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**GRAND THEFT CARGO:
EXAMINING THE COSTLY THREAT TO
CONSUMERS AND THE U.S. SUPPLY CHAIN**

HEARING
BEFORE THE
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
FREIGHT, PIPELINES, AND SAFETY
OF THE
COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE
ONE HUNDRED NINETEENTH CONGRESS
FIRST SESSION

FEBRUARY 27, 2025

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hearing held on February 27, 2025	1
Statement of Senator Young	1
Statement of Senator Peters	2
Statement of Senator Fischer	37
Statement of Senator Luján	40
 WITNESSES	
Chief Will Johnson, Chief Special Agent, BNSF Railway Police Department, Second Vice President, International Association of Chiefs of Police	4
Prepared statement	6
Robert Howell, Chief Supply Chain Officer, Academy Sports and Outdoors	9
Prepared statement	11
Adam Blanchard, Principal and CEO, Tanager Logistics and Double Diamond Transport	12
Prepared statement	14
Lewie Pugh, Executive Vice President, Owner-Operator Independent Drivers Association	26
Prepared statement	27
 APPENDIX	
Hon. Ted Cruz, U.S. Senator from Texas, prepared statement	45
Response to written questions submitted to Chief Will Johnson by:	
Hon. Ted Cruz	46
Hon. Amy Klobuchar	46
Response to written questions submitted by Hon. Ted Cruz to:	
Robert Howell	47
Response to written questions submitted to Adam Blanchard by:	
Hon. Ted Cruz	47
Hon. Amy Klobuchar	49
Hon. Ben Ray Luján	49
Response to written questions submitted by Hon. Ben Ray Luján to:	
Lewie Pugh	51

**GRAND THEFT CARGO:
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THURSDAY, FEBRUARY 27, 2025

U.S. SENATE,
SUBCOMMITTEE ON SURFACE TRANSPORTATION, FREIGHT,
PIPELINES, AND SAFETY,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:21 a.m., in room SR-253, Russell Senate Office Building, Hon. Todd Young, Chairman of the Subcommittee, presiding.

Present: Senators Young, Fischer, Moreno, Peters, Cantwell, Klobuchar, Markey, and Luján.

**OPENING STATEMENT OF HON. TODD YOUNG,
U.S. SENATOR FROM INDIANA**

Senator YOUNG. Good morning. The Subcommittee will come to order. We are today addressing an urgent and growing concern of cargo theft on this Subcommittee.

Last fall, PFL, a third-party logistics company in Evansville, one of Indiana's transportation hubs, lost a \$60,000 shipment when its cargo was stolen by a previously trusted carrier. For a small company, this kind of loss is absolutely devastating, one that employees and customers ultimately bear. This drives inflation at a time when inflation is top of mind of our constituents and, of course, undermines our rule of law.

PFL is just one of many companies who have fallen victim to a rising wave of cargo theft across the country, and they are asking for Congress to take action. They want us to work together with their industry to address this threat and come up with some concrete solutions. So I am grateful to all the stakeholders present today for your participation. I look forward to hearing your perspectives as we consider how to respond to this threat.

Since the COVID pandemic, cargo theft has surged across the country, reaching, by some calculations, a decade-long high. Once carried out by crude criminals, now with the rise of e-commerce, this crime domain includes sophisticated domestic and international groups, from China, Eastern Europe, and Mexico. They not only hijack trucks and rob rail cars but they exploit vulnerabilities in online transactions, concocting elaborate schemes, tricking businesses and third parties, and stealing or holding their cargo hostage.

Cargo theft is so difficult to spot and stop because it takes so many forms, from spoofing to fictitious pickups, from phishing to identity theft. Homeland Security Investigations estimates that the annual loss from cargo theft, quote, “accounts for 15 to 35 billion dollars annually.”

Of course, these costs are ultimately shouldered by customers when retailers raise prices to cover losses. These crimes are often committed by repeat offenders, and very few, 1 in 10 according to the American Trucking Association, results in arrest. The Federal Motor Carrier Safety Administration, which is responsible for regulating motor carriers, does not have adequate protections in place to identify fraudulent actors or remove them from its system, nor does the agency have the statutory authority to assess civil penalties for violations of its safety or commercial regulations.

At the state level, cargo theft is under-reported, over miscategorized as simple property crime. To effectively combat this evolving threat, we must—must—modernize our safeguards. I am hopeful that together we can begin the process of establishing and implementing those safeguard reforms today.

I look forward to a productive and meaningful discussion with our witnesses, and I look forward to thoughtful questions and exchanges initiated by my colleagues.

So at this time I will recognize Ranking Member Peters. I am proud to serve with him in this capacity on this Committee. Mr. Peters, I would like to recognize you to deliver your opening remarks.

**STATEMENT OF HON. GARY PETERS,
U.S. SENATOR FROM MICHIGAN**

Senator PETERS. Well, thank you, Chairman Young. It is good to be with you in working on this Committee, and I look forward to our work together in the years ahead, or in the couple of years ahead, to do some very meaningful work. There is a lot to do, a lot on our plate.

There are many priorities that I hope that we can work together to tackle in a bipartisan way, from improving roadway safety, to strengthening innovation in the auto industry, to addressing issues impacting our railroads and freight supply chains, to working to re-authorize the surface transportation bill and deliver new roads, bridges, and other infrastructure projects to our constituents.

I want to thank the Chairman today for holding this hearing on cargo theft, a growing threat to American supply chains and consumers, and I want to thank each of our witnesses for being here today. I look forward to hearing your testimony and how we can address this significant threat.

As we will learn today, cargo theft takes many forms, but one constant is that when goods are stolen, consumers ultimately pay the price with higher cost for everyday items. We will also hear today about the consequences of theft on independent truckers and small businesses, who can be driven out of business by fraudsters looking to make a buck. And beyond just this economic toll, I want to highlight the very real danger that cargo theft poses to transportation workers, some of whom are rail workers and truck drivers that have been threatened at gunpoint.

Since 2020, cargo theft occurrences have shot up, according to both industry reporting as well as agency complaints. A significant driver of this increase in cargo theft is organized transnational groups and cyber criminals. In fact, criminals sitting in Russia, China, and across the world can now steal physical cargo in the United States by setting up fake businesses and manipulating our supply chain.

We are going to hear from our witnesses today that this is a complex, interstate, and international problem that requires more Federal law enforcement and attention. The Federal Bureau of Investigation, Homeland Security Investigations, and the U.S. Attorney Offices can provide the resources and reach necessary to address this organized cargo theft.

However, we know that the Federal law enforcement resources are stretched very thin, and that is why I am also very deeply concerned about the Trump administration's actions to gut the Federal Bureau of Investigation and the Department of Justice, and why I am disappointed by the lack of pushback on this move from my Republican colleagues in Congress.

Since taking office, instead of increasing Federal law enforcement capacity and effectiveness, which I believe is the first step that we need to take to address this criminal trend, like cargo theft and fraud, President Trump has prioritized politicizing and gutting Federal law enforcement, included by—and let me just give examples—one, firing much of the FBI senior leadership, including the head of the Criminal, Cyber Response and Services Branch, which is actually responsible for criminal and cyber investigations worldwide.

Two, firing the heads of multiple critical FBI offices, firing dozens of prosecutors across the country for working on January 6th cases, and in one case forcing the resignation of six prosecutors, in 1 day, when they refused the President's request to abuse our legal system.

Three, institute a hiring freeze, preventing law enforcement agencies from recruiting new talent. If you are asking for more law enforcement, there is a freeze on new talent coming into law enforcement.

Four, in my home state of Michigan, defunding the state police by freezing resources for homeland security, terrorism prevention, and more.

Five, reassigning DOJ law enforcement officers as well as Homeland Security investigators to focus on immigration instead of investigating issues like cargo theft, terrorism, and human trafficking.

The list goes on. And I do not believe that these issues, law enforcement or addressing cargo theft, should be partisan in any way. Crimes in our freight supply chain harm consumers, small businesses, transportation workers, and our economy.

But I am sorry. I just cannot stay quiet about the dismantling of our Federal law enforcement during a hearing where our witnesses, rightly, will ask for increased law enforcement response. Well, just know it is being attacked right now. Ultimately, to solve this issue, I believe we actually need to fund the police and not fol-

low what President Trump is doing in defunding the police, like my state troopers in Michigan and others across the country.

We need to make sure that we have the people, from field agents to prosecutors, in place to deal with these complex, international cybercrimes happening in the freight supply chain, and this just cannot happen if the attacks we are seeing at the Department of Justice continues. And I would urge my colleagues across the aisle to join me in defending our law enforcement personnel.

I also know the solutions to rising cargo theft go beyond law enforcement. In the direct jurisdiction of this Subcommittee, Mr. Chairman, I look forward to hearing from witnesses about the types of actions that the Federal Motor Carrier Safety Administration can take to crack down on criminal organizations impersonating motor carriers or brokers to defraud shippers as well as to steal goods.

I also know that the FMCSA will need resources and direction from Congress to do this, and I hope that we can work across the aisle to make that happen, especially as we begin discussions of the Surface Transportation Reauthorization bill.

And finally, once again I want to thank our witnesses for being here today, for your contributions to the critical national supply chains that really literally form the basis of the American economy. I look forward to your testimony. Thank you again for being here.

I yield back.

Senator YOUNG. Well, thank you for your opening statement, Mr. Peters. We will get to our very distinguished panel momentarily.

I would just, in response to your comments, your emphasis on criminal activity and making sure we enforce the laws of the land, certainly well received. I do wish I had heard more from my colleagues over the last 4 years when the Take Care Clause was consistently not observed by the President of the United States. We had a "Weekend at Bernie's" for 4 years, when the President failed to enforce our border security. Now we are left with international criminal elements who have permeated this country, and dealing with the after effects of that. So perhaps we can work together on that issue. I think the people of Michigan registered their opinions, as did Indiana, that we need to secure our border.

Joining us today is Chief Will Johnson, Chief Special Agent at the BNSF Railway Police Department and Second Vice President of the International Association of Chiefs of Police. Prior to joining BNSF, he was the Chief of Police in Arlington, Texas, for 8 years, and he has been a police officer for 31 years.

Chief Johnson, you are recognized for 5 minutes, and thanks again for being here, sir.

STATEMENT OF CHIEF WILL JOHNSON, CHIEF SPECIAL AGENT, BNSF RAILWAY POLICE DEPARTMENT, AND SECOND VICE PRESIDENT, INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE

Chief JOHNSON. Good morning, Chairman Young, Ranking Member Peters, and members of the Subcommittee. Thank you for the opportunity to speak with you today on this important issue.

As mentioned, my name is Will Johnson, Chief Special Agent for BNSF Railway, and I appear before you today in my capacity as

Second Vice President for the International Association of Chiefs of Police. The IACP is the world's largest association of law enforcement executives. Today's testimony reflects the concerns of many police executives as they combat organized cargo theft in their jurisdiction.

The facts are stark. Strategic cargo theft in the trucking industry has increased 1,500 percent from 2022 to 2025, and accounts for 33 percent of all cargo theft reported by CargoNet.

The Association of American Railroads estimates that over 65,000 theft occurred in 2024, representing a roughly 40 percent increase over the prior year. In many of these cases, suspects endangered the public by sabotaging rail safety equipment so that they could commit their crimes.

Regardless of the mode of transit, cargo theft cases often cross multiple state lines, making jurisdictional coordination, prosecution, and data collection extremely difficult. The lack of a coordinated Federal cargo theft enforcement effort hinders effective prosecution. And food shippers have reported that criminal tampering with chain of custody seals for U.S. food shipments has put the Nation's food security at risk, and also caused inflationary food prices.

Finally, there are frequent reports of armed suspects engaging in violent takeover-style robberies, or shooting firearms during the commission of these burglaries. In short cargo theft is not a low-level property crime.

We generally observe three distinct suspect profiles in the commission of these crimes: (1) transnational organized crime members; (2) loosely organized criminal street gangs in urban areas; and (3) criminal opportunists.

Despite the challenges that each of these offenders represent, police officers continue to make significant arrests. In my submitted testimony, I outlined four recent examples for your review.

The nature of these crimes have evolved over the years, and a whole-of-government approach is required to address this challenge. The IACP does not believe that we have all the answers to this complex problem, but we urge this Subcommittee and the U.S. Congress to consider the following eight action items as a starting point for stakeholder engagement to find effective solutions:

We support the establishment of a Federal Supply Chain Crime Coordination Center and Supply Chain Fraud and Theft Task Force to address cargo theft in all aspects of the supply chain.

To direct funding to dedicated Federal prosecutors to tackle cargo theft cases.

To modernize the FMCSA vetting process to include stronger authentication methods, real-time carrier verification, and implement controls around the sale or transfer of DOT and MC numbers.

Increase criminal penalties for cargo theft cases and allow all victims' aggregated harm to be considered in these offenses.

To encourage public-private partnerships between corporate security teams, carrier monitoring services, load boards, insurers, and law enforcement through data-sharing initiatives, and allow the prosecution venue to be established at the place of offense, and also at the victim's U.S. corporate place of residence. This would allow for improved prosecution and reporting efforts.

To provide law enforcement agencies with the resources to support investigations into this complex and sophisticated criminal networks.

And finally, while the United States Customs and Border Protection has implemented changes to in-bond shipment processes, there is a further need to ease the burden on crime victims by allow CBP the authority to waive regulatory fines when cases are proven that theft had occurred.

Again, the IATP stands ready to work with this Committee and the U.S. Congress to develop and implement these solutions and to continue to raise awareness on this important issue.

I am happy to answer any questions now or at the end of all testimony.

[The prepared statement of Chief Johnson follows:]

PREPARED STATEMENT OF CHIEF WILL JOHNSON, SECOND VICE PRESIDENT,
INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE

Good morning, Chairman Young, Ranking Member Peters, and members of the Subcommittee on Surface Transportation, Freight, Pipelines, and Safety. Thank you for the opportunity to speak with you today about a pressing issue for the policing profession and our communities—the growing threat of crime directed towards the U.S. Supply Chain. I appreciate you convening this hearing to raise awareness on this important topic, as we collectively work to implement solutions.

My name is Chief Will Johnson, Chief Special Agent for the BNSF Railway Police Department. BNSF Railway is one of the largest railroad companies in North America, operating in 28 U.S. states and three Canadian provinces. Prior to joining BNSF, I was the Chief of Police in Arlington, Texas, for eight years, and I have been a police officer for 31 years. I appear before you today in my capacity as the Second Vice President of the International Association of Chiefs of Police (IACP). The IACP is the world's largest association of law enforcement leaders, with more than 34,000 members in 178 countries. Today's testimony represents the concerns and challenges many state, county, local, tribal, and rail police executives are experiencing as they combat organized cargo theft in their jurisdictions.

Since the COVID-19 pandemic, we have seen a steady rise in organized cargo crime, with criminals becoming increasingly sophisticated, emboldened, and aggressive.

The facts are stark:

In the trucking industry:

- Strategic cargo theft, or theft by fraud or deception, has increased 1500 percent from 2022 to 2025 and accounts for 33 percent of all cargo theft reported to CargoNet
- Organized crime groups are exploiting gaps in the Federal Motor Carrier Safety Administration (FMCSA) regulations to commit strategic cargo theft, misdirected loads, and double-brokering scams, which impact freight owners and legitimate carriers.

In the rail industry:

- The Association of American Railroads estimates that over 65,000 thefts occurred in 2024, representing a roughly 40 percent increase over the prior year.
- Suspects are sabotaging rail safety equipment, such as rail traffic signal systems and emergency braking systems, to stop trains in motion to commit cargo theft. This endangers rail employees, puts communities at risk of potentially hazardous material rail derailments, disrupts passenger service, and disrupts vital supplies needed in communities all across America.

Regardless of the mode of transit:

- Cargo theft cases often cross multiple state lines, making jurisdictional coordination difficult. This fragmented approach results in reporting barriers for victims, causing significant crime data collection deficiencies.
- State-level police and prosecution efforts are challenged by a tremendous number of competing priorities for resources, such as addressing the fentanyl epi-

demic and violent crime in the community. This focus has either directly or indirectly impacted effective property crime enforcement efforts. Criminals have exploited this vulnerability. An example of this issue is the reported arrest and release of a cargo theft burglary suspect four times in one day. This level of recidivism, while cases are pending, is demoralizing to police officers working hard to protect the U.S. supply chain.

- The lack of coordinated Federal cargo theft enforcement and prosecution priorities results in inconsistent response levels across agencies and areas of responsibility.
- Beyond the criminal justice system reporting barriers, victims may be reluctant to report crimes due to concerns for brand identity, company reputation, and complex insurance claims, making it difficult to track the full scope of the problem.
- When victims want to report a crime, not all victims are recognized by the law. The supply chain is a complicated system of beneficial cargo owners, brokers, shippers, and carriers. Each entity incurs harm from these criminal acts, but the law does not aggregate the total harm.
- Furthermore, when stolen property is recovered during arrests or the execution of search warrants, victim identification is challenging because not all victims are the product manufacturers.

There are also collateral consequences:

- Despite data collection challenges, there is a clear correlation between the escalation of cargo theft crime and inflationary pressure on the U.S. economy
- Police agencies have reported that stolen cargo is often combined with illicit proceeds from organized retail theft in black-market fencing operations and re-inserted into the U.S. economy, further victimizing property owners and unsuspecting consumers.
- Police agencies and food shippers have also reported organized cargo thieves tampering with the chain of custody seals for U.S. food shipments, risking national food security and causing inflationary pressure on food prices.
- Although there are no known examples of criminals specifically targeting Department of Defense equipment in transit, the evolving risk is a possibility, given crime trends in other shipments
- Finally, there are frequent reports of armed suspects swarming cargo containers displaying firearms, engaging in violent “takeover” robberies, or shooting firearms during the commission of these burglaries. In short, cargo theft is not a low-level property crime.

As police agencies focus enforcement efforts on this crime trend, we generally observe three distinct suspect profiles:

1. *Transnational Organized Crime Members*—These are highly sophisticated and well-structured criminal organizations that operate across national borders. They often have extensive networks and resources, allowing them to plan and execute large-scale thefts with precision. Their command-and-control operations are persistent, meaning they continuously engage in criminal activities, often diversifying their methods to avoid detection and, in many instances, have buyers ready to purchase the illicit goods even before the product is stolen. These groups may use advanced technology to track and steal high-value cargo and may use both physical and cyber methods to conduct their crimes, making them a significant threat to global supply chains.
2. *Loosely Organized Criminal Street Gangs*—Unlike transnational crime groups, these gangs are less structured and operate on a smaller scale, typically in urban areas. They typically consist of habitual burglars who engage in cargo theft as one of many criminal activities. Their operations are more opportunistic and may not have the same level of resources as organized crime groups, but their frequent and unpredictable actions cause substantial losses.
3. *Opportunists*—This category includes individuals who are not part of any organized group but take advantage of theft opportunities as they arise. Unhoused individuals may engage in cargo theft out of necessity, targeting easily accessible goods. Social media-driven flash mobs represent a newer phenomenon where groups of people, often organized online, converge to exploit a specific theft opportunity. These opportunists are typically unorganized and act alone or in small, ad-hoc groups, making their actions sporadic but still incredibly disruptive.

Each group poses unique challenges to law enforcement and security professionals in preventing and disrupting this transnational crime across the 140,000 track miles of the U.S. rail network and over four million highway miles in the U.S.

Despite these challenges, police officers continue to make significant arrests. Here are a few recent examples that further highlight this issue:

- Feb 7, 2025, three suspects in three box trucks were arrested after fleeing from a burglary outside of Barstow, CA. At the time of their arrest, they were in possession of 20 laptop computers, and another 300 computers were located on the ground near the original burglary location.
- Feb 7, 2025, two Mexican Nationals who are illegally in the United States are charged with stealing approximately 71 cases of construction tools from a freight train traveling through the Mojave Desert.¹
- Feb 11, 2025, eleven defendants, including nine aliens illegally in the United States, are charged with Possessing Over \$440,000 of designer shoes stolen from a train in Northern Arizona. These suspects are believed to be part of a criminal organization that consists primarily of Mexican citizens with connections to the Mexican State of Sinaloa, who specialize in stealing from trains and have used the technique of cutting air hoses to control where trains with valuable cargo come to a stop.²
- Feb 18, 2025, police air support advised that approximately eight suspects were burglarizing a stopped train on the Cajon Subdivision, which is outside of San Bernardino, CA. Police air support followed some of the suspects to a local gas station, where patrol units made contact. Four suspects were arrested—one adult and three juveniles. Stolen property, burglary tools, and two handguns were recovered during the arrest.

These are just a few recent examples highlighting the problem. They represent safety concerns, lost jobs, higher consumer prices, and deprive communities of vital tax revenue. They pose a direct threat to public safety and economic well-being. The nature of these crimes has evolved over the years, and a whole-of-government approach is required to address this challenge effectively. Because of the interstate commerce nexus, this solution must be federally led and involve elected officials, business owners, transportation, law enforcement, and prosecution officials.

The IACP does not believe we have all the answers to this complex problem, but we urge this subcommittee and the United States Congress to consider the following actions as a starting point for stakeholder engagement to find effective solutions:

1. Direct funding to dedicated Federal prosecutors to tackle cargo theft cases
2. Modernize the FMCSA vetting processes to include stronger authentication methods, real-time carrier verification, and implement controls around the sale or transfer of DOT and MC numbers.
3. Increase criminal penalties for cargo theft cases and allow all victims' aggregated harm to be considered.
4. Encourage private-sector collaboration between corporate security teams, carrier monitoring services, load boards, insurers, and law enforcement through data-sharing initiatives to include cargo tracking and known offender tracking.
5. Allow the prosecution venue to be at the place of offense or the victim's U.S. corporate place of residence. This will improve prosecution and reporting efforts.
6. Provide law enforcement agencies with the resources and support to effectively investigate and combat these sophisticated criminal networks.
7. Support the establishment of a Federal Supply Chain Crime Coordination Center and Supply Chain Fraud and Theft Task Force to address supply chain fraud and theft throughout the rail, motor carrier, and intermodal systems and detect, disrupt, and deter organized theft groups targeting all stages of the supply chain.
8. While the U.S. Customs and Border Protection (CBP) has implemented changes to the in-bond shipment process to improve tracking and reporting, when cargo is stolen there is a further need to ease the burden of importers/suppliers in filing petitions for relief by allowing CBP the authority to waive fines in cases where theft is proven. While this issue largely affects oceanic

¹United States Department of Justice, Central District of California Press Release 25-030

²United States Department of Justice, District of Arizona Press Release 2025-016 Cecena-Castro

customers, a major source of complaints and frustration is when they are receiving regulatory fines after being the victim of a crime.

Again, the IACP stands ready to work with this committee and the United States Congress to develop and implement these solutions and to continue raising awareness of this issue.

Senator YOUNG. Thank you, Chief Johnson, for that testimony, the recommendations associated with it. We will most certainly have some questions for you.

Our next witness is Robert Howell, Senior Vice President and Chief Supply Officer for Academy Sports and Outdoors. Academy Sports operates 298 stores in 19 states and 3 distribution centers, in Texas, Tennessee, and Georgia. Mr. Howell brings 25 years of experience in supply chain management. We are grateful to have him here.

Mr. Howell, you are recognized for 5 minutes, sir.

STATEMENT OF ROBERT HOWELL, CHIEF SUPPLY CHAIN OFFICER, ACADEMY SPORTS AND OUTDOORS

Mr. HOWELL. Good morning and thank you, Chairman Young, members of the Committee and Subcommittee, for the opportunity to testify here today on a critical topic of cargo theft. I am Rob Howell, Senior Vice President, Chief Supply Chain Officer for Academy Sports and Outdoors, and in my role I am responsible for distribution and both domestic and international logistics.

Academy is a leading sporting goods and outdoor recreation retailer, headquartered in Katy, Texas, a suburb of Houston. We employ approximately 22,000 members across 298 stores in 19 states, including Texas, Illinois, Indiana, and Ohio. We also operate distribution centers in Texas, Tennessee, and Georgia.

We were founded in 1938, in San Antonio, and today Academy offers a broad assortment of outdoor, apparel, footwear, sports and recs products, including leading national brands and a portfolio of private-labeled products. Academy's mission is for us to provide fun for all, and we fulfill this promise through a localized assortment and the value that connects a broad range of customers.

During today's testimony I hope to increase the awareness of the impacts of cargo theft.

Organized cargo theft is rapidly growing and broad reaching, impacting supply chain networks both on the road and on the rail. Like many retailers, our goods are first shipped from a point of origin to our distribution centers through an interstate network. This allows us to efficiently move merchandise and equip our stores with the products families want, at a competitive price they appreciate, and when they need them.

In my 25 years in the supply chain I have never seen cargo theft this prevalent, and there has been a dramatic increase in the last two years. These types of thefts include load interception, identity theft, double brokering, and cyber fraud. There is a robust cargo theft network comprised of bad actors who demonstrate increasing levels of sophistication.

In the past, cargo theft typically represented as a bad actor stealing a truckload or duplicitously obtaining a DOT motor carrier number. In today's environment it has rapidly progressed, and it is common to experience cyber theft of online credentials and sys-

tems, perpetrators that cut doors on trucks so they do not break the security seal, stealing the product, fraudulently editing transportation documents, reattaching those doors, all in one transaction while eluding prosecution.

Recently we had shipment of what we call private-label swimwear. It was intercepted on its way from Nevada to our Texas distribution center. As you can imagine, this is critical at this time of the year for the season. Unfortunately, we had to react when that load was stolen and repurpose and reposition product throughout our network. You can imagine that takes incremental costs, incremental transportation, but we had to get this product available for our customers in time for the season.

If we did not get that product there, not only would our customers not be able to get that product they need but we risk losing that customer's loyalty and losing that relationship with that customer. Apart from the cost of lost merchandise, this also results in additional cost on us, shipment delays, and ultimately that impact to the consumer.

This type of theft impacts a variety of stakeholders. Third-party service providers, brokers, and carriers are attentive to the issue. When products are stolen we are notified by these third-party providers, and they launch investigations, engage authorities, and activate their mitigation teams. We then seek financial restitution for the cost of goods. It results in lost sales for our companies that can also be reflected in increased costs for more secure transportation. Additionally, we have had to intervene and make investments, tracking and tracing technology, GPS, as well as enhanced cybersecurity to protect the delivery of secured information.

Cargo theft also disrupts how we operate our business. In addition to the impact on merchandising, inventory management, and distribution centers teams as they work to replace the stolen merchandise, it also creates a need for additional time and resources to pursue the exploration and implementation of additional in-house solutions.

Most importantly, though, once again, cargo theft impacts the customer. When goods are stolen in transit we lose that individual sale, potentially that customer, and the ability to build loyalty long-term. This issue is exacerbated by the fact that some goods are seasonal, limited time or limited availability products, and we cannot easily replenish those goods. These lost sales can reduce sales tax revenue for the local communities we serve.

Partnering with industry leaders, like the Retail Industry Leaders Association, enables us to stay on top of best practices to help protect Academy Sports and Outdoors. There is a need for greater support to inform coordination, communication, with collaboration among local, state, Federal agencies, as well as the private sector, to mitigate the impact of retailers, brokers, carriers, and customers.

Thank you for the opportunity to share our experience, and I look forward to your questions.

[The prepared statement of Mr. Howell follows:]

PREPARED STATEMENT OF ROB HOWELL, SENIOR VICE PRESIDENT AND CHIEF SUPPLY CHAIN OFFICER, ACADEMY SPORTS + OUTDOORS

Good morning.

Thank you Chairman Cruz, Ranking Member Cantwell, Chairman Young, Ranking Member Peters, and members of the U.S. Senate Committee on Commerce, Science, & Transportation, and the Subcommittee on Surface Transportation, Freight, Pipelines, and Safety, for the opportunity to testify before you today on the critical topic of cargo theft.

I'm Rob Howell, Senior Vice President and Chief Supply Chain Officer at Academy Sports + Outdoors. In my role, I'm responsible for our supply chain operations, including our distribution centers, and domestic and international logistics.

Academy is a leading sporting goods and outdoor recreation retailer headquartered in Katy, Texas, a suburb of Houston. We employ approximately 22,000 Team Members—or employees—across 298 stores in 19 states including Texas, Illinois, Ohio, and Florida. We operate three distribution centers in Texas, Tennessee, and Georgia, and our Corporate office is also located in Texas.

Founded in 1938 in San Antonio, today Academy offers a broad assortment of outdoor, apparel, footwear and sports & recreation products including leading national brands and a portfolio of private label brands. Academy's mission is to provide "Fun for All" and we fulfill this promise through a localized merchandising strategy and value proposition that connects with a broad range of consumers.

The Rising Impact of Cargo Theft

Cargo theft is affecting shoppers across the country and disrupting their ability to find the items they need, when they need them. Organized cargo theft is rapidly growing and broad-reaching, impacting supply chain networks both on the road and on the rail system. Like many retailers, our goods are first shipped from the point of origin to our distribution centers through an interstate network. This enables us to efficiently move merchandise and equip our stores with the products customers want to purchase, at competitive price points they appreciate, at the time of need.

In my 25 years in supply chain I've never seen cargo theft this prevalent—and there has been a dramatic increase in the last 18-24 months including:

- *Load interception*—Diverting shipments from their intended destination
- *Identity theft*—Impersonating legitimate carriers to steal shipments
- *Double brokering*—Carriers or brokers subcontracting loads illegally or inadvertently to fraudulent carriers who then intercept the goods
- *Cyber fraud*—Stealing of online credentials or infiltration of transportation systems

In today's retail landscape, there is a robust cargo theft network comprised of bad actors who demonstrate increasing levels of sophistication. In the past, cargo theft typically presented as a bad actor stealing a truckload or duplicitously obtaining a DOT motor carrier number. In today's environment, it has rapidly progressed. It is common to experience cybertheft of online credentials and systems, perpetrators that cut doors on trucks—so they don't break the security seal—to steal the products, fraudulently edit the transport documentation, and reattach the doors all in one transaction . . . while still eluding prosecution.

At Academy we work only with reputable third-party companies that subcontract our loads to carriers from the point of origin to our distribution centers. In our experience, we most often see cargo theft in the form of identity theft or fraud.

For example, we had a shipment of private-label swimwear intercepted in transit in Nevada. The entire load was stolen, forcing us to reallocate swimsuits already in the Academy network to the intended destination of the shipment, our southern stores. It was shopping season for swimwear—this product was in demand and we knew if we didn't immediately reallocate merchandise we would lose those sales, and potentially, those customers, in the long-term. Apart from the cost of lost merchandise, this also resulted in additional transportation costs, shipment delays, and possible customer impact.

Real-World Impact on Retailers and Consumers

Cargo theft impacts a variety of stakeholders, including:

- *Third-party service providers*—Brokers and carriers are attentive to the issue. When products are stolen, we are notified by the third-party service provider, which then launches an investigation, engages authorities, and activates their internal loss prevention team. We then seek financial restitution. However, we are only eligible to be reimbursed for the inventory at cost—not retail. This re-

sults in lost sales for our company and can also be reflected in increased costs for more secure transportation. Additionally, we've had to intervene and make investments in how products are sealed, tracked and traced via technology and GPS, as well as moderating cybersecurity threats to ensure information is delivered securely.

- *Retailers*—Cargo theft also disrupts how we operate our business. In addition to its impact on our merchandising, inventory management, and distribution center teams as they work to replace stolen merchandise, it also creates the need for additional time and resources to pursue the exploration and/or implementation of additional in-house systems.
- *Customers*—When goods are stolen in transit, it means customers cannot buy them from us (either in-store or online). We lose that individual sale. We also potentially lose that customer and the ability to build loyalty with that customer in the long-term, as they may shop from another retailer with product available. The issue is exacerbated by the fact that some goods are seasonal—limited time or limited availability—and cannot be easily replenished. Those missed sales can also mean less revenue, through sales tax, for the local communities we serve.

Conclusion

Partnering with industry thought leaders like the Retail Industry Leaders Association (RILA) enables us to stay aware of best practices and trends to help protect Academy Sports + Outdoors. We also remain in constant communication with our third party partners. But that is not enough.

There is a need for greater support to inform coordination, communication, and collaboration among local, state, and Federal agencies, as well as the private sector, to mitigate impact to retailers, brokers, carriers, and customers.

Thank you for the opportunity to share our experience, and I look forward to your questions.

Senator YOUNG. Well, thank you so much for being here. Our next witness today is Adam Blanchard. Mr. Blanchard is Principal and CEO of Tanager Logistics and Double Diamond Transport. Mr. Blanchard founded his companies in 2014, and he currently operates 90 trucks and employs over 20 freight brokers.

Mr. Blanchard, you are recognized for five minutes.

STATEMENT OF ADAM BLANCHARD, PRINCIPAL AND CEO, TANGER LOGISTICS AND DOUBLE DIAMOND TRANSPORT

Mr. BLANCHARD. Thank you, Senator Young. Subcommittee members, thank you for the opportunity to testify. My name is Adam Blanchard, and I am the Co-Founder and CEO of Double Diamond Transport and Tanager Logistics.

Our trucking company was launched following a conversation I had with a close friend around my kitchen table. We put our first truck on the road in 2014, and we formed our brokerage shortly thereafter. Like small business owners, we faced daily challenges, yet we were blessed with an exceptional team.

Together we persevered and built a company that everyone in our organization can be proud of. We created dozens of jobs in the San Antonio, Texas, area, and today we operate about 90 trucks and 280 trailers.

About a year ago, our American dream turned into a nightmare when some unscrupulous criminals stole our identity. By capitalizing on our good name, they tarnished the reputation we had spent over a decade to earn. The scam worked like this. Posing as Tanager Logistics, the criminals brokered loads to unsuspecting motor carriers who delivered the cargo while the scammers pocketed the money. In just one example, they diverted a full truckload of energy drinks with a retail value well over six figures, over a

thousand miles, from Texas to California. Because the spoofed my company's e-mails, the driver was tricked into believing we had made the request for the transportation of that load.

While the criminals were using our name to enrich themselves, we were playing Whack-a-Mole, trying to counter their sophisticated techniques to mimic our website, e-mails, and operating authority. Even at this very moment, two Tanger Logistics are listed on the FMCSA's official website, my company and an imposter. We provided this evidence to FMCSA, but they refused to take it down.

Simultaneously, we were on the receiving end of misdirected rage from motor carriers who had also been scammed. Through no fault of our own, we were blacklisted by factoring companies for fraudulent invoices and nonpayment to those motor carriers.

We sought to report these crimes, but kept hitting dead ends with Federal, state, and local law enforcement agencies. My insurance company would not get involved because technically we did not have any cargo claims. The Texas Department of Public Safety informed us this was not their jurisdiction. The FBI recorded our information but never returned our call. The Department of Homeland Security met with us but refused to investigate. We did our due diligence, but the message was clear—you are on your own.

We might be on our own, but we are far from alone. Cargo theft is rapidly becoming a crisis, costing the industry up to \$35 billion annually. Strategic theft has risen 1500 percent since the first quarter of 2021. The average value per theft is now over \$200,000.

Cargo theft comes in many forms, whether it is imitating a legitimate company, pilfering goods over time, breaking into parked tractor trailers, or double-brokering fraud. These are complex, multijurisdictional crimes often involving organizational theft groups, yet there is no unified, dedicated Federal response.

Thieves emboldened by the lack of investigations and prosecutions are growing the size and sophistication of their theft operations. But there are a few common-sense steps we believe Congress can take to counter this.

First, direct FMCSA, the Federal Motor Carrier Safety Administration, to remove illegitimate carriers and brokers from the SAFER website. The industry should be able to trust that SAFER publicizes only legitimate entities so that we can make informed decisions when vetting business partners.

Second, pass the Safeguarding Our Supply Chains Act, which would establish a Federal task force dedicated to cargo theft.

Third, pass the Household Goods Shipping Consumer Protection Act, which would strengthen penalties against bad actors and protect consumers.

Currently, criminals view trucking as a low-risk, high-reward target. We must invert that calculus. When we were finally able to contact the thieves who stole our identity, the mere threat of law enforcement involvement was enough to deter them. The bad news is, if they are not scamming us, they are scamming someone else.

Trucking is a tough business, and we have no shortage of grit and determination. But our industry is not equipped to deal with organized theft groups on our own. We need help from Federal agencies and law enforcement with the resources and advanced technical capabilities to take this on. We implore Congress to pro-

vide resources and direction to pursue criminals who are exploiting small businesses that families have spent years, decades, or even generations to build.

Thank you for the opportunity to be here before you today, and I look forward to your questions.

[The prepared statement of Mr. Blanchard follows:]

**PREPARED STATEMENT OF ADAM BLANCHARD, PRINCIPAL AND CEO,
TANGER LOGISTICS AND DOUBLE DIAMOND TRANSPORT ON BEHALF OF
THE AMERICAN TRUCKING ASSOCIATIONS**

Introduction:

Chairman Young, Ranking Member Peters, and members of the subcommittee, I appreciate the opportunity to testify before you today on behalf of the American Trucking Associations (ATA).¹ My name is Adam Blanchard, and I am the Principal & CEO of both Tanger Logistics and Double Diamond Transport, headquartered in San Antonio, Texas. I am also a proud serving member of the Texas Trucking Association and am grateful for the opportunity to share with this subcommittee the challenges that I, my peers in Texas, and the trucking and supply chain logistics industry nationwide are experiencing with supply chain fraud and cargo theft.

ATA is a 90-year-old federation and the largest national trade organization representing the 8.5 million men and women working in the trucking industry. As a 50-state federation that encompasses 37,000 motor carriers and suppliers, ATA proudly represents every sector of the industry. From less-than-truckload to truckload carriers, from agriculture and livestock transporters to auto haulers and household goods movers, and from large fleets to mom-and-pop one-truck operators, ATA serves as the single unified voice of the trucking industry.

Since founding Double Diamond Transport and Tanger Logistics in San Antonio in 2014, we have been fortunate to grow the company to operate 90 trucks and employ over 20 freight brokers. As a full-service transportation provider, we offer reliable truckload transportation services using the latest technology and equipment to provide top-tier customer service. We are proud to have been recognized by Inc. Series 5000 as one of the fastest-growing private companies in San Antonio.

Our experience as both a trucking company and logistics provider has exposed us to the numerous ways in which bad actors are infiltrating our Nation's domestic supply chains. We have seen how easy it is for criminals to create fraudulent trucking companies and brokerages and steal cargo from the stream of legitimate commerce with near impunity, all while undermining the integrity of the trucking industry. I have been a victim of freight fraud numerous times, and unfortunately there is virtually no recourse for me or my company. I look forward to sharing the challenges I experienced working with federal, state, and local law enforcement, as well as Federal regulators, and discussing solutions to help our Nation better combat supply chain fraud and theft.

Thank you for convening today's hearing to consider these critical issues. I, along with the ATA, look forward to working with you to share information and inform potential legislative solutions to promote the safe and efficient movement of our Nation's goods.

What is Freight Fraud?:

Thieves, Organized Theft Groups (OTGs), and Transnational Criminal Organizations (TCOs) are currently infiltrating and exploiting the Nation's transportation and distribution networks because these criminal schemes are considered low-risk and high-reward. In other words, there is significant money to be made and very little risk of criminal exposure. According to the National Insurance Crime Bureau (NICB), cargo theft in the United States is a \$15 to \$35 billion industry.² The fraud and cargo theft plaguing the trucking industry, and our Nation's supply chains more broadly, materialize in many ways. There are two main categories of cargo theft: straight theft and strategic theft.

¹ The American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of 50 affiliated state trucking associations and industry-related conferences and councils, ATA is the voice of the industry America depends on most to move our Nation's freight.

² National Insurance Crime Bureau. On the Rise: Cargo Theft, a Billion Dollar Industry. <https://www.nicb.org/news/blog/rise-cargo-theft-billion-dollar-industry>.

Straight Theft

Straight theft is the most common form of theft and has been around for as long as trucks have been delivering freight. Straight theft refers to thieves physically stealing cargo from a shipment. Thieves typically target products that can be sold quickly on the market, and this type of theft can be very profitable. Examples include:

1. *Burglary*—Thieves steal goods directly from truck trailers, usually when truck drivers are stopped along their routes at truck stops, parking lots, roadside parking, terminals, drop lots, and other areas where cargo could be left unattended, especially in retail store parking lots or other empty parking lots on weekends.
2. *Pilferage*—Thieves only steal some of the freight off a single trailer. Criminals pilfer small amounts, often over long periods of time. By taking only small amounts of freight at a time, thieves are able to avoid detection for much longer and pocket hundreds or even thousands of dollars of merchandise without much effort or risk.
3. *Hijacking*—Thieves use force, deception, or intimidation to seize the truck and its contents. Thieves may trick drivers into pulling over by signaling that something may be wrong with the truck, which then allows them to steal the freight. OTGs may target entire trucks or containers by using violence or other tactics to overpower drivers and seize the cargo. This can be opportunistic, or a truck can be tracked from its departure point and robbed at its first stop.

Strategic Theft

Strategic theft involves the use of fraud and deception to trick shippers, brokers, and carriers into handing loads over to thieves instead of the legitimate carrier. Strategic theft often involves identity theft and advanced cyber tactics to manipulate data. Strategic cargo theft is extremely profitable and lower risk relative to straight theft because strategic theft can be accomplished remotely and does not require thieves to physically touch the cargo. Examples include:

1. *Fictitious Pickups*—Thieves impersonate legitimate drivers and carriers by using altered paperwork, fake uniforms, and vehicle logos to steal shipments. The legitimate driver will often arrive to find that the shipment has already been released.
2. *Fraudulent Bills of Lading*—Thieves use the forged identity of a legitimate carrier to pick up a shipment, steal a portion of the freight, and re-create the bill of lading to disguise the theft. In this process, the unit count, weight, and seal numbers are altered on the bill of lading before the shipments are delivered to the final destination, where the unknowing receivers sign off. This type of theft can go undetected for months.
3. *Double Brokering Fraud*—A double brokering scam can take various forms in the trucking and logistics industry. Sometimes, the criminals pose as either legitimate brokers or motor carriers (*i.e.*, owning trucks, trailers, equipment, or drivers), or both, but they, of course, have no intention of moving the freight to the destination requested by the shipper. Instead, the criminals steal cargo by subcontracting the work to unwitting carriers who transport the freight to a different delivery point than the location specified by the shipper. The criminals do this by either convincing the legitimate carrier to deliver to a different destination or changing the bill of lading. Often, criminals engaged in double brokering fraud are not located in the U.S. and conduct their crimes through cyber means without ever physically touching the freight. It is also common for criminals to steal the identity of an existing broker or motor carrier by creating and using website domain names and business names that are very similar to the existing business information of real companies. For example, a real trucking company might use the website domain ABCMotorCarrier.com, and the criminal may create a fraudulent company with a slightly different website domain such as ABCMotorCarrierLLC.com. There are multiple victims with double brokering scams: the owner of the double-brokered freight, the motor carrier that unknowingly delivered the freight for the criminal and won't receive payment for their service, and the legitimate broker whose operations and integrity are undermined by fraudulent actors.
4. *Hostage Freight*—Freight can be held hostage by a broker, carrier, or rogue driver. Hostage freight refers to scenarios where brokers, carriers, or rogue drivers refuse to complete a delivery until their demands are met. Drivers or service providers may hold loads hostage when they think they are not being paid fairly, or as a means to renegotiate the terms of the initial agreement.

These situations can be complicated when associated with double brokering fraud. Hostage freight schemes are also fairly common in the moving and storage industry and occur when a moving entity holds a customer's belongings hostage by refusing to deliver them until the customer pays a significantly higher price than the original estimate. Thieves will use the customer's belongings as leverage to extort additional money. In many cases, the customer's goods are never returned even if the additional money is paid.³

USDOT & MC Number Fraud

The trucking industry and broader supply chain's growing experience with cargo theft is often tied to sophisticated fraud tactics undertaken by criminal organizations and lone bad actors. In many instances, these bad actors exploit vulnerabilities in the Federal Motor Carrier Safety Administration's (FMCSA) current carrier and broker registration system by stealing, falsifying, or creating counterfeit information to unlawfully acquire U.S. Department of Transportation (USDOT) numbers, Motor Carrier (MC) numbers, operating authority identifiers, and other critical data. USDOT requires the trucking industry to use these unique identifiers to ensure that only legitimate, authorized carriers operate on our roads.

Unfortunately, bad actors are increasingly targeting USDOT numbers, MC numbers, and other business identifiers to carry out their illicit schemes under the guise of legitimacy. Some common tactics include hacking into carrier databases, exploiting weak security practices, and phishing schemes. In some cases, these scammers create entirely fabricated carrier companies using stolen or purchased credentials. Fraudsters may register new companies using stolen information by extracting USDOT and MC numbers from publicly accessible databases or using phishing schemes to deceive companies into revealing sensitive information, including PINs and other personal details.

In other instances, they hijack existing carrier profiles by hacking FMCSA accounts via elaborate phishing schemes or online data mining. The fraudsters use the stolen credentials to establish a fake entity and alter legitimate company information in official records, like the MCS-150 form, to redirect communications to themselves. They then create websites and e-mail addresses that closely resemble those of legitimate companies (*i.e.*, spoofing), using fake phone numbers and e-mails to communicate with brokers and shippers and conduct what appears to be legitimate business.

Another common and concerning practice is the buying and selling of both stolen and legitimate business identifiers. It is relatively easy to find "black markets" online that feature USDOT and MC numbers in good standing. These markets often operate in plain sight on open Facebook forums and other public domains.⁴ Importantly, the buying, selling, and transferring of MC numbers on its own is not illegal, so there are limited means to "police" this practice and stop bad actors from purchasing unique identifiers with malintent.⁵ Additionally, trucking businesses are frequently purchased and consolidated, meaning the transfer of such credentials is inevitable and, in many cases, done for legal purposes. However, fraudsters often operate in a legal gray area by using legally obtained MC numbers to evade FMCSA's compliance guardrails and then conduct illegal operations.

Notably, fraudsters and cargo thieves specifically seek out the USDOT and MC numbers of companies that have strong safety records and established operational histories to both appear more credible and evade the scrutiny of law enforcement and regulatory bodies. By acquiring the business identifiers of companies with strong safety records, fraudsters can avoid certain compliance checks and bypass certain vetting processes that would otherwise expose them. Bad actors often offer registered carriers with excellent safety ratings tens of thousands of dollars to obtain their "valuable" MC numbers. They will pay even more to also obtain carriers'

³ WTW. (2024, December 18). High-value shipments at risk: The growing threat of strategic cargo theft. <https://www.wtuco.com/en-us/insights/2024/12/high-value-shipments-at-risk-the-growing-threat-of-strategic-cargo-theft>.

⁴ Examples of Facebook groups and domains where USDOT and MC numbers are exchanged: (1) "MC number buy/sell/assistance," <https://www.facebook.com/groups/808090098179571>; (2) "Operating Authority for sale (MC and USDOT)," <https://www.facebook.com/groups/764465795015988>; (3) "MC Number. Sale or buy," <https://www.facebook.com/groups/742321597745830>; (4) <https://dotnumberstore.com/>.

⁵ Lockie, Alex. (2024, October 10). FMCSA guidance on buying and selling MC numbers. Overdrive. <https://www.overdriveonline.com/regulations/article/15705499/fmcsa-guidance-on-buying-and-selling-mc-numbers>.

registration account credentials and other personal or business information to seamlessly infiltrate their established business networks.⁶

While domestic bad actors certainly play a role in targeting the vulnerabilities of FMCSA's current registration system, a significant amount of fraud originates internationally, particularly from TCOs and fraudsters operating in places like Eastern Europe, Central Asia, Southeast Asia, West Africa, and Latin America. These criminals often target U.S.-based registration systems to exploit the relatively easier access to legitimate identifiers like USDOT and MC numbers. Moreover, given how technology is embedded in nearly all aspects of the U.S. supply chain, it is relatively easy for bad actors in overseas locations to capitalize on technological vulnerabilities and perpetrate freight fraud.

My Experience With Identity Theft

Unfortunately, about a year ago, the business identity of my company, Tanager Logistics, was stolen by a bad actor. The identity thieves communicated directly with our business to tender a load on behalf of a trucking company and subsequently posed as Tanager Logistics to broker that load, as well as other loads, to motor carriers. While we still do not know today how exactly the fraudster obtained the sensitive business information that allowed them to impersonate our company, we believe they may have used publicly available information and setup packets to gain legitimacy. They brokered loads under our name, deceiving both shippers and carriers. This led to massive business disruptions, with angry trucking companies calling us and demanding payment for loads that the real Tanager Logistics did not broker or authorize. Worse, the fraudster used our identity to steal high-value freight, including truckloads of Red Bull, which were then diverted to suspicious warehouses in California and ostensibly shipped out of the country. Despite reaching out to our insurance provider, law enforcement, and even the Department of Homeland Security, we were met with indifference and red tape. The fraudulent actors used VPNs and domain spoofing techniques, making it nearly impossible for us to track them down on our own. This experience exposed a major flaw in the industry—there is virtually no recourse for businesses facing this kind of fraud. FMCSA and other regulatory bodies need stronger mechanisms to detect and respond to these scams in real-time. More importantly, Federal agencies must prioritize cyber capabilities to track and shut down these criminals before they can continue defrauding legitimate businesses like mine.

To this day, FMCSA's SAFER website still features two companies under the name "Tanager Logistics LLC": my company—the real Tanager Logistics LLC⁷—and another fraudulent business⁸ purporting to be my company. It is disappointing and aggravating that the Federal agency responsible for improving the safety of the trucking industry routinely publicizes fraudsters on a system intended to share "company safety data to industry and the public over the internet."⁹

Industry & Broader Public Safety Impacts

USDOT and MC number fraud not only victimizes legitimate carriers, brokers, and shippers, it also poses significant risks to public safety. Illegitimate carriers often operate unsafe vehicles, hire unqualified and uncredentialed drivers, and avoid regulatory oversight altogether. In some instances, these bad actors also engage in fraudulent insurance practices, further compromising the safety and integrity of USDOT's registration system and industry norms. Criminals use stolen or unethically purchased numbers to facilitate illegal activities beyond cargo theft, including human trafficking and the transportation of illicit substances and goods. Thus, the impact of this fraud extends far beyond the trucking industry itself, threatening the U.S. marketplace, public safety, and national security.

Without the deterrence of reliable investigations and prosecutions, the trucking industry is constantly vulnerable to potential fraud, and legitimate carriers must expend significant human capital and financial resources to protect themselves. Unfortunately, many smaller carriers and brokers lack the means, staffing, and financial resources to make such robust investments needed to protect themselves and their customers' cargo. This Committee plays a key role in safeguarding our Nation's transportation networks and supply chains. We urge you to consider how the prevalence of fraud and absence of any real deterrent undercuts the trucking industry's

⁶Lockie, Alex. (2024, September 30). How much is your MC worth? Maybe as much as \$30,000. Overdrive. <https://www.overdriveonline.com/channel-19/article/15704468/your-authority-might-be-worth-30000-to-freight-fraudsters>.

⁷Tanager Logistics LLC. USDOT Number: 2543054

⁸Tanager Logistics LLC. USDOT Number: 4326934

⁹U.S. Department of Transportation. FMCSA. About SAFER. <https://safer.fmcsa.dot.gov/about.aspx>.

ability to enhance the safety and efficiency of our fleets to keep up with America's transportation and supply chain needs.

FMCSA's Actions to Combat Fraud

FMCSA established a dedicated fraud prevention team in June 2024 to identify and respond to suspected cases of motor carrier and broker fraud and assist registrants who have fallen victim to fraud.¹⁰ While the team is still relatively new, FMCSA's goal is to play a role in actively mitigating the fraud that is occurring within the industry. The agency has also enhanced its practices and scrutiny around registration applications and documentation submitted via paper—a key source of many fraud incidents—and has begun transitioning towards more secure, encrypted online processes. Another short-term fix FMCSA has identified and undertaken is the suspension of online PIN requests to thwart fraudulent actors from using this tool to access the FMCSA registration system illegally. All PIN number requests are now completed by FMCSA mailing the information to a physical address on file.

FMCSA has also announced several planned upgrades to the registration system that build upon ongoing modernization efforts to further bolster security and deter bad actors. Importantly, FMCSA plans to eliminate MC and other operating authority numbers and instead require a single identifier (USDOT number followed by a suffix indicating operating authority type). While the move to consolidate these numbers into a single USDOT number is intended to simplify regulatory oversight and improve efficiency, it is also a key step in reducing fraud by centralizing carrier verification and compliance checks—moving away from siloed or one-off verification processes for multiple business identifiers. FMCSA believes a single-number system could help reduce vulnerabilities that allow bad actors to manipulate or steal MC numbers to deceive brokers and shippers. Other planned upgrades include the issuance of safety registrations that will be attached to the carrier's USDOT number, as well as more robust business verification processes and streamlined systems for identifying active and prohibited system users.

I, and ATA, strongly encourage the Committee to exercise robust oversight as these changes are put in place by the agency. While many of these updates will require formal rulemakings, the trucking industry welcomes changes to FMCSA's system that enhance security and deter fraud while maintaining user accessibility. In introducing these registration system enhancements, FMCSA must take caution to avoid creating undue administrative or regulatory burdens for carriers and brokers.

Organized Theft Groups and the Rise of Strategic Theft:

While cargo theft is not a new phenomenon, in recent years, it has evolved from a domestic enterprise into a sophisticated, international effort perpetrated by hostile entities. Organized criminal syndicates all over the globe have the means and wherewithal to create fraudulent trucking companies and brokerages and profit off vulnerabilities in U.S. supply chains, all without ever stepping foot on U.S. soil. These crime rings are predominately located in Eastern Europe, Africa, and South America. They continue to harm unsuspecting American companies, and ultimately consumers, because of the notable absence of any real deterrence (*i.e.*, investigations, prosecutions, and justice).

The COVID-19 pandemic precipitated the meteoric rise in frequency and sophistication of cargo theft. CargoNet logged 1,106 reported incidents of theft in 2019 and 1,181 reported incidents in 2018.¹¹ During this time, the vast majority of reported thefts could be categorized as straight theft. These crimes were carried out by relatively unsophisticated thieves who would steal freight when the opportunity presented itself. These thieves would sell the stolen goods at a deep discount, usually pennies on the dollar, in the same area where the goods were stolen. The thieves would live off those proceeds until exhausting their resources, at which point they would strike again.

Beginning in 2021, however, the trucking industry saw a dramatic shift in the cargo theft landscape. Strategic theft has risen by over 1500 percent since the first quarter of 2021.¹² Unlike the thieves of the past who engaged predominantly in straight theft, those engaged in strategic theft utilize fraud and deception to maximize profit and maintain a safe, physical distance from the theft itself. These criminals are often members of OTGs that operate massive networks within and outside the United States. The shift from opportunistic thieves to large OTGs gave rise to

¹⁰ Gallagher, John. (2024, April 24). FMCSA standing up registration fraud team. FreightWaves. <https://www.freightwaves.com/news/fmcsa-standing-up-registration-fraud-team>.

¹¹ Wolf, C. D. (2021, June 10). Truck cargo thefts skyrocketed amid COVID-19. Transport Topics. <https://www.ttnews.com/articles/truck-cargo-thefts-skyrocketed-amid-covid-19>.

¹² Wolf, C. D. (2024, October 4). Cargo theft experts warn of peak season fraud. Transport Topics. <https://www.ttnews.com/articles/cargo-theft-season>.

more complex and convincing fraud operations. Less than a decade ago, when smaller and less sophisticated groups were apprehended by law enforcement, it would take around 6–7 months for them to restart theft operations. Nowadays, when law enforcement successfully disrupts a large criminal network, it takes 30 days or fewer for that group to resume their freight fraud operations because of the relative ease with which bad actors can reinvent operations online. The constant cycle of seemingly futile efforts to combat crime as criminals simply move their operations elsewhere resembles a game of “whack-a-mole.”

Some OTGs are so vast and sophisticated that they have established their own call centers to manage their illegal supply chains. In many cases, these groups also operate seemingly legitimate warehouses and online marketplaces to store and sell stolen goods. In these scenarios, stolen goods are often exported out of the United States, repackaged, and then sold, sometimes for more than market value. A good example of this would be energy drinks. Certain energy drinks sold in the U.S. are banned in other countries, so thieves take advantage of the strong demand and sell the stolen drinks at an incredible mark-up in those foreign markets. Additionally, these types of products are usually seen as low-risk and high-value since they are easy to move and have high resale potential.

There are several factors and trends that are responsible for this uptick in frequency and sophistication of freight fraud. First, the COVID-19 global pandemic offered criminals a prime opportunity to exploit the vulnerabilities caused by a supply chain thrown into chaos by dramatic shifts in global supply and demand. Second, the digitization of domestic and international supply chains has created new vulnerabilities and thus opportunities for OTGs to exploit gaps using sophisticated and ever-evolving cyber capabilities. These groups can steal freight remotely by exploiting the technology that has been embedded into supply chains to move cargo more efficiently. Third, the erosion of traditional in-person direct business transactions—a past staple of traditional supply chain relationships—has created further opportunities for exploitation. Doing business with unknown companies and drivers has become normalized given that more shipments are now brokered via load boards and online platforms. This has made it relatively easy for the criminals to pose as legitimate brokers or carriers and fraudulently engage in business transactions with unwitting supply chain partners. Finally, the lack of coordinated investigations and prosecutions has emboldened these actions. Thieves have quickly realized that federal, state, and local law enforcement do not have the resources to stop them nor the interest to pursue sweeping investigations.

Many U.S. motor carriers are expending significant capital to protect themselves against these crimes, but obviously not all companies have the resources to do so. Several companies offer vetting services to motor carriers and brokers, but those services, while highly effective, come with an added cost. So, many in the trucking industry are often victims in one of two ways: either they lose significant sums of money through stolen freight, or they have to spend significant sums of money for services and advanced security measures to mitigate risk. With the speed at which our supply chain and cyber technologies are evolving, it costs more and more to fortify our businesses. Success in the transportation industry is no longer simply a matter of having the best drivers and the right equipment; motor carriers must now invest immense resources to have the strongest IT systems and the most diligent security personnel. In today’s trucking environment, a strong defense is necessary for survival.

Commonly Targeted Freight

In general, thieves and fraudsters target goods that they can steal and sell quickly. This means that lower-value shipments, which are presumably less secure, are very attractive to cargo thieves. Accordingly, food and beverage items are targeted frequently and were the most commonly stolen type of freight in 2024.¹³ Thieves prefer food and beverage products because there is consistently high demand, law enforcement typically does not initiate investigations of perishable goods quickly, and it is nearly impossible to track these items after they have been stolen.

Furthermore, thieves and OTGs are always adapting to their environment and changing their tactics to reduce risk and maximize profit. As soon as the trucking industry, our supply chain partners, and law enforcement agencies identify theft trends and patterns, the criminals have already pivoted to new tactics and new targets that are presumably less secure. The trends of targeted commodities thus reflect the state of the market and transportation security at any given time. For example, during the COVID-19 pandemic, thieves targeted shipments of medical sup-

¹³Verisk CargoNet. (2025, January 21). 2024 supply chain risk trends analysis. <https://www.cargonet.com/news-and-events/cargonet-in-the-media/2024-theft-trends/>.

plies and household supplies.¹⁴ Due to the ongoing outbreaks of highly pathogenic avian influenza (HPAI) and the related egg shortage, approximately 100,000 eggs were stolen from a semi-trailer in Pennsylvania earlier this month.¹⁵ Thieves are very perceptive to market conditions and will adjust their criminal schemes to capitalize on consumer demand.

Recent Examples of Cargo Theft in the News

- The U.S. Attorney's Office for the Northern District of Georgia announced that four men have been sentenced to prison for multiple cargo thefts of electronics, copper, and apparel throughout the Southeastern United States totaling more than \$1.7 million. The stolen goods were then taken to Florida and sold. The case was investigated by the Federal Bureau of Investigation (FBI) with assistance from the Miami-Dade County Police Department, Economic Crime Bureau, and the FBI Miami Field Office.¹⁶
- The Tulare County Sheriff's Office in Central California linked Mexican cartels to a \$2.25 million theft of heavy agricultural equipment and machinery. The individuals arrested face charges of grand theft, conspiracy, and receiving stolen property. A deputy district attorney says the maximum sentence would be three years behind bars.¹⁷
- The U.S. Attorney's Office for the Northern District of Illinois announced the indictment of a Lithuanian national for stealing over \$9.5 million in goods in the Chicago area. He allegedly exploited vulnerabilities in a Federal motor carrier registration system to obtain fictitious names, truck carriers, and brokers. He would then use these aliases to divert freight deliveries to alternate warehouses where he would then steal them.¹⁸
- The New Jersey State Police arrested four men from Philadelphia in a sting called "Operation Beef Bandit." The organized cargo theft ring broke into parked trailers at service areas while drivers were sleeping and stole "high-value goods" such as meat, alcohol, and seafood. The men are facing numerous charges, including receiving stolen property, possession of burglary tools, conspiracy to commit cargo theft, and criminal mischief.¹⁹
- The California Highway Patrol (CHP) announced that a monthslong multi-agency investigation into a cargo and vehicle theft operation in Southern California yielded more than 50 arrests, hundreds of thousands in U.S. currency, and over \$8 million in stolen cargo. During the investigation, investigators also recovered 425 pounds of methamphetamine, 48 gallons of liquid methamphetamine, a clandestine methamphetamine lab, 20 rifles and handguns, and 20 stolen vehicles.²⁰
- The U.S. Attorney's Office for the District of New Jersey announced that three men pleaded guilty to their roles in a conspiracy to burglarize approximately 55 United Parcel Service warehouses across the United States, resulting in the theft of over \$1.6 million worth of merchandise. The men sought parcels marked with "lithium-ion battery" warnings, which indicated that the packages contained high-value electronic devices such as cell phones.²¹

¹⁴ Wolf, C. D. (2021, June 10). Truck cargo thefts skyrocketed amid COVID-19. *Transport Topics*. <https://www.ttnews.com/articles/truck-cargo-thefts-skyrocketed-amid-covid-19>.

¹⁵ Hume, J. (2025, February 14). 100,000 eggs stolen: Breaking news or an old cargo theft trend? *FleetOwner*. <https://www.fleetowner.com/safety/article/55267606/egg-heist-highlights-food-and-beverage-cargo-theft-risks-but-is-it-a-trend>.

¹⁶ U.S. Attorney's Office, Northern District of Georgia. (2024, June 26). Members of a Cargo Theft Ring Sentenced to Prison. <https://www.justice.gov/usao-ndga/pr/members-cargo-theft-ring-sentenced-prison>.

¹⁷ Rodriguez, Rich. (2024, October 29). Sheriff links Mexican cartels to \$2.25 million theft of Central California farm equipment. abc3340. <https://abc3340.com/news/nation-world/sheriff-links-mexican-cartels-to-225-million-theft-of-central-california-farm-equipment>.

¹⁸ U.S. Attorney's Office, Northern District of Illinois. (2024, June 7). Suburban Chicago Man Charged in Federal Court With Stealing More Than \$9.5 Million in Interstate Shipments. <https://www.justice.gov/usao-ndil/pr/suburban-chicago-man-charged-federal-court-stealing-more-95-million-interstate#:~:text=The%20indictment%20alleges%20that%20Zigmantas,of%20theft%20of%20interstate%20shipments>.

¹⁹ Hartman, Trish. (2024, September 17). 4 Philadelphia men arrested in 'Operation Beef Bandit' in connection to organized cargo theft ring. 6abc. <https://6abc.com/post/4-men-philadelphia-arrested-operation-beef-bandit-connection-organized-cargo-theft-ring-tri-state/15314427/>.

²⁰ DuBose, Josh. (2024, June 27). Cargo theft sting nets \$325K in cash, \$8M in stolen goods and 51 arrests. KTLA5. <https://ktla.com/news/local-news/cargo-theft-sting-nets-325k-in-cash-8m-in-stolen-goods-and-51-arrests/>.

²¹ U.S. Attorney's Office, District of New Jersey. (2024, March 28). Three Philadelphia Men Admit Roles in Conspiracy to Burglarize United Parcel Service Warehouses Across United

- The Grapevine Police Department uncovered a multimillion-dollar cargo theft ring and charged seven suspects with engaging in organized criminal activity. The theft ring was responsible for burglaries of electronics and high-value merchandise totaling more than \$10 million in five cities: Grapevine, Plano, Fort Worth, Coppell, and Dallas.²²
- CHP's Organized Retail Crime Task Force and Cargo Theft Interdiction Program conducted a statewide enforcement operation called "Operation Overloaded," which targeted individuals involved in a cargo theft scheme believed to have stolen over \$150 million worth of goods from more than 200 cargo loads. CHP arrested 40 people during the operation and seized over \$50 million worth of stolen merchandise and 20 stolen cargo trailers. The authorities also confiscated several vehicles, multiple firearms (including ghost guns), over \$550,000 in cash, and 13 gold bars. The suspects involved in the theft scheme face several felony charges, including conspiracy to commit grand theft, grand theft of cargo, vehicle theft, and identity theft.²³
- The U.S. Attorney's Office for the Southern District of Florida announced that the final member of a cargo theft ring had been convicted of stealing 19,000 pounds of Perry Ellis perfume worth over \$230,000. The shipment was destined for Laredo, Texas, but 22 of the 24 pallets of perfume never left Hialeah, Florida, because of the theft.²⁴
- The Kentucky State Police announced that its Vehicle Investigations Branch had ended a year-and-a-half-long investigation into an organized theft ring allegedly responsible for around \$10 million in stolen freight. During the investigation, the Kentucky State Police opened 16 cargo theft investigations, resulting in 10 Federal indictments and seven arrests. Investigators had noted a rise in stolen freight throughout the state that specifically targeted the food and beverage industry, as well as an increase in incidents of copper theft.²⁵
- The U.S. Attorney's Office for the Middle District of Florida announced that four men have pleaded guilty to charges involving cargo theft of an interstate shipment of goods and receipt and possession of stolen goods. The men stole a tractor trailer containing \$500,000 worth of Patron tequila that was parked near U.S. Route 301 in Tampa. The tequila was an interstate shipment from Texas that was enroute to a business in Lakeland, Florida.²⁶
- The U.S. District Court for the Central District of California issued a final judgment against a moving company for repeated unauthorized transportation of household goods, in violation of FMCSA's registration requirements, and ordered to pay \$25,000 in fines.²⁷

Challenges With Understanding the Scope of Freight Fraud:

Because fraud and cargo theft within our supply chains are increasing at such an alarming rate, it is difficult to aggregate data that accurately represents the current breadth and scope of this problem.

Underreporting of Cargo Theft and Poor Data

Cargo theft is severely underreported in crime statistics. The FBI's Universal Crime Reporting program attempts to generate reliable statistics on cargo theft, but

States, Stealing over \$1.6 Million in Packages. <https://www.justice.gov/usao-nj/pr/three-philadelphia-men-admit-roles-conspiracy-burglarize-united-parcel-service>.

²² Myers, Doug and J.D. Miles, S.E. Jenkins. (2024, November 19). 7 charged with organized criminal activity in multimillion-dollar North Texas cargo theft ring. CBS News. <https://www.cbsnews.com/texas/news/seven-charged-in-north-texas-multimillion-dollar-cargo-theft-ring-bust/>.

²³ FCCR (2023, May 8). 40 Individuals Linked to \$150 Million Cargo Theft Scheme Arrested. https://fccr.co/40-individuals-linked-to-150-million-cargo-theft-scheme-arrested/?srsltid=AfmBOoon6CFDIDj0SvU-QR5A5c8VLS0Mq-pjEZgqOYJG3_PKvopVrzdl.

²⁴ U.S. Attorney's Office, Southern District of Florida. (2024, January 31). Final Member of Cargo Theft Ring Convicted of Stealing 19,000 Pounds of Perry Ellis Perfume Worth Over \$230,000. <https://www.justice.gov/usao-sdfl/pr/final-member-cargo-theft-ring-convicted-stealing-19000-pounds-perry-ellis-perfume>.

²⁵ Witkowski, Ryan. (2023, December 22). Cargo theft investigators recover over \$5M in stolen property. Landline. <https://landline.media/cargo-theft-investigators-recover-over-5-million-in-stolen-property/>.

²⁶ U.S. Attorney's Office, Middle District of Florida. (2020, October 29). Four Individuals Plead Guilty In Tequila Cargo Theft Ring. <https://www.justice.gov/usao-mdfl/pr/four-individuals-plead-guilty-tequila-cargo-theft-ring>.

²⁷ Federal Motor Carrier Safety Administration (2024, December 6). FMCSA Wins Landmark Judgement Against Moving Company. <https://www.fmcsa.dot.gov/newsroom/fmcsa-wins-landmark-judgement-against-moving-company>.

the most recent report was published in 2019, and local agencies are under no obligation to report. Additionally, industry reporting of cargo theft is not mandatory. The utilization of voluntary data on cargo theft from law enforcement and industry certainly understates the scope and value of cargo theft.

Importantly, freight fraud and cargo theft are regularly underreported by industry because transportation companies fear publicity that could damage their business reputations. They do not want to be perceived by clients or competitors as having weak security or poor management, which would risk customer relationships and future business growth opportunities.

Another factor contributing to industry underreporting is general confusion about appropriate reporting protocols. Motor carriers and brokers may not know the correct jurisdiction to which the crime should be reported because they may not know where or when exactly the theft took place. There are also situations when victims may reach out to law enforcement to report a crime and seek assistance for cases of fraud or theft, but rather than assistance, they are met with confusion and dismissiveness. Often, when trucking companies attempt to file a report with local and state law enforcement agencies, they are told to file a claim with their insurance company instead. This happens usually because local and state law enforcement officers often do not have the necessary training to recognize that cargo theft is not simply a property crime. Alternatively, law enforcement officers will note jurisdictional issues given the interstate nature of the crime and direct motor carriers to report elsewhere. Importantly, it should be noted that, for many motor carriers and logistics companies, it does not make financial sense to file theft claims with insurance because the value of the stolen freight is often less than their deductible.

Cargo theft is misunderstood for many reasons. First, the law that criminalizes cargo theft at the Federal level never mentions or defines the term, "cargo theft."²⁸ Furthermore, the state statutes defining and criminalizing cargo theft and other types of freight fraud are different for each state. As highlighted in a recent report from the Federal Maritime Commission (FMC), this inconsistency creates a lot of confusion for law enforcement, especially since these crimes usually involve bad actors who cross state lines.²⁹ It is not always clear which crimes constitute cargo theft and which agencies have the authorities to investigate and prosecute these offences. Jurisdictional confusion leads to ineffective enforcement of applicable cargo theft laws, and the absence of criminal investigations and prosecutions emboldens criminals to continue their illegal activities.

Fundamental misunderstandings about cargo theft among law enforcement officers, especially at the state and local levels, are not simply the result of negligent policing. Shifting priorities and the loss of dedicated funding means that law enforcement officers are not properly equipped to address this dynamic and complex issue. The sharp decline of experienced cargo theft investigators at state and local levels has been a common trend over the past several years. For example, the State of Georgia previously had a state-wide, leading-edge frontline task force dedicated to investigating cargo thefts. But in 2018, the task force was disbanded due to a lack of support from the state government.³⁰

Current Cargo Theft Data

With the prevalence of underreporting in mind, there are groups that have attempted to estimate the impact of these types of crimes. One such organization is CargoNet, which is a subscription-based information-sharing network that collects data about instances of cargo theft that are voluntarily submitted by companies, law enforcement, and other sources. In 2024, 3,625 theft incidents were reported to CargoNet, a 27 percent increase compared to the previous year. It is believed that this figure represents only a small percentage of the total thefts committed. In 2024, CargoNet estimated the total loss to industry at more than \$450 million. Per incident, the estimated average value stolen was \$202,364, up from \$187,895 in 2023.³¹

Overhaul, another company that provides various services in the cargo theft mitigation space, publishes a report annually that details significant theft incidents in the United States and Canada. According to their most recent annual report, Over-

²⁸ 18 U.S.C. § 659

²⁹ Bentzel, C. W. (2024, December). Cargo theft: Evaluation of the challenge of combatting cargo theft with recommendations on how to reduce the impact of cargo theft. Federal Maritime Commission. <https://news.fianet.org/wp-content/uploads/sites/3/2024/12/2024.12-FMC-Bentzel-Cargo-Theft-Report.pdf>

³⁰ Lockridge, D. (2025, February 20). Cargo theft likely to spike over the next seven days. Commercial Carrier Journal. <https://www.ccjdigital.com/workforce/safety/article/15281505/cargo-theft-likely-to-spike-over-the-next-seven-days>.

³¹ Verisk CargoNet. (2025, January 21). 2024 supply chain risk trends analysis. CargoNet. <https://www.cargonet.com/news-and-events/cargonet-in-the-media/2024-theft-trends/>.

haul recorded a total of 2,217 cargo thefts throughout the United States in 2024. These numbers represent a 49 percent increase in volume and a 17 percent increase in average value when compared to 2023.³²

Companies like CargoNet and Overhaul are publishing data based on the incidents that are reported, but as previously stated, cargo theft is notoriously under-reported. With that in mind, we are of the opinion that the problem is even bigger than what these organizations' data show. And we are not alone. NICB,³³ Homeland Security Investigations (HSI),³⁴ and the FBI³⁵ have all estimated that cargo theft in the United States is a \$15 to \$35 billion industry.

Barriers to Investigation and Prosecution:

ATA has been engaging with representatives from the FBI, the Department of Justice (DOJ), HSI, and USDOT. While these agencies know cargo theft is a significant problem in the U.S., often they lack the resources to make a dent in the problem.

State and local authorities could better help these Federal agencies by identifying and demonstrating links between various cargo theft cases in order to connect seemingly isolated thefts to an OTG. Establishing connections between multiple theft incidents will enable Federal authorities to take prosecutorial action, since the standard for Federal involvement is much higher. In order for DOJ to even consider prosecuting a cargo theft case, the value of the goods stolen must total at least \$1.5 million, according to the United States Sentencing Commission.³⁶ This threshold can be met in two ways: either a single theft incident totals at least \$1.5 million in losses, or multiple related theft incidents (potentially targeting multiple victims) total at least \$1.5 million in losses.

Given that the estimated average value per theft in 2024 was \$202,364,³⁷ it is imperative that state and local law enforcement better track incidents of cargo theft because most single incidents do not reach the monetary threshold to warrant Federal involvement. When dots are connected, DOJ can become involved, thieves can be prosecuted, and victims can receive justice. If law enforcement identifies a link (*i.e.*, a single OTG stealing multiple trailers) DOJ will have the green light to utilize more resources and dedicate more manpower to bringing these criminals to justice. Additionally, more prosecutions will serve as a deterrent, and hefty sentences will hopefully make potential offenders aware of the consequences of their actions.

One of the major reasons why it can be difficult for law enforcement agencies to connect individual theft cases is due to the inconsistency in the statutory definition of cargo theft across jurisdictions. As previously mentioned, statutes defining and criminalizing cargo theft are different for each state. Additionally, the law that criminalizes cargo theft at the Federal level never mentions or defines the term, "cargo theft."³⁸ These differences create confusion and make it difficult for investigators and prosecutors to combine efforts to combat cargo theft. Given that these crimes usually involve freight that crosses state lines, questions of jurisdictional authority regularly arise. Relatedly, as mentioned in the FMC report,³⁹ definitional differences often result in a struggle to form a unified assessment of offenses and to use the assessment to coordinate law enforcement response. Overall, jurisdictional confusion leads to ineffective enforcement of applicable cargo theft laws, and the absence of criminal investigations emboldens criminals to continue their illegal activities.

³² Overhaul (2025, January). United States & Canada: Annual Cargo Theft Report 2024. <https://over-haul.com/wp-content/uploads/2025/02/US-and-Canada-Annual-Cargo-Theft-Report-2024.pdf>.

³³ National Insurance Crime Bureau. (2024, November 15). The rise of cargo theft: A billion-dollar industry. NICB. <https://www.nicb.org/news/blog/rise-cargo-theft-billion-dollar-industry>.

³⁴ U.S. Immigration and Customs Enforcement. Operation Boiling Point. <https://www.ice.gov/about-ice/hsi/news/hsi-insider/operation-boiling-point>.

³⁵ Josephs, L. (2023, March 25). Cargo theft led by food and beverage is surging across the U.S. CNBC. <https://www.cnbc.com/2023/03/25/cargo-theft-led-by-food-and-beverage-is-surging-across-the-us.html>.

³⁶ U.S.C.C, § 2B1.1

³⁷ Verisk CargoNet. (2025, January 21). 2024 supply chain risk trends analysis. CargoNet. <https://www.cargonet.com/news-and-events/cargonet-in-the-media/2024-theft-trends/>.

³⁸ 18 U.S.C. § 659

³⁹ Bentzel, C. W. (2024, December). Cargo theft: Evaluation of the challenge of combatting cargo theft with recommendations on how to reduce the impact of cargo theft. Federal Maritime Commission. <https://news.tianet.org/wp-content/uploads/sites/3/2024/12/2024.12-FMC-Bentzel-Cargo-Theft-Report.pdf>

How Congress Can Help Combat Freight Fraud and Safeguard U.S. Supply Chains:

Economic security is national security, and the unfortunate reality is that our national security has been compromised because OTGs and TCOs have successfully infiltrated our domestic supply chains and exploited enforcement gaps in the stream of interstate commerce. The trucking industry and U.S. supply chains are both interstate by nature—goods cross state lines and move through ports of entry nearly every second of every day—which is why ATA and our supply chain partners are urging a Federal response to the alarming rise of freight fraud across the country. OTGs have identified the glaring gaps between local, state, and Federal law enforcement regimes as low-risk, high-reward opportunities to build out sophisticated fraud and theft schemes and remain undetected. OTGs are exploiting U.S. transportation and distribution networks with impunity because there is no concerted effort from the Federal government to investigate and prosecute. And without those critical deterrence factors, criminals will continue to infiltrate our supply chains, profit off the vulnerability of American businesses, and fund other illicit enterprises with the money generated from fraud and theft schemes. The costs of inaction are enormous, both in terms of financial losses and the denigration of national security.

Therefore, we urge Congress to embrace its responsibilities pursuant to the Commerce Clause of the U.S. Constitution and leverage the cross-cutting enforcement capabilities of the Federal government to help combat rampant supply chain fraud and theft. We are grateful to Senators Fischer and Duckworth for tackling the issue of fraud in the moving and storage industry by introducing the *Household Goods Shipping Consumer Protection Act* (S. 337). This legislation provides FMCSA with the necessary tools, resources, and authorities to protect consumers from fraud, while also helping small businesses in the household goods shipping industry protect their businesses and reputations. The *Household Goods Shipping Consumer Protection Act* will help prevent bad actors from preying on individuals and families during stressful relocation events.

Specifically, this bill restores FMCSA's ability to impose civil penalties against unauthorized brokers and other bad actors, allowing the agency to act swiftly in meting out penalties. The bill also requires companies operating in the household goods sector to maintain a legitimate place of business. Too often, consumers fall victim to scammers who set up freight businesses that exist only on paper and who have no sincere intention of helping them move. The *Household Goods Shipping Consumer Protection Act* gives states the ability to use Federal funds to enforce consumer protection laws and root out fraudulent actors before they strike. This bipartisan legislation is a critical element of a broader Federal response to freight fraud, and we hope that Congress advances it expeditiously.

We hope that this Committee will take further action to help combat freight fraud by supporting the *Safeguarding Our Supply Chains Act* (H.R. 8834 from the 118th Congress). The robust coalition of stakeholder support for the *Safeguarding Our Supply Chains Act* is a testament to the breadth and scope of U.S. industries that are impacted by supply chain fraud and theft. No industry wants to be seen as the target of criminal activity, but the situation has become so dire that the American Trucking Associations, along with the Association of American Railroads, the National Association of Manufacturers, the National Milk Producers Federation, the National Retail Federation, NATSO, the Retail Industry Leaders Association, the Transportation Intermediaries Association, the U.S. Chamber of Commerce, the U.S. Dairy Export Council, and the World Shipping Council have all joined together in advocating for Federal intervention through the *Safeguarding Our Supply Chains Act*.

The legislation directs HSI, in conjunction with the Attorney General and the FBI, to establish a Federal task force to prevent and reduce organized crime throughout all stages of the supply chain—including production, transportation, freight brokerage, processing, storage, distribution, and retail—as well as detect, disrupt, and deter OTGs and individuals that are targeting all stages of the supply chain. The legislation also directs HSI to establish a coordination center to collect and analyze data related to fraud and theft at all stages of the supply chain and identify regions in the United States, modes of transportation, distribution networks, and retail stores that are experiencing high volumes of organized crime. The intelligence generated by the coordination center will inform the personnel and resource allocations of the task force to ensure a dynamic and efficient response to evolving criminal tactics.

This legislation was modeled after the *Jaime Zapata Border Enforcement Security Task Force Act*, which was signed into law by President Obama in 2012. This law established the Border Enforcement Security Task Force (BEST) within the Department of Homeland Security (DHS) and is a premier example of successful collabora-

tion between federal, state, local, tribal, and foreign law enforcement agencies to execute coordinated activities in furtherance of national security objectives. The task force established by the *Safeguarding Our Supply Chains Act* mirrors the BEST's highly successful framework to similarly incentivize collaboration between law enforcement agencies. Because of the interstate nature of supply chain fraud and theft and its relation to organized conspiracy, the Federal government must take a leadership role in coordinating enforcement activities and connecting the dots. Moreover, given HSI's unique cross-border authorities and trade expertise, the FBI's role as the lead Federal agency in enforcing the Federal law on cargo theft (18 U.S.C. § 659), and FMCSA's exclusive authority to challenge fraudulent broker licensing, it is imperative that the Federal government harmonize its disparate functions to address the gaps in our supply chain that are currently being exploited.

Congress should also consider opportunities to address supply chain fraud and theft through the appropriations process. The FY 2025 Homeland Security Appropriations bill as passed by the House of Representatives directs Homeland Security Investigations (HSI) to establish a Supply Chain Fraud and Theft Task Force and provides \$2 million to fund the initiative. The FY 2025 Commerce, Justice, Science, and Related Agencies Appropriations bill as reported by the House Committee on Appropriations directs DOJ to allocate no less than \$2 million for the purpose of prosecuting crimes involving cargo theft and instructs several United States Attorneys' Offices to assign at least one attorney to prioritize cargo theft prosecutions. The FY 2025 Transportation, Housing and Urban Development Appropriations bill as passed by the Senate Appropriations Committee also directs a coordinated effort from the USDOT, DOJ, DHS's Supply Chain and Resilience Center, and relevant stakeholders to confront the issue of cargo theft.

Additionally, we encourage this Committee to oversee and support the critical work already underway at the FMCSA to address registration fraud and facilitate a smooth transition to the newly modernized and enhanced FMCSA Registration System.

Passage of the *Household Goods Shipping Consumer Protection Act* and the *Safeguarding Our Supply Chains Act*, Congressional oversight of FMCSA's transition to the new system, and enactment of key appropriations provisions that direct funding and Federal attention to the growing threat of organized supply chain crime are vital to our Nation's economic security.

In Conclusion:

Chairman Young, Ranking Member Peters and members of the subcommittee, thank you again for the opportunity to testify before you today on behalf of the American Trucking Associations. Supply chain fraud and cargo theft are imperiling the trucking and supply chain logistics industry. My companies, Tanager Logistics and Double Diamond Transport, have experienced these threats first-hand, and we have been forced to navigate a complex and often ineffective response from varying law enforcement agencies and Federal regulators. My peers in Texas, across the nation, and up and down the supply chain are confronting similar challenges. These challenges are sophisticated and are disrupting the supply chain, harming the economy, and ultimately, hitting the consumer.

It is imperative that action is taken at the federal, state, and local levels to confront and neutralize this growing threat. We need more cooperation and interagency information-sharing, as well as a more robust investigative and prosecutorial posture, to tackle these challenges head-on. Importantly, we need a commitment from Congress to provide the tools and resources necessary to facilitate that unified response.

The trucking and supply chain logistics industry stands ready to collaborate with every stakeholder committed to halting the rise of supply chain fraud and cargo theft, and we welcome the opportunity to work with this subcommittee, Congress, and the new Administration in that effort. Thank you for your attention and leadership in holding today's hearing. We look forward to a continued dialogue.

Senator YOUNG. Thank you, Mr. Blanchard. We will look forward to posing some questions. We are sorry about your troubles. You did a great job of personalizing those and making those real to us.

Our final witness, Lewie Pugh, is the Executive Vice President for the Owner-Operator Independent Drivers Association. Before joining OOIDA—well, that was close, right, Mr. Pugh?—Mr. Pugh was a truck owner-operator for nearly 23 years, and he earned the Million Miles Safe Drivers Award.

Mr. Pugh, you are recognized for five minutes, sir.

**STATEMENT OF LEWIE PUGH, EXECUTIVE VICE PRESIDENT,
OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION**

Mr. PUGH. Yes, Chairman Young, Ranking Member Peters, and members of the Subcommittee, I am Lewie Pugh, the Executive Vice President of the Owner-Operator Independent Drivers Association. I have over 30 years in the industry. Nearly 23 of those prior to working at OOIDA was being a small business trucker. And with those I accumulated about 2.5 million miles of safe driver. And prior to that I was a truck driver in the United States Army and still hold my CDL to this day.

OOIDA is the largest national trade association representing small business truckers and employee drivers. We have approximately 150,000 members, who cumulatively own about 240,000 pieces of equipment, or operate.

OOIDA's mission is to promote and protect the interests of our members and any issues that impact their safety and success, which increasingly includes freight fraud. In trucking, freight fraud is so easy to commit, it does not even take a savvy or experienced criminal to pull it off.

As you can tell from this panel of professionals, everyone from shippers, motor carriers, brokers are vulnerable targets. Often, the perpetrators of these crimes are based internationally, far beyond the reach of the American enforcement agencies. While certainly these cases of physical theft are occurring within our industry, most of the problems small business truckers face involves being scammed by fraudsters or swindled by unscrupulous brokers.

There are several factors contributing to this recent explosion in freight fraud—weak freight rates, overcapacity, we have had increased competition leading to greater susceptibility among small trucking businesses. Advanced technology and lack of Federal oversight and enforcement has also created an environment where fraudulent actors can thrive. Unfortunately, small trucking businesses are both the most vulnerable to fraud and the least likely to be able to recover from it.

Most commonly, motor carriers are held responsible for the loss of the cargo due to fraud, with costs ranging from tens of thousands to hundreds of thousands of dollars per incident. Several OOIDA members have lost their entire business after falling prey to a single case of freight fraud. This is not a hyperbole. It only takes one scam to completely ruin a small trucking business.

Fraudulent activities include double-brokering, criminals posing as legitimate brokers, rerouting schemes, identity theft, purchase of authority by fraudsters, and more. Truckers are doing all they can to protect themselves, but they are limited in their capabilities. For example, an OOIDA member does not have the resources to identify most of the sophisticated scammers. They lack the authority to ensure brokers are complying with existing transparency regulations. While there are systems in place that can help combat fraud, the Federal Government is struggling to provide support to shippers, motor carriers, and brokers is needed.

The first step Congress must take to improve this condition is passing Senate Bill 337, which is bipartisan legislation introduced

by Senators Fischer and Duckworth. This bill, which is supported by a wide variety of industry and stakeholders, gives the Federal Motor Carrier Administration the authority to level civil penalties against fraudsters. It also requires brokers to register with a physical address—this is something carriers have had to do for years—and it is a minor change that could have a major impact on protecting motor carriers.

Congress must also use its oversight to ensure existing programs can help prevent fraud or better prioritize. This includes improving FMCSA's National Consumer Complaint Data base, or NCCDB, which OOIDA has advocated for, for years.

Congress must also support regulatory efforts that are currently underway, such as insurance compliance with the broker bond requirements and creating a new registration system. Additionally, if FMCSA fails to produce a final rule that ensures compliance with existing broker transparency regulations, Congress must compel the agency to do so.

Since I began my testimony, a small business trucker has likely fallen prey to fraud that could jeopardize their entire business. That is how commonplace freight fraud is becoming in trucking.

We believe we have identified several critical steps Congress and FMCSA must take to weed out fraudulent actors, and look forward to working with these and answering your questions throughout the hearing. Thank you.

[The prepared statement of Mr. Pugh follows:]

PREPARED STATEMENT OF LEWIE PUGH, EXECUTIVE VICE PRESIDENT,
OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION

Chairman Young, Ranking Member Peters, and members of the Subcommittee, my name is Lewie Pugh and I am the Executive Vice President of the Owner-Operator Independent Drivers Association (OOIDA). Prior to working at OOIDA, I was a small-business trucker for nearly 23 years with 2.5 million miles of safe driving. Before operating my own trucking business, I drove a truck during my service in the United States Army. I still proudly hold a Commercial Driver's License (CDL).

ABOUT OOIDA

The Owner-Operator Independent Drivers Association (OOIDA) is the largest trade association representing small-business truckers and professional truck drivers. OOIDA has approximately 150,000 members located in all fifty states that collectively own and operate more than 240,000 individual heavy-duty trucks. OOIDA's mission is to promote and protect the interests of our members on any issues that impact their economic well-being, working conditions, and the safe operation of commercial motor vehicles (CMVs) on our Nation's highways.

Almost all freight in the United States is carried by a truck at some point and over 70 percent is carried exclusively by truckers. Small trucking businesses, like those we represent, account for 96 percent of registered motor carriers in the United States, making them a key component of the Nation's supply chain. We are undoubtedly the safest and most diverse operators on our Nation's roads. Every region of our country and segment of our economy relies upon long-haul truck drivers. Our members are an integral part of the global supply chain and have a unique perspective on the many challenges our Nation faces in moving freight in the safest, most efficient manner.

INTRODUCTION

Cargo theft and freight fraud are so incredibly easy to commit it doesn't even take a savvy or experienced criminal to pull it off. Everyone from shippers, receivers, motor carriers, and brokers are vulnerable targets. Too often, the perpetrators of these crimes are based internationally—predominantly Asia and Eastern Europe—far beyond the reach of American enforcement agencies. While there are certainly

cases of physical theft occurring within our industry, most of the problems truckers face involves being scammed by fraudulent actors or swindled by unscrupulous brokers.

These illegal activities exploded in recent years, increasing by 600 percent over the course of just 5 months between 2022 and 2023,¹ and have shown no signs of slowing. Estimates indicate these crimes cost our industry roughly \$1 billion annually.² The full impact on our economy and the American people is difficult to assess, but it undoubtedly contributes to higher consumer prices, as shippers and receivers look to recoup their losses with remaining products.

There are several factors contributing to the recent rise in cargo theft and freight fraud. Weak freight rates and overcapacity in the trucking industry have increased competition, leading to greater susceptibility to fraud among motor carriers. Advanced technology, coupled with a lack of Federal oversight and enforcement of regulated entities in the freight industry, have created an environment where fraudulent actors can thrive with little fear of being caught or punished for their crimes.

Most small-business truckers—who aren't contracted with a larger motor carrier—acquire loads from brokers on platforms called load boards. As shippers have become less likely to work directly with small carriers, reliance on load boards has increased dramatically over the years among owner-operators. Unfortunately, these platforms have simultaneously become fertile ground for nefarious actors. While the operators of load boards regularly use data to restrict access to truckers they believe may be scammers, very little is being done to crack down on the pervasiveness of fraudulent and unscrupulous brokers.

Unfortunately, small trucking businesses are both the most vulnerable to fraud and the least likely to be able to recover from an incident. Most commonly, motor carriers are held responsible for the loss of cargo due to fraud, with costs ranging from tens-of-thousands to hundreds-of-thousands of dollars per incident. In fact, several OOIDA members have lost their entire business after falling prey to a single case of freight fraud. That's not hyperbole. While large carriers are better equipped to absorb the cost of fraud, it only takes a single occurrence to ruin a small trucking business.

TYPES OF CARGO THEFT AND FREIGHT FRAUD IN TRUCKING

OOIDA members who have been victimized by freight fraud are most often targeted by scammers posing as legitimate brokers. This practice occurs in two distinct ways. First, many small trucking businesses fall victim to 'double brokering'. This is when criminals pose as motor carriers to acquire loads from brokers, then pose as brokers looking for truckers to complete hauls. When the freight is delivered, the legitimate broker issues a payment to the fraudulent actor, and the trucker who actually hauled the cargo is left high and dry. It is entirely possible brokers are unaware any fraudulent activity has occurred in these cases, but there are instances of fake motor carriers working closely with unscrupulous brokers to take advantage of small trucking businesses via double brokering.

The second type of scam involves the theft of a broker's identity to arrange the shipment of a load with a motor carrier. The trucker delivers the load and submits the appropriate paperwork to the fake broker, who then forwards the documents to the real broker, collects the payment, and disappears. Making matters worse for our members, small trucking businesses are also forced to absorb all the additional costs associated with moving the freight, including fuel, tolls, maintenance, and other expenses.

Some motor carriers have also fallen victim to reroute schemes. While hauling a fraudulently brokered load, the scammers contact the unknowing trucker with a new delivery address, often offering extra payment for covering the additional miles. Once delivered, the load is transferred to another truck and stolen, leaving the carrier responsible for the lost freight.

In other cases, a motor carrier's identity is stolen and used to secure a load from a broker. The fraudster then delivers the load to a warehouse, where it is transferred and stolen. The legitimate motor carrier, whose authority was compromised, is ultimately held liable for the value of the stolen load. And it's not particularly difficult to accomplish this type of scam. Every motor carrier is assigned a USDOT Number, which, along with addresses and phone numbers, can be easily viewed on FMCSA's website. As a result, it is incredibly easy to take that information, hijack the authority of a legitimate motor carrier, acquire loads, and receive payments. To

¹ *State of Fraud in the Industry*, Transportation Intermediaries Association, 2024

² *State of Fraud in the Industry*, Transportation Intermediaries Association, 2024

make matters worse, fraudsters can also assess the safety records of motor carriers to choose victims that are most likely to be selected by brokers.

OOIDA recognizes motor carriers aren't the only victims of cargo theft and freight fraud. Several OOIDA members that also operate as brokers have been victimized by various scams as well. One member recently shared a story where they unknowingly hired a carrier whose identity had been stolen. The scammer made subtle changes, like altering a single letter in an e-mail address and providing a new phone number, to pose as a legitimate trucking business. Trusting the relationship, the broker assigned the load, only for the scammer to vanish with the freight—leaving the broker liable for the loss.

Our members also fall victim to nefarious actors offering large payments—anywhere from \$2,000 to \$40,000 depending on the age and safety record of the motor carrier—to sell their authority. Once the sale is complete, these bad actors masquerade as the original operator to fleece unsuspecting brokers who think they are working with a reputable and safe business.

When fraud is committed, brokers often attempt to hold our members responsible. While OOIDA supports calls to eliminate most transfers of authority as a productive means to combat fraud, there are exceptions that must be allowed. There are circumstances, such as the death or disability of the principal or sole proprietor of a motor carrier, where it would be appropriate for the spouse or child who has been involved in the business to assume control without having to file for new registration. These valid transfers must be preserved.

THE LACK OF FEDERAL OVERSIGHT AND ENFORCEMENT

In July 2024, the Federal Motor Carrier Safety Administration (FMCSA) issued a report on illegal broker activity in the trucking industry. Two key aspects of the report were extremely frustrating for stakeholders.

First, the agency indicated it lacked the data necessary to determine if fraudulent activity, including double brokering, negatively impacts highway safety. Small-business truckers operate on the slimmest of margins and being victimized by scammers comes at a high cost. This often forces them to reduce or delay maintenance and repair of their trucks, which unquestionably effects safety. This also ignores the likelihood that those illegally posing as legitimate motor carriers lack the training, licensing, and insurance to lawfully and safely operate a CMV. Unfortunately, with this position, FMCSA is unlikely to unilaterally take the necessary steps to fully combat fraud in the trucking industry.

Second, the agency lacks the statutory authority to administratively adjudicate and assess civil penalties for violations. This has routinely resulted in the referral of cases to the Department of Justice (DOJ). In our experience, DOJ lacks the training, experience, resources, and motivation to effectively handle these cases. At this point, our members are often told to contact their local law enforcement agencies, who also lack the capability to properly address these crimes. In the end, fraud complaints bounce from agency to agency without anyone taking responsibility.

Furthermore, FMCSA's National Consumer Complaint Database (NCCDB) has proven to be an ineffective tool for motor carriers to report unscrupulous brokers and cases of freight fraud. Typically, truckers do not receive a satisfactory response when they call the NCCDB hotline or submit their problem via the online portal—if they receive one at all. The lack of response from FMCSA discourages truckers from using the NCCDB to submit cases, which also contributes to a lack of understanding of the scope of the problem within the agency. FMCSA must increase their response level to motor carriers after a complaint is filed, but likely lacks the resources and proper authority to do so. We also believe something as simple as changing the name of the program to better reflect its purpose in trucking would improve its utilization.

Section 23016 of the Bipartisan Infrastructure Law required the Government Accountability Office (GAO) to examine the NCCDB and evaluate the effectiveness of efforts to consider and follow-up on complaints submitted to the database, the types of complaints, and awareness of the database. The GAO published their findings in September 2023 stating that, “FMCSA has not designed sufficient controls to help ensure its policy for reviewing complaints related to motor carriers is followed.”³ The report made 14 separate recommendations to FMCSA, including:

³ GAO Report to Congressional Committees, “Motor Carrier Operations: Improvements Needed to Federal System for Collecting and Addressing Complaints against Truck, Moving, and Bus Companies,” September 19, 2023, (GAO-23-105972, <https://www.gao.gov/assets/d23105972.pdf>).

- Ensure FMCSA updates its complaint review guidance to define each category of complaint.
- Ensure the NCCDB website is consistently mobile-friendly.
- Ensure the website appropriately targets key audiences, including by defining acronyms and technical terms, and providing more detailed or relevant examples of complaints that may be filed by truck and bus drivers.
- Develop an outreach plan for the website that aligns with leading practices for outreach.

FMCSA agreed with 13 of GAO's recommendations, but has indicated that the necessary changes will not be implemented until Fiscal Year 2026. To better understand and combat cargo theft and freight fraud, we believe the agency must expedite these updates and promote greater awareness of NCCDB among truckers.

In recent years, FMCSA has acknowledged that freight fraud is plaguing the industry and is working on various solutions that could potentially mitigate unscrupulous activity. We commend the agency for holding listening sessions, reviewing public comments, and hosting registration modernization stakeholder events. As a result of industry feedback, the agency has recently established a Registration Fraud Team to investigate fraudulently registered companies as well as cases where legitimate companies had their identities stolen. Furthermore, FMCSA is expected to begin rolling out a comprehensive, modernized registration system in phases beginning this year. We support the intent of these programs, but remain skeptical that they will achieve their objectives.

We are unclear if the Registration Fraud Team has the resources to properly conduct the amount of necessary investigations that would substantively root out fraudulent activity. As mentioned, we also know the agency lacks statutory authority to administratively adjudicate and assess civil penalties for freight fraud violations.

The long-awaited Federal Registration System is expected to include features such as identity verification software, new business verification processes, and information edit checks that can reduce fraud. However, these updates must be implemented in a user-friendly fashion that protects motor carriers' personal data and prioritizes cybersecurity best practices. These safeguards cannot be taken for granted considering the vulnerabilities of FMCSA's information technology systems.

Each year, FMCSA receives hundreds-of-millions of dollars for enforcement purposes, a large portion of which is devoted to ensuring compliance with regulations that have little to do with highway safety. While OOIDA is not in favor of increasing overall enforcement funding for FMCSA, we encourage Congress to repurpose many of these dollars—derived largely from user fees imposed on motor carriers—to reform NCCDB and other FMCSA programs in a manner that finally makes the agency a formidable and trusted ally for identifying and eradicating fraudulent actors.

THE FIGHT FOR BROKER TRANSPARENCY

Existing regulations (49 CFR 371.3) require brokers to keep records of transactions with motor carriers. Under Part 371.3, each party to a brokered transaction also has the right to review the record of the transaction. This allows our members to know precisely how much a shipper paid the broker and how much the broker then paid the motor carrier. These regulations also enable carriers to verify claims charged against them after they finish hauling a load. As motor carriers are increasingly victimized by freight fraud, unpaid claims, dubious charges, unpaid loads, double brokered loads, and load phishing schemes, the current lack of transparency has left them little to no means to defend themselves from fraud.

Unfortunately, brokers have a long history of circumventing transparency requirements in two ways:

1. Many motor carriers sign contracts with brokers that waive Part 371.3 requirements. OOIDA discourages this, but the practice is so prevalent that truckers often have no other choice if they want to haul a brokered load. Even many of the most reputable brokers use these clauses to avoid complying with the requirement. Here is an example from one of the nation's largest brokers: "[Redacted] shall not be required to disclose the amount of its broker's commission to Carrier, and Carrier expressly waives its right to receive and review information, including broker's commission information, pursuant to 49 CFR § 371.3." This flies in the face of Part 371.3. In effect, brokers are exempting themselves from Federal regulations.
2. The few brokers who do provide transaction records usually put in place hurdles they know will prevent a carrier from ever seeing them. In fact, some only

allow a carrier to access records at the broker's office during normal business hours. Brokers know this makes it virtually impossible for most carriers to access records. Further, when a carrier tries to assert his/her right to review this information, the broker is unlikely to contract with them again. These tactics further undermine Part 371.3.

Small-business truckers would never get away with blatantly and deliberately evading Federal regulations. Brokers must be held to the same standard. Unfortunately, rampant evasion is increasingly resulting in carriers assuming—fairly or not—that brokers have something to hide.

In order to protect against fraud and scams, we tell our members that they should closely examine documentation and verify that all information is legitimate. If brokers are allowed to continue waiving Federal regulations in contracts, it makes it difficult for carriers to determine who is adhering to the rules or who may be trying to scam them. In short, practices that undermine trust and transparency will make it harder to determine who is a bad actor.

In May 2020, OOIDA submitted a Petition for Rulemaking with FMCSA to ensure compliance with 371.3. The petition requested that brokers automatically provide an electronic copy of each transaction record within 48 hours after the contractual service has been completed and asked that brokers be prohibited from including any provision in their contracts that requires a carrier to waive their rights to access transaction records. Our rulemaking was granted by the FMCSA during the first Trump Administration.

During the Spring of 2020, while truckers protested in Washington, DC, about the overdue need for transparency, President Trump tweeted his support: "I'm with TRUCKERS all the way. Thanks for the meeting at the White House with my representatives from the Administration. It is all going to work out well!" And on Fox News, he exclaimed truckers are "price gouged," referring to complaints that brokers may be tampering with the price transactions they set up between truck drivers and shippers.

Since the launch of the rulemaking in August 2020, OOIDA and its membership submitted thousands of comments to FMCSA, conducted meetings with regulators and lawmakers, and participated in public listening sessions supporting the push for transparency. These efforts culminated in the Biden Administration publishing a Notice of Proposed Rulemaking (NPRM) in November 2024, demonstrating that ensuring transparency has bipartisan appeal. The public comment period is scheduled to close on March 20, 2025.

Unfortunately, the NPRM did not include the two significant reforms we recommended. However, the proposal will help ensure that carriers finally have access to fundamental transactional documentation and restore a level playing field between carriers, shippers, and brokers. We have submitted separate comments detailing what FMCSA must do to strengthen the rulemaking, such as clarifying how they will enforce the rules and closing all loopholes that let brokers waive transparency rights. If supplemented properly, this rulemaking will contribute to a more ethical, fair, and efficient freight brokerage marketplace.

If FMCSA is unable to finalize a rule that fully prevents brokers from evading Federal transparency regulations, it is imperative that Congress compel the agency to do so.

THE IMPORTANCE OF BROKER BONDS

All brokers and freight forwarders are required to maintain a bond to cover debts in cases where the broker doesn't pay for a carrier's services. These bonds are meant to ensure that a carrier is paid when a broker fails to provide compensation. In 2012, MAP-21 established financial security standards for brokers and freight forwarders, including a minimum security level of \$75,000 and a requirement that a broker's authority be suspended as soon as their bond falls below this amount.

In too many instances, a broker will let multiple claims on the \$75,000 bond accrue, forcing truckers to settle for a fraction of what they should be paid. In other words, a broker can continue to contract with motor carriers even if they have no intention of paying them. This loophole allows them to broker loads well past the point where they have any financial security in place to cover their debts.

FMCSA has unnecessarily delayed compliance with its 2023 final rule that would suspend the operating authority of a broker if their available financial security falls below \$75,000. Originally scheduled for January 16, 2025, the agency has added an extra year to comply because the New Registration System is still not ready. OOIDA warned of potential delays and questioned if the system will be fully operational by January 2026, which in and of itself is an impediment to combating fraud. However, current and additional delays in compliance will allow unscrupulous brokers to con-

tinue stealing transportation services in excess of the bond amount. This is simply unacceptable, as freight fraud remains commonplace within the industry.

CURRENT LEGISLATIVE SOLUTIONS

OOIDA, along with numerous other trucking industry stakeholders, strongly supports bipartisan legislation introduced by Senators Deb Fischer (R-NE) and Tammy Duckworth (D-IL) to combat freight fraud. S. 337, the Household Goods Shipping Consumer Protection Act, would restore FMCSA's authority to impose civil penalties on unauthorized brokers, require physical addresses for brokers, compel the agency to analyze trends and commonalities among companies applying for shipping authority to identify potentially bad actors before they commit fraud, and allow states to use Federal funds to enforce consumer protection laws relating to freight movement. We encourage all Senators, especially members of this Subcommittee, to support this important legislation.

CONCLUSION

Fraud is on the rise in trucking, as criminals have discovered many vulnerabilities within our industry. Stakeholders are doing all they can to protect themselves from criminals, but their capabilities are extremely limited. A small-business trucker lacks the resources to prevent scams originating overseas or the authority to ensure brokers comply with existing transparency regulations. There are systems and regulations in place that can help reverse the growing trend of fraud, but the Federal Government is struggling to provide the support shippers, motor carriers, and brokers need. We believe we have identified several critical steps Congress and the Trump Administration must take to improve our shared objective of weeding out fraudulent actors, and look forward to working on these issues with members of the Committee.

Senator YOUNG. Thank you, Mr. Pugh. You bring an important perspective to this hearing, and a sterling safe driver record.

Truckload freight, we know, is overwhelmingly the primary target of fraud. Ninety-eight percent of respondents identified truckload freight as the most vulnerable mode. This Subcommittee oversees the FMCSA, and I would like to better understand how bad actors are acquiring USDOT numbers, MC numbers, and other business identifiers to carry out their illicit schemes under the guise of legitimacy.

Mr. Blanchard, in your opening statement you described how a bad actor posed as Tanager Logistics to steal shipments, even added their counterfeit company to the FMCSA's Safety and Fitness Electronic Record, or SAFER, website to appear legit. Can you describe how bad actors are able to insert themselves so easily into the supply chain? Maybe elaborate on that, please.

Mr. BLANCHARD. Yes, Senator. They are able to do this now through a whole multitude of ways. We have experienced everything, from what I stated in my testimony, where they are spoofing our e-mails and otherwise representing themselves on behalf of our company. There are instances out there now where individuals are actually purchasing MC and DOT numbers on a black market. That is a major issue that we have to address, and the FMCSA must do a more efficient job, in our opinion, of ensuring that they go through those companies that are authorized to transport freight in the United States and remove those that are illegitimate.

Senator YOUNG. Do you have any visibility into how these purchases, that you referenced, might occur? Is it the so-called dark web? Are there individual criminal agents who will visit people in person and make these transactions? Or do you know?

Mr. BLANCHARD. My understanding, Senator, is that this is occurring on various websites. So I do not know if it is necessarily

happening on the dark web, but certainly they are on different platforms that are available on the internet.

Senator YOUNG. I do not even know exactly what the dark web is. It is just this furtive thing, right, that we all hear about. For the record.

Do any of our other witnesses have any visibility into how those transactions are made?

Chief JOHNSON. Just one other point—

Senator YOUNG. Yes, Chief.

Chief JOHNSON.—I might add to that is we have seen instances where companies that are going out of business, they actually auction off their number, similar to how they would auction off equipment that they are no longer using. So individuals could buy this number through a business liquidation process, and then they already have an established footprint, and then assume illicit operations under a previous legitimate. That is just one example that I have heard from the field.

Senator YOUNG. That is an important contingency for us to keep in mind. Thank you.

Back to Mr. Blanchard, when you approached DOT about the fake Tanager Logistics company that was listed on the SAFER website, what did they say? It seems puzzling to me that they would not remove the fictitious one. What did they say?

Mr. BLANCHARD. When we reached out to the Federal Motor Carriers Safety Administration, Senator, they informed us that unless there is a third party or another group out there that is actively using our MC or DOT number that they did not have the ability to investigate any further into this other company that was representing us. The concern I had, Senator, with that, is that we provided them the information that we knew at the time. First is that the individual that was behind the other Tanager Logistics, from our investigation, was determined to be somebody from Africa. We also did some investigation, both internally and through our attorneys, that determined that the address that was listed on the SAFER website, that is provided by the FMCSA, was a residential address in Ohio of a woman that had no affiliation to Logistics whatsoever.

Senator YOUNG. And you thought those overlap of facts looked suspicious.

Mr. BLANCHARD. Yes, sir. Yes we did, Senator.

Senator YOUNG. I can understand that.

Mr. BLANCHARD. And to be fair to FMCSA, there are many instances in which you have companies with the same name that have operating authority in the United States. So certainly we are not here to interrupt that or ask the FMCSA to involve themselves. But if there are facts sufficient to provide them enough information that there is very likely an active fraud situation going on, we believe it would be very helpful for Congress to direct them to do so.

Senator YOUNG. I want to get to my colleagues' questions momentarily, but let me just sort of get to where I hope we end up with many of these lines of inquiry, which is what should Congress consider to ensure FMCSA is equipped to root out rampant fraud, better support of legitimate motor carriers and brokers? You listed

off a number of things, but maybe you could connect what we have just discussed to a solution or two.

Mr. BLANCHARD. Yes, Senator. And what is, in my opinion, very important is to provide the directive and resources as needed to the FMCSA in order to increase their cyber capabilities. One issue that we have seen constantly is that they are falling further and further behind the sophistication of these criminal organizations. We have even had an instance in which our profile with FMCSA was hacked, and somebody changed our address and phone number in an attempt to engage in another fraud that, fortunately, we had stayed on top of to prevent.

But FMCSA needs to be the group that quarterback a unified Federal group of agencies and law enforcement groups in order to address these issues, in order to create a database and a repository of data so that it can be coordinated appropriately amongst not only Federal law enforcement but state law enforcement, and also increasing that cybersecurity that they have to prevent these kinds of things from happening.

Senator YOUNG. That strikes me as reasonable and bipartisan and something even Senator Peters and I can work together on. I am just kidding, Senator Peters. We are actually really good friends, believe it or not.

Would any of you like to add to Mr. Blanchard's suggestion about what we can do to address these situations? I know you offer recommendations in your statements, but a situation like Mr. Blanchard's, do any of you have additional thoughts about how we can address that, and equip FMCSA to be more helpful, or other authorities?

Chief JOHNSON. I think the question of venue is particularly important.

Senator YOUNG. Yes, Chief.

Chief JOHNSON. As an individual who has focused on providing services to victims for the better part of 30 years, it is really disappointing to me to sit with esteemed colleagues that have really been victimized and had no way to have resolution.

Senator YOUNG. Yes.

Chief JOHNSON. A lot of that is happening because of the venue of where the offense is happening, and because this freight is inherently mobile, crime scene identification, venue where the offense takes place is difficult, at times, to establish. So expanding venue to also include the location where the business resides could help strengthen communications within the criminal justice community, both local, state, and Federal, to help businesses more effectively report challenges that they have, to bring those grievances forward to the court.

Senator YOUNG. Right. There is clearly not a lot of clarity when every law enforcement entity—FBI, locals—are pointing to someone else. So that is our job. We have to help clarify and facilitate interstate commerce.

OK. Senator Peters.

Senator PETERS. Thank you. Thank you, Mr. Chairman. And just as an example of how we are friends and we work together, the Chairman has taken many of my questions, and I am not mad at him at all.

[Laughter.]

Senator PETERS. I think it just shows that we are like one mind, you know, minds that think alike.

Senator YOUNG. That is right. Midwestern.

Senator PETERS. Midwestern common sense. For the record, Midwest common sense, right?

Senator YOUNG. Agreed.

Senator PETERS. Mr. Pugh, in your written testimony you described how the burden posed by cargo theft can really threaten safety, generally, across the board. Would you want to talk a little bit more about that, how this is a safety issue in addition to a fraud and theft problem?

Mr. PUGH. Yes, this is a huge safety issue for truckers, in small business and all, because if they are not getting paid, they haul loads, they still have to pay for fuel, they still have to pay for maintenance, and these types of things. So if they haul a load for X amount of dollars and they have all these expenses—and trucking is a very slim profit margin business, very slim profits—so when something like this they get beat out of, you know, \$3,000 to \$4,000, and they are planning to use these for maintenance repairs and stuff like that, it puts an owner-operator or a small business guy like I was, into a point where you have to start deciding, can I stay in business, am I able to keep my truck to meet the safety regulations.

And the long and short of it is that it can get so bad that they will end up having to close their business and sell your truck. And the realized safety aspect of this is, most small business owner-operators have 20-some years' experience or more. So you are taking a well-trained, experienced trucker off the highway, which is the people we should be keeping, not losing.

Senator PETERS. Yes, great. Thank you.

Mr. Howell, I think we can all agree that we continue to face affordability crisis in this country, and cargo theft obviously is a direct harm to those who have invested in those goods. And when they are stolen, the loss is very clear. But perhaps you could describe to this Committee how cargo theft also contributes to increases in prices, really across the board. This is a problem that really everybody in our country faces, and maybe give us some quantification of that. But everybody in our country should be concerned about this problem. Is that accurate?

Mr. HOWELL. Yes. Thank you, Ranking Member Peters. At Academy Sports and Outdoor we pride ourselves in being a value retailer, so we are really always focused on how everything we do affects the individual consumer and those families that are buying our products.

When it comes to cargo theft, the number one concern we have is (a), it is a rapidly growing issue. Over the last 2 years it has really accelerated. You have heard numbers quoted by other, 40, 50 percent. We are seeing similar numbers. I think second to that, the second most concerning issue is we have actually never recovered any of the cargo that has been stolen. I can speak to in the last year. And to the best of our knowledge, nobody has ever been apprehended or caught in any of the incidents we have been involved with. So it is a growing issue.

So to your point, it is driving costs throughout the entire supply chain. So as part of my job, we have got to find more sophisticated partners that can try to manage this freight more effectively. We are tending to move off of brokers and onto more asset-based carriers, as we call them. That way, we know the individual driver. We know the equipment that is actually picking up. It does not always prevent the crime.

We also have to handle double-handling. We have to manage sometimes double transportation on our own network, to recover when products are stolen.

So obviously all of these costs add up to the supply chain. You heard my colleague at the OOIDA. They are handling freight they never get paid for. There is a lot of cost, I am sure, with the transportation teams and trying to fight for their own identity. All that ends up rolling it to us as we have to move freight. Our costs are getting higher.

Considering it is relatively new, I cannot tell you exactly how much is going directly to pricing, but if this continues at the rate it is going, absolutely, those costs will have to borne in future price increases.

Senator PETERS. Yes. Thank you. Chief Johnson, in cases of inbound shipment, cargo bypasses the port of entry inspection and travels closer to its final destination before undergoing required inspection by Customs and Border Protection. I am the Ranking Member of Homeland Security, overseeing Customs and Border Protection, and I am very interested in how we can make sure that they are dealing with some of these challenges.

Your testimony mentions the additional harm that is inflicted when cargo theft occurs prior to the CBP inspection. So if you could please, for the Committee, detail specific and additional risks associated with theft of inbound shipments and what actions do you believe that Customs and Border Protection could take in order to work with the supply chain to reduce this type of crime.

Chief JOHNSON. Thank you, Senator, for that question. First and foremost, when you are talking about CBP inspections, it is important to also think about Homeland Security Investigations as the investigative authority beyond just the inspection process. So whether the inbound shipment is cleared at the port or it is cleared at a location closer to destination, once an inbound shipment is attacked and that seal is broken, we really have three risks. Number one is we know what was declared in that load, but there has not been an inspection process. So just from a shipment integrity perspective, that is a point to reflect on.

Two, having greater engagement from HSI in the investigative process, whenever there is an inbound shipment seal breach. So presently the regulatory functions kick in, where the shipper is responsible for any regulatory fines because that shipment arrived at the facility without its bonded seal. But there is no complementary criminal investigation from the Federal Government on what happened in that process.

So the shipper is ultimately victimized twice. One, their product is stolen while it is being shipped, and then second, they are facing an administrative process to have those regulatory fines reviewed. Presently, CBP has shared that they cannot consider waiving those

regulatory fees until after the citations have been issued and then the victim responds in an administrative process.

So there is really a lot to unpack in the complexity of those inbound shipments, but we know that there is a fair amount of cargo proceeds that are currently under bond that are being targeted by these transnational organizations.

Senator PETERS. Great. Thank you. That is something I would love to work with you on, to try to unpack that more and figure out how we can do things better. I appreciate that.

Thank you, Mr. Chairman.

Senator YOUNG. Well, thank you, Senator Peters.

Senator Fischer.

**STATEMENT OF HON. DEB FISCHER,
U.S. SENATOR FROM NEBRASKA**

Senator FISCHER. Thank you, Mr. Chairman. Thank you, Mr. Pugh and Mr. Blanchard, for referencing my bill. I appreciate you doing that. I appreciate the support for the bill. I think it is extremely important that we get that to move. It is the Household Goods Shipping Consumer Protection Act that I have introduced with Senator Duckworth. And as you know, it would allow the FMCSA to impose those civil penalties against the unauthorized brokers, and it would require companies in the household goods sector to establish a principal place of business to prohibit that fraudulent companies from skirting those existing regulations.

I would like to thank you also for bringing up suggestions on what else we can do to be able to combat this. It is eye-opening the amount of money, harm to companies, but also to consumers, when we add all this together. So thank you for that.

Chief Johnson, in your testimony you referenced jurisdictional concerns that often arise when investigating cargo theft crimes. And I believe it is particularly important that local and state law enforcement agencies have the support of the Federal Government when dealing with crimes that pertain to interstate commerce.

In your experience, what is the relationship like between law enforcement and agencies like the FBI and the HSI when investigating cargo theft that crosses state lines?

Chief JOHNSON. Ma'am, the short answer is they are good relationships. The challenge is not necessarily with the relationships but the capacity of organizations to be able to balance or juggle the myriad of threats that they are faced with. Cargo theft, historically, has not risen to the same level of attention as maybe some other competing interests have for these Federal entities.

Also, it is important to understand how those agencies prioritize the work within their AOR or area of responsibility, and that is largely a local decision, by local executive leaderships for those agencies involved, absent some sort of national direction coming out of headquarters or the Attorney General's Office.

I think for this topic, national direction, either authorized by Congress for the task force that we have mentioned previously, or prosecutorial direction coming out of the Attorney General's Office, directing all of the United States attorneys to prioritize this issue and focus resources on effective prosecutions will aid in the assistance of bringing these cases forward.

Senator FISCHER. Thank you. You know, Mr. Blanchard, you spoke about your frustration in trying to just bring it to the attention of authorities—Federal, state, I assume local, as well, that you were trying to work with. And when you mentioned some of your suggestions, I know Mr. Pugh wanted to chime in, so I will let you chime in now, on what needs to be done. And I do not think it is just throwing more money at being able to have more enforcement out there, necessarily. I think it is also to be able to put some teeth in what we need to do here, and just have more awareness.

But anyone on the panel, but we will start with you.

Mr. BLANCHARD. I would be happy to start, Senator, and again, thank you for your support of our industry and your introduction of the Household Goods Shipping Consumer Protection Act. I think that is certainly a great first step.

As I have come to understand, Senator, is currently, to piggyback off of Chief Johnson, the current threshold that is established by the United States Sentencing Commission for the DOJ to interdict in cargo theft cases requires the instance to be at least \$1.5 million in losses. The average loss in a cargo case is around \$200,000 today. So, therefore, to reach that threshold of \$1.5 million is going to require law enforcement agencies to be directed to look into the continual criminal activity of these organizations, to meet that threshold, or for Congress to otherwise change that and create a new directive in order for them to start pursuing these through a unified task force, which is something that we have included in the Safeguarding our Supply Chains Act, which has not been filed, but certainly would appreciate any member of this Committee to review that bill, and the willingness to author that would be fantastic.

Senator FISCHER. We will review it.

Mr. BLANCHARD. Yes, and that would provide the coordination between agencies and law enforcement.

And I think really, Senator, this begins with the FMCSA, and to further elaborate on Senator Young's question earlier, in terms of the FMCSA, we have to start with them. I think, to your point, Senator Fischer, throwing money at the problem I would agree is not the solution. I think first we need Congress to direct FMCSA on the things that need to occur and the coordination necessary to address this very issue that we are dealing with. They need to be able to distinguish between fraudulent businesses and legitimate businesses.

DOT needs enhanced cyber capabilities and real-time fraud detection tools and greater interagency collaboration with law enforcement to identify these frauds. FMCSA needs to be directed to remove fraudulent companies from the SAFER website. We rely on that heavily in order to vet companies that we work with. FMCSA needs to explicitly authorize to withhold registration from applicants who fail to provide verifications.

Also, Congress, we believe, should conduct rigorous oversight of FMCSA's transition to a single USDOT number, which we believe they are going to do in the future, or are considering doing, without placing undue burden on legitimate carriers. And DOT should expeditiously implement the 13 recommendations issued by the Gov-

ernment Accountability Office to strengthen FMCSA's National Consumer Complaint Data base.

So those are things we believe that Congress could do without the necessity of additional funding, in order to provide the coordinated effort necessary for law enforcement, because we simply do not have the tools, Senator, to be able to do the reverse IP searches, to break through the cyberspace in order to find who is spoofing our e-mails. I have a very sophisticated IT director, and he is great, but only law enforcement agencies have that capability.

Senator FISCHER. Thank you. Mr. Chairman, can I ask for Mr. Pugh to be able to respond, as well?

Senator YOUNG. Please, yes.

Senator FISCHER. Since both you and Senator Peters went over time.

Senator YOUNG. You are correct. Go ahead.

Senator FISCHER. And thank you for your support on OOIDA, as well.

Mr. PUGH. I thank you, Senator Fischer, and you and Senator Duckworth on your bill. We very much appreciate that and are glad you are trying to do something different and to help these things. It will pay dividends if we can get it across the finish line.

A couple of things is this whole National Consumer Complaint Data base, it seems FMCSA needs to be directed more to do something with that. From our experience, and with our members, and we tell members to send these complaints, plus many other complaints that happen to them in trucking, it seems like this is where all complaints go to die at FMCSA. Usually they hear nothing back, or if they get anything it is just, "Hey, thanks for letting us know."

Also, you know, we have said for a long time it would probably be helpful to have a different name. Most of our small business people and truckers, they do not even realize that this is a place for them to go file a complaint. National Consumer Complaint Data base—who would think that is a trucking complaint hotline? So that would be helpful.

We feel FMCSA probably has enough funds to do some investigating on this. It is just to reallocate where they are putting it, because they continually say that there is not a safety effect to this, so that is why they do not have to do anything with this. But we know there is, because it is putting people out of business, it is causing people not to go maintain their equipment. So there is definitely a safety thing here. Plus who knows what happens to a trucker, if something happens at gunpoint, or something like that.

And I would agree with my colleague here. FMCSA is the first line of defense on this, 100 percent. They have all this information. They have everybody's registrations and all that.

And finally I would say, FMCSA needs to step back and take a long look at making the barrier of entry into being a motor carrier or a broker much harder, much stricter. We pretty much let people file for insurance, pay for it. We do not know who these people are. We have no idea if they even know what they are doing. And maybe 12 to 18 months later we audit them.

Senator YOUNG. Thank you. Thank you so much, Mr. Pugh. All these concrete and actionable recommendations have been very helpful, and I know to all of us up here.

Mr. Luján.

**STATEMENT OF HON. BEN RAY LUJÁN,
U.S. SENATOR FROM NEW MEXICO**

Senator LUJÁN. Thank you very much, Mr. Chairman. Chief Johnson, my state is home to a number of land ports, including Santa Teresa Port of Entry, which is a multimodal transit hub that has been a major site of economic growth in recent years. At Santa Teresa we are experiencing trucking thefts on the Mexico side of the border, meaning the materials and products businesses and consumers are waiting for never make it into the United States.

Chief Johnson, yes or no, do you believe it is important for the U.S. law enforcement to coordinate with Mexican law enforcement?

Chief JOHNSON. Absolutely.

Senator LUJÁN. The Department of Homeland Security has estimated that cargo theft accounts for up to \$35 billion in losses annually. These thefts impact our truckers and railroads, agricultural producers, businesses big and small. They also impact consumer prices, which are currently on the rise.

Mr. Howell, yes or no, when the entire industry experiences regular thefts of merchandise, does it affect the prices that consumers see on the shelves?

Mr. HOWELL. Senator, yes, it eventually will.

Senator LUJÁN. Chief Johnson, you noted the following in your testimony, quote, "State level police and prosecution efforts are challenged by a tremendous number of competing priorities for resources such as addressing the fentanyl epidemic and violent crime in the community. This focus has either directly or indirectly impacted effective property crime enforcement efforts. Criminals have exploited this vulnerability."

Do you believe law enforcement needs more resources or less resources to address the full slate of challenges in our community?

Chief JOHNSON. Well certainly local law enforcement needs more resources directed toward this issue, and as we look at the three offender profiles, certainly the transnational organized crime has got the greatest Federal nexus. But when you drop down to the criminal street gang profile and the criminal opportunist, those are most directly targeted by local law enforcement efforts and state charges, and certainly having the capacity in communities to be able to address cargo theft-related crimes at a local level with state charges would be tremendously complementary to the Federal response that has been discussed today.

Senator LUJÁN. So Chief Johnson, having fewer law enforcement officers could make this worse? Having fewer law enforcement officers at the local level could make this worse?

Chief JOHNSON. Absolutely. Currently, IACP has experienced and reported on just a national challenge in recruitment and retention in policing. Surveying our members, we believe that across the Nation many agencies are experiencing a 10 to 15 percent vacancy rate in terms of positions that they have available but are unfilled. And we need to aggressively, as a complete society, focus on im-

proving the opportunity to recruit and retain police offices into the profession, to strengthen the safety and security of our communities.

Senator LUJÁN. I appreciate that thorough response.

Last week, before the Senate passed its budget resolution, I introduced an amendment to provide increased resources for local law enforcement through initiatives such as the Cops Hiring Program. I was surprised when only one of my Republican colleagues voted for it. This is a bipartisan area that we should be working together, to make sure that there is more resource available to ensure that we are able to hire, secure, keep, and recruit all the folks that we need. So I appreciate that response.

Mr. Blanchard, advanced technology is one of our strongest tools in the fight against drug trafficking, which is why I have long advocated for a 100 percent screening, using nonintrusive inspection technologies at the southern border. Yes or no, do you believe we should implement NII technology at our land ports of entry?

Mr. BLANCHARD. Yes, sir, I do.

Senator LUJÁN. Reports indicate that fentanyl precursor chemicals are being smuggled through the United States transportation networks, as well, including through cargo and rail, before making their way to Mexico for fentanyl production. Yes or no, would implementing comprehensive screening of all cargo, both entering and exiting the United States, enhance our ability to detect and disrupt this supply chain?

Mr. BLANCHARD. Senator, we do not do much cross-border freight, but certainly we have always, as an industry, been very supportive of more inspections, so long that it is not overburdensome. And I think, without question, the new technology and the technologies that you have mentioned provide increased efficiency with advanced throughput on those inspections.

So I personally—I certainly would not feel comfortable speaking on behalf of my entire industry—but myself, and on behalf of my company, we would welcome that. We want to get the bad actors out of our industry, and I think any advanced technologies that would provide assistance to law enforcement in that effort, I would be very supportive of.

Senator LUJÁN. I appreciate that response. Acknowledging the importance of technology that is not going to slow down commerce, but it is going to let us get 100 percent view of what is leaving the country with some of these precursor chemicals that are rolling through the United States and then going to Mexico, or the bad stuff that is coming in.

I am always surprised with the very low number of passenger vehicles that are actually screened entering the United States, and reports coming out of the Department of Homeland Security suggest that 90 percent of the fentanyl that is being found in the United States is coming through the southern border in passenger vehicles, driven by Americans. We have got to stop this stuff, and the only way we are going to be able to stop it if we can see what is in those vehicles, but make sure that people can also move so we are not hindering commerce.

Mr. Blanchard, one final question. The importance of the work that is needed to ensure that we are keeping an eye on the bad

folks and that there is actually something being done when it comes to the Federal staff, experts, things of that nature, to be able to implement the law, to hold people accountable, to prosecute, things of that nature, will that require more staff or less staff?

Mr. BLANCHARD. At this time, Senator, I am not in a position to know whether we would need more or less staff, and let me explain why I say that. The reason I do not know if there is sufficient law enforcement as we sit here today is because there has not been any directive by Congress to assign agencies to look into these cargo thefts and cargo fraud issues.

So I am of the personal belief, Senator, that first we really need Congress to direct these agencies to start investigating these. That is why we have the Safeguarding our Supply Chains Act, to direct these agencies to work in coordination, to begin to investigate these claims, so that we can start prosecuting and convicting these bad actors out there. Because currently, from what we can tell, they are going essentially without any recourse whatsoever into these criminal activities.

So I certainly believe we should start there, but I think it would be very logical that as we begin that process, that the gravity of the situation and the severity of what we are experiencing in the industry likely would require some additional resources for some of these Federal law enforcement agencies in order to be able to tackle this issue.

Senator LUJÁN. I appreciate that, and Mr. Chairman, I appreciate your acknowledgement of many of the ideas that have been shared today alone, in addition to the research staff has done in this space. This is something that Congress needs to get done, and we can work together on this. Whether we are looking at just domestic transport or we are looking at international crossings, as well, we have to do better in this space. So I very much appreciate this hearing that you scheduled, and I thank all the panelists for being here today.

Senator YOUNG. Thank you for your questions, Senator. I agree, this panel has been outstanding.

You know, I would like to read into the record some just compelling staff work that I think needs to be read into the record, related to international organized crime and the nexus they have with this very challenge that we are discussing in this hearing.

Law enforcement investigations have found international criminal organizations have strong ties to Eastern Europe and South Asia. For years, large-scale theft rings have been linked to Armenian gangs who use a mixture of straight and strategic cargo theft to steal freight.

One stakeholder reported their load was stolen by an Armenian gang operating in California and then resold to a Colombia crime ring. Additionally, reports indicate an organized crime ring from India, referred to as the Singe Syndicate, is operating in both the U.S. and Canada, all using the name Singe. In 2023, Canadian officials conducted an investigation dubbed "Project Big Rig," that disrupted the operations of this crime ring by arresting 15 individuals running a major cargo theft ring. Canadian authorities recovered over \$9 million in stolen goods. It goes on and on. They have a presence in Ohio.

Investigators have also found ties to the Mexican cartels in cargo theft rings. On January 13 of this year, over \$440,000 worth of Nike shoes were stolen off of a BNSF train whose airbrakes were cut as it traveled on tracks north of Phoenix, Arizona. Federal officials have linked this activity to a cartel operating out of Sinaloa. Eleven men were arrested. Nine of the men were in the United States illegally, and the other six are residents of Sinaloa. BNSF reported that these tactics of cutting brakes and forcing trains to slow down have increased over the past two years.

So I just find that connection compelling. Sometimes I like to connect the work that we do in this Committee or, in particular, subcommittees or committees with some of the conversations we have in other committees. This is very much linked to border security, in various ways.

I would also note that my colleague's emphasis on resources is important, and in many cases correct.

I would say if we are going to look holistically at this challenge we should also look at the limitation we have on Federal judges, so that if you do identify bad actors, you need to be able to get into court over a reasonable period of time and not wait years and years and years to have your case heard. Otherwise, the law is of little effect.

So we have got some work to do. The JUDGES Act, it is neither here nor there, but it was vetoed, for those who are checking your recent record, by our last President in the final days of his administration, for what seemed to be purely partisan and vindictive reasons.

Are there any additional connections to international cartels that our witnesses feel like we should be making, or any reflections you have on that issue that you would like to get on the record? I will ask Chief Johnson.

Chief JOHNSON. Thank you, sir, for the opportunity, and I would like to compliment staff's research that was read into the record, with one additional point of clarify. I would like to thank the men and women of the BNSF police force that are on the front lines every day, challenging these bad actors. And those arrests that you referenced were the result of their hard work and connecting Federal authorities to their investigations. So I am very proud of the work that they are doing to protect the U.S. supply chain and also our customers' goods and services.

The concept of transnational organized crime I think has been well covered. The Mexican national nexus for rail freight is the strongest Eastern European, certain Armenian in the trucking industry, very pronounced. And having the ability to have a federally directed task force with the United States Attorney's Office is the only way that we are going to be able to peer into those organized networks and dismantle the command and control that is taking place, because the cops in the field, they can keep arresting the bad actors every day. Until we take out the command and control elements of these organizations, this crime threat is going to persist.

Senator YOUNG. Mr. Blanchard.

Mr. BLANCHARD. Senator Young, to expand upon Chief Johnson's comments, and again, I would reiterate I thank your staff and the rest of the Senators' staff on the diligent research they did. There

are things that you just stated into the record that I was not even aware of.

But one thing I wanted to bring to this Committee's attention is that because these actors, these organized criminal groups, are acting with impunity, because there is no real law enforcement effort to stop them, I would feel certain that this is a crime that is occurring. Cargo theft is something that is generating a tremendous amount of revenue for these criminal organizations, that are then, in turn, engaging in other criminal activity.

So I think it is important to make that point, because this seems to me to be a money-maker for these bad actors that I am sure are engaging in it. If they are engaging in cargo theft, they are certainly engaging in other criminal activity that is impacting our communities.

Senator YOUNG. Right. This is probably one of many streams of revenue for these criminal elements. Point well taken. Mr. Pugh.

Mr. PUGH. Yes. My staff takes a lot of these calls from our members calling. With 150,000 members, we get calls weekly on this. And we have seen, and we are sure that some of these folks are from other countries, like I said, stretching on our border, some domestic. We had a lot of people in the beginning that were in a certain area of Southern California, kind of north of L.A. There are a couple of counties there that this was being traced back to. And since then we have found and uncovered where these bad actors, like there will be 8 or 10 of them using the same address. They shut down, and they come right back with another address, the same address with another. So I am sure this is being, like I said, both foreign and domestic.

Senator YOUNG. Well, we have come to the end. We have covered a lot of ground. I would welcome any additional submissions or points that you wanted to make. You could submit those to the Committee in writing. We can keep the record open for a short period of time to accommodate any of that.

But my hope is that we will take your recommendations and see where we can come to some measure of consensus, and then act on those recommendation. That can sometimes be challenging up here. But I would agree with Senator Peters. This is one of these issues that lends itself to common sense and action right now, and the American people deserve that.

Senators will have until the close of business on Thursday, March 6, to submit questions for the record. And the witnesses, I am informed by our very diligent and competent staff, have until the end of the day on Thursday, March 20, to respond to those questions for the record.

This concludes today's hearing. The Committee stands adjourned. [Whereupon, at 11:36 a.m., the hearing was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. TED CRUZ, U.S. SENATOR FROM TEXAS

Good morning. Thank you, Chairman Young and Ranking Member Peters. And I'd like to welcome each of our witnesses.

The hearing today is an opportunity to shine a light and raise awareness on a growing issue impacting commercial supply chains: cargo theft.

Cargo theft, particularly strategic theft, is disrupting every segment of the supply chain—from ports and railyards to brokers and trucking—and ultimately raising prices for American consumers.

It is a problem that costs companies billions of dollars each year and harms the security of supply chains, especially in vital markets like baby formula, medicines, perishable foods, and semiconductors.

Criminals are monitoring freight routes, using insider information, posing as legitimate freight companies and using fake identities to steal millions of goods each year in the U.S.

Strategic cargo theft skyrocketed since COVID-19 with a 27 percent surge in incidents. The FBI now estimates between \$15 and \$30 billion in annual losses to the U.S. economy.

My state of Texas is one of the biggest targets for cargo theft because of its proximity to the border. Our state saw a 39 percent surge in theft in 2024 with criminal enterprises increasing their tactics to attack all vulnerable points along the supply chain.

I've heard how these international criminal organizations will use the Federal Aviation Administration's publicly accessible drone database to track police drones that help with surveillance protection and wait to rob freight trains when drones move elsewhere.

It is modern day stagecoach robbery with sophisticated criminals using technology to avoid detection to hit high value targets. Many times, the victims do not realize they have been scammed for weeks or even months later until an audit report shows an incomplete or partial delivery. Victims range from major retail chains to mom-and-pop businesses that lose customers when products are not delivered on time or available on the store shelves.

For instance, a boutique tequila company lost two truckloads of product because of a double brokering scam during the holiday season. It happened before the busiest time of the year, and they were forced to lay off employees when they didn't have any product to sell.

These gangs run like an enterprise venture, setting up fake call centers and warehouses, forging billing documents, operating stolen trucks and using registered USDOT motor carrier numbers to wreak havoc across the supply chain.

It is such a widespread issue that insurance companies have dedicated staff to investigate cargo theft and attempt to recover at least some of their stolen goods and losses. Some police departments have dedicated units where detectives only work on cargo theft.

Perhaps most surprisingly, these aren't just random thugs operating independently. These criminals are connected to highly organized crime networks in Armenia, Colombia, India, and Mexico. Police detectives all over the country have found that many of these criminals are exploiting our weak immigration system by coming into this country illegally or overstaying their visas. Just last month, a large group of illegal aliens with ties to the Sinaloa cartel stole millions in Nike sneakers from a BNSF train in the Mojave Desert.

The Biden administration's open border and soft-on-crime policies led to a lack of prosecution and enforcement in states like California, where criminals are arrested and released with nothing more than a slap on the wrist. As you will hear today, one criminal was arrested four times in the same day—for crimes that are costing American businesses more than \$200,000 per theft.

Cargo theft may not be widely known by the public, but it's the public who pays the price as the cost of theft is passed down to store shelves, reflecting the huge economic losses incurred by the freight industry.

I look forward to hearing from our witnesses today, and to working with Subcommittee Chairman Young, Subcommittee Ranking Member Peters, and Ranking Member Cantwell as we work to address industry concerns and protect our supply chains.

Thank you.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TED CRUZ TO
CHIEF WILL JOHNSON

Question 1. The U.S. Attorney General in the District of Arizona charged eleven defendants, including ten illegally in the U.S., for cutting the airbrakes of a train moving 70 miles per hour to steal half a million dollars' worth of Nike sneakers. These individuals were Mexican citizens with ties to the Sinaloa Cartel. What has law enforcement uncovered regarding transnational organized crime when investigating cargo theft?

Answer. Generally speaking, law enforcement is dealing with three suspect profiles when attacking incidents of cargo theft: opportunist burglars, loosely organized criminal street gangs, and transnational organized crime. Multiple types of transnational organized crime groups attack the U.S. supply chain in different areas. Mexican nationals from the state of Sinaloa are being paid to sabotage rail safety systems to stop trains and are stealing products while the trains are in transit in proximity to the U.S. southern border. These groups are also attacking cargo loads at truck stops and other locations where truckers pause their route for food, fuel or rest. Law enforcement has tracked these suspects from rail and truck stops and back to urban areas where these organizations sell their stolen goods.

Other transnational criminal organizations include Eastern European and Southern Eastern Asian crime syndicates targeting the trucking industry and logistics centers in strategic theft operations. Strategic theft occurs when criminal suspects attempt to steal loads through fraud or deception. Law enforcement is aware of these groups and is aggressively working with in both the state and Federal prosecution systems to arrest offenders, but greater Federal coordination and support is required to dismantle the command and control elements of these operations.

Question 2. How have state and local governments' soft-on-crime policies hindered the enforcement and prosecution of repeat offenders?

Answer. Prosecuting cargo theft cases is difficult due to the challenging nature of these crimes. Victim identification, the aggregation of total harm of the offense, changes to local and state venues for prosecution, and artificial jurisdictional boundaries of Federal U.S. Attorney Offices create an environment where the system isn't responding to the crime threat with the unified level of urgency necessary to address the threat. A coordinated Federal approach that leverages a whole of government solution is required to change the current dynamics of this problem.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. AMY KLOBUCHAR TO
CHIEF WILL JOHNSON

Food Shipment Break-Ins. As you discussed, food shippers are often collateral damage in cargo theft. In search of high-value retail goods like TVs and electronics, criminals accidentally break into food shipments. One dairy protein export company in Minnesota has reported an average of one to three break-ins per month in containers of dry milk powder. When this happens, shippers must bear the cost of returning the container and disposing of the compromised food product.

Question 1. What can be done to ensure the safety and security of food products containers moving by rail?

Answer. Rail companies focus significant resources on safety and security. Rail police agencies have deployed police officers to protect customer freight, work with local, state, and Federal law enforcement departments to prevent crime and aggressively arrest offenders. Additionally, rail companies have deployed technology such as drones, surveillance cameras with AI power analytical functionality, and asset trackers to recover stolen goods. Food Shippers are encouraged to adopt additional security measures similar to other at-risk commodities, such as security bolt seals, additional locks applied to containers, and upper container braided steel "figure eight" locks. Food shippers can also increase the written notices on either the out-

side of the container or on a rear “barrier wall” near the container doors that indicate the load is a food shipment.

Question 2. What improvements can be made to cargo break-in reporting to ensure that these criminals are apprehended and prosecuted?

Answer. Written testimony offered a possible solution that includes encouraging private-sector collaboration between organizations and law enforcement. Several possible action items include developing a portal for direct reporting to overcome the present fragmented reporting process. Additionally, offering victims (businesses) the opportunity to maintain anonymity in the reporting process may encourage greater participation in the business community.

Retail Crime. Each year, retail theft results in more than \$100 billion in losses. These crimes can force stores to close, and place workers and customers in danger. That’s why I cosponsor Senator Grassley’s bipartisan Combating Organized Retail Crime Act to establish a coordinated multi-agency response to tackle this issue.

Question 3. You mentioned that stolen cargo is often combined with proceeds from organized retail crime. How are cargo and retail theft operations related, and what kind of Federal response is needed to counter this issue?

Answer. The tactics between organized cargo theft and organized retail theft are very different. The similarities between the two have been the nexus of how criminals “fence” or sell stolen properties. During the execution of police search warrants, law enforcement has discovered stolen cargo theft and stolen retail products at the same location. This suggests that some fences are engaged in distributing stolen goods regardless of how the product was obtained.

There is certainly a need for law enforcement to focus on both types of crime. Reviewing the Combating Organized Retail Crime Act there are certainly favorable actions that would benefit policing and prosecution responses to this challenge. The bill currently does not cover all the complexities of organized cargo theft, which is why complementary bipartisan legislation focused specifically on that issue was introduced in Congress last year (see H.R. 8834 from Congressmen David Valadao (R-CA) and Brad Schneider (D-IL)).

Law Enforcement Resources. As a former County Attorney, I know how important Federal support is for state and local law enforcement agencies. That is why I have long championed the COPS program to help departments hire more officers and have fought to maintain funding for the Byrne JAG program, which helps law enforcement agencies buy the equipment they need.

Question 4. Do you agree that we need to be doing more to support our law enforcement by providing them the resources they need?

Answer. Yes

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TED CRUZ TO
ROBERT HOWELL

Question 1. With reports of losses exceeding \$400,000 per company on average, what does this level of financial strain mean for businesses?

Answer. Cargo theft impacts a variety of stakeholders and without proper mitigation could eventually result in higher costs for customers, retailers, and suppliers.

Question 2. Are there specific types of merchandise or locations that are most frequently targeted for cargo theft?

Answer. We experience cargo theft most frequently when trucks carrying products such as fashion footwear are in transit from the point of origin, on the East or West Coast, to our distribution centers which are located in Texas, Tennessee, and Georgia.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TED CRUZ TO
ADAM BLANCHARD

Question 1. You mentioned in your testimony that organized theft groups and transnational criminal organizations are exploiting transportation networks because such targets are considered low-risk and high-reward. How are these schemes growing without triggering a response from law enforcement or the U.S. Department of Transportation?

Answer. Thank you for the question, Chairman Cruz. There are several reasons why law enforcement response has not kept pace with the increasing frequency and sophistication of cargo thefts. First and foremost, cargo theft typically involves multiple jurisdictions and criminals crossing state lines, so reporting is a challenge for

both industry and law enforcement. Motor carriers and brokers may not know the correct jurisdiction to which the crime should be reported because they may not know where or when exactly the theft took place. There are also situations when victims may reach out to law enforcement to report a crime and seek assistance for cases of fraud or theft, but rather than assistance, they are met with confusion and dismissiveness. Often, when trucking companies attempt to file a report with local and state law enforcement agencies, they are told to file a claim with their insurance company instead. This happens usually because local and state law enforcement officers often do not have the necessary training to recognize that cargo theft is not simply a property crime. Alternatively, law enforcement officers will note jurisdictional issues given the interstate nature of the crime and direct motor carriers to report elsewhere.

While 18 U.S.C. § 659 is the Federal law establishing the ability to prosecute cargo theft, the authority to enforce this law is split between various Federal agencies; the FBI is the lead Federal agency responsible for enforcing the Federal law on cargo theft, but Homeland Security Investigations (HSI) enforces this statute when there is a transnational nexus. Additionally, the Federal Motor Carrier Safety Administration (FMCSA) has authority to challenge fraudulent broker licensing, and the Federal Maritime Commission (FMC) has the authority to determine whether ocean or non-vessel common carriers, marine terminals have engaged in unreasonable receiving, handling, storing or delivery practices. A major challenge with law enforcement more generally is that they are stretched too thinly, and even if they are made aware of the theft, they may not have the necessary resources to consistently enforce 18 U.S.C. § 659.

There is also the matter of meeting the prosecutorial threshold set by the United States Sentencing Commission. In order for DOJ to even consider prosecuting a cargo theft case, the value of the goods stolen must total at least \$1.5 million. This threshold can be met in two ways: either a single theft incident totals at least \$1.5 million in losses, or multiple related theft incidents (potentially targeting multiple victims) total at least \$1.5 million in losses. Given that the estimated average value per theft in 2024 was \$202,364,37 it is imperative that state and local law enforcement better track incidents of cargo theft because most single incidents do not reach the monetary threshold to warrant Federal involvement. When dots are connected, DOJ can become involved, thieves can be prosecuted, and victims can receive justice. If law enforcement identifies a link (*i.e.*, a single OTG stealing multiple trailers) DOJ will have the green light to utilize more resources and dedicate more manpower to bringing these criminals to justice. Ultimately, more prosecutions will serve as a deterrent, and hefty sentences will hopefully make potential offenders aware of the consequences of their actions.

One of the major reasons why it can be difficult for law enforcement agencies to connect individual theft cases is because of inconsistencies in the statutory definitions of cargo theft across jurisdictions *i.e.*, the statutes defining and criminalizing cargo theft are different for each state. These differences create confusion and make it difficult for investigators and prosecutors to connect the dots necessary to warrant a Federal cargo theft charge. Overall, jurisdictional and definitional confusion leads to ineffective enforcement of applicable cargo theft laws, and the absence of criminal investigations emboldens criminals to continue their illegal activities.

Question 2. Despite industry calls for stronger enforcement, fraudulent actors continue to exploit loopholes in regulations. What are the most critical gaps in Federal oversight that need immediate attention?

Answer. Thank you for the question, Chairman Cruz. The biggest gap in Federal oversight is the lack of coordination among federal, state, and law enforcement agencies. Many law enforcement agencies acknowledge that cargo theft is a growing and dangerous problem, but no agency has dedicated the resources necessary to consistently enforce 18 U.S.C. § 659 and applicable state laws. Organized theft groups all over the world know that the United States' federal, state, and local law enforcement agencies do not have the resources to stop them nor the interest to pursue sweeping investigations.

It is crucial that Federal law enforcement take the lead on combatting cargo theft due to the interstate (and at times international) nature of the crime, as well as its relation to organized conspiracy. Without clear direction and prioritization from the Federal government, cargo thieves will continue to exploit the gaps in enforcement and further destabilize the supply chain.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. AMY KLOBUCHAR TO
ADAM BLANCHARD

Workforce Training. A resilient supply chain relies on a strong workforce. We need to focus on training workers for in-demand jobs where we continue to see shortages, like truck driving. I recently introduced the bipartisan Freedom to Invest in Tomorrow's Workforce Act with Senator Marshall to expand tax-advantaged savings plans so they can be used for skills training, certifications, and credentials—including commercial drivers licenses.

Question. How can we address the shortage of truck drivers and build a strong supply chain workforce?

Answer. Thank you for the question, Senator Klobuchar. And thank you for your leadership in introducing the *Freedom to Invest in Tomorrow's Workforce Act*. I, along with the American Trucking Associations, strongly support this legislation and believe all solutions should be on the table to recruit the next generation of talent to the skilled trades. The skilled trades are critical to the continuity of our supply chains and economy, and jobs in trucking offer family-sustaining salaries and great benefits. Moreover, the trucking industry will need to hire over 1 million drivers over the next 10 years to replace an aging workforce and meet growing demand. Americans should be able to leverage existing financial resources to pursue careers in whatever areas suit their unique needs and ambitions, and that should include both the skilled trades and traditional 4-year college degrees.

In addition to expanding 529 account eligibility to allow individuals to pay for training programs and certifications required for employment in the skilled trades, we encourage you and your colleagues to consider expanding Pell Grant eligibility as well. The *Bipartisan Workforce Pell Act* would enable individuals to utilize Pell Grants to pay for truck driver training programs, and I, along with the American Trucking Associations, strongly support that legislation. A similar bill with significant bipartisan support, the *JOBS Act*, is a step in the right direction, but it would exclude students from using Pell for programs at for-profit institutions. Since most truck driver training schools are for-profit, this bill is not as beneficial for prospective truck drivers as the *Bipartisan Workforce Pell Act*.

Another bill that would help the trucking industry address the persistent truck driver shortage is the *LICENSE Act*, which was introduced by Senators Lummis and Kelly and falls within the Senate Commerce Committee's jurisdiction. The *LICENSE Act* makes permanent several successful COVID-era testing flexibilities; specifically, the legislation would codify two Federal Motor Carrier Safety Administration (FMCSA) waivers to streamline the commercial driver's license (CDL) testing process while maintaining Federal safety standards.

The first waiver allows state or third-party CDL test examiners qualified to administer the skills driving test to also administer the written knowledge test. The CDL knowledge test is well-suited to be outsourced to third-party entities given its objective nature and format of questions (*i.e.*, primarily consisting of multiple choice or matching type questions) and thus the ability to consistently and reliably train and deploy knowledge examiners.

The second waiver allows states to conduct CDL driving skills tests for applicants regardless of where that driver obtained prior CDL training, with the goal of providing more flexibility for applicants. This common-sense update acknowledges the interjurisdictional nature of the trucking industry and the practical needs of applicants who live near state borders or face long testing delays. Importantly, all CDL applicants must complete minimum training standards under FMCSA's entry-level driver training (ELDT) before completing skills testing regardless of their training state. FMCSA's ELDT requires all states to meet or exceed Federal training standards, ensuring only qualified drivers receive a CDL and relevant endorsements, and that all new CMV operators are held to a shared understanding of the applicable rules and regulations that apply to CDL holders. The *LICENSE Act* builds on the past successes of these COVID-era waivers and is a prime example of how Congress can advance regulatory relief without compromising safety.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BEN RAY LUJÁN TO
ADAM BLANCHARD

According to the Truck Safety Coalition, New Mexico has the second highest rate of fatal truck crashes per 100,000 population in the country. I have been working with my colleagues on this Committee to put an end to all preventable deaths on our roadways, including by eliminating drunk driving and equipping vehicles with commonsense technology and tools to prevent deadly crashes.

Mr. Blanchard, you note a few different kinds of cargo theft in your testimony. In the case of 'hijacking' and 'fictitious pickups,' drivers who do not have the proper licensure or paperwork steal the full truck of freight and operate on our roadways.

I have concerns that this introduces safety issues, because these rogue drivers are not held to hours-of-service requirements, are not held to drug and alcohol testing standards, and often may not even be licensed to drive a commercial vehicle.

Question 1. Mr. Blanchard, do you believe that rogue drivers who are participating in cargo theft present a safety risk on our roadways?

Answer. Thank you for the question, Senator Luján. Yes, rogue drivers who are intentionally engaging in cargo theft present a safety risk on our roadways. Illegitimate carriers often operate unsafe vehicles, hire unqualified and uncredentialed drivers, and avoid regulatory oversight altogether. In some instances, these bad actors also engage in fraudulent insurance practices, further compromising the safety and integrity of USDOT's registration system and industry norms. Criminals use stolen or unethically purchased numbers to facilitate illegal activities beyond cargo theft, including human trafficking and the transportation of illicit substances and goods. Thus, the impact of this fraud extends far beyond the trucking industry itself, threatening the U.S. marketplace, public safety, and national security.

Notably, when fraudsters and cargo thieves use existing USDOT and MC numbers to carry out their illicit schemes under the guise of legitimacy, they will specifically seek out the USDOT and MC numbers of companies that have strong safety records and established operational histories to both appear more credible and evade the scrutiny of law enforcement and regulatory bodies. By acquiring the business identifiers of companies with strong safety records, fraudsters can avoid certain routine compliance checks and bypass certain vetting processes that would otherwise expose them.

Question 2. Mr. Blanchard, can you give a little more detail on how these fraudulent actors are getting their trucks to steal loads—are they buying them legitimately, or are they also stealing the fleet they use to commit these crimes?

Answer. Thank you for the question, Senator Luján. Fraudsters can steal freight in a variety of ways, and some ways involve seemingly legitimate business transactions, and some ways would be considered more overt theft.

Fraudsters who play the long game will start out legitimately and build relationships with business partners over the span of weeks or months. Once they have established themselves as a credible business partner, they will begin pilfering freight. By taking only small amounts of freight at a time, thieves are able to avoid detection for much longer and pocket hundreds or even thousands of dollars of merchandise without much effort or risk. Often, business partners do not become aware of pilfering schemes until months later, and by that point, there is no way to recover the missing freight. Once business partners become aware of the ongoing fraud and theft, the bad actors will shutter their companies and go dark. It is nearly impossible for the business community to track these individuals once they go dark, and neither law enforcement nor regulatory agencies have effective means of identifying these bad actors and pursuing justice once this happens.

In other cases, fraudsters will steal loads without ever setting foot in the United States. This is typically accomplished through double brokering fraud. A double brokering scam can take various forms in the trucking and logistics industry. Sometimes, the criminals pose as either legitimate brokers or motor carriers (*i.e.*, owning trucks, trailers, equipment, or drivers), or both, but they, of course, have no intention of moving the freight to the destination requested by the shipper. Instead, the criminals steal cargo by subcontracting the work to unwitting carriers who transport the freight to a different delivery point than the location specified by the shipper. The criminals do this by either convincing the legitimate carrier to deliver to a different destination or changing the bill of lading. Often, criminals engaged in double brokering fraud are not located in the U.S. and conduct their crimes through cyber means without ever physically touching the freight. It is also common for criminals to steal the identity of an existing broker or motor carrier by creating and using website domain names and business names that are very similar to the existing business information of real companies. For example, a real trucking company might use the website domain ABCMotorCarrier.com, and the criminal may create a fraudulent company with a slightly different website domain such as ABCMotorCarrierLLC.com. There are multiple victims with double brokering scams: the owner of the double-brokered freight, the motor carrier that unknowingly delivered the freight for the criminal and won't receive payment for their service, and the legitimate broker whose operations and integrity are undermined by fraudulent actors.

The more overt theft schemes are typically considered straight theft, which is the most common form of theft and has been around for as long as trucks have been delivering freight. Straight theft refers to thieves physically stealing cargo from a shipment. Thieves typically target products that can be sold quickly on the market, and this type of theft can be very profitable.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BEN RAY LUJÁN TO
LEWIE PUGH

Mr. Pugh, you mentioned in your testimony the importance of improving FMCSA's National Consumer Complaint Database.

Question 1. Can you elaborate on how FMCSA could improve this program?

Answer. The first, and we believe easiest, step that FMCSA should take is renaming the National Consumer Complaint Database (NCCDB) to better reflect its value to the trucking industry and professional drivers. The name of the system doesn't imply in any way that it should be used by truckers to report possible safety violations or incidents of freight fraud.

Aside from this commonsense improvement, FMCSA should fully and promptly implement the recommendations from GAO's congressionally-mandated report on the program and its deficiencies.

Question 2. You noted that FMCSA often does not respond at all to complaints filed in this system. Can you elaborate on how implementing GAO's recommendation to make filed complaints public could help improve safety?

Answer. In general, GAO's report and recommendations paint a picture of a system that is not well-organized with insufficient internal tracking and controls to monitor a complaint's status. For one, GAO found that FMCSA is not using its existing capabilities to run reports on the status of safety complaints, which GAO says may limit the agency's ability to review and respond to concerns submitted by our members. As a result, the report found that, "as of August 2022, FMCSA had not documented the status for 35 percent of the 75,000 complaints submitted from January 2017 through December 2021." Recommendation 8 would address this by ensuring that FMCSA is reviewing reports on the status of complaints.

Recommendation 6 would also help FMCSA provide drivers updates on their cases by ensuring that the agency's internal processes document key determinations in complaint case files. As mentioned during testimony, drivers commonly report not hearing any developments in their cases from FMCSA and are typically unable to receive updates on the status of their complaints. If FMCSA improves their internal controls to address this, drivers' confidence in the program should increase dramatically.

Taken together, these and the other GAO recommendations would provide better feedback to drivers on the status and final determinations of their case. This would in turn give drivers more faith that their complaints are actually being taken seriously and that, if warranted, penalties or other corrective measures are being taken. Right now, many drivers see NCCDB as largely a waste of time; if FMCSA can show they are working on complaints, then more drivers will be encouraged to report safety issues. Furthermore, the program could become a resource for FMCSA to better understand and address problematic behaviors in trucking, including emerging and evolving safety concerns.

