

# Port Security

An Industry Partner's Perspective for the Americas  
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by  
**Hampton Dowling, PMP**  
L-3 Communications  
Global Security & Engineering Solutions

XVII  
Congreso  
Latino  
Americano  
de puertos  
**AAPA**

# Today's Discussion



- **Evolution of regional port security**
- **Current challenges and reasons for optimism**
- **Complexities facing in today's port management team**
- **Recommendations for approaching the future**

# Port Security

*Like all of us, it was perhaps “simpler” in 1999*

**Collectively, we were.....**

- **Acquiring traditional physical security capabilities, i.e., radios, cameras, fences etc.**
- **Fitting security into different, higher priority initiatives or secondary budgets**
- **Discussing the potentials of expanding the Canal but not yet able to appreciate real implications**
- **Assuming terrorism was “*over there*” while expansion of FARC, ELN and drug cartels were having an impact at all political levels**
- **Thinking about Y2K**
- **Not attending “port security” forums**

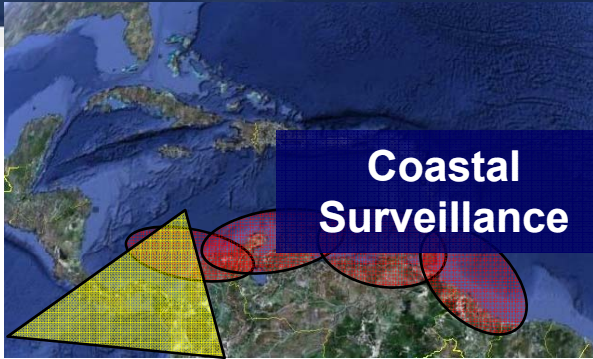




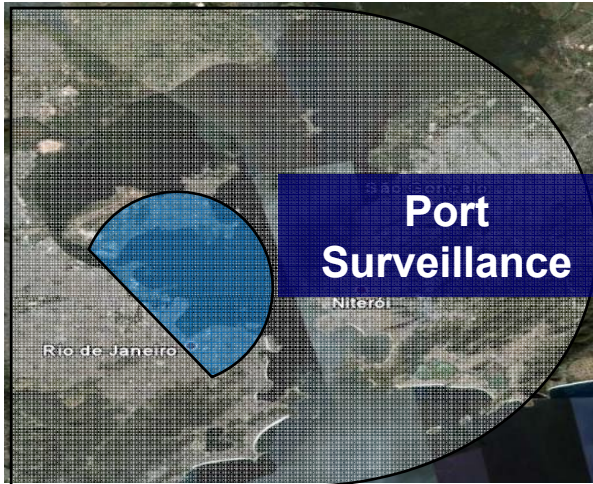
# Port Security

*Like all of us, it's now more complicated in 2009*

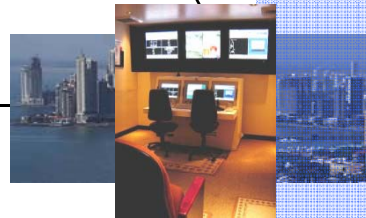
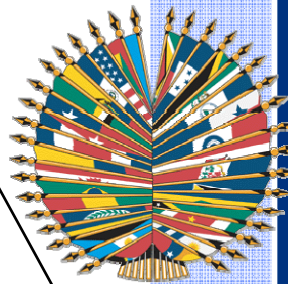
## Coastal Surveillance



## Port Surveillance



## Vessel & Supply Chain Awareness



### The list grows every day

- Proactive 3D video surveillance, predictive analysis tools and intelligent access control....
- Port laws, memorandums of agreement between cities, major corporations and shipping companies.....
- Public private partnerships...
- Managing sensitive intelligence data, real-time web-based collaboration.....
- RFID-enabled sensor technologies, biometrics, in-transit scanning equipment.....

**Who do you trust? Who is in charge?**

# Port Security Focus Areas

*Big picture can be difficult to understand and manage*

## Coastal & Border Security Agencies

- Information gathering, indication & warning queues
- Intelligence sharing, dissemination and planning
- Predictive analysis, interoperable communication, interdiction

### Overlapping Areas of Interest , Responsibility and Capabilities

## Port Authorities

- Port operations, safety of navigation and environment
- Landside & waterside security, active surveillance, and awareness
- Continuity of operation, government and authority

### Overlapping Areas of Interest , Responsibility and Capabilities

## Port Tenants

- Terminal operations, supply-chain management, providing goods & services
- Supply-chain integrity, enforcement of trade, health & commerce regulations
- Property security, access control and surveillance
- Satisfying insurability and revenue generating requirements

## Port Security Area of Responsibility

*With who's money?  
The right decisions?  
Are risks manageable?  
What are the incentives?*

***The drive for ports to meet increased capacity demands with limited available coastal areas to further develop will stress current processes and security capabilities***



# In Latin America

## *How can ports be safer, ready for real growth?*



**Trends in illegal regional activity, piracy, the regional economic picture, Canal expansion, changes in trade demographics, and uncertainties in political policies put pressure on “the how” to address port security and secure commerce**

### Is it the right help?



- Organization of American States' Inter-American Committee Against Terrorism (CICTE)
- CSI, Megaports Initiative, C-TPAT, DoT and DHS relationships for training, equipment etc.
- International agreements, ISP regulations
- United Nations Office on Drugs and Crime
- US Southern Command
- Regional navies, police

# For US Domestic Ports

*The dynamic game board is changing*

## Budget crises –

States are struggling to balance their General Fund budgets and may look to monetize value of profitable state owned enterprises, including ports

Container volumes slack, public revenues are less, risk is greater part of all obligations

Large scale capital investments require high degree of leverage

## U.S. Infrastructure Issues: Current and Future

- Container imports are expected to double by 2020
- Rail freight tonnage is expected to increase by 50% by 2020
- Air cargo volume is expected to increase by 5% every year through 2016
- Half of the nation's 257 locks on inland waterways are functionally obsolete
- Most ports have not been dredged to handle the 10,000-TEU containerships being built



New faces are examining security matters – CEOs, Harbor Commissioners, Mayors, Governors...people who influence established acquisition and business strategies



# For Latin American Ports

*The dynamic game board has also changed*



## *Recent Two Years*

**US, Asian, Indian Trade  
Growth, Higher TEUs**

**Cheap, Easily  
Accessible Money**

**Tremendous Optimism**

**High Investor and  
Consumer Confidence**

**Rising GDP.... ~11%**

**Operations and Policy  
Stability**

**Full Employment, High  
Inflow of Expat Income**

## *Today and .....*

**Slower GDP, Lower  
Trade Volumes**

**Expensive, Less  
Accessible Money**

**Uncertainty, Confusion**

**Consumer Spending  
Tumbles, High Pressure**

**Real GDP... ~ 1% or less**

**Election Cycles, New US  
Administration**

**Rising Unemployment,  
Shifts in Migration**

## *Constant Factors*

**Fuel prices remain high and influence supply chain  
economics. Dollar & inflation remain under pressure.**



# For the Public & Private Sectors

*Business demands for secure commerce will increase*

## **Momentum is building –**

Infrastructure assets have not caught up with the supply of infrastructure equity and debt capital.

Supply of investor capital will seek to meet demands to service domestic expansion & competitive environment, large maintenance requirements and unfunded projects

Rail expansion will add complexity to security

- Growth in new trade routes will increase [double] TEU volume. [US] ports viewed as investment assets enjoying highest credit ratings, lower debt despite current economic environment
- Growth pulls on full scope of technical, rail, supply-chain security and enterprise-scale solutions. Better education & certifications required in more disciplines
- Growth is forcing port financing alternatives and large scale capital investments that reveal less government control but with retained focus on compliance
- Growth requires good management structure and partnerships to ensure [security] solutions are safe and business-centric to comply with shareholder objectives

# For Latin American Ports

## *Short shipping and traffic patterns will change*

### Additional Insights to Consider

- Energy demand, off-shore drilling and mining will drive increased traffic
- Ports typically less focused on container trade and traditionally linked to energy market will become focal points of commerce, short shipping and small craft traffic – more stress
- More oil platforms, expanding transport hubs will become high risk critical infrastructure with dependences on port resources & regional authorities
- Coordination of emergency response will add complexity
- More workers, from many countries will need to work – in ports
- The Americas will become a center of gravity for world trade – more stress





# For Port Security

*It's more than law enforcement, fire, medical.....*



**Fixed Systems**



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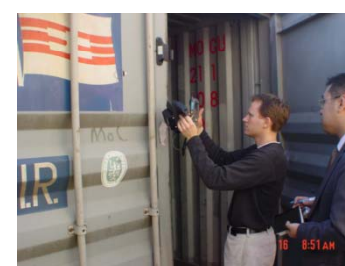
**Rail Systems**



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**Mobile Systems**



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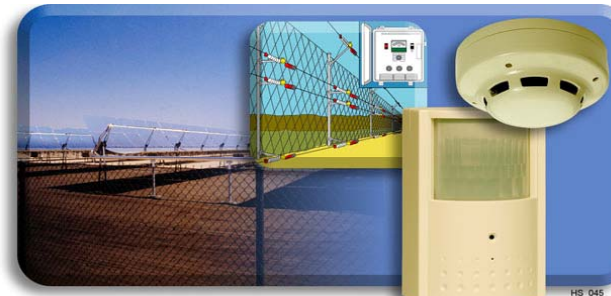
**Command Center Systems**



**Integrated  
Portal  
Systems**

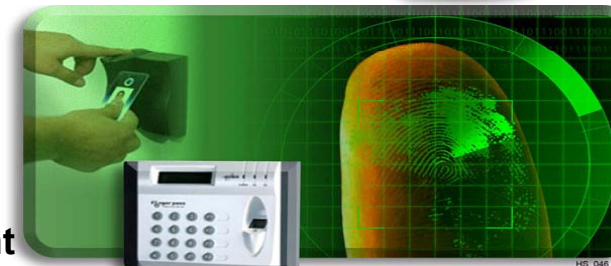


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**Intelligent  
Access  
Systems**



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**Intelligent  
Commerce  
Systems**



**Intelligent  
Traffic  
Control  
Systems**

**How does this all fit together? Is it possible? Not possible?**

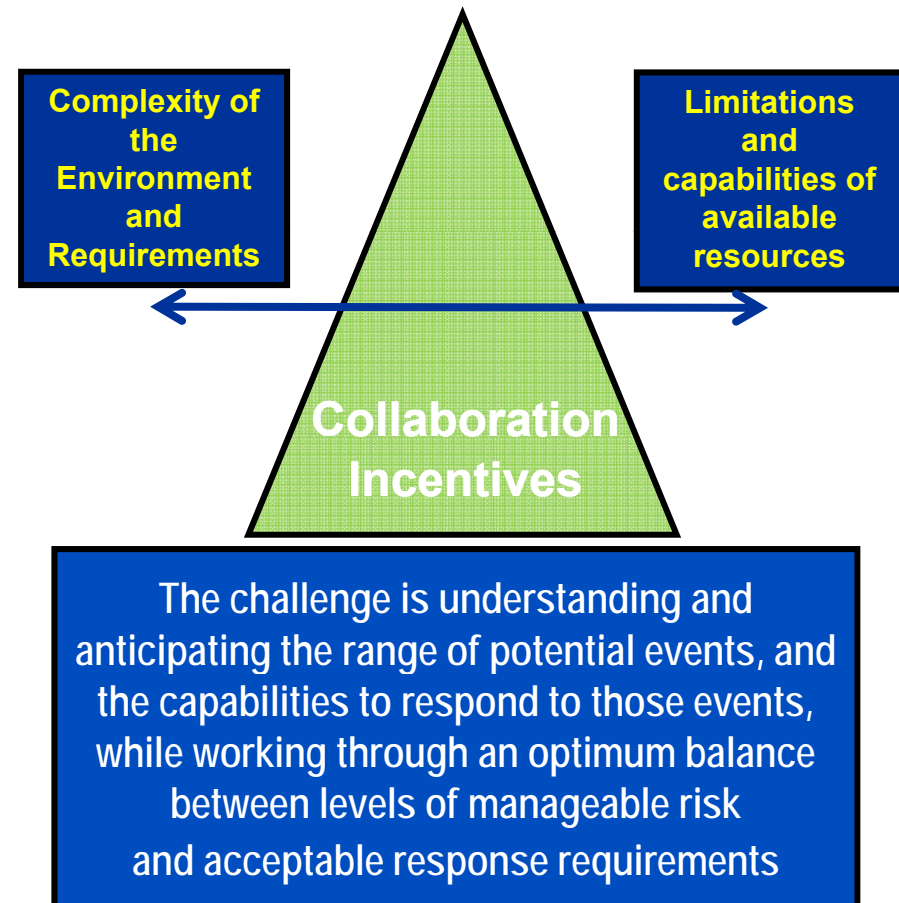


# Revenue Versus Security

*....or is it security versus revenue?*

**In determining solutions that influence security it is important to fully appreciate...**

- **The growing stress on management to make security choices that impact revenue**
- **Common attributes and dependencies across the entire port complex**
- **Use of intelligent systems that improve public sector performance**
- **Dedicated time need to define clear requirements**



# Security is More than Technology

*Industry's value proposition will add to the bottom line*

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## Quantitative Factors

- Cash Flow
- Cash Earnings Growth
- Margins
- Leverage
- Organic Sales Growth & Expansion
- Investments
- Return on Invested Capital
- Dividends

## Qualitative Factors

- Industry Outlook
- Management Quality
- Credibility
- Investor Confidence
- Transparency of Operations
- Operations Stability
- Quality of Earnings and Rating
- Service Quality

## Subjective Factors

- Value Creation
- Application of Solutions, Counsel
- Corporate Branding
- Confidence in Partner
- Transparency of Valued Partnership
- Reliability
- Visible, Measurable Results
- Best Practices

Every port has port security....just not coherently managed or executed

# For Ports...Tomorrow Begins Today

## *Preparations for 2014 and post-recession demands*

- **Establish a clear, fundamentally different philosophy**
  - In writing, based on recognized advocacy and informed relationships
  - Executable with realistic objectives based on the right information
  - Assign personal accountability to ensure timely decisions
- **Simplify the acquisition process**
  - Embrace a business model (ports and maritime authorities are a business). Seek who has the right information then take action
  - Be demanding, reasonable and accessible
  - Apportion indemnification within true partnership
- **Optimize resources**
  - Solutions (including security) need to be value propositions that support multiple purposes which directly influence revenue
  - Best value pays dividends shareholders can understand & trust





# Latin American Ports are a Community

*Collectively, many common needs can be leveraged*

## *Potential regional benefits....*

**Uniform curriculums**

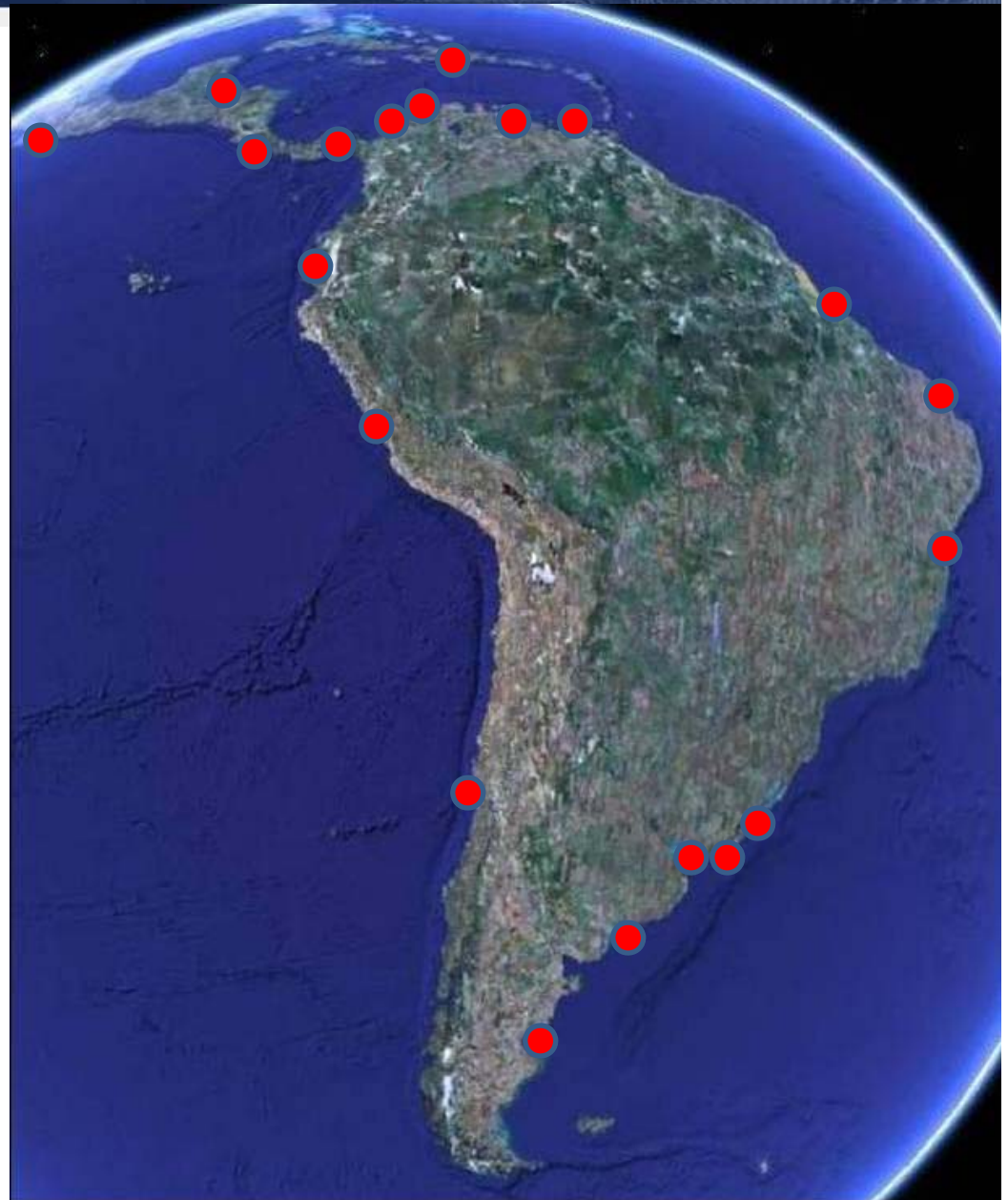
**Security best practices**

**Efficiencies to  
equipment acquisition,  
developing data  
formats and structured  
collaboration**

**Integrity to managing  
immigration, regional  
law enforcement**

**Uniform compliance**

**Understanding what  
can be shared versus  
what can't.**



# Closing Thoughts.....

**Ports cannot fail. Like it or not, port security is now a pillar of national security.... from foreign commercial ports of manifest, to coastal border surveillance, to law enforcement at a port's rear area wharfs. Like the number of containers on a ship there are many variables affecting many, many ports. There really isn't a single, integrated security solution.**

- Ports' growth & implications must be considered in making choices
- **Focus on real requirements using proven guidelines**
- Use industry partners to build public confidence and develop reliability that drives increased revenue.

