

TESTIMONY
COALITION AGAINST ORGANIZED RETAIL THEFT
BEFORE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON SCIENCE, STATE, JUSTICE
AND COMMERCE AND RELATED AGENCIES
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On behalf of the
Coalition Against Organized Retail Theft

Mr. Chairman and Members of the House Appropriations Subcommittee on Science, State, Justice and Commerce and Related Agencies, the Coalition Against Organized Retail Theft is pleased to provide written testimony concerning Fiscal Year 2007 Appropriations for the Department of Justice and more specifically the Federal Bureau of Investigation. Our Coalition, which has been in existence for approximately five years, consists of national manufacturing and retail organizations as well as individual companies from both of these sectors. A listing of all Coalition members can be found at the end of our written statement.

Mr. Chairman, Organized Retail Theft or ORT is a growing problem throughout the United States affecting many sectors of the retail community from supermarkets and chain drug stores to mass merchandisers and specialty stores among others. It is clearly the most pressing security problem facing our industry. Organized Retail Theft now accounts for up to \$30 billion in losses at store level annually according to the Federal Bureau of Investigation's (FBI) interstate task force.

Organized retail theft rings are highly mobile, moving from community to community, and across state lines stealing large amounts of merchandise from retail stores. They typically target everyday household products that can be easily sold through fencing operations, flea markets, swap meets, over the Internet and shady storefront operations. Products that are most often pilfered by these professional gangs include infant formula and over-the-counter medications, especially cough and cold products that contain the precursor chemical, pseudoephedrine (PSE) the ingredient that is needed to make methamphetamine. Other items that are highly prized by ORT rings include razor blades, camera film, batteries, DVDs, CDs and smoking cessation products. High end items including designer clothes, furs and electronics are also popular.

Over the past several years, ORT gangs have become more brazen and violent in their behavior, posing a threat to the safety and well-being of store employees and shoppers alike. In the greater Washington, D. C. metropolitan area, many retailers are fearful of the aggressive presence of Central America gangs like MS-13. A recent MS-13 incident involved a woman who was stealing about \$50,000 worth of merchandise a week for her gang. Moreover, there is mounting evidence showing a relationship with ORT gangs and ties to countries that support terrorism. In fact back in February of 2005, FBI Director Robert Mueller told a Senate Committee on Intelligence that the Bureau has traced money from infant formula traffickers to nations where terrorist groups are active.

Just as disturbing as the connection between ORT gangs and terrorist activity is the fact that this type of crime places consumer's health and safety at risk. For example, consumers are potentially at risk when professional theft rings steal consumable products, such as OTC drug products and infant formula. Pilfered products such as these kinds may not be kept under ideal or required storage conditions which can threaten the product's integrity. And often times, these theft rings will repackage and change the labels on stolen products to falsely extend the product's expiration date or to disguise the fact that the merchandise has been stolen.

During the First Session of the 109th Congress, the Coalition Against Organized Retail Theft advocated for enactment of legislation that would increase the role of federal law enforcement in the fight against organized retail theft. Due to the leadership efforts of Congressman Bob Goodlatte (R-VA), House Judiciary Crime Subcommittee Chairman Howard Coble (R-NC) and House Judiciary Committee Chairman Jim Sensenbrenner (R-WI), language relating to ORT was included in the Department of Justice Reauthorization bill (H. R. 3402) which was signed into law (P.L. 109-162) by President Bush. As specified in this important initiative, the FBI will establish a special ORT Task Force and will work closely with the retail community to create a national database that will track and identify electronically where ORT crimes are being committed in the United States. The creation of the national database will assist the FBI and other law enforcement agencies to more quickly identify “hot spots” throughout the country where professional shoplifting gangs are operating so that the Bureau can deploy its agents and resources more efficiently in the field. State and local law enforcement officials as well as retail stores would be able to transmit electronically appropriate information into the database. In addition, the national database will help to measure more accurately the magnitude of this type of criminal activity which as we previously stated is estimated to cost retailers, manufacturers and consumers as much as \$30 billion in losses each year.

The new law authorizes \$5 million in each of the next four years from 2006 to 2009 to carry out the above mentioned provisions. The new law also includes a working definition of what is considered to be ORT crimes as well as funding for the education and training of federal law enforcement agents for the purpose of investigating, apprehending and prosecuting individuals who belong to professional shoplifting gangs.

The Coalition Against Organized Retail Theft strongly supports the ORT language that is part of the new DOJ Reauthorization law as passed by Congress last year. We urge the House Appropriations Subcommittee to appropriate the funds necessary to carry out the ORT provisions. In our opinion, making these funds available to the FBI will be a very prudent investment that will facilitate a more formal partnership between law enforcement and the retail community in the fight against this type of insidious and menacing criminal activity which poses a real threat to the health and safety of consumers and retail employees. Equally important, appropriating the funds for this purpose will provide the FBI with another valuable tool in the Bureau’s arsenal to thwart and deter terrorist activity that can be funded from the ill-gotten proceeds of ORT crimes. In conclusion, it is the hope of the Coalition that such funds for the FBI will be appropriated. Thank you.

Coalition Against Organized Retail Theft
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MEMBERSHIP OF THE COALITION AGAINST ORGANIZED RETAIL THEFT

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Consumer Healthcare Products Association
Cosmetic, Toiletry and Fragrance Association
CVS/Pharmacy
Duane Reade
Eastman Kodak Company
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Food Marketing Institute
The Gillette Company
GlaxoSmithKline
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