

The Subcommittee on Coast Guard and Maritime Transportation

Hearing on

Port Security: Shipping Containers

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PURPOSE

The purpose of this hearing is to investigate the security of containers used to ship goods imported into and exported out of the United States by water. The Subcommittee will receive testimony from the Administration, cargo shippers,

vessel operators, as well as freight terminal owners and operators.

BACKGROUND

Overview

The United States' maritime borders include 95,000 miles of open shoreline, 361 ports and an Exclusive Economic Zone that spans 3.5 million square miles. The United States relies on ocean transportation for 95 percent of cargo tonnage that moves in and out of the country. Each year more than 7,500 commercial vessels make approximately 51,000 port calls, and over six million loaded marine containers enter U.S. ports. Current growth predictions indicate that container cargo will quadruple in the next twenty years.

Standard sizes of cargo containers allow cargo to be quickly transferred from ships to trucks or railcars and transported immediately to anywhere in the country. This rapid transfer of cargo is a possible conduit and target for terrorist activities. Prior to September 11th, the primary focus of intermodal transportation was the safe movement of containers in a timely manner. As a result of the terrorist threat, the United States must develop a security regime that minimizes the risks and consequences of a terrorist attack without slowing the movement of cargo.

International Efforts to Improve Shipping Container Security

The International Maritime Organization (IMO) is a specialized organization within the United Nations established for the purpose of developing international maritime standards, promoting safety in shipping, and preventing marine pollution from ships. In response to the terrorist attacks, the IMO's Assembly adopted a resolution entitled "review of measures and procedures to prevent acts of terrorism which threaten the security of passenger and crews and the safety of ships". The various IMO Committees were directed to review, on a high priority, the instruments under their purview to determine if they need to be updated and to determine if there is a need to adopt other maritime security measures that may be appropriate.

On January 15, 2002, the United States submitted a number of proposals to the IMO Maritime Safety Committee for consideration at its meeting in May. These proposals call for a number of specific actions that the United States believes will improve maritime security worldwide. The concepts put forward by the United States to improve container security include port of origin mandatory container examinations and the establishment of international measures to improve the security of cargo movement.

The IMO Maritime Safety Committee Intersessional Working Group met in London this February to consider the United States' maritime security proposal. At this meeting, the Group agreed to revisit a previous IMO decision to not require mandatory inspection of containers due to the increased worldwide concerns about container security. The Group also agreed to work with the World Customs Organization (WCO) to develop an international plan to secure containerized cargo. The goals of an IMO and WCO cooperative agreement would be to expand container inspections, make threat assessments, and increase cooperation between all those involved in the container transport chain. In addition, the Working Group supported the United States' proposal to improve the exchange of information between the international maritime community.

Interagency Container Working Group Recommendation of Action

The Secretary of Transportation established an interagency Container Working Group to address the security issues surrounding the movement of marine cargo containers through the international and intermodal transportation system. This effort is co-chaired by the Departments of Transportation and Treasury. The Container Working Group's activities are focused on information technology, security, business practices, and international affairs.

On February 1, 2002, the Group made recommendations to the Office of Homeland Security on ensuring the security of cargo container transportation. The recommendations addressed improving the coordination of government and business container security activities, enhancing cargo data collection, and improving the physical security of containers. The recommendations also support international container security efforts and the increased use of advanced technologies to improve the profiling of containers.

U.S. Coast Guard Security Authorities and Activities

The U.S. Coast Guard currently has primary responsibility for the protection of life and property at sea, as well as the enforcement of all applicable Federal laws on, under, and over the high seas and United States waters. The agency also is charged with protecting the marine environment, conducting icebreaking activities, maintaining aids to navigation, and securing the safety of vessels, ports, waterways, and their related facilities.

Federal law authorizes the Coast Guard to board any vessel subject to the jurisdiction, or operation of any law, of the United States in order to make inquiries, examinations, inspections, searches, seizures, and arrests for the violations of U.S. laws. The Coast Guard may order and force any vessel to stop and may engage in land, water, and air patrols. Federal law also authorizes the Coast Guard to control the anchorage and movement of vessels in the navigable waters of the U.S.

The Coast Guard is also authorized to regulate the handling of dangerous cargo at waterfront facilities, the use of dangerous cargoes on inspected vessels, and the carriage of certain specified liquid bulk cargoes by vessels. The Secretary of Treasury, at the request of the Secretary of Transportation, may refuse or revoke the clearance to enter a port of the United States when he believes a vessel carrying liquid bulk dangerous cargo or other hazardous materials has violated U.S. law. Vessels carrying dangerous cargoes are built and inspected to Coast Guard standards. Coast Guard marine inspectors conduct annual inspections to ensure these vessels meet and maintain these standards and make unannounced boardings to monitor transfers of dangerous cargoes.

Currently, the U.S. Coast Guard is enforcing a wide range of security measures on all ships entering U.S. ports. The Coast Guard has changed the 24-hour Notice of Arrival requirement for ships entering U.S. ports to 96 hours before arrival at the first U.S. port. New special rules apply for all vessels carrying dangerous cargoes and additional information is also required in the Advance Notice of Arrival. The notice must now include a listing of all persons on board, crew and passengers, with date of birth, nationality, along with the appropriate passport or mariner's document number. The notice must also include the vessel name, country of registry, call sign, official number, the registered owner of the vessel, the operator, the name of the classification society, a general description of the cargo, and the date of departure from the last port along with that port's name.

In addition, each Coast Guard Captain of the Port may employ any security measures that he deems necessary to ensure the safety and security of the port. For example, the Coast Guard has required several facilities handling dangerous cargo to provide additional security personnel and other security improvements. Facilities not addressing Coast Guard security concerns may have their operations suspended or be subjected to civil penalties.

U.S. Customs Service Security Authorities and Activities

The U.S. Customs Service has the primary Federal responsibility to ensure that all imports and exports comply with U.S. laws and regulations. The Customs Service provides the Nation with its second largest source of revenue. Last year, more than \$22 billion in duties were collected on imports. The agency is responsible for enforcing more than 600 laws and 500 trade agreements dealing with imported and exported cargo transactions.

The Customs Service physically inspects two percent of imported, and one percent of exported cargo. However, the majority of containers selected for intensive inspection are not randomly chosen. The Customs Service uses information from a database on shipping and trade activities called the Automatic Manifest System (AMS). Using a targeting system that operates within AMS, the Customs Service is able to pick out cargo manifests that appear unusual, suspect, or high-risk, for further evaluation. Although 97 percent of ocean manifests are filed electronically with the Customs Service, the advanced filing of shipping manifests is voluntary.

The Customs Service is currently developing two new information systems, the Automated Commercial Environment and the International Trade Data System. These systems are needed to replace numerous antiquated systems. In addition, these systems will allow for advanced collection of information for the targeting of high-risk cargo. These new systems will also allow other Federal agencies with an interest in cargo data to have access to the pertinent information.

The Customs Service has announced two initiatives to improve container security, the Customs Trade Partnership Against Terrorism and the Container Security Initiative. Both of these initiatives focus on the goal of checking the security of cargo before it reaches the United States. The Customs Trade Partnership Against

Terrorism establishes partnerships with importers, carriers, brokers, warehouse operators, and manufactures to improve security along the entire supply chain. The Customs Service, along with its partners, will look at where goods originate, the physical security and integrity of the foreign suppliers, the background of the personnel involved with the transaction, as well as the means by which goods are transported to the U.S.

The goal of the Container Security Initiative is to reduce the vulnerability of cargo containers being used to smuggle terrorists or terrorist weapons while accommodating the need for efficiency in global commerce. This initiative will establish criteria for identifying high-risk containers, pre-screen containers before they are shipped to the United States, use technology to pre-screen high risk containers, as well as develop smart and secure containers. The Customs Service plans to focus on the largest foreign seaports that are responsible for shipping the greatest number of sea containers to the United States.

WITNESSES

PANEL I

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DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
STATEMENT OF CAPTAIN ANTHONY REGALBUTO
ON
CONTAINER SECURITY
BEFORE THE
SUBCOMMITTEE ON COAST GUARD AND MARINE
TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
MARCH 13, 2002

Good afternoon Mr. Chairman and distinguished members of the Committee. As the Director of Port Security for the Office of Marine Safety, Security and Environmental Protection, I want to thank you for the opportunity to appear before you today to discuss the Department of Transportation and Coast Guard's container security strategy following the attacks of September 11th

Before September 11th, those in aviation knew that commercial aircraft were symbols of commerce and prosperity. Commercial aviation helps build economies, ties the world together and improves our quality of life. On September 11th, terrorists turned these tools of commerce into weapons of hate. The targets were symbols of American economic and military strength. One of the biggest lessons learned from the attacks is that the nature of the threat facing all nations has changed dramatically. What we saw was new; hijackers taking over commercial flights for the sole purpose of turning them into

guided weapons of mass destruction. Recognizing this, we must translate the terrorist's thought pattern and recognize the vulnerability of our maritime environment. We are absolutely convinced that our maritime sector is one of our nation's transportation systems that is the most valuable and the most vulnerable. We must change many of our assumptions underlying maritime security.

If terrorists found a way to use the US aviation industry against our country, they are potentially capable of exploiting vulnerabilities in our Marine Transportation System as well. As a nation that depends so heavily on the oceans and sea lanes as avenues of prosperity, we must protect our ports, waterways, intermodal connectors and vessels. The Marine Transportation System of the United States handles more than 2 billion tons of freight, 3 billion tons of oil and 6 million containers, transports more than 134 million passengers by ferry, and entertains more than 7 million cruise ship passengers each year.

Our Marine Transportation System is linked to our surface transportation system via intermodal connectors; passengers travel via air to embark on cruise ships. Ferry passengers use surface transportation modes traveling to and from water transit facilities, and cargo moves from ships and barges to trucks, rail and pipeline and vice versa throughout the transportation system.

Although much attention was rightfully focused on aviation following the September 11th attacks, the Department of Transportation took decisive steps to address the issue of

security in all the surface modes of transportation as well. In addition to the U.S. Coast Guard's quick response to guard the security of American ports and waterways, Secretary Mineta established the National Infrastructure Security Committee (NISC).

Through several direct action groups, the NISC was tasked with evaluating transportation infrastructure vulnerabilities, security protocols and processes and recommending changes to improve security.

I am pleased to report that through the various NISC direct action groups, the Department came together with transportation associations and with the private-sector transportation industry to explore issues related to port security, the movement of hazardous materials, security of pipelines, highway, transit, and rail systems – all of which are integral to the security of our nation's maritime infrastructure.

From the direct action group process, other groups have been formed to tackle very specific security issues. Among these is the Container Working Group – established through the NISC in December. The Container Working Group is tasked with providing recommendations to improve the secure movement of the six million marine containers that enter our nation's port and the eleven million trucks and rail containers that cross the Mexican and Canadian borders into America each year.

The Container Working group is co-chaired with the U.S. Customs Service and includes representatives from the Departments of Defense, Energy, Commerce, Justice,

Agriculture, Health and Human Services (FDA) and others. The group has oversight from the Office of Homeland Security.

In order to address individual aspects of container security, four subgroups of the Container Working Group are studying information systems, security technologies, business practices, and international affairs. The subgroups are making every effort to provide recommendations that improve security – but at the same time – ensure safety and efficiency in our intermodal transportation system. The Container Working Group issued its first initial report to the Office of Homeland Security on February 1st of this year.

On the front lines of container security is the U.S. Customs Service as well as other federal agencies and the Container Working Group is studying technologies and business practices that will enable Customs and others to prevent high-risk containers from entering the United States or to ensure that they are properly inspected before they pose a threat to the United States. Although the Customs Service utilizes a thoughtful risk-based selection method, preventing a container from being used as a weapon requires a more complex strategy, enhancing the non-intrusive inspection technology and information used for selection. We are very supportive of the new Customs Container Security Initiative because it builds upon previous work with our international trading partners to improve container security throughout the world's global supply chain.

Likewise, the Department of Transportation – through the new

Transportation Security Administration (TSA) will be making every effort to ensure the security of cargo – including containerized cargo – as it moves throughout America’s intermodal transportation system. With its congressional mandated deadlines, TSA has been focusing primarily on aviation related security issues. However, in the months ahead, the new organization will be devoting substantial attention to maritime and surface transportation related security.

The U.S. Coast Guard, following the September attacks, also reorganized its security programs, which were dispersed throughout the Office of Marine Safety, Security and Environmental Protection, and consolidated them under a new port security directorate. This included the movement of our modest container inspection program, which was focused on the structural integrity of containers and the proper shipment of hazardous materials. This was done to add a security element to our safety inspections. Our Container Inspection Training Assistance Team (CITAT) was deployed to New York City following the attacks and assisted in inspecting numerous containers following the “just in time” training they received from the U.S. Army.

Equally important in improving port security has been our partnering efforts with the international community. At a recent International Maritime Organization assembly and intersessional working group meetings, the Coast Guard, as the lead agency for the U.S. delegation, introduced numerous security measures for

consideration including vessel, facility and offshore platform security plans, early implementation of automatic identification system transponders for certain international ships and designation of and training for ship, company and facility security officers. The U.S. Government also introduced some preliminary container security measures for consideration with the promise to provide more detailed papers for the Maritime Safety Committee meeting in May 2002 based upon the recommendations of the interagency container working group and Customs' Container Initiative.

In summary, the vast volume of trade and traffic through our nation's seaports has put immense pressure on our ability to enforce the nation's laws while facilitating international trade, even before September 11th. After September 11th, our challenge has risen to a new level. Notably maritime trade, which is critical to this country's economic strength, continues to move through ports with minimal interruption. It is no surprise that sustaining mobility will come at a higher cost to all of us as we harden our borders. The reality is we are an open society and we cherish our freedoms. Ultimately, it is incumbent upon our government and our transportation industry partners to find the balance between appropriate security measures and the unimpeded movement of goods, people and services.



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Testimony of

Christopher Koch

President & CEO of the
World Shipping Council

Before the
**House Transportation and Infrastructure
Committee**

March 13, 2002

I. Introduction

America is a free nation that generally aspires to free trade. Our

international transportation and trading system reflects that relative openness and freedom, and we all benefit from it. But today we face a serious, new challenge: How best to design and implement effective maritime security measures that will successfully defend our trading and transportation system from terrorism— while preserving the efficiencies and benefits which consumers, businesses and every national economy derive from today’s system.

Meeting that challenge is not a simple task. “Maritime security” covers a variety of different, distinct industries and elements, including: inland waterways, port facilities, marine terminals, non-maritime facilities located on navigable waters, bridges, cruise ships, tankers of various types, and the liner industry.

This testimony will address only the *liner shipping*^[1] aspects of this agenda, which, while representing only a portion of the issues this Committee is reviewing, are substantial enough to have produced multiple “container security” initiatives within the Executive Branch.

In 2001, the international liner shipping industry carried approximately 18 million TEUs (twenty-foot equivalent units) of containerized cargo in America’s international trade – roughly \$480 billion dollars worth of goods. That represents slightly over two-thirds of the value of all

of the nation’s oceanborne commerce. It represents approximately 4.8 million containers of U.S. export cargo and 7.8 million containers of import cargo.^[2]

Over 800 ocean-going liner vessels, mostly containerships and roll-on/roll-off vessels, make more than 22,000 calls at ports in the United States each year. That's more than 60 vessel calls a day – providing regular scheduled services to and from virtually every country in the world. Liner shipping makes it easier and cheaper for U.S. exporters to reach world markets, and provides American businesses and consumers with inexpensive access to a wide variety of goods from around the world – strengthening our economy and enhancing our quality of life. The members of the liner shipping industry who comprise the World Shipping Council^[3] carry over 90 percent of this volume. They truly are “Partners in America’s Trade”, and they recognize that this partnership requires the industry to work effectively with the government to address the new threat that terrorists might try to use or attack our transportation system.

The immediate challenges are (1) to design the security process and deploy the capabilities necessary to minimize, detect and intercept security risks as early as possible – before they are loaded aboard a ship for delivery to their destination, and (2) to have the systems and international protocols in place to ensure the efficient flow of international commerce during all possible security conditions. We must protect the system that facilitates world trade, and prevent transportation assets from becoming means of delivering destruction. We must protect the lives of people who make the international trade system operate and who work and reside in areas through which trade flows. We must protect the nation’s ability to continue its trading

relations in the event terrorists do attack. And, we must recognize that this terrorist threat is not going to go away, but only become more challenging to address as world trade volumes grow.

For that reason, what is at issue is not just maritime security, or the even the global, intermodal transportation system, but the flow of international trade and the world's economic health.

Government officials have clearly stated their concern over the possibility that our international transportation system might be used as a conduit for terrorism. Accordingly, governments must devise and implement effective strategies to reduce and manage such risks, and carriers, shippers, ports, marine terminals, importers and third parties need to support what is necessary to achieve those objectives.

At the same time, government officials have indicated that, if terrorists were to attack this system, the government response might be to shut down trade. [\[4\]](#) That, however, would allow the terrorist threat to strangle international trade. It would be extremely damaging to the American and world economy. The government must have a strategy and the capability to ensure that trade continues to flow, even if there is an incident. The alternative would create an even greater incentive for terrorists to target the transportation industry, because the consequences would be so destructive.

There is no single solution for this problem. No single government agency that can solve this problem. No single government that can solve this problem on its own. Every commercial party involved in the transportation of goods has a role to play. Every government has a role to play.

Shippers, consignees, carriers, ports and terminal operators all fear that in the endeavor to address these security concerns, the free and efficient flow of commerce will be impeded, and that requirements may be imposed that unnecessarily impede commerce and raise operating costs, but do little to improve security. This is an entirely legitimate concern. The answer, however, is not to delay action. What is needed is for the government to clearly identify the new security requirements, and for the industry to work cooperatively and quickly with the government to determine the best, most efficient way to meet them.

After September 11, the World Shipping Council established a Security Advisory Committee in order to consider how the liner industry could assist the government in the effort to improve security and protect the flow of commerce. On January 17, the Council issued a White Paper, which was provided to the Department of Transportation, the Customs Service and this Committee. Based on that paper and the continuing commitment of the liner industry to help the government develop effective responses to these challenges, I'd like to offer the following comments to the Committee.

II. The Challenges

Designing and implementing an effective maritime security program will require cooperation, information sharing, and coordination between government and industry. At the outset, the Council recommends that the federal government's strategy and actions should be consistent with certain principles.

First, there must be a unified, coordinated strategy to address the issue. We recognize that the Department of Transportation oversees transportation and the Customs Service oversees trade, but improving the security of intermodal, containerized cargo shipments requires a tightly integrated approach and clear responsibilities. This is particularly true when considering information requirements for cargo shipments, which I will discuss later. It also requires government agencies to effectively share the information that they require.

Second, there should be clear, mandatory rules informing each responsible person in the transportation chain what is required of them. Voluntary programs designed to provide enhanced security levels and to expedite the transportation of low risk cargo are important and should be pursued. But, effective security against terrorist threats also requires clear requirements, with clear accountabilities, which are uniformly applied and enforced.

Third, the security regime must allow for the efficient flow of trade. Efficient transportation and secure transportation are not incompatible.

Fourth, international cooperation is necessary to effectively and comprehensively extend enhanced security to international supply chains. We all recognize that there are both

- legitimate concerns about unilateral U.S. actions that have international implications and about the need for international standards on many of these issues, rather than a crazy quilt of differing national laws, and
- legitimate concerns that the international community may not act with the urgency and determination that the U.S. government regards as essential.

This tension may be unavoidable, but it need not be destructive. It requires sensitivity and effective communication on all sides. It also requires action by the governments of all trading nations, because the United States cannot effectively undertake security screenings outside its jurisdiction without international cooperation.

III. Various Aspects of Containerized Cargo Shipping

A. Ships: On the issue of ship security, we fully support the various initiatives undertaken by the Coast Guard to address vessel security, both using their existing authority and in leading the initiative at the International Maritime Organization to obtain international agreement.

The Coast Guard immediately after September 11th implemented several measures to improve tracking vessels destined for U.S. ports and the crews and passengers onboard these vessels. Through its sea marshal program, implementation of safety and security zones around vessels and escorting certain types of vessels, the Coast Guard is also taking steps to prevent vessels from becoming terrorist targets or from being used by terrorists as weapons.

The Coast Guard has submitted to the International Maritime Organization (IMO) additional proposals pertaining to vessel security. Among the proposals are the designation of security officers on every vessel and in every company that owns or operates vessels; the availability of alarms or other means on a vessel to notify authorities and other ships of a terrorist hijacking; and the expedited installation on all vessels of the Automatic Identification Systems (AIS) by July 1, 2004, instead of the existing target date of 2008. AIS provides, among other things, a ship's identity, position, course and speed. The Coast Guard has also proposed to the IMO an international system for the issuance of verifiable seafarers' documents and background checks of individual seafarers.

These and other proposals were discussed at a recent U.S. initiated working group meeting of the IMO. Additional IMO meetings are scheduled for later this spring and summer with a view to approving new international vessel security measures at a special IMO session in December.

It is too early to be certain which measures will be approved

later this year by the IMO and thus become internationally binding requirements, but the Coast Guard's report on the IMO effort was very optimistic. As an international industry operating liner vessels with multinational crews, and under the jurisdiction of many different flag administrations, and calling ports in many different countries, the Council's member companies would prefer that, to the greatest extent possible, mandatory vessel security measures be agreed to at the international level. Clear and uniformly applied and enforced rules would create certainty and clarity for our vessels and their crews and help protect against breaches in, and of, the international supply chain.

B. Marine Terminals: The security of ports and marine terminals in this country was analyzed in the Report of the Interagency Commission on Crime and Security in U.S. Seaports (Fall 2000) and found wanting. This issue served as an impetus for the Senate legislation (S.1214) on this issue, which we have supported.

The Coast Guard, using existing statutory and regulatory authority and working with terminal owners and operators, has already implemented certain measures to increase security in and around waterfront facilities.

Earlier this year, the U.S. Coast Guard Commander for the Pacific Area issued guidelines for the individual Captains of the Port for the inspection and maintenance of adequate security measures for waterfront facilities in the Pacific Area. Developed in cooperation with industry stakeholders, these guidelines are intended for all types of maritime terminals and facilities. They

cover areas such as physical property security, personnel security, passenger security, vehicle access and rail security, and are differentiated according to three risks levels. As guidelines, they do not replace or supersede existing regulations. Rather they are intended to assist the individual Captains of the Port and the operator of a facility in evaluating the security of that facility and taking corrective measures, if necessary. The guidelines are a constructive first step, but further actions are needed. For example, these guidelines do not address the issue of credentials and access controls for people at marine terminals.

The U.S. Coast Guard included in its submission to the IMO a proposal that all port facilities be required to develop and maintain security plans, and that these plans would have to be approved by the government in whose jurisdiction the facility is located according to internationally agreed standards. In addition to this proposal, the Coast Guard has also proposed that IMO agree to a mandatory requirement that every port undergo, by the government in whose jurisdiction it is located, periodic port vulnerability assessments based on internationally agreed vulnerability assessment standards. We fully support the efforts of the Coast Guard to raise enhanced terminal security at the IMO. The Coast Guard has also begun the process of preparing to conduct vulnerability assessments of U.S. ports, and, towards that objective, is developing a so-called "Model Port" security concept.

C. Personnel: We support legislative and Department of Transportation efforts to establish a national credentialing program, with uniform, minimum federal standards for

credentialing, with a federal background check process using criminal history and national security data, and “smart card” technology for the credentialing of appropriate transportation workers. It should cover people with access to restricted marine terminal areas and to vessels, the truckers hauling the container, and other security sensitive positions. America’s seaports should have systems to ensure and record that only approved people who are supposed to be there are there, and only when they are supposed to be there.

Many foreign ports have more developed security procedures than U.S. ports, and the institution of credentialing, background checks, and positive access controls at U.S. ports would be a constructive step to show the U.S. government’s resolve.

We also support the Coast Guard’s initiative at the IMO to establish an international credentialing and background check system for seafarers of all nations. The Coast Guard estimates that 200,000 seafarers a year come to the United States. The agency’s IMO proposal is a good-faith proposal to establish an internationally accepted system that would provide enhanced security and ensure the desired freedom of movement for seafarers.

D. Containerized Cargo: Containerized cargo transportation presents distinct and clearly complex challenges from a security perspective (1) because of the number of different entities in different jurisdictions involved in a shipment – those involved in loading and sealing the container, documentation of the shipment, storage, trucking, railroads,

inland terminals, marine terminals, and the ocean carrier, (2) because of the current lack of a clearly defined and coordinated information system to receive, analyze and act on the data determined by the government to be necessary to pre-screen containerized shipments before they are loaded aboard a ship, and (3) because of the lack of an established or coordinated global capability to inspect containers, when warranted, before they are loaded aboard ships. Accordingly, we believe that it may be helpful to look at separate, but complementary, aspects of addressing this issue.

- 1) Operations: We support the government establishing:
 - a legal requirement that the shipper must seal a container originating in or destined for the United States upon stuffing it, and record the seal number on all shipping documents;
 - the standards that such seals must meet (preferably an internationally accepted standard);
 - a requirement that the party receiving the container at each interchange (e.g., trucker, railroad, ocean carrier) check and record the seal and its condition upon receipt;
 - a requirement that when persons having custody must break the seal for legitimate reasons, they be responsible for affixing a new one, noting the reason, and recording the new seal number on the documentation;
 - procedures for when a container is received with no seal, a broken seal, or a seal discrepancy; and

- a requirement that no loaded container be stowed aboard a vessel without an intact, conforming seal.

While the industry recognizes that seals will not by themselves solve security concerns, the Council believes the above requirements would be an appropriate step to ensure a more secure chain of custody.

2) New Equipment Technologies: Council members have offered their support for government efforts in the research, testing, development and evaluation of cost-effective new technologies that could help provide enhanced security, such as electronic seals, and container tracking and intrusion detection technology. While such technologies have not yet been sufficiently proven to have government standards and be required, carriers will continue to work with the government in testing and evaluating such possibilities. Because there are roughly 11 million existing containers serving as instruments of international commerce involving multiple national jurisdictions, it is very important that any technology standards or devices be internationally available and accepted.

3) Cargo Documentation and Government Information Requirements: Customs Commissioner Bonner and Admiral Loy have both spoken clearly about the need for container security initiatives to “push” the nation’s borders out, so that the government can acquire essential cargo shipment data in time to analyze the information and

determine if further inspection of that container is needed *before* it is loaded aboard ship. The logic is clear and unarguable. The port of discharge is not the place or the time to check for terrorism.

If the vision of earlier, more effective container security is to become a reality, it requires better, earlier information about cargo shipments, and the capability to effectively inspect containers before they are loaded aboard ships. Let me turn to these issues.

The government's objective is to obtain and analyze shipment information early enough to implement more timely and effective screening. The first step is for the government to establish its information requirements – specifically, what information does it need, from whom, when, electronically delivered to what information system?

Each person in the shipping process has a role and information: the importer who has ordered and is purchasing the goods, the shipper who is loading the goods into the container, the carriers who are transporting the goods, and the brokers and forwarders who assist in the cargo information process. Today, the earliest information *required* by the government is the ocean carriers' cargo manifests. Most cargo manifests are electronically transmitted 48 hours in advance of arrival, but they are not required to be filed electronically and can still legally be filed in paper form at the time of vessel arrival.^[5]

Importers are not required by law to provide cargo information and make entry of the goods until five days after they have been unloaded (even more time is allowed if the goods are moving “in bond”). This is not the information process that is going to support accomplishing the government’s objective.

Ocean carriers are willing to do their part. They understand that the cargo manifest is a relevant source of information, and they will submit those manifests to the Customs Service when required. It is important to recognize that this cargo information is necessarily, in the case of a sealed container, the shipper’s declared cargo description. If the government determines that it needs more detailed information than is on the bill of lading and the cargo manifest, then it must obtain it from the appropriate cargo interests who possess that information.

Mr. Chairman, we recognize that your Committee does not have jurisdiction over the Customs Service. However, we strongly believe that any legislation that deals with this issue must recognize the extensive programs currently being undertaken by the Customs Service and the information systems that they are presently operating and upgrading. It would make no sense to consider the creation of a new cargo information system without addressing how it relates to the Customs Service’s programs and without ensuring that what is produced is a single, logical system that meets defined, coordinated objectives. Neither shippers, carriers, nor the government would be well served

by competing cargo information systems at the Department of Transportation and the Customs Service. However your Committee decides to address this issue of cargo information, we believe that it is essential that any legislation on this issue must provide a single, coordinated strategy and assignment of responsibilities.

Finally, Mr. Chairman, we believe maritime security legislation should address export cargo, as well as import cargo. Effective attention to export cargo will demonstrate to the international community that the United States is committed to addressing security risks in a coherent fashion, and not just the risks involved in one direction of foreign trade.

4) Container Inspection Capability: There can be no argument that non-intrusive container inspection equipment^[6], operated by trained personnel, is necessary, and that this is a very important government competence. The Congress has increased funding for the Customs Service for this purpose; however, a strategy for enhancing such capability in ports around the world is needed.

It is not feasible or necessary to physically inspect every container entering or leaving a port. It is necessary, however, for the government to have the capability to inspect those containers that it identifies as deserving further attention, whether that be on the basis of random selection or specific information. And the better the

information about a shipment, the better the government will be able to identify which containers warrant such inspection.

Unless such inspection equipment and competence is available to government authorities, not only at U.S. ports, but at overseas ports of loading, the government will have obvious difficulty accomplishing its objective. To be fully effective, an advanced security information system requires a way to check out a questionable container before it is loaded on a ship heading to or from a U.S. port. That's the point of advanced awareness.

Perhaps the U.S. government can convince the IMO to address this issue. Perhaps bilateral agreements with our trading partners can provide for this. But, it is an issue that requires immediate inter-governmental planning and execution. Inspection equipment standards should be agreed upon, and inspection capabilities and international cooperation protocols established. Delay in having this capability means that the government will have one less effective tool to intercept dangerous cargo, and to keep commerce flowing in the event of a terrorist incident.

5) Sharing Information: While there are many aspect of addressing this issue, intelligence will be a key part of securing the transportation infrastructure from terrorist's threats. Appropriate means should be developed for sharing intelligence alerts and warnings on a timely basis with designated carrier personnel.

III. Conclusion

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Mr. Chairman, the Coast Guard has done a magnificent job in responding to maritime security since September 11, as has the Customs Service. Maritime security has been improved because of their efforts, and their enhanced vigilance and intelligence efforts continue. The challenge is to build on those efforts and create a more complete, unified and permanent set of security procedures and systems that can better ensure the safety of America's foreign trade. As this Committee considers legislation on this issue, we hope that the positions outlined above will be of assistance. We also ask you to consider the four principles outlined in Part II of this testimony earlier, which I will address again.

1. *First, there must be a unified, coordinated strategy to address this issue.* The current governance structure is not adequate.

The Commandant of the Coast Guard and the Commissioner of Customs have articulated a sound vision for the desired outcome. The vision is to have a system in place that allows the government to screen cargo containers before they are put on ships sailing for U.S. ports. This requires analysis of the shipment information in advance of loading and having the capability to inspect any container the government chooses to inspect. But the government's reluctance to establish with

clarity who has responsibility for containerized cargo security is becoming increasingly troublesome.

The Coast Guard has a clear mission and has performed exceptionally well in addressing ship security issues and in addressing port security issues. That is and should remain their jurisdiction. But when it comes to the movement of containerized cargo we see confusion and competition between Customs and the Department of Transportation resulting in an unclear governance structure to address the issues before us.

For example, Customs handles the “trade” aspects of these international cargo movements, and the Commissioner of Customs has actively embarked upon the development of a Container Security Initiative and the Customs Trade Partnership Against Terrorism (C-TPAT). Ocean carriers are working with the agency in these efforts. But who is responsible for managing the trade consequences should there be an incident? And, if we are ever faced with a terrorist use of a container, who is responsible for determining what is done to keep international trade flowing? Customs Commissioner Bonner has indicated, as have Coast Guard officials, that the U.S. government response, presumably led by the Coast Guard, could well be to close U.S. ports. What would be required to reopen them and who would make the decision to do so? What would carriers, shippers, terminal operators and ports have to do to keep American trade flowing? What would the U.S. expect foreign ports to do, and what capabilities would we expect or require of them? When will those expectations and requirements been communicated to the relevant foreign governments? We believe that these

questions remain unanswered.

There is on average over \$1.3 billion worth of American exports and imports moving in and out of our ports in containers every day. That flow of goods, often moving as part of a “just in time” supply chain, keeps countless factories operating and millions of Americans employed. It does the same in the economies of all our trading partners. The potential economic damage from the United States imposing in effect a “blockade” on itself would be so enormous, that it is imperative that the government address not only what is needed to detect and prevent the threat – which is critically important, but how it would keep such an attack from accomplishing its potential objective, namely crippling the economy. We are very concerned that clear responsibility for this issue and the planning that is required is lacking today. We respectfully submit that this situation should be remedied immediately.

Finally, a unified, coordinated strategy requires that the government clearly define its information requirements – what information does it want, from whom, when – and have one agency responsible for its acquisition.

2. Second, there should be clear, mandatory rules informing each responsible person in the transportation chain what is required of them.

We believe the government should establish clear minimum requirements, with clear accountabilities assigned to the appropriate parties, and should enforce those requirements

uniformly. Although the Committee may not feel it appropriate to legislate too many details of what should be done, legislation should provide clear substantive and procedural guidance to the implementing agencies.

3. Third, the security regime must allow for the continued free and efficient flow of trade.

The liner industry is moving over a million containers of American import and export cargo a month. Supply chain management techniques applied to this trade have provided literally billions of dollars of savings to American businesses and consumers, as well as connecting the American economy to every market in the world. Efficient transportation and secure transportation are not incompatible, and the legislative and regulatory responses should strive to preserve the benefits of an efficient, reliable transportation system.

4. Fourth, international cooperation is necessary to effectively and comprehensively extend enhanced security to international supply chains.

This is a task that requires U.S. leadership because America is the largest trading nation in the world; however, the United States government cannot extend security to foreign ports and places without other nations' engagement and agreement. The Coast Guard has done an outstanding job of getting the IMO to deal with many of the issues involved, especially those involving ships and ships' interface with the landside terminals. That same kind of initiative needs to be taken with our trading

partners to address the remainder of the issue of establishing an effective system to prescreen and, if deemed necessary, check containers before they are loaded onto ships.

* * * * *

Mr. Chairman, the members of the World Shipping Council are ready and willing to help. A safe, efficient and reliable transportation system is essential to our country's prosperity and to the prosperity of all of our trading partners. We appreciate the Committee's leadership on this issue, and we look forward to working with you on these issues.

Appendix A

World Shipping Council Member Lines

APL

A.P. Moller-Maersk Sealand
(including Safmarine)

Atlantic Container Line (ACL)

CP Ships

(including Canada Maritime, CAST, Lykes
Lines, Contship Containerlines, TMM
Lines, and ANZDL)

China Ocean Shipping Company

(COSCO)

China Shipping Group

CMA-CGM Group

Compania Sud-Americana de Vapores

(CSAV)

Crowley Maritime Corporatio

Evergreen Marine Corporation

(including Lloyd Triestino)

Gearbulk Ltd.

Great White Fleet

Hamburg Sud

(including Columbus Line and

Alianca)

Hanjin Shipping Company
Hapag-Lloyd Container Line
HUAL
Hyundai Merchant Marine Company
Italia Line
Kawasaki Kisen Kaisha Ltd. (K Line)
Malaysia International Shipping

Corporation (MISC)

Mediterranean Shipping Company
Mitsui O.S.K. Lines
NYK Line
Orient Overseas Container Line, Ltd.

(OOCL)

P&O Nedlloyd Limited
(including Farrell Lines)
Torm Lines
United Arab Shipping Company
Wan Hai Lines Ltd.
Wallenius Wilhelmsen Lines
Yangming Marine Transport Corporation
Zim Israel Navigation Company

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[1] Unlike bulk carriers or “tramp” ships that operate for hire on an “as needed, where needed” basis, liner vessels operate in regular, scheduled services on fixed routes.

[2] Containers are different sizes, including 40 foot (most common), 45 foot, and 20 foot. For that reason a specific number of TEUs does not equal that number of containers, as a 40 foot container equals two TEUs.

[3] The membership of the Council is attached as Appendix A.

[4] Customs Commissioner Bonner last month stated that “the shipping of sea containers would stop” if a nuclear device were detonated in a container. One can only agree with his comment that this would be “devastating”, would cause “massive layoffs” in the economy, and that “we must do everything in our power to establish a means to protect the global sea container trade, and we must do it now.” Speech of Commissioner Robert C. Bonner, before the Center for Strategic and International Studies, January 17, 2002, Washington, D.C.. Coast Guard officials have made similar comments.

[5] NVOCC’s (which are responsible for up to 40% of the cargo in some trade lanes) are not subject to the same Customs bonding and information filing requirements as ocean carriers; they are not required to file cargo manifests for inbound shipments. They should be subject to the same information filing obligations at the same time as ocean carriers.

[6] This testimony uses the term “inspection equipment” generically, but recognizes that there are different kinds of equipment (e.g., mobile, crane mounted, hand held), using different technologies (e.g., X-ray, gamma ray) with different capabilities to identify different materials (e.g., drugs, radioactivity, carbon dioxide, explosives).

STATEMENT OF RICHARD M. LARRABEE
DIRECTOR, PORT COMMERCE DEPARTMENT
THE PORT AUTHORITY OF NY & NJ
ON
CONTAINER SECURITY
BEFORE
THE HOUSE TRANSPORTATION AND
INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION
THE UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, DC

MARCH 13, 2002

Mr. Chairman, members of the Committee, thank you for the opportunity to testify on the important issue of port security, especially given the events of September 11. I am Rear Admiral Richard M. Larrabee, United States Coast Guard Retired and I am currently Director of Port Commerce at the Port Authority of New York and New Jersey.

The Port of New York and New Jersey is the third largest in the nation and the largest port on the east coast of North America. Last year the port handled over 3 million containers (as measured in twenty-foot equivalent units) and 560,000 autos. New York/New Jersey handles more petroleum

products than any other port in the nation, along with a variety of other bulk and breakbulk commodities. The harbor also supports a wide range of passenger services including cruise ships and growing, as well as increasingly important, commuter ferry services. Ports like New York / New Jersey are key transportation links in global trade; ninety-five percent of US trade comes by ship. The Port of New York and New Jersey serves a region of 18 million people locally and a larger population of 80 to 90 million people within the ten state region surrounding the port.

On a national level, there are 361 deep-water seaports that support more than 3,700 individual passenger and cargo terminals. These terminals account for more than 30 million containers (as measured in TEU's), carrying \$480 billion worth of goods, 134 million ferry passengers and 7 million cruise passengers a year. So you can see that serving consumer demand for international goods and transporting passengers is an essential component of our national economy. Ports provide the critical intermodal link for the transfer of those goods and people from ships to our national landside transportation network.

On September 11, the world witnessed the use of civilian transportation as a weapon to destroy property and take the lives of thousands of innocent people. The tragic events of that day underscore the critical need to meet America's transportation requirements while ensuring the safety and security of the nation.

Much attention has been paid to the aviation industry and this is very important given the role of air transportation in our society and economy and the number of citizens that use our aviation system every day. Just as important, however, is our maritime transportation system, which may not move as many people, but is an

essential component of our nation's goods movement system and, as a result, is tremendously important to the American economy and national security.

Therefore, I thank you, Mr. Chairman, and the Committee for holding this hearing and continuing a national dialogue regarding port and cargo security.

The maritime industry is faced with a number of challenges related to protecting and enhancing our Homeland Security.

Among them are the sustainability of resources to respond to a terrorist event in a US port. Under current manning and mission priorities, the Coast Guard and other Federal and state agencies are able to adequately respond in an intensive way to surge port protection, but these organizations can only sustain this level of security for a short period of time. Currently, there are not enough resources in terms of personnel and equipment to maintain that level of security over an extended period within the Port of New York and New Jersey, let alone the rest of the nation. That is, not without the rest of these agencies core missions being affected.

Given the overlapping jurisdictions and regulations of the approximately 21 federal agencies that have a role in port security, another

challenge that we face in addressing the issue is the question of "Who is in charge?" Who is in charge of establishing port security direction at the federal level and in regards to both prevention of and response to a terrorist event? Other challenges include the need for a better understanding of the threat and vulnerability, establishment of national standards for ensuring the security of waterfront facilities and funding for the required improvements. We must find a way to ensure the safe and efficient flow of commerce without compromising the economy or national security. We believe that this is a federal responsibility requiring federal legislation and we support your efforts to create that legislation.

Perhaps the most daunting challenge to ensuring security in the port and marine transportation system is the issue of container security which is the topic of this hearing today. My testimony today will provide you with suggestions on how we might meet this challenge through a series of physical and passive measures that will provide assurances on the contents of a given container throughout the transportation logistics network.

The largest threat in the maritime industry may not necessarily be a rogue vessel slamming into a bridge, but an intermodal container being used to transport a weapon of mass destruction into the United States. The procedures that Customs uses now focus on interdiction but we must focus more on prevention. Given that many major U.S. ports, like New York/New Jersey, are interconnected with national transportation systems and are located near major population centers, interdicting a container laden with a weapon of mass destruction through the inspection of the container here on U. S. soil is too late. Our goal should be to prevent the weapon from ever making it to the United States. The only way to do that is to make maritime security an international issue. Foreign countries must cooperate with us and hold the shipper responsible for verifying the contents of a container, similar to what is currently done with the shipment of hazardous materials. Someone must be responsible and held accountable for the contents throughout the entire shipment. From point of origin to point of destination, a chain of custody must be established. This new system must provide more detailed cargo information to U.S. authorities sufficiently in advance of the vessels arrival so that there is a high level of assurance regarding the contents with adequate reaction time if necessary.

Historically, the mantras of maritime transportation have been speed, cost and reliability – get my cargo to where I want it to go in the fastest and cheapest way and make sure it gets there when you tell me it will be there. In an industry where the

profit margins are so slim, the emphasis has been on cost not security. In today's environment we know that security must be our highest priority. Creating a system that balances economic concerns with national security concerns is our challenge. Our goal should be to increase our confidence that we know exactly what is in each container before it is off loaded in a U.S. port. It is not possible to physically examine the content of each of the 6 thousand containers after they arrive in the Port of New York and New Jersey each day. The key is finding a way of separating high-risk cargoes from the vast majority of legitimate containers and dealing with the exceptions. Admiral Loy, the Commandant of the Coast Guard, has introduced the concept of Maritime "Domain Awareness" and Mr. Bonner, the Director of Customs, challenges us to "push the borders back". This is the type of thinking that we must follow. This approach requires a systematic understanding of the logistics chain that now moves that container from any place in the world to the distribution system in our country.

To transport a container, a typical cargo transaction will have as many as 25 different parties involved – buyers, sellers, banks, insurance companies, inland carriers (road and rail) on both sides of the water, at least two seaports, often more, ocean carriers, governments, consolidators, and others. They will generate anywhere from 30-40 different documents, many still required in hard copy. This is a complex process. The physical movement of a container is only one dimension of the system. There are three other components that must be understood. There is the flow of money, the flow of

information and data on the shipment, and, finally, the transfer of accountability that all must occur in order for the cargo to be delivered.

Today, there are no security standards when loading a container at the manufacturer or consolidators warehouse, often well inland of a seaport. There are no security standards for the seals that are put on containers. Cargo is transferred from one mode of conveyance to another and there are no standards for how that is done or accountability for the integrity of the container as it changes hands. Foreign seaports are not held to certain security standards. An authorized shipper is not held accountable to know exactly what is in a container, where it is in the supply chain and to report on its contents. Shipping papers do not have to be complete and accurate until after the cargo arrives in the US.

We believe that efforts must be taken to verify the contents of containers before they are even loaded on a ship destined for a US port. The process must include certification that the container was packed in a secure environment, sealed so that its contents cannot be tampered with and transported under the control of a responsible party. A chain of custody must be established that ensures the cargo's integrity and requires that complete and accurate data be provided to Customs well in advance of a ships arrival.

To test the validity of this theory, the Port Authority of New York and New Jersey, in cooperation with U.S. Customs, the Coast Guard, Council on Foreign Relations, the Volpe National Transportation Center, state agencies and numerous

private sector partners, is participating in a new initiative referred to as Operation Safe Commerce (OSC). OSC is an innovative public – private partnership that responds to the twin imperatives of facilitating legitimate international commerce and increasing security while decreasing the risk of additional congestion. The goal is to reduce the risk of congestion within US seaports by developing dependable arrangements for verifying, securing, monitoring and sharing information about cargo from the point of origin, throughout the supply chain, to its final destination. Private companies have volunteered to join with representatives from key federal, state and local agencies to construct prototypes of a secure international supply chain. It is our collective hope that we can provide constructive and tested recommendations on how to secure the supply chain without burdening the industry with unnecessary costs or delays that reduce the flow of cargo through the US and impact the national economy. With modest financial support and the involvement of key policy decision makers, we believe we can provide some useful recommendations in the next six to nine months.

There are other worthy efforts underway. The Customs-Trade Partnership Against Terrorism (C-TPAT) program, which was recently introduced by US Customs, has similar goals and objectives. Participation in C-TPAT requires a signed agreement with Customs in which the trading partners agree to follow certain security guidelines and to develop and implement a security program throughout their supply chain. While participation in C-TPAT is currently limited, the benefits are more specific, including a reduced number of

inspections, an assigned account manager and “low-risk” treatment. We support Customs initiative and look forward to leveraging OSC and C-TPAT to build upon each other.

We also recognize Customs new “Mega-Port” initiative, which seeks to partner with the top 10 international ports that represent the origin of more than fifty percent of the containers that enter the United States. However, as demonstrated in the Operation Safe Commerce and C-TPAT programs, you need to go well beyond the port to ensure cargo security. Those ten ports are essentially, trans-shipment points, where cargo is transferred from one mode of conveyance to another. Rotterdam for instance is a major transshipment port - containers that are loaded on a ship in Rotterdam that are destined for the United States, could have originated all over Europe or the Mediterranean. The port of Rotterdam will know no better than we do what is in that container.

The Federal Aviation Administration has two programs in place that can be used as the framework to establish similar programs in the maritime industry. One is the foreign airport security assessment program and the other is the “Known Shipper” program. The US should spearhead a program to assess security and provide technical guidance and assistance in any foreign port served by US flag vessels or from which foreign vessels call before entering the US. We are pleased that both “The Port and Maritime Security Act of 2001” (S. 1214) which passed the Senate in December and the draft version of the “Maritime Transportation Counter terrorism

Act of 2002” have such a provision. There is however no proposal for an equivalent of aviation’s “Known Shipper” program. In this program, if the shipper has not done a certain number of shipments with a defined period with a broker or forwarder, the broker or forwarder must certify that the shipper is a legitimate business by visiting its premises and going through a checklist to ensure that the shipper is who he says he is.

The industry can also build off established regulations such as the requirements for transporting hazardous materials. International standards have been developed and accepted across all modes of transportation. These standards, in turn, have been translated into national regulations that provide consistency across all transportation nodes. The contents of those containers are verified and certified to be packaged, labeled, manifested and segregated in accordance with the regulations. In order to certify that their packing process and security protocols are in accordance with established standards, shippers can use an independent third party, similar to the National Cargo Bureau.

Research and development followed by proof of concept studies of various security related technologies is essential. In addition to changes in business procedures, “Smart boxes” with electronic seals and sensors must be developed so that we can ensure that a container has not been tampered with after it was packed or last inspected.

The absolute last line of defense in container security should

be the screening, detection and inspection of “targeted” containers when they arrive in the United States. As you know, Customs physically inspects just 2% of the cargo that arrives in the United States, and some people have argued that every container should be inspected. Not only is that impractical and unnecessary, it would bring the transportation system to its knees. In the Port of New York and New Jersey, Customs estimates that increasing the exam rate to 5% would generate a backlog of 4,500 containers monthly, require an additional 400 inspectors and cost the industry an extra \$1.2 million a month.

Instead Customs needs to be provided with accurate and detailed information on containers prior to the final ocean leg of the logistics chain. This includes an accurate description of the cargo, where it is coming from, where it has been, where it is going, and who has handled it, from those who stuffed the container to those that transported it and who have a financial interest in it. Customs can screen that information through sophisticated artificial intelligence to decide whether that box is a go-no go container.

The Port Authority of New York and New Jersey has developed a unique cargo information system call FIRST, the Freight Information Real-time System for Transport, which could serve as the platform for a comprehensive database of cargo information. Unlike Customs’ Automated Commercial Environment (ACE) that will still not be available for several years, FIRST is available today, and while it was originally developed to serve our local community, it could serve as a

model for a national system for the collection and dissemination of real-time cargo information and status.

Regardless of the information system that is used, any suspicion generated during the screening of cargo information must be addressed at the port of loading, whether it is by a complete physical inspection or non-intrusive screening and detection. Customs screening equipment however is in short supply, out dated and limited in its capabilities. Additional funding is needed to purchase more equipment for the inspectors and research and development is needed in the areas of chemical and biological detection.

Mr. Chairman, the attacks of September 11th were not directed at a maritime facility, but those terrible events have provided the impetus to focus attention on our marine transportation system. You and the committee are to be commended for taking on such a daunting task. As my testimony and the testimony of others demonstrates, addressing the issue of port and maritime security is an enormous challenge given the complexity of the international transportation network. Devising a system that enhances our national security while allowing the continued free flow of legitimate cargo through our ports will not be solved with a single answer, a single piece of legislation by a single nation. It will require a comprehensive approach that will require the cooperation of multiple agencies, the private and public sectors and the international community. Importantly, it will require additional resources for the agencies charged with this

awesome responsibility.

I hope my comments today have provided with you some additional insight on approaches that are either underway or may be considered as you continue your work. We at the Port Authority of New York and New Jersey are prepared to offer any additional assistance that you may require. Thank you.

**Testimony Of The
National Association Of Waterfront Employers
And
The United States Maritime Alliance**

**Presented To
Coast Guard and Maritime Transportation Subcommittee
United States House of Representatives**

**By
Basil Maher
President And Chief Operating Officer
MaHer Terminals, Inc.
Journal Square Plaza
Jersey City, New Jersey 07306**

March 13, 2002

Basil Maher, Page 1

Good morning, Mr. Chairman, and members of the Committee. I am Basil Maher, President and Chief Operating Officer of Maher Terminals, Inc., Jersey City, NJ. Maher Terminals is the largest container terminal operator in the Port of NY/NJ, handling about 900,000 containers annually. We have operated in this port in excess of 50 years, and I have been personally involved in every aspect of terminal operations for 28 years.

I am here today on behalf of the National Association of Waterfront Employers, or NAWE, and the U. S. Maritime Alliance, or USMX. The former is the national trade association representing the U. S. terminal and stevedoring industry; the latter is management's collective bargaining representative with the ILA on the east and gulf coasts. I sit on the board of NAWE and on its special committee on port security. Maher Terminals is also an active member of the USMX.

Unquestionably, marine terminals are subject to the maritime jurisdiction of the U. S., and NAWE and USMX members readily understand that the security of our borders is a

fundamental responsibility of the federal government. By way of background, historically, NAWA and USMX members have always cooperated with the federal law enforcement agencies having jurisdiction over marine terminals.

This is not the first time I have appeared before a Congressional Committee on the subject of Port Security. Last July 24th, the Senate Committee on Commerce, Science, and Transportation held a similar hearing on Port Security issues. While much has changed since that hearing for our nation and its ports, the principles we presented then are still relevant to today's discussion.

Basil Maher, Page 2

These principles are:

- Legislation must not shift federal law enforcement obligations to private terminal operators. Terminal

operators and their employees are not in the law enforcement business.

- Legislation must not duplicate any present state or local statutory legal practices or laws, which substantially address similar security requirements.

For example, the Port of New York and New Jersey already has a system that requires employee background checks.

- Legislation must be flexible to the maximum extent possible, i.e., security measures must be taken on a port-by-port basis after considering as much local

input as possible. No two ports are the same, therefore, their unique operational characteristics and existing security programs must be considered when implementing this legislation.

- Legislation must not assess fees or tax terminal operators or carriers for costs properly borne by the federal government. If any additional federal revenue needs to be raised for cargo transportation security purposes, it should come from existing federal revenue streams relating to cargo, which uses this system of ships, terminals, rails and trucks.

I urge you to incorporate these principles into your legislation.

At the same time, we are concerned about the implementation of any port security legislation.

The containerized cargo system has developed over the last few decades to efficiently move goods around the globe. Today, It is a highly integrated and technologically advanced transportation system, which seamlessly moves large volumes of cargo at great speeds from origin to destination. It is the backbone of international trade.

Basil Maher, Page 3

However, this system is much like an interstate highway moving people and goods quickly from place to place. If you close lanes or reduce speeds, the resulting traffic jams impede the movement of those people and goods. The same will result at our nations port terminals, and the entire cargo transportation system, if increased security measures are not properly integrated into this transportation system.

Let me turn to the important subject of container security. For years the maritime community and appropriate law enforcement agencies have been concerned with and taken steps to detect and intercept drugs and other contraband in containers. Today we have added weapons of mass destruction to the list.

The marine terminal industry has been an active participant in the Department of Transportation's Container Security Direct Action Group, and is awaiting its recommendations. We are also awaiting U.S. Customs legislative proposals. Until we see these proposals, our comments can only be general in nature.

We join with the World Shipping Council* in expressing that security begins with the government acquiring the essential cargo information and analyzing the information in time to ascertain if a particular container needs inspection prior to loading upon a ship. By the time it arrives at its port of destination, it may be too late to deter certain threats. The information exists, it is the government's responsibility to define how it will receive this information in a timely fashion and prevent questionable cargo from moving forward.

* February 19, 2002 Testimony of Christopher Koch, President and CEO of the World Shipping Council before the Senate Committee on Commerce, Science and Transportation

Basil Maher, Page 4

The best method of achieving better container security is to have the port of origin or shipper certify the contents of the container before it loaded on a ship bound for the United States. In return, this country would have to implement a similar system for our cargo destined for foreign markets. Such an inspection system could require the involvement of shippers, marine terminals or other designated entities.

Marine terminals are the interface between water and land based transportation. To the casual observer, a marine terminal appears to be a warehouse storing containers. In fact, those containers are in transit. A terminal is actually a fluid place, constantly moving cargo. Many terminals move thousands of containers every day.

As you know, ports and terminals vary greatly around the country. Some have more volume than others. There are a wide variety of physical layouts and operating systems. Any inspections to be done at marine terminals must be integrated into the container processing systems of that marine terminal. The imposition of a one size fits all inspection system would ignore the reality of the high-speed operation of the modern

marine terminal.

Mr. Chairman, the marine terminal industry pledges to work with this Committee and its staff, as well as the federal law enforcement agencies, as partners in better securing the containerized cargo system while maintaining an efficient cargo transportation system. To do this, we must implement security procedures in a manner that does not disrupt terminal operations and the \$400 billion in commerce it supports.

I will be happy to answer any questions from the Committee.

**Joint Written Statement of
The International Mass Retail Association
And
The West Coast Waterfront Coalition
Before the
Subcommittee on Coast Guard & Maritime
Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives
Regarding
Container Security
March 13, 2002**

These are the joint written comments of the International Mass Retail Association (IMRA) and the West Coast Waterfront Coalition (WCWC) regarding the issue of container security in

the post September 11, 2001 environment.

By way of background, the International Mass Retail Association is the world's leading alliance of retailers and their product and service suppliers committed to bringing price-competitive value to the world's consumers. IMRA represents many of the best-known and most successful retailers in the world, who employ millions of workers and operate thousands of stores worldwide. IMRA equally values among its members hundreds of the world's top-tier product and service suppliers, working with their retailer partners to further the growth of the mass retail industry.

The West Coast Waterfront Coalition represents a group of concerned business interests in the intermodal supply chain, including shippers, transportation providers, and trade intermediaries. Our members include small businesses as well as many Fortune 500 companies who depend on the health of the West Coast ports for their business operations. Our chief mission is to support the creation of the most technologically

advanced ports and terminal facilities in the world.

While cargo containers pose some physical risks, they also represent the life-blood of the U.S. economy. The retailers and manufacturers represented by IMRA and WCWC import finished consumer products in containers, as well as parts and raw materials for their manufacturing operations. America's exporters and farmers use containers to ship goods to markets everywhere. These American interests urge this committee to find a balance between physical security and economic security as it moves ahead with legislation on this subject.

Container Security Starts At Foreign Factories

Since September 11, American business interests have begun the process of assessing risks along the supply chain. These activities are, in most cases, an expansion of already-existing supplier and/or factory certification programs. Most well known American retailers and their consumer product suppliers already have programs in place to make sure their factories meet certain

specifications. In some cases these American entities own their overseas factories. In others, they contract with foreign-owned factories. In either case, American companies have a long list of criteria upon which they evaluate their suppliers. The factors include reliability and quality, as well as compliance with wage hour and other labor practices. In the wake of September 11, companies are now adding loading dock security aspects to their vendor and factory compliance programs. These new factors include ensuring that loading docks are physically secure and that the personnel loading containers are reliable. Where allowed, companies are increasingly requiring background checks for loading dock personnel.

Many of IMRA's and WCWC's members already seal their import containers to guard against cargo theft – an important business consideration. In the wake of September 11, many of our members are now reevaluating and upgrading container seals.

Finally, it's worth noting that in the retail industry, companies

have been consolidating and reducing the number of factories and suppliers worldwide. Developing supply chain relationships between retailers and suppliers have become an important aspect of doing business in the 21st Century. This concept of knowing your supplier is an important element in maintaining security of the supply chain, particularly for retail companies who do not own factories overseas, but who do contract with them.

In addition, both IMRA and WCWC have participated with the U.S. Customs Service in its development of the Customs-Trade Partnership Against Terrorism (C-TPAT). Some of our members have already signed up to participate in this program, which has provided useful guidelines for securing the various elements of the supply chain. Many other IMRA and WCWC members have made use of already-published C-TPAT guidelines to conduct security evaluations of their supply chains, including factories and transportation service providers.

We believe that adherence to voluntary industry standards and internal security plans will be the single most important step that

American industry can take in improving the security of supply chains, and the containers that move along those chains. Indeed, a company's participation in consensus standards such as C-TPAT, or other standards ultimately developed by organizations like the International Standards Organization (ISO) should be one of the most important factors in assessing container risk. The fact remains that the top 350 importers represent more than 50 percent by value of all import shipments, and Customs is now undertaking an effort to get these top importers to take immediate steps to secure their transportation and supply chains through C-TPAT and its low-risk importer programs. The membership of both IMRA and WCWC have taken these efforts seriously, not only because the government wishes it, but because it is the right thing to do for the country, and because our member's customers and shareholders will insist upon these steps.

Containers Pose Unequal Risks

Not every shipping container poses equal risk. Those containing the cargo of well-known American companies who have taken steps to control the loading and sealing of their containers pose a different risk from those who do not take these steps.

Containers emanating from factories in Central Asia pose a different risk from those emanating from factories in Europe.

For these reasons, any enforcement effort that treats containers as all posing the same risks--like luggage going onto airplanes—are not appropriate. In particular, proposals that call for the inspection of each and every container—either passively or actively—are both unnecessary and unworkable. There are simply not enough resources to undertake such an activity without grinding the international supply chain to a halt and causing economic dislocations at U.S. retailing and manufacturing facilities.

For example, if a passive x-ray-type inspection costs about \$500 per container—and today it costs shippers more than double this amount—the additional annual cost to industry of moving from

a two percent inspection rate to a ten percent inspection rate would be about \$360 million. If each of these inspections took about 30 minutes—and it takes much longer than that today for x-ray exams—it would take 37 years to inspect these additional containers end to end. Obviously, the costs and the manpower involved go up dramatically if the government insists upon a higher percentage of inspections.

It matters not whether these inspections take place on American soil or at foreign ports of lading. Either way these inspections will slow the supply chain adding inventory costs to American business. It's also important to note that “solutions” that call for pushing the border back, and conducting cargo exams overseas have the same cost impact. More important, foreign inspections are likely to be carried out by contractors. The quality and integrity of foreign contractors conducting cargo exams is an issue that this committee and others should be concerned about. It sounds wonderful to “push the borders back” by insisting on pre-shipment inspection, but how will inspection agents be

approved and certified? How will the U.S. government insure that these agents are honest and incorruptible?

Information is Needed for Risk Assessments

Given the fact that governments cannot realistically ensure that every container is inspected prior to loading onto a vessel, what should be done?

First and foremost, we believe that the government must develop a container risk assessment program that will apply inspection resources to the riskiest containers. Such a program, requires information about containers, such as:

- The origin of the container,
- The owner of the cargo and whether that owner is “well-known” or participates in a program like C-TPAT,
- The carrier for the container (both ocean and surface),
- The transit time, and whether it has taken longer

(or shorter) than anticipated,

- Whether the container fits a pattern for the importer,
- Discrepancies between the stated weight of the container and actual weight, and
- The stated contents of the container.

Despite the fact that container content information is probably the least important aspect of risk assessment, a large portion of the debate about risk assessment seems to have focused on this single issue. It's almost as if the government expects terrorists to happily declare that their containers are stuffed with weapons of mass destruction. The fact is bad guys are not going to tell you they are using containers to smuggle drugs, contraband or weapons of mass destruction.

Nevertheless, current legislation before this committee has numerous provisions for requiring shippers and carriers to report container contents to various government agencies before vessel loading or before vessel arrival. Not much mention is made of

other, more important risk assessment issues such as transit times, container origin, or seal integrity. S. 1214 and the newly released House discussion draft each have provisions for requiring shippers and/or carriers to report container contents well in advance of container arrival. In addition, we understand that both the Department of Transportation and the U.S. Customs Service are considering regulatory efforts that could require shippers and carriers to provide extremely detailed information on cargo, down to the six-digit Harmonized Tariff Classification number. Proponents of these new requirements keep claiming that “the government doesn't know what is in these containers.”

In fact, the government has extremely detailed information about cargo, because importers make declarations to the Customs Service about cargo contents, and frequently do this prior to the container arriving upon U.S. shores. Those declarations include item counts, value of merchandise, and tariff classification of merchandise. Importers collectively pay

\$20 billion annually in import duties based on the information provided to Customs about cargo. The failure to declare cargo properly is subject to fines and penalties that are significant. Indeed, information about container contents and ownership is generated throughout the supply chain. Attached to this testimony is a diagram of how inbound containers move. At every stage, documents are created and transmitted to players within the supply chain. So it's fair to say that there is plenty of information about cargo, it just may not be transmitted to the government as early as the government would now like.

IMRA and WCWC do not oppose the transmittal of information about container contents. However, we do not support the provisions contained in either S.1214 or the newly released House discussion draft. Instead, we urge this committee to construct a program for reporting container contents that:

1. Is tied to the Customs Service Automated Commercial Environment (ACE), the \$1.5 billion information system that the Customs Service is now

developing. ACE includes a component for sharing information with all other enforcement agencies. This component, known as the International Trade Data System (ITDS), should be the mode by which the Department of Transportation and the Coast Guard obtain information on cargo contents. Congress has already appropriated in excess of \$600 million to build ACE. There is no point in creating a new reporting system for the Department of Transportation as would be required by the recently released House discussion draft.

2. ACE should be built in such a way that information on cargo is directly reported by cargo owners and/or their agents, including customs brokers, freight forwarders and non-vessel operating common carriers (NVOCCs). The government should not build a system that requires shippers and their agents to “whisper down the lane” to ocean carriers about cargo

contents. While the existing manifest system can be used in the short-run, it has many problems that must be addressed. The Automated Manifest System (AMS) system is not secure. Thieves on the waterfront can obtain information about the location of high-value cargo, making these containers targets for theft. In addition the AMS poses serious competitive questions because it does not allow NVOCCs to report directly to Customs, but requires them to provide consignee information to their competitors. S. 1214 and legislation reported by the House Ways and Means Committee would rely on the current AMS system.

3. Any system that requires shippers to tell carriers about container contents should not be tied to the harmonized tariff classification system (HTS). It is not necessary to provide cargo classifications to the six-digit level. All that is required for risk assessment

is a meaningful statement of container contents. The HTS number is provided for the payment of tariffs. It is extremely complex. If you were to print it out it would stand a foot high. This level of detail on contents is a waste of time. It's not terribly important to know whether the shirts in the container are knitted or woven or men's or women's. Reliance on HTS would require reporting at this level of detail, when all that is important is that the cargo contains shirts.

4. In addition to focusing on container contents and consignee information, the government should include a framework within ACE for tracking containers including leg and transit time information, as well as seal number tracking. ACE itself, allows for tracking trade by major account, which allows risk assessment based on known shippers and participation in program like C-TPAT. These elements are far more important than detailed information about container contents.

Additional Security Measures

WCWC and IMRA urge this committee to take the following additional steps that we believe will improve container security.

First, we support the enactment of a program for credentialing port workers and truck drivers. We support the development of a national transportation ID card that can be used to provide positive access control at the nation's seaports. It is important to note that containers regularly sit at our ports for up to five days before they are loaded on rail cars or picked up by truckers. If we take steps to secure the supply chain from the point of origin, and then take no steps to secure our seaports we have failed in our mission. In addition, we would also remind the committee that background checks for those handling manifest information and containers themselves would be a big deterrent to theft and smuggling. We have no problem with limited look-back periods, or provisions for considering mitigating factors.

However, we do strongly believe that port workers should be

checked for prior drug use and for felony crimes against property. While the focus today is on terrorism, it would be foolhardy to put in place systems that allow the thieves and drug runners full access to containers or manifest information. We believe these issues should be addressed.

Indeed, the Interagency Commission on Crime and Security in U.S. Seaports, commissioned by the Clinton Administration, clearly identified the issue of positive access control and background checks in its report. The Commission found that security at ports ranged from fair to poor, and while the Commission was looking at terrorism, the main focus of this report is crime on the waterfront.

Second, we are deeply concerned about various approaches in pending legislation that would impose U.S. standards on ports around the globe and then enforce those standards by prohibiting trade from those regions. It would be much better to work with international standard setting organizations, like the International Maritime Organization, to develop a set of basic

security guidelines for ports around the globe and tie any sanctions to a failure to adopt such international standards. The reality is that the security measures imposed by various ports around the world should be a factor in assessing risks posed by containers emanating from or transshipped through such ports. This is why information about the transit of containers is so important in assessing risks. Containers coming out of certain areas of the world simply pose greater risks. That was true prior to September 11, where containers coming from certain nations were more likely to be used to smuggle drugs or other contraband, and so have been subject to a large number of cargo examinations.

Conclusion

Improving the security of containers is a complex problem that requires a complex and balanced solution. It's not as simple as just "pushing the borders back," without also considering international cooperation, the quality of foreign inspection companies, and a balanced approach to risk assessment that

recognizes that importers will take steps to secure their cargo from theft or diversion. The government should also recognize that information systems that track consignee and transit information are important, and that this information is probably a more important element of risk assessment than detailed declarations about the cargo. Finally, of course, IMRA and WCWC would hope that this committee would ensure that the various agencies involved in container security cooperate and share information. In particular, we urge the committee to tie information systems required for new security assessments be built around the Customs ACE and ITDS systems.

Statement of Wayne Gibson, Sr. Vice President – Global Logistics, The Home Depot, U.S.A., Inc.

Members of Congress, I am Wayne Gibson, Sr. Vice President - Global Logistics for The Home Depot. I thank you for the opportunity to come before you on the issue of Port Security. The Home Depot is the worlds largest Home Improvement Retailer and an active member of the International Mass Retail Association (IMRA).

The Home Depot wishes to participate with Congress and Government Agencies to enhance the security process of international container transportation by co-developing supply chain polices and procedures.

To this end, we will share with you today The Home Depot's well-controlled supply chain model. We suggest we can supplement anti-theft procedures with anti-tamper efforts to enhance container security. The following key points will be covered:

- Ø Repeat buying from known suppliers and factories allows The Home Depot to build standard supply chain processes.
- Ø The most effective place to secure the contents of a container is at the time of production and at the loading of the container.

- Ø The integrity of the contents of containers can be maintained during the movement of cargo through the tracking of container seals.
- Ø A database to collect and share supply chain security data across relevant agencies should be created. With minor modification, the “Automated Commercial Environment” (ACE) system could be leveraged for this purpose.
- Ø The levels of security risks by sourcing country are not directly tied to the volumes of shipments from that country.

Any security program implemented by Government Agencies should differentiate between importer based upon the quality of management in the importer’s supply chain and specific risks associated with the country of product origin. The Home Depot’s well-controlled supply chain allows us to enhance current anti-theft measures to include anti-tampering measures.

Today’s Supply Chain

The Home Depot is a large retailer of Home Improvement products. We have over 40,000 Stock Keeping Units (SKUs) per store and 1,278 stores in the US.

The Home Depot sources merchandise from over 40 countries. We directly import from 268 vendors, with 555 factories. Over 80% of our products are sourced from five countries and 40

vendors.

Repeat buying from known suppliers and factories allows The Home Depot to build standard supply chain processes.

ü The Home Depot obtains up-front Factory Quality Assessments on all vendors and factories.

- These assessments verify that the factory has internal processes and physical controls, which will enable the factory to produce to The Home Depot's standards and volume requirements.
- We validate business viability for an ongoing and long-term relationship.

ü The Home Depot has "Vendor Buying Agreements" (VBA's) with vendors which provides controlled vendor management. These VBA's contractually allow The Home Depot and our independent inspection companies unlimited access to factories for inspections.

ü The Home Depot has an International Supply Chain staff dedicated to managing and improving the supply chain, and implementing Standard Operating Procedures.

A working knowledge between the vendor and retailer creates business standards and practices that provide a platform for a secure supply chain.

The most effective place to secure the contents of a container

is at the time of production and loading of container.

There are several factors that define a secure supply chain. Assuming the supply chain itself is secure, the most effective place to secure the contents of a container is at the time of production and loading.

The Home Depot has an ongoing Quality and Supply Management Program for the quality control of our merchandise.

ü At The Home Depot, we use the “American National Standards Institute” (ANSI) Z1.4 Inspection Standards to determine the sample set of merchandise to be inspected for each shipment. As part of the agreed shipping and buying terms, we must have an “inspection release notice” (IRN) issued by our inspection company which verifies that product being shipped meets our standards. The IRN is submitted by the vendor as part of the shipping documents.

ü By aligning ourselves with world class Inspection Companies and 3rd Party Logistics Partners in all origin

countries, The Home Depot has built a controlled and well-managed supply chain.

ü Due to our compliance with US Customs procedures and early filing of entry documents, we maintain an average 98% US Customs pre-clearance rate.

Importers who have a well-controlled supply chain should be afforded a pre-clearance process for their containers.

The integrity of the contents of containers can be enhanced during the movement of cargo through the tracking of container seals.

ü Container security in a well-managed supply chain, starts at the factory origin and continues to place of final delivery. Ninety-nine percent of our containers are loaded by and at the factory. The remaining one percent of product is shipped from factory to our designated 3rd party logistics agent. Our agent inspects the packages then loads and seals the container.

ü Cargo owners have historically “sealed” shipping containers to prevent pilferage. Container seals are made from metal and contain a pre-stamped, unique number. These are provided in random order. Once the container is sealed at the loading point, the seal number is recorded on the shipping documents accompanying the shipment. If at any time during the shipment cycle of the container, from loading origin to destination, the seal is intentionally broken by an authorized government agency, it is so noted on the shipping documents

and a new seal is applied and is recorded on the same shipping documents.

ü The integrity of the container seal should be maintained throughout the entire movement of the shipment. At the time the container is delivered to the port (via truck or rail), port personnel verify the container seal at the port gates. At this point the ocean carrier takes possession of the container. The ocean carrier provides the cargo owner with either a “received for shipment” bill of lading (based on date received by carrier), or an “on board” bill of lading (date container is loaded on board the vessel). The bill of lading identifies shipper, consignee, and country of origin, place of receipt by carrier, port of load, port of destination and place of delivery. The bill of lading also contains a description of container contents inclusive of number of packages and type of packages, weight and measurement of total packages. The bill of lading identifies the container’s unique number and seal number. The bill of lading confirms who has title to the product inside. Once the vessel has arrived the port of discharge and the container has been released by US Customs, USDA and the ocean carrier, The Home Depot sends our contracted drayage carrier (dedicated trucker) to pick up the container and bring it to our distribution center. We have a dedicated drayage carrier for each Import Distribution Center (“IDC”). The drayage carrier, and the port official at the port terminal verify the container seal is intact. Once the container is received at our “IDC”, we validate the seal on the container to that of the shipping documents.

By adding a process to track the container seals at specific points in the supply chain, integrity of the container can be enhanced.

A database to collect and share supply chain security data across relevant agencies should be created. With minor modification, the “Automated Commercial Environment” (ACE) system could be leveraged for this purpose.

ü A system should be implemented to allow for tracking of the container seal(s) integrity during container movement from origin to destination.

ü The system would provide early visibility regarding the details of shipments which would allow for risk assessments to be conducted

The supply chain information, provided by the government developed and shared system, will allow Government agencies to conduct risk assessments of shipments.

The levels of security risks by sourcing country are not directly tied to the volumes of shipments from that country.

ü The Government should not assess the security risk of a country based solely on volumes shipped.

ü Our experience indicates that ports have varying levels of security, not related to volume. The political or social

volatility of the country may impact the security risk of that country.

We believe that Government agencies should establish criteria for assessing foreign port security that can be used in establishing the criteria for cargo inspections at US borders.

CONCLUSION:

US importers have a responsibility to the American public in providing a structured platform for a controlled supply chain. Many measures to secure containers are already being employed. These measures should be institutionalized and used in partnership with cargo owners who can intensify security in their supply chains, from point of origin to destination.

- ü A working knowledge between the vendor and retailer creates business standards and practices that provide a platform for a secure supply chain.

- ü Importers who have a well-controlled supply chain should be afforded a pre-clearance process for their containers.

- ü By adding a process to track the container seals at specific points in the supply chain, integrity of the container can be enhanced.

- ü The supply chain information, provided by the government developed and shared system, will allow

Government agencies to conduct risk assessments of shipments.

ü We believe that Government agencies should establish criteria for assessing foreign port security that can be used in establishing the criteria for cargo inspections at US borders.

Businesses and government should work together to best ensure container security is effective and efficient. With the additional efforts we have suggested here, existing processes can be strengthened to enhance supply chain security.