

# **Situation of Supply Chain Security in the US and Prospects of Global Effects in Other Countries**

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# Content

- **Brief description and status of the various US initiatives :**
  - The 24-Hour Advance Vessel Manifest Rule
  - “10 plus 2” additional data elements
  - Container Security Initiative (CSI)
  - Megaports Initiative
  - Customs-Trade Partnership Against Terrorism (C-TPAT)
  - Secure Freight Initiative
  - 100% container scanning by 2012?
  - Container security devices (CSD)
  
- **Discussion of global effects and reactions by other countries**
- **Conclusions**
- **Q & A**

## 24-Hour Rule (1)

- Since late 2002 (enforced as from February 2003)
- Aim: risk analysis - stopping high-risk cargo entering the US
- Obligations on carriers loading cargo destined for US (C-TPAT carriers not exempt)
- Submission of cargo manifest data 24 hours prior to loading (long and short haul)
  - 14 data elements (see next slide) transmitted to National Targeting Center
  - NVOCCs have the option to file manifest data themselves
- Applies to containerized cargo, including transit cargo (“FROB”)
- Applies to break bulk (i.e. not containerized but otherwise packaged or bundled), but exemption may be requested
  - exempt companies must file 24 hours prior to arrival or upon arrival
- Empty containers: only container numbers to be filed 24 hours before arrival
- Bulk cargo exempt

## 24-Hour Rule (2) – Required data elements

- **14 data elements:**
  - Foreign port of departure (last foreign port before departure to US)
  - Standard Carrier Alpha Code (SCAC) assigned by US Customs
  - Voyage number of the vessel
  - Date of scheduled arrival at first US port
  - Number and quantities and packages from the bill of lading (B/L)
  - First port of receipt by the vessel ocean carrier
  - Precise description of goods (or HTS number) and weight
  - Shipper's name + address (or ID number) from all B/Ls
  - Consignee's name + address (or ID number) from all B/Ls
  - Name of the vessel, national flag, vessel number
  - Foreign port where the cargo is taken on board
  - International hazardous goods code (if applicable)
  - Container number
  - Number of all seals affixed to the container

## « 10 plus 2 » - New advance filing obligations

- **Legislation under preparation since 2004 – adoption in 2008?**
  - **Additional data to be filed by carriers:**
    - Vessel stow plan
    - Container status message
  - **10 data elements to be filed by importers 24 hours prior to loading onto vessel:**
    - Manufacturer name + address
    - Seller name + address
    - Container stuffing location
    - Consolidator name + address
    - Buyer name + address
    - Ship to name + address
    - Importer of record number
    - Consignee number
    - Country of origin of the goods
    - 6-digit HTS code

## Container Security Initiative

- Launched in early 2002 - incorporated into the SAFE Port Act of 2006
- Aim: pre-screen cargo abroad – avoid loading of risk cargo without further examination
  
- US personnel posted at foreign ports assess risk using:
  - Filings under 24-Hour Rule (Automated Targeting System)
  - Non-Intrusive Inspection (NNI) equipment
- Protocols agreed with host country to handle high-risk containers
  
- Why become a CSI port?
  - First ports to resume trade with US after terrorist incident
  - Use “down time” at port of loading and save time upon arrival in US (in theory)
  - Possible reciprocity for US outbound containers (Japan, Canada)
  
- 52 ports end August 2007 – 58 planned by end 2007 (i.e. 85% of maritime cargo for US)
  - 4 in Japan (Yokohama, Nagoya, Tokyo and Kobe)
  - 23 in EU (in 10 Member States)

## Megaports Initiative

- **Launched in 2003 (Department of Energy)**
- **Aim: screen cargo abroad for nuclear and other radioactive materials**
- **Radiation detection equipment used**
- **Protocols agreed with host country to handle high-risk containers**
- **Operational in 6 countries (end 2006) – over 20 more planned**

## C-TPAT (1) – Why? State of play? Process?

- **Introduced in 2001 - incorporated into the SAFE Port Act of 2006**
- **Aim: encourage the supply chain parties themselves to improve security – reward with benefits (separate slide)**
- **Voluntary - importers, customs brokers, forwarders, carriers, logistics providers, manufacturers (including certain foreign)**
- **Process:**
  - **Sign Agreement with CBP to cooperate, assess & improve security**
  - **Self-assessment by applicant against Security Guidelines**
  - **Application (file Security Profile – separate slide)**
  - **Certification after background investigation and document review → Tier 1**
  - **Validation after on-site assessments (including at foreign locations) → Tier 2**
  - **Compliance with additional guidelines → Tier 3**
  - **Periodic re-assessment and revalidation (every 4 years)**
- **7000 participants, almost 5500 of which validated**

## C-TPAT (2) – Security profile

- **Security profile covers:**
  - **Business partner requirements**
  - **Procedural requirements**
  - **Physical security**
  - **Personnel security**
  - **Education, training and awareness**
  - **Access controls**
  - **Manifest procedures**
  - **Information security**
  - **Conveyance security**

## C-TPAT (3) – What benefits ?

- **Internal benefits (increased security, streamlining procedures, better use of resources)**
- **Benefits given by US Customs to C-TPAT participants:**
  - **Tier 1 (Certified participants):**
    - Reduced risk score in Automated Targeting System (ATS)
    - Reduced number of cargo examinations
    - Access to “FAST” lanes on Mexican and Canadian borders
  - **Tier 2 (Validated participants):**
    - Further reduction of ATS risk score
    - Further reduction of examinations of cargo
    - Priority searches
  - **Tier 3 (Participants complying with additional guidelines – “Gold Standard”):**
    - Further reduction of ATS risk score
    - Further reduction of cargo examinations
    - Priority for examinations
    - Expedited release during all threat levels
- **Mutual Recognition Agreements with other countries:**
  - **New Zealand – Secure Exports Scheme (Agreement of June 2007)**
  - **EU – Authorized Economic Operator**
  - **Jordan**
  - **Japan**
  - **Canada**

## C-TPAT (4) – Effects on other countries?

- **C-TPAT companies increasingly contractually require foreign suppliers to meet C-TPAT security guidelines**
- **Participation in C-TPAT by foreign manufacturers - 253 foreign manufacturers (early 2006)**
- **C-TPAT companies first companies to be able to resume trade after security incident**
- **MRAs envisages avoiding duplication of efforts in other countries with similar customs-trade partnership arrangements**

## Secure Freight Initiative

- **Secure Freight Initiative (SFI), called for by the SAFE Port Act of 2006**
  - **Combines container imaging (NNI) and radiation detection equipment**
  - **Testing of feasibility of 100% container scanning at least 3 foreign ports - ongoing:**
    - Port Qasim, Pakistan
    - Puerto Cortes, Honduras
    - Southampton, United Kingdom

(second group: Port Salalah, Oman; Port Busan, Korea; Port of Singapore; Hong Kong)
  - **Evaluation of pilots**

## H.R.1 - 100% container scanning?

- **US Congress did not wait for pilot program results**
  - **Implementing the 9/11 Commission Recommendations Act of 2007:**
    - 100% scanning of US-bound maritime containers at foreign ports by 1 July 2012
    - 100% scanning of cargo on passenger aircraft by 1 July 2010
    - 600 foreign ports and 11 million containers per year affected
- **Highly controversial in and outside US (EU, Japan, Canada, Norway, Singapore):**
  - Cost of equipment for ports – cost of scanning/inspections for businesses
  - Risk of port congestion and delays in supplies to customers
  - Unclear who will scan and what will happen with the data (data overload)
  - Jurisdiction – US cannot force other countries
  - Sufficient measures in place (24-Hour Rule, CSI, C-TPAT, Megaports...)
  - No reciprocity by US for outbound cargo
- **Compromise for maritime cargo: Extension of effective date possible (2 years, repeatable) if 2 out of 6 conditions are met**

## Container security device

- **“Smart box” = device to ensure integrity of containers that have been screened/inspected/sealed overseas:**
  - **Technical device attached to container door frame**
  - **Activated when doors are closed**
  - **Tracking status with wireless technology**
  - **Reader devices used at a distance**
  
- **Proposed requirements for C-TPAT-approved CSDs to be published soon**
- **Test phase ongoing**
- **Incorporation into C-TPAT program (Tier 3 or Tier 4?)**

## Conclusions

- **US measures increase supply chain security**
- **US measures act as driver for initiatives in other countries**
- **US measures affect third countries and companies abroad**
  
- **Addressing security concerns while ensuring legitimate trade flows – the balance?**
  - **24-Hour Rule and “10 plus 2”**
  - **CSI and Megaports Initiative**
  - **C-TPAT – benefits - MRAs**
  - **100% container scanning abroad economically feasible/likely?**

# THANK YOU

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