

SURFACE & DOMESTIC TRANSPORTATION

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By Joseph Bonney

“These professional criminal rings are extremely sophisticated.”

The company said the stolen pharmaceuticals had a wholesale value of up to \$75 million, making it possibly the costliest warehouse heist ever.

Police said it was a well-planned crime by professional burglars who struck during a predawn rainstorm on a Sunday, probably spent an hour or more inside the warehouse, and appeared to know exactly what they were looking for.

“These professional criminal rings are extremely sophisticated,” Brandman said. “It’s not uncommon for them to find a buyer, negotiate pricing and cut a deal before the facility is broken into. They’ll walk in with a predetermined shopping list of what they want — the SKUs and the quantities.”

Brandman and others said it’s likely the drugs were shipped quickly out of the country, possibly to be sold online.

FreightWatch International of Austin, Texas, said there were 46 reported thefts of pharmaceuticals last year, up from 35 in 2007. The average loss was \$4 million, nearly five times the average for electronics thefts. It was part of a trend in which the number of cargo thefts reached a record 859, up 12 percent from a year earlier.

Most cargo thefts are from trucks or containers in transit. Warehouse burglaries accounted for only 36 of the thefts FreightWatch reported last year. Some security consultants say this has made many companies complacent about warehouse risks.

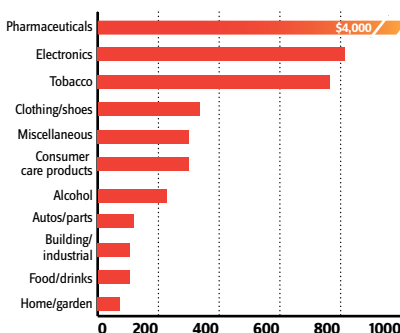
“They’re confusing being lucky with being good,” Brandman said. “If you were to poll 1,000 companies that hadn’t read about the Eli Lilly break-in and asked them if their company was adequately protected, probably 90 to 95 percent of the respondents

RX FOR SECURE WAREHOUSES

\$75 million Eli Lilly burglary highlights risks of theft in global supply chains

HIGH-VALUE CARGO THEFT

■ Average cargo theft losses per incident, 2009, in thousands of dollars.



Source: FreightWatch International, www.freightwatchintl.com

THE STUNNING THEFT of up to \$75 million worth of pharmaceuticals from an Eli Lilly warehouse this month has other companies wondering: Could it happen to us?

Probably yes, security experts warn.

“Too many companies in the supply chain rely on antiquated or cosmetic safeguards to protect their assets,” said Barry Brandman, president of Danbee Investigations of Midland Park, N.J. “They don’t realize how inadequate their security safeguards are until after they’ve been victimized.”

Corporate security officials are still buzzing about how Eli Lilly’s Enfield, Conn., warehouse was victimized on March 14. Burglars cut through a roof, rappelled to the floor, disabled the alarm and hauled away 70 pallets of Prozac, Cymbalta and other prescription drugs.

would say yes. If we were to do a vulnerability and risk assessment of their facilities, those numbers probably would be reversed.”

Criminal rings that pull off multimillion-dollar thefts like the one at Lilly’s warehouse are professionals, security consultants say. “It’s what they do for a living,” said Pat Murphy, president of LPT Security Consulting in Houston.

Brandman said these groups have an organized business structure and an array of specialized talent, including surveillance teams, electricians, technicians and “people who know how to drive every kind of vehicle you can imagine — tractor-trailers, forklifts, squeeze lifts, pallet jacks.”

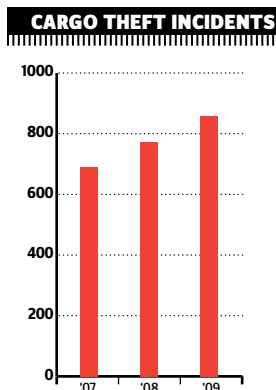
Gangs often spend months casing warehouses. They follow trucks, note routines of guards and other personnel, and try to plant accomplices as employees so they can provide details useful to thieves.

“When we do a post-event investigation, we typically find not one, not two but 15, 20, 25 major deficiencies in the way the building was protected, and that not just one system failed but a lot of systems failed,” Brandman said.

He said he once did a post-incident investigation into the theft of nearly \$10 million in goods in a warehouse break-in similar to Lilly’s. He found the theft gang used phony identification and references to post an employee inside, the poorly supervised weekend guard wasn’t at his station, the alarm system had been tampered with, and the thieves knew where to cut into the roof to disable the security controls without detection.

Prevention requires layered security systems that start with careful hiring, require adherence to procedures and include customized detection and alarm technology with backup systems, experts say.

Murphy said many warehouses have security policies that look great on paper



Source: FreightWatch International, www.freightwatchintl.com

but aren’t enforced. “It’s got to be part of the company’s culture,” he said.

Brandman said his company provides a toll-free tip line for employees to report suspicious behavior, and provides undercover investigators to thwart theft rings.

Another recommendation: Don’t rely on alarm sales representatives to design a security system. Brandman said they’re focused on marketing their own products, which often are the same for warehouses as for factories, stores or hospitals.

“Your design needs to be very customized, Brandman said. He recommends hiring a security consultant who can draft a request for proposals that matches a warehouse’s needs with appropriate technology and allows apples-to-apples comparisons of vendors’ bids.

Alarm systems are necessary but are no panacea. “I’m sure Lilly had an extensive video system, because they carried pharmaceuticals. However, it probably did not do much to protect them from this loss,” he said.

Video cameras provide after-the-fact images, but even those have limited value because warehouse burglars typically wear ski masks. They also tend to steal the video recorders after disabling the alarm system.

Security experts recommend backup intrusion alarm and video systems that provide alerts via RFID or cellular links that function after electrical wires are cut.

Without a good backup system, burglars often can work leisurely. Murphy said he once investigated a break-in at a warehouse equipped with a sophisticated alarm system but no backup. He said thieves cut the wiring and spent much of a weekend loading two trucks with \$4 million worth of cell phones. “They had so much time,” he said, “they could have ordered pizza.” **JOC**

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By William B. Cassidy

LTL CARRIERS TO SHIPPERS: YIELD

After massive losses, FedEx Freight and other carriers are seeking rate increases to rebuild profit

THE LESS-THAN-TRUCKLOAD SECTOR is yielding to the demands of yield, carrier executives insist, turning from price-cutting aimed at rapidly gaining market share to rebuilding profit.

“Our number one focus is on yield and that will drive our return to profitability,” William J. Logue, president and CEO of FedEx Freight, told investors on March 18, as the LTL carrier announced a significant operating loss for the quarter ending Feb. 28.

Logue joined a chorus that includes Conway Freight President John Labrie, YRC Worldwide Chairman and CEO William D. Zollars and other top LTL executives. “The biggest issue we face is definitely price,” Labrie said in February. “We’re just not chasing bad business,” Zollars said of YRC’s efforts to improve its profitability per shipment.

Shippers may not be so yielding, however, when it comes to higher LTL rates. While many carriers say the general rate increases they introduced in January are sticking, it may be tougher to convince shippers to accept higher pricing in contract talks, especially when there are plenty of trucks out there ready to haul LTL freight.

“I think it does take time to see the kind of results we are looking for,” Michael T. Glenn, executive vice president of market development for all FedEx, said in the March 18 conference call. “It’s not a situation where there’s going to be a 180-degree turn.”

Some in the industry see pricing starting to firm. “There are two words shippers better get familiar with: yield management,” said