



WORLD SHIPPING COUNCIL
PARTNERS IN AMERICA'S TRADE

Statement of

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Before the

**House Committee on Transportation & Infrastructure
Subcommittee on Coast Guard and Maritime Transportation**

on

***“Tenth Anniversary of the Maritime Transportation Security Act:
Are We Safer?”***

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Mr. Chairman and members of the Subcommittee, thank you for the invitation to testify before the Subcommittee today. My name is Christopher Koch. I am President and CEO of the World Shipping Council.¹ WSC members comprise the international liner shipping industry, which transports more than half of the \$1.2 trillion in U.S. ocean-borne commerce. It is clear

¹ The World Shipping Council (WSC) is a non-profit trade association whose goal is to provide a coordinated voice for the liner shipping industry in its work with policymakers and other industry groups with an interest in international transportation. Liner shipping is the sector of the maritime shipping industry that offers regular service based on fixed schedules and itineraries. WSC members carry over 90% of the United States' containerized ocean commerce, and include the full spectrum of carriers from large global lines to niche carriers, offering container, roll on-roll off, and car carrier service as well as a broad array of logistics services. The industry generates over one million American jobs and over \$38 billion of wages annually to American workers. A complete list of WSC members and more information about the Council can be found at www.worldshipping.org.

why the international liner shipping industry has been determined by the Department of Homeland Security (DHS) to be one of the elements of the nation's "critical infrastructure".²

We thank the Committee for the opportunity to participate in today's hearing on the tenth anniversary of the Maritime Transportation Security Act (MTSA) and the efforts that have been taken to increase maritime security.

Maritime Security

For the past decade, the WSC and its member companies have strongly supported the various efforts of the U.S. Coast Guard and U.S. Customs and Border Protection (CBP) to enhance maritime and cargo security. The multi-faceted, risk-based strategies and programs of the government have been able to make substantial progress toward meeting this challenge, and they continue to evolve.

The Coast Guard and CBP recognize the fact that the industry is transporting on average roughly 50,000 containers, holding roughly \$1.8 billion worth of cargo owned by U.S. importers and exporters, each day through U.S. ports. Significant delays to this flow of legitimate commerce could have substantial adverse effects on the American economy. They therefore are attentive to enhancing security, while ensuring and facilitating efficient commerce.

The basic architecture of U.S. maritime security is well known and understandable. First, there is *vessel and port security*, overseen by the Coast Guard and guided in large measure by MTSA and the International Ship and Port Facility Security (ISPS) Code. Second, there is *personnel security*, overseen by various DHS agencies and the State Department. Third, is *cargo*

² The liner industry that has invested over \$400 billion in the vessels, equipment, and marine terminals that are in worldwide operation today. Approximately 1,400 ocean-going liner vessels, mostly containerships, made more than 25,000 calls at ports in the United States during 2010 -- almost 70 vessel calls a day. This industry provides American importers and exporters with door-to-door delivery service for almost any commodity to and from roughly 170 countries. In 2011, approximately 30 million TEU of containerized cargo were imported into or exported from the U.S. In addition to containerships, liner shipping offers services operated by roll-on/roll-off or "Ro-Ro" vessels that are especially designed to handle a wide variety of vehicles, including everything from passenger cars to construction equipment. In 2011, these Ro-Ro ships brought passenger vehicles and light trucks valued at \$72.4 billion into the U.S. and transported units worth \$32.5 billion to U.S. trading partners in other countries. As significant as international liner shipping is, we recognize that it is only one piece of the maritime transportation system that this Subcommittee is reviewing. When one measures trade by cargo weight, 16% of the nation's waterborne imports are delivered by containership. The remaining 84% is delivered via tanker, bulk and break-bulk ships.

security, which for containerized cargo, is addressed through CBP's advance cargo screening program, C-TPAT, and the Container Security Initiative.

1. Vessel and Port Security

Every commercial vessel arriving at a U.S. port and every U.S. port facility needs to have an approved security plan overseen by the Coast Guard.

Every port facility that a liner vessel (or any other SOLAS regulated, large oceangoing commercial ship) calls must operate pursuant to an approved security plan under the ISPS Code. In the U.S. those plans are approved and overseen by the Coast Guard. In foreign jurisdictions, those plans are approved by the port state's national government and then reviewed and visited by the Coast Guard pursuant to its International Port Security Program, which monitors foreign state compliance with the ISPS Code. Vessels calling at ports that the USCG puts on a non-compliance list must operate at a higher security level and face a greater chance of being inspected upon arrival in the U.S.

Each arriving vessel must provide the Coast Guard with an advance electronic notice of arrival 96 hours prior to arriving at a U.S. port, including a list of all crew members and passengers aboard – each of whom must be a U.S. seaman with a Transportation Worker Identification Credential (TWIC) or must have a U.S. visa in order to get off the ship in a U.S. port.

The Long Range Identification and Tracking (LRIT) system provides the Coast Guard with enhanced visibility (including vessel identity, position, date and time) for ships intending to enter the U.S., and ships passing within 1000 miles of the United States.

The USCG performs safety and security compliance boardings on all U.S. flag vessels and performs "port state control" boardings on non-U.S. flag vessels to ensure compliance with applicable U.S. and international safety and security requirements.

The liner shipping industry's operations are consistent and repetitive – its vessel services and crews call at the same ports every week. So long as there is consistent and professional implementation of the security rules, which is usually a hallmark of the Coast Guard, liner shipping has found little problem in operating in the new vessel or port security environment.

We also appreciate the Coast Guard Commandant's admonition that the "concept of maritime security cannot be reduced to a single threat vector". There are numerous security

risks in the maritime environment that don't involve cargo containers. For example, merchant vessels are defenseless against small boat attacks. We fully support the Coast Guard in its efforts to secure an enormous Maritime Domain against a variety of risks.

The Subcommittee has expressed interest in the cost to industry in establishing, implementing and renewing these MTSA vessel and port facility security plans. When the Coast Guard promulgated its maritime security regulations in 2003 implementing MTSA, it projected that the cost of compliance for the industry would be \$7.331 billion over 10 years.³ We do not have ocean carriers' cost estimates of MTSA plan implementation, because carriers do not account for these costs according to a particular federal statute that required them and because there are a variety of maritime security costs that arise from a variety of security and regulatory measures. What we can say, however, is that Coast Guard enforcement of the MTSA regime is generally reasonable and professional and that the costs are generally seen as acceptable.

2. Personnel Security

As mentioned above, ships bound for the United States file their complete vessel crew and passenger manifest lists to the Coast Guard 96 hours prior to arrival in their electronic notices of arrival. The Coast Guard shares this crew and passenger manifest data with its partner agency, CBP, so that CBP can perform its necessary immigration and background checks without requiring the ship to provide the information separately to CBP. To get off the ship in the United States, seafarers who are not U.S. citizens must obtain U.S. visas and U.S. seafarers must present a Transportation Worker Identification Credential (TWIC).

The Council has supported the TWIC program, mandated by Congress and now being implemented in the maritime sector by the Coast Guard and the Transportation Security Administration (TSA), to credential workers requiring unescorted access to secure areas of maritime facilities. The industry's primary concern has been that the security enhancements envisioned in this new system not pose unreasonable costs or undue impacts on those personnel who work in port terminals on port operations or servicing vessels. The main challenges facing the Coast Guard and TSA as this program matures are: managing the large number of card renewals that are coming due, and implementing the long-awaited TWIC reader technology in U.S. port facilities to finally make use of the biometric technology present in each TWIC card.

³ First year estimated cost of implementation was approximately \$1.5 billion, with an annual cost of approximately \$884 million. Implementation of National Maritime Security Initiatives, 68 Fed.Reg. 60448, 60464 (Oct. 22, 2003).

3. Cargo and Supply Chain Security

The nation's maritime and cargo security regime has been developed under several statutes in addition to MTSA. In particular, following the implementation in early 2002 of the "24 Hour Rule" whereby ocean carriers and NVOCCs must submit pre-loading advance cargo manifest filings, enhancement of containerized cargo screening by CBP was directed by the SAFE Port Act. The Act required: "the electronic transmission to the Department of additional data elements for improved high-risk targeting, including appropriate elements of entry data ... to be provided as advanced information with respect to cargo destined for importation into the United States *prior to loading of such cargo on vessels at foreign ports.*" Pursuant to this mandate, CBP requires U.S. importers or cargo owners to file ten additional cargo data elements with CBP 24 hours prior to vessel loading, and also requires ocean carriers to provide two additional sources of operational data -- vessel stowage plans prior to arrival in the U.S., as well copies of electronic container status messages. This "10 plus 2" initiative substantially improved cargo risk assessment and screening. CBP's strategy has been to require the submission of extensive information about import cargo shipments, from the party having the most direct knowledge of that information, as early in the movement of those goods as is practical. This information is then utilized in the cargo risk screening processes performed by the National Targeting Center on all U.S. bound containerized cargo shipments.

Specifically, CBP's advance cargo security screening program contains the following components:

- 24 hours prior to vessel loading in a foreign port, ocean carriers must provide CBP with the shipping manifest information for all shipments.
- 24 hours prior to vessel loading in a foreign port, non-vessel operating common carriers (NVOCCs) are required to provide CBP with their shipping manifest information for all their shipments.
- 24 hours prior to vessel loading in a foreign port, U.S. importers must provide CBP an Importer Security Filing (ISF). The ISF requires ten data elements for each import shipment; eight of those must be provided 24 hours prior to vessel loading in a foreign port, and two may be provided no later than 24 hours prior to arrival in the U.S. The ISF allows CBP to risk-screen cargo with much more accurate and detailed shipment information -- such as, who is buying the goods, who is selling the goods, where the container was stuffed, who manufactured the goods, country of origin of the goods, the name of consolidator (if applicable).

- Ocean carriers must provide CBP with copies of all their electronic “container status messages” recording various operational events that occurred to containers during their transit, including their time and date.
- Ocean carriers must provide CBP with a copy of the vessel stowage plan no later than 48 hours after vessel departure. The stowage plan shows the stowage location of every container aboard the vessel, and also allows CBP to check to make sure that there are no containers aboard for which there is not the required manifest or ISF data.
- CBP screens the advance manifest and importer data and may issue a “Do Not Load” message or inspect the cargo in cooperation with foreign customs authorities (Container Security Initiative) if CBP has questions about the cargo.
- CBP works with ocean carriers to obtain more information prior to vessel arrival in the U.S. if they have any questions about a container on a vessel.
- CBP inspects all containers judged to be “high risk” by the National Targeting Center.
- CBP performs radiation scanning of all U.S. import containers at U.S. discharge ports.
- Shippers may improve their “risk profile” with CBP by participating in Customs’ Trade Partnership Against Terrorism (C-TPAT).

This is without question the most detailed and extensive advance cargo security screening program in any trading nation. This also is the most detailed advance cargo screening program used by the U.S. government for any transportation mode. We recognize that this regime has been developed under authorities that go beyond MTSAs, but discuss it in this testimony because the issue of containerized cargo security has over the years been one of significant interest to the Congress.

The World Shipping Council and its member ocean carriers have supported CBP every step of the way in developing this regime. The reason for our support is straightforward: advance cargo risk assessment is the most prudent and effective approach the U.S. government can take with respect to supply chain security, and for that approach to be effective the government needs sufficient data to be confident of the system’s value and effectiveness. This regime has admittedly added additional processes and cost to shippers and carriers and the government, but we believe it has provided value and has been able to enhance the security of the nation’s supply chains without imposing unreasonable delays or creating inefficiencies in the movement of the nation’s commerce. WSC continues to be ready to work with CBP and the Coast Guard on ways to enhance cargo and supply chain security in an efficient and effective manner.

An example of such cooperation and support to improve the quality and accuracy of the information provided to DHS is the proposal that WSC, the U.S. government, and other

international maritime organizations and governments have made to the International Maritime Organizations (IMO) to amend the Safety of Life at Sea Convention to require that every loaded container be weighed prior to stowage onto a vessel for export.⁴ The safety and security of container operations would be improved by an effective international requirement that the weight of all loaded containers be verified before being loaded onto ships for export. Members of this Subcommittee expressed interest in and support for this idea at the Subcommittee's April 26 hearing on "Regulation of the Maritime Industry". In the United States, container weighing is already required for export containers, pursuant to OSHA regulations. The problem is that most nations of the world do not have such requirements, and therefore ocean carriers routinely have containers loaded aboard their vessels that have not been weighed. In such circumstances, the carrier relies on the declared weight provided by the shipper of the goods, but too often that declaration is not accurate. Sometimes it is grossly inaccurate. This can lead to a host of issues, ranging from safety risks for the vessel and crew and longshore workers, to operational problems for the ship, to collapsed container stacks and containers going overboard, to overweight boxes being unloaded and driven from the discharge port onto local roads. It is a problem that needs to be remedied. For example, if a shipper has declared a container weighs 10 tons, but in reality it weighs 20 tons, there are clearly reasons for both carriers and the government to have concerns. While this initiative is admittedly designed primarily to improve *safety* in the industry, CBP has confirmed that having the verified, actual cargo weights would be helpful to its cargo risk screening activities, including security screening. The IMO will be considering this proposal later this month.

Conclusion

Vigilance against security risks requires the development and implementation of prudent security measures, and the continuing enhancement of such measures as the risks change and take new forms.

The liner shipping industry fully understands this and has cooperated with national governments and international organizations trying to construct meaningful security regimes. The industry will always be concerned that these measures not unduly delay or restrict commerce or impose costs that produce little added security; however, it has supported and will continue to support measures that are well designed and provide real security value.

⁴ This proposal to the IMO is cosponsored by the governments of Denmark, The Netherlands, and the United States, and by the following international maritime organizations with observer status at the IMO: BIMCO, the International Association of Ports and Harbors, International Chamber of Shipping, the International Transport Workers' Federation, and the World Shipping Council.

There will continue to be ways that the current regime can be enhanced. Some of the challenges will be easier to address than others. For example, the challenge of preventing small boats from being used by terrorists to attack critical infrastructure is a daunting one. Another example would be that, while we completely support the expressed policy of the government that it will not shut down its ports or the continued flow of commerce if there were a terrorist attack in the maritime environment, we have little insight into how it would accomplish this important objective.

We believe that the U.S. Coast Guard and CBP do an excellent job trying to address the complex maritime and cargo security challenges. The U.S. government has created the most sophisticated maritime vessel, port, and personnel security regime of any trading nation, and it has done so without unduly disrupting the efficient flow of its commerce and without imposing unacceptable costs on industry participants. The interests of the maritime industry and the government are basically the same: to ensure a safe, secure, and efficient maritime transportation system. We appreciate this Subcommittee's continued interest and oversight of these issues. We would be pleased to provide additional information that may be of assistance. Thank you again for the opportunity to testify.

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