



April 10, 2002

Circular No. 7/02

To Members of the Association

Dear Member:

**UNITED STATES COAST GUARD SECURITY INITIATIVE:
*OPERATION SAFE COMMERCE***

The United States Coast Guard (USCG), in conjunction with the Port Authority of New York and New Jersey (Port Authority), has recently introduced a new initiative seeking to improve port security in a manner designed to avoid excessive interference with, and delay to, legitimate cargo movements.

The initiative, entitled *Operation Safe Commerce* (OSC) is intended to be a cooperative strategy between government and industry. Indeed, the hope exists that, should it prove successful, some of the more onerous post-September 11 legislation now pending before the U.S. Congress might be capable of mitigation in favor of the transportation sector.

Attached to this Circular are notes prepared by the USCG outlining the proposals. The USCG hopes that there will be a substantial uptake among shipping interests throughout the world. The American Club recommends that Members – in order to maximize the efficiency of their own cargo operations within the US jurisdiction – give full support to the implementation of OSC.

Further developments will be reported to Members as they occur. The International Group of P&I Clubs has been made aware of the strategy and consideration of what appropriate next steps should be taken by the Group is currently underway. Accordingly, a collective response from Group Clubs may shortly ensue but, bearing in mind the American Club's domicile and solidarity with USCG action to protect American shores, the Managers felt that advance notice to the Club's Members would be helpful to all concerned.

Indeed, should any Member wish to obtain further details of the initiative from USCG or Port Authority sources, these can be obtained from:

Captain P. Boynton
First Coast Guard District
Tel: (617) 223 8203
Fax: (617) 223 8523
e-mail: pboynton@d1.uscg.mil

or

William Nurthen
Manager CPIP
Port Authority of NY and NJ
Tel: (212) 435 4220
Fax: (212) 435 4201
e-mail: wnurthen@panynj.gov

For their own part, and as always, the Managers will be pleased to respond to any inquiries Members may have in regard to this subject or, indeed, generally.

Yours faithfully,
Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB

Operation Safe Commerce

A Public/Private Partnership

A Proposal to Test Technical and Practical Standards for Border and Transport Security

Executive Summary

State and Federal agencies in the northeast U.S. have joined with private sector participants to initiate three projects to define and document methods for moving commerce quickly and safely in a potentially high terrorist threat environment. These projects test technical and practical solutions away from the border, at the point of origin and while in transit:

1. **Operation Safe Commerce (OSC)** – demonstrates intermodal product movement using off-the-shelf technologies to facilitate legitimate container movements across the *northern U.S./Canadian border*.
2. **New York/New Jersey – A Megaport** –demonstrates intermodal product movement using off –the-shelf technologies to validate legitimate container movements in the *international supply chains* between the largest international sea ports (megaport) of New York/New Jersey and European seaports such as Rotterdam and eventually other megaports.
3. **Boston – A Model Port** – tests security improvements and enhancements in the *Port of Boston*, including LNG and other tan vessels, containerized cargo and passenger cruise ships and ferries.

Legislation

S1214 and companion House bills, HR 3013, HR 3437 and HR 3621, mandate that DOT take action to improve security at maritime border of the U.S., establish a program to ensure security for U.S. seaports, and promote public safety and commerce.

These three projects are tangible examples of how state and federal agencies can partner with the private sector to prototype workable solutions that could better inform the legislative and regulatory process.

Projects

Project 1 – Operation Safe Commerce

Operation Safe Commerce is the initial project to beta-test technical and practical standards through a coalition of federal agencies, state governments and private sector businesses committed to enhancing border and international transportation security without impeding free trade and international commerce.

NEXT STEPS: A New Hampshire business has volunteered the use of its supply chain and will participate in the demonstration that will track and monitor a single container from its plant in Slovakia to its facility in New Hampshire. Additional businesses have expressed interest in joining the project to analyze additional supply chains. The Governor of New Hampshire, the US Attorneys for the districts of New Hampshire and Vermont, and the Coast Guard and Customs Service in New England have joined the Volpe National Transportation System Center to support this project.

Project 2 – New your/New Jersey – A Megaport

The NY/NJ Megaport project expands on the objectives Operation Safe Commerce by analyzing and testing supply chains between megaport. The objective is to enhance security in the international containerized cargo system from points of origin to various U.S. destinations while avoiding in-transit delays even when confronted with heightened threats of terrorism.

NEXT STEPS: To date, a group of public and private sector participants from New York and New Jersey have met and agreed to jointly address security issues affecting the containerized shipping system within their discrete supply chains between Europe (Rotterdam) and New York. The private sector participants are identifying a half dozen supply chains and participants to join in the project.

Project 3 – Boston – A Model Port

In addition to the containerized cargo supply chains that is the focus of Operation Safe Commerce and the NY/NJ Megaport projects, the Boston Model Port project also tests technical and practical standards for Liquefied Natural Gas (LNG) vessels, other tank vessels, cruise ships and ferries in the Port of Boston.

NEXT STEPS: To date, a preliminary analysis of the Liquefies Natural Gas (LNG) delivery system from its point of origin to its destination in the port of Boston has been completed and will serve as a template for further evaluations of other critical port-related activities. A working group of stakeholders in the port will convene by early April.