



**Testimony of Detective David Hill
of the Montgomery County, Maryland Police Department
on behalf of Law Enforcement
Before the Subcommittee on Crime, Terrorism and Homeland Security
of the United States House Committee on the Judiciary
October 25, 2007**

Good Morning Chairman Scott and Ranking Member Forbes, my name is Detective David Hill and I am pleased to be testifying before the subcommittee today on the growing problem of organized retail crime.

By way of background, I am currently a detective with the Montgomery County Police Department's Retail Crimes Unit and have been in law enforcement for over 16 years. I am a sworn Deputy of the U.S. Marshall Service and assigned to the Metro Area Fraud Task Force of the United States Secret Service. I am the *only* detective in my department and one of the few in the region assigned exclusively to investigate retail theft and fraud.

To put my job in perspective, industry-wide retail fraud and theft losses amount to almost \$40 billion a year according to one prominent study. That is more than *double* the losses of robbery, burglary, larceny, and auto theft *combined* (\$16.9 billion) nationwide. As you know, the Washington Metropolitan Area is the eighth largest in the nation, with thousands of retail outlets and several major malls just in Montgomery County alone. I am a busy man. I typically handle scores of cases each year.

As we have heard, organized retail crime is a real and growing trend, and accounts for a large portion of overall retail losses. According to the National Retail Federation, 79 percent of retailers surveyed report being victims of ORC and 71 percent saw increases in ORC activity last year. The term "organized" can mean many things, from pairs of "boosters" who target retail stores with the intention of distracting a sales associate while the other sweeps merchandise from the shelf, to teams of five or more who stake out targets carefully and steal discreetly in crowded stores. In many cases, ORC teams are efficiently segmented into collectors, packers, and movers that take the stolen merchandise to a waiting car, and still others who serve as lookouts to make sure that the team is not being followed by security.

Some of the more sophisticated criminals engage in changing the UPC bar codes on merchandise so they ring up differently at check-out, this is commonly called "ticket switching." Others use stolen or cloned credit cards to obtain merchandise. Sophisticated or not, what all of these thieves have in common is that they are *career* criminals usually hired by bulk buyers or ring-leaders with specific products in mind. They have "shopping lists," if you will. Some target luxury clothing, accessories, and perfume while others focus on baby formula and expensive over-the-counter medications or beauty aids. Gift cards and electronics are other popular targets. Believe it or not, these criminals are even stealing vacuum cleaners and power tools. Whatever is new; whatever is hot, that's what the criminals want.

Some of these ORC groups travel important interstate corridors, like I-95, from Miami to Maine, hitting numerous retailers along the way and filling vans or trucks with stolen merchandise. In one case, we recovered \$40,000 in merchandise that was stolen in one hour. The booty ends up at underground bodegas, pawn shops and flea markets, some is repackaged and warehoused for re-distribution, and, in a growing trend, more and more of it is showing up for sale on the Internet.

The reason so-called "eFencing" is becoming so popular is the simple economics of

risk and reward. A typical fencing operation typically pays criminals \$.30 cents on the dollar, whereas online marketplaces and auction sites can bring closer to \$.70 cents on the dollar for "new in box (NIB)" merchandise, and gift cards pay even more. Further, local pawnshops tend to be regulated – requiring the disclosure of information about both sellers and the merchandise being sold – which creates additional risks for criminals. In contrast, Online marketplaces provide an unregulated environment in which thieves can re-sell stolen property to customers on an national or even international level with few or no questions asked.

The Internet not only makes it easier for ORC rings to unload merchandise at near retail prices, it also enables sophisticated single-operators to realize a huge profit off of their crimes as well. On Christmas Eve 2005 the Montgomery County PD apprehended a college student who was the subject of a CNBC piece on eFencing earlier this year. By his own admission, the student made over \$50,000 auctioning off stolen merchandise on e-Bay. These items were stolen from stores such as Best Buy, Target, and Wal-Mart and included high-end computer graphic cards, GPS navigation units, books, expensive iPod accessories, and many other items.

Mr. Chairman, important investigations like this one rely upon the ongoing partnership between law enforcement and the retail sector. While I work a regular investigative beat, cases are most often initiated and reported by the loss prevention investigators employed by retail companies. It is true that many companies like e-Bay will provide information to law enforcement when asked to do so, however, requiring Online auction sites to collect and disclose serial numbers of products being offered for sale when appropriate, and to provide additional seller information to retailers' loss prevention investigators will help our retail partners better understand and build cases that can then be turned over to detectives like myself.

Additionally, as noted above, increased seller disclosures should discourage criminals from even attempting eFencing. Such transparency will likely disproportionately affect and deter criminals who are interested in fencing stolen product Online, with little or no impact on legitimate sellers.

Mr Chairman, I commend the important work that you are doing to shed light on the very real problem of organized retail crime. Too often professional thieves are getting off with little more than a slap on the wrist because many jurisdictions are still treating ORC crimes as shoplifting cases. Some would say that this is a "victimless" crime, but ORC affects society because it increases prices and can compromise the quality and safety of consumer goods. As I have already described, these are often multi-jurisdictional crimes where professional thieves are regularly crossing state lines. With the added component of eFencing on the Internet, this is a natural area for Congress to get involved. Clearly, federal legislation would serve as a powerful tool for law enforcement and a deterrent to would-be criminals.

Mr. Chairman, I appreciate the invitation to address you and the subcommittee members. I welcome any questions or comments you may have.

Thank you.