



U.S. Coast Guard

Bolstering Cargo Security

AN END-TO-END ENDEAVOR BY BARRY TARNEF, CPCU

Cargo security has become serious business in our post-Sept. 11 world.

Federal and state governments are looking to implement the most stringent measures possible to safeguard the public.

It's become clear to both the government and businesses that, as products are transported from one location to another, they're vulnerable to acts of sabotage which could ultimately result in the introduction of something illegal or patently dangerous to the stream of commerce.

Federal agencies and state authorities are beginning to take a hard look at what needs to be done to protect goods while in cargo terminals and as they leave those facilities to travel to their final destination.

The U.S. Department of Transportation, seeking to mitigate the risk of sabotage, has appointed TRW, Inc., to perform a series of

port vulnerability assessments for 55 of the nation's most critical seaports under contract with the Coast Guard.

TRW will establish methods to conduct these PVAs, formulate port security guidelines and develop a self-assessment program.

This represents a strong first step toward fortifying security in the maritime sector. However, those involved in the transport of goods by sea, air and rail must begin to take steps to help improve security as we await federal or state legislation.

Security is already a top priority in the air cargo environment. There are a number of obvious reasons for this urgency, but the driving force is that much of the world's airfreight travels on aircraft that also transport passengers.

Officially, the FAA established the "known shipper" rule in October, 2001, but this rule has actually

been in practice for some time prior to the Sept. 11 tragedy.

Under this rule, freight forwarders are prohibited from tendering cargo to passenger airlines unless the shipment comes from a customer that has booked at least two dozen shipments with that forwarder since Sept. 1, 1999.

Customers that fail to meet this criterion are forced into the unknown shipper category. This means the forwarder or the airline itself must visit the shipper's premises and verify that it is a legitimate business.

While this rule's technically limited to passenger aircraft, many forwarders are consistently adhering to the regulations since they aren't absolutely certain if the consignment will move on a passenger, combi or pure freighter plane.

Added security has also meant additional costs for all air carriers. Surcharges are being imposed by airlines on freight forwarders to help reimburse the carriers for expenses due to added security guards, longer processing time for shipments, the introduction of new security equipment and the need to verify that freight forwarders are meeting the known shipper rule.

The per-kilo surcharge seems like a small price to pay given the strong security measures that have been put in place by air carriers.

These steps are positive ones and fit nicely into every country's homeland security agenda. The bad news is cargo theft still occurs throughout the airports of the world despite these measures.

It's been reported that large scale, albeit unpublicized, heists of jewels and currency have plagued at least two major European airports. There was also an armed robbery of diamonds and bank notes in an African airport late last year.

The airlines and airports involved in these incidents are working diligently on improving security. One trusts that they are

successful; otherwise, what hope can any shipper, and their insurer, have if even high profile cargoes can't be safeguarded?

While the final word on cargo security-related legislation is debated in Washington—where competing bills are in a protracted beauty contest—it's clear there are steps that can be taken now to begin to increase security and reduce the risk to your supply chain. In today's inter- (or more aptly, multi-modal world) international shipments will be transported in more than one mode of transport. Therefore, the security of cargo needs to be end-to-end, all along the entire transport route, seamlessly addressing vulnerabilities in all connecting conveyances whether it's by truck, rail, sea and/or air.

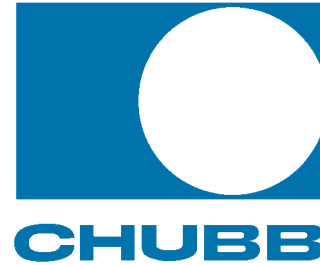
Today, manufacturers schedule shipments just-in-time so raw materials, parts and components are delivered precisely when they're needed.

As a result, both ocean and air carriage are no longer viewed as solely a

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means of "transportation." Now, the conveyances in these modes are considered warehouses in motion, while temporary holding facilities on land have evolved into distribution centers. Without tough security procedures and supporting legislation, this fragile and critical supply chain will remain vulnerable to a variety of risks—some of which may threaten our economy and our people.

In today's post-Sept. 11 world, cargo security is an end-to-end endeavor—one that should be a high priority for everyone involved in the shipment of goods. **WR**



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12 Top Tips

Those involved in the transport of goods may want to consider taking the following security-enhancing steps:

MAINTAIN A DATABASE. A cargo theft database can help establish patterns and identify areas of vulnerability. Maintaining and sharing this type of information with appropriate parties, including insurance companies, can play a pivotal role in reducing or eliminating cargo theft.

EMBRACE THE "KNOWN SHIPPER" RULE. Consider voluntarily expanding this security protocol, or a reasonable facsimile thereof, to all modes of transportation.

WORK WITH LOCAL LAW ENFORCEMENT PERSONNEL. Arm them with knowledge specifically geared to the areas of transportation and cargo security.

PERFORM BACKGROUND CHECKS. Carefully screen job applicants and present employees who will be/are involved in any aspect of cargo handling or transportation.

PROMOTE "THREAT AWARENESS." Truck drivers especially should be trained on hijack prevention and preparedness.

TRAVEL "DOOR-DOOR." Ship cargo using the most direct routing possible — eschewing transfers, transshipments and intermediate stops.

EXPEDITE THE SHIPMENT. Use time definite service whenever it is available and make use of technology to obtain real-time shipment tracking and prompt tracing.

DESIGN GOOD PACKAGING. Anticipate the rigors of the transportation environment — select only new, well-constructed packing materials to protect your cargo.

ADD TAMPER-EVIDENCE. Introduce as many tamper-evident measures as practical to the package. Examples include carton tape, unique banding straps and security seals.

DEVISE A UNIQUE LOAD PATTERN. Advise the consignee of the way the cargo is loaded so that they can immediately spot any discrepancies upon arrival.

LOCK OR SEAL THE LOAD. Apply high quality, barrier-type locks or seals to trailers or containers—ones that require a special tool to remove. Place the number of the lock or seal on all shipping documents so that it can be checked during transit.

TRUST BUT VERIFY. Perform frequent random audits of each component of the supply/transportation chain to ensure that it conforms to plan.