country (state and /or province) may feel more comfortable in providing theft-related data, the outcome may lead to a skewing of the results, with over or under representation of actual cargo theft related crimes. The only way to get a true representation of the actual amount of cargo theft activity in both the United States and Canada is to remain steadfast to the SC-ISAC's mission of fostering information sharing amongst vetted and trusted stakeholders of the global supply chain. We will continue towards this goal, by fostering professional relationships amongst all entities along the supply chain and building a trusting environment by maintaining confidences with relation to sensitive data.

Where Theft Occur

The data for where thefts occurred during the 2nd Quarter 2010 runs counter to what we have reported in past quarterly reports, with Carrier Facilities experiencing the most number of incidents for the period, excluding locations that were not identified. Not only is the number of incidents higher at Carrier Facilities (and secured lots) but the spread between this location and Truck Stops has also grown. During the 1st Quarter the two locations were only separated by a five more incidents occurring at Truck Stops, while for this time period, 22 additional events were reported at Carrier Facilities and/or secured lots. Both Carrier Facilities (secured lots) and Truck Stops reported more activity (+38 and +11 respectfully) during the 2nd Quarter than they did during the 1st Quarter.



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*Locations reported as “secured lots” are based on the incident reporter’s determination while the actual level of security of the given lot is not truly known.



The number of reported thefts in unsecured lots, excluding Truck Stops, was lower by 19 incidents compared to the 1st Quarter data of 59 incidents. The level of activity at Warehouse and Street locations remains the same from the 1st and 2nd Quarter. Stores and Other locations reported no activity for the Quarter, which is also a reduction of activity in these locations, by 6 and 3 incidents.

The large number of “Unspecified” locations is primarily attributed to the batch data we receive from CHP and NJSP, though this number is significantly less (-29) from the numbers reported for the first three months of the year.

In the 1st Quarter Report, we speculated that an increase use of assorted security measures, including gates, locks, CCTV and on-board tracking devices may have



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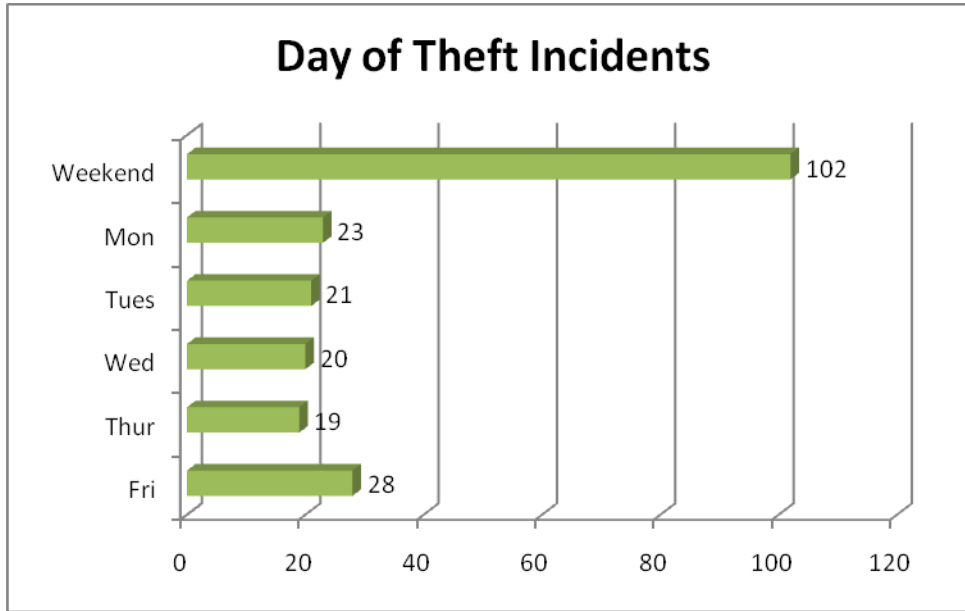
deterred cargo thieves going after these fortified assets, but apparently this is not the case. At least for this quarter, thieves appear willing to either ignore or take additional steps to defeat implemented security measures in order to obtain the desired booty. We have known for some time that cargo thieves are a formidable opponent, seizing upon any number of vulnerabilities supply chain stakeholders display while moving or storing goods. Comprehensive security programs, incorporating operational procedures (including sharing theft information) and physical deterrence for both facility's and in-transit assets, are forcing organized cargo thieves to change their theft tactics. During this quarter, we have reported numerous incidents where thieves moved stolen goods to multiple locations, swapped out vehicles and hand loaded cargo into other conveyances in order to avoid detection. The increased time and manpower required defeating layered security measures, coupled with enhanced communication and partnership between industry and law enforcement, significantly raises the risk of the cargo thieves being caught, regardless of the location.

When Thefts Occur

The vulnerabilities of cargo at rest, regardless of location is evident with half of the 203 total incidents reported in the 2nd Quarter 2010, occurring during the weekend time frame. During this Quarter there were two national holidays (Victoria Day –Canada and Memorial Day- USA) that extended the weekend through Monday and another three Sunday celebrated holidays (Easter, Mother's Day, and Father's Day) which left a greater number of assets unattended during the weekend. The SC-ISAC noted a total of 24 cargo theft incidents were reported during the holiday period with 5 incidents occurring on Father's Day alone. The significantly lower reported thefts (21, 20, and 19) for the remainder of the week with slight upticks on Monday's (23) and Friday's (28) closely mirrors 1st Quarter data. The uptick of both ends of the work week may be more representative of the dates that the thefts are actually reported versus the likelihood of when the theft occurred.



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During the 2nd Quarter there were 19 reported cargo theft incidents (12.11%) that took place in less than four hours of the property being left unattended. Of those 19 time-sensitive incidents, 63% or 12 incidents took place in 45 minutes or less of the vehicles /cargo being left unattended. While we continue to report almost half of the thefts occurring over a weekend, we have also seen an increase in the number of thefts that have occurred in short period of time. Though this information appears contradictory on the surface we can attribute this to two things:

- 1) The increased use of surveillance equipment provides a more accurate picture of how long the actual theft takes, versus how long the vehicles/cargo were left unattended
- 2) Cargo thieves continue to identify the loads they are interested in; patiently waiting for the moment the driver(s) leave the vehicle/cargo unattended.

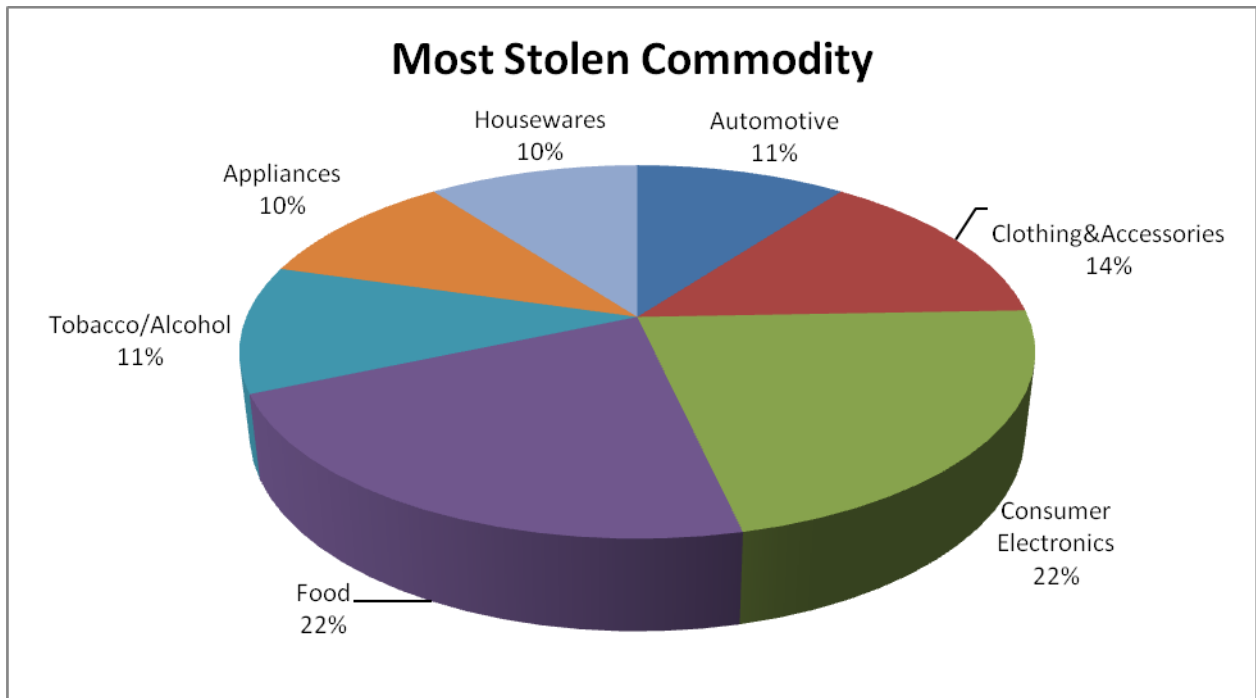


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What's Stolen

For the first time since the SC-ISAC starting compiling data, the months of April, May and June reported 32 tractors or empty trailers stolen. This staggering number of vehicle thefts is nearly twice (17) as many reported during the 1st Quarter 2010. The increase in the number of vehicle thefts supports our earlier assertion that cargo thieves are being forced to swap stolen vehicles more frequently in order to avoid detection.

Of those 171 thefts with cargo on board, Food and Consumer Electronics are tied with the most number of incidents (28). This is the fourth consecutive quarter that Food retains the top spot for most frequently stolen reported commodity. The third most stolen commodity, during the 2nd Quarter is Clothing & Accessories with 18 incidents, followed by Tobacco/Alcohol with 14 reported thefts. The remaining categories of Appliances, Housewares and Automotive are tied with 13 incidents apiece, during this time period.





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Of the 15 total categories that are tracked by the SC-ISAC, Music/Movies and Software did not report any losses, for the second quarter in a row. The remaining category's that experienced at least one theft incident include:

- Building Supplies (12)
- Drugs/Medical (11)
- Health & Beauty (7)
- Other (6)
- Computers & Peripherals (5)
- Unknown (2)
- Furniture (1)

We are grateful to the increasing level of detail our membership is providing when submitting theft incidents. Out of the 171 incidents, only two failed to specify the commodity stolen and the items stolen. This added detail allows us to drill down and report on what specific items are most frequently stolen within a given category of goods.





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Of the previously reported Most Stolen Commodities for the 2nd Quarter, the breakdown of specific items includes: Clothing (Clothing & Accessories); TV's (Consumer Electronics); Liquor/Beer (Tobacco/Alcohol); Beverages – Non-Alcoholic (Food); Tires (Automotive); Paper Products (Housewares); and Washers & Dryers (Appliances). Because the category of Tobacco/Alcohol, Housewares and Appliances reported a higher incident rate for the quarter, the specific items associated with those commodities are also new for the quarter.

While the specific items most frequently reported typically remains the same from quarter to quarter, we noted that Washers & Dryers replaced Refrigerators under the Appliances category for the months of April, May and June.

The most stolen items under the remaining categories include:

Category	Item
Building Supplies	Metals (including copper cathode, pipes)
Drugs/Medical	OTC products
Health & Beauty	Cosmetics
Computer & Peripherals	Monitors
Furniture	Mattresses
Other	Landscaping equipment

Anecdotally, we have found cargo thieves to steal loads because:

- 1) the opportunity presented itself to them,
- 2) they have targeted specific products

We have also supplied data which shows that the thieves are willing to adapt new tactics in order to get the product or vehicles that they target. Given that the list of items stolen remains relatively constant, what measures are you taking to ensure the safe passage of these goods? What steps could be instituted, forcing the thieves to change their tactics as they attempt to steal your vehicles and/or cargo? Have you been communicating details of the loss to law enforcement and trusted communities like the SC-ISAC?



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Losses and Recoveries

For the months of April, May and June 2010, we collected dollar losses on 75 incidents out of 203 cargo theft reports (or 40%) involving the loss of vehicles, cargo or both. The total amount reported lost for the 2nd Quarter 2010 was **\$22,330,079.00** for an average of \$97,087.30 per incident. The total reported dollar loss for the Quarter is slightly higher (\$6.4m) than the 1st Quarter's adjusted losses (minus the burglary losses of \$76m), while the average incident loss amount for the 2nd Quarter is \$21,711.30 higher than reported for the 1st Quarter.

Losses	April	May	June	Q2
Cargo Losses	\$4,890,250	\$5,768,022	\$10,600,967	\$21,311,953
Vehicle Losses	\$94,300	\$628,826	\$295,000	\$1,018,126
Total Reported Losses	\$4,984,550	\$6,396,848	\$10,895,967	\$22,330,079

The slight reduction (2%) in the number of incidents reporting a dollar loss for vehicles, cargo or both for the 2nd Quarter compared to the 1st Quarter data, may ultimately turn around as investigations progress and more information becomes available and is shared with the SC-ISAC membership. As previously noted, dollar amounts are typically only provided for the items which are owned or insured by the SC-ISAC subscriber and not for the total loss sustained (i.e. owner/insurer of the cargo may not have dollar value on the vehicle or vice versa) which may explain the lack of data currently being reported.

The SC-ISAC is pleased that we are able to provide our membership with a more complete picture of cargo theft activity in North America, by not only reporting on losses but also recording and tracking changes pursuant to on-going investigations up to and including any recovery information. The chart below summarizes reported recovery information on theft incidents occurring during the 2nd Quarter 2010.



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Recovery Info	April	May	June	Q2
# of Recoveries	15	14	15	44
# Involving Cargo	10	7	8	25
Total Recovery Value	\$64,000	\$756,000	\$10,000	\$830,000
% of Recovery to Loss \$	1.28%	11.82%	9.2%	3.72%

As on-going investigations conclude and findings are reported to the SC-ISAC we anticipate that all of the 2nd Quarter recovery numbers will increase. Once again, we encourage the SC-ISAC membership to provide as much detailed information on all theft related incidents and subsequent recoveries to ensure that we are able to provide the most comprehensive picture of cargo theft possible.

Finally, we need to look at where recovered cargo and vehicles are found in relation to where they were initially stolen. Of the 28 reported recoveries during the 2nd Quarter 2010, twenty-one (21) recoveries were made within the boundaries of the same state or province where the initial theft occurred. Of the remaining seven reported recoveries, five incidents involving conveyances and or/cargo recovered in an adjoining state. The remaining two instances involved thefts from carrier facilities in the northeast and the southeast with the recovered vehicles found several states away. The first theft took place in Tennessee, involving a loaded container and chassis, which was recovered empty in an unspecified location in Florida. The second incident of 2 tractors, 2 chassis and attached loaded containers, stolen from a Massachusetts location were also recovered minus any cargo but this time in New Jersey. Timely and complete reporting of vehicle description and cargo is a factor in seeing recovery's made in the same state/province as the theft occurs.

Once again we strongly encourage the SC-ISAC membership to provide as many details pertaining to theft and recovery incidents as possible. The more complete the data, the more accurate our reporting and subsequent analysis will be. This recovery information, especially the specific location, is very important in identifying and tying together related offenses and suspects.



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Summary

Theft data for the months of April, May and June, 2010 continue to support strong patterns in some key areas, including days thefts most likely occur and what category of goods are stolen along with the specifics involved. Conversely, we also noted a marked departure with the rise in theft related activity occurring at secured lots and carrier facilities. Cargo thieves continue to demonstrate their sophistication by adjusting to the layering of security measures that supply chain stakeholders have employed.

As stakeholders of the supply chain we cannot let our guard down for even a second as the thieves are waiting for us to make a mistake, and they will readily make us pay for our transgression. We are heartened to see SC-ISAC membership use a three prong approach to combating this criminal enterprise, through operational protocols, physical deterrents and sharing information with industry and law enforcement partners in a trusted environment.

We greatly appreciate our membership, and strive to offer robust and meaningful recommendations based on our study and analysis as we all work towards a secure, efficient and stable global supply chain.

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 or JJ Coughlin at jjcoughlin@sc-integrity.net