



# Paying For Port Security

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# The Alabama State Port Authority

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- A Public Corporation Wholly-Owned By The State
- Created To Promote, Maintain And Operate The Harbors And Seaports Within The State
- Self-Supporting
- No Appropriations From The State Other Than For Capital Improvements



# ASPA Facilities

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- 2600 Acres, A Few Blocks From The Mobile Central Business District
- 28 General Cargo Berths With 3,800,000 Feet of Warehouse Space
- Container Handling Facility
- Coal Import/Export Terminal
- Export Grain Elevator
- Dry Bulk Materials Handling Plant
- Liquid Bulk Terminal
- Cold Storage Facility
- Terminal Railroad System



# ASPA Security Before 911

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- Restricted Vehicle Access to Piers and Warehouses
- Tightened Requirements For Obtaining Vehicle Decals
- Developed Designated Parking Areas
- Converted From a Security Guard Force To a Sworn Officer Police Force



# ASPA Security Since 911

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- Restricted Access To The Port
- Developed Fingerprint-Based Credentialing
- Hired Additional Police Officers
- Created Off-Pier Parking Areas
- Fenced The Perimeter Of The Main-Docks Complex
- Installed CCTV System And Lighting
- Developed Training Programs



# America's Port Industry

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- Vast, Versatile And **Highly Competitive**
- Serves National Interests
- Handles 95% Of Foreign Trade
- Volume Is Expected To Double In The Next 20 Years
- Must Update And Modernize To Accommodate This Growth And To Ensure Security Measures Are In Place And Fully Functioning



# Independent Security Cost Recovery Mechanisms

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- Port Assessments Against Vessels
- Port Wharfage Surcharges
- Port Harbor Fees
- Carrier Surcharges



# FMC Sanctioned Actions

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- **Maritime Security Discussion Agreement** - A Coalition Of Ocean Carriers, Terminal Operating Companies And Operating Ports, Formed To Develop A Nation-Wide Method To Recover Port, Terminal And Vessel Costs Associated With Security.
- **Marine Terminal Conferences** - Permitted To Discuss Costs And Rates And, If Consensus Can Be Reached, Can Develop Equitable, Non-Competitive Security Cost Recovery Mechanisms For Their Members.



# Responsibility for Security

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- Ports, Terminals And Vessels Assume Responsibility For Their Own Security
- The **FBI** Takes The Lead On Terrorism
- The **INS** On Border Integrity
- The **U.S. Customs Service** Takes The Lead In Inspecting Cargo
- The **U.S. Coast Guard** Is Charged With Protecting Our Domestic Waters And Most Waterfront Facilities



# Who Will Pay For Security Costs

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- Security Must Be A Shared Responsibility Between Federal, State And Local Governments, Seaports And Private Industry For It To Work Effectively
- Congress And The Administration Have Apparently Determined That The Nation's Seaports Do Not Need Large Infusions Of Federal Dollars To Meet The Mandates Imposed By The MTSA And Resulting U.S. Coast Guard Regulations



# Michael Chertoff, DHS Secretary

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- “The Federal Government Has Unique Access To Intelligence, Powerful Investigative Tools, And Strong Resources. But The Federal Government Cannot Fund Or Address All Of The Risks Involved With Terrorism On Its Own. To Complete Our Mission, We Must And Do Count Heavily On Partnerships With Our State And Local Governments And The Private Sector.”
- “The Kind Of Partnership That Protecting The Homeland Requires Means That We Not Only Share Information But Also Responsibility. It Means That We Not Only Exchange Expertise But Also Expect Accountability. It Means That Our Partners Must Bear A Part Of The Security Burden As Well As Become Part Of The Security Solution.”



# Michael Chertoff, DHS Secretary

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When Secretary Chertoff Said:

**“It Means That Our Partners Must Bear  
A Part Of The Security Burden...”**

He Meant:

**The Government Is Not Going To Pay  
For Port, Terminal And Vessel  
Security!**



# Developing A Fee Structure

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- A Fee Must Be Transparent And Based Upon Provable Security Expenses



# Developing A Fee Structure

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- Only Costs Associated With Post-9/11 Security-Related Expenses Should Be Recoverable In Any Proposed Fee



# Developing A Fee Structure

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- Proceeds From State and Federal Grants Should Be Excluded From Cost Recovery Mechanisms



# Developing A Fee Structure

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- Fees Assessed Only Against Cargo Will Not Be Equitably Distributed, Because Of All-Inclusive Rates And Container Rates Ports Negotiate With Carriers, Which Typically Include Port Handling Charges



# Developing A Fee Structure

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- Consideration Must Be Given To The Commercial Implications Of Any Proposed Fee



# Developing A Fee Structure

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- The Initial Fee Should Be Introduced And Explained As A Fee Which Will Be Adjusted As Required To Meet Rising Security Expenses



# Developing A Fee Structure

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- A Security Fee Should Be A Minimum Fee; Members That Can Justify Higher Fees Should Be Permitted To Do So



# Developing A Fee Structure

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- A Security Fee Should Be A Surcharge Assessed In Addition To Tariff Charges



# Developing A Fee Structure

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- After A Fee Has Been Agreed Upon; It Should Be fully Implemented, Or Not Implemented At All, By Individual Members. If Members Begin Negotiating or Discounting The Minimum Fee, It Will Undermine The Entire Effort



# Developing A Fee Structure

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- Vessel Owners And Operators Can Be Expected To Resist Efforts To Assess Fees Against Their Vessels, And Will Claim That They Are Being Double Charged, Since They Also Have Security Responsibilities Under ISPS



# Gulf Seaports Marine Terminal Conference Fee Structure

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- Assessed Against Vessels And Barges As A Percentage Of Total Dockage
- Assessed A Tonnage Fee Against Cargo
- Assessed A Per Unit Basis For Containers
- **VESSELS:** Five (5) Percent Of Total Dockage Assessed
- **CARGO:**

|             |        |               |
|-------------|--------|---------------|
| Breakbulk   | \$ .10 | Per Ton       |
| Bulk        | .02    | Per Ton       |
| Liquid Bulk | .02    | Per Ton       |
| Containers  | 2.00   | Per Box       |
| Vehicles    | 1.00   | Per Vehicle   |
| Passengers  | 1.00   | Per Passenger |
- Implementation No Later Than April 1, 2005



# Other Security Fees

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- **South Carolina:** State Ports Authority Decided On February 19, 2004, To Impose A Terminal Security Surcharge Of \$1 Per Foot On The Overall Length Of Each Vessel Or Barge Calling On Its Terminals. The Fee Became Effective On July 1, 2004.
- **Corpus Christi:** Effective August 1, 2004, Imposed A Security Surcharge Of 10% On “All Dockage, Wharfage And Terminal Use Rates.”
- **Stockton:** Effective March 1, 2005, Began Assessing A Fee Of \$0.12 Per Deadweight Ton On All Vessels Calling On Its Terminals
- **California Association Of Port Authorities:** On March 3, 2005, Authorized Its Member Ports To Increase Tariff Charges By Up To 5% Beginning July 1, 2005. The Association Said The Increases Were Sought To Recover Costs Incurred By The Ports Including Security, Infrastructure, And Maintenance.



# Other Security Fees

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- **Florida Ports Conference:** On June 8, 2005, Adopted Security Fees Which Are Essentially Identical To The Gulf Seaports Conference And Are Scheduled To Take Effect On Or Prior To January 1, 2006
- **Georgia Ports Authority:** Effective July 1, 2005, Assessed A Security Surcharge On Vessels Calling On Its Terminals The Surcharge Rates Are:
  - Fully Cellular Vessels: \$2.00 Per Container, Laden Or Empty, To Or From The vessel
  - Noncellular And All Other Vessels, Including Barges: \$1.00 Per Linear Foot.
- **Portland (OR):** Effective July 1, 2005, Began Assessing A Port Security Fee Of \$600 Per Day Per Vessel
- **The Virginia Port Authority (VPA)** Announced May 27 That, Effective August 1, 2005, It Will Begin Assessing A Security Surcharge On Cargo Moving Through Its Terminals. The Surcharge Rates Are:
  - Container: \$2.00 Per Container
  - Breakbulk: 10 cents Per Short Ton
  - Vehicles: \$5,000 flat Annual Fee To Lessee



# Ports Are Different

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- At ASPA We Operate The coal Terminal, Bulk Handling Plant, Container Facility And Terminal Railroad
- The Grain Elevator, Liquid Bulk Terminal And Cold Storage Facilities Are Leased To Private Operators
- Private Stevedores Are Responsible For Cargo Handling At Our General Cargo Berths
- Private Sector Partners Will Operate Our New Container Terminal



# Security Costs At Mobile

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- Capital - \$5 Million So Far
- Operating Cost – Increased By \$1.5 million Per Year
- Insurance Cost – Increased By 40 Percent
- On-Going Post-9/11 Cost - \$2.3 Million Per Year
- Will Continue To Increase



# Industry Security Costs

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- Coast Guard Estimates \$7 Billion To Comply With Regulations
- Security Grants - \$800 Million
- Requests For First 4 Rounds - \$2.5 Billion



# Federal Assistance Needed

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- Federal Help Is Essential To Ensure That Maritime Security Regulations Can Be Implemented
- Costs To Implement Security Enhancements Will Impact Public Ports' Ability To Invest In Required Infrastructure Improvements
- The Long-Term Impact Will Be Significant And Will Be Detrimental To The Ability Of Ports To Handle The Projected Growth In Trade
- The Nation Likely Will Face A Lack Of Capacity Or See Growing Inefficiencies In The System In The Future
- Costs Will Have To Be Passed On To Customers, Causing A Potential Diversion Of Cargo To Areas Where Fees May Be Lower
- It Is Vital That Congress And The Federal Government Partner With Our Industry To Secure The Country's International Borders Quickly



# ASPA Pledge

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Alabama State Port Authority Will Work With The Port Community To Maintain Fair And Transparent Cost Recovery Mechanisms, And To Keep Such Costs At The Lowest Possible Level. However, We Cannot Continue To Fund Federally-Mandated Security Expenses Without Additional Federal Assistance, Or In The Absence Of Such Assistance, Assessing Reasonable Fees On Users Of Our Facilities.



# The Alabama State Port Authority



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