

CARGO THEFT--AMERICA'S MOST SERIOUS PROPERTY CRIME

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Introduction. The current cargo security problems in America--and around the world--demand the attention and cooperation of our government leaders and the transportation industry. The extent of the problem is significant and mostly unknown by the public. In some areas, we are seeing violent gangs engaged in strong armed robberies involving significant cargo thefts. Intelligence indicates that some criminal groups are so sophisticated that they intentionally have put part-time or temporary employees to work in target companies, thus giving them inside information to plan and execute their robberies. While no accurate records are kept on this category of criminal activity, the FBI's latest estimate of \$12 billion in US annual losses places it second in overall cost to medical fraud as one of our top non-violent crimes.

These huge cargo theft losses translate into the disappearance of tens of thousands of mid-level jobs as manufacturers are forced to compete against their own stolen goods and cargo. Globally, the International Maritime Organization's estimate of \$30 billion in worldwide annual losses makes the theft of cargo one of the most serious property crimes in the entire world. Add to these serious losses the fact that less than 20% of stolen cargo is recovered and that few cargo crooks are ever prosecuted and sentenced, and one can understand the problems that the transportation industry is facing. It's one of the least understood of all criminal activities.

GOVERNMENT AND PRIVATE SECURITY EFFORTS

Government and industry play major roles in cargo security. To better understand today's cargo crime situation, we should first take a look at the efforts that government and industry are taking against this criminal activity, and then consider where we are heading.

Defining the role of the federal government in cargo crime requires an understanding of the level of the problem, the resources available and the key players involved against cargo crime. Today, government resources are beginning to be applied to cargo security. For example, the Inter-Agency Commission on Crime and Security in U.S. Seaports, which was created by President Clinton is due to report out in April. One of the specific mandates for the Seaport Commission is to examine the problem of crime at U.S. seaports, including cargo and high-tech theft. We have not turned the corner yet, but with the Seaport Study and other government efforts, it appears that help is on the way.

History shows that the level of cargo theft is cyclic, and today we are at the apogee of a 25-year cycle of increasing cargo crime. In the 1970s, cargo crime was also epidemic and used by organized crime as one of their major lucrative enterprises. Reasons given for that periods serious cargo crime problem were the lack of effective government and law enforcement programs to counter cargo theft--a similar situation to the 1990s. In 1973, the levels of criminal

activity in transportation and cargo theft were so bad that the White House, in answer to the urging of the cargo transportation industry, issued an Executive Order, focusing on the problem and making the Department of Transportation (DOT) the lead agency responsible for coordinating the fight against cargo crime.

The Office of Transportation Security (OTS) was established at the Department of Transportation with offices, shared government/industry staff resources, and a definitive mission to organize the government's effort against cargo crime and to work with private industry on this serious problem. A great American military hero, US Air Force Lt.Gen. Benjamin O. Davis, of Tuskegee Airmen fame in WWII, was brought in to head this effort. Critical cargo theft data and information were gathered from every mode of transportation, numerous reports were prepared and distributed on armed truck hijackings, rail freight robberies and theft from terminals and warehouses that described what was really going on, and how to effectively cope with the problem. By the early 1980s, it could be said that the OTS worked themselves out of a job as the levels of cargo crime subsided. In 1983, the OTS was disbanded, and the National Cargo Security Council was formed to take its place as a voluntary government-industry coalition that would become a national clearinghouse for cargo security information and "*ensure the safe and secure movement of the nation's goods and commerce.*"

The main activities of the NCSC involved professional exchanges and educational programs, and for all intents and purposes, the internal coordination of government anti-cargo theft programs effectively ceased. During the period of the mid-1980s to the 1990s, except for the NCSC, the government-industry effort in combating cargo crime became only a shadow or its former activities in both capabilities and effectiveness--as other factors combined to increase criminal cargo activity.

Key reasons for the surge of cargo crime in the 1990's involve breakup of the Soviet Union which removed a controlling element on the spread of international crime; the new breed of cargo crook that was smarter and more adaptive to the new technologies being used by the cargo transportation industry. The shift to cargo crime by gangs was encouraged by several factors, such as their seeking low risk, high payoff crime. For example, the pressure of counter narcotics law enforcement agencies in the US and the stiff mandatory sentences for drug trafficking offences have cause some of these criminals to shift their areas of illegal activities to cargo theft. The use of a drug gang's organization, transportation systems, and underground marketing systems for illegal goods can provide a ready made conduit for drug traffickers to participate in the cargo theft business.

For professional thieves, cargo crime has very good profits, but few dedicated law enforcement resources, and a situation where the prosecution and sentencing penalties are much lighter. The new cargo crooks are, in many cases, nationally networked, internationally backed, and able to bribe and maintain the insider contacts that provides them with valuable information on the most profitable cargoes to steal.

Government Cargo Security Organizations. Cargo crime can involve dozens of federal agencies, but the "big three" organizations leading today's efforts are the Department of Justice, the FBI, and US Customs.

The Department of Justice plays a major role in the prosecution of federal cargo crimes. It develops, enforces, and supervises the application of all federal criminal laws on cargo theft, and coordinates federal cargo cases as appropriate with the 93 US Attorneys. The Attorney General is responsible to ensure that existing laws are enforced, and Attorney General Reno has been very supportive in her efforts against cargo crime. Unfortunately, the laws and prosecutorial guidelines for cargo theft are generally weak, outdated, and have resulted in a "revolving door" for criminals involved in cargo theft.

Next, the FBI investigates multi-jurisdictional organizations/criminal enterprises which engage in cargo theft. These FBI cargo operations may also involve organized crime, drug trafficking, money laundering, terrorism, and non-traditional organized crime activities. As appropriate, during a cargo theft investigation the FBI utilizes sophisticated investigative techniques, operates informants, and develops criminal intelligence. Those efforts culminate in building prosecutable cases against individuals and organizations which engage in cargo theft. At the core of the FBI's Cargo Theft Program is the strategy that the greatest impact on the cargo crime problem can be achieved by concentrating investigations on major international and domestic criminal organizations and regional groups that control significant segments of the cargo crime activity in the United States.

The FBI works with local law enforcement operating in hub areas around the US that are hotbeds of cargo theft. The FBI has recognized the seriousness of the cargo theft problem in a report that stated "The theft of cargo has become so widespread that it constitutes a serious threat to the flow of commerce in the United States." Consequently, the FBI has designated cargo theft as a priority enforcement area, and has launched an interstate enforcement effort directed at cargo theft. Since most of these offenses also are violations of state laws, the FBI is working closely with state and local agencies to share investigative information and intelligence and to ensure their resources are properly focused. In the last several years, the FBI has formed several dozen cargo theft task forces in key transportation hubs around the US.

The US Customs Service is the third member of the "Big Three." Customs is an important player in the fight against cargo security and has initiated a number of partnership programs between Customs and private industry. The lack of adequate port security in U.S. ports, and the resulting increase in cargo theft has become an area of focus for the US Customs Service. Customs plays a welcome role in cargo security, particularly where ports with inadequate security provide a haven for criminal elements engaged in cargo theft, where there is illegal exportation of stolen goods, or where there is smuggling of narcotics into the United States. The primary enforcement goals of Customs' cargo security operations are to identify and arrest those individuals and organizations involved in the theft and to recover the stolen goods.

Theft of property from Customs custody is a felony under 18 United States Code 549, and Customs is strongly committed to the detection, prevention, and the investigation of cargo theft as well as in assisting U.S. ports with their security programs. In addition to the enforcement efforts of the Customs Service, partnerships between Customs and manufacturers, shippers, carriers, and port authorities affords Customs the opportunity to share best practices with the cargo community.

The **Business Anti-Smuggling Coalition (BASC)** is a business led, Customs supported alliance created to combat narcotic smuggling via commercial trade. BASC combines best practices and ideas that work for both the public and private sectors. While focusing on anti-narcotic smuggling, the Customs staff provides BASC seminars and security site surveys at manufacturing plants, container yards, and port facilities that have very useful spin-offs for cargo security.

In addition to these three key government organizations, the federal government has a number of other agencies that are also involved in cargo security, such as the Department of Defense, the Department of State, the Department of Transportation, the Maritime Administration, the CIA, US Marshal Service, and the Drug Enforcement Administration, to name a few.

Private Security Operations and the Cargo Industry. The cargo security community is made up of the manufacturers who ship cargo; the carriers who actually transport the cargo from the air, truck/rail, maritime and intermodal industries; plus insurers; brokers; freight forwarders; surveyors; security companies, and vendors. Private security plays an important role with manufacturers--both in-house and contract services-- and with the various carriers. Some of the cargo security tasks that are carried out by private security for the cargo handling industry are developing and implementing effective cargo security plans; supervising protective guard forces; conducting security audits of cargo handling facilities; conducting cargo theft investigations; preventing fraudulent cargo documentation from entering the system; maintaining computer security; staying abreast of industry security standards and benchmarks, and the purchase of security equipment.

Due to the high increase in cargo theft, there has been a related growth in the private cargo security industry, both in the US and abroad. However, despite this growth, the cargo security industry is relatively fragmented and composed of many smaller companies, rather than a few dominant security service providers. As we move to the future, the continuing crime problem will most likely cause steady growth in the private security sector with significant market rationalization and mergers.

Six Areas Where Government-Industry Cooperation Is Needed

There are six specific issues that need to be addressed if government-industry will be able to successfully create an effective national cargo security framework:

1. The lack of effective cargo theft reporting systems. There are no currently existing industry-wide cargo theft reporting systems that would allow law enforcement agencies to accurately identify emerging cargo theft trends and guide industry in taking appropriate counter actions. The transportation industry is very competitive, and there are proprietary reasons, marketing reasons, and competitive reasons why companies are reluctant to share the details on theft levels. There have been some useful initial efforts on building a theft reporting program, such as the American Trucking Associations' Cargo TIPS-Cargo Theft Information Processing System, but much more needs to be done to build an effective national system for all modes of transportation. Industry and law enforcement must have a credible means for obtaining, analyzing, and responding to data on cargo theft trends and patterns.

2. The lack of effective punishment. Another issue that needs to be addressed is the lack of serious prosecution and weak sentences for the theft of cargo. This makes cargo crime a very lucrative undertaking for cargo crooks with a relatively low risk of arrest and prosecution. Our legal system's sentencing guidelines for cargo theft urgently need to be upgraded so that the prosecution of cargo crime does not remain a "revolving door" for criminals. Today's cargo criminals are seldom prosecuted because the prevailing threshold of the sentencing guidelines. For example, some states will not prosecute a cargo theft unless it surpasses \$150,000 in value. We need to focus on this problem and end the sentencing disparity that is encouraging criminals to shift to cargo crime to avoid the harsher penalties awarded for other crimes, such as drug trafficking.

3. The General Lack of Understanding the Nature of Cargo Crime. Additionally, in the US and around the world there is a general lack of understanding about the nature of cargo crime among many government and industry decision-makers. With the rapid implementation of new cargo transportation concepts, such as Supply Chain Management, Just-in-Time Delivery, and Third Party Logistics Management, better security background information must be provided. Most of the information that is presently available on cargo crime is anecdotal. Too often, industry transportation executives responsible for corporate implementation of cargo security programs are unfamiliar with the specific techniques used by cargo thieves against their companies. For example, there are six principal methodologies that crooks are using to steal cargo that need immediate study and attention:

- a. Burglaries and armed theft from warehouses and truck/rail/air/container shipments
- b. Insider collusion
- c. Use of fraudulent documentation

- d. Blackmailing/coercion of employees
- e. Military types of theft operations
- f. Use of non-traditional entrepreneurial theft gangs, i.e. temporary hiring of gang members for a specific job

4. *The Lack of Support for Cargo Theft Task Forces.* The lack of dedicated, trained, professional law enforcement teams to fight cargo theft around the world is considered to be a factor in the rise of cargo losses. Most cargo crime in the US generally takes place in our three major transpiration centers--New York/New Jersey, Miami, and Southern California--"the Bermuda triangle of cargo crime." It is in these major port/hub areas that we have created our initial task forces, with more being formed in important transportation centers. These units, composed of representatives from the FBI, Customs, District Attorneys Office, and local law enforcement are doing important work with modest resources. However, we need to increase their support and resources so they can conduct the full time, sustained operations that are necessary to combat cargo crime. In addition to the existing task forces, training and self-help programs are needed to develop even more task forces at the numerous major transportation hub cities around the world.

5. *The Lack of Law Local Enforcement Expertise on Cargo Theft.* In addition to the need for specialized task forces, the lack of general cargo security knowledge among local law enforcement officers also contributes to the success of cargo thieves. Local police need technical training and assistance so they can be more effective against cargo theft. Understanding the local cargo transportation system and the specific techniques criminals employ are critical tools for local law enforcement. This is an area where cargo security education programs can easily fit in with existing police training efforts.

6. *The Need for More Effective Cargo Security Technology.* Cargo theft gangs are becoming more involved in successfully using high tech methods. The complex intermodal systems that support our constantly improving and streamlined cargo transportation systems can be a bonanza for crooks unless we think smarter, utilize the emerging cargo security technology, and integrate this technology into the supply chain management and logistics management systems. We must also leverage the on-going programs of the public and private R&D community that are on the threshold of introducing new anti-theft tactics, techniques, and equipment. We must put greater emphasis on cargo tracking systems, improved locks, seals and containers; fast throughput non intrusive x-ray and detection devices; and integration of security systems with new cargo handling and supply chain management systems.

BUILDING SUCCESSFUL AND CAPABLE FUTURE CARGO SECURITY FORCES.

Accelerating rates of changes in the cargo transportation industry have the potential to make the future cargo security environment more vulnerable, provide global crime organizations with increasing opportunities--and change the way cargo security managers operate. Consider the following sea changes that are rapidly taking place in the transportation industry:

- **Growth in Global Trade.** 2/3 of every new dollar earned by US corporations come from global trade, now estimated to exceed \$7 trillion annually, and the associated growth in global transportation.
- **Increase in Cargo Shipments.** All over the world, cargo-shipping requirements are increasing in volume and velocity, in some areas by double digits annually. Cargo transportation is straining to keep up with demand, and cargo theft is rising commensurately.
- **Market Shifts.** Traditional labor and manufacturing markets are rapidly shifting geographically, placing new demands on information requirements for cargo security managers. For example, raw material may come from one country, manufacturing in another, and assembly and distribution from a third country.
- **The old cross border infrastructures,** such as in Central Europe, Latin America and Asia are changing with the introduction of new seamless customs and relaxed security controls.
- **Globally integrated and automated financial systems** are being used to support the increase in trade--with an increased opportunity for fraud and electronic penetration of proprietary data.

The New Cargo Security Atmosphere. The day of the cargo security manager being just the corporate "top cop" for cargo security is changing. Today's cargo security job skills are being redefined by the changes taking place in the transportation industry, and building successful and capable cargo security forces will take place in a changed business atmosphere.

Major cargo security operations will look more like project task forces than traditional jobs, as they become team based; more dynamic, and security staffs will use outsourcing to grow and shrink with demand. The increasing globalization of trade and commerce will require cargo security professionals to break out a new road map to chart their future course, and the following are some aspects of the changes that will affect them personally.

- ***The need for portable skills.*** With downsizing and merger mania, guaranteed lifetime employment in cargo security with one company for an entire career will become a thing of the past. Cargo security managers will be developing portable skills, a professional knowledge base, and a wider range of security capabilities. Among the portable skills

will be increased computer literacy to cope with the "dot.com" companies now providing much of the industry's non-asset logistics and transportation services. Another skill requirement will be on-line project management capabilities to cope with the e-commerce transportation requirements. Also, effective people management skills will be necessary to pull together security teams consisting of various mixes of in-house personnel, contract support and overseas consultants. The professional knowledge base will require that an in-depth understanding of cargo security and loss prevention be "a given" for the cargo security professional. The wider range of security demands will involve an increased scope of cargo-related problems, i.e. drug smuggling, fraud, product diversion, money laundering schemes, contraband smuggling, technology theft, etc.

- ***Smaller in-house security forces.*** The organizational bonding among the corporate cargo security team, based on years of working together on various cargo theft problems will be gone. The forces devoted to cargo security will be smaller than they have ever been due to downsizing, overhead cost considerations, and investment in labor saving equipment. There will be no organizational fat in the system. The decrease in the size of cargo security forces will be offset through equipment modernization, improved cargo security practices, and management recognition that it is cost beneficial to improve certain key elements of cargo security. Cargo security managers will be expected to reduce the costs and adverse effects of cargo crime--and do it more economically. Problem solving sessions will be required with disparate groups of people--some of which will be overseas and some of which will involve teleconferencing vice extensive travel. For example, it is a current practice for transportation companies with a serious cargo security incident to send their security personnel to the site to conduct the investigation. Today, there is a movement afoot by international security companies to upgrade their international on-site staffs and services in various transportation hubs around the world to take advantage of the potential of this outsource market.

- ***More Focus on the bottom line.*** There will be much less compartmentalized thinking—requiring much more from the security manager than just asset protection. In some markets cargo security managers will become key members of the logistics team, assisting in the effectiveness of the supply chain management system with "one stop shop" approaches to cargo loss prevention and assured on time deliveries. An understanding of business functions and logistics management will be required—to include focus on how loss prevention and cargo security impacts the bottom line. Also, extensive time will be spent on networking among the cargo community--public and private, domestic and international.

Preparing Today's Cargo Security Manager for Tomorrow's Challenges. The real challenge for cargo security managers will be to widen their skill base so it will fit with the emerging logistics and global security requirements. This will require cargo security managers to have four essential capabilities or skill sets in their portfolio:

1. A solid and comprehensive cargo security professional background, and an ability to impart that cargo security knowledge to subordinates. For example, it is very useful to possess knowledge of customs compliance regulations, as well as the ability to provide upper management with an understanding of how cargo security interacts with logistics, insurance and financial requirements. Consider the ultimate financial implications of the recent theft of the "Oscars" in California, and how basic shipping decisions and security considerations can impact other corporate interests.

2. In depth knowledge of industrial security and loss prevention. Especially important will be developing proficiency in vulnerability analysis, risk management, and cargo loss prevention techniques. The global market place is a dream come true for cargo thieves, who are now cooperating on a global basis. For example, an air cargo shipment of cell phones was recently sent to Johannesburg international Airport from JFK. Fellow cargo thieves in New York sent their contacts in South Africa a fax containing the day, the flight and the container number carrying the phones. The cell phones were stolen before they left the tarmac in Johannesburg. Fortunately, through good investigative work, the case was solved and some of the shipment was recovered. Membership in professional associations, such as ASIS and the NCSC, commercial-off-the-shelf software, and professional enhancement courses can assist in developing these success-building skills.

3. An understanding of cargo security-related systems and equipment--with a focus on information technology. Cargo security managers must be willing to learn new skills--particularly in the IT and security technology management areas. For example, many large transportation companies are using their Enterprise Resource Planning systems as platforms for business development. Cargo security managers will need to understand how their activities can plug into this type of sophisticated software to optimize their role in supply chain management and contribute to the corporate financial benefits. Dramatic future downturns in theft can be caused through the use and implementation of improved IT-based security systems. For example, systems such as the new biometric card readers for truck drivers entering port cargo loading areas and x-ray devices that can inspect entire containers are supporting fantastic improvements in identification, loading/unloading times, and accurate manifest verification. Unfortunately, cargo security technology is not being introduced as quickly as it could be because of cost and a lack of familiarity with the systems

4. Widespread professional contacts, both foreign and domestic. Global thinking will be a valuable asset, and every opportunity should be used to expand professional cargo security relationships and contacts, both public and private and domestic as well as international. Effective cargo security managers will build their Government-Industry contacts, integrating their assistance on information, investigations, and international support. Cargo security managers will participate with government-industry organizational contacts against cargo crime--institutionally, organizationally, intellectually, and technologically.

Summary

What should be done by the cargo transportation industry today to prepare for the future? There are a number of activities that the cargo security industry should undertake, such as ensuring that our public officials recognize the seriousness of the cargo theft problem, and working with the law enforcement agencies to improve our loss ratios. For the future, security professionals must also strengthen their cargo security capabilities by meeting the challenge of the rapidly increasing velocity, tonnage, technology and the innovations that currently are transforming the cargo transportation industry. With these efforts we can successfully move cargo security into the 21st Century.

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