

PROTECTING CARGO

PART ONE

The intent of the proponents of the new \$75,000 broker's bond was to fight fraud in interstate trucking.

While the goals of the bill included in MAP-21 were laudable, in many respects it missed the mark. When implemented at some time in the future, all carriers who legally subcontract loads under existing law, even if only ten times a year, will be required to obtain a broker's license in a separate corporation and post a \$75,000 bond to address the problems of double brokerage.

While the regulatory cost and hassle of compliance will not be insurmountable, the increased bond amount alone will not eliminate the big scam artists who steal freight fees. Nor will it eliminate gross misfeasance when brokers maintain simple FIFO accounting, act as a de facto guarantor for all of their shipper receivables, and then face bankruptcy when a major customer defaults.

My intention is not to complain about the new legislation, though; how and when it will become effective can be addressed in the future when the agency acts. In this article, I would like to address yet another fraud in transportation, which is all too prevalent: identity theft and larceny of cargo by fraud.

In the past six months, our firm's broker clients have been repeatedly victimized by sophisticated imposters who have all of the

normal credentials of legitimate motor carriers, which are used to gain possession of loads that are then either stolen or held hostage.

If the recent broker's bond bill is called Fighting Fraud in Transportation ("FFIT"), then we need a "FFIT II." At a recent seminar, I heard a presentation

by a Director of Cargo Security for a major insurer on this topic. With his permission, I would like to summarize the bullet points on how these frauds are perpetuated and what can be done to prevent these crimes, recover stolen goods, and bring the crooks to justice.

Identity thieves are exploiting the transactional market in several different ways:

- Totally fraudulent, made up companies with no legal status, attempt to procure spot market loads from unwary shippers and brokers. This scam should be easy to expose using the FMCSA's website to credential carriers.
- Scams that use the name, registration number, and provide false Acord certificates of insurance for properly licensed carriers are also prevalent.
 - Identity thieves accept and double-broker high value loads to unsuspecting carriers, then divert the shipments to alternative destinations where the shipments are unloaded and stolen.
 - Loads are accepted off call boards and then stolen by new carriers whose identity has been created for the purpose of perpetrating such thefts.
 - Loads picked up by phantom carriers are held hijacked until funds are paid, usually to the driver.
 - Loads are booked by identity thieves, a major advance is procured and the load is either not picked up or abandoned.



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NEXT ISSUE: PART TWO: Tips to combat these scams