

The Dark Side of Metal Madness

Scrap prices are motivating thieves, and nothing is safe: manhole covers, beer kegs - even urns.

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(Fortune Magazine) -- The Barclays base metals index is a handy gauge of copper, aluminum, lead, tin, and zinc prices. Since 2005 it is up 95%, which has prompted a rally in a different market barometer. Call it the petty larceny index. In 2006 more than 24,000 **manhole covers** were stolen from the streets of Shanghai. In Fort Worth last June, bronze memory **urns disappeared from graveyards**. The following month, at a high school football field in Washington, D.C., 750 pounds of **aluminum bleachers** went missing. This past April two men got trapped in a West Virginia mine. They were attempting to steal **copper wire**.

To some degree this crime boom is cyclical. The silver bubble of the early 1980s led to multimillion-dollar heists from the London Metal Exchange's warehouse and in New York City's Diamond District. But the current crime wave, which began two years ago and has escalated since, is markedly worse.

[Verizon](#) ([Charts](#), [Fortune 500](#)) claims it lost \$300,000 worth of copper wiring from cell towers to thieves in California just this year. AT&T, which owns land lines, has lost \$3 million worth since January in Michigan alone.

"The number of people doing this has risen so much, it's hard to say if there's a profile. Two years ago it was a white male, about 40, who's addicted to crack. Now we have people who have organized themselves into groups to systematically steal metals," says William Yoshimoto, a supervising attorney for California's Tulare County who has been investigating metal theft.

In Michigan, [Anheuser-Busch](#) ([Charts](#), [Fortune 500](#)) noticed the disappearance of enough of its **stainless-steel Beer kegs** to take action: Last month the beer giant persuaded the state liquor commission to triple the required security deposit from \$10 to \$30. "A lot of kegs weren't coming back," says Ken Wozniak, director of the state's Liquor Control Commission.

So what's moving the black market? Unlike previous metal-theft booms, this one is being driven not just by the prices of the raw materials themselves but also by an unprecedented surge in **global demand for scrap metal**. Developing countries like China, India, and Russia consume more than they can produce and have become net importers. As a result, U.S. scrap metal has grown into a \$61 billion business - from \$40 billion in 1995 - and the second-largest U.S. export to China last year. Domestic prices have shot up accordingly: **Copper scrap**, the most widely available scrap metal (and the most commonly stolen), averages about \$3.25 per pound in the U.S., up from \$1.25 two years ago.

For lowlifes the rewards can outweigh the risks. While a manhole might fetch just \$20, a single catalytic converter, boosted from an SUV, is a metals trifecta. It contains platinum, palladium, and rhodium worth \$150. For professional thieves the big hauls, like truckloads of copper wire pilfered from construction sites, can bring in hundreds of thousands of dollars.

A clampdown on this illegal economy is in the works. Lobbyists for [AT&T \(Charts, Fortune 500\)](#) and Verizon, as well as electric utilities and police departments across the U.S., are pushing for tougher regulation of scrap yards. Thirty states are now considering such laws, including West Virginia, where pending legislation would require scrap yards to check IDs and document each sale.

The illegal metal plays are not without risk. In New Hampshire in the spring, two thieves were electrocuted while pilfering copper wire from a transformer. "Folks haven't shown good judgment," says Joe Altizer, a West Virginia lobbyist working on the bill. "All for a few dollars of copper." ■