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## **The business model for maritime security**

**Dennis L. Bryant**

Osama bin Laden is dead. Al Qaeda is on its heels. Should we jettison maritime security? The answer is emphatically No!

Al Qaeda, even in its current disorganization, is capable of inflicting significant damage. That is the nature of asymmetrical conflict. There are other terrorist groups around the world, some affiliated with Al Qaeda, others not.

There is, though, a more important reason for maintaining – and improving – the maritime security program. That reason goes to the heart of the maritime industry. In our capitalist world, the maritime industry exists in large part to make a profit. If the industry (or a particular company in the industry) fails to make a profit over the long term, it will cease to exist. During the nineteenth century, there were many companies that made fine buggy whips. When consumers quit buying buggy whips and the companies lost money, they went out of business. Some industrial companies encountered high costs when their employees were injured on the job. Those companies found that it cost less to reengineer the process so as to reduce injuries. Poorly built ships tended to be unseaworthy and require costly maintenance. Owners found that it was less expensive in the long run to purchase more robust ships.

Fortunately, the maritime industry has incurred minimal direct losses due to terrorist attacks. The October 6, 2002 attack on the tanker *Limburg* off Yemen and the July 28, 2010 attack on the tanker *M Star* in the Strait of Hormuz are two of the few exceptions. The maritime security measures put in place after the horrific terrorist attacks of September 11, 2001 have undoubtedly played a role in keeping terrorist attacks against the maritime sector to a low level.

There is another aspect to maritime security, though, that is often overlooked – its origins.

On April 27, 1999, President Bill Clinton issued a memorandum establishing the Interagency Commission on Crime and Security in U.S. Seaports. The memorandum stated that, while United States seaports are an integral part of the nation's commerce, they are too often a major locus of crime, including drug trafficking, cargo theft, and smuggling of contraband and illegal aliens. The Commission was directed to undertake a comprehensive study of the nature

and extent of the problem of crime in US seaports, as well as the ways in which governments at all levels are responding. The potential threat posed by terrorists and others to the people and critical infrastructures of seaport cities was mentioned once, almost as an after-thought. The Commission's final report was issued in the autumn of 2000. The 259-page report includes 20 major recommendations. Of those twenty, only four mention terrorism and in only one of those (focused on vulnerability and threat assessments for terrorism at US seaports) is terrorism given more attention than is crime.

The Port and Maritime Security Act of 2000 (S. 2965), sponsored by Senator Hollings, was introduced to implement the recommendations of the Interagency Commission. Like the report itself, the bill focused largely on the threat posed by criminal activity in US seaports. Little attention is paid to terrorism. In fact, in the 24-page bill, the word "terrorism" is used four times and the word "terrorist" appears just once.

There are two principle reasons for the lack of attention to terrorism in both the Interagency Report and the bill introduced in Congress to implement it. First, seaport crime was seen as by far the bigger threat. Second, everyone knew that reducing the crime threat also reduced the terrorism threat. Unfortunately, the reverse is not necessarily the case.

With the 9-11 terrorist attacks, the focus changed. The Port and Maritime Security Act morphed into the Maritime Transportation Security Act of 2002 (MTSA). Counter-terrorism went from being a tag-along to being the principal focus of the legislation. The United States Government got the international community on board, leading efforts at the International Maritime Organization (IMO) to adopt the International Ship and Port Facility Security (ISPS) Code of 2002. Considerable effort, both by governments and the private sector, was put into enhancing security so as to reduce the risk of maritime terrorism. As mentioned above, this effort has been largely successful.

Now is an opportune time, though, to reflect on the original problem: maritime crime. It is costing the industry and the economy millions, more likely billions, of dollars. While we have been looking for terrorists and terrorism threats under every rock and inside every container, we have allowed the criminal element to continue their activities.

I suggest that the time has come for the maritime industry – ship owners/operators, terminal owners/operators, port authorities, and insurers, among others – to examine their business processes paying attention to reducing the monies lost to crime. If the government is largely kept out of this examination then we can avoid the development of regulations and requirements without regard to cost, as sometimes happened with maritime security when its only goal was counter-terrorism. The solution also need not be "one size fits all". On the other hand, though, it will not do any of us any good if groups put their heads in the sand and deny that there is a problem.

Maritime crime is a major problem and demands a serious solution. We need to dust off the eleven-year-old Report of the Interagency Commission on Crime and Security in U.S.

Seaports. There are undoubtedly similar reports in other nations and jurisdictions, as well as many prepared in the private sector. Careful review will show which recommendations have already been fully implemented, which have been partially implemented, and which got lost in the counter-terrorism shuffle. Industry (not government) can then decide which recommendations to implement, and which need to be addressed in ways different than government bureaucrats seized upon.

Under the standard business model, projections are run on the expected costs and the expected benefits of various courses of action. The same model can be applied to maritime security. If the projected cost of a particular security system exceeds the projected benefits, don't do it. But look beyond just this year's balance sheets. A new ship or a new crane is not purchased with the expectation that it will turn a profit in its first year. A security system is (or should be) viewed in no different light.

During this period where economic recovery is still somewhat precarious and reducing overhead is paramount, improving maritime security from a business prospective (rather than from a government perspective) promises to be a win-win development.