



WORLD SHIPPING COUNCIL
PARTNERS IN AMERICA'S TRADE

Paper submitted by

Christopher Koch

President & CEO of the

World Shipping Council

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September 11 occurred nine months ago tomorrow. Since that time, most industries better appreciate their vulnerabilities to terrorism, but few know what the risk of terrorism to their business actually is. Consequently, business and government must cooperate and determine the most appropriate way to address the risk, while at the same time ensuring that these decisions do not unnecessarily disrupt the economy and business operations.

International liner shipping is no exception, and the government and the maritime industry have spent considerable effort since last September trying to determine what new programs and rules should be developed to protect international trade.

There is some good news to report in this regard; however, when it comes to how government deals with such an issue, one is reminded of the statement made by Mark Twain, who said: “There are two things that you do not want to see made – sausages and laws.” With that in mind, let me try to provide one perspective on how the U.S. government is addressing maritime security and how that process may affect the industry and the flow of trade.

I. Containerization and Liner Shipping

Containerization was developed for the purpose of providing a more efficient, less expensive way to move goods, and its success surely exceeds what Malcom McLean hoped for when he began this revolution. Last year, the United States moved roughly 7.8

million containers of import cargo and 4.8 million containers of export cargo through its ports. That is roughly \$1.3 billion worth of goods moving through U.S. ports every day. The movement of sealed containers greatly reduced damage and pilferage of goods. It facilitated intermodal door-to-door supply chains. And it did so with remarkable efficiency – making ocean transportation a huge bargain for importers, exporters and consumers. Last year, for example, the cost of transporting all of America’s liner imports was only \$133 per household.

This remarkable system operates by carriers – truckers, railroads and ocean carriers – transporting sealed containers, just like the postal service transports sealed letters and packages. The challenge we now face is how to ensure the continuation of this system’s benefits and efficiencies that knit the world’s economies together, while at the same time instituting new initiatives and rules that can enhance security.

The international liner shipping industry has taken this challenge seriously. On January 17 of this year, the World Shipping Council issued a White Paper¹ that made a series of recommendation on how this issue of security should be addressed. It was and is, not a solution to every possible concern, but a good-faith effort to propose meaningful improvements to the supply chain.

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 nations’ ability to continue their 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 as world trade volumes grow.

For that reason, what is at issue is not just maritime security, or even the global, intermodal transportation system, but the flow of international trade and the world’s economic health. The stakes are high. Consequently, the United States is focused on implementing security measures that start as early in the transportation supply chain as possible.

My remarks today will address different aspects of this security challenge, namely: ships, people, marine terminals, and container security. Before discussing these specifics, however, it is appropriate to begin by discussing what is one of the more difficult and still evolving aspects of this issue – that is, the efforts of the U.S. government to organize effectively and efficiently.

¹ The paper, entitled “Improving Security for International Liner Shipping” , can be found on the Council’s website at www.worldshipping.org.

II. The Government Organization Challenge

Designing and implementing an effective maritime security program will require cooperation, information sharing, and coordination between government and industry, and because this is an international business, it will also require international cooperation between governments.

First, there must be a unified, coordinated U.S. government strategy to address the issues involved, not only in detecting and preventing terrorist attacks on the international cargo transportation system, but also in adequate contingency planning for the management of the consequences should a significant attack occur. This is logical but difficult. A clear, unified strategy is in the development process, but it does not yet exist. The Department of Transportation oversees transportation, and the Congress has created the new Transportation Security Administration (TSA) within DOT with very broad authority for transportation security in all modes, including maritime. Also within DOT is the Coast Guard with broad authority to address large segments of the maritime security issues involved, but not all. The Customs Service oversees trade, and has taken the commendable initiative to undertake two programs to address the risk of terrorism, namely Customs' Trade Partnership Against Terrorism (C-TPAT) and the Container Security Initiative (CSI). C-TPAT is a voluntary program between Customs and industry to develop a more secure supply chain. CSI is a program pursuant to which Customs hopes to establish agreements with other nations' Customs organizations for the purpose of information collection, pre-screening, and cargo inspection.

Improving the security of intermodal, containerized cargo shipments requires a tightly integrated, common approach and clear responsibilities. It also requires government agencies to effectively share the information that they require.

Let me provide some examples. First, consider personnel security aboard vessels. Ocean carriers must file their crew manifests with three different federal agencies (the Coast Guard, the INS and the Customs Service) in different format at different times. The House maritime security legislation would add a fourth agency, TSA, to that list. Instead of having one agency responsible for checking crew members, or even having one system that all agencies can share, each agency has its own system and procedures. The agencies are now working on plans to automate these systems for electronic advance filing of the information. But, each agency – motivated by recently enacted or envisaged legislation -- is planning on having its own system, rather than a single system that all agencies could share.

Let me provide another, more significant, example. The U.S. Customs Service appears to have the "lead" on container security issues, as both the C-TPAT and the CSI initiatives would indicate. Customs is awaiting enactment of the pending maritime security legislation by Congress so that it can issue regulations changing the requirements applicable to cargo documentation for imports and exports so that it can conduct cargo security screening earlier in the transportation process. But Congress has not clearly agreed what Customs' role will be, as the House version of the legislation provides that,

while Customs may collect cargo manifests from carriers to use for security screening purposes, TSA shall “develop and maintain an antiterrorism cargo identification, tracking, and screening system for containerized cargo shipped to or from the United States”. Assume for the moment that Customs “wins” this issue and is designated as the agency responsible for cargo documentation requirements and container security screening and inspections, there are still fundamental governance issues that must be resolved. First, which agency is responsible for the analysis and risk assessment of the acquired information, and, if that agency is not Customs, can it analyze and act on the information and communicate to Customs in time to identify cargo that requires further attention before loading? Second, if Customs is responsible for screening and inspecting cargo and detecting security threats, but the Department of Transportation is responsible for managing how and whether ports and vessels and trade would operate if there were a terrorist incident, there is a risk of an uncoordinated or inconsistent view of what needs to be done, when coordination and consistency will be most needed.

It is absolutely essential that the enhanced security, screening and prevention programs be in precise and close alignment with the incident planning, management and response programs. If they are not, many billions of dollars worth of trade and millions of jobs in America and around the world could be adversely affected. The agency responsible for answering to the President for if and how the United States keeps international trade flowing in the event of a terrorist event, must have complete understanding and confidence in the programs being put in place to address these risks on a preventive basis.

Our industry has repeatedly pointed out the need for the government to create a single, unified approach to this issue. I raise it today not in criticism of the government, because the issue is indeed difficult, and not in criticism of the agencies or their people, because they are good people trying hard to address a difficult issue, often with ambiguous or overlapping mandates from Congress. I raise it only because it is so fundamentally important to our ability to address the issue effectively and to be as prepared as we know we must be for what we fear but cannot predict.

III. The Status of Pending Maritime Security Legislation

As you probably know, the United States Senate passed maritime security legislation (S.1214) last December. That legislation began as an outgrowth of a study decrying the general lack of adequate security at America’s seaports, focusing on crime, cargo theft, and operating conditions, more than terrorism. The September attacks gave the bill a new focus and an added impetus.

The House passed its version of the maritime security bill (H.R. 3983) last Tuesday. A conference committee will be formed between the House and the Senate that will produce a single bill that will go back to both Houses for approval. It is not clear whether that process will be concluded by the August Congressional recess, but it will certainly begin soon.

The reason that this legislation is so important is that the responsible agencies have not yet issued maritime transportation security regulations for carriers and shippers, waiting for their authority to be provided or clearly defined, and wanting to be sure that it is their job to proceed with the specific task. The other reason legislation is important is that, while voluntary programs designed to provide enhanced security levels and to expedite the transportation of low risk cargo are important and should be pursued, effective security against terrorist threats also requires clear requirements, with clear accountabilities, which are uniformly applied and enforced. That requires Congress to pass legislation to clarify and, where appropriate, expand the agencies' existing authorities.

Rather than discussing all the issues in the voluminous texts of these bills, my remarks will address major points of the legislation in a discussion of the various issues.

IV. Ships

While none of these issues is simple or easy, the good news in the areas of ship security is that it is clear which U.S. government agency is responsible for the issue – the U.S. Coast Guard—and that it has a clear agenda and broad existing authority to implement it. I would also note that it is not a coincidence that, where authority is clear and centralized, there is a coherent and logical plan of action.

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. “Notices of arrival”² are now required 96 hours in advance of arrival in a U.S. port, except for voyages of shorter duration, in which case notices of arrival must be submitted upon departure from the foreign port, but in no case later than 24 hours before arrival. Through its sea marshal program, implementing safety and security zones around vessels, and escorting certain types of vessels, the Coast Guard has also taken steps to prevent vessels from becoming terrorist targets or from being used by terrorists as weapons.

Earlier this year, the Coast Guard submitted to the International Maritime Organization (IMO) additional proposals pertaining to vessel security. Significant progress has been made during the first intersessional working group meeting last February and the very recent meeting of the Maritime Safety Committee in advancing these, and other, vessel-related proposals. The objective is final approval at the IMO's

² These notices must include electronic transmission of the crew manifest and a general description of the vessel cargo; name of ports in the U.S. and estimated date and time of arrival at each U.S. port; date of departure and name of the foreign port from which the vessel last departed; location of the vessel at the time of the report, and the name and telephone number of a 24 hour point of contact for each U.S. port. In addition, vessel-related information (e.g., name of vessel, registry, names of the registered owner and operator) is also required to be included. Liner vessels typically transmit their Notices of Arrival by e-mail. The Coast Guard is, however, in the process of testing an electronic template that would allow for the transmission of the Notices over the Coast Guard's website.

Maritime Security Diplomatic Conference scheduled for mid-December. Time does not allow a review of the details of these proposals today. It is important to note, however, that there appears to be general agreement on the proposals:

- to require the designation of security officers on every vessel and in every company that owns or operates vessels;
- to create a three-level security framework under which flag administrations and port states will determine and set security levels for ships and port facilities, based on threat assessments;
- to maintain the development and approval, by the relevant flag and port jurisdictions, of vessel and port security plans that have the ability to respond to changes in threat levels;
- to require the installation of alarms on a vessel to notify authorities and other ships of a terrorist hijacking;
- to expedite installation on all vessels of the Automatic Identification Systems (AIS). AIS provides, among other things, a ship's identity, position, course and speed.

The Coast Guard has undertaken these and other initiatives at the IMO in order to obtain international standards on these issues, rather unilateral U.S. regulation. This is commendable, but Members of Congress have sent the clear message that they are prepared to support unilateral U.S. action on some of these issues.

For example, on AIS, the House Transportation and Infrastructure Committee has reported legislation that would require AIS transponders on any vessel entering a U.S. port that has a Vessel Traffic System, is built after December 31, 2002, or enters after December 31, 2004. There is also a bill in the Senate (S.2329) that would require a December 31, 2004 deadline for AIS transponders. So long as the manufacturers can provide reasonable assurances that the equipment will be available to install on all ships in time to meet the deadline, and it is understood that these dates apply to short range (roughly 30 miles) transponders with IMO to review long range transponders for subsequent consideration, the World Shipping Council believes that the accelerated installation of such equipment should be supported, and will be required. However, the U.S. government must also make sure that it has the shore based receiving equipment operational by that time if such requirement is going to be effective from a security perspective.

V. Personnel

The issue of credentialing and checking transport workers has been receiving considerable attention in Washington, but how it will be done is not yet clear. The industry has expressed its support for legislative and Department of Transportation efforts to establish a national credentialing program, with uniform, minimum federal standards, with a federal background check process using criminal history and national security data, and with "smart card" technology for the credentialing of appropriate

transportation workers. The credentialing system adopted should cover people with access to restricted marine terminal areas and to vessels, the truckers hauling the containers, 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.

As yet, there is no federal program to accomplish this. It is indeed a daunting task, as the Department of Transportation has indicated a desire to create a program that would cover transport workers of all modes, not just maritime workers. This is a multi-million person pool of American workers.

It is generally understood that such a U.S. credentialing system would not have the capability to cover transport workers in non-U.S. jurisdictions or on non-U.S. flag vessels. Accordingly, the Council expressed its support for the Coast Guard's original proposal 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 effort to establish an internationally accepted system that would provide enhanced security and ensure the desired freedom of movement for seafarers.

For various reasons, the background check component of the original U.S. proposal did not gain substantial support at the IMO. Regarding the credentialing component, the IMO has requested the International Labor Organization to address this issue, and the ILO is preparing a new instrument for improved seafarer identification for its 91st session in June 2003.

Regarding port worker credentialing, as mentioned earlier, the DOT is moving ahead with plans for U.S. port workers. On the international front, the IMO seems likely to propose to the ILO a joint working group on port security requirements and the possible development of a port worker identification document.

For now, at least, there is no international resolution of either seafarer or port worker credentialing. For seafarers, that could have the effect of causing the U.S. government, through the Immigration and Naturalization Service (INS), to become more restrictive in how it handles seafarers aboard vessels entering U.S. ports – even if the seafarer stays aboard and does not seek to enter the U.S.. While enhanced security is important, so is appropriate and predictable treatment of seafarers. There is no consistent national INS standard for this issue, as each INS port director has wide discretion to address such issues as he or she sees fit. This can create uncertainty and inconsistent treatment of the same crew, on the same ship, at different U.S. ports. Reports that Islamic militants have entered the U.S. via unspecified cargo ships have not helped the situation. The INS and the State Department are currently reviewing their policies on crew and individual seafarer visas, how they are obtained and how their holders will be treated. However this is resolved, it is important that vessel operators and their crews have a clear, fair and predictable set of rules.

As I mentioned earlier, the issue of crew visas provides a good example of the need for the government to better coordinate its actions. Today, a vessel entering a U.S. port provides crew manifest information to three different U.S. government agencies at different times. First, it is sent electronically to the Coast Guard 96 hours in advance of arrival. The other agencies, however, do not get this information from the Coast Guard because of information systems issues. The vessel must provide the crew manifest in paper format to the Customs Service upon arrival. In addition, the vessel must provide the manifest to the INS in paper form upon arrival. Furthermore, regional offices of the agency may handle these issues with different local requirements. And, even though the vessel operator provided the Coast Guard the same information 96 hours before arrival, an INS agent will not allow the vessel to begin cargo handling operations until an INS agent has visited the ship and checked out what it could have checked out days earlier if had access to the Coast Guard's information system.

We are engaged in the government agencies' review of their visa policies in regard to seafarers. We are also exploring possible ways to improve the handling of such crew information and to support a coordinated multi-agency strategy on these issues.

VI. Marine Terminals and Ports

The security of ports and marine terminals in the United States 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 the liner industry has supported.

The Coast Guard, using existing statutory and regulatory authority and working with terminal owners and operators, has already implemented numerous measures, usually on a port specific basis, to increase security in and around waterfront facilities. It is also undertaking U.S. port vulnerability assessments, which it will use in designing further appropriate security measures. It is also developing a "Model Port" security concept.

The U.S. Coast Guard included in its submission to the IMO early this year 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. Similarly, the Coast Guard also proposed that the 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, and believe that it is essential that international port security standards be developed and implemented. Significant progress has been made in this area at the IMO. The Maritime Security Diplomatic Conference in December is expected to agree to amend SOLAS to require governments with port facilities to ensure both that port facility assessments are

carried out, and that port security plans are developed in accordance with the mandatory requirements in the proposed Code (International Code for the Security of Ships and Port Facilities).

There is little question that marine terminal and port productivity could be dramatically affected by the development of new security measures. Various bills in the U.S. Congress have proposed that: all containers be inspected in port and aboard the vessel before they can be unloaded (H.R. 2960), that 10 % of all containers arriving in U.S. ports be physically inspected at the port of discharge (S. 2426), that the U.S. Secretary of Transportation shall assess the effectiveness of foreign ports' security and if such port is not found to meet the Secretary's view of effective antiterrorism measures, impose conditions on vessels carrying cargo to the U.S. from such ports (H.R. 3983). The legislation passed by the Senate contains an analogous provision.

The role of the Customs Service in terminal operations must also be considered. In U.S. ports, Customs is responsible for screening and inspecting containers, which can have significant operational ramifications. Marine terminal and port operations are generally considered, however, to be within the jurisdiction of the Coast Guard. There has been some indication that the Customs Service, as part of the C-TPAT program, may try to establish terminal operator security criteria and agreements with such operators; however, such an idea appears to conflict with the Coast Guard's regulatory responsibilities. This is another example of the need for a clear, unified government approach to these issues.

One of the most important pieces of the U.S. government's maritime cargo security initiative, however, does involve the Customs Service. It is Customs Commissioner Bonner's Container Security Initiative (CSI). The CSI initiative is necessary to fill part of the void created by a lack of international standards or agreement on container or marine terminal security. The Customs Service is seeking to enter into agreements with foreign governments and port authorities:

- establishing security criteria for identifying high-risk containers
- developing and implementing a pre-screening process to target containers before they are loaded aboard a vessel, and
- developing and deploying technology to screen and inspect identified containers prior to loading.

Customs has entered into such agreements with Canadian and Mexican Customs authorities. Just last week, Singapore entered into such an agreement with the U.S. Customs Service. Such arrangements provide a level of security capability and communication not otherwise easily achieved. The competencies and protocols that can emerge from CSI are essential to screen cargo before it is loaded aboard a vessel. This is especially important because the development of truly secure intermodal supply chains will take time to develop. Another important aspect of such CSI agreements is that they are essential to manage the continuation of trade if the industry is ever beset by a terrorist attack. Without such agreements and without the technology in place to inspect

containers in ports of origin, what system would provide sufficient security confidence to keep international trade flowing? It would be difficult to over-emphasize the importance of this initiative and its urgency. Similarly, it must be recognized that CSI must not, nor is it intended to, focus on just the largest ports around the world, otherwise terrorists would simply know that there is less risk of detection by using ports which are not among the largest.

VII. Container Security

International 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.

The CSI initiative I just discussed deals with the last point. But where is the U.S. government on the rest of the equation?

First, the agencies are awaiting passage of the pending legislation in order to have clear authority to issue new regulations on many of these issues. Since the rules for maritime cargo security are not significantly different today than they were on September 10, one should expect a number of changes soon after this legislation passes.

There is still no requirement that a container be sealed today. Seals are used, but generally by carriers and shippers as a way to deter cargo theft or to help determine liability for cargo damage. The U.S. government is considering a requirement that any export container be sealed immediately upon stuffing, and that no carrier (truck, rail or ocean) accept a container without a conforming, intact seal. The logic is obvious – a seal provides security only if applied by the person who stuffs the container immediately after stuffing (and obviously only if procedures are in place to ensure that no terrorist can succeed in getting its “cargo” put into the container in the first place).

The U.S. government has the ability to apply such a requirement for cargo moved within the United States. It obviously cannot require that a container be sealed in a foreign jurisdiction. But it does have leverage over parts of the system that can help it achieve its desired result. The U.S. government has the ability to require that before a container can be loaded aboard a vessel bound for the U.S. it must meet certain criteria. It also has commercial leverage over the clearance of cargo if it doesn't meet certain criteria, which creates an incentive to develop more secure supply chains.

That is where the C-TPAT program comes into play. C-TPAT is a voluntary program for U.S. importers. The theory is that if they undertake certain actions to improve the security of their supply chain, they will get preferential treatment of their cargo by Customs. C-TPAT importers will also be required to use ocean carriers that have C-TPAT agreements with Customs, to use C-TPAT brokers, C-TPAT NVOCCs etc, etc. While there are limits to how far C-TPAT can go as a voluntary program without binding requirements, it is a good first step. The World Shipping Council has been engaged in detailed discussions with the Customs Service about the program, and while there is no ocean carrier component of the program yet in place, we are hopeful of accomplishing that with Commissioner Bonner in the very near future.

C-TPAT is a voluntary program between the government and industry. One can expect that as soon as the pending legislation is enacted, new mandatory regulations also will be proposed. Ocean carriers are obviously a place where the U.S. government can establish requirements affecting cargo security because it can reach them, even if it can't reach other persons or activities involving the container within another country. Specifically, the issue will be what requirements will have to be met before a carrier will be allowed to load a container destined for or transiting through a U.S. port?

First, it is likely that the government will consider requiring that a container carrying cargo have an intact conforming seal meeting certain specifications before it can be loaded aboard ship. Initially, the seal standard is likely to be a hardened bolt seal that has a specific identification number (efforts to test and develop international standards for electronic seals are in the process of development but will take time). That seal number should be recorded by the shipper – who should be responsible for affixing the seal promptly upon the conclusion of the container stuffing process --on all shipping documents and checked at each change of control. These regulations are likely to provide that if the seal is not intact and conforming when the ocean carrier receives it, it doesn't get loaded. A difficult issue here is to determine what happens to those containers that will show up without intact, conforming seals. That, again, is where CSI comes in, because without an agreement between U.S. and foreign customs agencies on how such cargo is to be handled, terminals will become congested and trade will become less efficient and reliable.

Second, it is highly likely that the U.S. government will require information about cargo shipments before vessel loading, so that they can be prescreened. The House and Senate versions of the pending legislation authorize the Customs Service to determine how far in advance cargo manifests must be filed. Customs is considering the establishment of a requirement that manifests be filed 24 hours before vessel loading. That leaves the question of what information will be required of whom? At least in the initial stages, it would seem probable that, due to the ease of using existing systems, the requirement will be on the ocean carrier to provide cargo manifest data at that earlier time. That data will then be entered into the Customs Service's Automated Manifest System (AMS). Most ocean carriers already use that system, but providing the data 24 hours before vessel loading, in contrast to the present requirement of 48 hours before vessel arrival, will be a significant change that will affect all parties. It is also highly

likely that NVOCCs will face a similar requirement to file manifests in the same time period and the same way ocean carriers do. This is not only logical and fair, but necessary to address the current security problem that NVOCCs are not required to file cargo manifests, and therefore the U.S. government has no advance information about the identity of the shipper or consignee of 30 to 40 percent of the liner cargo coming into the United States. If one of the points of advance manifests is to learn the identity of the cargo shipper and the consignee for security screening purposes, it is essential that NVOCCs also file advance manifests. Customs has been hard at work on the AMS system and has reportedly prepared it to accept this new task.

One of the most significant challenges for the U.S. government in this regard will be to analyze the shipment information sufficiently quickly that it can inform the ocean carrier which containers require inspection or further review in that 24 hour window before loading. Interagency coordination and systems will be critically important. Just as important is having CSI agreements in place that will facilitate such review and inspection.

Obviously there are many interlinking pieces of this puzzle. In the event one might think that the way to avoid any of these difficulties is for a country not to have a CSI agreement with the U.S. Customs Service and thereby not have any way to check cargo before loading, I would caution that such an approach would carry risks. One risk is that cargo transiting through such ports may be subjected to delays in the U.S. A more serious risk is that, if there is a terrorist use of a container, it is not inconceivable that the U.S. government might allow trade to flow to it only through ports that have such CSI agreements and protocols in place.

The bottom line is that we -- meaning shippers, carriers, ports, terminal operators, and governments -- we are all in this together. Cooperative initiatives will be necessary to retain the benefits that all trading nations receive from the current efficiencies, low costs, and predictable service that liner shipping provides the world's economy.

Looking beyond the near term changes that are discussed above, it is clear that the U.S. government will be reviewing new technologies for what might lead to a "smart" container -- one that can actually detect entry. This is an inevitable initiative because seals are, at best, only an indicator of security. The challenges here are several. The first is internal to the government -- clearly assigning organizational responsibility for developing and managing the process of reviewing all available technologies, setting criteria and standards for testing, judging the test results, and developing standards and requirements. The second challenge will be finding the right technologies to address what is needed for security at a reasonable cost. The third challenge will be making sure the standards and requirements are internationally accepted. Differing standards could impede international commerce and cause confusion.

The U.S. government proposal earlier this year to the IMO called for a review of issues relating to containers, including standards for seals, requirements to affix seals and record seal information in shipping documents, procedures for handling containers with

non-confirming seals, and other related issues. The IMO has deferred on these issues to the World Customs Organization, which will meet later this month. These issues are difficult on their merits, and the WCO faces a major challenge. As outcomes of international efforts are not likely to produce immediate answers, U.S. initiatives should be expected, ranging from the CSI and C-TPAT programs to new regulations that will be proposed after the pending legislation becomes law on issues such as seal standards and loading requirements.

The government is still at the early stages of developing procedures and rules to deal with the issue of maritime cargo security. And lest we make the mistake of thinking that all cargo security issues involve containers, the government obviously must address all kinds of cargo, as terrorism could be transported via a break-bulk shipment, a tank barge, or a bulk vessel just as easily as a container.

VIII. Moving Forward

I would like to close my remarks by discussing the reasons to be encouraged, if not by the present state of success, by the efforts and positive direction things are moving.

First, we must always appreciate that a lot of people are trying hard to address this issue intelligently, and appreciate that the United States government has the resolve, not only to track down the terrorist threat that is the source of these problems and attack it where possible, but to organize itself to establish enhanced security against these threats. It is also important to recognize that, while the U.S. government will not hesitate to implement unilateral measures to protect itself if it thinks it needs to, both the Coast Guard at the Customs Service are trying to use international agreements wherever possible—whether at the IMO or through the CSI initiative – to address this problem.

It may be instructive to know the words of Admiral Thomas H. Collins on May 30 when he assumed command as the new Commandant of the U.S. Coast Guard. He stated that when the terrorists attacked the United States on its own soil: “That changed everything.” The terrorist atrocity of September 11 and the remaining threat mean that everything about the U.S. approach to security is different. It is not irresponsible or hasty, but it is clearly different. One of the differences is that passivity is not acceptable.

No greater evidence of this resolve can be found than President Bush’s proposal on Thursday to reorganize the government and create a Department of Homeland Security. In many respects, maritime trade is a “poster child” for this initiative. In fact, the maritime transportation industry was the first example used in the President’s explanation of the new Department.³ The fact that there are numerous federal agencies, each with a portion of responsibility-- often overlapping other agencies’, has not only caused confusion in the industry and within government, but it has delayed the development and implementation of strategies and actions to address the issues. The President’s bold, yet logical, initiative would mean that one Department would be responsible for crew

³ “The Department of Homeland Security” – President George W. Bush (June 2002)

manifests – not three,⁴ that one Department would be responsible for cargo security not three, and that one Department would be responsible for keeping international commerce flowing in the event of a terrorist attack on this critical transportation system. A week ago, the President was being criticized by some in Congress for not creating such a Department with clear substantive and budgetary authority. There will certainly be criticism of this plan, which will require Congressional approval. If approved, the formation of such a department could require adjustments in Congressional committees' jurisdiction – always a difficult task. However, the task of protecting commerce from a terrorist attack is exceptionally difficult by its very nature. It is not made easier if government agencies' roles are confused and not tightly coordinated. The President's proposal would go a long way toward addressing this challenge with clarity and with a coordinated vision. The President has taken the initiative. Now, it will be intensely interesting to see how Congress responds.

Second, there is good news that the IMO was not only one of the first places the U.S. government went to address parts of this issue, but that the IMO is responding to the challenge. This is important both to the U.S. effort to address the problems, and to the ability to address the problems with internationally accepted approaches rather than unilateral responses.

Third, there is good news in the appointment of Admiral James Loy, the outgoing Coast Guard Commandant, to the Deputy Undersecretary position at the Transportation Security Administration. Admiral Loy oversaw the Coast Guard for four years, and managed its response to September 11 in an exceptionally professional manner, always in command, but always interested in understanding the views of the industry and the international community. Whatever the final resolution is regarding the government's organizational structure, the U.S. government and the maritime transportation industry is well served by the continuity of Admiral Loy's public service.

Fourth, there is good news in the fact that Congress will pass maritime security legislation soon, and this will provide clearer direction on a number of fronts.

Finally, there is, I believe, a growing recognition within the U.S. government, and hopefully within the governments of countries that trade with the United States, of the enormous importance and potential of the Customs Service's Container Security Initiative. The initiative is logical, it is necessary, and it is another solid indication that the United States is trying to address the problems involved in securing international trade against the threat of terrorism with international solutions. CSI provides the opportunity to establish agreements that will help preserve the efficient flow of trade, will reduce the chance that terrorists could use maritime trade as a tool of their objectives, and will help the world's economies keep trade flowing in the event terrorists do strike. It is an opportunity that should receive positive, priority attention.

⁴ Department of the Treasury (Customs Service), Department of Justice (INS), Department of Transportation (Coast Guard and TSA).

We can't always choose the circumstances in which we find ourselves, but we can choose how we respond to those circumstances. Governments are now engaged in an exceptionally difficult endeavor, namely to institute safeguards against the risk of terrorism while protecting the benefits of a free society and free trade. It is essential that governments succeed. It is incumbent on all the participants in this international transportation process to help governments succeed. The World Shipping Council is committed to helping the U.S. government succeed in these efforts, and even though we may inject some constructive criticism into our comments now and then, we commend those in industry and in public service who are doing their best to address this new and complex set of challenges.