



Asia-Pacific  
Economic Cooperation

---

**2006/SOM1/STAR/004**  
1<sup>st</sup> Joint Plenary Session

**Movement of Cargo and People  
Security – Risk Management – Facilitation**

Submitted by: ABAC of Canada



**STAR IV**  
**Ha Noi, Viet Nam**  
**24-25 February 2006**

## Movement of Cargo and People Security – Risk Management – Facilitation

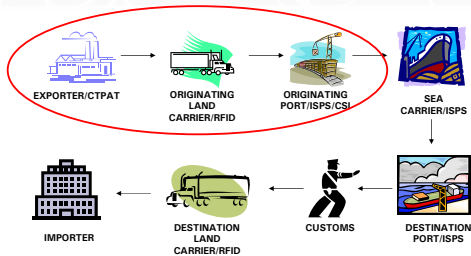
Gordon Chu, ABAC Member, Canada  
ABAC 2006 Ha Noi, Vietnam  
STAR IV

## 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*

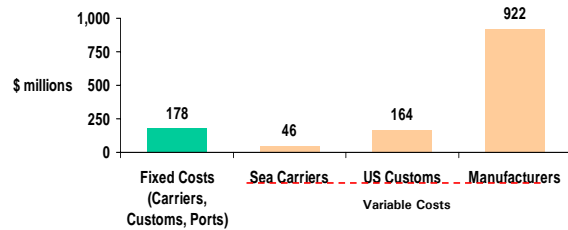
- Example: Comparison of two Carriers

	Carrier A	Carrier B
Fixed Costs: Infrastructure.....	\$925,000	\$1,400,000
Volumes in 2004 (TEUs).....	1 Million	1 Million
Fixed Cost (\$/TEU).....	\$0.925	\$1.40
Global Volume in 2004.....	100 Million (TEU)	
Estimated Global Costs (Range)	\$ 92.5 million	\$140 Million

## Industry Impact Study

*Preliminary Cost Estimates*

Costs of C-TPAT, CSI, ISPS on Supply Chain



## 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



## APEC Business Travel Card

### *Risk Management*

- 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**

---

**Gordon Chu, ABAC Member, Canada**

ABAC 2006 Ha Noi, Vietnam

STAR IV