

NEWS

Book says security industry gets 'Free Lunch'

By Leischen Stetter, associate editor
YARMOUTH, Maine—A book recently released by *New York Times* reporter David Cay Johnston casts a hard look on a subject that many in the security industry already recognize as a significant problem: false alarms. In his new book, *Free Lunch: How the wealthiest Americans enrich themselves at government expense (and stick you with the bill)*, Johnston focuses on the cost of false alarms to taxpayers and alleges that taxpayers are providing security companies with a large subsidy by paying for the cost of police response.

"In many cities and suburbs,

"Taxpayers spent well north of \$2 billion to respond to these calls, [that's] a subsidy to the alarm industry."

—David Cay Johnston,
author

one of every eight calls for police service comes from a company that monitors burglar alarms. Taxpayers spent well north of \$2 billion to respond to these calls, a subsidy to the alarm industry, which is spared that expense," writes Johnston.

He goes on to say that the profits the security industry reports nearly equals the cost paid by taxpayers for police response to false alarms. "These profits are huge because the alarm industry does not pay its largest single cost, labor to check out alarms. The taxpayers pick up this expense. Each time the police check out an alarm it costs more than \$50, the police in Seattle and other cities have determined. The average alarm goes off more than once a year. The police responded to about 38 million alarms in 2000 at a total cost to taxpayers of \$1.9 billion.

"The burglar alarm industry collected \$7.9 billion for residential and commercial burglar alarm customers that year. So if the industry's estimates are reliable, it means that profits were almost \$1.9 billion, almost exactly the value of the taxpayers subsidy in having police check out false alarms."

Stan Martin, executive director of the Security Industry Alarm Coalition, said that Johnston is basing his argument on "information that was derived years and years ago and does not give a true picture of the industry today.

So, in turn, we don't agree with him at all."

Martin continues, "Ten to 20 years ago, we saw alarm dispatch-

es escalating, but in the last eight years we've seen a tremendous turn around," said Martin, "alarm systems have grown from 18 mil-

lion to 38 million systems, so it's more than doubled, but yet the number of dispatches per system has gone down 70 percent."

"We talk to and are in contact with thousands of police departments a year, and they tend to

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Alarm Ordinance Watch

BURLESON, TEXAS

Jan. 31 was the deadline for residents here to comply with an alarm ordinance enacted in January 2007, according to a city release. Now, residences and businesses must apply for security system permits annually, with fees

of \$50 and \$100 respectively. If an application is turned in after Jan. 31, a \$10 late fee is added to the cost. Unpermitted alarm systems will not be responded to by police. Government and educational facilities are exempt from the permit fee, but still

must acquire a permit and are still subject to false-alarm fines, which kick in at \$50 for the fourth and fifth false alarms in a calendar year. Fines increase to \$100 for eighth and ninth alarms, and a tenth alarm leads to a revoked permit.

NEW BRAUNFELS, TEXAS

Citing a dramatic spike in false alarm activity in 2007, the Herald-Zeitung reported that the City Council here has approved the first reading of an ordinance that would enact higher fees for alarm permits and charge residents and business owners for repeated false

alarm calls. Officers responded to 2,531 alarms in the first 10 months of 2007, only 13 of which were valid. That represents a 40 percent increase over the 2006 false alarm total. Under the proposed ordinance, permit fees would rise from \$30

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Free lunch

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agree that as long as we can continue to bring those numbers down, it is their desire to respond," said Martin. "When we're at a level of only one or two percent of [police] resources, it isn't on their radar screens anymore. Eight years ago, when we were at 20 percent, that was an issue."

At least one security professional, however, thinks Johnston's book reveals a truth about the security industry.

"The way I look at it, and I'm obviously a member of the security industry, is that I can't think of another industry where you can sell a service that in order to have any value whatsoever it relies exclusively on an outside agency for which you have no control," said Mike Jagger, owner of Provident Security in Vancouver, British Columbia.

"Police departments all over North America are putting their hands up and going to city councils asking for more money and more cops because they don't have enough to deal with the real things that are going on. Couple that with the fact that 98 percent of alarms are false and you've got all these cities trying to put false alarm ordinances together to reduce the amount of wasted police time," said Jagger.

Provident Security offers monitoring and private guard response for higher monthly fees than many other security companies, but Jagger says that may not be the best solution for all security companies or their customers. The solution he said, is "educating clients as to what the reality is so it's their decision about how they want to deal with it. ... The problem arises when people are led to believe something different is going to happen."

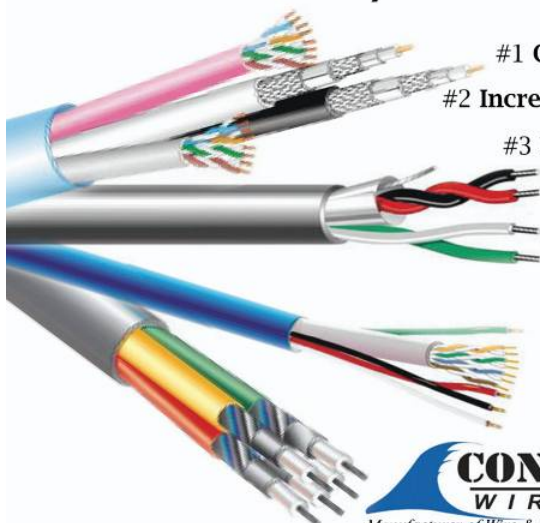
Martin agrees that the industry must continue to reduce its false alarm dispatches. "We've got to be responsible companies," he said. "We've got to continue to train our customers, utilize equipment built to the CP-01 standard and we have to use good monitoring techniques that includes multiple-call verification, which also has a huge impact." **SSN**

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