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DEUTSCHEN SEEHAFENBETRIEBE E.V.

Port Security

A Perspective on Trade Facilitation in a Secure Supply Chain

January 2011

The Association of German Seaport Operators (ZDS) is the national representation of terminal operators and stevedores in German seaports. In this function, the association represents the joint interests related to security, economical, ecological, legal, commercial, social and tariff policies. The membership of ZDS consists of over 200 associations and port operating companies.

ZDS
Zentralverband der deutschen Seehafenbetriebe e.V.
Association of German Seaport Operators

Am Sandtorkai 2
20457 Hamburg
GERMANY

Tel.: +49.40.366203
Fax: +49.40.366377
Email: info@zds-seehaefen.de
www.zds-seehaefen.de



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The global maritime movement of goods forms the backbone of international trade. About 50.000 ships of the international marine industry carry over 90 percent of worldwide trade. Modern seaports have not only become truly economic engines for their regions, but critical nodes within the complex system of the international supply chain, connecting logistical and industrial centres around the world.

Due to the growing threat of terrorism, the world trading and transport system depends largely on a high security standard in the supply chain.

Following the devastating terrorist acts of 11 September 2001 in the United States, the international community recognized swiftly the need to protect the maritime transport sector as the vital part of the global supply chain against the threat of terrorism. A plethora of international as well as regional and national measures on enhanced security of maritime transport has been developed ever since.

Ten years later, terrorism still is a serious threat to international trade. As an export nation, Germany has a particularly strong interest in secure seaports, ships and maritime trade routes. German seaports have acknowledged these circumstances and today guarantee an efficient service of handling goods orientated on global market demands while having implemented one of the highest security standards around the world.

Successful port operations requires the coordinated action of many disparate people and organizations, including terminal operators, ship owners, port authorities, importers and exporters, labor unions and government agencies. Any security measure for seaports can therefore only mitigate the threat of terrorism successfully, if it considers the appropriate balance between security and cost it requires as well as its consequences on these diverse interests and its repercussion on the flow of commerce through the ports.

As requiring new port security measures can change important performance characteristics of the whole supply chain, effective port security must take account of the economic and logistic consequences it entails. Against this background, the Association of German Seaport Operators has identified eight key points for an enhanced port security that not only guarantee a high level of security but at the same time enable a facilitation of international maritime trade.

Dr. Martin Kröger LL.M.

Managing Director
Association of German Seaport Operators

Eight key points for enhanced port security

Modern port security has a broad regulatory background

Since the terrorist attacks in the United States in September 2001 and with a growing concern about the security of the international movement of goods and passengers, several frameworks have been introduced either on a compulsory or voluntary basis with the view to enhancing maritime and port security. Regulatory measures that have been multilaterally endorsed and implemented include the International Ship and Port Facility Security Code (ISPS-Code), the IMO/ILO Code of Practice on Security in Ports, and the World's Customs Organisation (WCO) "Framework of Standards to Secure and Facilitate Global Trade" also refer to as "SAFE Framework".

A second set of security measures has been introduced at various national levels with the US led initiatives being the most significant. The US security measures for maritime transport started with common initiatives such as the Maritime Transportation Act of 2002 and soon after included maritime security programs with international implications such as the Container Security Initiative (CSI), the Megaport's Initiative, the 24-hour advanced manifest rule (24-hour-rule), the 10plus2 Initiative, the Customs Trade Partnership against Terrorism (C-TPAT), the Operation Safe Commerce (OSC), and the Secure Freight Initiative codified in the 9/11-Act of 2007 including a regulation on the so-called hundred percent container scanning.

Initiatives on port security have also emerged from the European Commission in the guise of the Regulation 725/2004 on enhancing Ship and Port Facility Security, Regulation 884/2005 laying down procedures for a conduction of Commission inspections in maritime security and the Directive 2005/65/EC extending security measures from the ship-port interface to the entire port area. These initiatives were supplemented by further measures to increase security in the supply chain such as the Authorised Economic Operator (AOE) status, new obligations for pre-arrival and pre-departure declarations and the introduction of a new risk management framework through "security amendments" in the revised Community Customs Code.

Next to other regional initiatives outside the European Union, these mandatory legal instruments are supplemented by a broad set of security initiatives which consists of primarily industry led and voluntary programs. These include the Secure Export Partnership (SEP) program, the ISO/PAS 28000:2005 Standard (Specification for security management systems for the supply chain), the Business Anti-Smuggling Coalition (BASC) Scheme, the Technology Asset Protection Association (TAPA) Initiative, as well as a variety of measures for sealing of containers by the International Standardisation Organisation (ISO).

Today's multitude of regulations guarantees a high level of security

Recognising that seaports are critical gateways for the movement of commerce through the international supply chain and that facilities, vessels and infrastructure within seaports, and the cargo passing through them, all have vulnerabilities that terrorist could exploit, today's multitude of compulsory and voluntary measures compose a complex security framework able to guarantee a very high level of security in maritime trade.

Enhanced integration, harmonisation and co-ordination is needed

To advance this framework of security regulations for seaports as well as the maritime transportation of goods on the whole, an enhanced integration of the existing security measures and initiatives is needed. Before the development of any new initiatives, the effect and possible synergies of existing initiatives must be carefully analysed. In this context, the Association of German Seaport Operators advocates a coherent, harmonised, internationally accepted and mutually recognised, comprehensive security strategy, which appreciates the high level of security reached in European seaports already today.

Requiring new security measures can change important performance characteristics of the seaports such as the time and cost required to import and export goods. These performance changes can suppress overall demand for shipping, and change the relative attractiveness of ports to importers, exporters, and cargo carriers. The opposite needs to be achieved with modern security regulations in maritime trade and port operations. Advanced security regulations in the transport sector need not only to guarantee a high level of security, but at the same time be able to facilitate trade.

Accordingly, effective security measures must take account of the economic consequences they entail. Successful port operations require the coordinated action of many disparate people and organizations, including terminal operators, ship owners, port authorities, importers and exporters, labor unions and government agencies. Negotiating the appropriate balance between security and cost requires considering the consequences of alternatives on these diverse interests.

Key points for modern port security

Taking these findings into account, the Association of German Seaport Operators has identified eight key points for an enhanced and integrated port security that are able to provide for a maximum level of security while at the same time facilitate international maritime trade:

1. Towards an all-embracing risk analysis

Our operational experience in German seaports has taught us, a risk-based and layered approach to security across all potential transport sectors (including rail, land and sea) is more efficient and cost effective than alternative approaches that focus exclusively on a single layer of the supply chain. Relying on a single security initiative within a single transport sector does not address the vulnerabilities associated with other potential areas of transport. Therefore, the whole end-to-end supply chain from the point of loading of the goods through their multi-modal transportation up to the arrival of goods at their final destination needs to be analysed and protected instead of focusing security measures solely on a single part of the chain. Hence, a multi-faceted risk assessment and screening system is needed that can identify those cargo shipments that warrant further review, rather than those that are low risk and should be allowed to be transported without delay. To further enhance the underlying risk-based analysis, all involved parties of international trade need clear definitions of what is understood and what has to be integrated into a risk analysis to identify and classify risks in the supply chain. The process of determining risk needs to be defined and internationally harmonised.

2. A layered approach for comprehensive security

In order to efficiently detect, prevent or deter attacks against or the exploitation of seaports as part of the supply chain, the goal of modern port security must be to define a layered approach to combine all available security systems including technological developments where appropriate, but also relying on layers of non-sensor based programs across rail, land and maritime pathways. These additional layers need to include an advanced information transmission, automated targeting systems, strong partnership initiatives between industry, customs and governments of trading partners for certification programs such as AEO/C-TPAT as well as the inspection of high-risk cargo such as the Container Security Initiative and the Megaport's Initiative, the use of sufficient sealing of goods, inspection technology, mandatory exams of cargo for high-risk shipments and a mutual recognition of all security programs between the major trading nations namely the EU, the US, China, India and Japan. The different layers need to focus on securing different parts of the supply chain, ensuring that cargo is regularly assessed and that security does not rely on any single point that could be compromised.

3. Focus on synergy effects of existing measures

The multilayered risk-based approach needs to concentrate on strengthening existing security tools, before creating additional new security measures. The focus must lie on an efficient security system that provides the best available protection while ensuring a constant, unhindered trade flow on an international basis. In order to identify and close any gaps in the current port security and supply chain system, before the introduction of any new measure the existing plethora of security measures and initiatives therefore needs to be utilised and harmonised. The existing multitude of security measures already tends to create uncertainty for port operators and traders that have to comply with it. In consequence, stock has to be taken of what has been implemented, to address and identify issues concerning duplication of certifications and effort as well as conflicting approaches, and to establish a stable foundation up on which a strategy for secure seaports can be build on a long term basis.

4. International mutual recognition

In today's globalised supply chain the security of sea-ports and the maritime transport sector needs to be addressed as a global challenge. Against this background, national policies will be ineffective unless they are supported by enhanced international co-operation to guarantee their coherence and compatibility. It therefore is a joint responsibility of the international community to strengthen all elements of port security and the security of the supply chain in order to diminish the chances of an attack. To reach this goal, a key factor lies in the international co-operation as an integral part of the efforts to secure maritime trade. Mutual recognition of security programs such as the European Authorised Economic Operator (AEO) with other security trade partnership programs such as C-TPAT is a key element. The objective of a modern port security must be to enhance security and facilitate legitimate trade by focusing scarce resources on risks while providing for benefit in terms of facilitation to reliable operators and low-risk cargo. In order to create a coherent security environment while preserving free trade, a further strengthening of mutual recognition of security programs on an international level is essential.

5. Support global standards

General maritime security, port security and even more so the security of containers consists of a complex system of interrelated activities in information and data capture, physical surveillance of the container, and inquiries into the various actors in the supply chain. The typical global movement of containerised cargo is estimated to involve as many as 25 parties within and across the transport network, including terminal operators, ship owners, port authorities, importers and exporters, labor unions and government agencies. In order to harmonise an integration of all these different parties into a comprehensive security strategy, the use of technology is one of the building blocks to enhance security. The improvement of cargo and container integrity during its movement will be one of the key layers where modern technology such as sealing, tracking and tracing, detection and improved scanning technology can support the multilayered risk-based security approach. In order to strengthen these technologies in the international environment of global trade, the process of international

standardisation is of utmost importance. The most relevant standardisation in the field of transport security is done by the International Standardisation Organisation ISO. In order to further enhance security, any national or regional standardisation initiative on maritime security needs to be integrated in an international standardisation process.

6. Avoid bureaucracy - promote voluntariness

Any efficient port security as an integral part of the global supply chain needs to avoid additional bureaucracy. Before the implementation of any security regime, the possibility of establishing a system of voluntary self-assessment and self-certification of the industry needs to be assessed and encouraged.

7. Strengthening transatlantic co-operation

Accounting for more than one third of international trade, the European Union and the United States are the world's two largest economic powers. They have a common interest and responsibility to promote security co-operation and lead the international efforts to address the global and complex security challenges, especially when addressing the issue of port and maritime security. The main European seaports for container traffic with the United States are the Port of Bremerhaven in Germany with around 600.000 US-bound TEU per year, followed by the Port of Antwerp and the Port of Rotterdam each handling around 400.000 US-bound TEU per year. In this context, the EU and the US should share a common vision of supply chain and port security based on a multilayered risk-management approach. To further enhance supply chain and port security, the bilateral co-operation between the EU and the US needs to be strengthened and made a high priority. Next to the implementation of mutual recognition of trade partnership programs and an effective connection and exchange of reliable data between EU and US authorities, the transatlantic partnership should further intensify the sharing of research and development results as well as standardisation efforts for security technology in the maritime trade.

8. Trade facilitation through port security

In the contemporary trade environment there is a very close link between port security and trade facilitation. Both can in fact be mutually reinforcing as better trade facilitation can actually enhance port security and vice versa. If port security is intended to provide a safe, legal and efficient exchange of goods, trade facilitation is intended to provide a simple, transparent and effective channel for global trade through the simplification and harmonisation of processes, procedures and information flows. Trade facilitation centres on general principles that underpin an open trading system and include transparency, predictability, due process, non-discrimination, simplification and avoidance of unnecessary restrictions through trade. Indeed, only by combining security in the maritime transport sector and trade facilitation, a real safe international trade environment can be achieved. Measures for security of seaports can add certainty and stability to the global transport of goods, raise investor confidence in global economy, and thus can facilitate trade. Under a future security trading environment, accurate and advanced transmission of trade information is one way to serve security and trade facilitation. Standardised and aligned documents and their data content, together with streamlined documentation submission procedures combined with the increasing application of risk management techniques by customs will increase security while efficiently facilitating the international trading environment, inter alia in seaports. Combined with internationally standardised sealing and RFID-technology, vessel turn-around times could be shortened, customs clearing accelerated, costs associated with redundant data entry eliminated and cargo handling costs slashed. Further automation will not only lead to gain efficiency and reduced transaction costs, but also lead to fewer opportunities for illegal transactions.

Conclusion

A balance is needed between security regulations and trade facilitation

German seaports already today guarantee a secure and efficient service of handling goods orientated on global market demands. All members of the Association of German Seaport Operators together with their partners in trade and customers will carry forward their efforts to enhance the port security, while acknowledging that comprehensive security in the supply chain on the whole

and trade facilitation need to complement one another and be mutually reinforced. While the globalisation process continues and economies become increasingly inter-dependant and trade-dependant, the purpose of any port security regulation as an integral part of the supply chain is not simply to prevent trade from being used as a tool for terrorists, but also to provide a safe, legal and efficient environment for international trade in goods and services. Therefore, in the contemporary trade environment security not only entails the physical security of the people and assets involved in international trade, but the ability of firms and nations to continue trading in the face of security vulnerabilities.

Clearly, it is important and should be the main goal of future port security, to find a balance between the need to implement extensive security regimes and a comprehensive facilitation of maritime trade. Port security needs to ensure that disruption to port operations and to the global trade flow, is kept to the absolute minimum.