

Shift cost of port security from government to private industry, study says

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An incentive system for shippers could help push some of the costs and responsibilities of port security from the federal government to private industry, according to the Management Insights feature in the current issue of *Management Science*, the flagship journal of the Institute for Operations Research and the Management Sciences (INFORMS).

"Securing the Containerized Supply Chain: Analysis of Government Incentives for Private Investment" is by Nitin Bakshi of the London Business School and Noah Gans of the Wharton School.

Management Insights, a regular feature of the journal, is a digest of important research in business, management, operations research, and [management](#) science. It appears in every issue of the monthly journal.

More than 15 million containers enter the United States through its ports each year carrying more than \$400 billion in products. The researchers investigated how the U.S. Bureau of Customs and Border Protection (CBP) should structure its inspection programs to improve safety against terrorist threats while maintaining fluidity at borders.

Because inspection-driven congestion is costly, CBP provides incentives for firms to improve security upstream in the supply chain to reduce the inspection burden at U.S. ports. Drs. Bakshi and Gans evaluated the CBP Customs-Trade Partnership Against Terrorism (C-TPAT) incentive program to understand its effect on the CBP, firms, and terrorists. They find that, with proper incentives, C-TPAT can shift some of CBP's

security burden to private industry while simultaneously reducing total terror prevention costs.

From the perspective of the companies, the benefits of joining C-TPAT must offset the additional investment required to comply with the security guidelines. The authors focus attention on the benefit related to reducing the frequency of inspections.

An additional level of benefits would be realized from a proposed tiered membership of C-TPAT, with the highest performing members of C-TPAT being eligible for access to an inspection-free shipping process - referred to as the "green lane" concept.

The authors note that implementing this proposal is contingent on research advances and the successful rollout of "smart" containers.

Provided by Institute for Operations Research and the Management Sciences

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