



*Powers International, LLC
316 Byrd Blvd
Greenville, SC. 29605*

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COAC Committee,

As the Cargo Security Industry did not exist before 9/11, the development and maturation of the technology has allowed the technology to become ubiquitous, affordable, reliable and essential to the efficiency of the supply chain.

The "Smart Cargo Container" will be an integral part of the supply chain. The only question is how soon and how will it be properly integrated into the system. Currently, with no incentives from the governments of the world, the number of tracking systems with GPRS or satellite communication for intermodal containers in active use is forecasted to grow at a compound annual growth rate of 49.1 percent from 137,000 units at the end of 2012 to 1.0 million by 2017 (*Berg Insight M2M Research Series Container Tracking and Security June, 2013*).

Although the discussion point under the heading of Supply Chain Security the "benefits and risks of electronic security devices," it is more relevant to focus on the data derived from and transmitted by the devices. The ability to develop a real-time, auditable chain-of-custody system from origin to destination provides the operational benefits of visibility and at the same time develops a data flow promoting trade facilitation and security. These chain-of-custody attributes provide and support commercial operational

efficiencies, customer service, quality control and certify governmental requirements of the Secure Trade Corridor programs, in-bond controls, cross border efficiencies, and support the CTPAT category levels of security.

These comments outline a general overview of the benefits of the process utilizing the container security device. In addition, the process supports origin to destination points outlined in the *Safe Port Act of 2006* and the certification requirements needed to be chain of custody compliant with the *Food Safety Modernization Act*.

The following is a more defined list of benefits from the process, categorized for each supply chain stakeholder:

Shipper

- Confirmation and electronic certification of proper cargo and quantity leaving the facility at origin
- Control of access and entry into the container
- World-wide tracking and location of container for security and asset management
- Identifying and placing into the supply chain the identity of the company employee who certifies contents of container at sealing at origin and opening at destination (end-to-end visibility)
- Lower insurance costs
- Knowledge of departure from foreign port to destination port
- Knowledge of carrier's sail or over-the-road or rail transport time
- Expedited entry of cargo by CBP and faster through-port time
- Data-base intelligence identifying weak points/delays/security- risk areas in the supply chain
- Verification of compliance with *Incoterms® 2010*, and *UN Convention of*
- *Contracts for the International Sale of Goods (CISG)*, specifically Articles mandating accurate cargo and quantities to be shipped under contract.

Carrier

- Access control into container and knowledge of container location
- Protection against claims by shippers that unauthorized contents were the results of carrier action
- Certification and Verification of identity of shipper and contents
- Marketing and sales tool to increase market share in providing secure containers to shippers
- Automatic transmission to CBP of container data, exemplified in CF-1302 or like manifest or other required electronic filings
- Data-base intelligence identifying weak points/delays/security- risk areas in the supply chain.

Customs

- Supporting means for Electronic filing of In-Bond applications.
- Use of trusted third-party agents of shipper or carrier
- Minimum 6-digit HTSUS identification, and safety, security identification at origin
- Knowledge of container or trailer arrival and location on 24/7 basis
- Knowledge of container/trailer diversion from approved path
- Knowledge of container opening or access into container
- Knowledge of which containers need no inspection
- Identification of suspect container
- Faster transmission of data into CBP and ACE system
- Elimination of third-party reporting of trade data (i.e. Border Customs brokers)
- Enhancement of 10+2 Importer Security Filings
- Enhanced knowledge of actual container contents from a identified supervisory employee who certifies shipment contents and quantity at stuffing.

Compliance with International Standards and Programs

- World Customs Organization (WCO), (2005)
- Single Window approved in U.S. (2006)
- ISO 28000, Security Management System for the Supply Chain (2007)

- Transported Asset Protection Association (TAPA) issues Freight Security Requirements, (2001)
- Kyoto Convention ICT Guidelines , (2004)
- International Maritime Organization (IMO) Creation of International Ship and
- Port Facility Security Code (ISPS) (2004)
- UN's Single Window through which "...trade-related information and/or documents need only be submitted once at a single entry point to fulfill all import, export, and transit-related regulatory requirements." (2004)
- International Trade Data System (ITDS) establishes a single portal system: ACE and the E-Manifest
- ACE (Automated Commercial Environment)
- Ten + Two Program
- The new *Rotterdam Rules* liability requirements for vessel carriers

Auditable Compliance with Financial Trade Terms and Control of Trade Finance Risks

- Knowledge of product location, control, and title transfer issues
- Electronic transmission of required compliant document data;
- Timely Electronic presentation of appropriate data required by the issuing, confirming, nominated or negotiating bank in compliance with the Letters of Credit;
- Where credit indicates it is subject to *eUCP* requirements, electronic document presentation and electronic signatures as needed;
- Automatic storage and examination of electronic data subject to required documents;
- Electronic record to satisfy presentation requirements;
- Reduced shipping, handling, and carriage liability; and
- Reduced criminal risks such as fraud, the introduction of counterfeit or other illegal cargo, and the use of L/Cs in money laundering schemes.

Finally, there is a direct applicability to eliminating or reducing the vulnerabilities associated with supply chain movements of hazmat and pharmaceutical products specifically:

- Knowledge of actual cargo by its verification by an identified individual from point of origin
- Linkage of cargo and container number at origin and proper placarding of contents
- Automatic transfer of cargo identity and placarding to a control center or platform
- Monitoring of cargo from origin to destination
- Detection and transmission of any unauthorized access to contents and location of access or breach
- Geo-fencing as need
- Cargo temperature control and transmission as warranted
- Automatic notification of any breach or accident creating a breach or leakage of contents to First Responders
- Automatic instructions to First Responders regarding emergency response to content's flammability, toxicity, corrosiveness, combustion ability and water sensitivity, and irritation factors to the general populous near breach or accident
- Automatic instructions to First Responder on protective actions and proper distance criteria
- In addition to above, the provision of emergency telephone numbers to contiguous nations like Canada and Mexico regarding cross-border movement of dangerous or controlled cargo.
- Provision of an auditable record of movement from origin to destination

The arrival of the complete cargo specific supply chain into the electronic data environment will utilize the integration of a mature, globally scalable data technology system. This data process will produce in addition to the benefits outlined above, will ensure greater global efficiencies for the commercial sector as well as the Customs environment.

Regards,

Ed Harrison

Chief Executive Officer

Powers International LLC.

Former Chairman Cargo Intelligence Security and Logistics Association

Former Joint Advisory Board Member European Union SMART-CM

Research Committee

Former Advisory Board Member European Union CASSANDRA Research
Committee