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## **The Importance of Logistics**

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It's Wednesday, April 11, 2012, two days after Easter. A supply of circuit elements from the Slovak Republic had been expected to arrive on April 6. Mr. O'Brien, director of the purchasing department of "Electronic Ltd. Specials" was restless. His company, based in Brighton UK is known in the industry for its reliability. The company processes electronic components for communication tools.

He was excited---not meeting the appointed time threatens to cause a complete stop of an entire production line. He picked up the phone and got into contact with the Slovak suppliers. He received information that the goods were scheduled for transport on time on April 5<sup>th</sup> and were taken over by a contracted transport company the left the factory. The appropriate documentation was received by Mr. O'Brien as a result of his phone call.

There was a similar situation at the branch office of a German producer of transport aids on April 6. Four of the special devices were expected to arrive in Prague as early as April 5. The customers had been waiting for two days. Each part costs approximately 98,000 EUR.

Almost at the same time, the CEO of a Romanian company for electric kitchen appliances ordered electric cookers from a company located in the United States. He tried to get into contact with the carrier as he had already been waiting for the arrival of a corresponding supply since April 5.

### **What Had Happened?**

When the electric cookers arrived at Hamburg Freeport, a truck with trailer was ready to receive the goods for transport to Bucharest. The contract with a Hamburg carrier had long been signed. However, the truck and trailer waiting in Hamburg Freeport for taking the goods over on April 4 was not the truck from the contracted company. The contractor did not have sufficient capacity for this order as early as at the time of acceptance. He advertised this job, transport of goods from Hamburg to Bucharest on an internet platform. This process is not uncommon in the industry. This way you will find transport opportunities to carry out orders as quickly and cost efficient as possible. Also primary customers use these kinds of platforms, especially to keep transportation costs as low as possible since they are a significant part of the price of the final product.

Alone, the placement of an existing transportation contract promise a profit when one passes it on to a financially favorable subcontractor. This is a common practice.

Back to the kitchen appliances: An Austrian company took the job via the internet. The necessary documents were exchanged electronically (the freight forwarding papers of the Hamburg carrier and the necessary documents of the Austrian transport company, including a certificate of concession, a certificate of trade register, car registration papers, etc.) This Austrian company performs a content-serious company name "Trust Us GmbH" (the name of a Limited Company). The company, via their website, also subcontracted a Polish carrier for taking over this job within a very short time.

The Polish company realizes the order of their Austrian client, but the goods never reached the American customer's place of destination. Now the insurer of the harmed company handed the files over to a private investigation company in Berlin to investigate the circumstances and if possible the replacement of the goods. The anticipated result: the Austrian

company "Trust Us GmbH" acted fraudulently, though the company with that name had not existed for some time. The offenders had falsified the certificate of trade register and further official documents. The electronic template allowed such manipulation.

When the Polish driver, in good faith, took over the goods in Hamburg and was on the highway to Bucharest he received a message from his dispatcher that the goal had changed. Now the goods were not to be transported to Bucharest, but to Bratislava. The dispatcher had received his instruction from his client the fake "Trust US GmbH." When the driver arrived at the Bratislava address, there was only a small hotel, but no storage facility. It was about 8 p.m. and a friendly "helper," a "pilot" waiting to take the truck to its final destination---an unused factory, empty storage facility with a "Trust US GmbH" sign on the entrance. The documents seemed to be in order. Everything seemed just right, signatures and stamps were exchanged. After that the goods were unloaded quickly.

The same Polish carrier received eight more transport orders from the "Trust US GmbH" for the same period of time. In these cases the transport distances were shorter. They all lead from Vienna to a tiny village on the Slovak-Hungarian border. Again, the company "Trust US GmbH" had a branch office there. The granting of the orders was bound to the condition that they to be realized no later than Friday, April 6.

The investigation office organized simultaneous interviews with the involved drivers and dispatcher of the Polish shipping company, so as to understand and follow the tracks in detail from the time of the orders through realization, and to determine whether the Polish freighter was involved in the criminal acts. The interviews, compared to other information from third parties, lead to two Hungarian criminals. The interviews also provided objective evidence that the suspected Polish transport company was abused. This all was a criminal puzzle played throughout several European countries crossing their borders.

#### **Further Details:**

After the Polish carrier had left the faked branch location, trucks with Slovak license plates appeared and took over the goods again to deliver them to a third country. The rent for the warehouse was paid by "Trust Us GmbH" three months in advance. The lease contract with the building owners was based on false documents. In the warehouse there was a collection of different goods that had nothing to do with each other (acids, car tires, feminine hygiene products, various kitchen appliances, computer transport equipment). The material damage to all involved suppliers amounted to around 4,450,000 EUR. The Polish carrier is still waiting for his fee.

Due to this investigation, two of the offenders were identified later on the basis of the testimony of a Hungarian cab driver who was frequently hired by the two offenders for trips to the warehouses in the Hungarian border town. A former police officer, he had sensed something was not right with the two people and wrote down the license plate number of the car in which the two men appeared at his taxi stop.

The transport fraud against the British company "Electronic Ltd. Specials" could not be linked to this group. The company is still waiting for the delivery of the components.

The Polish interviewer and the Hungarian investigators are now on the list of witnesses for the Austrian prosecutor's office.

The modus operandi: A stolen or found ID card of the supposed vehicle driver and the falsified license plate of the advertised trucks allowed criminals to come into possession of the goods.

The losers in the criminal games without borders are the insurance companies who are liable for the losses. However, the suppliers and producers will find the costs incurred in their future insurance premiums and at last consumers have to pay. In the cases described several suppliers were directly harmed. Unfortunately, it has not been possible to bring all claimants

together. The damage was only indirect, it would be compensated by the insurer and an investigation by private investigators would create new costs.

After a highly organized and complex investigation in nine countries---Germany, Poland, Austria, Czech Republic, Slovak Republic, Romania, Luxembourg, Ukraine---the investigations and investigators faced their financial limits and the lack of interest on the part of the harmed parties.

### **Borrowed Ideas?**

These criminal cases could have been borrowed from offenders in the United States. There were Russian immigrants Nicholas Lakes and Berkovich Viachelav who had gained access to the internet portal Safersys.org of the U.S Department of Transportation. On this website, transport orders were also offered. The two stole the identity of a real transportation company and manipulated relevant data. This way they placed orders on sub-carriers and were paid for it. The companies, which had carried out the orders, remained stuck with their costs. The complaint at the company whose identity had been stolen then brought the fraud to daylight. However, in the meantime the two smart fraudsters had already hooked up again on another business portal and played the game one more time.

It took three years before the handcuffs were clicked onto the duo. During that time, about 300 transport companies were cheated out of their money. The gain was significant as the police were able to secure as much as 1.4 million U.S dollars of the booty. In late summer 2009, a Los Angeles court sentenced the two exiled Russians to prison and ordered them in to pay three million dollars in compensation to their victims.

### **Conclusions**

- It is primarily the enormous time pressure and competition the logistics industry is exposed to that makes these criminal acts possible.
- Security mechanisms are not sufficient.
- It seems to be the responsibility of the insurer to increase the standards and determine the requirements under which orders can be passed on to subcontractors.
- The cooperation between the investigating authorities needs to be simplified and speeded up so as not to grant the offenders an unbeatable lead.
- With the incentive and under the pressure of deductibles for the insured amount, the carriers would feel more inclined to carefully examine the documents and details of subcontractors, thus preventing the swindle caused by counterfeiting.

The above-described case shows that the international cooperation of private investigators has paid off once more.

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