Insights from the Innovative Trade Network Team

**Presentation by
Robert M. Massey, CEO
Cotecna Inspection SA
to the**
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Mr. Chairperson, thank you for giving me the floor. Honourable Ministers, your Excellencies, Ladies and Gentlemen, Good afternoon.

As the Chief Executive Officer of COTECNA Inspection SA, I am here today representing the Innovative Trade Network (ITN), a team of companies that together has developed an international trade facilitation initiative. I would like to take this opportunity to brief you on the work-in-progress of this important project.

BV Solutions Group, Inc., Calspan UB Research Center, Inc., Cargill, COTECNA, Inc., FreightDesk Technologies, Inc., Honeywell Laboratories, Lockheed Martin, TransCore and Veridian are the 9 companies with expertise in transportation, technology and supply chain industries that have decided to form the ITN team. (cf. Annex 1 for a description of each company)

Our mission is to invent a global trade network that is both secure and efficient. The team as a whole provides all the elements needed for a comprehensive solution to improving and securing the international trade process using readily available technologies that are accessible to all trading nations.

COTECNA, in particular, brings two relevant capabilities to the ITN team: **Trained Inspectors** and **Scanning and Sealing Technologies**. We specialize in monitoring commercial trade routes in order to ensure their integrity by combining sophisticated scanning and sealing technologies with highly trained inspectors.
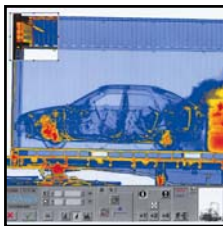
Please note that it is the combination of technologies and skilled inspectors that deliver the required integrity. *Both* components are essential.

Cotecna has an extended network. There are currently Cotecna people on the ground all around the world. You may be familiar with our work in Iraq, where our inspectors have monitored the United Nations' Oil-for-Food program for the past five years using sophisticated secure satellite

communication systems. Others may know of our work in Africa, Latin America and Asia, where we work with customs officials in several countries, providing services ranging from Risk Management, X-Ray Scanning, Destination Inspection, Customs Valuation Assistance, to name a few.

Some of our customer relationships are quite innovative.
For example, joint ventures with a number of governments have enabled us to introduce the first ship-container X-Ray scanners into several African ports. Today Cotecna fully owns and operates 5 container scanners and was recently awarded a 10-year contract to finance, install and operate 14 X-Ray scanners in seaports, airports and land borders of one West African country.

Nowadays, we are confronted with a shift in focus where concern for Security has become more sensitive than ever, a change which impacts individuals all over the world. Unfortunately, the way we trade today does not adequately address these new apprehensions. We are aware, for example, of the United States' 24-hour manifest rule and its potential impact on international business – the commerce of goods around the globe could suffer from a major slowdown due to the lack of appropriate means and proper coordination between the different stakeholders (international organizations, trade associations, government bodies), should proper action not be taken and implemented. The **antidote** is therefore to produce the required information accurately and swiftly and to securely communicate it to the relevant parties.

In a world where a threat in one single location can disrupt trade everywhere, the only acceptable solution is one that includes and works for all trading nations. For that reason, ITN envisions an infrastructure that is global and which uses readily available technology to all trading nations, anytime, anywhere.

The ITN consortium is the basis for a comprehensive solution that comprises a worldwide network of trusted partners (or agents) with secure communication and software systems, integrating off-the-shelf technology, such as electronic sealing, scanning and tracking.

With this in mind, we foresee 3 major complimentary processes:

The first process entails the inspection and verification of locations, content and people.

The second process consists in implementing Data Clearinghouses, which distribute appropriate information to the appropriate supply chain trade lane participants *in real time*. This second procedure highlights an important and highly relevant benefit of the proposed ITN solution.

The third process lies in Profiling transactions, using historical data to assess the level of risk and prompt appropriate action. This is what the proposed solution will do.

ITN wishes to achieve an ideal scheme with the proposed solution: many of the technologies and processes we require are already operational today, however they must be appropriately and seamlessly integrated. Furthermore, a business model needs to be applied for the solution to become complete and efficient. Following, is an illustration of the suggested scheme:
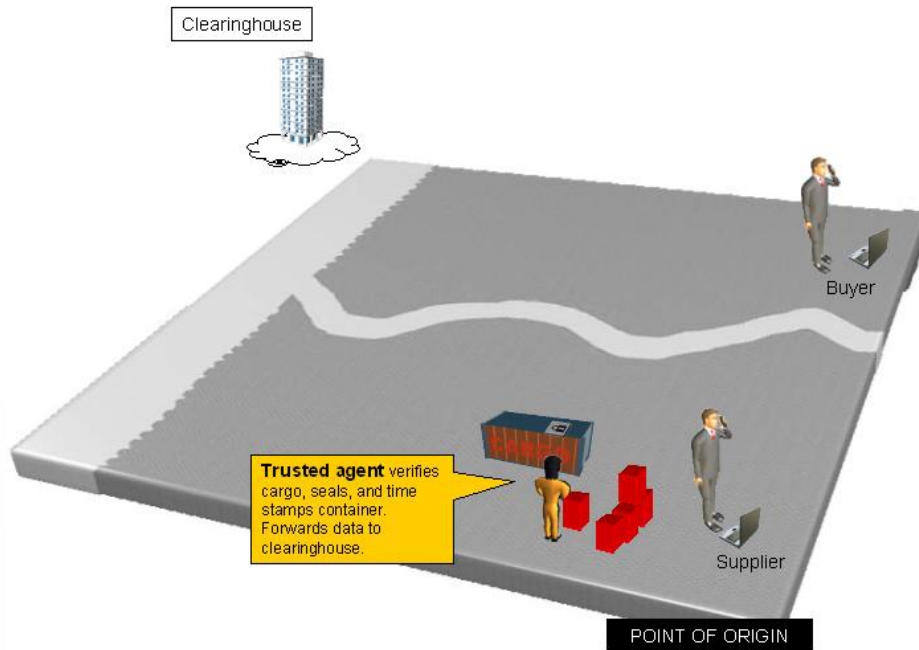
The scheme
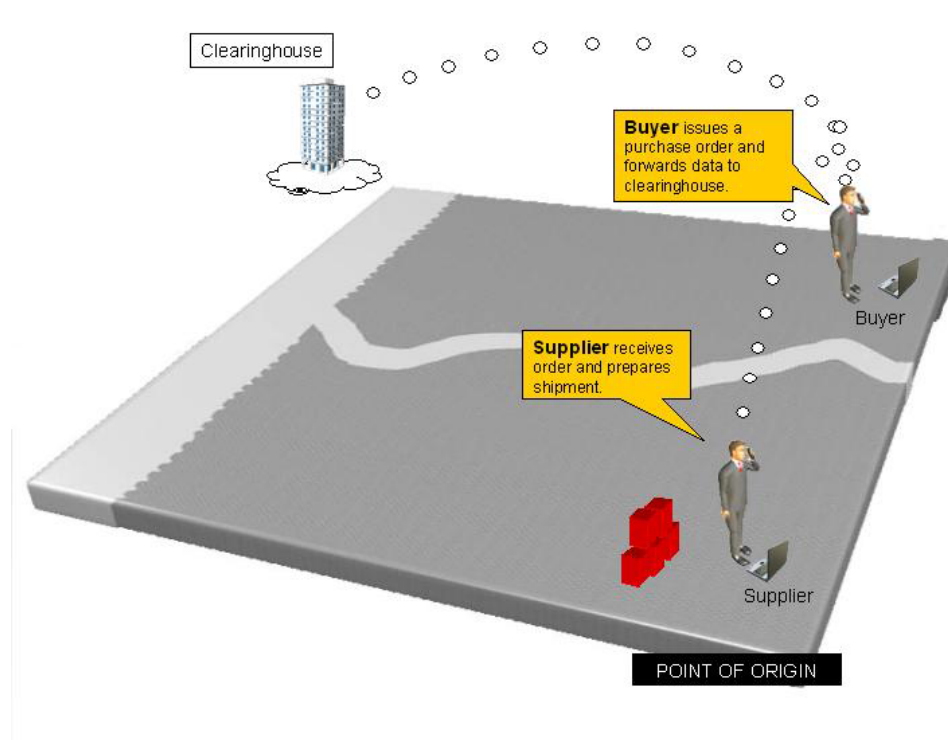
A *Buyer*, anywhere in the world, initiates the process by issuing the necessary information and sharing it with the Data Clearinghouse by electronic means.

The *Supplier* receives the order and prepares the shipment.

An independent third party, a "*trusted agent*", verifies the cargo; seals and time-stamps the containers; releases the collected data to Credentialed Transporters; and forwards them to the Clearinghouse electronically.
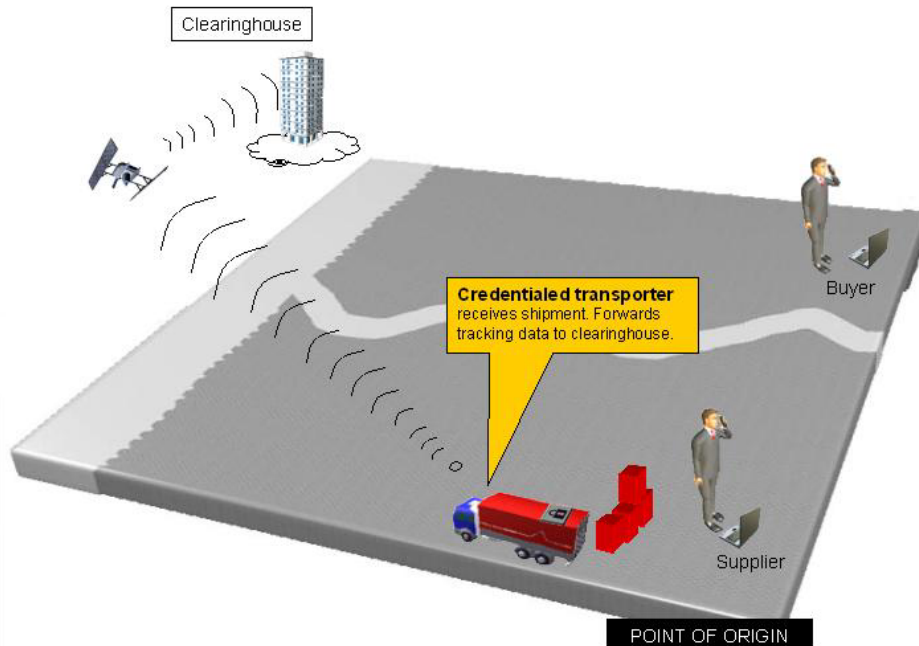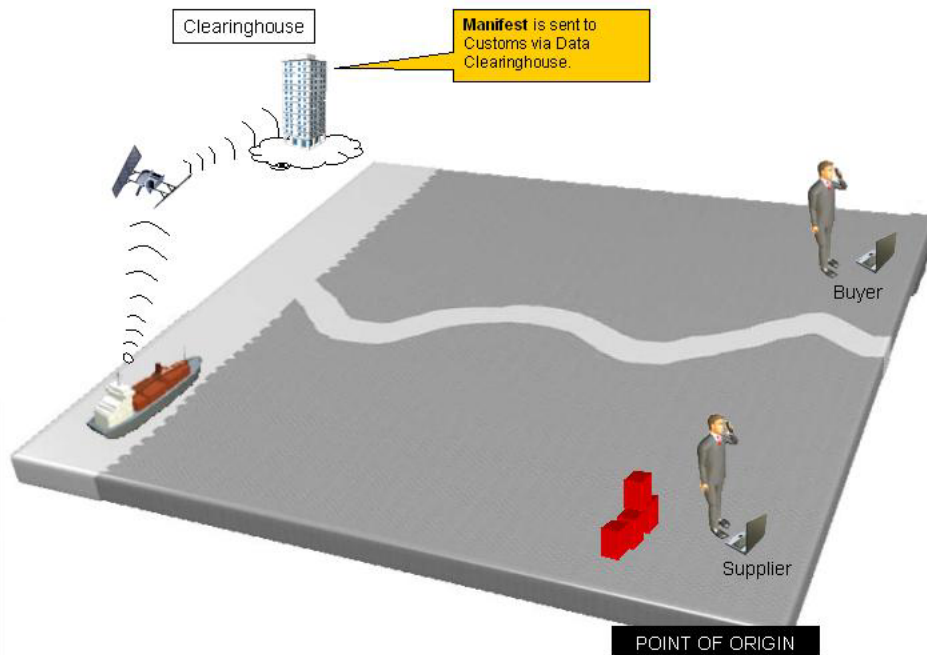

The Credentialed *Transporter* takes the shipment to the port of loading and forwards the tracking data to the Clearinghouse.
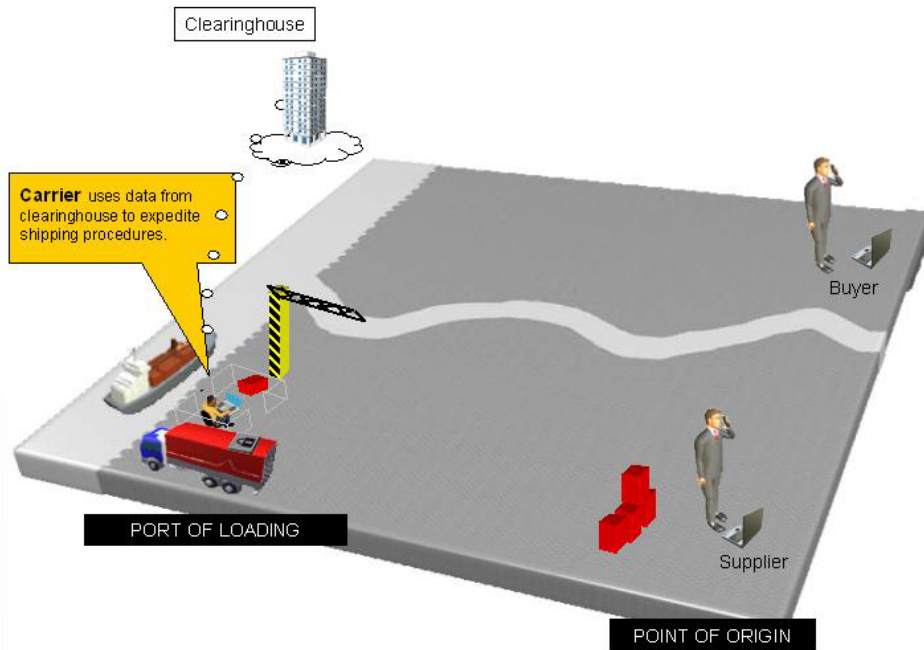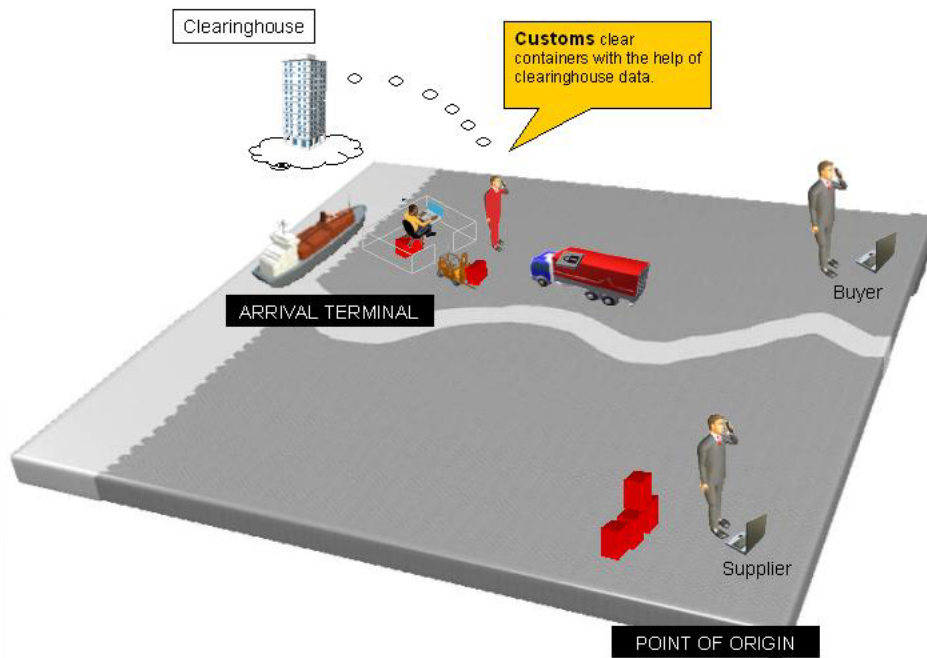
Thanks to the Clearinghouse, the *Carrier* has the information they need to meet reporting requirements and act with confidence to expedite the shipping procedures.

The Carrier updates the Clearinghouse when the cargo is loaded on the ship. A manifest is issued from the Carrier to the destination Customs authorities via the Data Clearinghouse.

We understand how the availability of information in real time improves both security and efficiency: with the help of the data originating from the Clearinghouse, the Customs clear the containers.
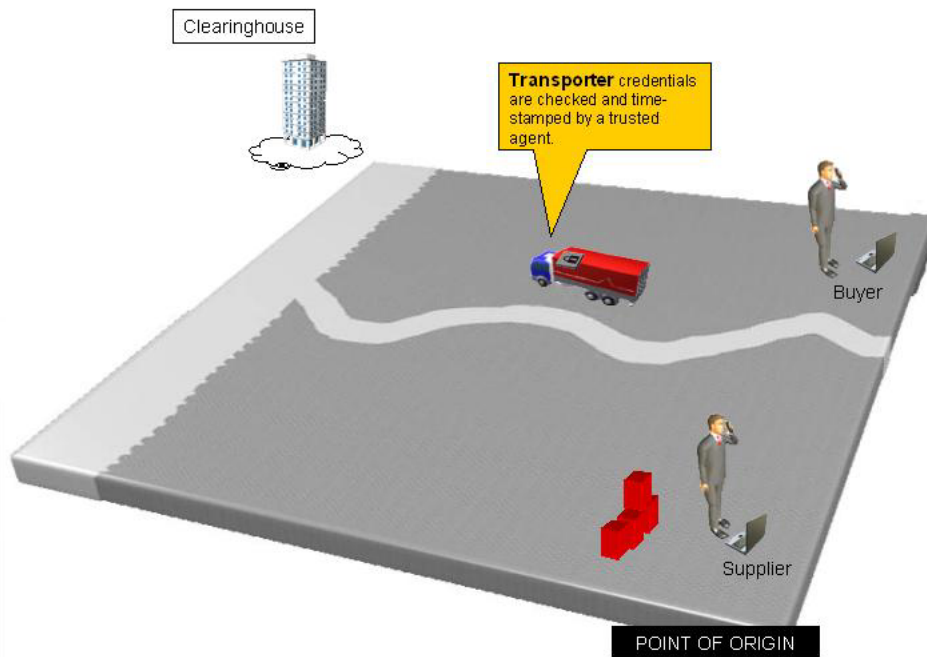
The final destination Transporters credentials are checked and time-stamped by a trusted agent.

The Transporter then sends the tracking information to the Clearinghouse and the Transporter delivers goods to the Buyer.
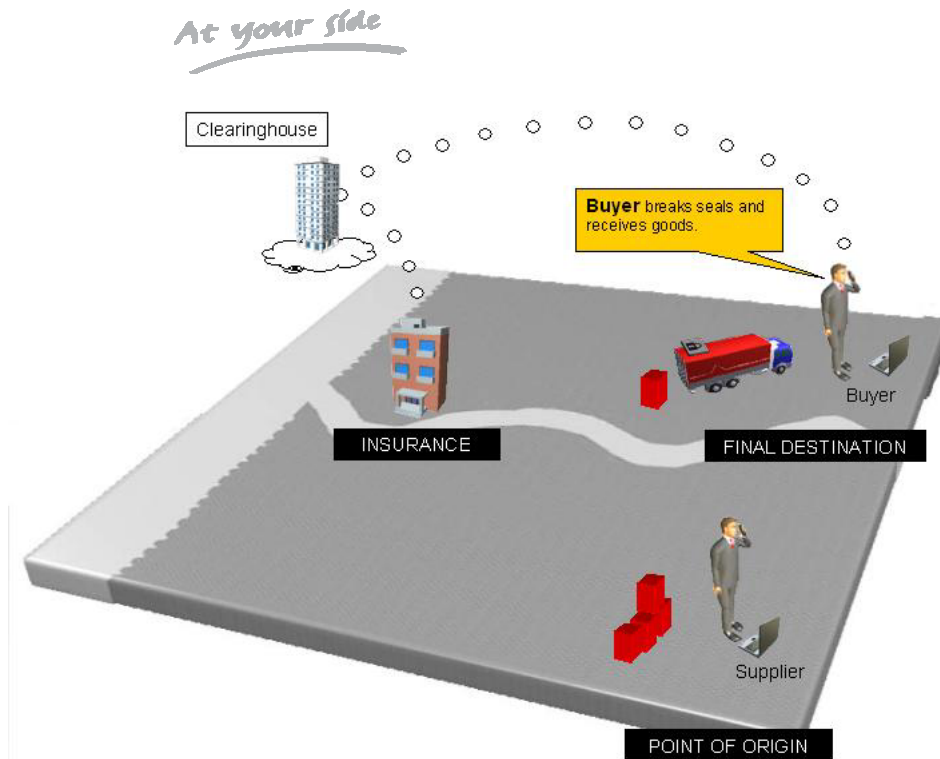
The Buyer breaks the seals and receptions the merchandise.

How would such a solution to be financed? The basic idea underlying the scheme is for it to be self-sufficient: the enhanced trade process should allow the various stakeholders to bear the financial costs through the benefits generated by the scheme itself.

Our experience has shown that investments in improving trade lane efficiency – by removing gaps, by reducing the paperwork, for example – deliver an economic payoff. The level of benefits it brings to its users proves the success of any new technology. In our case, this would be identifiable as: *faster processes, security, real-time accurate information sharing* which will lead to increased economic efficiency and trade facilitation.

This global trade solution is entirely based on the voluntary participation of the stakeholders, whether in the public or private sectors. This solution will facilitate trade, strengthen security and automate mandatory government reporting. A global trade system that improves security and efficiency will expand world trade. By sharing our ideas, concepts, knowledge with different stakeholders (international organizations, trade associations, governments, exporters, importers) we have conceptualised a solution that addresses the issue of security while improving trade. This is an important point and the very reason why the world nations should invest in a Global Trade Security System.

Thank you for your attention.

Annex 1

<u>Press Release</u>

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INNOVATIVE TRADE NETWORK Consortium Formed to Enhance Global Trade Security, Economics

WASHINGTON, D.C., May 13, 2003 – Nine companies with expertise in transportation, technology and supply chain industries today announce the formation of the INNOVATIVE TRADE NETWORK (ITN), a team of specialists from: **BV Solutions Group, a division of Black & Veatch Corp.; Calspan UB Research Center Inc.; Cargill, Incorporated; Cotecna Inc.; FreightDesk Technologies Inc.; Honeywell; Lockheed Martin; TransCore; and Veridian.** The companies have joined together to assess techniques for global trade supply chain security enhancements, ensuring that the logistics industry concentrates on best business practices to improve   transportation security and economics, rather than focusing on specific technologies. These practices would have global applications, including the oversight of container shipments coming into the United States. Members of the ITN will present their recommendations for facilitating international trade at the United Nations Economic Commission for Europe Forum to be held in Geneva, Switzerland on May 15, 2003.

With millions of trade shipments entering the United States each year, government and industry leaders recognize the potential risks in the current environment. Establishing safeguards is clearly essential to hinder the use of the global supply chain as an illegitimate conduit for chemical, biological, nuclear or other weapons of mass destruction. These safeguards must not only secure the flow of goods, they must also enhance the flow through ports and across borders. Together, the companies of ITN will work internationally with governments, agencies and industry partners to create global supply chain systems – from manufacturer, to ports of entry, to consumers – that focus on sound business models which facilitate trade and serve as catalysts for improved security measures.

"The key is to look at the comprehensive business model," said Dean Kothmann, ITN spokesman and BV Solutions Group Chief Development Officer. "ITN's objective is to create the infrastructure and business model to allow all nations, ports, technology providers, and logistics providers to play on a level playing field that improves economics while addressing security issues associated with commercial shipping."

A memorandum of understanding signed by the nine founding companies outlines the individual roles and responsibilities as the team pursues grants and projects:

BV Solutions Group Inc., a subsidiary of Black & Veatch Corp. ranked 78th on the *Forbes* "500 Largest Private Companies in the U.S." list, is a leading program manager and designer of engineering and operation information systems and processes. BV will provide overall program management, project controls, schedule, cost management, scope management, system architecture design, and data clearinghouse services. Based in Overland Park, Kan., the company provides IT services to Fortune 1,000 clients. Black & Veatch Corp. is a leading global engineering, construction and consulting company specializing in infrastructure development in the fields of energy, water and information. Visit www.bvsg.com and www.bv.com

Cargill, Incorporated is an international marketer, processor and distributor of agricultural, food, financial and industrial products and services with 97,000 employees in 59 countries. Based in Minneapolis, the company provides distinctive customer solutions in supply chain management, food applications, and health and nutrition. Given its recognized expertise in global trading and supply chain logistics management, Cargill will offer project management, food security and tracking, IT systems and support services. Visit www.cargill.com.

Cotecna Inc., based in Washington D.C. and a member of the Cotecna Group of Geneva, Switzerland, is a recognized world reference in the facilitation of a secured flow of goods from market to market (M2M) and has developed a range of innovative trade management tools designed to ensure compliance with national and international standards. Cotecna will serve as a trade lane provider and offer project management, container validation, shipment load overview and audit, sealing of container, tracking up to loading and shipping, satellite tracking, digital photography and x-ray scanning, as well as collecting, treating and formatting all data from empty container inspection up to container loading and shipping. The Cotecna Group has 4,000 personnel in 150 offices in 100 countries worldwide. Visit www.cotecna.com.

Calspan UB Research Center Inc. (CUBRC) is a diverse research, development, engineering and testing company focused on providing defense, intelligence, transportation and homeland security solutions. Based in Buffalo, N.Y., CUBRC is an independent, not-for-profit corporation jointly formed by Veridian and the State University of New York at Buffalo. **Veridian** (NYSE: VNX) provides information-based systems, integrated solutions and services to the U.S. government, focusing on mission-critical national security programs. Veridian operates at more than 50 locations, and employs over 7,300 professionals. The company's annual revenues are approximately $1 billion. Visit www.veridian.com. **CUBRC** and **Veridian,** as strategic partners**,** will offer data profiling of containers including data warehouse design and development, data mining and knowledge discovery, and decision support tools for analytics and visualization; trade lane threat and vulnerability assessment for weapons of mass destruction and other threats.

FreightDesk Technologies Inc. provides Internet-native software solutions to industry and government for controlling international logistics data and end-to-end processes for cargo moving by parcel, air, road, rail, and sea. FreightDesk will implement the technical architecture and software to manage the flow of information into and from the clearinghouse, and create discreet technical environments to facilitate information access necessary for profiling and reporting by and to appropriate stakeholders. Visit www.freightdesk.com.

Honeywell (NYSE: HON), a Dow Jones Industrial Average company, employs approximately 100,000 people in 95 countries. Based in Morris Township, N.J., Honeywell is a diversified technology and manufacturing leader of aerospace products and services; control technologies for buildings, homes, and industry; automotive products; power generation systems; specialty chemicals; fibers; plastics and advanced materials. Honeywell will provide project management, serve as a trade lane provider, offer port management software and services, cyber security and security tools such as cameras and video analysis software. Visit www.honeywell.com.

Lockheed Martin is a world leader in advanced technology systems integration for defense, government IT, and homeland security. Developers of the Global Transportation Network (GTN), the Department of Defense's primary system for logistics and supply chain management, Lockheed Martin brings unparalleled expertise in transportation and logistics systems integration and security. GTN provides in-transit visibility for 6 million shipments per day across the globe with a secure, web-based system that has saved the DoD an estimated $2 billion. Headquartered in Bethesda, Md., the corporation employs 125,000 people worldwide and reported sales surpassing $26 billion in 2002. Visit www.lockheedmartin.com.

TransCore specializes in intelligent transportation systems with installations in more than 39 countries and a heritage that links to the invention of wireless radio frequency identification (RFID) technology at Los Alamos National Laboratory. TransCore is a privately held transportation services company with 1,700 employees and more than 80 locations throughout the world with research, development and manufacturing facilities located in Albuquerque, N.M. TransCore will provide project management and integration for systems to seal and track containers; serve as a trade lane provider; identify technology; install and maintain track and seal infrastructure; identify and provide all data from infrastructure, transfer data, to clearinghouse; and act as a trusted agent transmitting data. Visit www.transcore.com.

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