

Opening Statement
Chairman Mark Souder

“Organized Retail Theft: Conduit of Money Laundering”

Subcommittee on Criminal Justice, Drug Policy,
and Human Resources
Committee on Government Reform

November 10, 2003
Cypress, Texas

Good morning, and thank you all for coming. Today our Subcommittee will address the status of investigations, prosecutions, and convictions relating to organized retail theft rings in Texas and elsewhere. We will learn that organized retail theft is much more than petty shoplifting. We will also address the magnitude of the retail theft problem with particular emphasis on what the retail industry calls “high-price-point” products, such as baby formula and other consumer items.

A significant problem with organized retail theft is the losses to American businesses, which are invariably passed on to the taxpayer in the form of higher prices. This problem is widespread, affecting supermarkets, drug stores, mass merchandisers, and convenience stores. In 2001, the Federal Bureau of Investigation’s Interstate Theft Task Force quantified the problem as over **\$30 Billion** in store-level losses annually.

The next significant problem with organized retail theft is the interruption of the product supply chain. Many products must be stored and transported under prescribed conditions to keep the product safe for consumption. The large quantities of stolen high-price-point merchandise create storage challenges for these rings. Climate controlled storage is not provided and worse, merchandise may spoil or become tainted. You wouldn’t want to buy a gallon of milk, which had been sitting around an 80-degree warehouse for a week before it got to the store shelf.

The third significant problem with organized retail theft is the gray market of resale. Stolen products are sold at flea markets, swap meets, shady storefront operations, the trunks of peoples' cars, and worst of all, sometimes unwittingly at "mom and pop" stores. Some of these secondary retailers know they are buying stolen merchandise for resale. Some do not. Invariably, the consumer never knows.

The fourth significant problem is money laundering. Once stolen property is resold to secondary retailers, where do the cash proceeds from the chain of illegal activity go? We may be surprised here today, to learn that this problem extends far beyond our own borders. Unfortunately, this problem is not new, nor is it limited to the State of Texas.

Operation Blackbird and the Pasadena Community Defense Force task forces in Texas are premiere examples of cooperation between law enforcement agencies and prosecutors from all levels of government, working together with regulatory agencies and businesses to interrupt this crime. These efforts will have to be duplicated across this great country to eliminate these problems. Efforts to discover the international money-laundering component of this hearing must be redoubled. Interagency cooperation must be at its best, to have any chance at identifying and ultimately convicting all of the members of these rings.

This hearing will address all these difficult issues, as well as legislative and other potential solutions. We are aware of the lack of a Federal Statute that specifically addresses the crime of organized retail theft. We are pleased to be joined by representatives of several levels of the law enforcement community. We also have both state and Federal prosecutors to enlighten us about their roles. To conclude, we have business representatives who will share their concerns and solutions.

I thank everyone for taking the time to join us this morning, and I look forward to hearing your testimony.