

STUDY OF CARGO CRIME IN CANADA

EXECUTIVE SUMMARY

CONDUCTED BY

LANSDOWNE TECHNOLOGIES INC.

FOR THE



APRIL 2011

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Canadian Trucking Alliance Report on Cargo Crime in Canada

FOREWORD

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Introduction

This report covers the findings of a study – the first of its kind in Canada and perhaps anywhere in the world – conducted by Lansdowne Technologies Inc. (Lansdowne), for the Canadian Trucking Alliance (CTA) in cooperation with law enforcement and the insurance industry. The aim of the study was to clearly explain cargo crime in Canada and to promote awareness of the issues and challenges facing Canada in coming to grips with the problem of cargo crime, estimated to be a \$5 billion problem in Canada. The study also sought to identify the trends in cargo crime across the country, to determine best practices already in use and to develop a roadmap for going forward. The report finds that although there has been much activity within the law enforcement, insurance and motor carrier communities, there remains much more to be done. Efforts are not well coordinated preventing the creation of a national impetus and strategy to effectively deal with the problem.

Background on the Canadian Trucking Industry

In Canada and across the globe, the rapid increase in cargo crime has become a major challenge for the transportation industry. Reported losses in the billions of dollars have soared worldwide and the need to respond to this growing threat has become a priority. While all modes of freight transportation are impacted, this report concentrates on the scope and impact (both short and long-term) of cargo crime on Canada's dominant freight transportation mode – trucking. Trucking in Canada is a \$65 billion industry that employs approximately 400,000 Canadians. Trucks move 90 per cent of all consumer products and foodstuffs within Canada and almost two thirds, by value, of Canada's trade with the US, Canada's largest trading partner. The impact of cargo crime perpetrated against the trucking industry has reached a point where it merits immediate attention as the repercussions are felt throughout the supply chain and by extension by the Canadian economy as a whole.

Cargo Crime: Not a Victimless Crime

Cargo crime is the illegal handling of otherwise legal goods carried as cargo and covers a number of criminal acts including theft, larceny, and robbery. Cargo crime is also linked to smuggling and national security threats. Too often it is perceived as a victimless crime – an incorrect perception that needs to be addressed and dispelled. The effects of cargo crime reach much further than its direct stakeholders.

The Cost and Impacts of Cargo Crime

The costs of cargo crime are enormous. Insurance industry sources peg the cost of cargo theft to be a \$5 billion problem in Canada. For trucking companies, the losses can be staggering. According to insurance industry sources a trucking company operating on a five percent (5%) profit margin must generate over \$1 million in new business to cover a

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\$50,000 loss. But, the economic losses created by cargo crime reach beyond their direct effect on trucking companies and insurance companies. As cargo theft creates losses the fallout means increased rates which then translate to higher prices for consumer products. The amount of cargo that is stolen and sold in illegal markets shifts revenues from legitimate businesses to criminals and depletes tax revenues.

Increasing Level of Violence Associated With Cargo Crime

What is more disturbing is the recent increased use of violence in the perpetrating of cargo crime observed in the industry. Law enforcement officials believe that as cargo crime increases and criminals become more powerful and embolden, cargo crimes will become more violent. Aside from the obvious financial losses to carriers and insurance companies, cargo crime puts the well-being of truck drivers and other industry employees at risk. Drivers are sometimes physically attacked by criminals and are also coerced into facilitating cargo theft.

The Role of Organized Crime

Proceeds from stolen cargo are in turn used to fund further criminal activities, thereby increasing the power of the criminal groups. Cargo crime reaps high profits and thus, is a very attractive form of crime. Cargo crime requires a network of criminals to both commit the theft and distribute the stolen goods. Cargo thefts are typically committed by well organized criminals who use the proceeds to fund other illegal activities such as smuggling and drug smugglers often target truck drivers to transport drugs over the United States/Canada border. Well organized criminal elements are also infiltrating carrier companies as a means of furthering their fraud and theft activities. For these reasons, cargo crime is associated with organized crime in Canada. The involvement of organized crime in cargo crime cannot be overstated.

Law Enforcement Challenges

There are many challenges faced by law enforcement agencies in dealing with this type of crime. For example, the law, as currently written, does not differentiate cargo theft from general property theft. Law enforcement agencies must deal with the fact that cargo crime is viewed as property crime or an insurance issue. Furthermore, penalties do not seem to match the seriousness of the crime. Police sources note that someone caught with \$10,000 in cocaine will spend time in prison, but someone caught stealing \$1-million in plasma TV's may not even go to jail. These two issues result in a lack of enforcement resources being deployed to combat this crime. The result is that carriers do not want to report incidents because of lack of success by law enforcement agencies in solving these perceived low level crimes. Another issue is the lack of information sharing regarding cargo crime across the country. The lack of a standardized reporting system to capture cargo crime activities is hampering the effective combating of this crime. Finally, cargo crime does not benefit from a sufficiently high profile with federal and provincial governments to compel them to take necessary legislative and policy action.

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Action to Date

In Canada, stakeholders consisting of motor carriers (the trucking companies), their customers, insurance companies and law enforcement agencies share the similar goal of raising the profile of cargo-related crime with the intent of reducing its impact on the trucking industry and Canadians in general. These stakeholders, among others, are currently taking various steps to address the growing problem of cargo crime in Canada. Trucking companies have advocated for policy changes, heightened their personnel and cyber security awareness and, where possible and within their financial capabilities, taken steps to improve their physical security measures. Law enforcement agencies have created programs to train and raise awareness of front-line police officers and have put in place telephone tip lines to involve the public. Insurance companies are improving their data-capturing capability and are collaborating with other stakeholders to set up local crime task forces. In spite of the steps already taken, numerous issues or challenges continue to exist and additional measures need to be implemented to get control over cargo crime.

More Needs to be Done

From this study and supporting research, a number of measures are proposed to address the concerns, issues and challenges faced by these stakeholders in addressing cargo crime:

Government

Government has an extremely important role to play and should:

- Redefine simple “theft” to include “cargo theft” which has ties to organized crime;
- Ensure that penalties associated with cargo crimes reflect the extent and impact of the problem;
- Ensure issue of cargo theft becomes a priority for increased police resource allocation and legislative change.

All Stakeholders

- Increase opportunities for stakeholders affected by cargo crime (e.g., enforcement, insurance, shippers and carriers) to exchange information, discuss issues and work together to develop effective crime prevention strategies and standardized protocols.
- Raise the profile of cargo crime with the Canadian Association of Chiefs of Police (CACP) through its Private Sector Liaison Committee or the Organized Crime Committee to champion the cause of raising the priority of cargo crime with Public Safety Canada's National Coordinating Committee (NCC) on Organized Crime, its five Regional Coordinating Committees (RCCs) and public policy makers.
- Develop and promulgate a standardized reporting protocol across Canada to deal with cargo theft and the requirements of stakeholders. The use of the Criminal Intelligence

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Service Canada (CISC) Automated Criminal Intelligence Information System (ACIIS) may assist in this endeavour.

- Gain support of the CACP in running a large-scale project so that the extent of cargo crime can be fully determined (This may take the form of PATT (Provincial Auto Theft Team) clone under the new Organize Crime Enforcement Bureau (OECB) in the GTA.)

Insurance Companies

- Investigate the expanded utilization of the Insurance Bureau of Canada's software program that allows for non-attributable information sharing across the trucking community, from which police can distil regional and national trends.

Law Enforcement Agencies

- Enhance the education and training of enforcement officers on cargo crime (e.g., perhaps the National Pipeline/Convoy Program could be augmented to include a cargo crime element).

Trucking Companies

Obviously there are things that the trucking industry needs to do to protect itself, regardless of any changes that might be forthcoming in terms of legislation, penalties and enforcement resources. These include undertaking to introduce:

- Personnel Security Screening programs for new applicants;
- Route risk assessments which enable the carrier to plan out delivery routes that avoid high crime areas;
- Corporate security management systems; and
- Encourage greater participation of motor carriers in the movement against cargo crime and enhanced dialogue with intermodal partners across Canada and the United States.

The actions recommended in this report provide steps to reducing cargo crime in Canada.

Now is the Time for Action

The rate and severity of cargo crime is increasing resulting in criminal elements expanding their reach into the Canadian economy. This puts the safety and security of Canadians at risk. It is necessary to take action now to combat cargo crime and address vulnerabilities that are allowing cargo crime to occur. Put simply, the trend must be reversed before irreparable, irreversible damage is done to the trucking industry and, by extension, the Canadian economy.

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Appreciation

Lansdowne and the CTA would like to thank all those individuals and organizations who gave of their time and contributed their expertise. It was truly a group effort and all participants provided valuable input and were open and earnest with their desire to improve the effectiveness with which cargo crime is currently being tackled.