

KEEPING YOUR CARGO SAFE

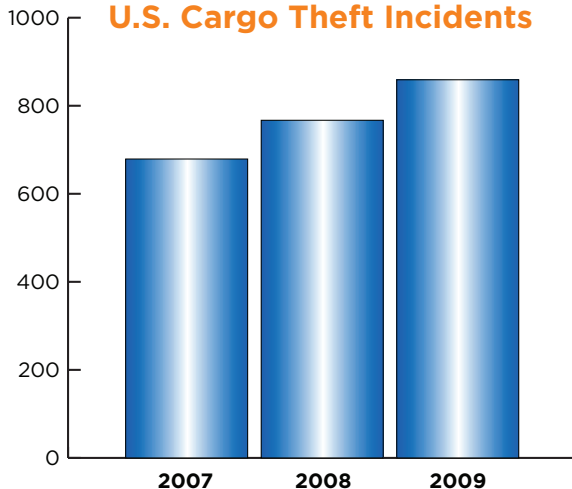
A 360° Approach to Freight Security in an Unsafe World

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There is no doubt that supply chains are complex, and this complexity creates vulnerability. Unfortunately, we live in an age where a growing number of people are looking to exploit these vulnerabilities. Still, that doesn't mean that we have to accept cargo thefts as a by-product of freight movement. Working together, carriers and shippers can be successful in dramatically reducing the incidence of cargo theft by following some simple steps.

According to FreightWatch International's 2009 Annual Cargo Theft Report, cargo thefts industry-wide jumped 13 percent in 2008 and another 12 percent last year. That equates to an average of 72 truckload theft incidents each month in the United States, which is the most ever recorded.

U.S. Cargo Theft Incidents

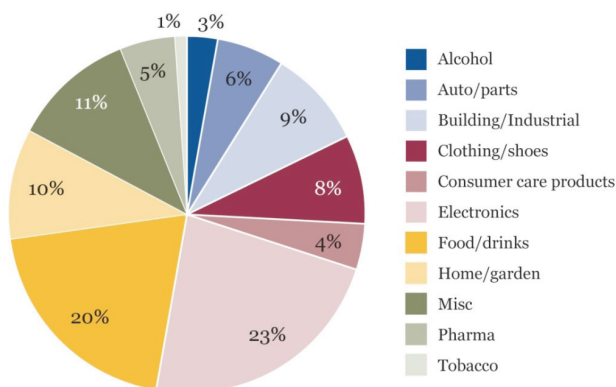


Source: FreightWatch International



The thieves are getting smarter, more aggressive and more selective in their targets. They now excel at identifying the loads that carry high-value goods. Plus, their techniques for pulling off the heist have grown so sophisticated it takes a lot more than a simple lock to stop them. Despite thieves' growing sophistication, there are opportunities to enhance security practices among shippers and carriers alike.

2009 Thefts by Commodity



Shippers often assume their carriers and intermodal providers are doing everything possible to prevent cargo theft. That assumption, in itself, is dangerous. There are countless opportunities to reduce risk and secure a supply chain throughout the life of a load — whether it's moving on the road or on the rail. Shippers who are aware of these measures can, and should, hold their carriers accountable for executing tested best practices.

DEFINING THE STANDARDS

Some carriers are helping define the standards by which all others are judged. Schneider National, Inc., a premier provider of transportation, intermodal and logistics services, believes zero thefts is an attainable goal and is well on its way to realizing that milestone.

Schneider has emerged as the industry leader in safety and security. Driven by the company's core value of safety first and always, Schneider has created a culture that revolves around reducing risk in every area of the business. The numbers speak for themselves: In the past three years, as thefts skyrocketed within the industry, Schneider has been able to reverse that trend for its customers. In fact, Schneider's freight thefts dropped 22 percent in 2007, 31 percent in 2008 — and an amazing 75 percent in 2009.

Schneider is proud of this accomplishment, and its formula for keeping freight safe and secure is not secret. The company has been sharing its proven practices with the transportation industry and top government agencies for years as part of its quest to bolster safety and security nationwide. Schneider feels strongly that shippers need to be aware of basic security measures that can be easily implemented. These best practices are detailed in the text that follows.

2009 Full Truckload Thefts	Industry	Schneider
Electronics	196	1
Food/Drinks	170	1
Misc.	90	0
Home/Garden	84	0
Building/Industrial	77	1
Clothing/Shoes	68	1
Auto/Parts	56	0
Pharma	46	0
Consumer Care Products	30	0
Alcohol	29	0
Tobacco	12	0

Security checks generally fall into three categories: Personnel security, information security and physical security. To better demonstrate the overlap of these dimensions and the integration required for a secure move, let's break them down by type of move (truckload and intermodal) and phase of movement (load tender, pick-up, transit and delivery).

FREIGHT AT REST IS FREIGHT AT RISK

MOVING TRUCKLOAD FREIGHT SECURELY

Nearly 80 percent of freight moved in the U.S. makes its way from point-of-origin to point-of-destination (and sometimes, many places in between) via truck. That's a lot of freight to track and keep safe, but it can be done.

Load Tender

A secure move begins before the load even moves: at the point when the shipper tenders the freight to the chosen carrier.

- The carrier must communicate well and ask questions to gain the right information about the load's contents.
- If the load is determined to be high-value (usually \$100,000 or more) or a commodity typically identified as "highly fence-able" (e.g., pharmaceuticals, electronics, tobacco, alcohol, cosmetics, etc.), it should immediately trigger a special series of events.
 - The driver assigned to the load must have enough service hours available, and enough fuel, to run at least 200 miles after pick-up. Thieves target loads coming out of facilities and will track them for significant distances. If the driver stops 10 miles away, it will likely be hit.
 - The driver should be informed that this is a high-value load and requires special attention. At Schneider, any driver assigned to a high-value load participates in a three-way call with his/her manager and the customer service representative to review the details of the load and the steps that must be taken to ensure a safe and secure delivery.
 - The shipper should be offered team service for the load. This means two drivers will be with the load for the duration. While one sleeps, the other drives — meaning the load is rarely at rest. Freight at rest is freight at risk. There is an extra cost for team service, but it drastically reduces the risk of theft.
- The carrier should develop an understanding of the shipper's facilities and have full confidence that the shipper is committed to protecting the freight at point-of-origin. If there is any concern about the load being safely picked up, carriers can work with shippers to create a safer situation. For example, if the carrier notices that a particular shipper tends to load late — putting the driver(s) at the tail end of his/her service hours and unable to run the required 200 miles from pick-up to first stop — the carrier should educate the shipper about the inherent risk and work out a better solution.



Pick-Up

Secure deliveries require secure practices at pick-up.

- The carrier should try to dispatch/assign a trailer with unusual paint colors. A plain white trailer is an easy target, as it is harder for authorities to track and recover. The trailer should also be free of shipper brand markings.
- The driver(s) should fuel up before arriving at the shipper's facility, thereby eliminating any risk that comes with stopping to fuel soon after leaving with a loaded trailer or container.
- The driver(s) must complete a thorough inspection of the truck and trailer/container prior to pick-up, thereby reducing the risk of a breakdown in transit.
- While at the shipper's facility, the driver(s) must adhere to any and all security procedures required by the shipper.
- In the case of a live load, Schneider recommends having the driver(s) on the dock and involved in monitoring the loading process. Unfortunately, a good number of thefts are "inside jobs." Having the driver as an active participant provides another point of verification and helps to prevent thefts for both the shipper and the carrier.
- There is no such thing as a fool-proof lock, but they do deter thieves who focus strictly on unlocked trailers. If ever stopped for extended periods, Schneider drivers use an air cuff lock on the tractor (which secures the air valves and prevents the truck's brakes from being released) and a king pin lock on the trailer/container.
- Place a seal on the trailer/container, as well. Again, seals can be defeated, but intact seals generally indicate to drivers inspecting the load en route and personnel at the point of delivery that the shipment hasn't been compromised. Be sure not to consistently match a specific type/color of seal with a particular commodity as thieves can (and do) figure out the pattern, and use that knowledge to target specific loads.
- Freight is most vulnerable within 200 miles of pick-up and delivery. Therefore, it's critical for the carrier to have heightened monitoring for the first part of the freight move.

Transit

While the load is with the driver(s), many important practices must be followed.

- As mentioned previously, the driver(s) must not stop for at least 200 miles once they leave the shipper's facility.
- Team drivers should be assigned to a high-value load. If a solo driver is assigned, he/she will likely have to make routine stops along the way. He/she should stick to a pre-planned route that offers opportunities to stop at secure lots and facilities owned by the carrier (Schneider has a nationwide network of more than 35 secure facilities — each monitored 24/7 — and offers bonuses to drivers who do not stray from their pre-planned routes).
- If the driver(s) has to stop at a non-carrier-owned location (such as a truck stop), they should park in a well-lit area and back against a building or pole to prevent rear doors from being opened.
- At each stop, the driver should communicate with dispatch and inspect the equipment to confirm that the load has not been compromised.
- Should the driver notice anything unusual or suspicious (such as tailing vehicles), he/she should be trained to call 911 immediately.
- Be sure that the carrier you work with has trailer security monitoring. Schneider's trailer monitoring system continuously monitors each trailer on the road. It sends alerts when a trailer door has been opened or has been otherwise compromised. It can also determine if a trailer is loaded or empty.

- If the truck/trailer should happen to break down while under the load (or if an emergency requires that the original driver be removed from the load), the carrier must have mechanisms in place to get the load moving again. In the case of a repair, the Operations team must help the driver identify the nearest repair facility and work with that facility to make sure high-standard security procedures are put in place to safeguard the load until another driver arrives to finish the freight movement. If the driver experiences an emergency, the carrier should be able to direct the driver to the nearest, safest facility, where another driver can pick up the load (Schneider leases an additional 20–30 locations throughout the U.S. just for this purpose). In either scenario, the new driver must be ready and able to move at least 200 miles out from the relay point before stopping again.

Delivery

Just because the driver makes it to the consignee doesn't mean the job is done.

- Again, due to the vulnerability of the freight in the last miles of its move, the carrier should have a customer service team that pays closer attention to the load at this point in the move.
- For live unloads, Schneider advises the inclusion of the driver for the same reasons as stated previously regarding live loads.
- The driver must also be aware of — and comply with — security procedures outlined by the consignee.

MORE HANDOFFS, MORE RISK: INTERMODAL FREIGHT REQUIRES SPECIAL SECURITY STEPS

The growth of intermodal freight movements means more thieves target the railroads, as well. If managed correctly, freight can move securely and safely via this mode.

Load Tender

An intermodal move starts the same way as a truckload move — with a customer sending the load information to the carrier. But the way to keep an intermodal load secure differs drastically from its counterpart mode, and those differences kick in almost immediately.

- When the load is tendered, the carrier should begin communication with its railroad providers about the requirements for the particular load. For example, Schneider has procedures in place with its rail providers for high-value loads. When containers arrive at a rail yard, they are parked in a gated, well-lit area within eyesight of the yard's office. The load receives a security seal within 60 minutes of arrival and railroad security personnel inspect it every 3–4 hours. The rail provider also places a high security lock on the container and follows a similar protocol.
- Make sure to specify that the load travels in a container instead of a trailer, which is more vulnerable. Trailers on rail cars are easier targets for thieves as they balance on the rear of the trailer to gain entry through the doors.



Pick-Up

When you ship via intermodal, you first have to get the load to the rail yard. This adds another layer of complexity that must be addressed with new layers of security.

- The carrier should use its own equipment to pick up the load and dray it to the rail yard. A third-party provider should not execute the dray portion of the move. By adding another party into the mix, you add another hand-off, another driver, another variation of safety and security protocols, and a greater level of risk to your shipment.
- The dray move should go directly from the shipper to the railroad, and it must be a same-day move. The driver should have enough fuel to make the trip. In case of an emergency, the carrier should provide the driver with a safe, secure facility at which to stop.

Transit

Rail shipments often move more slowly than truck, making it ripe for the picking by opportunistic thieves. Therefore, special procedures are called for to make sure the container stays safe while in transit.

- When possible, the load should sit in the bottom position of the well car (with other containers on top of it) during the railroad portion of the move.
- Along the route, the railroad provider should have checkpoints at which inspectors and rail police check each container to make sure none have been compromised.
- If the load needs to move from one railroad to another, again make sure that the trip can be done in one day and insist your carrier uses its own equipment.
- Anytime the load is scheduled to in-gate at a rail yard, the rail provider should send a report to the rail police, informing them of its impending arrival.

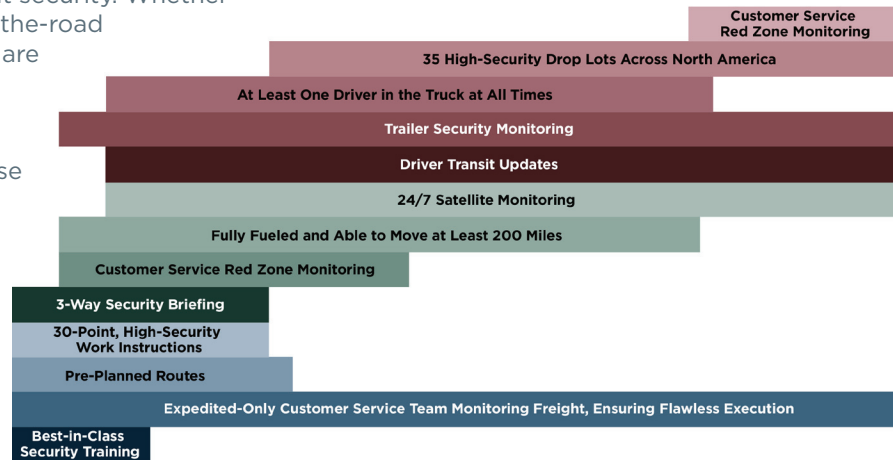
Delivery

The final part of the intermodal move can be the most dangerous. It's important to keep security top-of-mind at every point in the move, especially the final miles.

- The rules for delivery are similar to the rules for pick-up and cross-town rail moves: Carriers **MUST** use their own equipment and go straight from the yard to the consignee.
- Be sure that the carrier you hire trains its drivers to stay aware and alert, since cargo thieves stalk freight coming off the rail. They must know to contact authorities if they even suspect a threat.

LAYERING IT ON IS YOUR BEST LINE OF DEFENSE

As you can see, there is no metaphorical silver bullet to ensuring freight security. Whether your cargo travels over-the-road or via intermodal, there are multiple solutions that fall under each phase of the move. Shippers and carriers who only use one security technique for each phase of the supply chain leave plenty of room for risk or error throughout. It's the combination of actions that yields effectiveness in stopping cargo thefts.



Think about each of the solutions outlined previously as layers of security. When they are strategically layered one on top of the other, they cover up the holes that exist in the individual



PICKUP



TRANSIT



DELIVERY

layers. That's why it's critically important that you work with your carriers and intermodal providers to ensure there are multiple security checkpoints along every step in the supply chain. If you're not layered in your efforts, you're more likely to lose the load.

SHIPPERS MUST LEVERAGE BOTH HIGH- AND LOW-TECH SECURITY SOLUTIONS TO KEEP FREIGHT SAFE

Technology has revolutionized the transportation industry over recent decades and has altered almost everything about the shipping process. So it shouldn't come as a surprise that there are some sophisticated technological tools that play a role in keeping freight visible and safe. Here are a few:

- **Tracking devices in the load:** You can hire a security company to embed a small tracking device right in your shipment. This differs from trailer-tracking technology and allows shippers to track their product even if the goods get separated from the trailer.
- **Geofencing:** The use of this technology is becoming more widespread. Essentially, the carrier puts a virtual "fence" around the route that the load is scheduled to travel from pick-up to delivery. A tracking device allows the carrier and shipper (and railroad, if it's an intermodal move) to follow the load along the route. All parties are alerted the moment the load veers off the route or the device itself is impacted, enabling police to be immediately engaged in recovering the load.
- **Electronic seal:** These high-alert devices send an instant alert if the trailer or container seals are breached. In other words, if the doors are opened without authorization, the security team monitoring the shipment is immediately notified. Appropriate action can then be taken quickly.

As fantastic as these technological solutions sound, notice the only technology absolutely necessary to carry out the procedures recommended here involve relatively low-tech systems: Phones, computers and perhaps in-cab communication devices. While technology can aid in keeping your freight secure, it's by no means a replacement for basic, common-sense processes and good, old-fashioned communication. When your carrier has perfected those two elements, your merchandise will be far safer than anything being hauled by a company that relies mainly on the latest technology.

A CULTURE OF SECURITY SHOULD BE JUST AS IMPORTANT TO YOUR CARRIER AS IT IS TO YOU

Ensuring that your carrier follows the practices described here is a huge step toward tightening the security of your freight and minimizing risk. However, it's only half the battle. If the carrier doesn't wholeheartedly commit to instilling a culture of safety among its associates, there will undoubtedly be gaps at other points in the supply chain. These include:

- **Information technology:** Be sure your carrier is diligent about protecting the information concerning you and your loads in its systems. Access to this data should be restricted. Only those who need the data to successfully execute the move should have access. Schneider associates change their passwords every 45 days to make sure sensitive data is protected from those who no longer work with the company.
- **Customer service:** If your carrier touts its customer service as top-notch but then leaves drivers high and dry after-hours and on holidays, you've opened yourself up to risk. Most thefts happen on weekends, holidays and between 3 a.m.-5 a.m. If a driver experiences a problem during these "off hours," he/she can alert the company and resolve the issue before it grows into a situation that creates exposure for theft.
- **Hiring the right people:** Having the right person at the wheel is the biggest determinant for whether your load makes it to its destination safely and securely. You are entrusting that professional driver with your valuable product — a product your own customers are counting on receiving. That person should be intensely scrutinized before he or she joins the carrier's team of professionals. That means thorough background checks, pre-employment verification and clean driving records. As part of the background checks, carriers and intermodal providers conduct DOT drug tests. Drivers with addictions are at greater risk to be involved in cargo theft because of the need to finance their drug habit. Committed to doing more in depth drug screening than the standard DOT urine test, Schneider began hair follicle testing in 2008. Since implementation, Schneider's hair follicle test has knocked out five percent of the potential drivers that passed their DOT urine test. And when a driver is terminated, all access to facilities and information must immediately be pulled to protect the integrity of the organization and its customers.
- **Training, training and more training:** Just because a driver has a CDL does not mean that person is ready to haul freight. If your carrier isn't constantly assessing the performance of its drivers and helping them improve their skills, that's a sign of a weak safety culture. Even if they indicate no signs of less-than-stellar driving, Schneider drivers are required to participate in semi-annual training sessions, including the use of state-of-the-art simulator technology designed to enhance their skill-set. Security measures are embedded from day one so Schneider drivers instantly know how to react in any circumstance.
- **Constant communication:** As with many endeavors, communication is the glue that keeps the pieces of the safety and security puzzle together. That means expectations must be clearly communicated both internally and externally. At Schneider, drivers receive weekly alert messages that keep them aware of recent theft activity. Trucks are equipped with cutting edge in-cab technology that helps drivers stay in constant communication with the company and the world around them.



Maintaining a high level of security must influence every single business decision a carrier makes. Ask your carriers the hard questions about their commitment to safe and secure operations and be sure you get the right answers before that carrier is tendered a load.

COLLABORATE WITH SUPPLY CHAIN PROVIDERS TO STAY ONE STEP AHEAD OF THIEVES

While safely and securely shipping your product from point A to point B will never be as carefree as it once was, you can increase security of your shipments. All it takes is engagement in the process. Work with your carrier to identify and close the gaps in your supply chain security. Collaborate with your internal team and with the providers who touch your freight. Finally, anticipate the continually changing security environment and be ready to adapt. You and your carriers will have to continually evolve your procedures to stay one step ahead of the thieves.