Movement of Cargo and People Security – Risk Management – Facilitation

Submitted by: ABAC of Canada
Movement of Cargo and People
Security – Risk Management – Facilitation

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STAR IV

Outline
1. Industry impact study
2. Recommendations to leaders at Busan
3. APEC business travel card – the argument

Industry Impact Study
Security Initiatives after 9/11
What is the Threat?

Industry Impact Study
Description of ABAC Project
• Results based on 10 interviews
  • 3 Sea Carriers (Average Revenue of $9.6 billion)
  • 3 Customs Services/Port Authority (3 of Top-10 container ports in the world)
  • 4 Manufacturers (Revenue in 2004 $133 billion)

Industry Impact Study
Imputing Global Costs
• Example: Comparison of two Carriers

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Fixed Costs: Infrastructure</th>
<th>Volumes in 2004 (TEUs)</th>
<th>Fixed Cost (S/TEU)</th>
<th>Global Volume in 2004</th>
<th>Estimated Global Costs (Range)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrier A</td>
<td>$925,000</td>
<td>1 Million</td>
<td>$0.925</td>
<td>100 Million (TEU)</td>
<td>$92.5 million</td>
</tr>
<tr>
<td>Carrier B</td>
<td>$1,400,000</td>
<td>1 Million</td>
<td>$1.40</td>
<td></td>
<td>$140 Million</td>
</tr>
</tbody>
</table>

Industry Impact Study
Preliminary Cost Estimates
Costs of C-TPAT, CSI, ISPS on Supply Chain

$ millions

- Fixed Costs (Carriers, Customs, Ports)
- Sea Carriers
- US Customs
- Manufacturers

- 178
- 46
- 164
- 922
Industry Impact Study

Conclusions

- Overall Cost Estimates appear to be in-line with OECD figures
- Major Costs likely incurred by Manufacturers as a result of 24-hour AMR. This increases Inventory Lead-time Costs and overflow costs at Ports
- With variable costs at about $1.1 billion/year, $4 per TEU (volume basis), C-TPAT/CSI/ISPS is not considered a significant transaction cost on trade
- Major Benefits such as reduced border wait times, pilferage, insurance costs, safety stock costs, BoL Surcharges not realised thus far

Recommendations to Leaders

- APEC governments should encourage and promote adoption of C-TPAT and other risk management programs to business communities
- Capacity building programs for building developing economies to help implement new security measures
- AIS/CSI should be required while carriers are enroute, rather than in advance of loading

APEC Business Travel Card

Current Status

- 17 participating economies
- 9,000 card holders
- Non-participating members (US, Canada, Mexico, and Russia)

APEC Business Travel Card

Challenges

- Security – a major concern
- US, Canada, and Mexico – common borders
- Security features of the ABTC

APEC Business Travel Card

Two-tiered Proposal

- First tier ABTC holder, non-visa-waiver equivalent
  - Purpose is to facilitate frequent business travelers by accessing the APEC channels
  - Non-participating members may benefit from this scheme
- Second tier ABTC holder, member economies only, visa-waiver equivalent

APEC Business Travel Card

Risk Management

- The Nexus experience in North America:
  - Purpose is to facilitate genuine travelers so that control officers can spend more time on “high risk” targets
  - Stringent background checks
  - Enhanced security card features
  - Minimal processing time as a result
• ABTC should adopt similar security features and operating systems to achieve:
  – Risk management benefits for Customs and Immigration Authorities
  – Facilitation for genuine business travellers

Thank You

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