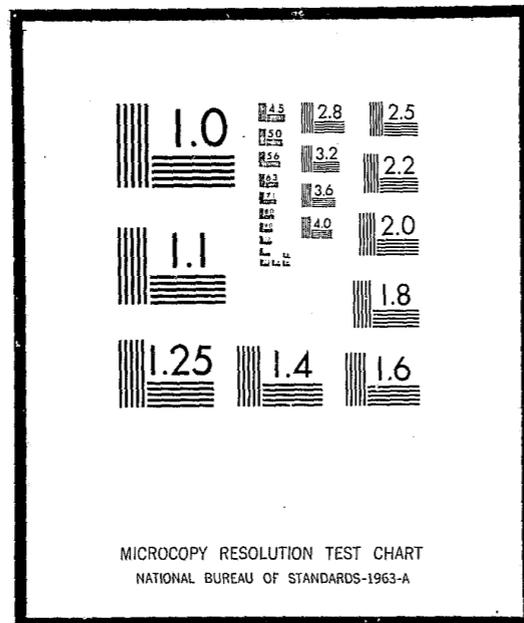


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CARGO THEFT AND ORGANIZED CRIME

A Deskbook for Management and Law Enforcement



DEPARTMENT OF JUSTICE
Law Enforcement Assistance
Administration

DEPARTMENT OF TRANSPORTATION
Office of the Secretary

Washington, D.C.

Foreword

A major objective of the publication is to acquaint the reader with the extent to which the theft and subsequent disposition of cargo are the result of organized criminal activity, including the involvement of those criminal groups often referred to collectively as organized crime. Another principal objective is to indicate what steps business executives can take to combat cargo theft—steps that are management and procedure-oriented, *exclusive* of physical security measures (guards, alarms, fencing, and other devices).

What appears between these covers is the distillation of well over 100 coast-to-coast interviews and of thousands of pages of hearings, books, reports, articles, and other printed matter pertaining to various facets of cargo theft. Those interviewed were affiliated with the following types of organizations, among others: Federal, State, county, and local agencies or commissions; national and local associations of shippers and carriers; various individual shippers/consignees and carriers; private cargo security groups and consultants; insurers; management and industrial security associations; Congressional committees; and citizen crime commissions. Many sources requested that the information they supplied not be attributed to them. Such requests have been honored.

A principal conclusion derived from the interviews is that, contrary to some opinion, the responsibility for combating cargo theft must be more evenly divided among the affected parties and done so on a coordinated basis. Acting alone, no one group can make a significant dent in the problem—not law enforcement, not carriers, not shippers, etc. Each group must implement appropriate countermeasures and dovetail them with those initiated by others. The transportation chain should be just that—a series of equally strong links. If one link breaks, the opposition is sufficiently organized to exploit the weakness.

Organized crime is prominently discussed in this Deskbook. However, the nature of organized crime in relation to the cargo theft problem needs to be understood. Organized crime can be said to be involved in a great deal of cargo theft. This is because much of what is stolen is taken to a third party for resale and/or entry into an illicit distribution system. Thus, the existence of what have come to be known as “fences,” although perhaps themselves unorganized, constitute a type of organized crime that contributes greatly to increased cargo theft.

At the other end of the organized crime scale are those groups or “families” dominated by well-known racketeers belonging to organizations whose names are household terms. When this type of organized crime enters the picture, it may in fact control and direct cargo theft.

Both of the above types of organized crime require effective law enforcement actions leading to apprehension and prosecution. However, neither type leaves management hopelessly unequipped to meet the problem. On the contrary, tailored and effective application of the type of management control procedures that are described in this Deskbook can reduce the vulnerability of "attractive" cargo and prevent cargo theft losses in the first instance.

Much has been written about the magnitude of the cargo theft losses. Analysis by the Office of Transportation Security, working with industry, shows that for all transportation modes except rail, 85 percent of cargo theft losses occur at terminal locations during normal operating hours in less than carload quantities and involve persons and vehicles authorized by management to be on the facility premises. It was also revealed that thirteen commodity categories account for 90 percent of total theft losses. They are items with "instant" market ability such as clothing, electric appliances, auto accessories, hardware, alcoholic beverages, and tobacco and food products.

This publication is intended to provide useful information in an effort to achieve maximum cargo security. This information is offered in the form of a narrative and suggestions and is not regulatory in nature. Nothing contained herein is to be construed as replacing or modifying any legal or regulatory requirement enacted or promulgated by proper Government authority.

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Chapter I

GETTING THE MOST FROM THIS DESKBOOK

If the reader finds this publication interesting and informative, one of the primary objectives has been achieved. But if that is the extent of the reader's reaction, and this Deskbook becomes just another decorative element on a bookshelf, the real purpose behind these pages will not have been fulfilled. Hopefully, readers will utilize this publication as a working document—that is, as the framework on which to build an informed response to cargo theft, a problem that when considered from even the most charitable of viewpoints has reached totally unacceptable proportions.

To facilitate its usage as an action-oriented aid, the Deskbook is written with the realization that its intended readership—business executives and law enforcement officers—must cope with many problems other than cargo theft. Accordingly, an effort has been made to condense into a few chapters material that could have comprised several books. Also, the approaches and recommendations outlined on subsequent pages are frequently those that would pay off even in the absence of cargo theft (e.g., good management *per se*) and, in any event, are those whose implementation requires more in the way of willpower than manpower, heavy cash outlays, or exotic technology.

The organization of the Deskbook strives to promote action by presenting material in a sequence conducive to sound decisionmaking. First, what is the problem and what is at stake? Second, who are the ones committing cargo thefts and how do they do it? (Those already familiar with the various techniques by which cargo is stolen and fenced may, in the interest of time, wish to skip the case study section initially, although it contains some material neither heretofore published nor otherwise generally available.) Next, what are some of the alternative courses of action available to individual shippers, carriers, consignees and all the others that form the transportation chain? What measures are appropriate for implementation on a joint-action basis? Finally, what assistance can be expected from law enforcement units and other Government agencies?

To clear away a few potential semantic hurdles at the outset, "cargo" refers to anything that enters, and is moved by, the nation's transportation system—beginning at the shipper's loading platform and terminating at the consignee's receiving dock. The term "cargo theft" refers both to acts of theft (stealing the entire carton or container) and of pilferage (stealing only some of the carton's contents).

Though defined in greater detail at a more appropriate point on subsequent pages, the term "organized crime" refers to the unlawful activities of

those who are members, in fact or in effect, of any of the several criminal associations—including but not restricted to the underworld group comprised of crime “families”—that possess a relatively high degree of organization and discipline and are engaged in supplying a variety of illegal goods and services. (Basically, this corresponds to the skeletal definition found in the Omnibus Crime Control and Safe Streets Act.)

Unfortunately, the solutions to cargo theft are not as pat as our above working definitions. One company’s answer may be another’s disaster. Many of the ingredients to solutions are presented herein, but these ingredients must be selected, combined, and enriched in ways conforming to the unique conditions facing each firm. Thus to get the most from this Deskbook, one must do more than read it—one must also follow through and build upon it.

Chapter II

WHAT IS AT STAKE?

Managers face many pitfalls during the course of fulfilling their responsibilities, and one of the most dangerous is to reach a decision based on an inaccurate assessment of the problem at hand. Unfortunately, this occurs too often when the problem requiring attention is cargo theft.

To bring into sharp focus just what is at stake when executives confront the cargo theft issue is one of the primary reasons for publishing—and reading—this Deskbook. Despite protests that the issue has already been more than adequately defined, the evidence is ample—as documented later—that the cargo theft problem is still ill-perceived by too many of those directly or indirectly involved in the transportation industry—carriers, consignees, shippers, insurers, warehouse and terminal operators, unions, law enforcement and other governmental units, the consuming public, and others. Because each of these groups must shoulder part of the responsibility for combating cargo theft, if it is to be controlled adequately, each link in this chain of responsibility must possess considerably more than tunnel vision. Only if all concerned quickly place cargo theft in full perspective can the private sector fulfill two prerequisites for an effective counterattack that will be relatively free from governmental mandates: the will to act, and coordinated action based on understanding.

The Less Visible Impact of Cargo Theft

Whether stolen cargo consists of securities, salami, shavers, shoes, or steel, what usually attracts the most attention is the value of the goods—that is, the direct financial loss. But, as the president of a trade association noted, “The direct financial losses are only the most obvious consequence.” A waterfront commission spokesman went one step further: “The actual dollar value of lost cargo, though large, is of least importance.” This appears to be true in the vast majority of cargo thefts.

Though the initial, direct financial loss may be least important, it is by no means unimportant. Discussed later, the dollar value of goods stolen while in the transportation system is substantial. Nonetheless, in the overall picture, the value of these goods represents the relatively small exposed tip of an iceberg whose true dimensions can be estimated only by looking beneath the waterline. Submerged, as it were, are those cargo theft losses that are the *consequences* of the initial, direct financial loss represented by the value of the stolen goods. Some of these subsequent losses are outlined below, many of which pose legitimate public interest issues and warrant close attention by government at all levels in the absence of effective private-sector action.

Insurance. The president of a trucking firm specializing in transporting cigarettes used to have his insurance premium paid by the shipper. After hijackings, this arrangement ceased and he began paying a \$17,500 annual premium for a policy with a \$2,500 deductible and a maximum coverage of \$35,000 per incident. After another hijacking, the premium increased to \$28,000. The deductible was hiked to \$5,000. Maximum coverage per incident dropped to \$20,000 (the value of half a load). And he was covered only to the extent that his cumulative losses did not exceed \$50,000 per year. As a result, the trucker decided to go out of business.

A spokesman for a clothing manufacturers association cited these statistics: 33 of 89 manufacturers indicated that, as the result of cargo thefts, premiums increased an average of 67 percent; 31 of 83 reported that insurers added deductible clauses to policies; 10 of 38 whose policies were canceled had difficulty in obtaining new insurance, while 5 could not secure coverage at all.

Administration of cargo theft claims. Estimates indicate that the claimant and the party against which the claim is filed each frequently spend from two to seven times the amount of the settlement in order to cover processing and litigation costs.

Delayed sales. Statement of the traffic director of an apparel manufacturer: "Until fairly recently all apparel manufacturers sold their goods f.o.b. their shipping point. This is rapidly becoming unrealistic as a result of the high incidence of lost merchandise due to theft and pilferage as well as the refusal of carriers to pay claims. The retailer has been forced to take the position that he does not pay for goods he does not receive. Therefore, the situation is rapidly getting to the point where the manufacturer does not make a sale until the goods are in the retailer's store." Additionally, extra claims personnel must be hired and disrupted manufacturing and delivery schedules revised.

Lost sales. An insurance investigator relates that a hijacked truckload of imported woollens valued at \$50,000 resulted in a net loss to a mens wear manufacturer of \$250,000 because the goods were seasonal and irreplaceable.

Counsel to a retailer association has observed that even if a retailer were paid for the full value of goods stolen enroute, he is not made whole. "He has the possible loss of sale; he has lost his customer's goodwill if the merchandise is not available at the time of the sale; he has had his money tied up over a period of time in merchandise which he has not been able to turn over."

An executive of a large apparel manufacturer explained what happens when custom-made clothing is stolen in transit: "The manufacturer does not have anything with which to duplicate his order, and the retailer is in a position where he cannot duplicate the order from any other source."

Commenting on a situation where "the greatest problem is the systematic pilferage and theft of comparatively small quantities from almost every shipment," a spokesman for an importers association emphasized that "while the actual loss may be small in terms of dollars and cents, the main

headache is not having available a complete line of styles and sizes to fill their orders."

On the behalf of several watch manufacturers, an executive stated that because of cargo thefts, "Promotions scheduled by customers had to be canceled. There have been instances in which catalogs have been circulated featuring merchandise which failed to arrive and which was essentially irreplaceable."

Lost business by carriers. Not surprisingly, consignees and shippers frequently switch carriers in order to minimize cargo theft losses. An insurance director of a manufacturer of a theft-prone product asserts, "We have changed airlines a number of times based on loss experience, and based upon information supplied to us by [our trade association] and by our customs broker. In fact, at this point our insurance carrier requires that all shipments from Western Europe be shipped by only one air carrier because of . . . the feeling that their security . . . is better than others. . . ."

Not only are more and more carriers concluding that adequate countermeasures against cargo theft represent a cost of keeping business but many are also realizing that outlays for such countermeasures are a cost of staying in business. According to a past president of an association of security officers: "Theft of individual shipments, theft of complete trailers, and hijack of complete trailers have become such a complete problem that to eliminate them or not eliminate them meant the difference between staying in business and bankruptcy."

Embargoes and interference with the flow of commerce. Some carriers are quite frank in admitting that one way to minimize theft and pilferage is to refuse to haul theft-prone items. States a carrier association executive: ". . . I didn't mention what we do when we find a commodity that is high theft, high loss. We just drop it; we are forced to embargo it. . . . That's how we get around a lot of our cargo problems."

The results of a 1970 survey of several manufacturer associations regarding their claims-associated problems indicated that 96 carriers refused to pick up theft-prone goods at more than 70 of the 89 manufacturers responding to the questionnaire. Ten of the 96 carriers refused to service more than 5 different manufacturers. Says a manufacturers association spokesman, "This refusal takes various forms from outright refusal to just not showing up or lack of equipment, not enough drivers, too many losses, value too high. . . ."

Representing a national shipper's association, a transportation executive in his address to a cargo theft conference concluded that theft "is the most rapidly increasing cause of economic loss in the transportation of cargo by the nation's common carriers." Increasing at "an alarming rate," cargo theft "is restricting the free flow of commerce from and to some areas of the nation," maintains the executive. In 1971, the president of the Air Transport Association of America voiced his concern by noting that "the incidence of cargo theft has now reached the point of interfering with the delivery intact of too much of our mail."

As is the case with many other types of crime, small business is particularly hard hit. The small-business executive usually has no alternative

except to use common carriers, and his shipments are frequently highly susceptible to theft or pilferage since they are transported in small quantities and require above-average handling. Also the management of the smaller business is unable to exert the economic leverage that larger competitors can apply to balky carriers. Thus when carriers decide, in effect, to boycott theft-prone products, the small enterprise is, as one traffic manager put it, "virtually without transport service." Finally, small businesses are usually not in a position to recoup their losses through price increases.

Threat of violence, injury, and damage. During a recent interview, the security director of a large rail carrier commented on the resurrection from the steam-locomotive era of methods by which trains are stopped or derailed for the express purpose of "boxcar burglary." His 1971 testimony before the Senate's Select Committee on Small Business also alluded to this: "Although the number of obstructions on rails, the tampering with switches and signals, and stonings may appear insignificant in relation to the geographical size of the railroad, I would like to point out that they sometimes result in derailments causing serious personal injuries, catastrophic freight loss and damage. . . ."

Attempts to control theft on the waterfront have frequently resulted in personal injury through "accidents" or direct assaults. A 1970 report by the Waterfront Commission of New York Harbor referred to the plight of port watchmen, who are hired by terminal operators. An agent of the Commission testified that watchmen have "either been frightened away from an area or frightened into neutrality." One pier guard told him, "I would never turn one of these men in because I have to come back here tomorrow. What would I do? This is where I earn my bread and butter. Accidents happen every day and I don't need an accident." A pier guard who admitted he had not made one apprehension during his 40 years on the piers remarked that he tried to live up to his responsibilities once but was assaulted.

One of the most extreme examples of the effects of the fear and violence stemming from cargo theft was described by an official of a tobacco distributors association. Testifying in early 1972 before the New York State Commission of Investigation, he drew attention to an alarming situation:

"Where are we today? . . . About 12 of the major firms who carry a lot of cigarettes ride shotgun. . . . They either ride shotguns in the cab . . . or they have another car behind it.

* * *

"And it is so bad that when [motor carriers] stop at a jobber's place of business, two or three men get out with guns, and they stand there all around; they scare the living daylights out of jobbers, and everybody around, but that is what this business is doing right now.

* * *

"We are having difficulty with our drivers because they say, 'We are the pigeons, and [the men riding shotgun] are getting paid more.'

* * *

"It has increased the costs tremendously . . . if you talk to some of the old line people who have been in this business for years, they are starting to move out; they are afraid. They don't want to stay in the business any more."

Diversion of cargo, relocation of business, and image problems. When cargo is diverted and businesses are relocated to other cities because of a high incidence of cargo theft in a given locality, the adverse impact on the economic climate and health of the afflicted gateway center, city, or region is obvious. The answers supplied by importers to a 1970 questionnaire pertaining to waterfront theft in a major city are illuminating:

1. "Had to move to other ports since increase in prices to cover losses reduced number of customers."
2. "Lost too many customers because of short deliveries—now use other ports."
3. "Using other ports since . . . losses caused tripling in insurance premiums in three years."

In all, 14 of the 49 importers replying to the questionnaire had moved at least part of their operations to other ports of entry.

The director of merchandising for a large department store in the Midwest was quoted as saying his company diverted the bulk of its \$13-million yearly import business from the nearby inland port to an Atlantic port. Trucks brought the goods inland. A Swedish candy company made a similar decision because not one direct shipment to the inland port arrived intact during a 6-year period.

A similar situation was rapidly developing on the West Coast, according to an official of a cargo council there: "The fact was that these ports were getting so bad a reputation among shippers and vessel operators throughout the world that many were considering bypassing the area."

According to a government official, the impetus behind a recent study in Canada on how to lure more air freight traffic to a large city there was the adverse history of cargo theft at a competing U.S. international airport.

Once shippers begin to bypass a port of entry, cargo facility, or even a given mode of transport because of an unacceptable cargo theft record, such a tarnished image tends to persist—as do the attendant economic losses—long after conditions have improved. For example, the abysmally poor public image that JFK International Airport generated for itself, during the latter half of the 1960's as the result of a high incidence of theft and pilferage still hangs over the facility, even though its more recent on-premises theft record—as attested to by many of those interviewed for this Deskbook—has improved markedly.

Under some conditions, cargo theft may threaten the reputation of an industry. For instance, at the early-1972 hearings of the New York State Commission of Investigation, this exchange occurred between a tobacco industry witness and the Commission:

Witness: ". . . no one wants anyone in an illegitimate, unsavory type business being connected with even the very fringes of [an industry]. And

we are getting to the point today that it is coming home closer because the ICC trucks and the vans and things coming from the manufacturer now are starting to be hijacked."

Commission: "In other words, the legitimate cigarette industry is concerned, is it not, with the growth of organized crime or the influence of organized crime upon its operations?"

Witness: "And rightly so, sir."

That motor carriers are acutely aware of the significance of maintaining a good reputation is attested to by the minutes of a trucking industry meeting in 1969 on theft and hijacking: "Affirmative and positive action without delay is needed to offset and forestall current publicity unfavorable to the industry as a whole. Public information that the trucking industry recognizes the problem, and is taking tangible steps to overcome it has a very high positive value to the industry."

Prices and freight rates increase. Says an industry association spokesman: "Since the importer must recover his losses [sustained through cargo theft], in almost every case [reported to the association] the losses have been either partially or wholly recovered through increased prices to the consumer." According to a large shipper, "While cargo claims can be made, they never fully recover the losses suffered by the shipper and whatever reimbursement we do receive is eventually reflected in higher cargo rates." And a major freight forwarder declares, "Meeting the challenge to keep cargo secure is a big task and is one of the most costly expenses absorbed by our industry today. Thus, this expense in turn must be passed on to the consumer in the form of rates and charges for getting his goods to market."

Loss of Government revenue. A Treasury official sums up the situation at the Federal level: "The Treasury also loses because Customs may not be able to collect duty on cargo which has been stolen and because lower taxes are paid by importers who (1) fail to receive . . . merchandise which they would otherwise sell at a profit, and (2) claim a deduction on their income tax returns for uninsured theft losses. The loss of export cargo also has an obvious effect on our critical balance of payments situation." Similarly, collection of various State and local taxes also suffers.

Unfair competition and erosion of the competitive process. Grossly underestimated by many is the extent to which stolen cargo reenters commercial channels and thereby constitutes a highly unfair and illegal competitive weapon. The extent and process by which this occurs will be discussed later. For now, suffice it to say that this byproduct of cargo theft is one of the most serious. When instances come to light where a wholesaler's prices cannot compete with those at the retail level; when law enforcement and other sources report that more and more heretofore ethical businessmen are beginning to succumb to competitive pressures by also purchasing stolen cargo at cut-rate prices; and when criminal interests and enterprises are enriched and strengthened in the process—when this and more is occurring, the time has long since arrived for the many facets of the private sector that have a stake in the outcome of the cargo theft problem to pull together and implement coordinated countermeasures.

The foregoing litany of losses inflicted after, and as a consequence of, the actual theft of cargo could be considerably expanded and embellished. But enough has been indicated to establish that, in the long-run at least, these follow-on impacts constitute the most significant loss category, considerably outweighing the financial distress represented by the dollar value of stolen cargo.

Direct Dollar Impact of Cargo Theft

Though the tip of the iceberg, the dollar value of goods stolen while in transit usually receives the greatest emphasis in the press and frequently represents a divisive bone of contention between carriers and shippers/consignees, as well as between carriers and government officials. At times, the debate over the completeness or validity of cargo loss statistics seems to assume more importance than what occasions those statistics in the first place.

This is not to say that statistics reflecting the direct dollar loss from cargo theft are unimportant. Though reflecting a relatively small part of the cargo theft problem, direct-loss statistics are the least difficult to compile and provide at least a rough indicator by which to put into perspective the costs associated with preventive measures and to gauge the effectiveness of those measures. Indeed, without reasonably accurate direct-loss statistics—and much remains to be done in this area—arguments either for or against spending a given sum to implement proposed remedial steps lose considerable credibility.

According to the information available to Senate's Select Committee on Small Business, which has held extensive hearings on cargo theft, in 1970 approximately \$1.5 billion worth of goods were stolen while in the nation's transportation system (motor carriers, \$900 million; railroads, \$250 million; marine carriers, \$210 million; air carriers, \$110 million). Based on an estimated average annual increase of 20 percent, cargo theft would now amount to over \$2 billion annually. This loss, states the Committee, represents only the wholesale or released liability values of the goods.

Depending on which group of carriers one talks with, the Committee's figures are said to be on the high side by a factor ranging from 1.4 to 4.5. A common reaction by carriers to the Committee's cargo theft estimate is the comment of an official of the Association of American Railroads: ". . . we are not aware of the basis for this figure or sources of data from which the total is compiled. . . . While the railroads recognize full well that theft and pilferage are increasing at a rapid rate, the information currently available to us indicates that the economic loss from [theft and pilferage] does not even remotely approach \$250 million."

However, the Transportation Cargo Security Council—an independent organization whose members include carriers, shippers, consignees, insurers, and labor—assessed the situation at the end of 1971 this way: "One of the more serious problems confronting the transportation industry is the theft of cargo. The magnitude of losses is not known; however, best available estimates place the direct dollar loss at \$1.7 billion annually."

The weight of current evidence strongly suggests that if a statistically valid cargo theft figure were available it would be closer to the estimate of Select Committee on Small Business than to the total of the amounts reported by the carriers.

A major reason for this rests with a factor over which the carriers have little or no control—that is, many losses are either not reported by shippers and consignees or are underreported to carriers and insurers. This may occur for a variety of reasons:

1. Spokesman for an importers association: "Many losses are not reported by importers for two reasons. The first is the fear of retaliation against their cargo, trucks, or personnel and the second is the further escalation of their ever-increasing insurance premiums and, perhaps, even the fear of being dropped by their insurance underwriter as a severe risk."
2. Chamber of Commerce executive: ". . . all losses are not recorded; they are not declared. We have the losses of the man who insures his own cargo. And we have importers that establish a fund aside to parry their own losses. We have the man that has no recourse."
3. Replies to a questionnaire sent to wholesalers: "We never file claims under \$25 as it is too costly." "Shortages and damages are costly to be sure; the thing that costs the most is the expenses and time spent trying to collect from the freight companies."

In some instances, even when carriers were aware of thefts, resultant complaints have been covered up or ignored because of the fear of bad publicity. A common cover-up used by some terminal operators on the waterfront is to record stolen goods as short-landed, which indicates that the goods never came off the ship. (And also indicates that no duty had to be paid.) In one city, a waterfront commission established two stores to "fence" stolen cargo. Stolen cargo with a retail value of \$277,000 was recovered. Only \$2,000 had been recorded as stolen; pier records described the balance as "short-landed."

Another reason why the cargo theft estimates of some carriers are understated is described by the security officer of a trucker: "Carriers keep records of claims paid for missing freight in two columns: one identified as shortages, and the other as thefts. Since the average carrier has not grown sophisticated enough to have a theft reporting system, the money ends up in the column simply entitled 'shortage.'" Similarly, a spokesman for a carrier association candidly acknowledged that "when we speak of 'lost' shipments, we are actually speaking, for the most part, of stolen shipments."

On the other side of the coin, carriers correctly point out that in numerous instances, goods that shippers or consignees initially claimed as stolen had never left the shipper's loading dock, were misrouted because of confusing labels affixed by the shipper, or were actually received by the consignee but not recorded as such. According to an official of the American Trucking Association, during a one-month period, a major carrier had 14,000 claims

filed against it but within a few days 5,000 were disposed of on the basis of clear delivery receipts signed by consignees.

Thus the statistical confusion over the extent of direct dollar losses attributable to cargo theft is caused by the users as well as by the suppliers of transportation services. But the net effect has been an understatement of cargo theft losses by most carriers.

To help clear the air of mutual suspicion and recrimination generated by shippers/consignees, carriers, and government sources over each other's cargo theft estimates, the basis for such figures should be clearly explained. First, the means by which value is assigned to stolen cargo should be clear—wholesale price, manufacturer's or foreign invoice value, retail price, or whatever. Second, the degree to which reported cargo theft losses are adjusted upward to compensate for the nonreporting factor should be made explicit. Third, the extent to which indirect losses are included in theft statistics should be revealed. Fourth, uniform and meaningful criteria are needed for attributing losses to such causes as theft, pilferage, shortage, short-landed, lost shipment, etc. Finally, cargo theft statistics should be capable of being broken down by products or commodity groups, at least with respect to particularly theft-prone goods. A single gross figure is of limited value and accomplishes little more than to bury problem areas.

Direct Losses—Trend and Response

Though an overall cargo theft figure that can legitimately bear the label "statistic" has yet to make an appearance, there is an overwhelming consensus among all concerned that, despite a few emerging bright spots, the cargo theft trend is continuing its upward swing.

Testifying before the Senate's Committee on Commerce, a spokesman for the Freight Forwarders Institute echoed the experience of many other transportation executives: "As we enter the decade of the 1970's, the situation continues to deteriorate. I have been advised that current figures of some members of our industry indicate shortages to represent as much as 70 percent of their claim losses." Continuing, he reported, "Our industry has experienced an alarming increase in costs arising out of the theft of cargo. This crime cost has outpaced any corresponding increase in tonnage or revenue."

A representative of the railroad industry noted in 1971 that "despite our best efforts, our experience is worsening." Speaking on behalf of the American Institute of Marine Underwriters, an insurance executive declared in 1970 that "Until recent years, the principal causes of loss to these goods in transit were represented by [incidents] that produced destruction of a largely fortuitous nature. . . . Today, crime losses rank No. 1 in dollar value of all causes of losses suffered by goods in transit, outranking such traditional causes as ship sinking, storms, vehicle collisions, fire, and the various types of handling damages."

This trend has been apparent for years. And so has been the response of users and suppliers of transportation services. With some exceptions and with increasing indications that a more enlightened approach is being taken, the traditional response has been one of general apathy, buck-passing,

and a type of negative competition where most everyone tries to keep the cargo theft problem "trade neutral" by pursuing the policy of doing as little as possible about it. In this regard, the carriers have received more than their fair share of the blame. Shippers, receivers, warehousemen, manufacturers, law enforcement, the courts, insurers, unions, and others must also shoulder responsibility for the momentum cargo theft has achieved.

The following responses to cargo theft are cited not to assess blame but to highlight the reasoning behind the opinion that, unless there is a swift rejection of such traditional reactions to cargo theft, the private sector stands an excellent chance of becoming considerably less private as government involvement accelerates and expands.

Characteristic of the rationale behind many policies dealing with cargo theft is this description of the reaction of a stevedore's representative when asked why he had not stationed a guard to watch a high-theft location: ". . . the representative took a pencil out of his pocket, computed the value of the radios stolen against the guard's salary and said it was cheaper to suffer the loss. When asked what would happen if the goods had a higher value, he replied: 'Well, insurance takes care of that.'"

And, until recently, insurance was an easily accessible crutch. Now, as noted previously, premiums and deductibles are higher and policies are more difficult to obtain and retain. Also, as one insurer put it, what is required "goes far beyond anything that the 'muscle of insurance' can or should be responsible to restrain. . . . An insurance policy is not a deterrent to crime. . . ." In the same vein, another insurance executive noted that the millions of dollars insurers pay annually for the reimbursement of crime losses "automatically enriches the nonproductive and predatory criminal element of society. . . . there is a difference between reimbursing industry for goods damaged or lost in specie due to fortuitous happenings as opposed to reimbursement for goods that have been diverted into illegal channels."

Unfortunately, some insurers have not always acted according to such an enlightened view. An interviewed law enforcement source noted with disapproval that occasionally some insurers will buy back stolen merchandise when the price is right, thus in effect creating a market for stolen cargo. Similarly, according to the findings of a study, "We have encountered a good deal of feeling among police departments and central stations, confirmed by observers within the insurance industry, that insurance personnel in the past have encouraged a laxity in precautions against crime because of the availability of insurance compensation."

Nor has law enforcement always been up to the task of combating cargo theft. In 1971, a ranking Justice Department official remarked, "Because of a lack of coordination and cooperation between [Federal, State, and local law enforcement agencies] in many instances, a great deal of valuable time may be lost in commencing an investigation or possibly no investigation may be undertaken at all." However, this problem is being attacked through informal agreements between U.S. Attorneys and their State and local counterparts concerning the investigation and prosecution of cargo thefts.

The attitude of some labor organizations has not always been constructive, as typified by the statement in 1971 of a large union's assistant research director that he had not even read the widely publicized 1968 hearings of a State's investigation unit into the extent of organized crime's control over a powerful local comprised of cargo handlers and truck drivers. And wildcat strikes protesting legitimate measures to enforce security have cost management thousands of dollars.

Illustrating the "We are not hurt so why worry?" attitude exhibited by some businessmen, an interviewed insurance investigator mentioned the lack of response to circulars sent to the relatively few firms that were capable of processing certain stolen goods which could be easily identified because of unique inherent characteristics.

When an airline at a large international airport on the West Coast took the intelligent step of tightening cargo accountability by requiring piece counts when accepting cargo from forwarders, the latter threatened to tender their business to competing airlines that did not require such "red tape." Piece counts were finally implemented when all airlines jointly agreed to the procedure.

Despite rising losses, consignees have unduly exposed their goods to theft by failing to take prompt delivery. Shippers have encouraged theft through poor packaging and by a failure to remove old address labels from reused cartons, thereby increasing the likelihood of misrouted shipments, which are prime candidates for theft.

The head of a carrier-supported security organization at a major cargo complex told a Congressional committee about conditions when he first assumed his position: "It was evident to me . . . that security had neither responsible management concern or there had been an appreciable lack of awareness at top management concerning these conditions. I found that indifferent attitudes prevailed. . . ."

A carrier-sponsored report sums up the situation this way: "A widespread general apathy toward the problems and challenges of security has been found at all levels among shippers, receivers, manufacturers, carriers . . . and warehousemen."

The upshot has been that because so many have failed to make prevention of cargo theft part of their business, the tendency has developed for all concerned to deny or evade responsibility when a loss does occur. Too frequently, therefore, policies are oriented not toward tackling the problem head on but toward skirting it by embargoing (in fact or in effect) theft-prone goods, by pressing for more stringent released valuation policies, by raising prices and rates, by appealing for higher carrier liability limits, by relying on insurance, etc. In the meantime, however, the cargo theft problem has grown to the point where there is very little room left for such evasive action.

Government Involvement

In January 1970, a trade magazine article noted that "the jury"—comprised of regulatory agencies, the Department of Transportation, Congress, etc.—was still out regarding appropriate action to take in the cargo theft

area. When the jury returns, the article predicted, carriers may find themselves saddled with mandatory regulations. Today, of course, Federal regulations and programs are already in effect in some areas and more are pending either in Congress or in various agencies. Many in the private sector regard this trend—insofar as it reduces the decisionmaking autonomy of business—as one of the most significant “costs” of cargo theft.

And more than the carriers have been—and are likely to be—affected. Well known are the Treasury Department’s regulations, which bring within their scope not only the carriers but also warehouse operators, customhouse brokers, terminal operators, etc. Less well known is the power that the Bureau of Narcotics and Dangerous Drugs may exert over shippers of controlled substances. On cargo security grounds, BNDD can veto a shipper’s choice of a common carrier and warehouseman; the Bureau may also impose packaging regulations and other obligations upon the shipper.

That additional government involvement is in the offing appears to be a foregone conclusion. A review of the powers possessed by existing Federal agencies seems to indicate that, even in the absence of additional legislation, there is substantial leeway for government action in the cargo theft area. Just how extensively government will feel compelled to intervene depends, in large part, on whether and how swiftly the private sector can initiate its own effective programs.

Some observers, both within and outside of government, point out that because the direct and follow-on economic losses resultant from cargo theft fall with such an uneven impact on the various groups that comprise the transportation chain, those links experiencing the least adverse impact will not be motivated to implement their appropriate share of preventive measures. This view is buttressed by candid admissions that, in many instances, the primary stimulus for action has been apprehension over the possible imposition of government regulations, along with the fear of developing a bad public image.

Another factor indicative of further government involvement is that many companies are fearful that by being among the first to spend money for appropriate countermeasures, they will suffer in relation to competitors which stood pat and did not increase costs. As a result, many firms seem to be waiting for someone else to take the first step and are, in effect, inviting government regulation. Many others, however, have seen the handwriting on the wall and are expending considerable time, effort, and money to counteract theft and pilferage of cargo. Perhaps they also realize that if such expenditures do result in a net rise in costs, prices, or rates, at least such an increase will be caused by procedures that fight crime and not, as is frequently the case today, by policies that subsidize it—which is what really is at stake.

Chapter III

YOUR OPPONENTS AND HOW THEY ARE ORGANIZED

Just as a manager or law enforcement official may underrate the overall impact of cargo theft by considering only the initial, direct financial losses involved, executives may also underestimate the number of people, and the interplay between them, necessary to make cargo theft the successful and serious “enterprise” that it is. If management ill perceives those who are stealing, subsequent preventive action is little more than a shot in the dark.

For example, policies aimed at the lone, independent pilferer are usually inadequate to cope with thefts resultant from collusion among a company’s employees. When the problem broadens to include collusion among employees of two or more firms, so also must the managerial response. At this point, the problem and requisite controls become intercompany, intermodal, and interindustry. And a final dimension is added when external criminal elements are involved either in the execution of thefts or in the supply of services without which many thefts would be so much wasted time and effort. When this factor is present, the various affected private sector companies and industries must not only cooperate among themselves but also establish effective working relationships with appropriate governmental units, particularly law enforcement.

Overt Indicators of Collusion

One need only glance at some of the obvious characteristics of many cargo thefts to realize (1) the extent to which collusion must be present and (2) the different sets of individuals who may be necessary to assure the success of such crimes. Even a cursory examination of *where cargo thefts occur* yields all-too-conspicuous conclusions. For instance, a security group at a large air-cargo complex analyzed 76 reports of cargo loss, theft, or pilferage and found that in over 48 percent of the cases, the cargo had been checked into the terminal but could not be found for delivery. On the basis of this and other evidence, the security group concluded that “the majority of thefts are committed within the terminals . . . and must result from collusion between employees and ‘outsiders,’” the latter including truck drivers, brokers’ runners, transients, or employees from other airlines. This assessment agrees with the observations of a number of supervisory customs inspectors at various airports: “. . . of the total losses during ‘customs custody,’ . . . 75 to 80 percent [occur] through collusion between truckers and the carriers’ cargo handlers in delivering goods at the warehouse dock. We would expect roughly similar ratios on the waterfront.”

According to the experience of one transportation executive, thefts "primarily occur away from the origin terminal." They occur at terminals "where [cargo] is being turned over to another carrier, or at destination terminals, where [cargo] is being moved across the dock to go on the delivery truck." Similarly, 83 percent of the 1,100 respondents (distributors) to a 1970 survey noted "a direct relationship between the number of carriers involved in a single shipment and the extent of loss and damage." Asserted one respondent, "100 percent of our losses and damages result from shipments transferred in transit. . . ."

Perhaps truck hijackings represent the most visible and sensational evidence indicating who is involved in cargo theft and the degree of organization and collusion required. When goods are stolen "on the road," so to speak, logic dictates that external criminal elements must be involved and frequently—if not usually—must have received advance information from an employee of the carrier. Some truck hijackings have occurred despite measures that turned vehicles "into almost armored cars, with radio control and extra helpers," as one investigator remarked. To execute such a hijack not only requires skilled manpower but also facilities and contacts that will assure quick disposal of the goods. Although accounting for the minority of cargo theft losses for motor carriers, there were an estimated 750 truck hijackings during 1971. (Hijacking involves the threat or application of force or injury to an individual, in contrast to truck larcenies, where potential personal harm is not present, as in the theft of an unattended rig and its contents.)

Another overt indicator of the necessity for collusion is the sheer *physical size* of some of the loads that are stolen. When as many as 50 containers can disappear from a single port during a 12-month period, the only explanation is extensive collusion among longshoremen, checkers, operators of hi-lo equipment, truck drivers, and pier guards.

Still another indication of the cooperation required for the success of many cargo thefts is the *nature of the goods* stolen. For example, stolen uncut wools must be pre-shrunk and pilfered raw furs processed before they are fit for garment manufacture. And not exactly everyone has a need for silver, tin, or copper ingots. The point is, of course, that those who steal such items usually require access to others who are able to do—or arrange for—the necessary processing.

Another type of "processing" is necessary when the targets of cargo thieves are such items as credit cards, travelers checks, and "nonnegotiable" securities. Forgers, for example, may be required in the fraudulent negotiation of bonds. And counterfeiters may be tapped to supply false identification documents, such as drivers' licenses, Social Security cards, voter registration cards, etc. Like hijacking, this aspect of cargo theft points to the existence of criminal elements other than the ones who may be on a shipper's, carrier's, or warehouseman's payroll.

One of the most significant signs of collusion is the *large quantity of merchandise* often involved in cargo thefts. The implications of this are twofold. First, when a large quantity of goods is stolen, a well-planned and well-manned effort is usually required. For example, after noting in

one city, during a 2-month period in 1971, that gangs of marauders attacked freight trains and 14 boxcars had been emptied of from 50 to 100 percent of their contents, a carrier's security director told a Congressional committee, "Clearly these incidents indicate they are not spur-of-the-moment or single-handed, isolated occurrences. They are well-planned, vicious and meticulously executed in a minimum of time at minimal risk to the perpetrator. The situation, if I may draw a comparison, is unfortunately very similar to that faced by America's pioneers as they crossed the Great Plains."

Second, when a theft involves a large quantity of goods—such as a container load of whiskey or \$400,000 worth of flash bulbs—common sense dictates the existence of a distribution channel by which to dispose of such merchandise. As an insurance investigator advised, "Put yourself in the position of a hijacker. What would you do with a trailer load of tin, copper, nickel, . . . stainless steel, . . . mens and womens ready-to-wear, TV's, recorders, . . . registered drugs, golf balls, electronic equipment, . . . \$250,000 of watch movements . . . ? You most certainly would need some criminal channels through which this merchandise could be disposed." And, just as certainly, unless one is to stand on the very shaky assumption that the criminal element is the ultimate consumer of all that is stolen, many if not most of these criminal channels of distribution return stolen goods to the marketplace through innocent and not-so-innocent outlets, which are often in direct competition with businesses that suffered the original loss.

Thus even a casual observer of the cargo theft problem can surmise the following: (1) some employees in many companies involved in hauling, storing, or otherwise handling cargo while in the transportation system act in collusion with one another to steal goods entrusted to their care; (2) such employees may cooperate with external criminal groups in the execution of a theft or depend on these groups to dispose of what is stolen; (3) these external criminal elements may commit cargo thefts without the assistance of company employees; (4) a considerable amount of stolen cargo finds its way back to the legitimate marketplace.

Given all this, the term "collusion" becomes an overly conservative assessment of what is going on. Rather, the problem is, on balance, more accurately characterized by the phrase "organized criminal activity," which may be defined as an on-going conspiracy wherein each participant or set of participants has a specific role and is dependent upon others for a profitable outcome of the crime. On the one hand, this is not to deny the existence of many independents, who work alone; on the other, characterization of cargo theft as a form of organized criminal activity does not imply that there is a Mr. Big behind whom an army of cargo thieves marches in lock-step fashion. Indeed, as will be shown, contact and working relationships among participants can range from erratic and informal to consistent and highly structured. What is meant is that were it not for the presence of an informal or formal interplay within and between certain employee groups and/or outside criminal elements, the cargo theft problem would not begin to approach its current dimensions.

Such conclusions are hardly news to most of those directly or indirectly involved in the transportation industry. However, those conclusions bear repeating because they clearly call for an industry strategy that is only now beginning to make a significant appearance. When an even loosely organized criminal effort is directed against an industry with as many fragmented components as are in the transportation field, there is really no contest unless each component assumes its share of responsibility and dovetails its countermeasures with those of others. In the words of a transportation executive, "The amount of honest cunning we develop must be commensurate with the size of the [cargo theft] challenge." Unfortunately, as indicated below, that part of the challenge represented by the presence of relatively well-organized criminal elements is frequently underestimated.

The Employee-Thief

Needless to say, the extent and nature of employee involvement in cargo theft as deduced from the above circumstantial evidence is fully supported in reality. Speaking on behalf of freight forwarders, an executive noted that the theft problems of rail carriers are also those of forwarders, "who are no different to the extent that they have dock employees and drivers who steal, pilfer and work in collusion with outside dishonest elements."

According to one report, the security officer of a large motor carrier "stated flatly that most cargo crimes were perpetrated by one or two trucking employees working in concert with one another and an outside buying source—in some cases the very retailers being serviced by the victim trucking firm." In analyzing a series of thefts of loaded, unattended trucks, a police department concluded that 60 percent involved collusion of the driver. If this is a reasonably accurate estimate, the full impact of such collusion is quite apparent when one realizes that during a recent 12-month period, 2,324 loaded but unattended trucks were reported as stolen to this same police department. As the head of a state investigation unit noted, "These were simply trucks where the driver or the people on it left to go somewhere and somebody else got behind the wheel and took them—2,324, a rather interesting figure." The goods on these trucks were valued at approximately \$12.6 million. During the same period, 318 trucks were reported as hijacked and carried loads valued at \$4.9 million. (About \$7.5 million of the \$17.5 million total was recovered.) And, as a Federal investigator commented during an interview, how many of the apparent hijackings are, in reality, give-aways by the driver?

A survey of 25 cargo facilities at a major airport resulted in a list of "common problems" relating to the vulnerability of air cargo to loss, theft, and pilferage. Topping the list were these two items: (1) employees who, in collusion with others, arrange for unlawful removal of cargo from terminals; and (2) employees who remove documents from terminals or relay information contained in the documents to others as a prelude to fraudulent delivery.

According to arrest statistics that were presented by Greater New York's Airport Security Council (comprised of airline and airfreight forwarder members), airline employees accounted for 38 percent of those arrested for

"crimes against air cargo" during 1970 and 1971 at JFK, La Guardia, and Newark airports. In 1972, the Council's executive director reported that an in-depth examination of the arrest data "shows a fairly constant correlation between employee and nonemployee apprehensions, thus supporting the thesis that our cargo thefts are essentially collusive acts which require employee assistance to achieve success."

The situation on the piers is much the same. States a waterfront commission: "Experience has shown that all significant pier thefts are accomplished through the collusion of truck drivers and pier personnel." A particularly startling arrest statistic was cited when the commission reported that during a 4-year period, "more port watchmen were apprehended for stealing cargo . . . than they—the portwatchman force—apprehended." Not only do they steal for themselves, "they also act in collusion with some truck drivers, checkers and hi-lo drivers to strip the piers."

Beyond rational dispute, therefore, is the conclusion that employee theft and pilferage constitutes a significant part of the cargo theft problem. But how much is a "significant part"? The prevailing consensus among law enforcement and industry sources is that, in terms of the resultant direct dollar losses, employees are participants in a substantial majority—perhaps 80 percent or more—of all cargo thefts. The following statement by the executive director of the Trucking Industry Committee on Theft and Hijacking accurately reflects this consensus: "Over 80 percent of [the dollar losses sustained by the trucking industry from cargo theft] results from pilferage or theft of one or several cartons stolen each time, and repeated thousands of times annually. Cartons [are] stolen by those who have easy access to shipments [and include] employees of the shipper, the motor carrier, the consignee and by persons outside these three industries."

What is not so generally realized or accepted is that although employees may account for 80 percent of the cargo theft figure, they are motivated to do so, in most cases, by the existence and services of external elements. This is indicated by the fact that the flow of stolen cargo does not usually come to rest in the employee-thief's closet, liquor cabinet, or garage. Rather, the bulk of this merchandise is poured over the rim of a large funnel supplied by outside criminals who channel stolen goods to the ultimate buyers. In return, the employee receives cash for items for which he has neither the inclination or need to keep nor the facilities, time, or know-how to market on an independent basis.

Informed sources interviewed for this publication estimate that, in terms of dollar losses, 70 to 80 percent of the cargo stolen as the result of employee theft and pilferage is converted into cash through the use of fences. Some sources on the East Coast would adjust that percentage upward, while some on the West Coast would make a significant downward revision. This reflects the reported tendency toward a do-it-yourself approach to fencing by company thieves in the western States. As a Federal enforcement official commented, east of the Mississippi the thief and fence are likely to have an on-going working relationship, whereas in the western areas, the thief is more likely to look for a fence only after the theft.

Overall, therefore, employees who steal cargo do it not so much for the merchandise but for the cash such goods will bring them. Fences, in effect, vastly expand the range and volume of cargo that is both practical and profitable for employees to steal when given the opportunity. And therein lies the true explanation behind the bulk of cargo thefts.

Operational Patterns of Fences

Fences often supply the major link between thieves on the company payroll and outside criminal elements, who can be highly resourceful and well organized. For the purposes of this publication, a fence is one of many types of receivers of stolen goods. A receiver is one who knowingly buys, sells, or otherwise trafficks in stolen merchandise, better known on the street as swag. A fence is a professional receiver, one who derives the bulk of his livelihood by performing a middleman function in the disposition of stolen goods—in contrast to other types of receivers, who regard dealing in such items more as a profitable opportunity and who are principally engaged in other pursuits that are not especially dependent on stolen articles for their success. For example, a restaurant owner who occasionally accepts hijacked loads of meat is a receiver but not a fence according to our definition.

The crucial role played by fences, as well as their efficiency, is attested to by many. An executive of a maritime association asserted, "We believe that it is axiomatic that as long as we have these 'fences'—ready, willing, and able to buy and dispose of stolen cargo—cargo thievery will persist." A Justice Department official observes that because of "the amazing efficiency of hijackers' organized distribution systems, they are able to dispose of hijacked truckloads of goods in a few hours or less."

After indicating the types of merchants, ranging from legitimate to shady, who sell goods originally stolen from interstate and foreign commerce shipments, the chairman of the Senate's Select Committee on Small Business stated, "It is charged that these merchants buy goods from middlemen fences who in turn buy directly or control the operations of thieves preying on cargo shipments from all modes of transport." In referring to the theft of a particular type of cargo, an assistant district attorney concluded that heretofore "the potential thief was deterred from taking something he knew he could not dispose of." However, thanks to fences who developed methods of disposition, they became "the major market and reason for the theft."

Fences may be categorized by the geographic scope of their operations. Some are strictly neighborhood hustlers. Others operate on a citywide and intercity basis. Still others have both interstate and international capabilities; for example, a fence operating out of a Gulf port sold bagged coffee to sources in Chicago and disposed of metals to buyers in New Jersey and Canada. Major fences have operated throughout the Boston-Washington corridor. And major fences on the Pacific Coast reportedly have connections in Nevada and Illinois, among other places.

Fences may handle just about anything that comes along, or they may specialize in such items as apparel, watches, cameras, and securities. There are fences in the Midwest who specialize in jewelry, liquor, television sets,

or cigarettes. Many of these place orders or have standing orders with "crews" that, similarly, specialize in stealing certain kinds of cargo. Fences may also be pushers and deal with addict-thieves. In any event, junkies are a good source of supply for many fences. For example, in a series of 22 arrests for cargo theft on the waterfront of a Gulf Coast port, all 22 longshoremen were on narcotics.

In contrast to the neighborhood hustler, major fences do not, as a rule, come into physical possession of the goods they handle. Rather, they are brokers or arrangers. The thief or his drop will retain physical possession of the goods until his fence locates a willing purchaser. When large quantities are involved, such arrangements are usually made prior to the actual theft. In one case, a wiretap revealed that a search was on for buyers of merchandise still at sea.

Fences who come into physical possession of stolen cargo may store and dispose of it at their homes, operate out of rented warehouses, or conduct business at a legitimate-appearing outlet in which hot goods may or may not be commingled with legally acquired merchandise. The possibilities are vast.

There is considerable communication and dealings between fences—both vertically and horizontally. For example, one intercity fence may contact another in order to locate an out-of-stock or unstocked item for which there is a customer. Similarly, there may be up-and-down dealings when a small fence requires the expertise or contacts of a large-scale operator to dispose of items. Or a major fence may use neighborhood operators as secondary distributors.

Fences and thieves make initial contact generally through informal means. The previously described fencing operation established by the Waterfront Commission of New York Harbor was "patronized" by longshoremen who simply heard about it through word of mouth. One cargo thief commented that if you are in the business of stealing, fences "just seem to come by naturally." Information of this type may come from a friend of a friend or through tactful inquiries at certain taverns or other well-known hangouts. Depending on the nature of the goods, fences may offer thieves anything from one-third of the retail value to 10 cents on the wholesale dollar or less.

Receivers Other Than Fences

Fences, and thieves who choose to bypass such middlemen, have dealt with many types of receivers. Among them may be those who hawk their wares on the street, sell from the back of their station wagons, peddle at union halls, rent a booth at a flea market, operate out of bars, or conduct business in private garages, as was the case in Fresno and Phoenix with respect to television sets stolen from a West Coast port.

At a recently visited flea market, for example, first-line sporting goods were selling at 30 percent of retail price, a motor oil additive at 55 percent, wigs at 25 percent, and cosmetics and wearing apparel at equally low prices. Address labels from some shipping cartons had been removed by

razor blades. Reinforcing such evidence was a previous conversation between a trucking company's security officer and a booth attendant. "Tell me, how can you sell at such discounts?" "We have connections," replied the attendant. "What do you mean, 'connections'?" "You know—connections," he repeated. "I don't understand." "You know, the stuff is hot." Though hot, each item could be backed by a bill of sale, however dubious it might appear. Without doubt, much of the bargain-hungry public there also knew about the origin of much of the merchandise and, to that extent, they became the ultimate receivers.

Receivers may hold various types of sales to move stolen goods, which may be mixed with legitimately obtained merchandise. Salvage, fire, clearance, and going-out-of-business sales have been used for this purpose. Some sales of this type may be handled by auctioneers or liquidation outfits.

Among the many types of businesses and outlets that have been used as receivers for stolen cargo are discount stores, salvage companies, restaurants, building supply companies (one had to return 92 tons of stolen steel), beauty salons, taverns, drug stores (one group had standing orders for aspirin, film, and razor blades), scrap metal yards, catering houses, grocery stores, jewelry stores, electronic equipment outlets, processors of semi-finished goods or raw materials (gold and silver have been sent to receivers both in and outside of the country), office equipment dealers, stationers, dealers in second-hand merchandise, and machine-vending companies. There are so many others that this listing cannot even be called a sample.

Through various forms of collusion, consignees themselves have been the receivers of the very merchandise they claimed was looted and for which they received insurance money. Securities stolen while in the custody of carriers have found their way into the hands of a variety of receivers, notably businessmen who either rented or bought them to shore up sagging balance sheets, to serve as collateral for needed bank loans, or to provide the basis for letters of credit. Marginal insurers have utilized such securities to beef up otherwise inadequate assets in order to meet the requirements of State regulatory agencies.

Once merchandise leaves the thief's and fence's hands, it may be involved in several transactions, including industrial processing, and thereby lose any semblance to stolen cargo. For example, \$10,000 worth of leather goods stolen from the piers passed through ten buyers in less than 2 months. The merchandise was finally sold, in good faith, to the original consignee. Authorities believe that the top four buyers had no reason to suspect they were handling stolen goods and thus were not receivers in the criminal sense of the word.

Such multiple handlings of stolen cargo are quite common, but there can be little doubt that in the vast majority of distributions, the merchandise cannot initially enter a legitimate channel without the supposedly reputable employee, proprietor, manager, or official knowing full well the nature of what he is receiving. He may know this through direct knowledge or deduce it because the price he paid was absurdly low or because the source he purchased from was far removed from the distribution system through which the goods would normally flow. Unfortunately, the situation too

frequently parallels the reported conversation between a cargo theft victim and an investigator. "How many of your competitors would steal from you?" "None of them," replied the victim. "How many competitors would buy the stolen goods?" "All of them."

Tending to support such a pessimistic view of human nature is the general consensus among informed sources that most of the cargo diverted from legitimate channels through cargo theft eventually reenters those channels for ultimate disposition. So the dreary picture that this paints is one of some businesses growing fat by feeding on the cargo losses of others—and in the process, a conglomerate of criminal interests is enriched.

Organized Crime—What It Is

The above collusive activities of employees, fences, and other receivers represent organized criminal activity, but this activity may or *may not* constitute organized crime. Before an unlawful act, however well executed, can be described as committed by "organized crime," the activity must be that of a *member*—in fact or in effect—of a *highly* organized and disciplined *association* engaged in supplying illegal goods and services. (See definition in Chapter I.)

If those who commit crimes through collusion or as the result of an ongoing conspiracy are members of such an association, then their organized criminal activity is indeed organized crime, whose implications are a quantum cut above those of similar crimes committed by nonmember individuals. One is not engaging in academic hairsplitting when emphasizing that while organized crime is a form of organized criminal activity, not all organized criminal activity is organized crime. The importance and reality of this distinction is evident from even a brief description of the largest of the many criminal associations, which are usually referred to collectively as simply "organized crime."

Despite an impressive array of indictments, arrests, and convictions resulting from the work of Federal Strike Force personnel and others, the predominant group and inner core of organized crime is still as described in 1967 by a Task Force of the President's Commission on Law Enforcement and Administration of Justice—namely, a Nationwide group divided into 24 to 26 operating units or "families" whose membership is exclusively men of one ethnic group and who number 5,000 or more. The Task Force quoted the FBI's director, who evaluated this core group as "the largest organization of the criminal underworld in this country, very closely organized and disciplined . . . it has been found to control major racket activities in many of our larger metropolitan areas, often working in concert with criminals representing other ethnic backgrounds."

Heading each operating unit, or family, is the boss, whose authority is subject only to the rulings of a national advisory commission, which has the final word on organizational and jurisdictional disputes and is comprised of the more powerful bosses. Beneath each boss, in chain-of-command fashion, is an underboss, several captains (caporegime), who supervise lower-echelon soldiers, who in turn oversee large numbers of nonmember street personnel. One such family is said to number 1,000—half members,

half nonmember street-level workers—with 27 captains and stretches from Connecticut to Philadelphia. Bosses have access to a variety of "staff men," including attorneys, accountants, business experts, enforcers, and corrupters. Many individuals, while not family members in a formal sense, work closely with these inner-core groups and may be called associates (to distinguish them from mere street workers) and, as is the case with street personnel, should be considered an integral part of organized crime. Some associates are highly respected by family members and are very powerful in their own right.

Through interceptions of phone conversations and other oral communications at different times and places between members and associates of this large criminal nucleus of the organized underworld, its existence, structure, activities, personnel, and such terminology as "boss," "captain," "family," "soldier," "commission" have been confirmed and reconfirmed beyond rational dispute.

Loosely allied with this large criminal nucleus are several other organized crime syndicates or groups, whose members can also be distinguished along ethnic lines—just as most neighborhoods can, and probably for much the same sociological reasons. The various organized crime groups call upon the services and special skills of one another frequently enough for them to be characterized as a loose confederation, a designation reflecting the absence of a boss at the top. Sometimes these groups are referred to individually or collectively as the "outfit," "mob," or "syndicate."

Taking into account the political organizations, unions, businesses, and other groups directly or indirectly under the thumb of organized crime, the manpower available to the confederation could conceivably run into the hundreds of thousands. Because they are relatively well organized and disciplined and because they possess the demonstrated superior ability to protect themselves from prosecution through corruption and other means, organized crime groups have a strength and permanency beyond the reach of conventional partners in crime.

The difference to management between cargo theft committed under the direction of organized crime and cargo theft executed under the direction of nonmember employees is analogous to the difference between a company's market share being challenged by a multibillion conglomerate and being challenged by a three- or four-man partnership. Both the conglomerate and partnership are engaged in business, just as organized crime groups and other nonmember criminal elements are both engaged in organized criminal activity. But there is a world of difference between a conglomerate and a partnership, just as there is between organized crime and less organized and disciplined individuals who may cooperate in crime.

All this is certainly not to say that the absence of crime-family members or those of other organized crime units from a group of employee-thieves necessarily means the latter will never call upon organized crime for such services as fencing. When such services are used on an arm's-length basis, these employees should not and normally do not want to be equated with organized crime. (In this regard, see the end of Charles Roberts' testimony in the next chapter.)

As noted later, there is always the possibility that employees may be coerced into, for example, fingering or stealing cargo for the organized underworld. Although they are the victims of organized crime and are not members of it in any sense, a company experiencing cargo losses under such circumstances is certainly facing a problem initiated by organized crime.

Finally, should one or more employees be so foolish as to abandon arm's-length dealing with an organized-crime group and, through entering into an exclusive arrangement with such a group, assume a status comparable to that of the nonmember street-level personnel of crime families, these employees should be considered as *de facto* members of organized crime. However, most employees guilty of cargo theft do not possess this status.

To sum up, organized crime constitutes an ongoing and relatively well-organized and disciplined conspiracy to commit substantive crimes, particularly those supporting the prime objective of supplying illegal goods and services in order to obtain money and power. The list of organized crime's activities would include gambling, usury, bribery, perjury, fraud, extortion, kidnapping, murder, labor racketeering, forgery, counterfeiting, narcotics, burglary, hijacking, fencing, monopoly, prostitution, terrorism, and tax evasion, among many others. And, as President Nixon has observed, organized crime "is increasing its enormous holdings and influence in the world of legitimate business." Organized crime's involvement in cargo theft is an excellent case in point.

Organized Crime and Cargo Theft

Recognizing the fragmented nature of the transportation industry and of those who are dependent on it, a member of the House Interstate and Foreign Commerce Committee addressed a conference on cargo theft by saying, only half facetiously, "I acknowledge the real 'pros' who called us together—gentlemen, I refer to organized crime." Organized crime has a direct hand in the execution of cargo thefts, in the distribution of this cargo to various "markets," and in the actual consumption of the stolen goods through the businesses it owns or otherwise controls.

A recent study of organized crime in Illinois ranks truck hijackings and dock thefts as No. 3 on the list of key activities of organized crime. Fencing of stolen property and penetration of legitimate businesses follow close behind. Although some Illinois law enforcement officials would rank cargo theft no higher than No. 6, the study's observation that "cartage thefts and receiving stolen merchandise are currently favored and lucrative sources of income for the racketeers" should be taken to heart by traffic managers and other transportation executives as well as by law enforcement personnel.

Of course, over the years, there has been ample testimony confirming organized crime's interest in executing cargo thefts and/or distributing the goods so obtained. An executive of a maritime underwriters group is quoted as believing that "organized crime is what is growing in our cargo thefts." An executive in close touch with air freight forwarders stated in an interview that "what would help alleviate the cargo theft problem is to break up organized crime."

A ranking Justice Department official has affirmed, "Of course, large-scale thefts require the reliance on well-placed contacts and a sophisticated network of connections and techniques which generally can only be provided by organized crime." Accordingly, he stated that a successful attack on organized crime by law enforcement will also be a successful attack on "one of the major sources of the problem of cargo thefts."

Organized Crime: The Thief

Current estimates indicate that thefts representing 15 to 20 percent of the value of all stolen cargo are committed by organized crime. Police officials in New York City, for example, estimate that of the 378 truck hijackings there in 1971 about 75 percent were planned and committed by, or at the direction of, syndicate figures. And regarding those responsible for the other 25 percent, many of them must deal with organized crime to get rid of the load.

According to a police official who specialized in organized crime cases, when the syndicate engineers a hijacking, all of the following details are normally ironed out in advance: who will finger the job, who will actually execute the hijack, where the transfer will be made (the drop, a location where the goods are transferred from the stolen truck to another vehicle), how and where the load will be disposed of (including temporary storage if needed), and who will get what percent of the proceeds.

Reviewing the cartage theft activity in Chicago, a study notes that "very few of the upper echelon outfit people in the Chicago metropolitan area take part in actual thefts or hijacking, but impressions are that they control the overall operation, using criminal specialists." Echoing this is the conclusion of a New York law enforcement task force: "Although the actual hijacking may be committed by the younger fringe type individual, who is not a 'made man' [formal member of a crime "family"], it is the Organized Crime Syndicate which has planned and directed the operation and has made the profitable arrangements to dispose of the merchandise."

Interestingly, during a 12-month period in an eastern city, of the 72 who were convicted of truck thefts (hijacked or stolen while unattended) under the Theft from Interstate Shipment Statute, 22 were members of, or associated with, crime families. And in one Federal judicial district in the Midwest, organized crime cases pertaining to thefts from interstate shipments (all modes) accounted for 7.3 percent of the year's total case load and represented 21.9 percent of those cases relating to organized crime.

Thefts of containers or trailers from marine and rail facilities involve operational patterns similar to those described for truck thefts. And, as indicated by a Treasury official, organized crime also has its hand in many of the less publicized thefts, which may occur "during unloading and delivery to the storage area, while [cargo] is in the terminal awaiting release, and especially during delivery to the pick-up trucker. . . ."

The indirect influence of the organized underworld in the execution phase of cargo thefts may be felt when an independent fence has lined up a theft beyond his financial means to distribute, in which case organized

crime has been known to finance the deal and receive a cut. (In some areas, trouble ensues for those independents who commit major thefts without permission from, and cuts to, organized crime.) Or when transportation employees have been unable to raise the necessary cash to pay off gambling or loan shark debts to organized criminals, the latter will occasionally accept other forms of payment: an open warehouse door, theft of certain cargo, transport of stolen goods, etc. Or racketeer-dominated locals may pressure employers to hire certain employees, who in turn will finger or steal merchandise. Reflecting such indirect strategies of organized crime, a Federal report describing Strike Force observations in New Jersey states, "The team discovered large-scale gambling and shylocking operations coupled with organized hijacking and other types of thefts. Labor unions were infiltrated or controlled by organized crime. . . ."

Whether because of such indirect involvement by organized crime in cargo theft or because of public-image reasons—or both—there is the temptation to downgrade or deny the presence of organized crime at facilities where cargo is transported or otherwise handled. For example, at a southern location, a shipping executive did not believe organized crime was connected to pier thefts. However, other sources in the area revealed the following information: (1) the local crime family boss has held meetings with warehousemen, grocers, truckers, etc.; (2) this boss offered his assistance in establishing another local of a waterfront union; (3) a shylock has solicited loans, at 5 for 4 (25 percent weekly interest), from longshoremen and has been in collusion with a local waterfront union, which permitted the presence of the loan shark on payday and held back the wages of those indebted to him; (4) a syndicate-connected gambler is quoted as saying he expects to get "a lot of action off longshoremen"; (5) the president of a local dock workers union wrote a Federal judge about the fine character of the area's mob boss, who was about to receive a sentence from the jurist; (6) the same union president at one time utilized the services of a syndicate-connected bodyguard.

Those who doubt the involvement of organized crime in the planning and execution of thefts accounting for 15 to 20 percent of the total dollar value of cargo stolen by all sources should begin to ask themselves, "Has anyone taken an honest look lately?"

Organized Crime: The Fence

Regarding the fencing of stolen cargo, the operation of, and participation in, this activity by organized crime has been alluded to several times on previous pages. The bulk, quantity, specialized nature, or other characteristics of much stolen cargo presents incontrovertible evidence—circumstantial as it is—of facilities, contacts, and know-how of a coordinated underworld. Referring to a series of sizeable cargo thefts, the head of a State investigation unit asserts that "the merchandise involved must be disposed of by the thieves and it is equally obvious that it can only be disposed of through organized crime channels." Impressive evidence of organized crime's fencing network is indicated by a police department's chart festooned with colorful symbols indicating the many locations of syndicate drops and fences.

In commenting on an aspect of cargo theft, an assistant district attorney asserts, "Organized crime is both stealing and [controlling] the disposition. But they don't have the sole market in stealing. The amateurs and organized crime are stealing. Everybody is stealing. Organized crime is handling the disposition." The criminals would agree, as in this exchange between Senator McClellan and a major cargo thief who operated nationwide:

Chairman McClellan: "How important were these organized crime-connected fences to your operation? In other words, if you did not have them to fence the stolen goods for you and take them off your hands and pay you something for them, could your operation have been successful? Would it have been very profitable?"

Witness: "No, not without a fence?"

Chairman McClellan: "You would have to have a fence?"

Witness: "Yes, sir."

Chairman McClellan: "And you found that requirement fulfilled in the ranks of the syndicate or organized crime?"

Witness: "Yes, sir."

Chairman McClellan: "Do you feel that was true in each instance?"

Witness: "Yes, sir."

Organized Crime: The Consumer

According to informed observers, in dollar terms the bulk of stolen cargo passes through the hands of organized crime and most of that amount returns to legitimate channels--that is, to businesses neither owned nor otherwise controlled by the underworld. Nonetheless, a significant amount--perhaps 25 percent, according to one crime expert--is consumed by outlets under the operational control of criminal syndicates. To justify this estimate, one need only look at the extent of organized crime's business interests.

One Federal official, who is a respected authority on organized crime, estimates that the organized underworld "owns hundreds of businesses in each metropolitan area." A Federally financed study indicates that there are as many as 500 outfit-owned businesses in a certain metropolitan area. An Internal Revenue Service study showed that leading racketeers in one midwestern city were involved in 89 businesses having total assets of more than \$800 million and annual receipts exceeding \$900 million. In another IRS survey, 98 of 113 major organized crime figures were identified as involved in 159 businesses, two-thirds of which fell into these categories: casinos, night clubs, hotels, real estate, machine vending, restaurants, trucking, manufacturing, sports, entertainment, and food wholesaling. Intelligence available to a State law enforcement unit indicates that a major organized crime figure has established two large conglomerates, multinational in scope, with representatives in every major U.S. city.

A recent study indicates that there may be 15,000 companies owned by members of the organized underworld and cites an estimate that syndicate personnel may have decisionmaking influence in 35,000 other firms. This same study focused on the participation in business firms by 200 individuals

identified as "principals and associates of major crime 'families'" operating in an eastern State. These individuals were linked to 407 businesses, and there were strong indications that the true total--if known--would be close to 600. Not surprisingly, a healthy 47 of the 200 underworld figures also engaged in hijacking and other theft. The study emphasizes that the "larger the size and number of businesses operated by organized crime, the greater are the outlets for hijackings, auto theft, pilferage, stolen securities, and so on."

Obviously, organized crime is a "full line" outfit, possessing the facilities, manpower, and know-how to steal, market, and consume large quantities of cargo. If a moral is in order, perhaps it should be along the lines of this Congressional testimony by an insurance association investigator:

"Why give in to a group . . . who have chosen to practice crime in our city and reap the benefits and profits of their crime by selling to unscrupulous businessmen. It is high time we gathered our resources. . . . The problem is to get human interest, dynamic drive and coordination. If everyone concerned would sincerely contribute his best efforts, many of the problems would evaporate."

Chapter IV

THE OPPOSITION AT WORK: CASE STUDIES

In 1969, a Congressional committee indicated that "the technique used by [cargo] thieves can only be guessed at; all we can say at this time is that they are successfully practiced, at a rapidly increasing rate." Today, these techniques for theft and disposition of cargo are still unfamiliar to many top and middle managers, upon whose policies and support the success or failure of cargo theft countermeasures usually depends. Although executives can hardly be expected to become criminologists, something more than vague awareness is required because, as the Congressional committee observed, "To devise strategies of crime prevention, it is necessary to ascertain in detail the techniques used by the thieves and the circumstances surrounding the theft."

Thus the cases that follow are not merely interesting "war stories" but are valuable clues to the type and scope of the required managerial (and law enforcement) response—particularly as some of these details come from the lips of thieves themselves or from informers. (To protect certain sources, the names, dates, products, locations, etc., mentioned below have been changed.)

Following a look at various kinds of employee thieves—from the loner to those working nationwide—we will examine theft and fencing operations of organized crime. And, in so doing, the previously described interplay between thief, fence, and ultimate consumers of stolen cargo will be reconfirmed as will the distinction between organized crime and other forms of organized criminal activity.

The Operations of a Loner

Although most cargo thefts involve varying degrees of collusion, substantial losses can be inflicted by independents, as is illustrated in the case of Tony Musco, who, during his 6 months as a carloader at a midwest rail terminal, stole shipments of raw furs valued at \$150,000. At the time, this was described as "probably the largest single-handed theft of raw furs on record."

Musco's method was as simple as it was effective: remove the shipping tags from the cargo and substitute new waybills and new incoming tags with the consignee's address changed so that the furs would be delivered to Trade Brokers Inc., a "company" located at Musco's residence. There he repacked and readdressed the shipments, which he sent to legitimate fur dealers in Illinois, Missouri, and New York, among other places. Musco

had read the trade journal advertisements of these dealers, who were requesting collectors of raw fur pelts to forward them for sale.

A Conspiracy to Steal

As revealed by informants and other sources, the cast of characters in this case were five employees of Major Airlines (MA) and a forwarder employee. They had been on their employers' payrolls from 6 to 13 years. As charged by law enforcement officials, the employees participated in a loose and general conspiracy to steal items from the export section of MA's Cargo Division.

Operating for several months as an independent thief, Alione, an export supervisor, stole a .38 revolver (\$100) from the dock of a cargo building and sold the weapon 6 months later to an MA driver. Alione then stole two shipments of pearls (\$9,000) destined for the Orient. He stored them in his garage. In many of these and subsequent thefts, Alione or others destroyed the shipping documents, thus making it impossible for either law enforcement or MA to confirm that the cargo had ever been in the custody or control of the carrier.

Shortly after the pearl thefts, Alione became aware that a large amount of cargo was being stolen by other MA employees and decided to try to join the group in order to dispose of stolen merchandise more easily. Alione befriended a fellow employee who conceded he also stole and indicated that others did so, too. Alione was accepted by the other employees. He was told that an MA driver could assist in "removing almost anything from the airport."

When Alione told one of the group about the stolen pearls, the latter referred him to an air freight forwarder employee, who said he would be able to sell any merchandise taken from MA. Alione received \$500 for the pearls.

Alione noted a bale of fur skins (\$10,000) and a box whose label indicated it contained an antique silver cat (\$2,000). The MA driver took the cargo from the airport. The cargo's documentation was altered to reflect that the articles were transferred from MA to an airline serving the Orient. In another fur theft, Alione put the furs aside and another employee removed them to his car. He gave the pelts to a contact downtown, who sold them.

After spotting several 200-pound cartons of police revolvers (\$8,000) en route to Europe, Alione reported this to another member of the theft ring, who said he knew a contact who could dispose of them. The cartons were moved to a bin on the MA dock. In a few hours, the outside contact arrived with a friend, and the cartons were transferred to the contact's car. The weapons were eventually sold out of a bar on Seacoast Freeway.

A more complex theft involved \$25,000 worth of pharmaceuticals that Alione had "pushed aside." He informed another employee, who recommended that an owner of a pharmaceutical laboratory be contacted. Once convicted of conspiring to purchase unlicensed blood plasma, the owner of the lab referred Alione to a self-employed financial adviser, who acted as a

courier for the pharmaceutical executive. The upshot was that the executive drove to the airport, picked up the pharmaceuticals, and went to the financial adviser's residence. He, in turn, shipped the drugs overseas to a European, whose previous record included an arrest for smuggling pharmaceuticals into the United States. Alione received \$6,000.

Theft on the Freight Dock

Despite extensive physical security measures, cargo continued to disappear from the freight dock of a trucking company at the rate of \$20,000 a year. (One trucker interviewed for the Deskbook indicated he had been losing \$300,000 yearly from one dock; another reported the apprehension of employees who stole cargo at the rate of \$700 daily for 6 months.) Responsible for the thefts was a close-knit group of seven employees—four checkers and three hi-lo drivers, who specialized in stealing small television and radio parts.

One of the checkers would receive advance notice of when incoming shipments were scheduled to arrive. With the aid of a price list, the employees would decide whether a given shipment was worth stealing.

To execute the theft, a checker would record the desired carton as short from the incoming truck, thereby casting suspicion on the driver. Or the carton would be noted as received, in which case a hi-lo operator would hide it in a pile of other freight. The carton might then be recorded as having been loaded on an outgoing truck to throw suspicion on the driver, who, of course, never received it. To remove the goods from company property, they were secreted in lunch boxes, pant legs, pockets, or taped to the body.

Subsequent investigations revealed that, as a sideline, one of the checkers had gone into the TV and radio repair business and had used this business, located six blocks from the terminal, as an outlet for many of the parts he stole. Additional parts were sold to a local TV sales and service firm.

Collusion on the Piers

A port security organization received information that large numbers of television sets were available in the area at give-away prices. Investigation disclosed that the sets were of the type imported at the port by a certain company. Additional probing revealed that several containers of this merchandise were in the port aboard a dockside vessel, which was awaiting the outcome of a longshoremen's strike. Locks and seals of containers stowed on the afterdeck had been broken and 530 television sets (\$53,000) stolen. They had been off-loaded at night to a vessel brought alongside. Of the six ultimately convicted, one was a security guard.

In another port, many thefts occur by overloading trucks. For example, a driver and a checker both know that 200 cartons were put on the truck but acknowledge only 175. Though realizing that the full shipment of 200 was delivered, the consignee signs for 175 and files a claim for the "missing" 25. Should someone question the discrepancy, all parties have ready answers. Checker: "I must have miscounted or someone slipped a quick

25 on the truck when I was distracted." Driver: "I haven't any idea how I received the extra 25; I relied on the checker's tally." Consignee: "I didn't piece count. I simply noted that the trucker picked up seven skids of cartons—and I checked in seven."

Coast-to-Coast Theft

A new dimension of cargo theft was exemplified by the activities of airline employee Charles Roberts, whose far-flung thefts—ingots, stocks, bonds, furs, jewelry, cash, credit cards, traveler's checks—were revealed during his recent Congressional testimony. Roberts and his partners, operating for almost 4 years, stole a conservatively estimated \$100 million from airports coast to coast. Many of the lax procedural and physical security measures that permitted such extensive thievery have been or are now in the process of being tightened. Needless to say, the weaknesses referred to below are applicable to all modes and to all shippers and consignees. Everyone can learn from Charles Roberts. Except for the bracketed portions, the following excerpted details came from the lips of Roberts himself, beginning with the failure of a correctional system.

* * *

When I was 17, I was arrested . . . and charged with grand larceny and auto theft. . . . While free on bond on this charge, I was arrested again and charged with burglary, grand larceny, and auto theft. Both charges were consolidated and I was convicted and sentenced to 7½ years. . . .

I was released on parole in the spring of 1962. Within 3 months I was rearrested for grand larceny and parole violation. I was returned to prison . . . where I stayed until released [in 1966].

I worked as a carpenter until September of 1966 when I saw a newspaper ad stating that [an airline] was seeking ramp men. I applied for the job, was fingerprinted, and was questioned about my background.

On my application and during the questioning, I stated that I had been in the armed services, had recently been discharged, and that my wallet had been stolen and therefore I could not provide driver's license, discharge papers, or other identification.

My story was accepted and [the airline] hired me to work as a ramp man for all incoming and outgoing flights on the first shift, between 6 a.m. and 2:30 p.m.

Within 3 days I noticed the laxity in security for value boxes of [Nation Express] and Air Freight. Shortly thereafter, I stole something from Air Freight, and that was the beginning of my career as a thief in airports in New York City and elsewhere. I operated for almost 4 years.

Between that first theft from Air Freight and my return to prison in September of 1970, I estimate conservatively that my partners and I systematically stole from [Nation Express], Air Freight, and both regular and registered mail approximately \$100 million. . . .

We robbed the mails approximately 125 times. In the beginning, on eight separate occasions we ripped open bags of mail to steal from them.

Then we began to take entire bags of registered mail.

Once we stole an entire truckload of first-class mail and parcel post packages. On another occasion we took 30 bags of first-class mail, one of which contained a certified package of radioactive material.

The \$100 million stolen by my partners does not include any of the amounts taken by another major group of thieves. . . .

As we continued, the loot from our airport thefts became more attractive to the fences who buy stolen goods, many of whom are controlled by or linked to organized crime. The fences seemed to realize that the stocks and bonds we stole could be sold or converted into cash, so they raised the prices they paid us for them.

At first, we received nothing for stolen common stocks. We were getting as little as two points [percent] for bearer bonds, Treasury notes, and similar items. It is my understanding that today the thieves get a minimum of 15 points. . . . I hit the registered mails at John F. Kennedy Airport about 90 times, and at La Guardia about 10 times.

About July of 1968, we started traveling to other areas. We stole registered mail at the following airports: [Newark (4), O'Hare International (4), Cleveland-Hopkins Airport (1), Greater Pittsburgh Airport (1), Miami International (5), Fort Lauderdale-Hollywood Airport (1), Tampa International Airport (1), West Palm Beach International Airport (1), Jacksonville International Airport (1), Atlanta Airport (1), McCarran Airport, at Las Vegas, (1), and Los Angeles International Airport (2).]

I participated with my various partners in the thefts listed above. In addition, some of my partners individually or with other members of my team or [another's] team stole mail at Logan International Airport at Boston, at Philadelphia International Airport . . . and at either National Airport or Dulles International Airport in Washington, D.C.

The most important of my partners was Philip X. Rico. . . . Rico had very good connections with the principal mob people in New York and New Jersey, and through him I met most of the principal fences [11] we used.

My first fence was . . . a bookmaker. . . . He introduced me to a man named Bobby who is a "mob man". . . . Most of my thefts were furs and jewelry which I took to [the bookmaker] and his boss, Bobby. They gave me cash amounting to 20 to 25 percent of the listed cost value of the article. At this time, I used [a] "drop man". . . . When the articles were fenced, I split down the middle with the drop man.

I planned the theft with [two others]. They sent the young man to me with a Hertz rental truck. On my instructions the young man, wearing a gray work outfit with [airlines] insignia, appeared at the . . . value room and asked for any value boxes for . . . flights 203, 205, and 209. The man in the value room gave the young man two value boxes for flight 205. The young man signed the receipt for the boxes with the name "R. Grecco."

When he drove to the loading dock to pick up the boxes, I found he could not park the truck. I jumped in and parked the truck for him and left him

to load the boxes. He did so and, as he had been instructed, he drove to [a friend's] house. . . .

As we had agreed, [the others] did not break the box seals until I arrived. . . . We found about \$75,000 worth of furs and the inexpensive watches in the boxes. [The others] delivered the loot to a fence unknown to me. When they came back, they said they had received \$25,000 for the loot.

. . . Rico introduced me to [brothers who are made men in the mob]. At O'Hare, [Rico and I] stole four bags of registered mail which contained many securities, jewelry and cash. [One of the brothers] told us to call a Cleveland number to get rid of the loot. We called the number and met a man. . . . We turned the securities over to him and then returned to New York where [we were paid \$15,000] for the jewelry and \$5,000 for the securities. . . .

We had operated independently until this time, but Rico told me that . . . a leader of the mob in the Newark area wanted us to work for him in New Jersey under his direction. He would fence all our loot, and he also would finance trips we would make to other areas. . . . When we became dissatisfied with [him] Rico lined up another fence. . . . He had bought stolen furs from us previously. Now he took all the merchandise, the jewelry and on several occasions, the securities. [He] operated a corrugated paper box company in the fur district in New York City. I think he disposed of our furs through his contacts in the fur industry.

[A mob leader] wanted to organize us with [another] gang in a joint effort. I resisted the idea. I didn't want to work under mob direction. . . . I just didn't want to get involved with them that close. They then want to start telling you where to go, when to go, when to stop stealing, everything like that. . . . Also, you take into consideration like I said before, we were always stealing from each other, and if you turn around and start stealing when [the mob is] involved, then, you know, you have problems.

Toward the end of spring 1970 . . . we learned that [two mob fences were arguing about who would fence our loot]. . . . [One said] that the situation might result in his being called to a "sit-down," which I understand means a council of mob bosses at which discipline might be ordered.

* * *

This, then, has been a small sample of the testimony by Roberts, who was, essentially, an airline employee heading an independent team of thieves and often operated on the periphery of organized crime, particularly with his dependence on mob fences. Toward the end of his testimony Roberts commented, "All you can do in prison is improve your crime techniques. There is no such thing as rehabilitation in my estimation." Which is where his story began.

Other Theft Techniques of Employees

In addition to the cargo theft techniques illustrated above, many other methods are used, some of which are capsuled here.

1. An importer had prelodged (filed in advance) papers at the piers indicating that ABC Trucking Co. would pick up two recently arrived containers of his merchandise. A driver pulls in with a rented truck and presents the rental agreement, which is in the name of ABC Trucking. He is permitted to take a container in the morning and another in the afternoon. Chalk up two stolen containers. A variation on this theme occurred when a rental truck arrived bearing the identification placards of the trucking company that was supposed to pick up the goods.
2. Bills of lading, which are frequently all but illegible, are doctored by drivers to cover up, for example, a theft of cashew nuts dropped off at a grocery store a few blocks from the pier.
3. Cartons in the bottom two layers of a seven-tier pallet are filled with bricks instead of appliances.
4. Shipper and consignee collusion occurred when a COD shipment was unloaded so fast that the truck driver lost count, resulting in a "shortage."
5. At the "\$500 coffee stop," drivers are asked to take a walk for \$500 to \$1,000.
6. Two operators of a meat store agreed to purchase a couple of trailer loads of meat from two rail employees, who merely entered a rail facility where trailers were stored, hooked up, and pulled out two loads. The theft occurred on a Sunday, the one day of the week when watchmen are not scheduled for duty.
7. Port checkers declare less than the full quantity of goods actually landed. The "shortage" is hidden, then sold at the end of the year in a salvage sale along with damaged imports.
8. Cargo documentation was forged to cover thefts of antibiotics, which were being replaced with powdered milk.
9. A terminal supervisor adds a loaded trailer to a row of empties parked outside the fence, where another employee later completes the theft. Or a driver fakes a breakdown, goes for help, and returns to find his rig either gone or empty.
10. According to one report, when a certain driver is short on cash, he contacts a bartender who spreads the word that a load is available. The driver proceeds to an overnight spot where he and the thief have agreed the theft will take place. The driver is quoted as saying, "After my eight in the sack, I pick up the rig and drive on. Next stop. I go to sleep again. When I get up, that's when I report the load missing. Cops don't know where the load was lifted. I know it was Chicago, driven somewhere, unloaded and returned."
11. A driver diverts a load directly to a fence's warehouse, instead of delivering it to the consignee, whom he services two or three times daily. Next trip he gives the documentation for both loads to an accomplice at the consignee's receiving dock, who assures that the records reflect delivery of both loads.

12. After a truck is overloaded, an employee of the shipper gives the driver a seal that is noted on the bill of lading and puts another one on the door. After removing the overage somewhere en route, the driver places the bill-of-lading seal on the trailer and proceeds to the consignee.
13. Hard to get into but it is easy to swipe. This definition of "container" was presented by an executive of a customs brokers association in his Congressional testimony. "All you do is switch a number, and one container looks very much like another; and you can take delivery of one for the other." Or, "if they got into a container, these thieves, you do not know that they have been inside. The doors are opened; they take what they want; the doors are closed; and no one discovers the theft. The container passes from hand to hand. . . . Anywhere along that voyage someone might have gotten into that container and taken out part or all the contents, switched the contents . . . but you do not know until you finally receive it and open the doors, and then how do you assess the blame?"

Organized Crime at Work

In 1967, a U.S. District Court judge gave 12 defendants sentences ranging from 10 to 20 years. The syndicate-connected defendants were charged with four truck hijackings, three involving the theft of silver bars and one of cameras, film, and photographic equipment. Total value: \$1 million.

In one hijacking, a trailer containing 50 boxes of cameras and 125 cartons of photographic equipment and film was enroute to an Illinois terminal. Driver Buck of Freight Lines Inc. noticed two cars following closely behind. One pulled ahead of the truck, forcing it to stop. The left door of the tractor was yanked open by a gunman who said, "Get out or I'll blow your head off." Buck was forced into one of the two cars that had been following him, and a white cloth bag was placed over his head. "Be quiet and nothing will happen," warned someone. After considerable driving, one of the men said to Buck, "Here's a big bill. You don't know nothing. You didn't see nothing and you heard nothing." Buck was let out of the car and ordered to kneel and stay down for two minutes.

Meanwhile, the stolen rig had been taken to Fast Motor Repair, located in a nearby town. The truck was unloaded, the contents being transferred to another vehicle later. Some of the film was accepted by a Chicago fence, who paid \$15,000 for it. The balance of the stolen cargo was sent to New York.

In other hijackings, a similar procedure was followed. Sometimes the cab of the stolen truck had been repainted or the trailer sprayed with a fine dust to obscure identification markings. The hijacked silver was marketed by a former scrap-iron dealer who now handles precious silver. An employee with Freight Lines Inc. for 25 years fingered all the hijackings by alerting the gang to the contents of trailers and when they would be shipped.

A recent mob-engineered hijacking of a load of coffee in the New York area illustrates the speed with which ultimate disposition can be accom-

plished. The hijack occurred at 4:30 p.m. By 5:15 p.m. the coffee was being sold in a supermarket at \$1.34 for a 2-pound can. The normal price is about \$1.89.

Commenting on organized crime's ability to hijack and bootleg and then dispose of truckloads of cigarettes in New York City, a police intelligence officer compared activities of organized crime to the operations of a well-integrated company: "In other words, [organized crime is] complete from one end to the other. The driver, the warehouse facilities, the salesmen, the office help, the territory and everything else. . . . We think probably they are responsible for about 20 percent of all cigarettes sold in the City of New York."

One means by which the organized underworld markets certain types of stolen cargo, including cigarettes, is through the organized underworld's machine-vending operations. In New York City, the syndicate will funnel loans to grills, bars, restaurants, etc., so that they can renovate their premises. In return, such establishments permit the installation of crime's vending machines. As the intelligence officer concluded, "They put the machines in here, and organized crime . . . would get a monopoly of this type."

Illustrating one of the more unusual outlets for mob-stolen cargo is a report stating that once "the 'family' [which owned a string of meat shops] discovered it was losing patronage to nonracket shops which gave trading stamps," the racketeers countered by going into the trading stamp business themselves. "And to supply the merchandise or the redemption center, they organized regular thefts from the nearby waterfront piers!"

Organized Crime's Fencing Network

The syndicate has demonstrated many times its ability to market stolen cargo on a nationwide basis. One of the best examples involves a theft of a registered airmail pouch at JFK International Airport by a member of Roberts' team, a group referred to previously. Among other items, the pouch contained a conservatively estimated \$21 million in common stocks, bonds, bills, notes, and travelers checks. This estimate represented only 16 of a possible 68 claims by the mailers. The travelers checks were cashed by members of the team or wholesaled to a fence, while the securities, principally in nonnegotiable form, were turned over to a mob fence. After the June 13, 1968, theft, the following events were noted by postal authorities:

Within 48 hours, travelers checks from the pouch surfaced in New York City, Las Vegas, and in several towns in New Jersey. During the ensuing months, other travelers checks from the pouch were cashed in cities stretching from coast to coast.

Within two months, \$50,000 in Treasury bonds were negotiated at a bank in Le Moyne, Pennsylvania. On December 6, someone tried to use \$136,000 in securities as the basis for a collateral loan in Miami. He was a major securities fence and had received part of the June 13 theft from a Massachusetts source, who, in turn, received the securities from a fence in

New York City. Over the course of the next 1½ years, securities appeared in Coral Gables, Miami, San Diego, Houston, Oklahoma City, Phoenix, Los Angeles, Boston, Mexico City, Chicago, and Toronto.

An unusual insight into how such a fencing network operates is revealed by the day-to-day activities of a key mob fence, Mike Jace, who has been described by informants as "probably the biggest fence on the whole East Coast." Law enforcement surveillance reports and informants provide a behind-the-scenes look at Jace's operations.

With annual income estimated at \$1 million by an informant, Jace operated behind a partition in the back of a small midtown jewelry shop. He handled a wide variety of merchandise, including silver bars, cash, credit cards, securities, jewels, rare coins, art treasures, and trailer loads of cigarettes, liquor, razor blades, furs, "you name it." Numerous tangential activities were also engaged in by Jace, as revealed by the following highlights of his activities over a recent 6-month period.

* * *

An informant visited Jace's New York shop and purchased an airline credit card stolen previously from the mails in Illinois. During the transaction, Jace asked if the informant knew "a good name and account number." If so, Jace had the machinery by which to counterfeit a credit card bearing such a name and account number.

Surveillance teams report that although Jace conducts much business in the shop, he operates behind a partition and neither deals with shop clientele nor does anything with regard to the shop proper or its inventory. Surveillance reports also indicated that, quite regularly, large and heavy packages have been transferred from auto or trucks as quickly and surreptitiously as possible to the partitioned area in the rear of the shop.

During a guarded phone conversation Jace bought \$318 (wholesale) worth of suits for half that amount. He also discussed disposing of bonds that come "from the shipyards." The caller said he had \$10,000 worth and had been offered \$6,500, but that he wanted \$8,000. Jace advised him to accept the \$6,500, but he would "ask around and see what he could do." Jace phoned Al in Connecticut and told him that a supplier (one of the nation's largest) of airline tickets was in the store. Al ordered three round trip tickets under three different names.

In a telephone conversation, Charlie and Jace discussed Xerox copiers. Charlie indicated they were stolen, remarking "they came off a thing." Jace said he would try to find a buyer and asked if Charlie had sent "those others" yet. "They're in another state" and have to be picked up, replied Charlie. On another occasion, Jace and Charlie discussed watches, televisions, dresses (frequently a code word for securities), and a refrigerator.

Someone phoned Jace, telling him he is in touch with a person who would purchase "the big diamond" for \$12,000.

Regarding a large quantity of stolen securities, Jace admonished Joe to be certain to get stamping equipment because "you need a stamp either over or under her signature, authorized and guaranteed duly witnessed,

with that red and blue _____." Without this forgery, noted Jace, "if the brokers don't know you they'll call the FBI," but when forged, the security "automatically becomes a negotiable instrument."

Jace called Herb, who said that he "just went over the stuff" and could go only as high as \$1,400 as it would only bring \$1,500 or \$1,800 at an auction.

Jace phoned Pete to inform him that someone has 55 bottles of tetrocyn—250 milligram capsules, 1,000 to a bottle. Pete said he would offer \$4 per bottle (wholesale price at that time was \$12.75).

Al inquired if Jace had any New York or Florida licenses. "Out of stock," he replied. Another caller asked Jace to find a buyer for "14,000 dresses." Larry, a business partner of a "family" boss, asked about the availability of Social Security cards. He also wondered if "the guy got the 38,000 blanks yet." (This refers to 3,800 blank airline tickets stolen from Boston's Logan Airport. Early press accounts erroneously listed the number as 38,000.)

Johnny asked Jace, "What are we going to do with this Frenchman? Take him down to Washington?" Johnny mentioned "the Oriental ship" and "the stuff that's being taken Sunday." Johnny would "stash it in Washington, D.C." and "sell it." "It's not anything—playing games, no thousands, it's heavy hundreds of thousands." Johnny wanted Jace "to be there with me." Two days later, a Sunday, \$340,000 in small bills was stolen from a cargo shipment at a local airport. The shipment arrived at 9:20 p.m. that day and was missed at 11 p.m. Originating in the Orient, the shipment was destined for a French bank in New York.

Sam called to ask Jace to collect \$500 from Richie as partial payment of a \$12,500 loan. Richie will get hurt if he doesn't pay, advised Sam.

Someone phoned to ask Jace to arrange a meeting with "his people." Jace replied that the item was available. During the conversation, Jace asked someone in the room if they would be interested in some "swag trinkets." What was referred to as "the item" was subsequently described by Jace as a diamond, "The Star of India," weighing 100 karats with value on the illegal market of a little under \$500,000.

During a conversation concerning a casino transaction, Jace mentioned the name of a local crime-family boss and explained how the families appoint bosses "like a government." "The only ones other than [those with a certain ethnic background] who can get involved with them is one who gains their respect."

Jace agreed to back Jerry with the necessary cash to buy a truckload of stolen cigarettes and a load of television sets. Jerry was cautioned that others must do all the work, including transferring the load in a private garage. Jace instructed Jerry on the art of remaining distant and insulated from the physical evidence whenever possible. He also told Jerry to obtain a listing of the brands and items in question since unpopular brands would be difficult to dispose of.

From Jace's shop, Al phoned Jerry and told him of an opportunity to buy 800 stereos for \$45 each, which retail for \$132 and bear the Korvette brand. Jerry told Al to find out who manufactures them and asked if it was the "same guy with the metals."

Jace phoned John at the J & M Co. and discussed a deal involving 500,000 acres of land "out West." For \$125,000, a profit of \$2.5 million was indicated. Jace decided against participating and referred John to "Carmin," a well-known underworld leader recently released from prison, who would put up cash or a certified check if interested.

* * *

Summing up this and other intelligence, a local prosecutor noted "the existence of a vast interstate association of important criminals of various types." Jace's store, "an innocuous-looking small shop otherwise indistinguishable from hundreds of other small stores in the midtown area, is now recognizable as the hub of great and various criminal activity."

All of which raises an interesting question: What can shippers, consignees, and those in-between do to minimize their exposure to cargo thieves and to this "vast interstate association of important criminals of various types"?

Chapter V

A FRAMEWORK FOR COMPANY ACTION

Because to prevent a cargo theft is usually far easier and cheaper than to catch the thief, business has both an economic stake and a social responsibility to evaluate its policies and procedures from a crime prevention standpoint as well as from other perspectives. Contrary to some sentiment, cargo theft is not purely a matter for the police. Rather, the crime often reflects a failure by executives to understand that law enforcement begins with management. As someone wryly commented, "Law enforcement is not a game of cops and robbers in which the citizens play the trees."

A spokesman for a carrier security organization correctly told a Congressional committee in October 1971 that crime "actually rises or falls with the quality of deterrence built into the flow of cargo." He also indicated that these deterrents are, on balance, more important and effective than primary reliance on guard forces, police response, and other peripheral elements of security—although these latter are "extremely important." In short, as the security official noted on another occasion, in 1972, "the elements of real and lasting security must be tied into the framework of an efficient operation."

Such a stance is similar to that of a Federal report prepared in 1969: "Most of the transportation operations affected by crime . . . require significant managerial actions in addition to the development of technical means of detecting and preventing crime. Our experience indicates that top management should, in many companies, first take a look at its security functions in the scheme of management, and then develop new concepts and new programs that would be based on loss prevention and audit rather than emergency police responses. On the whole, suppliers and users of transportation are not well equipped from a managerial standpoint to deal with this problem, and because of this they cannot effectively coordinate their own management controls with law enforcement agencies." As illustrated by several of the case studies, many times management does not realize that a theft has occurred and/or where it took place and how much of what cargo was stolen. This puts law enforcement agencies behind the proverbial eight ball.

Not infrequently when management attempts to tackle the problem, results may be as described in another Federal study: "Despite the intensity of the campaign and the amount of executive talent expended, the activity resembles more the community chest drive than a conscious management effort to solve purely management problem. There appears to be no management control reform. . . ."

This emphasis on the role of management policies and procedures is not meant to downgrade physical security measures—guards, locks, fencing, lighting, seals, etc. What is meant is that management controls and physical security controls must dovetail and that, in too many cases, there has been precious little of the former. The interrelationship of these two types of controls is clearly described by two well-known experts on industrial security:

“The sequence of control development should start with the management controls to set broad guidelines. Procedural controls follow as a detailed implementation of the policies. Specific physical controls generally come as subsets or aspects of the procedural controls. In the ideal situation physical controls are the last to be selected and are dictated by the earlier management and procedure controls. In too many enterprises, the physical controls are considered first and often are not related at all to overall planning. The lack of control that results in theft losses can exist despite apparent physical countermeasures.”

Objectives of Effective Management Controls and Procedures

Specific managerial steps by which to reduce company exposure to cargo theft must, of course, be tailored to conditions both within and outside of a given firm. So a gleaming set of handy, universally applicable countermeasures is unavailable. To whatever extent preventive steps may—and should—differ from firm to firm, they nonetheless share several common objectives, such as the following:

1. Minimize company exposure to those individuals with a predisposition or motive to steal. Illustrative countermeasures: screen prospective employees; eliminate in-plant gambling, which can stimulate organized crime's interest in your employees and, through them, in your cargo; revise personnel policies that can only cultivate a “get even” attitude among employees.
2. Reduce exposure of cargo to theft and pilferage. Illustrative countermeasures: package shipments properly; keep shipping and receiving docks free from congestion; route shipments so to minimize interline transfers.
3. Reduce the available opportunities and methods for theft and pilferage. Illustrative countermeasures: verify with consignee or carrier pick-up orders, and the drivers who present them, before releasing cargo for loading into rented vehicles; restrict access to cargo documentation; arrange work flows or divide duties so that, without duplication, the work of one person acts as a check on the work of another (a load is picked by one employee, taken to the loading dock by another, and checked onto a carrier by a third—all of whose tallies should agree).
4. Increase the probability of detection when thefts do occur. Illustrative countermeasures: institute a system whereby management receives timely reports on the what, when, and where of thefts; establish performance standards and fix responsibility and accountability so that results or lack thereof can be linked to identifiable personnel (this not

only provides an audit trail by which to narrow the list of suspects but also acts as a deterrent in that potential cargo thieves must exercise considerably more ingenuity than would otherwise be required).

5. Discipline those apprehended for theft or pilferage. For example, adopt a consistent pro-prosecution policy.
6. Obtain feedback to determine whether promulgated cargo theft countermeasures have, indeed, been (1) implemented and (2) are being properly followed by operating personnel. The failure by top management to conduct such follow-up efforts is reported as widespread and is a serious deficiency. Spot checks, operational audits, deliberate injection of errors into operations to see if they are detected represent common feedback procedures.

The effective implementation of policies and procedures necessary to achieve the above six goals requires the support and cooperation not only of all levels of management but also of managers in all the major departments—personnel, marketing, finance, legal, purchasing, packaging, traffic, labor relations, etc. Obviously, many—if not most—companies that are users or suppliers of cargo transportation will be either too small to warrant such an array of departments or too understaffed to implement countermeasures to the nth degree. In such cases, some of the procedures that follow must be scaled down accordingly. And, in any event, the cargo theft countermeasures noted below are not unalterable prescriptions but merely represent a framework or approach that must be molded to fit the requirements and characteristics of each individual company, be it shipper, carrier, consignee, etc. Basically, these measures constitute nothing more than good management *per se*, as opposed to procedures whose applicability is limited to the prevention of cargo theft.

The Critical Role of Personnel Policies

Although this would be a mere truism were it not so honored in the breach, the best way to deny theft opportunities to the employee-thief is *not* to hire him in the first place. Adequate screening of prospective employees is one of the most important and underutilized measures available to control cargo theft. This procedure gives a company a fair chance of weeding out not only those with unacceptable records of dishonesty but also those with personal habits (such as gambling or living beyond one's means) that could supply the motivation to steal. Yet, as one person noted, “Some companies won't even invest 10 cents to call an applicant's previous employer.”

The employment application form is the point at which the screening process begins, not ends. The significance of questions aimed at disclosing gaps in employment continuity, frequent job shifts, bonding history, type of military discharge is obvious. Reasons behind other information required by the application form are equally obvious, but such information is either not asked to the extent necessary or not used effectively. For example, where the employment form requests the applicant's name, are *all* the names he or she has used in the past also required? Of course, this

should not be asked in the context of seeking information about the applicant's nationality or ethnic background but in terms of permitting the employer to make inquiries about past activities (schooling, prior employment, etc.) during periods when other names were used.

Space for the applicant's Social Security number is, of course, a common item on employment forms. But is its value fully exploited? One interviewed security officer notes whether the applicant's background includes residency in the region where the Social Security card was issued. If an applicant states he has always lived in the Midwest but has a Social Security card issued in California, additional investigation is warranted.

If there is even a remote chance that the applicant may be called upon to drive a vehicle for business purposes, he should be required to provide appropriate information about his driver's license and his driving record. Additionally, the employer should request driving record information from the State licensing authority.

Though a delicate area to probe, many employers request the applicant to supply information regarding his financial condition and/or to permit a credit check. (If a credit check is run, be sure to conform to the applicable provisions of the Consumer Credit Protection Act.) Should financial pressures exceed the salary or wages and other income at the applicant's disposal, this may indicate that the candidate is marginal.

To the extent permitted by law, the applicant should be requested to answer questions pertinent to his criminal history, if any. And his permission should be sought to conduct background investigations of this type. When permitted by law, indictment, arrest, and conviction data should be obtained. Bear in mind that indictments and arrests, in the absence of convictions, do not necessarily mean the applicant actually committed the offenses charged. On the other hand, conviction on a misdemeanor charge does not preclude that the applicant really committed a felony and the charge was reduced through plea bargaining.

However, even felony convictions should not necessarily bar applicants from employment, and this should be so stated on the employment form. First, this will encourage applicants with criminal histories to tell the truth. Second, one of the leading causes of recidivism among ex-offenders is the arbitrary denial of legitimate avenues of employment. Granted, not all ex-offenders should or deserve to be hired. What is required is a balanced, and often very difficult, judgment by employers.

Some police departments supply criminal records to employers on request or for a nominal fee. Most, however, do not. However, insurers, private investigation firms, or various credit-checking companies may have such data in their files. But all should note the opinion of a Federal court, which stated that "information concerning a prospective employee's record of arrests without convictions is irrelevant to his suitability or qualifications for employment." Prevailing opinion seems to hold that criminal records showing arrests but not final dispositions are misleading and violate the rights of those involved.

Two other aspects of the pre-employment process are described by a west coast forwarder: "In these times few employers may insist upon fingerprinting, identification photos, etc. as a prerequisite to employment, yet one may always ask for them, and if they are withheld, then the job can also be withheld. It is as simple as that. The employer still has some rights, and he can obtain benefits by exercising them." The company's employment manual states: "The advantage of a simple photographing procedure is that it discourages undesirables and deters thieves or wanted persons from applying under assumed names. Photos are of extreme help in the event of any later necessary investigative activities."

A similar statement appears with reference to the value of fingerprinting, along with this caution and advice: "They can be good insurance both before and after the fact. They must be voluntary, but who, after all, should wholly trust the prospective employee who will not volunteer them?" The deterrent value of fingerprinting has been demonstrated on a number of occasions, even though requests for fingerprint checks to local authorities often cannot be accommodated and similar requests to Federal agencies must be refused (because of a 1971 decision of a U.S. District Court, which prohibits Federal dissemination of identification records in response to fingerprints submitted in connection with non-law enforcement purposes). As one west coast security official put it, "You'd be amazed to see how many, after fingerprinting, don't show up for work."

Directly above the line where the applicant is to sign the employment form, the following conditions, to which he agrees by signing, should be noted: misrepresentations on the form shall be considered acts of dishonesty; permission is granted to the employer or his agent to investigate the applicant's background and he releases all persons from liability with regard to disclosure they may make regarding his background; the application for employment in no way obligates the employer to hire the applicant; if hired, the employee may be on probation for a period during which he may be discharged without recourse.

As already referred to, the information developed by the application form may have to be supplemented by outside credit checks, criminal record searches, etc. Reinforcing advocates of such investigations are the reported results of a major, manufacturer-sponsored study of over 6,000 employment applicants. Information which resulted from investigation of applicants—and which could not have been developed from application data—disclosed such serious "unfavorable background characteristics as to warrant rejection" of one of every ten prospective employees. Interestingly, "the application forms and questionnaires were so designed that to omit or disguise the real data required a conscious effort to deceive."

In the absence of a security department, personnel managers may wish to retain a private investigation service to check out applicants. A nationwide detective agency charges about \$70 for what is described as a thorough background check. Such screening can also be conducted on a per-lead basis, whereby each lead to be investigated (credit, criminal record, last job, etc.) would cost \$12.

As part of its personnel policy, a New England carrier requires each new employee to sign a form entitled "Integrity in Employment." At the top of the form, company policy is stated: "The great majority of our people are of high moral character. When we uncover the dishonest individual who sometimes enters our company, we deal with him quickly and severely. For our company to be known for its integrity, every one of us must himself meet high standards." Consequences of dishonesty are tersely noted: "Proven dishonesty can result in immediate dismissal and criminal prosecution to the full extent of the law. Since much of the cargo you handle moves interstate, thefts of these shipments is a violation investigated by the FBI. Conviction brings a maximum penalty of 10 years imprisonment and/or a fine of \$5,000."

After cataloging a number of civil rights that felons forfeit, the form declares, "There are several infractions which unions define as indefensible—proven dishonesty is on the list." Finally, "We request all employees to report acts of dishonesty. We will grant a reward of \$1,100 for information leading to the arrest and conviction of any person who has stolen merchandise or other valuables from the company. Our primary intention is to prevent thefts, not catch thieves after losses have occurred."

At meetings and through the house organ, the thrust of this message is repeated periodically to keep employees aware of the problem and of the company's policy. Regarding the \$1,100 reward, the following points are emphasized: all information received will be held in confidence; those furnishing information need not testify in court; the reward money can be paid in cash; identities will not be revealed if this is requested.

While the above personnel policies can help keep cargo thieves off the payroll, management should periodically assess whether other policies generate unnecessary employee frustrations that breed hostility toward the company. Questioned by a reporter at a truck stop about what he would do if he found his rig missing, a driver replied, "Driving for this outfit, I'd go back in and have a couple more cups of coffee and give whoever took the thing all the time he could." Said another, "I work for a good outfit. They don't cheat the drivers and we don't cheat the company."

Implications of Collective Bargaining Agreements

Just as with all other aspects of a company's operation, the impact on cargo theft of proposed collective bargaining provisions should be carefully considered, as illustrated by the Congressional testimony of a waterfront security executive:

"Cases of cargo are lost when truckers working alone or with swampers or with a cooperative marine checker unlawfully place other cargo aboard trucks at crowded busy terminals. In other instances, truckers take advantage of inexperienced part-time checkers. . . . Current labor agreements prohibit or restrict management a clear choice of any marine checker he wishes. . . . The checker then acts as a representative of management and actually has in many instances free access to several million dollars worth of cargo which he could and sometimes does release unlawfully to suspect truckers."

And, as a Federal official testified, "the concept of containerization to start with was designed to keep down the pilferage and stealing on the waterfronts. Unfortunately, the movement of containerization is not going along as it had been initially programed [because] the longshoremen negotiated . . . that much of this stuffing [of containers] should be done at the piers themselves. So what is happening is that the containers are coming in, and they may be fully loaded, and they are unpacked and restuffed again to provide man-hours. This also provides the possibility of pilferage of small items in that area. But it is a serious one. . . ."

An agreement between a union and carrier on the East Coast provides that all parties will be bound by the determination of an arbitrator regarding whether an employee is guilty of theft and thus should be dismissed. Such a determination holds even though a prosecutor may not accept the case. In other pacts, the parties are bound by the outcome of court action—with the employer liable for the back pay of a suspended employee if a verdict of not guilty is reached or if the prosecutor belatedly decides not to pursue a previously accepted case (this reportedly cost one employer \$25,000). Whether management should push for one approach or the other requires balancing a number of factors, including court backlogs, willingness of prosecutors to accept cargo theft cases, etc.

The Financial Executive and Cargo Theft

Often working in close cooperation with the claims and/or security manager, the financial officer can make a particularly valuable contribution to the deterrence and detection of cargo thefts, as well as conduct analyses that form the basis for countermeasures.

Illustrative of this is a recently cited case of a distributor that was losing tons of metal at the rate of \$160,000 yearly. For 2 years, management attributed the shortage to accounting errors. Finally, an investigation pinpointed driver/loader collusion in the shipping department. As a result, the firm now watches its accounting records more closely—and promptly acts accordingly.

Management might have reacted sooner and identified the department where losses were occurring more quickly if the above firm's budgeting and accounting structure were not only oriented along traditional lines (chart of accounts, types of expenditures) but also geared to the responsibilities and performance standards of key personnel at each organizational level—from loading dock supervisor to president. This latter approach is frequently called responsibility reporting: It identifies responsibility for all controllable costs by the individuals accountable and meshes standard cost reporting with the company's budgetary controls.

Responsibility reporting, which a knowledgeable accountant should be able to implement, need not be a complicated or cumbersome procedure. With such pinpointing—by individual—of dollars-and-cents accountability, employee dishonesty is deterred or, when not, more readily detected.

At a minimum, shippers, carriers, warehouse operators, and consignees should have a cost accounting system capable of assessing cost and revenue

trends by commodity or product. However, out of a sizeable group of carriers, only five were described as capable of reporting their revenue—and thus their costs—by commodity. But, as a spokesman for a carrier security group observed, experience elsewhere “has taught the value of cost accounting data in controlling and improving the organization and conduct of business.” He also referred to “the importance of clearer and more detailed studies of cargo costs.”

First, cost studies can lead to cargo-handling procedures that, at first blush, might not seem profitable to adopt. For example, in 1971 a cargo security organization noted that one of the more significant factors why a theft-promoting and otherwise uneconomical practice was still being followed by a group of carriers was that “cost accounting enjoys little vogue.”

Second, cost accounting can highlight those commodities most susceptible to theft, both in absolute terms and in relation to the revenues they produce. The security group just referred to concluded that although all cargo may be considered equal and is entitled to equal attention, “this does not result in equal profitability in transporting all commodities.” Financial analyses of carrier claims figures, for example, indicated that certain commodities cost “much more than is justified—actually destroying profitability.”

The cargo security implications of the following loss ratios (paid claims to gross revenue, 1970) developed by these analyses is obvious: 55.26 percent for jewelry, gold, silver coins; 35.19 percent for watches, clocks and parts; 34.24 percent for fur skins and pelts; 13.75 percent for wearing apparel with fur (but without fur, 6.51 percent). As a group, valuables cost in claims 39.1 percent, of its revenue, while wearing apparel cost 5.5 percent. Carrying the analysis further, we find that wearing apparel produced 8.3 percent of total revenue and 25.5 percent of total claims; valuables generated 0.4 percent of revenues while amounting to 13.2 percent of the total claim bill. One security official interviewed for this report indicated that cargo loss records could be related to drivers and to routes traveled. As a result, subsequent analysis could highlight certain patterns that can be nipped in the bud.

But before such analyses are possible, a method must exist for obtaining the raw data in sufficient detail that trends or patterns will not be lost in grand totals. Among the types of information that may be valuable to financial, claims, security, and other personnel are the following: the person or carrier reporting the loss; origin and destination of the shipment; type of loss (theft, pilferage, undetermined); shipping document number and date (bill of lading, airbill, manifest, etc.); value of loss; date and time loss discovered; where loss occurred (on a ramp or loading dock, from a truck or warehouse, while enroute, etc.); description of missing commodities or articles, including serial numbers or other special identification, such as type of packaging (pallet, carton, container, etc. and markings thereon); accountability audit (identification of carriers and individuals handling the shipment between the time it was last accounted for and time of loss); enforcement agencies contacted to date (FBI, Customs, local police, etc.). As users and suppliers of transportation well know, acquisition of such an array of data borders on the utopian, depending as it does on an

intercompany, interindustry cooperation and on a degree of management expertise that is too often absent from the current scene. Nonetheless, the goal is worth shooting for.

A Critical Factor: The Packaging Decision

As with other management decisions that improve cargo security, the ones pertaining to packaging, in the vast majority of instances, do not require breakthroughs in equipment or know-how. What is needed is merely the intelligent application of existing knowledge. In this regard whatever information shippers do not have, but would like, is often more than willingly supplied by carriers upon request. Obviously, improperly packaged goods leads to damaged or ruptured cartons or containers. Damage invites entry by thieves; burst packaging virtually gives the contents to pilferers.

Principal factors to evaluate when selecting exterior containers or cartons are their ability to resist (1) compression, (2) puncture, and, in the case of fiberboard cartons, (3) the strength of score lines and (4) resistance to humidity.

Even when a carton or other type of exterior packaging meets freight classification requirements, improper stacking may result in crushed cartons or burst seams; too tight strapping or netting, in a bulged or dented carton; inadequate interior packing, in punctured containers due to shifting contents or crumbled cartons due to insufficient support to carton walls; overstuffing, in bulged packaging.

According to the advice of one security organization, the proper response by carriers to poor packaging should be as follows: “Shipping packages should not be accepted if in the judgment of the receiving carrier, the packing is inadequate, requires cooping or has other deficiencies. Bad order cases in possession of carrier, upon discovery, must be immediately placed in a safe location and recovered. Under no circumstance, release a bad order package against an exception, without determining the quantity and condition of its contents.”

Many interviewed carrier spokesmen cautioned against the use of affixing computer-prepared address labels to cartons. Because the printing is so small, misrouting often results. When this occurs both the clever and not-so-clever thief realize that the audit trail or accountability chain has been broken and that the shipment is ripe for the taking. Carriers also advise that misrouting also may result when shippers reuse cartons and fail to remove all of the old address labels.

(Freight may also be misdirected because of a ship to/bill to mix up, whereby the shipment is mistakenly sent to the billing address. And when delivering merchandise to several local branches of the same store chain, cartons for one location may be erroneously dropped off at another. If there is a dishonest employee at the consignee's receiving dock, such a misrouted package is a tempting target.)

The question of carton advertising or other markings that identify contents is another packaging-related invitation to theft. Although experienced thieves frequently can determine the contents of a package by its shape,

feel (as in the identification of registered air mail pouches), and/or name of consignee and shipper, there are numerous instances where removal of such identification has resulted in a marked decrease in cargo theft.

Almost unnecessary to mention is the greater security resultant from unitized, containerized, or similarly assembled loads, which reduces, if not eliminates, manual handling.

Preventive Steps for Marketing and Purchasing

Not only to preserve a reputation for quality but also to help prevent first-line merchandise from being peddled by thieves or fences in "salvage" sales or from being touted as "seconds," one firm insists on the return of all damaged goods even though the company may be liable for the freight charges. The goods are then destroyed. For similar reasons, some marketing executives insist that the company's label be removed from goods that are released as seconds.

Marketing management, in cooperation with the manufacturing and shipping departments, can also be instrumental (1) in devising methods by which identification numbers or other unique markings can be stamped or otherwise affixed to merchandise and (2) in implementing procedures by which these identification markings can be related to shipments so that, for example, if the goods are stolen and then recovered by police, management will be able to identify the goods as those manufactured by the company and tendered to XYZ carrier on June 6, 1972. Prosecution of fences or others can hardly proceed if the companies from which the cargo is stolen cannot distinguish between merchandise legitimately marketed and those items marketed as the result of theft.

Admittedly, such an identification procedure would usually present significant problems and costs. But could not at least the cartons, if not the merchandise, be coded in some unique way during the loading process? Or could not 5 or 10 percent of the serial numbers involved in a shipment of appliances be recorded? On certain products, could serial numbers be located so that removal of the number would entail damaging or otherwise rendering the product unmarketable?

In addition, each company's sales and service force should be instructed to be alert for company products being sold at abnormal discounts or distributed through unusual channels or outlets. They could also be given serial numbers of stolen products. In one case, a repairman for an office equipment manufacturer noted that the serial numbers on the equipment he was servicing were on his employer's hot list. This was reported and the equipment recovered from a public accountant who had purchased it from a legitimate outlet. In another instance, however, a short-sighted view prevailed. After receiving reports from its salesmen that cigarette purchases through the company's vending machines at some locations had suddenly dropped from 260 packs a week to 40 when a competitor's machines were installed, management did not report this obvious signal of hijacked or bootleg cigarettes to police out of concern that if the taverns and restaurants were closed by authorities, there would be one less outlet for even 40 packs of cigarettes.

Finally, marketing executives should carefully check out new sources of business. Several years ago, the sales manager of a well-known Chicago-area company received an order for a large quantity of goods to be shipped to South America. Having long wanted to penetrate that market, he permitted a substantial discount. A container load of goods was shipped to New Orleans for export. Although documentation indicated that a certain ship took the goods to South America, later information revealed that there was no such ship in existence and that the container had been taken from New Orleans to Detroit where the goods were depressing the market because of their low price.

Buyers and purchasing managers should also carefully screen those they do business with. Extraordinarily good bargains should be carefully studied before acceptance, especially if the item to be purchased is being offered by those operating outside typical distribution channels for the product. And top management, while insisting on good performance, should be careful not to exert so much pressure on buyers that they become ready and willing to deal with cut-rate underworld sources.

When subcontracting, a company should know whom it is dealing with. For example, a forwarder once subcontracted a load to a gypsy operator, who conveniently left it in a parking lot for the weekend. When he returned to check his rig, it and its cargo of \$25,000 worth of coffee were missing.

Both purchasing and marketing personnel should endeavor to specify direct routing of shipments to minimize multiple handling and interline transfers. When at all practicable, incoming or outgoing goods should be shipped in such quantities that permit unitization, containerization, or other forms of consolidation which minimize exposure to theft or pilferage. Purchasing agents may find that overly restrictive inventory control policies are responsible for aggravating the problems associated with small orders.

A special word of caution is in order for those in the financial world who, on several occasions, have been all too easily flimflammed or otherwise induced into accepting stolen securities for loans or for sale. Know your customers and know your "merchandise." According to many sources, existing technology and methods by which to establish the identity of such customers and the status of such securities are either underutilized or ignored.

What Legal Counsel Can Contribute

A number of questions related to combating cargo theft should be posed to corporate counsel—and this should be done before, not after, a theft. For example, who should be authorized to sign a complaint or warrant? (Do not forget to alert appropriate personnel about company policy in this regard.) What elements of proof should the company assemble before accusing someone of cargo theft? What procedures should be followed to preclude a successful false-arrest suit? How should statements or confessions by the accused be taken—written, recorded, witnessed, advisement of rights, signed, etc.?

Should restitution by the accused be accepted? According to one source, although an employer is under no legal obligation to report or prosecute those guilty of cargo theft, "neither does the employer have the statutory right to grant immunity from prosecution—even if restitution is made by the employee. Thus a promise to refrain from prosecuting or from reporting the crime to authorities should not be made. Actually, such a promise could be regarded as compounding a crime, whereby the injured party now commits his own offense by explicitly agreeing with the criminal not to press charges." Also, "acceptance of repayment could jeopardize a company's recourse to third parties—such as banks that cashed forged checks or outlets that received stolen merchandise." A final caveat: if an employer accepts restitution from someone covered by a blanket bond, the insurer may have grounds to deny future claims occasioned by this individual.

Counsel can also advise about the most advantageous court in which to bring theft cases. Federal? State? Local? What about a trial before a U.S. magistrate? Under certain conditions, the latter may try cases involving misdemeanors punishable under the laws of the United States. While a magistrate may not impose sentences as severe as could be levied by a Federal district court, cases usually reach a magistrate court much more quickly and the trials often require less time than at the district court level. This advantage of swift justice may be particularly significant when collective bargaining pacts condition the dismissal (and/or deregistration, regarding waterfront employment in some areas) of employees upon a court conviction.

Another area to explore in advance with counsel are (1) the conditions under which recovery from a receiver of stolen goods is possible through civil action and (2) the conditions under which such civil recovery will not jeopardize subsequent criminal action.

Obviously, these and other similar questions warrant study and resolution before a company is faced with a theft. If they are not, management's response to cargo theft may be so sluggish as to jeopardize fast police response in the future, so ill-prepared as to expose the company to suit, or so disorganized as to permit the retention of a thief on the payroll.

Management Checklist for the Movement of Cargo

There are hundreds of management-oriented theft-prevention methods that can be built into the processes by which cargo is shipped, transported, received, stored, and documented. Of necessity, therefore, the several dozen preventive steps that follow do not represent an all-embracing checklist but are important as illustrations of the *type of thinking* that executives can and should bring to bear on the cargo theft problem. The suggestions below are hardly revolutionary nor revealed for the first time in this publication. Procedural in nature, they do not require hardware to implement, just the will to do so. Though presented in piecemeal fashion here, such measures should not be applied on an ad hoc basis but molded to fit local conditions and fielded as a well-coordinated team. To facilitate future reference, the

numbers preceding those measures or approaches considered particularly applicable might be circled.

1. Consignee management should instruct its receiving department to notify purchasing when incoming items arrive. This will help prevent fraudulent purchase orders originated by someone outside of purchasing from getting into the flow and will force receiving to make a careful count.
2. To help assure timely detection of thefts occurring before goods get into the consignee's record system, request purchasing personnel to contact the supplier directly when an order is not filled within a reasonable time.
3. To prevent spurious purchase orders and subsequent thefts, prohibit purchasing department from receiving ordered merchandise and from having access to such merchandise. Likewise, assure that receiving personnel do not perform purchasing duties.
4. Only specified individuals should be authorized to check in merchandise received. Unless responsibility is fixed, shortages can be blamed on others easily.
5. Consignee employees who check incoming goods should reconcile such goods with a purchase order and remove goods to the storage area immediately thereafter. Absence of a purchase order could mean the merchandise was ordered fraudulently with the intention of removing it before it got into the record flow. Prompt transfer of goods to storage not only gets them into the record flow but also removes them from a traditionally high-theft area.
6. Receiving personnel should use a prenumbered form on which to record delivered merchandise and copies should be sent to purchasing and accounts payable. This will help deter destruction of receiving records and theft of merchandise. Failure to furnish purchasing with a record will spur an investigation, and failure to advise accounts payable will result in a complaint by the supplier.
7. Regarding outbound shipments, freight bills are totaled and compared to the number recorded on the manifest. Discrepancies are promptly corrected. The same holds for incoming shipments except that discrepancies are immediately reported to the terminal manager and/or security director for investigation.
8. Freight received without accompanying documentation should be stored in a secure place.
9. Record the number of shipping documents given to strippers or loaders. When the documents are returned, count them again and compare totals.
10. When returned by the local driver, delivery receipts should be compared with terminal control copies and all bills accounted for.
11. Consignees should not delay taking delivery of goods. Anticipate difficulties regarding import license, exchange control, or other regulations. Those who have taken advantage of free time in customs

- and of free storage time at carrier terminals often find that the practice is penny-wise but pound-foolish. For example, an importer of canned goods took prompt delivery and suffered only limited pilferage in contrast to the heavy losses of his procrastinating competitors.
12. Require positive identification from pickup drivers to insure they are the legal representatives of the carrier. Record license numbers, especially on rental vehicles.
 13. Prepare *legible* bills of lading and other shipping documents, which are manufactured from a paper stock that will hold up under multiple handlings. Try to use classification descriptions instead of trade names and avoid listing values.
 14. Periodically rotate drivers among runs. Otherwise, there is too great a chance that they might develop contacts for collusion. Beware of drivers who request certain routes despite the lower wages associated with those routes.
 15. Change truck stops frequently.
 16. Develop incentive plans to control losses—payments to employees being based on reductions in insurance premiums and/or actual losses.
 17. On multipiece shipments, shippers should label each package. As the driver instruction manual of one carrier reads, "The driver must check all shipments to determine that each piece is legibly, durably, and properly marked. The name and address of the shipper must be shown on each piece of freight in any shipment. The marking on each article should be checked to determine if the consignee's name and address is the same as shown on the airbill. Drivers must be certain that the marking will not tear off when the shipment is in transit."
 18. Exposure to loss often increases with higher turnover of personnel on shipping and receiving docks.
 19. Advertise your security efforts in high-theft locations.
 20. Know employees on *all* shifts.
 21. Do not advertise on trucks. For example, "Smoke Brand X—distributed by . . ."
 22. Run radio and TV spots indicating the convenience and other advantages (such as service) of buying through regular channels.
 23. Request truck rental companies to post signs warning users that the rental agent is cooperating in theft prevention.
 24. Conceal or seal in a pouch the papers covering a load.
 25. Provide cargo checkers with self-inking identification stamps. When receipting for cargo, in addition to affixing his signature on the receipt, the checker stamps the document, thereby clearly identifying himself.
 26. Utilize color-coded vehicle passes (keyed to specific areas in the terminal) and time stamp them.

27. Establish advance-notice procedures whereby consignee is notified at least 24 hours prior to the arrival of sensitive shipments. Alert intermediate points as well.
28. Negotiate with carriers for what one large shipper calls "signature security service" for certain kinds of shipments, whereby a signature and tally are required from each person handling the shipment at each stage of its transit, from point of origin to destination.
29. Analyze claims to determine type of cargo most subject to theft and where its being lost.
30. Periodically review carrier performance to identify those having a high incidence of loss or damage.
31. Receiving stations should assign a trusted employee to review advance manifests or, if none, the documents arriving with the cargo to identify and segregate for special attention theft-prone cargo. Such "paper alerts" should also be supplemented by actual examination of the cargo. For example, a manifest described one shipment as "electrical equipment," but the carton identified the goods as calculators. Relying on the manifest, a cargo handler treated the shipment as general cargo; one of the calculators was later stolen.
32. Security rooms for valuable cargo should have adequate inventory control procedures. In one case, a bale of furs was lost for 2 weeks because of a lack of such controls.
33. Maintain a tally as cargo is transferred from vessel to terminal. This is frequently, if not usually, omitted, with the result that (1) detection of thefts are delayed until consignee complains (2) buck-passing is promoted inasmuch as no one knows whether the goods were stolen before or after the ship was unladen.
34. Remove loose or broached cargo to cooperage shops as soon as possible.
35. Use shipper's initials rather than full name on labels if the full name would tip off thieves to the nature of the carton's contents.
36. Seal cartons with a tape having a special design and color. If a carton is opened and resealed, this would be clearly evident.
37. Indicate lot numbers on each carton and on the bill of lading in order to highlight a short carton.
38. As practicable, insist on piece counts when cargo is moved to and from vehicles and in and out of storage areas, vessels, railcars, aircraft, etc. And insist on clear identification of those who conduct such counts—driver, checker, receiving personnel, terminal cargo handler, or whoever. The two parties involved in a cargo transfer should not take one another's word regarding the count. Accountability then becomes blurred. As a carrier executive advised, employees who check cargo must be told, "You are individually responsible. You must know. You must count." Among his instructions to drivers: (1) "If the bill calls for 'CS. No. 1234,' don't accept a case marked '4567' for it." (2) "A driver should never

- accept a shipment described as 'one bundle tires.' The Airbill should indicate how many articles are in the bundle. For example: 'one bundle (3) tires.'" (3) If a shortage exists in a shipment, determine the exact piece short. "If it is shoes, the exception should be '1 cs. shoes short.' A general statement such as '1 cs. short' is not sufficient. . . ."
39. Load each delivery vehicle in conformance with its routing so that unloading delays—with concomitant unnecessary exposure to theft—will be minimized.
 40. Segregate shipping from receiving areas, inbound and outbound cargo.
 41. Require company name of carriers to be shown on all equipment. Do not accept temporary placards or cardboard signs as proper identification. Nor should lease agreements for rented vehicles be considered as sufficient identification. Independent verification is necessary.
 42. Release cargo only to the carrier specified in the delivery order unless a release authorizing delivery to another carrier, signed by the original carrier, is presented and verified. Accept only original copies of the delivery or pickup orders.
 43. Prelodged delivery or pickup order should be safeguarded from theft or unauthorized observation. Verify identity of carrier and carrier employee before releasing a prelodged pickup order. An operator of large terminals notes the potential advantages of prelodging: "We encourage truckers to bring their documentation to the terminal the day before they deliver cargo. We prepare our receiving documents from the truckers' papers and when trucks arrive, give priority in handling to the loads for which we were furnished advanced documentation. Cargo handling is expedited, checking is more precise, the documents themselves are more accurate. Our cargo accounting has improved significantly. . . ." This confirms the observation in a carrier task force report: "Reforms in paperwork to eliminate bottlenecks and to raise accuracy also may make it less easy to smudge the responsibility for cargo and cargo records."
 44. Restrict access to cargo documentation to a need-to-know basis. Systems assuring strict accountability for documentation are as important as those designed for the cargo itself. For example, after several thefts in a terminal involved stolen documentation as well as its cargo, an "internal release order" was devised. The cargo handler who is to retrieve a shipment in the terminal is given the release order, which describes the cargo and its location. Source documents remain in the custody of the clerk preparing the release order. The clerk retains a copy of the release, on which he records time of preparation and the name of the cargo handler, who brings the shipment to his control supervisor, who, in turn, verifies the identity of the cargo handler and the description and quantity of cargo to be delivered. The supervisor requests the signature of the trucker, after recording date and time of release. Finally, the release order is returned to the clerk who prepared it.
 45. Release seals to as few people as possible. Require all persons handling seals to maintain tight control over them.
 46. Log movements of containers into or out of a holding area. Indicate date, time, seal number, truckman and company making pickup, and registration number of equipment used.
 47. Accept only legible documentation.
 48. Obtain clearly written signatures—not blurred initials—on cargo documentation.
 49. Neither accept nor prepare penciled documentation.
 50. Cargo entering a terminal from shippers or other stations should be thoroughly inspected, accurately counted, properly classified, and immediately stored. Paperwork should reflect all decisions and actions taken.
 51. The employee withdrawing goods from storage should be different from the one actually releasing the merchandise.
 52. An integral part of terminal security is a workable, accurate cargo location system. Delays in, or confusion over, removing cargo from storage increases the risk of theft or pilferage. Among other things, a good locator system does not give cargo handlers the excuse to wander all over the terminal when looking for a shipment.
 53. Devise procedures to minimize terminal congestion and poor house-keeping, which result in obstructed visibility of cargo, misplaced cargo, less efficient checking and handling, and other situations promoting theft and pilferage. States a highly knowledgeable source interviewed for this publication, "The real enemy of security is congestion. When goods pile up, you lose control, no matter what procedures are in effect." Many carriers try to combat this by discouraging consignees from delaying pickup or acceptance of cargo. In the event that strikes hit other modes or carriers, some carrier terminals have readied emergency plans by which to handle in an orderly fashion the anticipated extra flow of cargo, such as through a pickup and delivery appointment system for shippers and consignees.
 54. Establish space standards, which fix the quantity of cargo that can be safely stored in a given area or terminal.
 55. High-value air freight should be the last to be loaded at origin and the first to be unloaded (and piece-counted) at destination. If practicable during surface transport, "bury" high value shipments in the other cargo so that an unauthorized opening of trailer or container doors will not immediately expose the valuable articles.
 56. To facilitate timely detection of theft, among other reasons, a weekly or twice-weekly telephone conference should be arranged between a carrier's various terminals (or a consignee's various branch stores)

to reconcile cargo overages and shortages experienced at different locations.

57. Shippers should await the arrival of the carrier before loads staged for shipment are final-counted. Otherwise, between the time of the count and the arrival of the carrier, pieces could be added surreptitiously, and then hauled away through collusion between an inside employee and the carrier's driver.
58. Shippers should not permit customers to dictate routing. If every customer were permitted to route his orders, dock congestion (which breeds theft) would be inevitable because of the sheer number of different carriers that would be required each day to satisfy customer requests.
59. In areas where the rate of truck hijackings is high, suggests a police official, at each delivery point drivers should note the indicated mileage, leaving a record at the dock and in their log. If the truck is hijacked, the difference between the mileage recorded at the last delivery and the indicated mileage at the point of recovery---combined with other driver-supplied information---will assist police in pinpointing the drop or fence.
60. Rather than ship a fully assembled product, some companies ship the components and, in so doing, have reportedly reduced cargo theft. For example, an encyclopedia publisher is said to ship odd-numbered volumes in one carton, even-numbered in another.

As indicated earlier, neither the above nor the many other possible procedures will achieve their full potential unless implemented as a well coordinated series of measures. That is, they should function as a system---not as unrelated, ad hoc controls.

A good illustration of such an integrated approach is the MTMTS (Military Traffic Management and Terminal Service) card packet system. (MTMTS is a Department of Defense agency that centralizes and coordinates the procurement and operation of transportation services for the movement of military freight and personnel.) The computerized card packet system, Cardpac, was designed to operate at six high-volume marine terminals, through which about 85 percent of the MTMTS surface export cargo flows.

When a DOD shipper alerts the computer at an MTMTS Area Command that a shipment destined for overseas is in the transportation pipeline, this information is relayed by the Area Command to the computer at the water terminal scheduled to receive the shipment for export. The terminal's computer automatically generates a set of punched cards containing all the data necessary for terminal personnel to process the incoming shipment. These cards are the basis for management printouts for controlling the cargo as it moves through the terminal and are the means by which to update the Area Command master file.

When the shipment is received, one of the advance-prepared cards is used as a receipt document. The checker at the gate records the date of receipt and the location within the terminal where the cargo is stored. The card is

used to update the system's file. If the shipment is transferred within the terminal, this is recorded on another card, which updates the system's computers. When the shipment is loaded aboard ship, the date, ship number, and storage location is entered on still another card, which is entered into the system to complete the cycle.

Thus management is able to receive cargo inventory and location printouts, which assist terminal personnel in selecting shipments for loading. Management also receives a load list, utilized to plan the stowage of the ship. After loading, printouts list the on-board cargo for the benefit of the ship's master.

By incorporating a coordinated series of measures---improved documentation, tightened inventory control, greater accountability, etc.---the Cardpac system serves to speed the orderly flow of cargo and thus promotes superior security.

The point, of course, is not that one needs a computer to deter cargo theft but that to combat cargo theft involves the application of various preventive measures which must dovetail, one with the other. If there are significant gaps, however, do not be surprised if cargo drops through them and into hands of thieves and fences.

Chapter VI

THE STRATEGY OF JOINT ACTION

Although there are many measures an individual firm can implement to combat cargo theft, inevitably certain desirable courses of action will not be taken, and of the measures that are implemented, several will not be exploited to their fullest. A number of excellent reasons account for this.

First, there is just so much time that can be devoted to the cargo theft problem. Second, manpower and financial constraints limit the range of the possible. Third, needed expertise may not be available. Fourth, because a firm must be preoccupied with *its* problems and *its* requirements, valuable insights derived from a full perspective are not obtained. Fifth, fear or apprehension may limit, or preclude entirely, the application of certain necessary measures. However, these and other obstacles can be substantially overcome if the efforts of individual companies are reinforced by an organization to which all belong and support, from which all benefit, and by which what cannot be accomplished individually can be implemented jointly.

This organization—let us call it “the association”—may be local, regional, or national in membership and structured along either intra-industry lines (airline members only, for example) or inter-industry lines (e.g., comprised of importers, terminal operators, and marine carriers). The association may be independent or an adjunct to an existing organization. It may concentrate on a specific facet of cargo theft or concern itself with a range of activities, including liaison with such outside sources of assistance as law enforcement agencies. In any event, the association can compensate for the previously mentioned weaknesses of its members because of the following factors:

1. It has a sufficiently large and professional staff to devote the required time, manpower, and expertise to cargo theft problems.
2. It is supported on an equitable basis by all and thus is unduly expensive to none.
3. It studies each member's problems and thereby gains a “big picture” perspective.
4. It is the vehicle for unified action and, as such, can effectively shield its individual members from adverse consequences that perhaps would result if, in the absence of the association, this action were taken by a few firms but not by others. Such consequences might include retaliation by criminal elements, operating costs out of line with those of competitors that did not implement measures, and loss of business because customers do not want to extend the cooperation required by

certain theft-prevention measures, such as agreeing to piece counts. However, if through the vehicle of an association various measures were implemented on an across-the-board basis by all members, no one member can be singled out as out of line and therefore subjected to various pressures.

How these factors come into play and how working through an association often results in a 2+2=5 effect are obvious from a review of what these associations are doing or could do.

Centralized Screening of Personnel

If, for example, only a few carriers and terminal operators located at a large cargo facility adequately screen employees, cargo theft may be reduced in such companies but is not likely to decrease on a facility-wide basis. Employees rejected or dismissed from alert companies merely walk across the street, as it were, and are accepted for employment next door. Enlightened association action could require adherence to uniform standards of preemployment screening and authorize the creation of an association-maintained clearinghouse whereby the job histories of facility employees are available for inspection, thus minimizing the chance of an employer unwittingly hiring someone who was recently discharged by another.

One association revised its members' employment applications in order to elicit information from prospective employees "concerning previous records or activities which bear upon his eligibility for a position of trust." Each applicant fills out a short biographical summary, which, along with a color photograph, is furnished to the association. "Upon receipt of the biographical and identifying data, we submit that information to the law enforcement agencies. . . . We also run him through our own individual indices for past employments. . . ."

A requirement for which a maritime association has gained union acceptance is the registration of waterfront workers. On any given day, the vast majority of longshoremen working for member companies are registered with the association. Under most situations, a man cannot work anywhere on the waterfront unless he submits a card indicating that he is registered. The labor contracts state that registered workers convicted of theft on the waterfront will have their registration cards suspended or revoked. Applicants for employment on the piers must complete a preregistration form and physical. A screening procedure is then conducted by the association. From time to time, the association may register those with criminal offenses in their background. "These attempts at rehabilitation are carefully weighed, however, in terms of their effect on cargo security."

A Uniform Central Reporting System

An association can persuade its members not only to maintain meaningful cargo theft records but also to relay those reports to the association. Only by so doing can the overall theft trend at an airport, rail center, or warehouse complex be discerned. Also the perspective afforded by an analysis of overall data can reveal patterns not evident from the records of any given

member company. For example, analysis of members' loss data may reveal shortages at four different terminals involving trailers originating from a common terminal. As one association notes, it "maintains loss records to determine pattern, areas, and cause of loss and recommends deterrents in connection therewith."

Some associations have designed uniform loss report forms, copies of which are forwarded to the appropriate law enforcement agencies as well as to the association. According to an account by one association, the following system is in effect:

"A system for reporting missing cargo, 'Missing Cargo Report,' has been adopted. Through these reports, Customs, the FBI, the Harbor Police Department, the Association, and the private investigators engaged by the association are informed of cargo that is stolen or otherwise missing. It is felt that prompt notification to those agencies which generally come in contact with all forms of missing cargo will increase their ability to recover the stolen cargo and prosecute the thieves. The missing cargo procedures require prompt telephone notification to all agencies at the time the disappearance is discovered and follow-up documentation. While we are aware that Missing Cargo Reports are still not filed in every instance where cargo has disappeared, we feel that this can be solved through continually impressing our membership with the need for these reports. We have seen a great increase in the security consciousness of our members and feel this will cause more complete reporting in the future."

Should law enforcement agencies complain to this association about an uncooperative member, an association executive will contact the top management of the company involved.

Development and Enforcement of Performance Standards

To help overcome an "I don't want to be the first to do this" attitude among members, associations may develop and/or enforce standards of performance relating to theft-prevention efforts. Among the tasks of one cargo protection council are designing, and recommending improvements in, procedures for cargo handling and supervision, methods for packaging and storing high risk commodities, and methods related to such physical security measures as lighting and fencing.

Possessing the power to fine members if certain procedures are not followed, one association has done considerable spade work in devising and implementing procedural and other standards relating to such areas as space-utilization standards, planning procedures, terminal layout plans, performance controls, cargo document control, uniform cargo release form, physical and record accountability for delivered cargo, cargo locator systems, and a variety of physical security measures.

To help members live up to these standards, training may also be among an association's activities. One group helps to train guards, watchmen, and other personnel. Others prepare procedure or physical security manuals. Or, as one association does, frequent training conferences may be held "where small groups of cargo and security personnel exchange ideas, individual problems and solutions. . . ."

As a means by which to obtain information on which to base standards, one association has organized meetings of "small groups of executives from allied industries, such as jewelers, truckers and others for intensified consideration of specific problems and exchange of pertinent data affecting each area of operation and responsibility."

Assisting Law Enforcement

Already referred to is the help associations can offer law enforcement through permitting access to their centralized personnel files and assuring that members promptly report losses to the appropriate agencies. Frequently, associations will conduct their own investigations of thefts—not in competition with law enforcement agencies but in cooperation with them. This may be done by the association's own investigative staff or subcontracted.

This staff may administer a reward system, facilitate coordination among law enforcement agencies, and maintain a network of informants, who are of critical importance according to numerous sources interviewed for this publication. Over a 7-year span, one investigation-oriented cargo protection association conducted 913 investigations resulting in 408 apprehensions and arrests, 241 convictions, and over \$1 million in recovered merchandise and equipment.

As a further means of cooperating with law enforcement and of assisting its members, the association could request reports from members concerning signs of organized crime or other racketeer influences that come to their attention—for example, in-plant gambling, loan sharking, illegal labor tactics, suspected fences or other receivers of stolen goods, etc. The association would then pass along this information to the appropriate agencies and, in so doing, would remove the "onus" of reporting from the backs of the actual sources of information. What law enforcement needs, and what so often business can give, is information pertinent to criminal "presence" in legitimate business. As one observer comments:

"It is precisely in this realm that the gulf between information normally available to business and that normally accessible to law enforcement agencies has been the most apparent. The business community possesses intimate knowledge of industrial and commercial operations but is lacking in ability to identify the associates and functionaries of organized crime. Law enforcement officials, on the other hand, have voluminous information identifying these individuals but have not normally carried on sustained and detailed investigations of their activities in the sphere of legitimate business. . . ."

Enhancing the Chances for Successful Prosecution

The frustration reported by law enforcement officers over the unwillingness of many companies to prosecute cargo thieves is at times more than matched by the frustration experienced by many other companies over the failure of prosecutors to accept solid cases. A security officer of a motor carrier stated in testimony before a Congressional committee:

" . . . we are the victims of a conflict between the unions on the one hand and the law enforcement agencies on the other. The inability to prosecute [because prosecutors did not accept the case] means the inability to discharge a dishonest employee and it usually ends up that we pay the employee for the time he didn't work while he was awaiting the prosecution that didn't occur. This in turn means we end up with the thief back in our truck or back on our dock to steal again."

In this regard, there are, of course, many crimes that are prosecutable only through U.S. attorneys. In one jurisdiction, such crimes represented over 50 percent of the Federal prosecutor's case load. So he has his priorities, and unless a cargo theft is of unusual significance—in terms of the value or the criminals involved—cargo thefts do not make his list. Similarly, local and State prosecutors are frequently swamped, too. And, as a former district attorney remarked, "No one likes to prosecute a petty cargo theft case, involving as it often does the husband of a sick wife with five kids."

To solve this apparent dilemma, one source proposed that Federal funds be given to local prosecutors for the exclusive purpose of getting more cargo theft cases to court. Another proposal, offered by an association executive, would have associations "actively solicit the support of all law enforcement, prosecutive, and judicial groups—to invite them into terminals to acquaint them with freight operations—to get their advice and learn of their needs, with respect to prosecution for theft."

A third proposal, which could dovetail with the other two, takes note that prosecutors at all levels often have problems with cargo documentation: "They can't get it, can't read it, or can't interpret it," declares a former district attorney. This is confirmed by a transportation security officer: "They [prosecutors] do not understand our procedure. It is difficult to present a piece of paper in evidence when you do not understand what all these markings are on there [bill of lading], where three lines on there mean a lot to me and mean nothing to them." As a result, at least two associations devote considerable time facilitating prosecution by making the process easier for complainants and less time-consuming for prosecutors.

To overcome a long-entrenched fear and hesitancy among members to initiate criminal prosecutions, one association has issued bulletins explaining the steps taken in prosecutions and the operations of the various criminal courts. A summary of laws pertaining to larceny, false arrest, false imprisonment, malicious prosecution and slander was also distributed to members. "A decided improvement in the industry's attitude toward prosecution resulted."

When an arrest is made or contemplated and a member is requested to sign a complaint, the association's legal staff is consulted. If the evidence warrants the signing of a criminal complaint, the staff determines who the proper complainant should be. "The form of the complaint, the charge, and the need for corroborating affidavits from the arresting officers are all matters to be considered." No member company that has consulted with the association has ever been subjected to any lawsuit arising out of signing a criminal complaint, reports the association.

After the complaint is signed, the association works closely with the prosecutor—producing witnesses and interpreting cargo documentation. In some instances, a member of the association's staff will present all witnesses and documents to the prosecutor and in one-two-three fashion explains, "This first witness will testify to this fact; item seven on this bill of lading corroborates this fact; the second witness will substantiate. . . ." And in 5 minutes the case is laid out for a yes/no reaction by the prosecutor.

During the trial stage, an association representative is present in court to determine if the case will be called or continued or whatever. If it appears that the case will proceed and previously alerted witnesses will be needed in court, a phone call summons them from work. In this way their time is not wasted and they and the complainant do not become discouraged by repeated continuances, which frequently are engineered by defense attorneys to wear down the opposition. Because of the association's strategy, however, such an attorney quickly realizes that the only person's time and money being wasted by delaying tactics are his own.

Summing up, the executive vice president of the association commented, "The importance of these efforts cannot be overemphasized. They have eliminated the hesitancy and anxiety once typical of the industry when a company was called upon to sign a complaint." In an average year, the association's legal staff makes more than 300 appearances in various criminal courts and before administrative agencies.

Other Roles for the Association

Some have suggested that associations could play more active roles in connection with Federal funds allocated to each State for law enforcement purposes. Not only could such funds be utilized as seed money to get new associations off the ground but also money could be channeled to law enforcement agencies for the purpose of combating cargo theft. But this is not likely to result unless associations do their part at the State and local levels by urging allocation of these funds for such purposes.

A nationwide association established to combat cargo theft has requested its local units to do the following:

1. Request State legislatures to pass measures that would permit employers legal access to criminal records of applicants.
2. Develop regional seminars on transportation security.
3. Promote State legislation permitting those victimized by cargo theft to bring civil action against thieves, fences, and buyers of stolen merchandise to recover actual and punitive damages.

And, of course, associations are in a good position to explain to members the significance of such pending Federal legislation as the following: Customs Port Security Act, the stated purpose of which is "to increase the security and protection of imported merchandise and merchandise for export at ports of entry in the United States from loss or damage as a result of criminal and corrupt practices"; Cargo Commission Act, which would create a 2-year Federal commission to study various aspects of cargo security and safety; amendments to a proposed bill providing compensation

to innocent victims of crime, which would alter the theft from interstate shipment statute in significant respects, including a provision whereby civil action would be authorized so that cargo theft victims could recover treble damages from the responsible parties that are in violation of the statute.

Though other appropriate areas for association action could be listed, the undeniable rationale for joint action is the same and is described by an often-quoted proverb—something about everyone hanging together or else hanging separately. The opposition is organized. Why not also the intended victims?

Chapter VII

ASSISTANCE FROM LAW ENFORCEMENT AND OTHER ORGANIZATIONS

As repeatedly emphasized on previous pages, the extent to which law enforcement agencies or other organizations can cope with cargo theft depends to a great degree on the quality of management's policies and procedures. If management cannot identify recovered cargo as that stolen, or has no idea where or when the theft or pilferage occurred, or has a wishy-washy attitude toward prosecution, the effectiveness of outside sources of assistance is immensely reduced.

One of the most extreme examples of how management can shackle such assistance occurred when a special agent of a waterfront commission asked a terminal manager to sign a complaint against a man caught in the act of stealing 100 pounds of sugar from a terminal. The manager replied, "It is my company's policy under no circumstances will we ever sign a criminal complaint against anyone who commits a criminal act against persons or property in our care."

On the other hand, those companies that are taking appropriate preventive steps by which to combat cargo theft have the right to expect effective cooperation from law enforcement and other agencies. If, for example, a carrier heeds admonitions to prosecute cargo thieves, the company deserves better than to watch a solid case bounce from one prosecutor to another and ultimately declined. Nor, as happened in one instance, should complainants have to appear in court eight times before proceedings finally get under way.

Assistance from State and Local Police

To doublecheck its own observations, management may want to seek the opinion of local law enforcement personnel about what they regard as the currently favored targets of cargo thieves. Studies indicate that on a nationwide basis, clothing and textiles, electrical machinery (including appliances), transportation equipment, jewelry and coins, food products, and metal products and hardware are at the top of the cargo theft list. Obviously, this varies according to location and mode of transport. For example, at a west coast port the following goods, ranked according to frequency of loss, are among the favored targets: electronic equipment (radios, televisions, tape recorders), liquor, wearing apparel (knitwear, sweaters, shirts, suits), tires, bicycles, toys, shoes, sporting goods, auto parts, food products (frozen meat, lobsters, cheese, tuna).

When a particular form of cargo theft—such as hijacking—is widespread in the area, local police can be expected to develop special procedures to

deal with the problem—certainly something better than indicated in the following account of a trucking executive who described State and local police response to a reported hijacking in December 1971:

"... we had great evidence that the man was hijacked and we called the State Police immediately and asked them to at least put a wire out, stop traffic or check traffic as they go through tolls. . . . They stated they couldn't put a wire out, but to call the local police, which we did. And the local police wouldn't put a wire out until they had a detective come down to the office. And by the time the detective would come down and make out a report and then go back and put a wire out. . . . It is something to be in a booth with a communicator and know you are losing \$60,000 and know you have absolutely no cooperation."

Fortunately, there are also highly professional police responses to hijack reports including a special number for carriers to call in the event of a suspected hijack, a special detail ready to swing into action, a helicopter by which to spot the truck through identification numbers painted on the top of the trailer, and a collection of color photographs of local trucks usually hauling especially theft-prone products. In addition, one department maintains a special file on everyone known to operate in, or on the fringes of, the truck-theft area. Finally, the department encourages carriers to take advantage of certain procedural and physical security measures.

In some cities, police are initiating special task forces comprised of officers from many different specialties who will be concerned with "thefts from airports, piers, loading platforms, delivery entrances, and . . . the resale of stolen property through criminal receivers," as one chief of intelligence expressed it. Because cargo thieves and fences often engage in one or more illegal sidelines, such a task force will try to make a case against a fence, for example, on a gambling, forgery, narcotics, or even a traffic charge if unable to obtain court-worthy evidence relating to his fencing activity. In other words, if you can't arrest him for being a fence, arrest him for something.

At this writing, plans are being readied for one such task force to concentrate on identified individuals, representing 13 criminal groups, who are actively engaged in cargo theft in an eastern region. Obviously, extensive intelligence-gathering forms the foundation of task force action. (And, unfortunately, because so much cargo theft is reported to no one, police intelligence must often be utilized to determine if there is a significant problem in the first place.)

Needless to say, substantial assistance can be forthcoming from alert patrolmen who have been instructed to notice and report such events as the following:

1. Unusual activity at an unusual time occurs in a warehouse area.
2. A warehouse that is usually empty is now full.
3. Goods are transferred from the truck of a well-known company to an unmarked truck or vehicle. Or goods are transferred from a rental vehicle to another unit.
4. Merchandise is transferred from a truck to the garage of a residence.

5. A truck is loaded at a location other than a depot or shipping dock.
6. A neighborhood outlet opens for business and then closes after a few weeks or months.
7. An outlet receives deliveries of goods which appear inconsistent with the nature of the business—e.g., bulky packages delivered to a coin shop.
8. Local merchants complain about a competitor's unbeatable prices.
9. A store seems to receive many deliveries but few customers.
10. A retailer's racks and shelves always seem sparsely stocked.
11. A truck appears abandoned.
12. Canvas covers the top of a truck, as if to conceal a painted identification number.
13. At certain hours, there is a consistent marked increase in "visitors" to a residence.
14. Packing cartons, left outside a store for refuse collection, bear labels with an address inconsistent with the location of the store. Or address labels have been cut from the cartons. Or advertising on the cartons is inconsistent with the store's displayed merchandise.
15. Goods delivered to an outlet are unloaded from the trunk of a car.
16. A retailer seems to have a perpetual sale. Or a store remains in operation after a "going out of business sale."
17. A pedestrian looks over the contents of a truck parked for a delivery. He returns to a car down the block.
18. A car circles a block where a truck is making a delivery.
19. Stopped for a traffic violation, a truck driver hesitates when asked about the nature of his load. He cannot produce appropriate cargo documentation.
20. An unusual number of patrons emerge from a tavern with packages.

In one city, the police are charged with enforcing comprehensive regulations directed at over 50 different types of businesses which are considered to be likely outlets for fencing or other forms of criminal or undesirable activity. Some kinds of businesses are prohibited entirely, such as flea markets. Both the premises and records of regulated businesses are subject to police inspection. Proprietors may be fingerprinted. Other regulations pertain to the location and hours of business, the maintenance of records and submission of reports, advertising, recovery of stolen property found on the premises, etc. Typifying the enforcement philosophy, a police official commented, "When an outlet advertises a going-out-of-business sale, it goes out of business."

Police units are usually more than willing to assist companies exposed to cargo theft by recommending various controls and security devices. Some units have conducted security surveys on request.

Sources of Other Local Help

In addition to the type of associations described in the previous chapter, one of the most useful private-sector organizations that may be available is

a citizens crime commission. It may be able to supply valuable intelligence and recommend practical countermeasures. Also, it may provide detailed information on the operation and weaknesses of the local criminal justice system (types of courts, their procedures, police effectiveness, attitude of prosecutors and judges toward cargo theft cases, etc.). The crime prevention unit of the local chamber of commerce may also be of substantial assistance in this regard.

In many areas, authorities or commissions may be charged with law enforcement responsibilities at local airports or piers. Obviously, an effective working relationship with such organizations will be beneficial.

Department of Justice

Under modern legal definitions, rare is the shipment that is not of an interstate character and the theft of which would not fall within the investigative jurisdiction of the FBI. During fiscal 1971, FBI investigations of such thefts resulted in 1,106 convictions and savings and recoveries of about \$14.5 million. As explained by a publication of the FBI, its investigative jurisdiction over thefts of property and valuables involved in interstate or foreign commerce relates to the following offenses:

1. Obtaining by theft or embezzlement or by fraud or deception any goods or chattels which are moving as—or constitute a part of—an interstate or foreign shipment.
2. Buying, receiving, or possessing such goods or chattels, knowing that they were stolen, embezzled or obtained by fraud or deception.
3. Embezzling of certain monies of any corporation engaged in interstate or foreign commerce as a common carrier by employees or officers of that corporation.
4. Unlawfully breaking the seal or lock of—or entering with intent to commit larceny—any railroad car, truck, aircraft, vessel, or other vehicle containing interstate or foreign shipments.

The FBI has authority to investigate the above offenses no matter what the value of the stolen property. The maximum penalty for thefts from interstate shipments is imprisonment for 10 years and/or a \$5,000 fine for each offense. If the amount stolen does not exceed \$100, the offender may be fined not more than \$1,000 and/or imprisoned for not more than one year. Interestingly, theft of goods in intrastate commerce may also fall within FBI investigative jurisdiction if, during the course of the theft, the following occurs: a truck or airplane containing an intrastate shipment is stolen and driven across State lines; stolen property worth at least \$5,000 is transported across State lines by persons who know the goods were stolen; an intrastate shipment containing Federal property is stolen.

According to the FBI, when one is in doubt about whether a cargo theft is, or may become, a violation of Federal law, "the best policy is to call the nearest FBI office promptly and give a full account of the facts." Not only should the crime be reported but also any serial numbers that might be on the stolen goods. These numbers can be entered into the FBI's National Crime Information Center, a large computerized data bank of criminal and

stolen property records, through which much stolen cargo has been identified and recovered.

One caution: do not assume that a Federal prosecution will result because the FBI is investigating. This is a decision for U.S. attorneys, who may well decline prosecution for reasons previously noted.

If there are reasonable grounds to believe that organized crime is involved, a Federal Strike Force might also be alerted, assuming one is operating in the area. Strike Forces are operative in many cities and are staffed by Justice Department personnel as well as those of many other Federal units, including the Bureau of Customs, Securities and Exchange Commission, Internal Revenue Service, Postal Service, Secret Service, and Department of Labor. The purpose of the Strike Forces is to bring the full weight of Federal law enforcement to bear on certain organized criminals and to examine their activities from every possible angle to determine if prosecution is possible. Though hardly a certainty, a cargo theft incident reported to a Strike Force may involve organized criminals in whom the Force has a current interest. If a Strike Force is not active in your area, cargo theft incidents clearly involving the organized underworld could be reported to the Organized Crime and Racketeering Section of the Department of Justice, Washington, D.C. In any event, however, the primary unit to contact is the FBI.

Department of the Treasury

Through its Bureau of Customs, the Treasury Department has implemented a cargo security program at all 291 ports of entry. The rationale for this, of course, is that any theft or pilferage of merchandise occurring between the time it is landed from airplane or vessel and its release by Customs for entry into U.S. commerce threatens the proper execution of two major responsibilities of Customs: collection of duty and prevention of smuggling.

The Treasury program is a three-part package. The first part seeks to establish closer accountability for imported cargo—from the time of unloading until delivery to the consignee or his agent. For example, Customs inspectors have been directed to identify high-risk merchandise and shipments and, to the extent possible, personally supervise its discharge. Also, at least 10 percent of the bills of lading are verified upon delivery to the onward carrier or importer. Through such procedures, Treasury also hopes to accumulate statistics whereby it can pinpoint where losses are occurring and how much of what merchandise is being stolen.

The second part of the program focuses especially on secure storage and handling of cargo with a high value-to-weight ratio and cargo with broken packaging. This aspect of the program strives to promote improved physical and procedural security through establishing elementary standards for the handling and storage of international cargo and providing for better authentication of pick-up orders and verification of delivered quantities.

At this writing, the final phase of the Treasury program is pending before Congress. If passed, the legislation would give the Secretary of the

Treasury authority to establish nationwide standards for physical and procedural security at seaports and airports of entry. These standards are considered minimal. Should these minimum standards not suffice in certain instances, the bill provides for the establishment of Customs security areas, wherein more stringent measures would be authorized. According to a ranking Treasury official, within six months to a year after passage of the legislation, cargo theft would be reduced to a minimum at all U.S. airports of entry, and would be reduced substantially at all seaports of entry within one year.

In January 1972, the Treasury released a set of voluntary guidelines (*Standards for Cargo Security*), which "experts in industrial security believe should be implemented at cargo handling facilities to provide a minimum level of security."

There are many who maintain that the most effective deterrent to cargo theft at airports and seaports of entry is a Customs presence. They declare that the biggest existing hole through which stolen cargo is pushed is the one represented by the lack of adequate stop-and-search authority by port security officers, who "no matter how well trained, are hesitant to stop a person even though they see him take a case of cargo and put it in a car—they are afraid of false arrest or false detention." However, Customs personnel—inspectors, agents, and enforcement officers—are vested with unique powers of search and seizure, in that they are not required to produce a warrant or show probable cause. No one pretends that Customs presence will supplant private security guards or local police—simply that it will supply a very important link, heretofore too often missing or too weak, in the chain of cargo security methods.

Department of Transportation

A basic reason for the Department of Transportation's increasing concern about, and reaction to, the cargo theft problem is evident from 1971 Congressional testimony of a ranking Transportation official: "... one of the Department's primary missions is to coordinate Federal transportation policies and programs and relate these to the operations of the transportation industries. To the extent these programs and the transportation industries are adversely affected by criminal activities, our mission is accordingly affected."

Thus in 1971 the Department established an Office of Transportation Security (OTS), which now is the Department's focal point for providing leadership in all phases of cargo security. Not conflicting with the law enforcement or other activities of any other agency or department, OTS is concerned with the deterrence of cargo theft through various "preventive maintenance" measures and seeks to accomplish this not only by initiating its own programs and recommendations but also by stimulating coordination and cooperation among those Federal agencies whose responsibilities can be brought to bear on the cargo theft problem.

To facilitate such coordination, the Department of Transportation sponsored the establishment of an Interagency Committee on Transportation

Security to identify interagency responsibilities. Having held its first meeting in June 1971, the Committee approved a 12-point cargo security program in October 1971. Various reports, recommendations, and publications (such as this one) will be issued for the benefit of users and suppliers of cargo transportation, among others.

(The Committee is comprised of representatives from the Departments of Transportation, State, Treasury, Commerce, Defense, Justice, and Labor; and from the Civil Aeronautics Board, Interstate Commerce Commission, Federal Maritime Commission, U.S. Postal Service, General Services Administration, Small Business Administration, and Atomic Energy Commission.)

The activities of other units within the Department of Transportation also relate to the cargo theft problem. For example, the Federal Aviation Administration supplies intelligence assistance to the Organized Crime and Racketeering Section of the Department of Justice by, among other things, determining whether known criminals are among currently certificated pilots and owners of aircraft. And the Coast Guard has intelligence operations in the areas of port security, smuggling, and other criminal activities involving vessels of the use of ports. More recently, the Coast Guard initiated a pilot program in which a number of reservist experts in security-related fields were utilized to conduct, and train others to conduct, security surveys on the waterfront and to advise on appropriate theft-prevention measures.

The Regulatory Agencies

The Civil Aeronautics Board, Federal Maritime Commission, and Interstate Commerce Commission also have roles to play in the overall effort to combat cargo theft. All, for example, are involved in designing a uniform loss-reporting system by which to put the cargo-theft problem into better focus. All periodically review claims-processing methods and liability limits of carriers. All can encourage carriers to engage in joint discussions leading to the establishment of better security practices. All can be receptive to carrier proposals to organize joint action associations along the lines discussed in the preceding chapter. All can review their regulations to determine if they cause undue delays and thereby increase the exposure of cargo to theft.

And all could be attuned to theft-prevention suggestions and determine the extent to which regulatory authority permits across-the-board implementation by agency action. For example, some truckers interviewed for this publication expressed the desire for a regulation that would require shippers to forward a duplicate bill of lading to carrier management as a control by which to determine if the driver had altered his copy. Others would like a more standardized bill of lading, with requirements pertaining to dimensions, paper grade, legibility, common elements in common locations, etc.—the point being that this would reduce confusion, increase accuracy, better fix accountability, and thereby improve the cargo theft picture.

Finally, in view of the current impact of cargo theft on carriers and on the shipping public, all could review whether their existing regulatory authority could, by logical interpretation, be extended, in some cases, into the cargo security area.

In Conclusion

One of the common threads running throughout this and the previous chapters is the absolute necessity for cooperative, coordinated action among those at all levels in law enforcement and other governmental units, among those in the private sector, and between the private-sector interests and governmental agencies. The first line of defense against cargo theft, however, is the coordinated management capability of shippers, carriers, consignees and all the others involved in the transportation chain. This publication has tried to indicate how such a capability can be brought to bear on the problem of cargo theft. To the extent that private enterprise is up to the task, to that degree will Government's role be one of assistance, not intervention. At this writing, at least, the choice still rests with industry.

END