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BULLETIN

FACILITATION OF TRADE AND TRANSPORT IN LATIN AMERICA AND THE CARIBBEAN



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MARITIME AND PORT SECURITY IN SOUTH AMERICA: IN SOUTH AMERICA: THE SITUATION IN MID-2004

The current issue of the Bulletin is based on a document prepared by the ECLAC Transport Unit, Natural Resources and Infrastructure Division, on **maritime and port security in South America: implementation of measures, general status as of mid-2004** (in Spanish only). This is a joint activity of the Technical Coordination Committee of the presidential initiative for Regional Infrastructure Integration in South America (IIRSA) and ECLAC. This document served as an input for a meeting on this subject held by representatives of the authorities of South American countries in Montevideo, Uruguay, on 22 June 2004.

In this issue the results are presented of two recent surveys conducted by the users, operators and governmental authorities of the region on the new maritime and port security measures of the International Maritime Organization (IMO). An effort was made, on the one hand, to ascertain the existing level of awareness of the measures and the perceptions of impact, the potential costs and responsibility for the cost of the measures, and on the other hand to ascertain the degree of progress in their implementation, for which the deadline was 1 July 2004. The next edition of the Bulletin will present more details of the costs associated with the new maritime and port security measures.

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A number of events in various places over the past few years, and especially the events of 11 September 2001 in the United States, have shown that there is no country that is completely safe from terrorism.

In order to assess the degree of progress achieved in implementing the measures established by the amendment to the International Convention on the Safety of Life at Sea (SOLAS) and the new International Ship and Port Facility Security Code (ISPS), two surveys were held as described above. An effort was thus made to assess users' and operators' perceptions of the changes. As additional changes may be incorporated into the maritime security agenda in the future, one of the surveys included a few questions concerning operators' and users' perceptions of the possible future application of the Container Security Initiative (CSI) in South America.

Through the CSI programme, the United States Customs Service applies risk criteria to pre-select containers destined for the United States prior to their loading on the ship in a foreign port. Shipments from the following megaports will have priority for entering the United States: Halifax, Montreal, Vancouver, Singapore, Hong Kong, Yokohama, Tokyo, Kobe, Nagoya, Busan, Gothenburg, Rotterdam, Amberes, Bremen, Hamburg, The Hague, Felixstowe, La Spezia, Genoa and Algeciras.

Users' and operators' perceptions of the ISPS code and the CSI programme

The objectives of the first of the surveys referred to here were to ascertain the level of awareness of operators and users of maritime transport with regard to the measures to enhance maritime and port safety, and to find out about the expectations that such measures generate among those working in this area. The survey was carried out directly among a group of Latin American users and operators, through a form sent by electronic mail, with a guarantee from ECLAC of total privacy for the responses received, as statistical secrecy would be observed in presenting the results. The questionnaires were sent to 605 persons working in the port and maritime sphere in the region, as of 5 April. The deadline for responses to be included in the results of the study was 21 May 2004.

Universe of persons surveyed. A total of 71 forms were returned by the deadline, and 70 of these were considered valid, which is 11.6% of the surveys actually sent out. The surveyed persons may be classified as follows: port operators – 29%; logistics services operators – 27%; maritime transport operators – 16%; freight forwarders - 13%; public sector – 11%; shipping agencies – 4%.

The results of the survey may be divided into four parts:

- ISPS: current level of awareness of the measures;
- ISPS: perceptions of its effects;
- ISPS: potential costs and responsibilities for the cost of the measures;
- CSI: general comments.

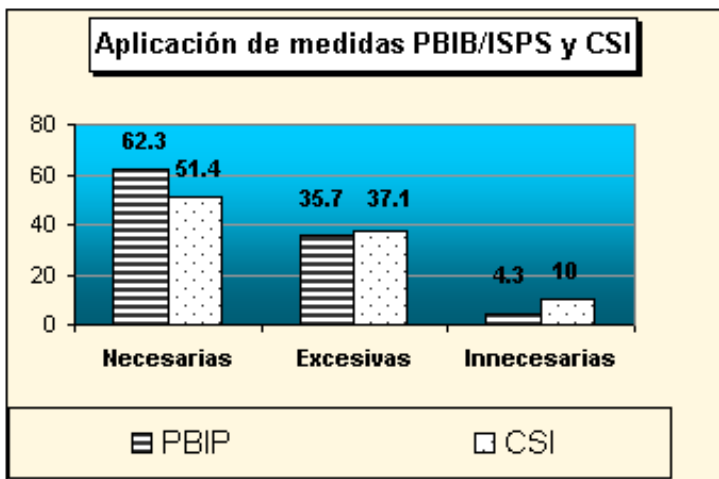
In some cases the responses add up to more than 100%, as the persons surveyed could choose more than one of the options offered in the form.

Current level of awareness of the new ISPS code. Of those who responded to the survey, 71% indicated that they were aware of the general aspects of the new ISPS code for compulsory implementation, while 12%, mostly consisting of operators and users in the shipping and port industry, indicated that they were not aware of the contents of the code, and 38.6% responded that they had a detailed knowledge of the code.

In general, those who responded are not certain of the identity of the implementing agency or authority or there is confusion as to whether it is the maritime or port authority. On this issue, 46% of the responses were incorrect.

Lastly, with regard to the ISPS, only 62.3% of those surveyed consider the new measures to be necessary. They are considered excessive by 35.7%, and unnecessary by 4.3%. In some cases, there was confusion of the contents of the CSI initiative and the contents of the ISPS code.

Application of ISPS and CSI measures

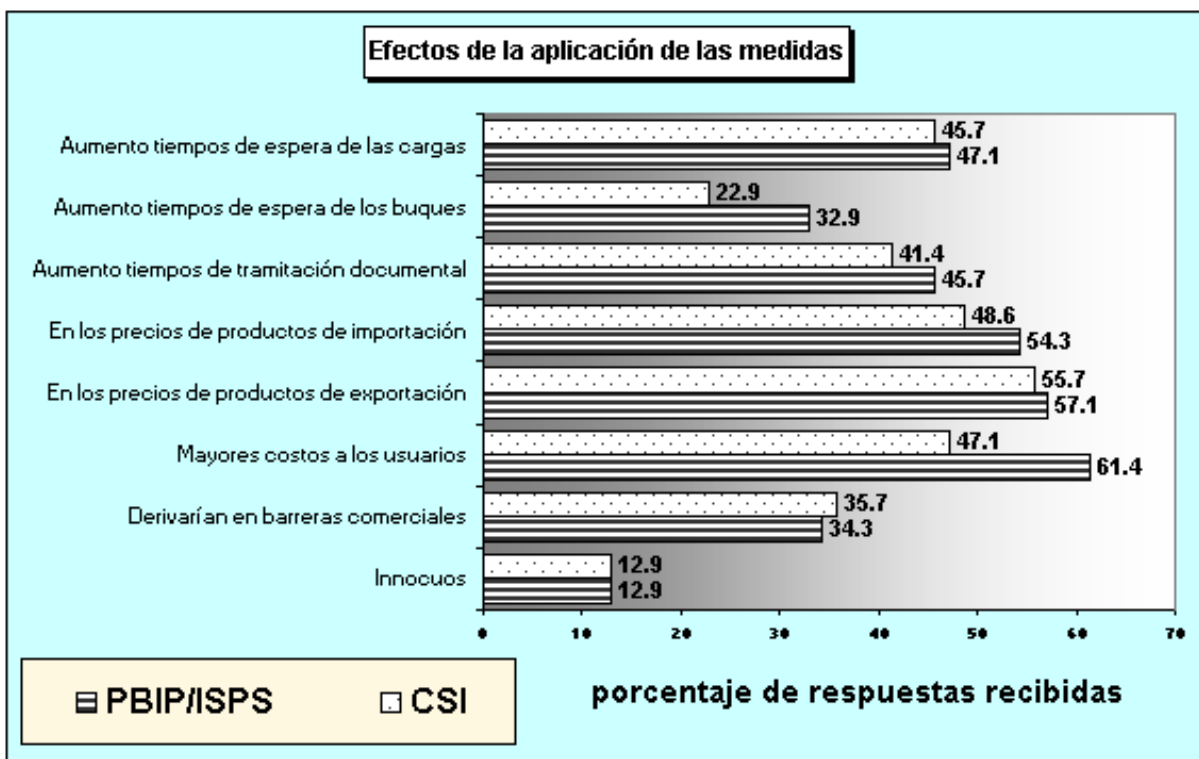


Necessary Excessive Unnecessary

↑ ISPS ↑ CSI

ISPS: the perception of its impact

Impact of implementation of the measures



Increase in waiting times for cargo

Increase in waiting times for ships

Increase in time for document procedures

Increase in prices of import products

Increase in prices of export products

Higher costs for users

More trade barriers

Without impact

↑ ISPS ↑ CSI **percentage of replies received**

For 71.4% of those surveyed, the ISPS has already had or is going to have an impact on activities in the maritime and/or port sector.

As for the effects on the shipping and port business, the responses indicate a certain degree of lack of awareness of the impacts and effects on costs. It may be deduced that these topics have not been sufficiently evaluated and analysed within the industry in the region.

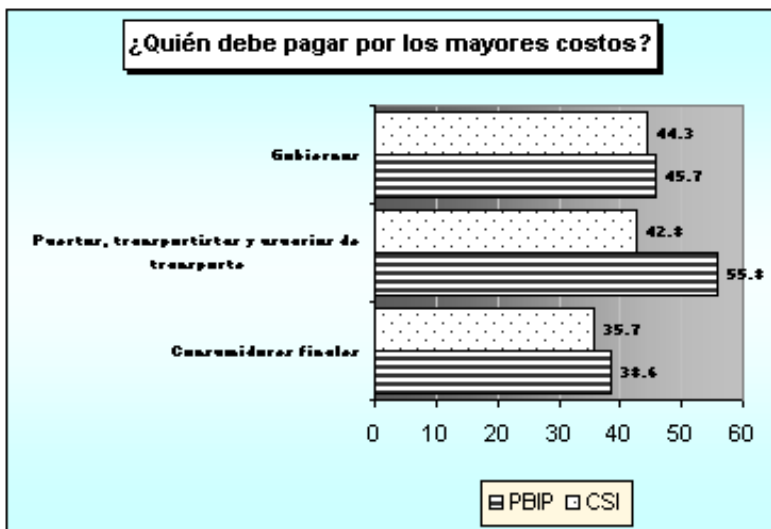
The perceptions of users and operators with regard to the effects of the measures can be grouped as follows: 34% believe that they could result in trade barriers and 61% estimate that user costs will increase, while 57% and 54% thought that the costs would affect exports and imports respectively.

In general, 46% expect impacts on the time needed for documentation procedures, and 33% expect that stay times in ports will increase. Lastly, 47% expect waiting times for cargo in port to increase.

Once again, a large number of the responses showed a certain lack of awareness.

ISPS: potential costs and responsibility for the costs of the measures

Who should pay for the additional costs?



Governments

Ports, transporters and transport users

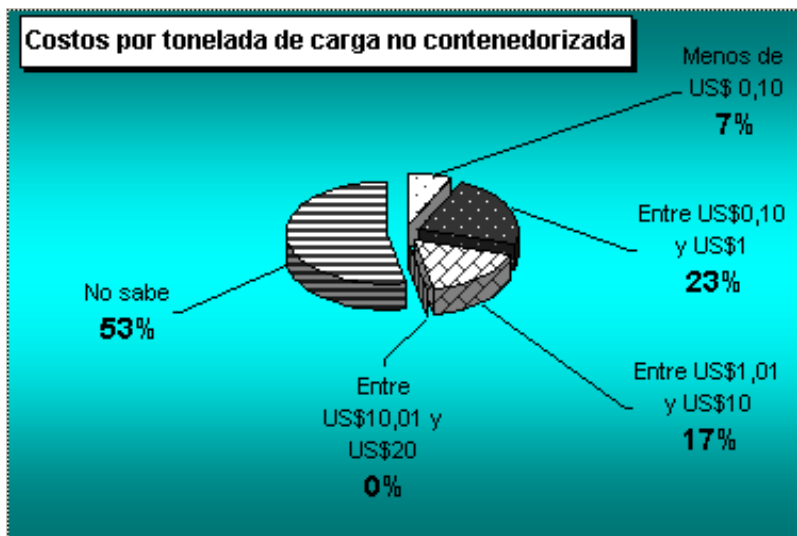
Final consumers

↑ ISPS

↑ CSI

There is a certain similarity among the responses received with regard to who should be responsible for the costs of implementing the measures. The opinion of 38.6% is that most of the costs should be paid by the final users, while 22.9% think that the users should cover them, 55.8% see them as the responsibility of the ports, transporters and system users and 46% think that governments should be responsible for the additional costs.

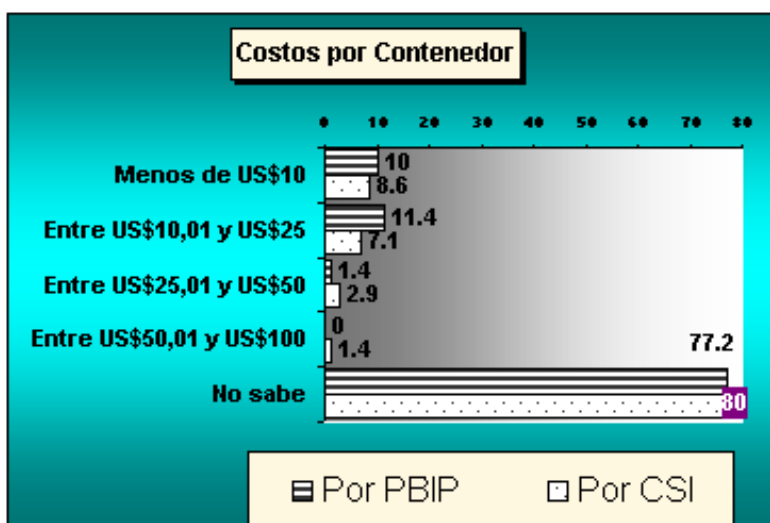
Costs per tonne of non-container cargo



Less than US\$1.10 = 7% - Between US\$0.10 and US\$1 = 23% - Between US\$1.01 and US\$10 = 17%

Between US\$10.01 and US\$20 = 0% - Don't know = 54%

Costs per container



Less than US\$10

Between US\$10.01 and US\$25

Between US\$25.01 and US\$50

Between US\$50.01 and US\$100

Don't know

↑ **Because of ISPS**

↑ **Because of CSI**

With regard to the potential costs of implementing the ISPS measures, 7% expect an increase of US\$0.1 per tonne, whereas 17% expect increases of between US\$1 and US\$10. None expect additional costs above US\$10, but 52.3% did not know what the extra cost associated with the measures would be.

With regard to the cost per container, 10% estimate that the extra costs will be less than US\$10 per unit, 11% expect a figure of between US\$10 and US\$25, while 1.4% predict a value of more than US\$25. The most notable feature with regard to this item is that 77% of those surveyed did not predict any figure.

CSI: general comments

Of the total surveyed, 77.1% replied that they were aware of general aspects of the initiative, and 12.9% said they did not know about the initiative. Only 21.4% said that they knew about the initiative in detail. In addition, 10% consider it to be unnecessary, 51% consider it to be necessary and 37% consider the initiative excessive.

The perceptions of users and operators with regard to the impact of a future implementation of CSI are as follows: 36% believe that it could result in trade barriers; 47% expect that user costs to increase; while 56% and 49% think that export and import costs respectively will be affected.

In general, 41% expect increases in the time for documentation procedures, and 23% expect increases in waiting times for ships, while 46% expect increased waiting times for cargo in port.

Of the total responses received, 36% consider that the costs associated with CSI should be paid by the final consumers, 43% by the ports, transporters and transport users, and 44% by governments.

With regard to the impact in terms of additional costs per container, 80% of those surveyed do not know what the impact would be, 8.6% suggest a figure of less than US\$10, 7.1% a figure of between US\$10 and US\$25 and 2.9% think it could be up to US\$50. One of those surveyed (1.4%) estimates CSI to bring an additional cost of between US\$50 and US\$100 per unit.

Progress in implementing the ISPS code

In order to ascertain the degree of progress achieved in implementing the IMO measures, a survey was conducted of the national authorities responsible for them. As the objective was to ascertain the degree of progress achieved in the region, the date of the survey was an extremely important aspect of its design. The forms were sent out between 3 and 21 May, and the final response was received on 27 May.

Accordingly, this study may be said to provide a reasonable picture of the status of progress achieved in implementing ISPS between the second and third week of May 2004. The authors wish to acknowledge and offer appreciation for the collaboration received from the national authorities who responded to the request in a rapid and responsible manner.

The following results give an adequate picture of the status of the subject under consideration for the following group of countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

As the subjects under discussion are extremely sensitive, the survey results are presented in aggregate form in the following table.

Topics covered in the survey:	Degree of progress:
Education and training	The 10 countries surveyed have begun education and training at the different levels required.
Preparation of subsidiary regulations	6 of the 10 countries have prepared their own handbooks and guidelines for implementation of the ISPS code.
Vulnerability assessment	7 countries of the region have carried out a formal vulnerability assessment through their own maritime authority or through external consultants (recognized security organizations).
Drafting of security plans	3 countries did not provide information on this point. Hydrocarbon spills: the plans have been completed 100% in 8 of the 10 countries.
Implementation	Security: 7 of the 10 countries have prepared assessment studies and corresponding plans. 7 of the 10 countries have achieved an implementation rate of over 85% and some of them have already begun to certify their port facilities. 2 countries of the region have achieved an implementation rate of less than 50% but depend on the ports of third countries for their exports.
Institution-building	
Responsibility in existing organization	8 of the 10 countries have designated the existing maritime authorities as implementation agencies.
Responsibility in the new organization	1 country has established a new entity for maritime security issues within the maritime authority. 1 country in the region has entrusted the function of maritime security in ports to a new authority.
Shared responsibility	1 country in the region has various bodies responsible for maritime and port security issues.
Market dependence	For 7 of the countries, Canada and the United States is the destination for an average of 26.6% of their exports; 3 of these send over 39% of their exports to this market. 8 countries are dependent on Europe for an average of 26.16 % of their exports.

8 countries depend on Latin America and the Caribbean for an average of 40.97% of their exports; 2 of these depend on LAC for more than 87% of their exports.

7 countries of the region depend on the Asia and the Pacific markets for an average of 25.89% of their exports; 2 of these countries depend on the Asia and Pacific region for more than 45 % of their exports.

Audits of port facilities as a follow-up activity

As this activity comes at a later stage, it has not yet been implemented in most of the countries.
