

SESSION V: Critical port security Issues – Assuring cargo integrity prior to, during and post marine terminal operations



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A S S O C I A T E S

What Is the Issue or Problem?

- **Estimated \$5 Billion to \$90 Billion problem in North America alone**
- **US Government is dictating policies, procedures and processes with vetting them**
- **Other Governments are dictating the same 3 p's without coordination**
- **Terrorist threats have not gone away**
- **Security is the twin of Quality Control**

Observations are thus based on:

- **Operation Safe Commerce**
- **The Supply Chain Consortium**
 - **Database**
 - **Recent Security Related “Hot Topic”**
 - **Executive Seminar, Orlando Sept 2007**
- **Member of 10th COAC**
- **Recent consultation activity**

Recent Consortium Hot Topic on Security

- **Survey Profile Data**
- **Survey Findings**
 - **Cargo Security Concerns**
 - **Cargo Visibility**
 - **Theft Loses**
 - **Security Investment Trends and Criteria**
 - **C-TPAT Certification**
- **Security Organization**
- **Container Seal Protocols**
 - **Container Security Devices (CSD's)**
 - **RFID Tags**
- **Data Initiatives**
- **Best Practices**

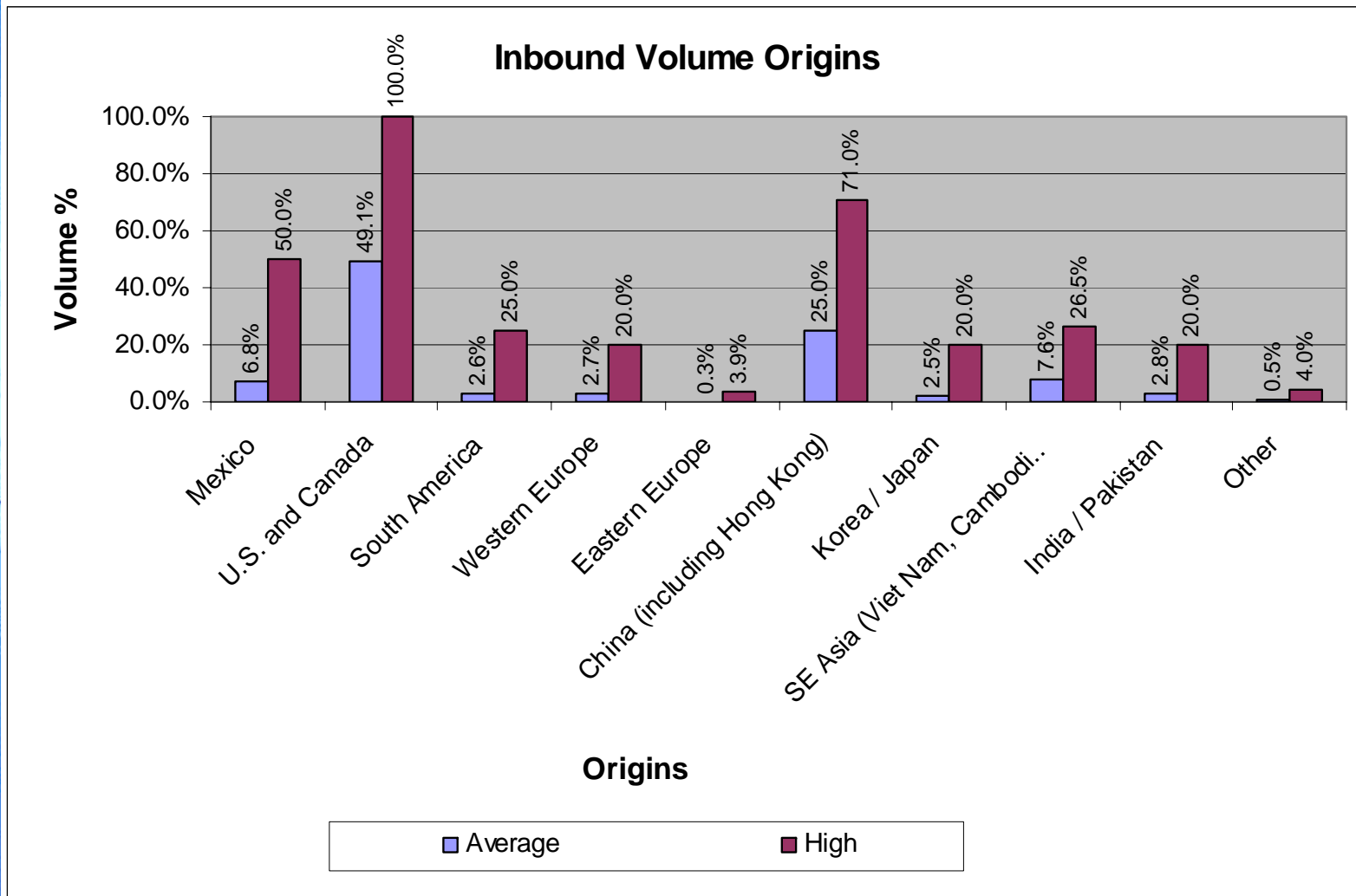
Consortium Finding's- Industry

Survey Participants by Industry	
Industry	% of Survey Respondents
Consumer Products Manufacturing	45%
Retail	50%
Wholesalers/Distributors	5%

Survey Participants by Segment	
Segment	% of Survey Respondents
Apparel, Fabric and Accessories	29%
Department Store and Discount	11%
Electronics	16%
Grocery, Food and Beverage	18%
Hardware and Home Improvement	7%
Hobby, Toys, Arts and Crafts	4%
Home Products/Furniture/Appliances	15%

Consortium Finding's- Volume

Inbound Volume by Origin



Consortium Finding's- Visibility

Cargo Security Concerns and Cargo Movement Visibility

Cargo Movement Visibility		
Origin Region	% of Survey Respondents Concerned with Cargo Security Who Use That Point of Origin	Level Of Visibility (1-5 Scale)
Mexico	100.0%	3.5
China	100.0%	2.9
U.S. and Canada	100.0%	2.8
South America	80.0%	2.5
Western Europe	62.5%	2.5
India/Pakistan	62.5%	2.4
SE Asia	22.2%	2.7
Eastern Europe	20.0%	2.6
Korea/Japan	16.7%	2.6

Cargo Movement Visibility		
Origin Region	% of Survey Respondents with Visibility to Cargo Movement	Level Of Visibility (1-5 Scale)
U.S. and Canada	87.5%	3.9
China	85.7%	3.6
South America	73.3%	3.7
Western Europe	71.4%	3.6
SE Asia	66.7%	3.9
Korea/Japan	57.1%	3.8
Mexico	57.1%	3.6
India/Pakistan	53.3%	3.9
Eastern Europe	46.2%	3.8

- **The highest percentage of survey respondents (100%) had concerns about cargo originating in Mexico, China, the U.S. and Canada.**
- **The overall level of concern for respondents was actually not that significant given the 1-5 scale. Only Mexico showed an above-average level of concern.**
- **In general, a large percentage of companies surveyed believed they had good visibility for their cargo movements.**

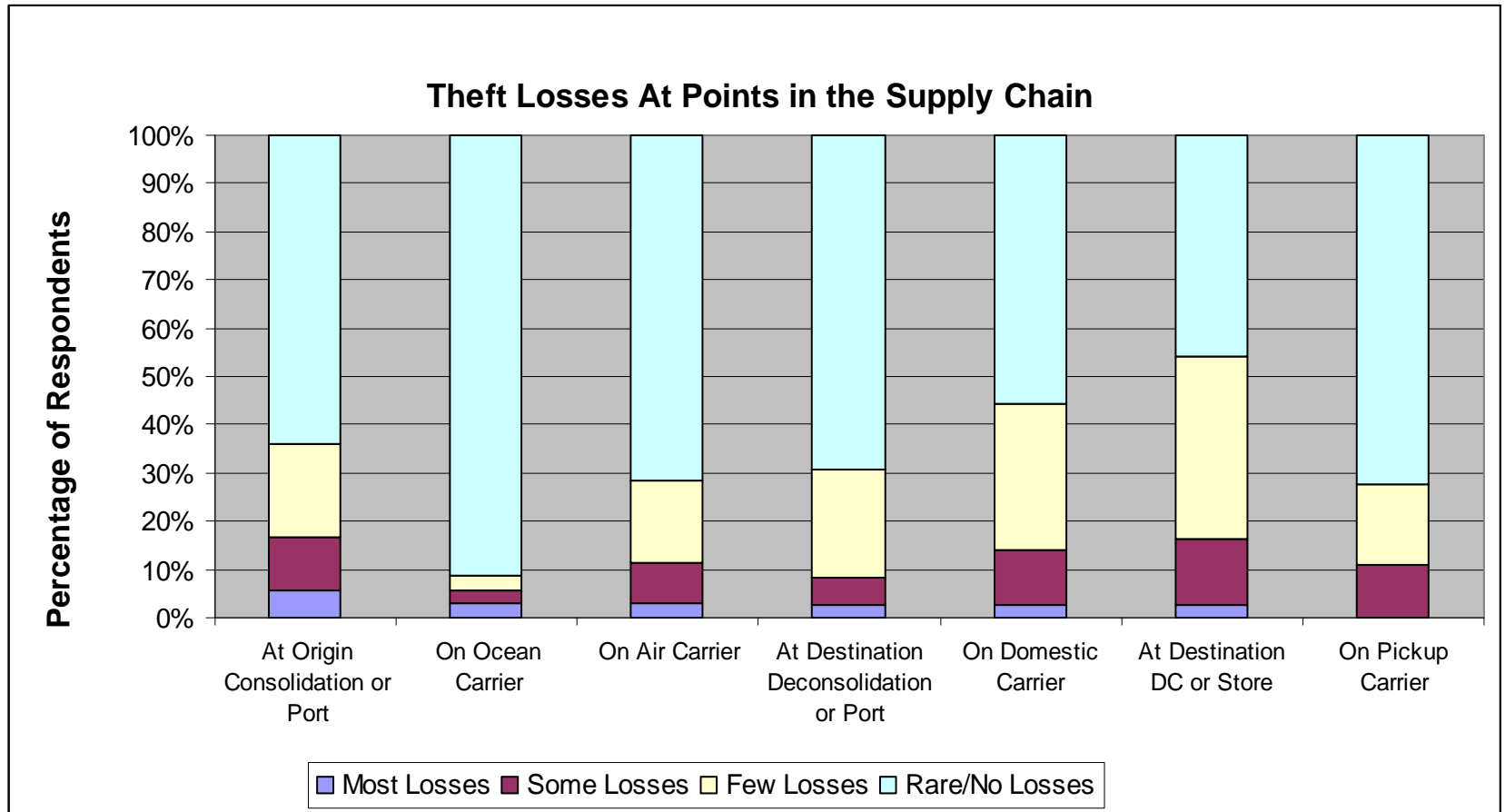
Consortium Finding's- Supply Chain Nodes

High Levels of Security Concern by Origin Region at Different Stages in the International Supply Chain

Supply Chain Stage	Mexico	China	SE Asia	India/ Pakistan	South America	Eastern Europe	U.S. and Canada	Western Europe	Korea/ Japan
Truck to Consolidation Facility Cargo Resting Point	3.8	3.4	3.4	3.3	3.1	2.8	2.6	2.6	2.6
Consolidation Facility Cargo Resting Point	3.3	3.6	3.3	3.0	3.2	2.0	2.8	2.1	2.6
Consolidation Facility to Port Cargo Resting Point	4.0	2.9	2.9	2.2	2.9	1.8	3.2	2.4	2.5
Port Maritime Terminal Cargo Resting Point	3.5	3.3	3.6	3.3	2.8	2.3	4.3	2.2	2.8
Trans-shipment Port in Route to Cargo Resting Point	3.8	0.0	3.2	2.9	2.7	2.3	3.4	1.8	2.6
Vessel Cargo Resting Point	4.3	3.5	4.0	3.7	3.8	3.5	4.0	3.0	3.3
North America Port Terminal Cargo Resting Point	3.0	3.2	3.6	3.3	3.2	2.7	3.0	2.3	3.0

- **The above data looks at each of the supply chain stages and identifies the origin region with the highest levels of concern for security.**
- **Shipments originating in SE Asia and Mexico most concerned companies, followed by the U.S. and Canada and China, depending on the stage in the supply chain.**

Consortium Finding's- Theft Losses

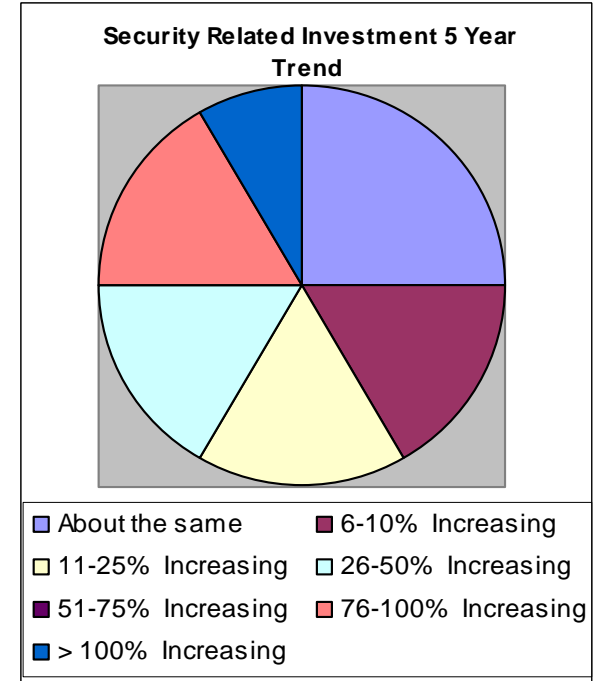
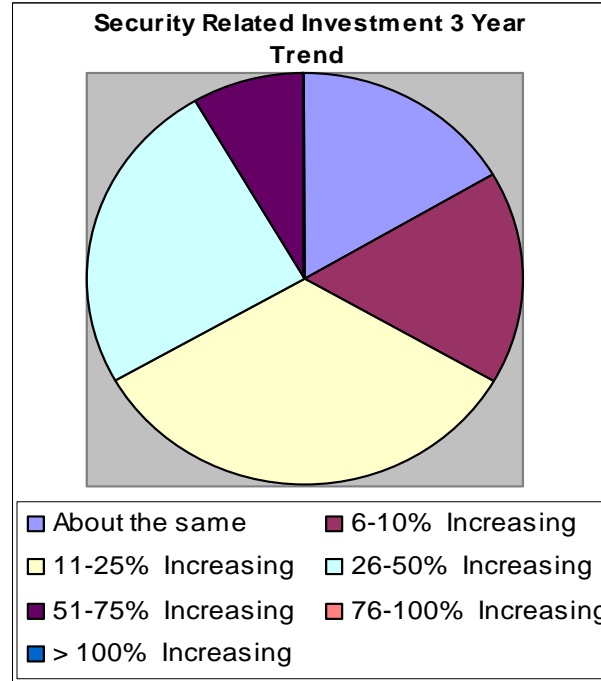
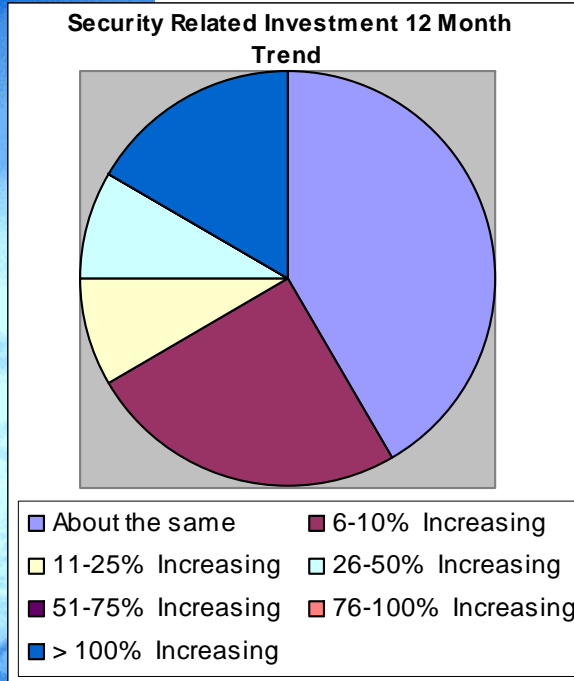


Consortium Finding's- Theft Losses (con't)

Point in the Supply Chain	Most Losses	Some Losses	Few Losses	Rare/No Losses
At Origin Consolidation or Port	5.6%	11.1%	19.4%	63.9%
On Ocean Carrier	2.9%	2.9%	2.9%	91.4%
On Air Carrier	2.9%	8.6%	17.1%	71.4%
At Destination Deconsolidation or Port	2.8%	5.6%	22.2%	69.4%
On Domestic Carrier	2.8%	11.1%	30.6%	55.6%
At Destination DC or Store	2.7%	13.5%	37.8%	45.9%
On Pickup Carrier	0.0%	11.1%	16.7%	72.2%

Consortium Finding's-

Security Investment Trends and Investment Criteria



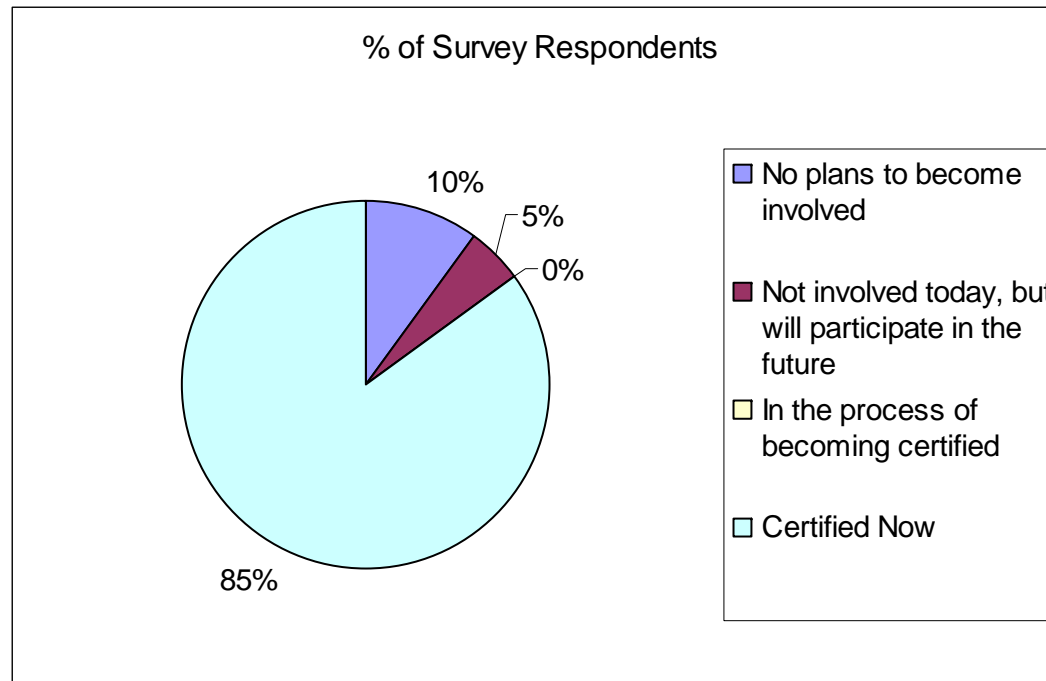
Consortium Finding's-

Security Investment Trends and Investment Criteria (continued)

Security Investment Criteria	% of Survey Respondents Who Use the Criteria for Investment Decisions	Level of Importance
Required to comply with state and local law	100.0%	4.6
Provides us with a competitive advantage	85.7%	4.2
Return on Investment	85.7%	3.4
Subject to capital availability	85.7%	2.8
Perceived risk of not meeting project objectives	71.4%	3.1
Required to respond to competitors	64.3%	3.0
Required to maintain existing customers	57.1%	3.3

Consortium Finding's-

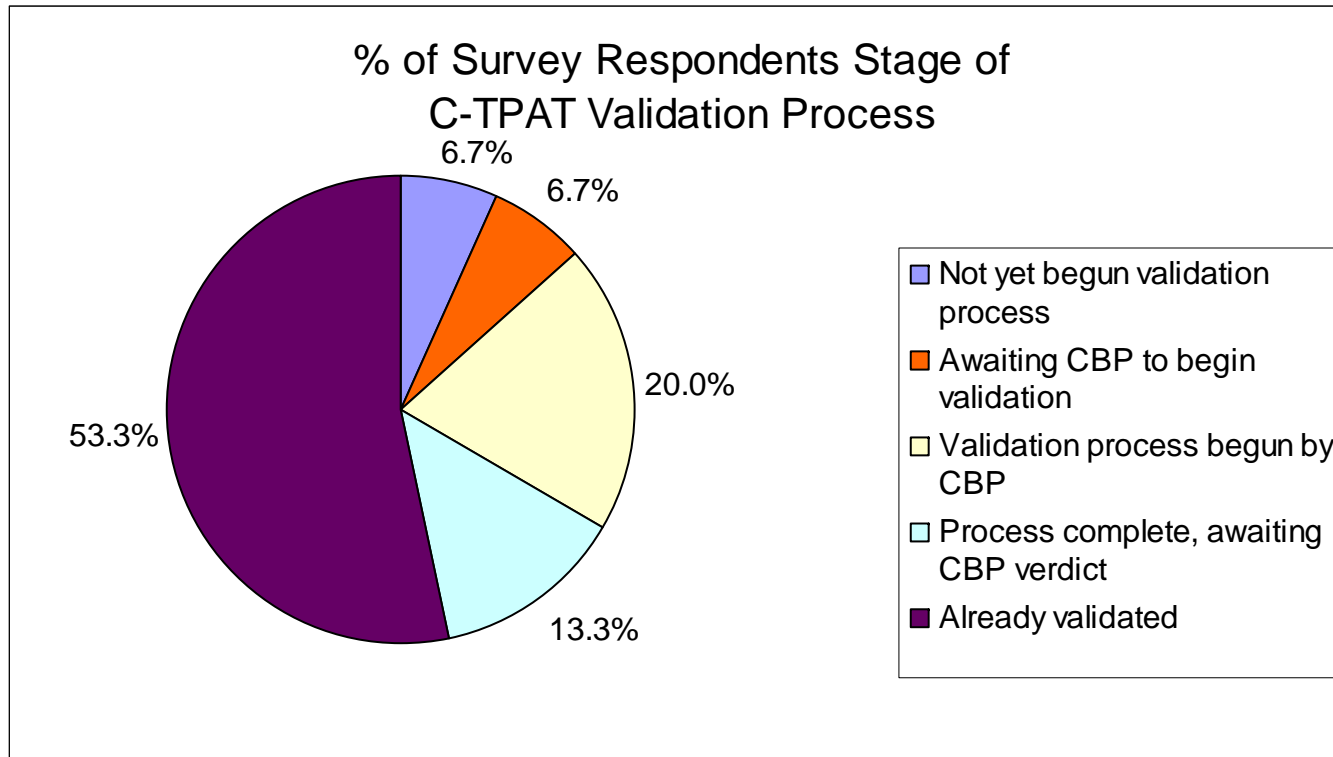
C-TPAT Certification Status



- **A great majority of companies surveyed are currently C-TPAT certified.**
- **On average, survey respondents who are certified have been so for 3 years.**

Consortium Finding's-

C-TPAT Certification Status



- **There is a wide range of times for companies to become validated, ranging from 4 months to over 30 months. The average time is 21 months.**

Consortium Finding's- C-TPAT Certification Status

Approximate Cost of C-TPAT Certification		
Low	Average	High
\$20,000	\$240,000	\$2,000,000

Benefits from C-TPAT Certification	% of Survey Respondents
Fewer CBP inspections	75.0%
Faster processing during CBP inspections	66.7%
Existing business maintained following customer mandate	41.7%
Other	33.3%
Anticipated "Green Lane" for known shippers in the event borders are shut down in the future.	
Status contributed favorably to obtaining Foreign-Trade Zone status at our Distribution Centers	
Protect Brand Image	
Improve Supply Chain Visibility	
Improve Security	
Cost Avoidance	
Maintain competitive edge	
Decreased OS&D due to correct paperwork	16.7%

Secondary Benefits of C-TPAT Certification

All survey respondents indicated secondary benefits associated with security initiatives.

Theft, damage and loss reduction improved for 92% of survey respondents who implemented security initiatives.

Supply chain visibility also increased for survey respondents with 23% getting greater than 25% improvement.

Consortium's Best Practices

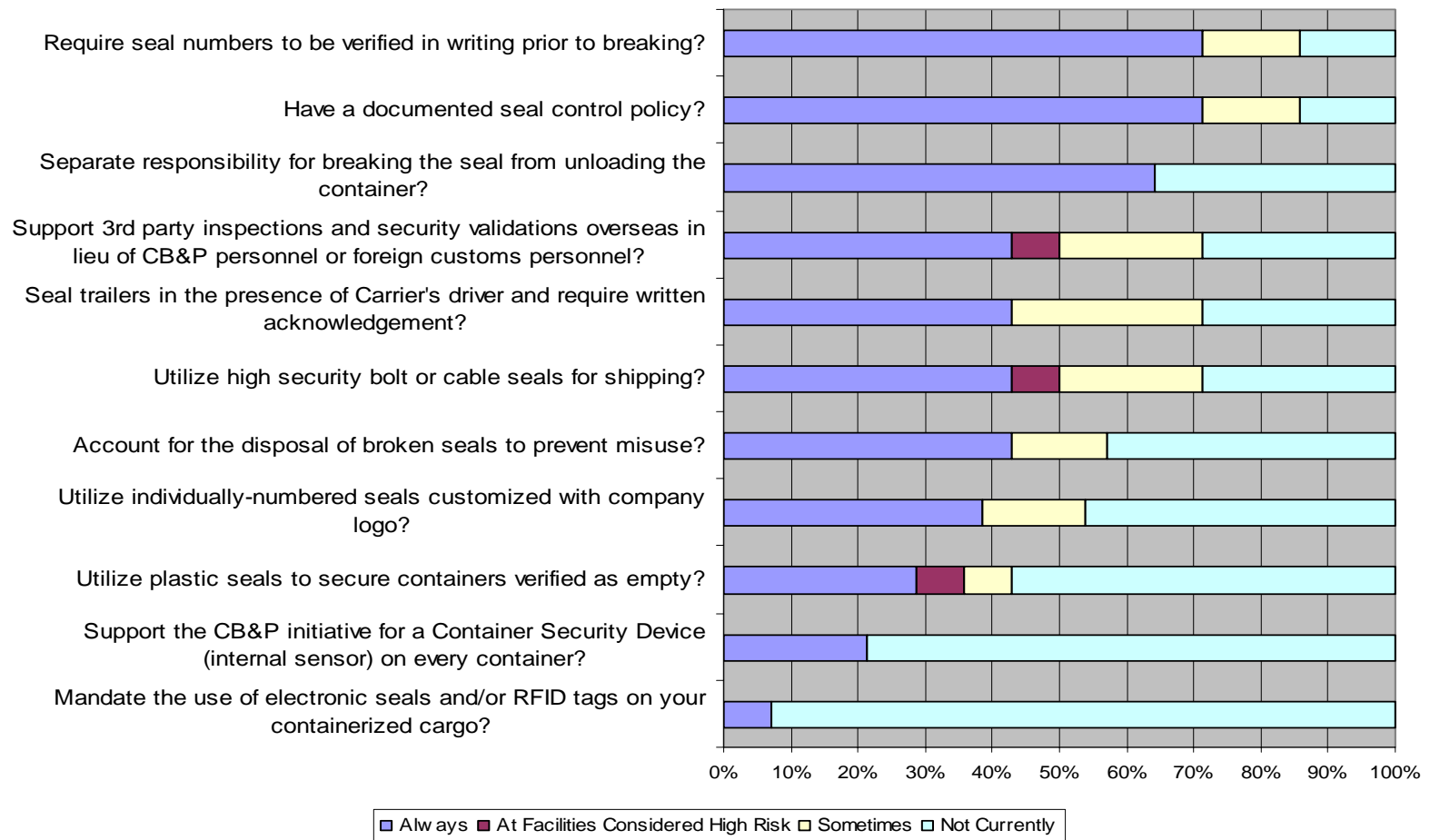
Security Organization- Where does it fit?

Highest Ranking Security Position	% of Respondents
Executive (e.g. Chief Security Officer)	13.3%
Vice President	13.3%
Director	40.0%
Manager	26.7%
Supervisor	6.7%

- **The highest ranking security position in over 70% of companies surveyed is a director, manager or supervisor level. It may be a challenge for these positions to get the attention of C-level people on security matters.**

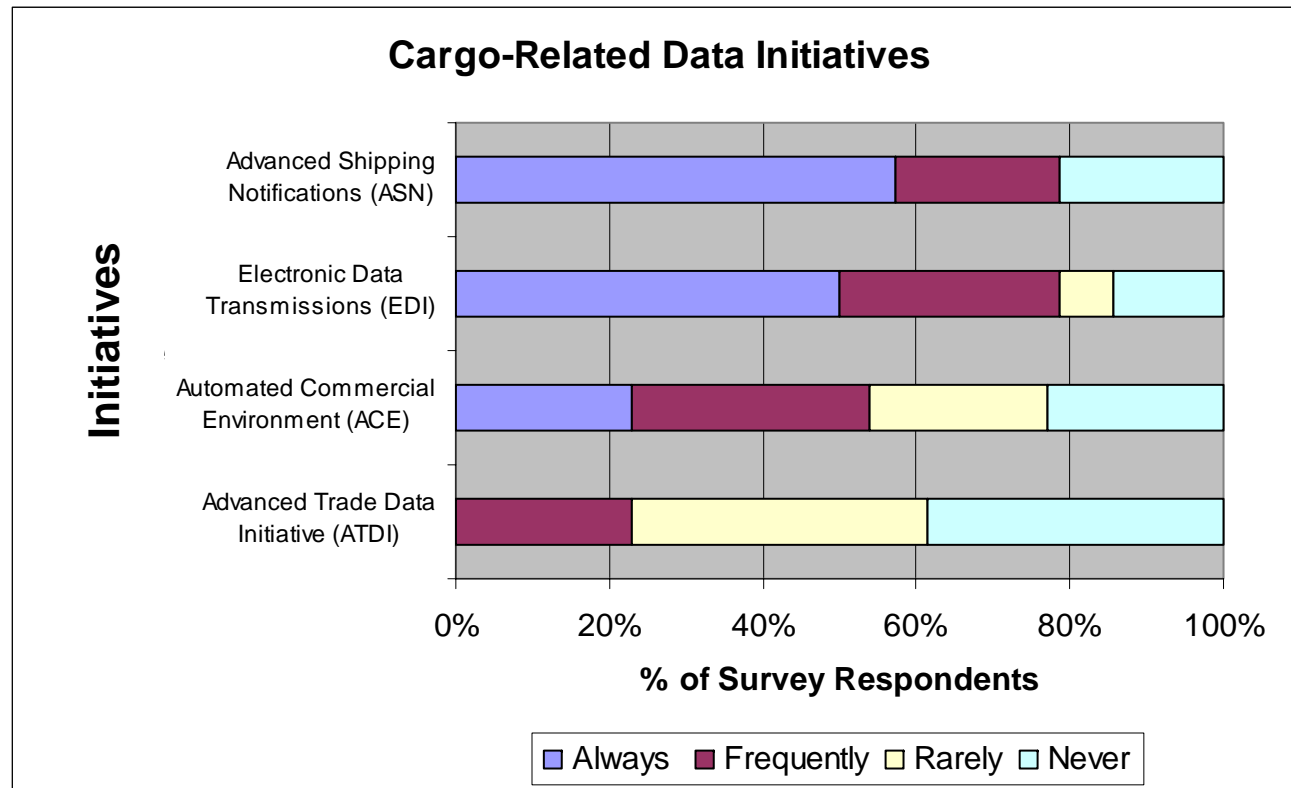
Consortium's Best Practices

Container and Domestic Trailer Seals Protocol



Consortium's Best Practices

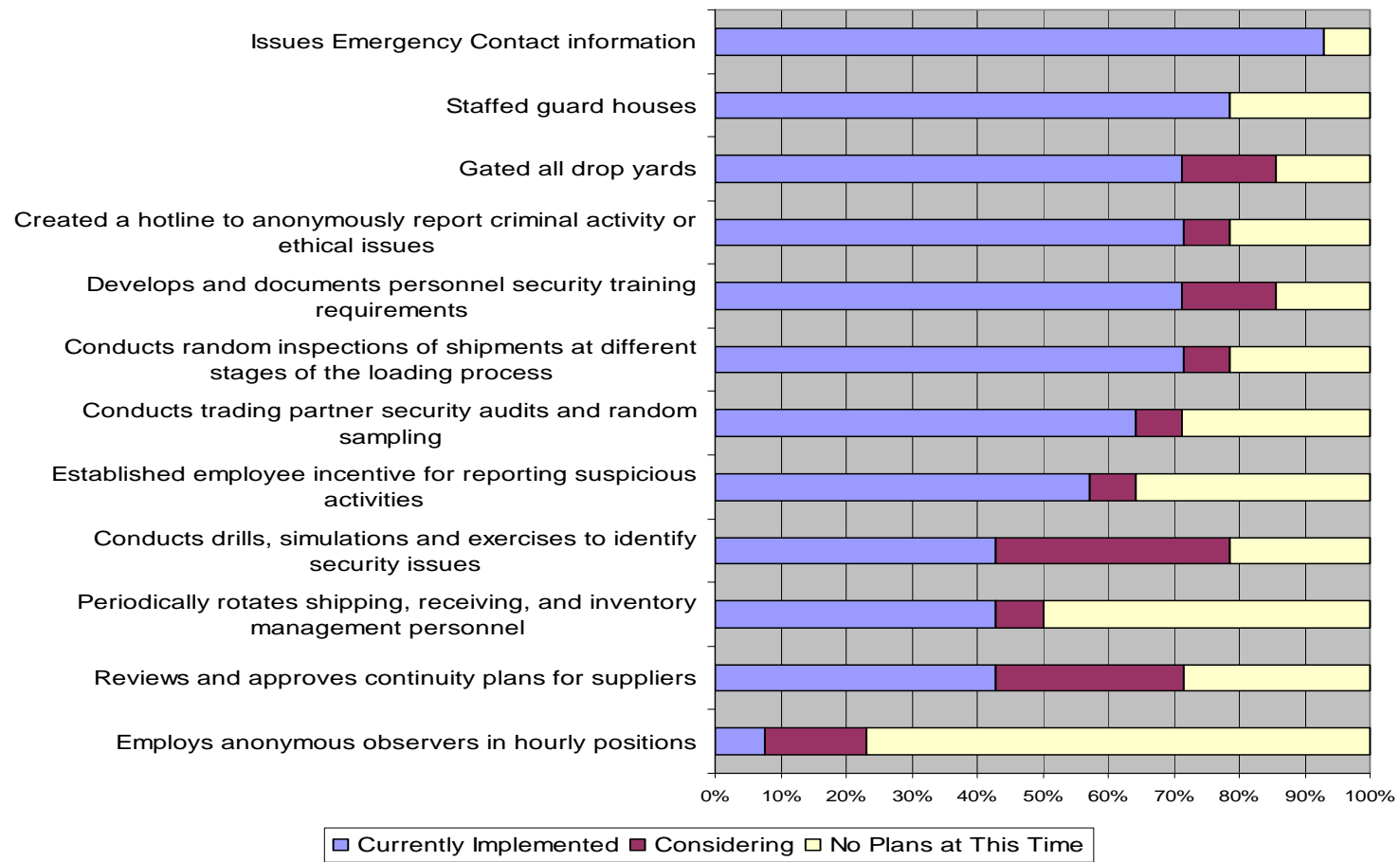
Cargo-Related Data Initiatives



- **ASNs and EDI are clearly the most often selected cargo-related data initiatives.**
- **Participation in ACE and ATDI is limited.**

Consortium's Best Practices

Security Best Practices



Operation Safe Commerce

- Federally funded container supply chain security initiative (\$75 million)
- Key Findings
 - Origin to destination structure
 - Supply Chain Visibility
 - Policies, Procedures and Processes must be coordinated
 - Technology is an enabler not the answer

Key Government Policies for Your Enjoyment

Key Supply Chain and Security Initiatives for COAC:

- Resumption of trade after incident at port
- Supply Chain Assessment, including Export documentation
- GTX Data Mining (including 10+2, ITDS, etc)
- 3PL C-TPAT Certification/Validation criteria
- Import Safety Presidential Directive
- How does the US play in the WCO
- Who pays for security

What should You be Doing?

- ***Run, Don't Walk to the nearest exit***
- ***Drink some wine, eat meat and take your spouse/girl to a ball game***
- **You should be monitoring:**
 - ***Your customer's sourcing and distribution network(s)***
 - ***Customs & Duty drawback***
 - ***Infrastructure capacity and reliability***
 - ***Contingency and redundancy planning***
 - ***Your customer's supply chain visibility***
 - ***Your customer's C-TPAT status***
 - ***Your customer's supply chain security policies for***
 - ***Threat***
 - ***Theft***
 - ***Your customer's budget and organizational status and security***

Customer Discussion Points

- What ***cargo points of origin*** concern you the most?
- Does your ***visibility capability*** help your comfort level with the security of inbound materials?
- What ***policies, procedures and processes*** do you use with the security of inbound cargo?
- Is ***theft*** a bigger problem than you are willing to admit?
- Are you investing ***enough time and money*** into security?
- Has ***C-TPAT certification*** been beneficial as expected?
- Is ***cargo security*** given an adequate level of attention (budget and organizational)?
- How much data are you willing to share regarding your supply chain? **With whom?**