

UNITED STATES

ANNUAL CARGO THEFT REPORT

2014

EXECUTIVE SUMMARY

Cargo criminals continue to evolve in response to the efforts of industry and Law Enforcement in the United States. The major trend identified by the FreightWatch International Supply Chain Intelligence Center (FWI SCIC) for 2014 was that criminals were becoming even more sophisticated as evidenced by their:



IMPROVED SHIPMENT TARGETING

36% ↑ in average stolen shipment value

EMERGING MODUS OPERANDI

Dynamic change in theft methods

The opportunistic modus operandi (M.O.) is more prevalent in the U.S. market when compared to other international markets that the FWI SCIC monitors. However, the continued transition towards a more professional, targeted activity is noteworthy as the FWI SCIC has observed a global trend that this activity is a forerunner to organized criminals embedding themselves and their organizations deeper into cargo theft activities. This resilient commitment is commonly a precursor to an escalation in risk (both in severity and frequency of attacks) over time, and depending on conditions, can increase the likelihood of violence (*Hijacking*). Improved targeting yields higher rewards, and calculated cargo criminals have historically become more aggressive and accepted more risk in order to reach their target. Modi operandi adapt and evolve, sometimes slowly and over time, in order to counteract security mechanisms. That said, the United States profile still enjoys a relatively low level of aggression and criminal sophistication compared to similar countries in Europe, which the FWI SCIC believes is the most appropriate comparison. The trend of increased targeting signals the necessity for industry leaders to improve security posture while simultaneously preparing for an escalated threat.



U.S. cargo risk outlook for 2015:

HIGH

Our forecast is that cargo risk will
INCREASE SLIGHTLY OVER 2014

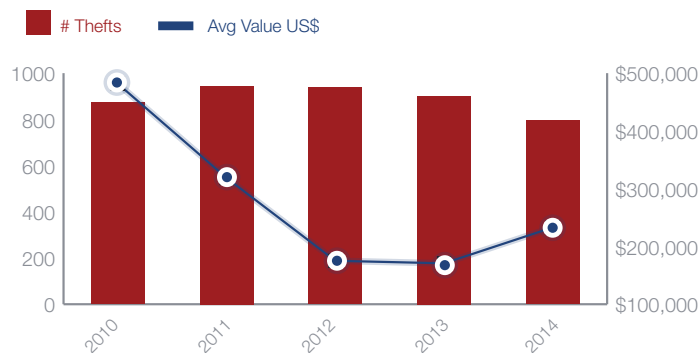
The aim of this report is to provide industry with insight into U.S. cargo crime and its future trends in order to be best prepared to mitigate these risks, but has been abridged to give the reader a general overview. Contact the FWI SCIC at intel@freightwatchintl.com if you require additional details surrounding any facet herein.

WHAT DOES THE DATA TELL US?

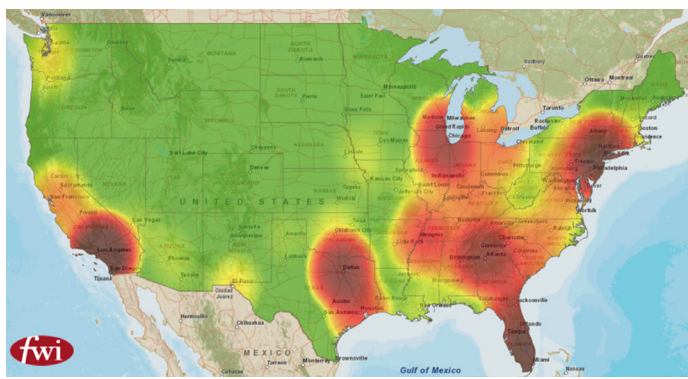
The FWI SCIC records only those cargo thefts reported by reliable sources. This does not result in the capture of all incidents, and in fact we believe there is a significant under-reporting challenge for the industry and Law Enforcement. Nevertheless, the data collected provides a sufficient cross section of cargo thefts with which an actionable threat footprint can be depicted, trends identified, and valuable insight provided.

The FWI SCIC recorded 794 cargo thefts throughout the United States in 2014; the average value of these thefts was **\$232,924—**
A 36% INCREASE IN VALUE OVER 2013.

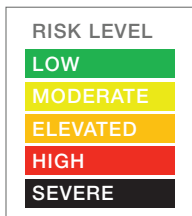
U.S. CARGO THEFT BY YEAR AND VALUE



Although the total number of verified reported incidents decreased by 12%, the threat of cargo theft continues to grow in the United States due to increased organization and innovation on the part of cargo thieves. This evolution is illustrated by the 36% rise in average value which suggests organized thieves offset the lack of access to a high quantity of shipments by targeting higher value merchandise—attacks on *Electronics* is driving this trend.



LOWEST RISK HIGHEST RISK



With an average of 66 cargo thefts per month, the United States sustained cargo thefts at a rate of 2.2 per day in 2014. Overall, the United States is ranked as a HIGH threat level for cargo thefts on the FWI five point risk scale, which ascends from LOW to MODERATE, ELEVATED, HIGH and finally to SEVERE. This is in large part due to the fact that the FWI SCIC believes the level of reported thefts is well

below the actual industry experience, a trend comparable to other countries with marginal cargo theft visibility.

WHY IS CARGO CRIME OCCURRING?

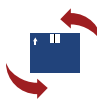
RISK VERSUS REWARD RATIO IN UNITED STATES:

With the average stolen shipment valued at over \$230,000, cargo crime represents a lucrative criminal enterprise compared with activities yielding similar returns (i.e. armed bank robbery) when adjusted for the realized cash value. Furthermore, this is exacerbated by the modest penalties of cargo theft with non-violent M.O. (i.e. theft from truck stop) compared to other theft activities.



LACK OF SECURED TRUCK STOPS:

In 2014, 87% of all thefts with a known location occurred within *Unsecured Parking*. The most frequently targeted *Unsecured Parking* areas were *Truck Stops* with 42% of the total, *Public Parking* with 23%, and *Roadsides* at 15% of all thefts. Theft from *Secured Parking* fell from 11% of known locations in 2013 to 2% in 2014. This represents a major opportunity for industry to strengthen their supply chain by identifying and ensuring drivers utilize *Secured Parking* whenever possible.

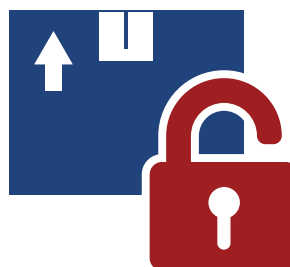


ACCESS TO RESALE MARKETS:

Criminals have a propensity to want to keep the crime and the resale market close together. 2013 saw increased mobility and willingness to travel for targets, but 2014 saw a refocus on the major urban areas, especially focused in areas of major transportation networks.

WHAT TYPE OF CARGO CRIME IS OCCURRING?

U.S. CARGO THEFTS BY TYPE OF EVENT – 2014



90%

of thefts in 2014 occurred when the truck was **STATIONARY / UNATTENDED**

THEFT WHILE STATIONARY AND UNATTENDED: 90% of all thefts in 2014 occurred when the truck was stationary and unattended. The reported severity of this is most illustrative when compared to other similar western countries (such as United Kingdom or Germany) where a comparative number would be 20%. U.S. criminals have not had to resort to escalating their tactics as a target-rich environment of unsecured opportunities continues to be present. The FWI SCIC can identify no other discernable variable driving this difference (90% vs. 20%) and the lower level of aggression / risk taking in the United States is a fortunate, but most likely transient state, with criminals able to escalate M.O.'s should the conditions warrant it.

FICTITIOUS PICKUPS: While incident numbers grew between 2011 and 2013, the reported 2014 data shows a slight decline (18%) in this activity. The FWI SCIC believes this is an anomaly due to the fact that *Fictitious Pickups* are not always reported and are difficult to classify. As criminals become more refined in their approach, this M.O. will continue to persist given its obvious advantage of aligning their resale capability and the target product. Again, this trend is a lead indicator of the evolution of the criminals involved and their increased sophistication.

FACILITY THEFTS: The FWI SCIC has observed a measured increase in *Facility Thefts*, which typically offer inventory-rich locations. Although criminals are able to improve their targeting of specific product types when dealing with *Facility Thefts* compared to other Modi Operandi, these operations require a substantial amount of additional effort over stealing a full trailer, and are predominantly accompanied by more risk. In 2014, 47% of reported *Facility Thefts* targeted *Electronics*. Additionally, three of the thefts were above \$1 million including one facility burglary of \$15 million in computer processors in Doral, FL.

WHAT TYPE OF CARGO IS BEING STOLEN?



ELECTRONICS THEFTS

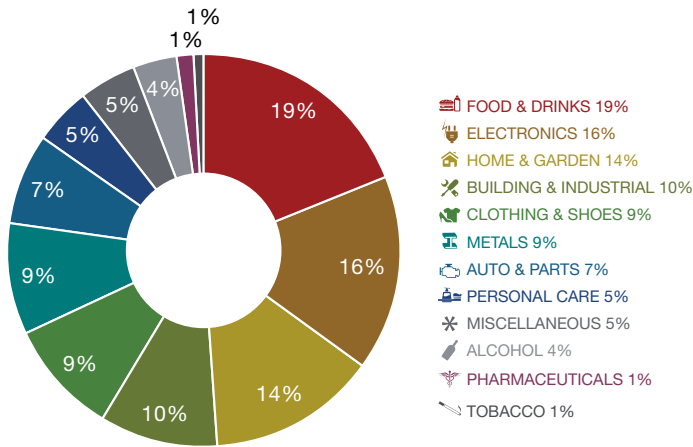
valued at over \$1 million

Tripled

from 2013 to 2014

Electronics, a traditionally desired product type, has seen a surge in average value, rising 43% over its 2013 average value to \$568,664. This is largely attributable to the tripling of *Electronics* thefts valued at over \$1 million from 2013 to 2014. While million dollar plus thefts within *Electronics* were spread among five subtypes, more occurred within the *Computers* subtype than any other.

U.S. CARGO THEFT BY PRODUCT TYPE – 2014



TYPE & SUBTYPE TARGETING TREND

Some product types and subtypes have very strong state specific trends.

AUTO & PARTS, which recorded more thefts in Texas than any other state, account for 24% of the total. Similarly, Texas has other favored product types such as; *Building & Industrial* which recorded 28% of its thefts in Texas, including 73% of all reported *Shingles* theft, and *Metals*, which saw 18% of its thefts in Texas.

15% of **METALS** thefts occurred in Illinois, while Florida, which tops the list for overall cargo theft volume, logged 36% of all nationwide thefts of *Food & Drinks*.

NUTS, a subtype of **FOOD & DRINKS**, logged 64% of all its thefts in California. California also was the primary state for thefts of *Televisions & Displays* with 48%, *Footwear* with 50%, and *Apparel* with 41%. Florida logged 28% of all *Appliances* thefts, 53% of *Candy, Cookies & Snacks*, 80% of *Dairy & Eggs* thefts, 50% of *Frozen Foods* thefts, 86% of *Office Electronics* thefts and 52% of thefts of *Sodas, Juice, Teas & Water*.

Only two states reported more than one instance of **CELL PHONES & ACCESSORIES** thefts, Florida and Tennessee, with 33% and 25% respectively.

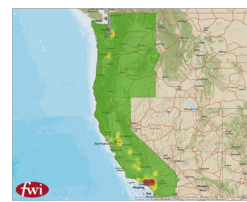
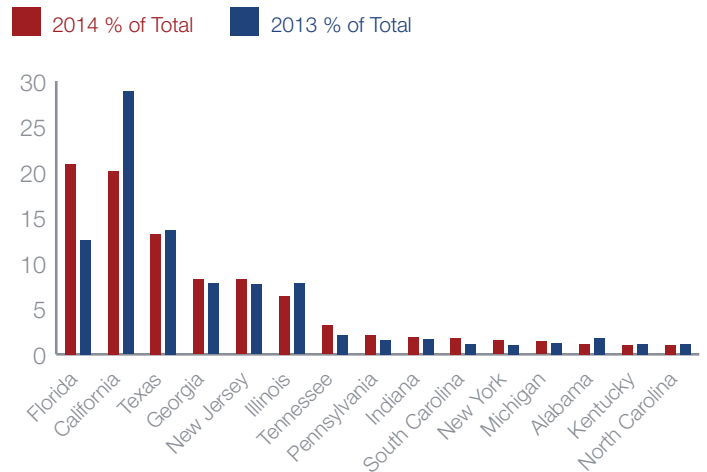
Another subtype with two states sharing the majority of thefts is **BEER**, where California and Texas accounted for 62% of nationwide thefts combined, or 39% and 23% respectively.

For additional product theft information, contact the FWI SCIC at intel@freightwatchintl.com.

WHERE IS CARGO CRIME OCCURRING?

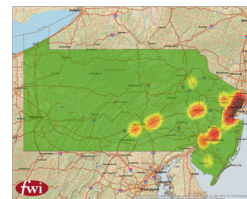
The key hot spots in the United States remain relatively unchanged from 2013 but there are some noteworthy dynamics at play in each of the geographic areas.

U.S. CARGO THEFT BY STATE



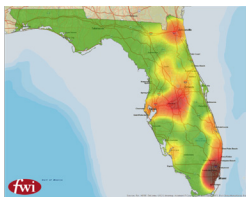
CALIFORNIA: Migration of activity.

In Q3-2014, the FWI SCIC reported on a shift in organized cargo activity from southern California to Washington State and the Pacific Northwest. While law enforcement entities confirmed this move, several arrests made in Washington appear to have hindered the ability of southern California thieves to operate at full capacity.



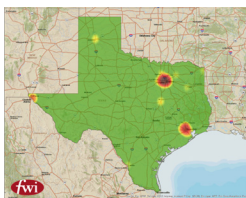
PENNSYLVANIA: Evolution of activity.

New Jersey – Pennsylvania border region increased 38% in cargo theft activity since 2013. The majority of activity occurred in two areas: along the New Jersey and New York borders, likely targeting shipments traveling from the seaport; and clustered near Harrisburg and Philadelphia, targeting truck stops at the outskirts of each city.



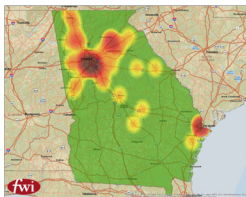
FLORIDA: Stable but increased risk.

Florida, although dropping in total incident count, experienced an 8% uptick in its percentage of nationwide thefts, bringing it from third in 2013 into the top spot for 2014 with 21% of the total.



TEXAS: Stable but increased risk.

Texas, remaining largely steady in count and percentage of total, dropped from second to third in 2014, with 13% of thefts.

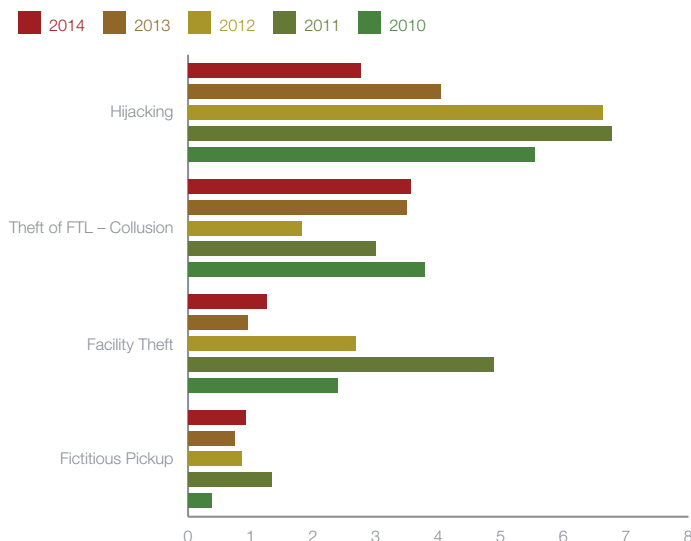


GEORGIA: Stable but increased risk.

Cargo theft in Georgia centered mainly in the greater Atlanta area. The overcrowded travel plazas that surround the city and its suburbs offer ripe targets for organized cargo thieves from Florida to ply their trade amongst a wide variety of products.

For additional regional theft information, contact the FWI SCIC at intel@freightwatchintl.com and specify which areas you are interested in.

U.S. ATYPICAL THEFT TYPES BY PERCENTAGE



EVOLUTION AND MIGRATION OF MODI OPERANDI:

Some atypical theft types depict correlations to one another, such as the increase in *Facility Thefts* to the decrease in collusion of *Theft of FTL* (static vs. in-transit) or the overwhelming number of *Fictitious Pickups* compared to the small number of *Hijackings* (nonviolent vs. violent).



Additionally, the orchestration of dynamic, high-value thefts in the Pacific Northwest illustrates the willingness of cargo thieves to temporarily travel or permanently migrate to a target rich environment if the risk is outweighed by the reward.

For additional cargo theft trend information, contact the FWI SCIC at intel@freightwatchintl.com and specify which areas you are interested in.

WHAT ARE THE 2014/2015 TRENDS?



TARGETING: Organized criminals will continue to conduct surveillance on intended targets. Counter-surveillance operations must be conducted in order to interdict the

criminal's efforts during the attack planning cycle. The shift of 2014 reported numbers by commodity and location are an indication of improved targeting of static and in-transit targets. *Fictitious Pickups* will continue to rise as more criminals realize the ease in execution and the exploitation opportunities of victims' identities.



USE OF JAMMING TECHNOLOGY: During 2014, the FWI SCIC confirmed the use of signal interference devices (jammers) in three cargo theft related incidents. Although

these attempts were unsuccessful, the threat of signal jamming represents a potential new threat in the United States. FreightWatch International continues to monitor the use of signal jamming in the U.S. and other regions and recommends the use of countermeasures in areas where signal jamming is a potential risk.

CONCLUSION

Although the volume of reported cargo theft incidents fell in 2014 based on the data collected, the FWI SCIC considers the threat of cargo theft in the United States to continue rising. This is due, in part, to the continued increase in the level of organization and sophistication of criminal groups focusing on cargo, and the relatively minor penalties often associated with cargo crime. In addition, the unsuccessful use of GPS and cellular jamming equipment has been observed in relation to cargo theft for the first time, illustrating the lengths that cargo thieves are willing to go to obtain their targeted merchandise. There continues to be a substantial underreporting of cargo theft in the United States, which makes it difficult to depict an accurate threat landscape and forecast emerging trends. FreightWatch International expects these trends to continue until all elements of supply chain security – both public and private - share information collectively and transparently in order to effectively combat the criminal element and secure the global supply chain.

For more information on FreightWatch International or our logistics security services please contact: info@freightwatchintl.com

APPENDIX

PRODUCT TYPES & SUBTYPES:

Alcohol

Beer
Spirits
Wine
Mixed & Miscellaneous

Auto & Parts

Batteries
Tires
Tractor & Trailer Parts
Vehicles, ATV & Sea craft
Vehicle Parts & Fluids
Mixed & Miscellaneous

Building & Industrial

Building Supplies
Chemicals & Fuel
Industrial Equipment
Lumber
Shingles
Tools
Mixed & Miscellaneous

Clothing & Shoes

Accessories
Apparel
Footwear
Jewelry & Watches
Luggage
Textiles
Mixed & Miscellaneous

Electronics

Batteries
Cameras
Cell Phones & Accessories
Computers
Games, Consoles & Accessories
Home Audio & Video
Networking
Office Electronics
Software, Components & Peripherals
Tablets, E-readers
Televisions & Displays
Mixed & Miscellaneous

Food & Drinks

Candy, Cookies & Snacks
Canned & Dry Goods
Coffee, Energy & Sports Drinks
Dairy & Eggs
Frozen
Meats
Nuts
Produce
Seafood
Sodas, Juice, Tea & Water
Mixed & Miscellaneous

Home & Garden

Appliances
Bedding & Bath
Cleaning Supplies & Products
Furniture & Decor
Kitchen Supplies
Lawn & Garden
Paper Products
Pet Supplies
Sporting Goods
Toys & Games
Mixed & Miscellaneous

Metals

Alloys
Aluminum
Copper
Iron
Lead
Precious Metals
Steel
Mixed & Miscellaneous

Miscellaneous

Cash-in-Transit
Firearms
Mixed Load
Plastics & Paper
Unclassifiable
Undeclared

Personal Care

Consumer
Cosmetics
Hygiene & Toiletries
Mixed & Miscellaneous

Pharmaceutical

Medication
API
OTC
Rx/Scheduled
Nutritional
Infant Formula
Nutritional Supplements
Vitamins
Supplies
Medical Equipment
Medical Supplies
Veterinary
Veterinary Medicinal Products
Veterinary Supplies
Mixed & Miscellaneous

Tobacco

Cigarettes
Cigars & Cigarillos
Pipe & Chewing Tobacco
Mixed & Miscellaneous