



Movement of Cargo and People Security – Risk Management – Facilitation

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ABAC 2006 Ha Noi, Vietnam

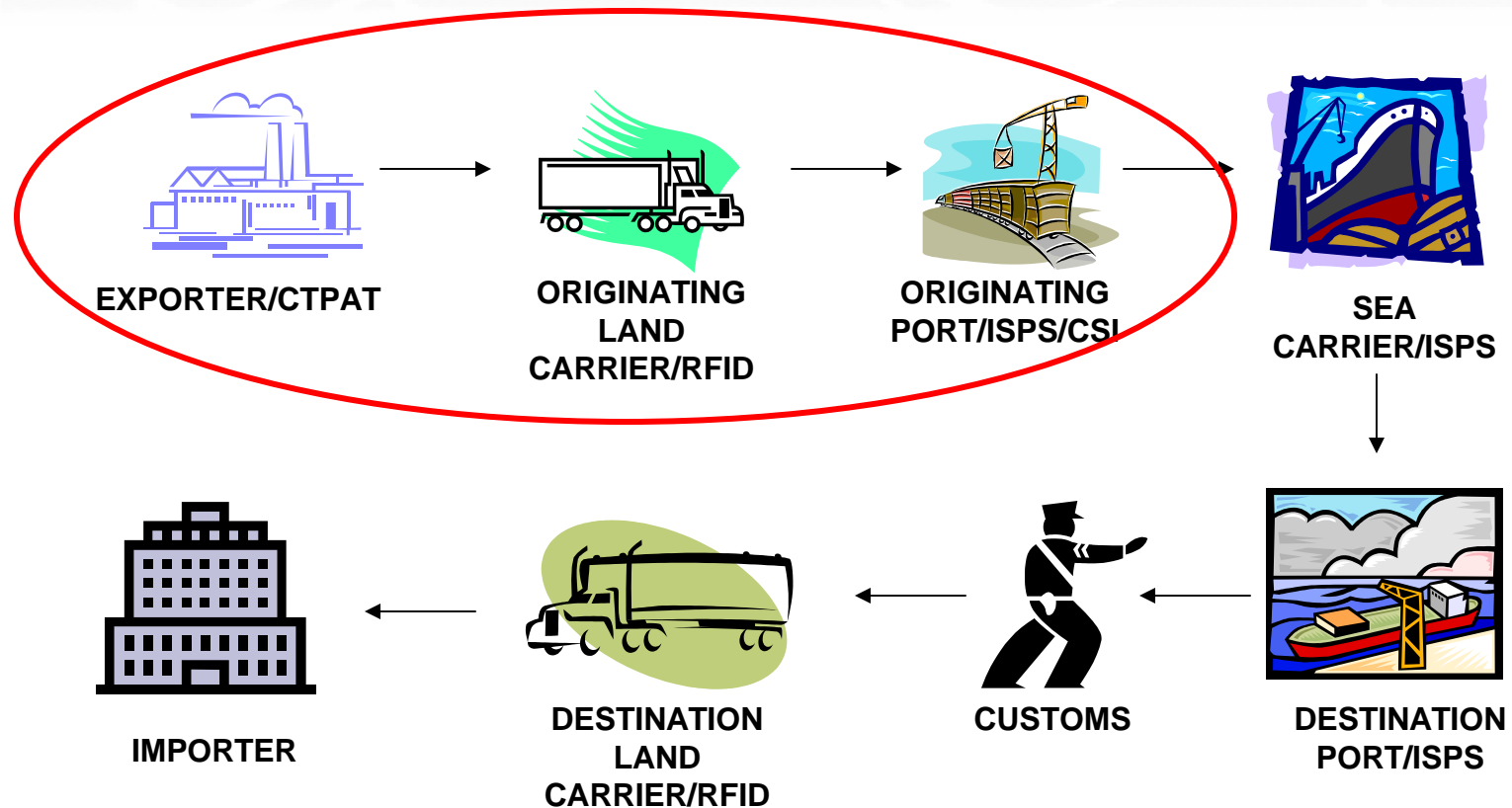
STAR IV

- 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

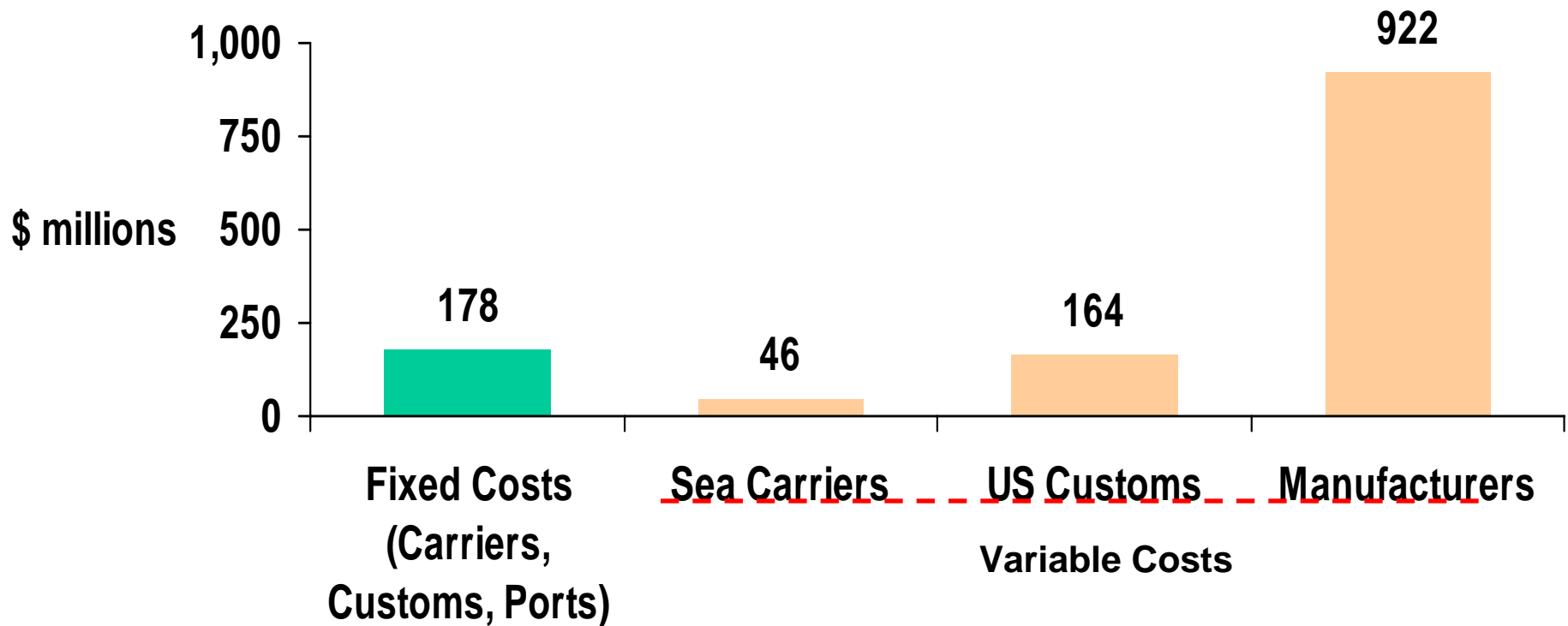
- **Example: Comparison of two Carriers**

	<u>Carrier A</u>	<u>Carrier B</u>
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

THE FOURTH APEC STAR CONFERENCE
24-25 February 2006
Ha Noi, Vietnam

**TOTAL SUPPLY CHAIN SECURITY : CREATING AWARENESS
AND SHARING BEST PRACTICES**

1 Good morning distinguished guests, ladies and gentlemen. It is indeed a pleasure for me to be here today to share with you some thoughts on the issue of total supply chain security, and the importance of creating awareness and sharing best practices on this field within the APEC region.

2 APEC's 21 member economies account for more than one third of the world's population, over 50% of the world's GDP, and more than 40% of world trade. The Asia-Pacific Region is also the most economically dynamic region in the world, having generated 70% of global economic growth since APEC was formed in 1989.

3 One of the core missions of APEC is to facilitate trade in order to support continued economic growth in this region. With greater trade and development there will also be more opportunities for growth in investments. APEC also works to create an environment for the safe and efficient movement of goods, services and people across borders in the region.

4 Over the years, the global economy has undergone significant transformation as liberalization has unleashed productive capacity

and market potential. The ways and means of production, assembly, transport and distribution of goods worldwide have changed and become far more sophisticated. Today, components for many products and goods are manufactured in some countries, assembled in others, distributed in yet other countries and marketed all over the world.

5 In short, the supply chain for many goods and products has become globalised. This has contributed to the growth of trade and economic development, to the benefit of all APEC economies.

6 However, the global security environment has also changed. The horrific terrorist attacks of 911, Madrid, London, and attacks on other economic nodes in various parts of the world, are clear signs that all economies are equally vulnerable and that global trade can be disrupted by acts of terrorism.

7 APEC economies can ill afford to suffer severe disruption to trade. Therefore, there is a need to work together to enhance the security of trade and protect economic development within APEC. We need to move from just working towards developing the global economy, to work towards developing and establishing a “secure global economy”.

8 Many countries have taken active steps to enhance key aspects of their security against the threat from terrorism, such as in the area of aviation and maritime security. This is indeed

commendable. But this may not be enough to adequately secure trade against the threat from international terrorism as the global supply chain is arguably an attractive target that, if successfully attacked, can seriously affect business activities and confidence.

9 As such, it is critical that all economies take the security of the global supply chain seriously. Such an effort will require the close co-operation of all stakeholders, both public and private.

10 APEC has recognized the need and importance of securing the global supply chain. Within APEC, some efforts have been taken to look at these issues. But more can and must be done, and this has been endorsed by the APEC Foreign and Economic Ministers and the APEC Leaders in Busan, Korea, in 2005.

11 Singapore strongly supports this effort and is pleased to contribute this year by focusing on the area of creating awareness and sharing of best practices in supply chain security.

Why is creating awareness important?

12 Securing the global supply chain requires the close co-operation of APEC economies to ensure its success. But for governments and businesses to make a good start, it is essential that they first have a good understanding of the benefits of supply chain security. This in turn will help all stakeholders to develop a positive mindset and commitment towards such efforts.

Sharing of best practices

13 A number of initiatives have already been taken by some economies and businesses on supply chain security. These efforts are aimed at protecting one or more nodes of the supply chain for goods entering their ports or for goods moving within their economy. New initiatives are also being pursued by some governments, international organizations and businesses. All these efforts are commendable. But, given the complexity and inter-linkages within the global supply chain, piecemeal implementation of different measures by different economies may result in limited effectiveness or costly duplication of measures. There is therefore much to be gained if the best practices for such measures can be shared freely among APEC economies so that they can also be adopted by other stakeholders involved in the supply chain. Through the sharing of these best practices, coordination among the different players in the global supply chain can also be improved, leading to even greater effectiveness.

APEC Total Supply Chain Security Symposium, 6-7 July 2006, Singapore

14 To facilitate the creation of greater awareness and sharing of best practices on total supply chain security, Singapore will be hosting an APEC Total Supply Chain Security Symposium from 6 to 7 July 2006.

15 This symposium is being organized as a follow up action to the APEC Leaders' endorsement of the importance of and need for APEC economies to work together on enhancing the security of the total supply chain. The symposium will bring together a mix of experts from governments and industry to share their knowledge and best practices on the various issues concerning the security of the total supply chain. It will also provide a platform for learning, as well as to provide the opportunity to initiate the process for APEC to explore possible collaboration and cooperation in enhancing the security of the global supply chain to ensure trade facilitation within APEC.

16 Broadly, this symposium will cover the following areas :

One. Threats and Vulnerabilities to the Global Supply Chain.

Experts will be invited to share their assessments of the current threats to and vulnerabilities of the global supply chain. Security threats are clearly a concern to the continued trade and development of the world economy. There are also implications for businesses and economies, including those in APEC.

Two. Supply Chain Security: The Benefits to Facilitating Trade and Business.

Experts will be invited to share on how total supply chain security can be a useful tool to facilitate trade. This can result in cost effectiveness and greater efficiency for governments and businesses.

Three. The Principles and Approaches Towards Supply Chain Security - Perspectives from Governments and Industry. Experts and practitioners from governments and industry will be invited to share on the efforts that have been undertaken to address the key issues on supply chain security. These would encompass principles and approaches adopted by regulators and businesses and the sharing of best practices.

Four. International Co-operation and Best Practices. Experts from relevant international organizations such as the World Customs Organisation and International Standards Organisation, will be invited to share on their efforts at developing frameworks and standards for supply chain security.

Five. Challenges for the Future. Experts will be invited to share on the new and emerging challenges to supply chain security. Awareness of such challenges will be helpful so that possible new solutions can be developed to help governments and businesses benefit from undertaking supply chain security efforts. Experts will also be invited to share on new technological developments being explored and the importance of changing mindsets, human factors, training, and public-private partnership in helping APEC to achieve success in securing the total supply chain, and in turn, securing trade and creating a secure global economy.

Conclusion

17 In conclusion, it is important for APEC economies to work together to enhance the security of the global supply chain. A secure global economy and smooth flow of trade is indeed desired by all. To achieve this, APEC economies can work together to raise awareness, share best practices and adopt a positive mindset towards gaining the benefits of a secure supply chain.

18 We look forward to welcoming you to the APEC Total Supply Chain Security Symposium in Singapore in July and to your full support and participation.

Thank you.

For session on Friday 24 Feb 2006, 11:00 – 11:15 hrs
Bernard Lim
Deputy Director
International Relations and Security
Ministry of Transport
Singapore

Ministerial Conference on International Transport Security

SUMMARY OF FINDINGS



The Fourth APEC STAR Conference on February 24, 2006

Shinji Nitta

Director, International Transport Policy Office

Policy Bureau, Ministry of Land, Infrastructure and Transport JAPAN

Ministerial Conference on International Transport Security

1. Date and Place

- Date: January 12-13, 2006
- Place: Tokyo
- Sponsor: Ministry of Land, Infrastructure and Transport, Japan
- Countries, Region and Organizations which attended:
Australia, Canada, China, France, Germany, Indonesia, Italy, Japan, Republic of Korea, Malaysia, Russian Federation, Singapore, United Kingdom, United States of America, EC, ICAO, IMO, WCO
- Attendee: Total of approximately 220 attendees



Ministerial Conference on International Transport Security

2. Agenda

- Main theme of the conference: “Enhancing transport security while realizing smooth and efficient transport”
- Individual sessions were held for each sector on Jan. 12th.
 - Maritime security
 - Aviation security
 - Land transport security
- Discussed generally the future policy directions of transport security on Jan. 13th
- Also discussed the issue of avian influenza which is of international concern, based on the US proposal

Ministerial Conference on International Transport Security

3. Findings

At the Conference, ministers responsible for transport security:

- Exchanged views and information for enhancing transport security and discussed issues that should be addressed in a coordinated, cooperative manner.
- Unanimously adopted Ministerial Declaration and Ministerial Statements on Maritime, Aviation and Land Transport Security.
- Additionally adopted Ministerial Statement on Transport and Influenza.

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Declaration

- Taking every practicable measure to prevent terrorist acts against transport systems
- Valuing very highly the significant efforts of international organizations such as International Maritime Organization (IMO), International Civil Aviation Organization (ICAO) and World Customs Organization (WCO)
- Giving high priority to addressing remaining vulnerabilities to terrorist acts

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Declaration (Continued)

- Paying special attention to capacity building assistance to those states that have not yet fully addressed the security threats to transport
- Affirming that security measures must be compatible with facilitating the legitimate flow of people and goods
- Encouraging all States to join us in taking steps to enhance transport security worldwide, recognizing the importance of more active and wide-ranging international and domestic cooperation

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Statement on Security in the International Maritime Transport Sector

- Enhancing security of the maritime transport of containers in the international supply chain
- Enhancing security of ships other than those covered by the Safety of Life at Sea (SOLAS) Convention XI-2 and the International Ship and Port Facility (ISPS) Code

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Statement on Security in the International Maritime Transport Sector (Continued)

- Enhancing security of the Straits of Malacca and Singapore
- Promoting international cooperation on security in port facilities and on Port State Control (PSC) through the relevant MOU to ensure continued compliance with SOLAS Convention XI-2 and ISPS

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Statement on Aviation Security

- Implementing and enforcing ICAO rules and encouraging their application to domestic operations, where appropriate
- Improving screening capability by sharing technologies and promoting international cooperation in research and development
- Working bilaterally and multilaterally to achieve a high level of security in screening procedures

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Statement on Aviation Security (Continued)

- Facilitating passenger travel in a manner that does not compromise security by various methods including biometrics
- Developing best practices for air cargo security
- Increasing capacity building efforts to ensure the integrity of aviation security worldwide
- Encouraging States to register with the ICAO Aviation Security Point of Contact

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Statement on Land Transport Security

- Sharing of best practices for land transport security
- Promoting international cooperation in research and in the development of technology capable of detecting and monitoring potential threats

Ministerial Conference on International Transport Security

4. Outline of Ministerial Declaration and Statements adopted at the Conference

Ministerial Statement on Land Transport Security

(Continued)

- Encouraging cooperation among government authorities, land transport operators, and all relevant stakeholders
- Encouraging consideration of the creation of an international working group to facilitate the sharing of best practices and enhance global cooperation in passenger rail and transit security, building on the results of the existing work at G8 and other international fora

Ministerial Conference on International Transport Security

5. Next Steps

- Japan will report and share the result of the Conference in various international fora such as IMO, ICAO, G8, APEC for their consideration and action, as necessary, based on Ministerial Declaration and Statements.
- As for maritime and aviation security, most of the directions and principles adopted at the Conference are expected to be considered at IMO and ICAO. Some of them are considered at G8 as well.

Ministerial Conference on International Transport Security

5. Next Steps (Continued)

- As for land transport security, a project to develop best practices for rail and metro security is underway at G8, and its progress is expected to be reported to St. Petersburg Summit this summer.
- Preparation work for the creation of an international working group for passenger rail & transit security is expected paralleling G8 work.

Ministerial Conference on International Transport Security

5. Next Steps (Continued)

- Japan, as a host economy, hopes that,
 - each APEC economy note the outcomes of the Conference, and
 - join us in taking steps to enhance transport security at APEC region.

Ministerial Conference on International Transport Security

6. More Information

- Visit our web-site for more information about the Conference:
http://www.mlit.go.jp/sogoseisaku/kokusai_e/minister_e.html



PERSPECTIVE OF ENHANCED PUBLIC – PRIVATE PARTNERSHIP IN THE IMPLEMENTATION OF SECURITY MEASURES

By Mr. Hoang Van Dung
Vice President
Vietnam Chamber of Commerce and Industry

Numerous terrorist acts in our world today unified us all in the fight against it, especially after September 11 event. Securities professionals from both government and private sector have been cooperating, exchanging information and sharing experience. However, an effective public private partnership does not exist yet. Many would agree that even some primitive forms of cooperation between government and private sectors have been established, they should be strengthened.

Vietnamese businesses are now actively participating in the process of regional and international integration. Given current changes in world business environment, sustainable business development requires, among other factors, more productive public private partnership in the field of security measures.

Rising demand and declining budgets are major drivers for the development of public-private partnership. PPP is widely considered in various areas: Environment, Public works management, E-government, Social services, Transportation, etc.

While security measures need to be perfected, they should not slow down the development of trade and investment. Many of the opinion that we need to emphasize voluntary public private partnership and market-driven solutions over regulation-heavy approach. It is businesses' general desire for a public-private partnership where information is shared both ways and there is a better understanding of the private sector on the part of the government. It is also desirable that the government understands the interrelationship among branches of the economy and industries. Government should also work out regulations and guidelines to make sure standards developed by different agencies are not conflicting with one another across industries and branches.

Development and implementation of new security measures, especially in the context of changing business environment and increasing threat of terrorist acts, is becoming more and more important. Many businesses, especially in so-called critical infrastructure industries, such as oil and gas or chemical sectors, took initiative into their own hand by conducting vulnerability assessments to identify potential terrorist targets.

Some businesses may go even further by not only improving their current security, but also by considering safer alternatives to their current methods of manufacturing, storing and distributing of hazardous materials. This idea of increased security measures can be expanded from up-stream down to ensure overall security level throughout whole supply chain. Businesses along supply chain may consider developing and implementing industry-specific security standards that can be applied to all stages in the chain, from raw materials supply, processing, manufacturing, to distribution and services.

On information exchange and interaction between public and private sectors we have to note that some progress has been made, particularly with regard to protecting the public infrastructure and in the design and construction industry. Both sides shall further improve in sharing joint resources, coordinating in planning and testing emergency response and risk mitigation programs, and exchanging more detailed threat information.

Businesses are urged to actively participate in the policy development process. Besides improved image of the corporation that cares for public security, and thus higher social responsibility, businesses can also benefit from increased securities without transferring the burden onto customers, given proper support from government. Overall, government regulations increased security awareness and education of employees by encouraging people to concentrate more willingly on security efforts and cooperate with security agencies, thus lessening internal resistance and reducing bills on security training and education.

For the enhancement of public-private partnership in security measures, there are issues to be focused on:

- Absence of standard and practices to bridge government and private sector players. Governments may have applied new standards for smart cards and biometrics, including new set of security standards for the aviation industry, port procedures and physical security standards addressing anti-terrorism and force protection. However, in other areas, security measures are not compatible with emerging standards.
- Government and private sector develop own security standards, but efforts are independent and sometimes are not compatible or coordinated.
- Private sector is willing to advance the security industry, however, there is little back-up by government. For example, terrorism threats may raise the bar of security on enhanced screening, improved operational awareness, re-training of staff. Given the example of government sector, where large sums may have been spent on increased level of security, customers may require similar level of security from private sector. Additional financial burden for increased security without governmental support might be impossible to bear for some private businesses. Also, some private firms, while significantly increasing security expenditure, do not realize desired operational improvements.
- Government financial aid is very much needed to help lessen financial burden, especially in low-margin industries or non-profit business, where part of the security-related cost can not be passed on to end-users. Government shall also play more active role in heavily-regulated areas, such as electricity supply and distribution, where in some economies price of electricity is fixed by government.
- Businesses sometimes have difficulties in drawing the line between normal cost of doing business and additional financial burden by security measures.
- In some industries, security standards exist partially only. E.g. standards may be developed and applied in architectural security, while absent in operational security, such as security guard services, security procedures, policies and operational plans.

- Though it is understood that the government can not reveal all of intelligence to a degree the businesses may want, private sector will be more willing to comply with security regulations if they get more information about nature of the threat to which government asks them to respond, e.g. if the threat comes from a credible source, possible timeframe, any other indications possible.
- So far, there has been little input from public sector into private sector's development and implementation of security technology, policy and procedures.

Developed economies shall share resources and expertise with developing ones for mutual benefit and growth. More unified and coordinated security standards throughout the economies shall benefit all businesses by reducing overall cost of compliance to security standards throughout the world. As the security industry continues to develop and evolve, there shall be better partnership between public and private sectors. Success of PPP in some developed economies shall be good example to others, and shall be duplicated for overall raising of standards elsewhere. When success is repeated, a true public-private partnership can truly be beneficial to all stakeholders.