

Geneva, 13 November 2006

IRU POSITION ON SUPPLY CHAIN SECURITY

*Adopted by the IRU Goods Transport Council in Geneva, on 9
November 2006*

IRU Position on a European Commission (EU) Proposal for a Regulation on freight transport supply chain security

I. ANALYSIS

In February 2006, the European Commission published a Communication containing a Proposal for a Regulation to enhance security in the land transport supply chain (road, rail and inland transport), with the objective of increasing the level of security without impeding the free flow of trade and establishing a common framework for a systematic European approach.

The Commission proposes to:

- a) establish a mandatory system requiring Member States to create a security quality label ("secure operator") which can be awarded to operators in the land transport supply chain meeting European minimum security levels. Secure operators would benefit from facilitated "fast track treatment".
- b) introduce within the mandatory provisions for the Member States, a *voluntary* scheme for operators to increase their security performance in exchange for incentives, as yet to be defined.

The Proposal has far-reaching business and policy implications for the road transport sector inside and outside the European Union, but also for the EU economy and the very functioning of the internal market.

Within the proposed security scheme, four different operators have been identified and can be awarded "secure operator". The activities of the operators relate to:

- preparation of goods for shipment and shipment from the production site;
- transport of goods;
- forwarding of goods;
- warehousing, storage and inland terminal operation shippers.

According to a dedicated study preparing the grounds for the Commission's proposal, compulsory measures should be introduced at European Union level *as from 2009*, after an initial period (2006-2008), where voluntary schemes, such as audits, awareness raising, employee vetting, seal programmes, etc. would be introduced by the industry itself.

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The possibly underestimated financial impact of implementing full scale security measures at EU level amounts to more than EUR 48 billion in implementation costs and around EUR 36 billion for annual maintenance costs ¹ to be born by freight transport operators and their partners.

Obviously, the bulk of this extraordinary high amount of investment and maintenance costs will be born by *transport operators* and, in particular, by road transport operators, which represent the large majority of “more than half a million companies in transport and ancillary services”, as the study states.

Such costs would be practically impossible to evaluate and absorb, in particular under the current market situation of extremely low profitability in the EU freight transport sector, unless clearly defined and quantifiable accompanying support measures are concomitantly implemented, including fiscal incentives, clear economic benefits for complying companies and security surcharges in transport contracts.

II. IRU POSITION

The IRU, recalling its previous Position on road freight transport security, adopted in 2004, ²

- supports the good intention to create a general security framework instead of a patchwork approach but it insists that such a framework should be based on existing obligatory and voluntary schemes without inventing new security systems ³; in order to prevent that hauliers are faced with a plethora of uncoordinated rules and regulations on security at national, international and EU level (too many international bodies dealing with the same subject, no compatibility of the various “secure operators” regimes being defined inside and outside the Commission), any new EU legislation should harmonise and ensure the interface between these security schemes and minimise their potential differences;
- is extremely concerned about the financial implications of the proposed security measures and the “secure operator” label and cannot accept that the bulk of the exorbitant amounts is imposed on the road transport industry; clearly defined and quantifiable accompanying support measures are to be concomitantly implemented, including fiscal incentives, clear economic benefits for complying companies and/or security surcharges in transport contracts; in this context, insufficient thought has been given as to the *real* rewards the industry could benefit from, in particular in case of purely EU-intern (“domestic”) operators who could not enjoy such benefits as e.g. facilitated customs procedures (“fast tracks”) of relevance for cross-border operations only;
- is equally concerned by the fact that the Proposal keeps silent about the role and responsibilities of the state in maintaining security of the supply chain apart from the need and task to introduce the heavy certification schemes (which will, at the end of the day, provide a lot of new income for certification companies...); it is not clear how the state intends to secure large, open-access and public transport infrastructure networks, the bulk of which is state owned; in the extreme case, the supply chain as such can be “very secure” but what if

¹ For very small companies (below 10 employees) in the road transport sector, the average one-off implementation costs were estimated at EUR 3 000; EUR 12 000 for companies with up to 50 employees, EUR 49 000 for companies of up to 250 employees, and EUR 148 000 for companies with more than 250 employees. The annual maintenance costs for very small companies (up to 10 employees) in the road transport sector were estimated at EUR 4 000, respectively, EUR 19 000 for companies with up to 50 employees, EUR 59 000 for companies with up to 250 employees and EUR 203 000 for those with more than 250 employees.

² See in Annex to the present Position

³ Such main existing or “in-the-pipeline” schemes are the following: WCO: Security guidelines; ISO: (PAS) 28000, 28001, 28003 and 28004; EU: Community Customs Code (COM2003/452), Regulation (EC) 648/2005 covering pre-notification, AEOs, risk management; UN: ADR, TIR; etc.

the “secure” supply chain operations are run in an insecure environment and on insecure roads, bridges, tunnels, etc.; there is no mention either of the state obligation to provide secure parking areas sufficient to cover the needs of growing traffic along the road network;

- regrets that the Proposal keeps silent about the “third-country dimension”; it is feared that the “secure operator” concept would involve a certain level of discrimination against third-country supply chain operators who would not have access to EU certification schemes.
- appeals finally to the European Parliament and Council to strike a better balance between the expected high costs and the hardly identified benefits for the private industry, in particular in view of the fact that the consultants have proposed to the Commission to transform the “secure operator” scheme as part of the proposed Regulation into a mandatory regime in a few years' time.

The IRU re-emphasises that increasing the security level in the supply chain is a Public-Private Partnership (PPP) type of undertaking, whereby not everything can and should be regulated by laws, regulations and decrees. Furthermore, PPP means also the acknowledgement of the utility of industry initiatives, like the IRU Road Freight Transport Security Guidelines, a security toolkit of voluntary guidelines developed by the IRU for road transport operators, drivers and their partners in 2005.

The implementation of these industry-initiated pragmatic Guidelines is being supported by an International Road Goods Transport Security Task Force of national road transport associations and the IRU.

In addition, the updating of the IRU-ECMT publication on secure and civilised truck parking areas (last issue of 2003 covered some 30 countries and 2500 parking places) and the research of the complex matters related to attacks on international drivers are excellent examples of PPP, both enhancing the security level of road haulage activities.

Last but not least, the everyday management or driver decisions and daily activities under good governance and applying the most evident precautionary measures of “everyday” security to protect the driver, the cargo and the partners to professional road transport, whether from a commercial/logistic chain or a road safety and security perspective, should not be underestimated.

Annex: IRU Position on Road Freight Transport Security, 2004 (CTM/G5371/CORR)

HAULAGE SECURITY IN THE EU AND BEYOND
IRU POSITION

This Position was adopted by the IRU Goods Transport Council at its meeting held in Yokohama, Japan, 21 April 2004. See CTM/G5371/CORR.

Analysis

In the aftermath of 11 September 2001, much attention has been focused on improving security in transport and logistics. Initial measures focused on air and maritime transport, attention is now turning to the whole logistic and supply chain, which covers all modes of transport, including the road mode.

The IRU position is fully consistent with the European Union Economic and Social Committee on "Security of Transports" (Official Journal C 061, 14/03/2003 P. 0174 – 0183) striking the balance between Security and Facilitation:

"If security procedures become too stringent the business of transporting goods could grind almost to a halt, which would give terrorists the success they were seeking.

New security measures should be balanced in relation to the objectives they pursue, their costs and impact on traffic.

Unilateral measures are unacceptable, especially when they are applied asymmetrically and to the detriment of the interests of third countries.

Given the international character of ... transport, security requirements should be based on reciprocal arrangements, uniformly applied and enforced without discrimination and must allow for the most efficient flow of trade."

Position

The haulage industry is fully conscious of the need to contribute to security in road transport. For clarity purposes, in this Position, the IRU limits its considerations to security against terrorism excluding more "classical" aspects of road safety, even if safety and security matters are often interrelated. The safety aspects are dealt with by the industry under other headings.

Enhanced security is in the road transport sector's own interest. The role of States and their authorities in ensuring general security is however irreplaceable. It is their basic obligation.

The goodwill and active participation of the road transport sector are essential to the success of any measures designed to improve security.

It should also be borne in mind that zero risk does not exist and total security can never be guaranteed.

1. **Competition in a globalised economy demands efficient logistic systems** whereby operators constantly strive to improve quality, safety and security without compromising efficiency and sustainability.
2. **Facilitation of transport and trade cannot be ignored**, even when security considerations are high on the agenda. It is essential to strike a proper balance between security and facilitation of formalities and procedures, in particular at frontiers.
3. Security concerns do not represent a **reason for modal shift**: the road transport sector does not represent a higher risk than other modes of transport.
4. **Security co-operation between the public and private sectors can be extremely effective** and should therefore be reinforced. The road transport industry cannot take over state functions. But it can shoulder its own responsibilities such as for example in dangerous goods transport.
5. **Existing security/facilitation instruments** offering both security and facilitation benefits should be used to the maximum, such as the United Nations' TIR or the EU's Common/Community Transit systems.
6. **Fraud in customs transit systems** and people smuggling must be fought by customs authorities acting in a determined manner to identify the person(s) directly liable for the crime. Furthermore, legislation and self-regulation in customs transit management systems, protecting the rights of honest traders, introducing computerised systems to ensure rapid data exchange and tightening admission criteria to customs transit systems, should widely be implemented.
7. **"Self-security" measures** by the haulage industry should remain high on the agenda whereby the driver plays a crucial role, although all actors have their own responsibilities. In order to tackle these, the IRU will elaborate voluntary security guidelines for the haulage industry. Such efforts by the sector to improve security should be duly recognised.
8. **Duplication of effort by international bodies is harmful and must be avoided**. The road transport industry wishes to see an efficient harmonisation of all security related efforts on the international scene.
9. **Security policies must be information-based**. Rational and effective measures to enhance security can only be based on reliable information and understanding of international crime and terrorism as well as security-related risks and intelligence information.
10. **Security related financial burdens fall on the end users**. Legislators must keep in mind that financing security systems falls on the end users and beneficiaries of goods and services either as consumers or tax payers.
11. **Enhanced security should not reduce operators' freedom unnecessarily**. Transport infrastructure security must not lead to unwarranted restrictions on transport operators' easy access to roads, ports, terminals and other infrastructure facilities.
12. **"Authorised transport operators" should enjoy facilitation**. The road transport sector can support, in principle, the introduction of the concept of "regulated agents" and "known shippers" or "authorised transport operator" by the granting of real facilitation benefits to players so designated. Conditions of such a designation should be selected very carefully and implemented in a fair manner in order to avoid any discrimination between hauliers. Haulage associations cannot be competent for the implementation of the "authorised transport operator" concept.

If introduced, a unique designation should be granted for the territory of the whole EU. States should consider as possible examples and starting point for the selection of distinct criteria for the "authorised transport operator" status the conditions of access to transit systems (e.g. TIR Convention, Annex 9, Part II) or those of access to the profession of hauliers.

13. **Electronic advance customs declarations should not be implemented hastily!** Advance electronic customs declarations will require considerable changes to current practices and substantial investment. Adequate implementation time and suitable facilitation incentives should be provided while the possibility to use paper documents should be kept.
 14. **A 24-hour pre-arrival notification to customs authorities in case of border crossing traffic is excessive for road transport.** Just-in-time requirements simply do not allow such a long pre-notification period. A two-hour limit for electronic pre-arrival/departure declarations or four-hour limit for hard-copy alternative seems to be more realistic.
 15. **The industry supports the use by customs of “single window” or “one-stop shop” control technology and “risk management” as well as the use of a unique cargo identification number.** The definition and input of this number through a “single window” into the logistic and supply chain should happen only once.
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