

Assessing the Economic Impacts of Port Security Regulations

New security imperatives are increasingly turned into regulations long before the associated costs and resource requirements can possibly be well understood. Both the public and various governmental agencies agree that something must be done, and quickly, but the how-to's are less well understood and may vary significantly across different constituencies. This is of particular concern for international requirements, such as recent port security requirements established by the U.N.-sanctioned and U.S.-supported International Maritime Organization (IMO).

In light of the increased emphasis on maritime security, a December 2002 diplomatic conference adopted measures developed by the IMO's Maritime Safety Committee. The requirements establish a comprehensive security regime for international shipping to be implemented by July 2004, including a new International Ship and Port Facility Security Code (ISPS Code). The ISPS Code contains both mandatory security-related requirements and additional guidelines for shipping companies, port authorities, and governments. The United States, European Union (EU), and other maritime transport stakeholder regions have been understandably concerned about the costs and benefits of these measures.

As part of enacting associated legislation, the European Commission (EC)¹ must determine anticipated costs not only for the 15 member countries with their widely divergent economies, infrastructures, and national regulatory frameworks, but also for the 10 acceding countries that present an even greater variation in their present conditions. The IMO requirements go into affect about the time



New port security requirements pose a multitude of challenges to the EU.

the new members join the EU. In such instances it is desirable to plan for the inclusion of the additional members, as the long-term costs will vary significantly if the additional countries are included. Some fixed costs essentially can be distributed over a greater number of members, improving the cost-benefit trade-offs, while in other areas the additional support needed by one or more of the acceding countries could overwhelm

the assumed resources, or endanger the EC's ability to meet the regulatory timetable if not taken into account in the planning stages.

ICF Consulting worked with the EC to provide a preliminary analysis of costs associated with implementing maritime security measures meeting the IMO requirements within the EU shipping industry. The physical security upgrades reviewed for both ships and port facilities included labor and equipment requirements for barriers, lighting, access control, intrusion detection systems, guards, cargo screening, security planning, training, exercises, etc. While many equipment items will have somewhat standardized costs throughout the EU, labor rates vary significantly by country. Specific maritime labor rates were used where available. However, maritime labor rate data

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¹ The EC has four primary functions in its role of providing administrative support to the EU: proposing policies and legislation to Parliament and the Council; administering and implementing EU policies; enforcing EU law (jointly with the Court of Justice); and negotiating international agreements.

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generally is scarce as many shipping companies protect this information for reasons of business competitiveness.

Furthermore, many of the new positions will require other types of skilled labor, not necessarily maritime experience. To provide a more realistic picture, the available rates were cross-indexed with more readily available labor rates for technical workers in various industry sectors requiring similar skills. Then labor rates specific to various countries were used directly where available and were scaled based on gross domestic product if data was not currently available for that labor category (which is common for countries not yet a member of the EU and therefore not fully captured within the standard EU databases).

This approach allowed both equipment and personnel costs to be determined for individual countries as well as at the EU level. The same basic approach could be applied readily to other regulations where new positions and requirements are being imposed across diverse stakeholders.

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