

# Bureau of Industry and Security

## **Port & Container Security**

Toward A Secure and Strong Supply Chain

*Bangkok, Thailand  
December 12/13, 2002*



# Background & Objective

## Background

- **Various regulations and initiatives address the security of containerized cargo transportation**
- **Many are lacking detailed definitions required to fully understand the impact**
- **APL implementation focused on compliance and keeping the Supply Chain in motion**



# Background & Objective

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## Objective of Presentation

- Overview of key initiatives
- APL's effort toward achieving Best Practice
- Review of the impact of their combined effect on competitiveness, costs, processes and operations



# Where Security Impacts the Supply Chain- at Origin

Container Security

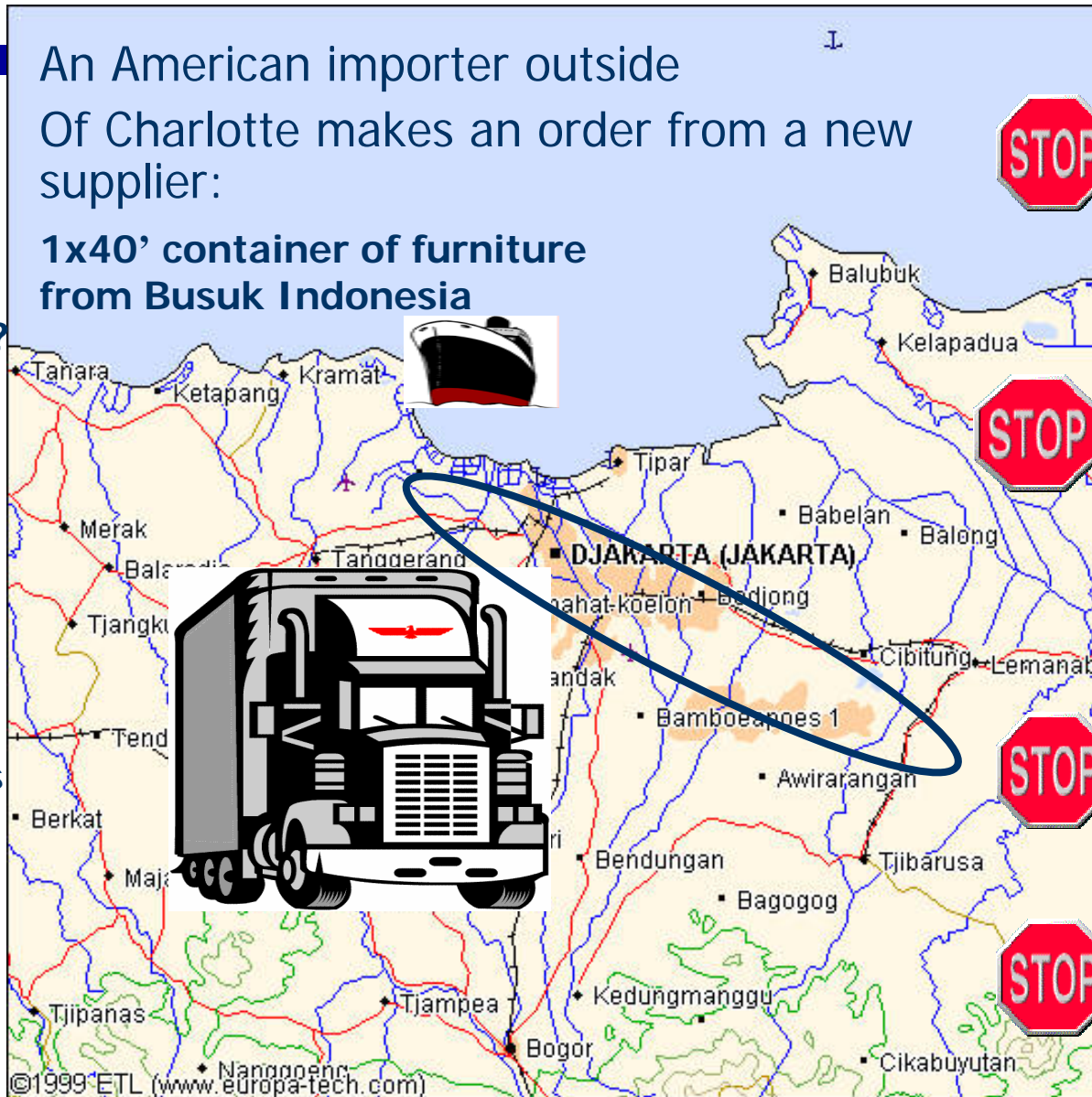
**Country Controls:**  
Does the commodity require declaration?

**CTPAT Has**  
a high security seal been verified?

**CSI**  
Is there a US Customs HOLD ?

An American importer outside Of Charlotte makes an order from a new supplier:

1x40' container of furniture from Busuk Indonesia



**CSI**  
At booking:  
Do we know the supplier, Consignee, Description ?

**CSI - Did the supplier advise the 14 data elements prior to cut off ?**

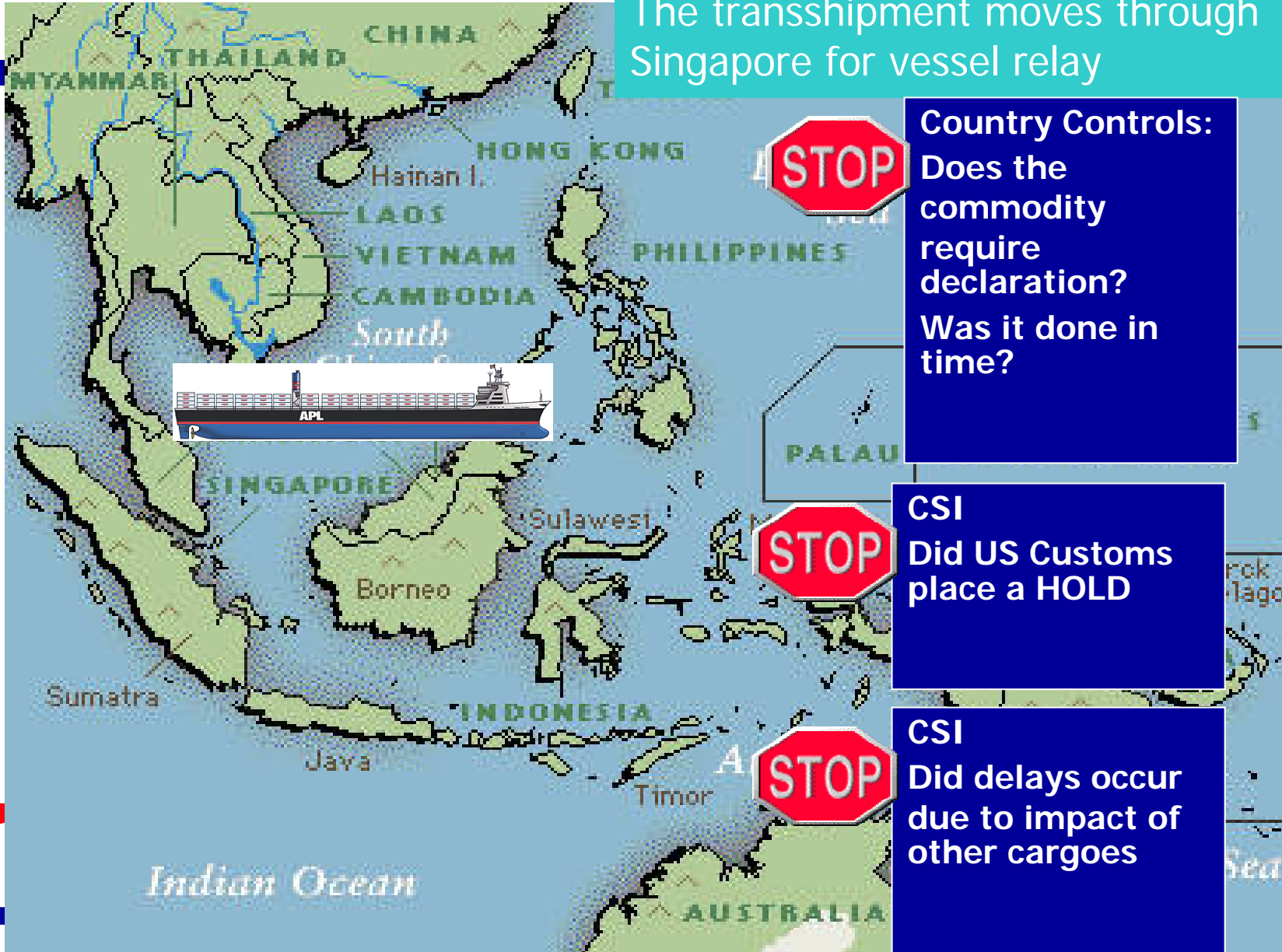
**CTPAT**  
What about Driver? Route?

**CSI**  
Is the Cntr to be scanned?



# Where Security Impacts the Supply Chain – at Relay

The transshipment moves through Singapore for vessel relay



**Country Controls:**  
Does the commodity require declaration?  
Was it done in time?

**CSI**  
Did US Customs place a HOLD

**CSI**  
Did delays occur due to impact of other cargoes

Port & Container Security



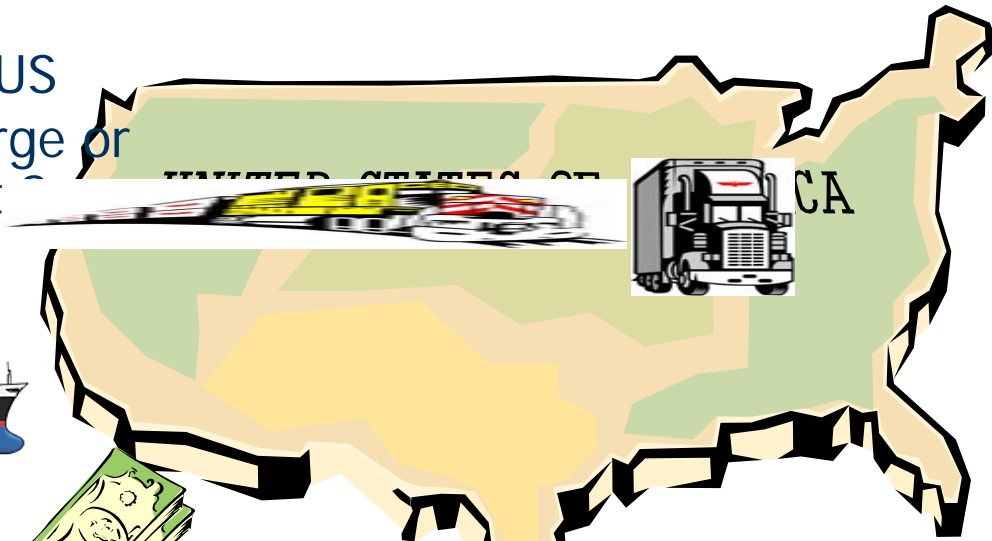
# Where Security Impacts the Supply Chain – in the USA



Port Security/CSI  
Did US Coast Guard/US  
Customs hold discharge or  
from leaving the port?



C-TPAT/DOT/TSA  
Are APLs partners  
& routes secure?



**Supply Chain Impact**  
Time, Storage, Inspections,  
Admin costs, Delays, 'light' ships,  
Investments in Technology,  
Facility and People

## **C-TPAT (Customs Trade Partners Against Terrorism)**

- **Cornerstone Initiative**
- **Government to Business program**
- **22-Key elements including**
  - **High security seal inspection and application**
  - **Employee background checks**
  - **Information system safeguards**
  - **Possible sealing and inspection of empties**
- **APL's Application approved**



# Container Security Initiative (CSI)

- **Cornerstone initiative to set security standards for countries trading with the US**
- **Government to government program**
- **Canada, Netherlands, Belgium, France, Germany, Singapore, Hong Kong and Japan are already CSI partners.**
- **CSI partner status implies MFN status**
- **CSI partners treated the same as non CSI ports under Advance Manifest rules – with the advantage of faster HOLD resolution**



# Advance Manifest (24-Hour Rule)

**Start Date:** December 2, 2002

**Enforcement Date:** February 1, 2003

- **Key Requirement: Containers must be manifested at least 24 hours before they are loaded to any US-bound vessel.**
- **Loading cannot commence until 24 hours after manifest submittal.**
- **“Precise” Commodity descriptions required – no more “chemicals”, FAK, etc.**
- **Full shipper and consignee name and address must be complete at time of manifest**



# Advance Manifest (24-Hour Rule)

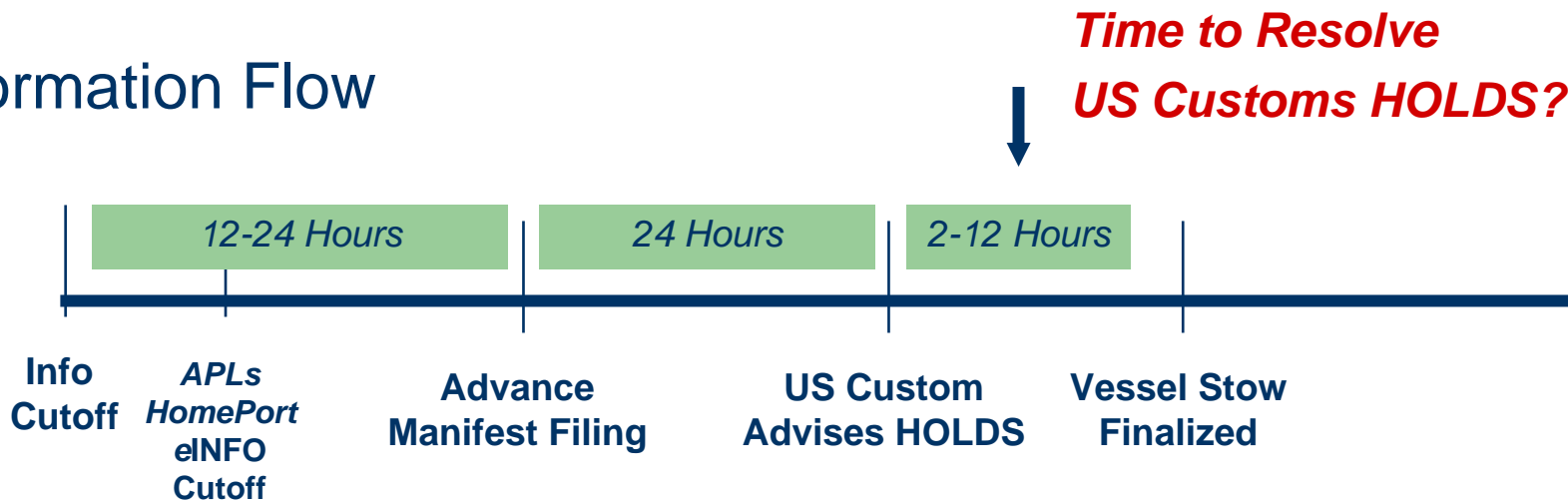
## Implementation Strategy:

- **Focus toward Information Timing reducing impact on the operational Supply Chain**
- **Enhancing and incenting eCommerce Tools to speed information delivery and reduce cost**
- **Aiding Suppliers through startup period to minimize delays and impact on vessel profiles**

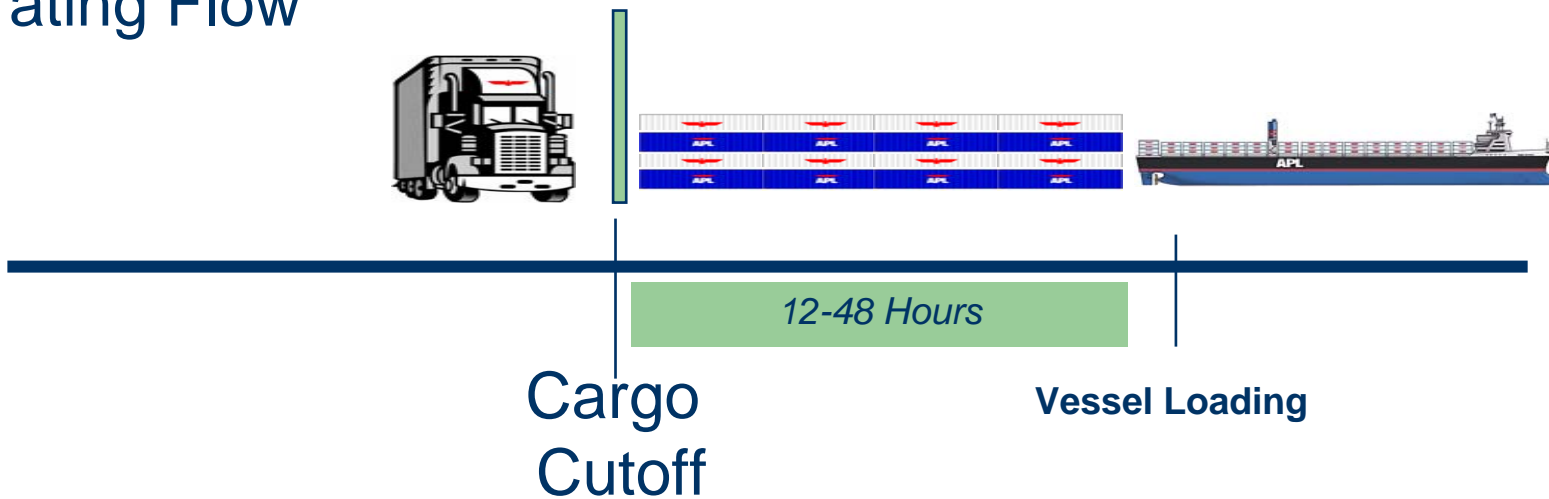


# Engineering Compliance Around Operational Timing

## Information Flow



## Operating Flow



# What Does the Shipper Face ?

- **More Precision, Earlier in the Process**

Manifests must incorporate 14 data points including: precise description of cargo; full shipper and consignee details

- **Capturing Container & Seal #'s, Weights**

Today this information is received upon cargo delivery at the terminal – or on Shipping instructions.

Shippers/suppliers/vendors will need to change their internal processes in order to capture this information in advance of the physical loading and delivery of containers.

# Advance Manifest (24-Hour Rule)

## **‘Grace’ Period Operations**

- **We commenced manifesting all vessels calling the United States at least 36 hours prior to vessel load as of December 2, 2002**
- **We load vessels only after that 24 hours US Custom’s period has expired**
- **Bills of Lading/Containers receiving US Customs HOLD are/will be set aside for resolution**



# Advance Manifest (24-Hour Rule)

## ‘Grace’ Period Customer Support

- December – focus is on process testing, capability and communication to public, shipper groups
- January 1-15 – focus is on educating and aiding shippers/suppliers/vendors
- January 15-30 - *DRY RUN* – focus is on efficient and effective compliance

# Advance Manifest (24-Hour Rule)

- **‘Grace’ Period Interface with Industry and US Customs**
  - **APL member of World Shipping Council and COAC**
    - **Joint efforts toward operationalizing effective regulation**
    - **Providing Input on open issues with Supply Chain impacts in mind**
      - **Eg: Amendments to Advance Manifest Filings**
  - **Alliance coordination in synchronizing process and timing**



# Ongoing Operational Process Implications

- **The Advance Manifest will serve as the ‘absolute’ vessel profile**
  - Former processes permitted last minute load flexibility
- **US Customs held cargo and no-show containers will impact vessel load factors**
- **Standardized processes and tight communications between Alliance partners and terminal operators**
- **Incoming Feeder loads need to be confirmed 24+ hours before linehaul vessel load or they will not manifest.**



**Diversions, cargo rolls, amendments – initial vs final manifest**

# Port and Maritime Security Act (S1214)

## **Regulations to be drafted**

- **Commercial ships to be equipped with automatic ID system**
- **Electronic cargo manifest requirement**
- **Port security plans**
- **Oversight board policies on security seals and locks**
- **ID cards for port workers**
- **DOT security assessment at foreign ports**

# Tightening Existing Port Security Initiatives

- **From a Global perspective, over tightening individual port security could have unintended consequences**
- **‘Tougher’ ports could find themselves competitively disadvantaged relative to alternate ports where the impact on the Supply Chain is less**
- **Could undermine the overall objective – of attracting added throughput via an enhanced image of a strong and secure port**
- **Balance of security vs. diverting cargo away**



# Supply Chain Security Costs

**What is it going to cost and who is going to pay ?**

- **Costs will run in the millions**
  - **Out-of-pocket: Staff, Facility, Technology, Storage**
  - **Working Capital: Inventory, Time, Delays**
- **Increased security surcharges are inevitable**
- **Port detention and demurrage (storage) rules**
- **Marine cargo insurance coverage for large scale security-related cost recovery**



# Potential Upside

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- **Greatly improved Trade and Operational data**
- **Leveraging the competitive edge that our Regional Administrative Center provide us**
- **Cleaner data (fewer splits, consolidations amendments)**



# Conclusion -A Partnership toward a Secure and Strong Supply Chain

## **Implementation and execution**

- **Compliance and aiding agencies**
- **Effective and efficient operation to further strengthen Supply Chain**

**Thank You**

