

Project RED RULE

When we examine what is working in border security, and where the weaknesses remain we gravitate to the systems and solutions already integrated into complex layers of prevention – and we look for ways in which we can improve the status quo with upgraded technology, more people or additional layers.

We focus on the guns, guards, fences and gates protecting the perimeter - whether a port, or a country's borders. We find ways to draw the line in the sand that dares a criminal to attempt to cross over. And we feel safe.

That is until the lid blew off of Wall Street. This crisis continues to rapidly throw markets off in Asia, Europe, and Latin America as it threatens to slam our markets again with ferocity – and velocity!

The borders as we understood them that have been built with smart technologies, policies and more to protect us – those rules, regulations and systems are proving to be inadequate. The world is suddenly realizing we do not have adequate protection to prevent global financial collapse.

Our way of life is being threatened. A new world order is emerging – one where our federal government's protection plan will severely cut into funding for every program we depend upon for the foreseeable future.

Yet – our work – to protect all our borders must go on. We must remain diligent and committed – even if the source of capital from the US government to support new security enhancements, training, and staffing is pressured beyond imagination over the coming years.

The inter-relationship between our US policy makers and the agencies which carry out policies is driven by access to funding. Until now, it was assumed that budgets for ongoing programs can easily be sustained, and budgets for new programs would be fine. Post 2010, ask yourselves if you believe this to be true.

I believe the challenges brought to all of us as we elect a new president and congressional leaders – people who will take on the global economic, environmental, energy crises and that darned War on Terror – will have their hands full.

This is a time when we – the people on the front line in both the private and public sector – must come together in forums such as this - to discuss priorities and possibly come up with new and better way of doing things. We can make smart, practical recommendations to the incoming elected officials in January. Our combined experience and know-how can help lead innovation in Washington.

The global distribution economy relies on safe, predictable transit of containers from point A to consumers – everyday. Our national and international focus on port security has over the past 7 years evolved with truly remarkable layers of security. As Former (CBP) Commissioner Robert C. Bonner used the term “push the borders” he emphasized that supply chain security could not be successful if Custom’s first contact with cargo was at the port of entry. He advocated pushing the borders out, or in reality work to erase the lines of demarcation in order to secure advanced data, which would help Customs identify where the risks are. This was a brilliant private/public sector initiative, which has helped get shippers in line with trade enforcement and facilitation.

Situational awareness programs like the Coast Guard’s Project Sea Hawk in my hometown of Charleston, SC have successfully demonstrated that multiple law enforcement agencies and port stakeholders and industry can work together 24/7.

When we think about port security – we still look at a fenced, guarded, monitored site of hundreds of acres – with rows of neatly stacked containers, limited access to those individuals whose backgrounds have been carefully vetted, and are expected on the site.

We do not integrate the operations of the port with communities at large very well – in most port cities the number one complaint is that of the port – whether it is truckers aggressively driving through residential communities, or carbon emissions, or noise. The waterfront is home to both, both uncomfortable with the other. The perception from both sides of the “border” is that one must embrace port growth for economic sustainability – yet the other sees the reduced quality of life as an untenable threat.

City mayors believe that the economic benefit that port activities generate from port workers and related businesses servicing the port are important. Yet the issues that their constituencies hate are increasingly difficult to resolve.

The steamships call on ports driven by: productivity; port costs; and access to markets important to their importer and exporter customers. Today's ports compete in price, predictably available berth space, adequate cargo storage capacity and other drivers, which can cause ports to gain and lose business overnight.

The big box importers want lower costs – they want speed, and they want reliability – time is money in the retail trade. If swimsuits need to be on sale on Memorial Day they better be in the store, not stuck somewhere in transit.

The complications are endless.

New port security enhancements have proven to speed up productivity. Everyone is aware of the need to support the goals of business while protecting the homeland. The handheld devices, new security detection devices and communications tools all help. But the fact remains, money is tight and operational constraints are worsening.

As 2008 draws to a close – we are faced with multiple dilemmas as a country. Serious budget problems are on everyone's radars. Next, global warming – we can expect to see new environmental regulations which will impact trucking and steamships – and incentives designed to force companies to adapt to lowering carbon emissions. Energy – regardless of the push to bio-fuels, trucks still gulp down enormous amounts of fuel to move containers from ports to consumers; it is causing severe driver shortages.

Rail operators are standing by to pick up the slack, yet cannot invest in building new port access until government provides clear business driven incentives – a clear directive that we as private/public sector security experts must address. In this area DHS can play a pivotal role.

Let's go back to the port – and the paradigm today, and ways we might work together to create something new – that will positively impact the scenario I just laid out.

Back on port, daily, thousands of inbound containers are off loaded and stacked, many for up to one week. Drivers sit in traffic; mileage on their rigs is about 6 mpg when they are moving. It is no wonder that many are leaving the trade – so many that did you know AARP is advertising for retirees to get a new job now that their lifetime savings are lost - by learning to be a trucker!

But what if ports adopted agile port methodology – rapidly unloading ships directly to double-stacked trains which move off port as fast as they are loaded to inland secure ports, adjacent to inland ports as we know them?

And what if export bound cargo – instead of heading one at a time to our ports by truck, were consolidated on secure ports – to head to the port only when the ship is ready? We could reduce municipal truck traffic by over 12,000 rigs per day. Truckers could pick up and drop off inland, the spiral benefits would be enormous, and security would be improved – all the while unlocking the power of private investment.

Ports are reaching or have reached capacity – they must be able to service the ships which are larger, which means more containers stacked on already tightly packed land. Particularly if we review the 2005 Report to Congress by MARAD which examined the impact on port productivity when mounting the cargo moves for Iraqi Freedom – should another war effort like that occur, our ports are in deep trouble.

More and more cargo is coming across our border with Mexico – by truck and train. Inland port developments are being planned to receive expected high volumes over the coming decade. Are we adequately engaged in the process to design solutions to meet these new challenges?

The win-win-win solution must include more dialogue between the stakeholders: government security planners and the importer/exporter, the shipper, the port, the trucker, the railroad, and the people looking for jobs.

New operational paradigms must compel the private sector to invest, in sync with our government's mission and better yet, as engaged strategists with government. The private sector is ready to work more closely with government to develop new security policies – the security policies of tomorrow will in many cases be paid for by people who are embraced by government as solution providers.

Remember in the 1990's solution provider meant software – how times change – now we need to re-coin the phrase to embrace brains, money and action!

Let me share an example of the new “solution provider” mentality as I describe RED RULE to you.

In South Carolina, we have one of the ten poorest counties in the United States, called Orangeburg. It straddles I-95 which when it opened very few off-ramps were built to provide access to its largely black, poor inhabitants. Back in the 1930's Depression Era, during that jobs creation movement, the river system in Orangeburg was dammed to create new hydro-electric power. The plan called for flooding farmland to establish two man-made lake reservoirs. Unfortunately, before they were done relocating the owners of the about-to-be flooded farms, World War II accelerated the project schedule.

The result, those unfortunate homeowners living in harm's way – were moved to high ground without receiving clear title to the acreage they were “given”. Three decades later their shacks and mobile homes are all they have. None were able to sell or move on. They lived in abject poverty – people that time passed by.

Until we came along.

What we now call Project RED RULE – Rural Economic Development driven by Reduced Urban Logistics Exposure. I know, that sounds like quite a mouthful – but, hey, this is Washington – we knew you would appreciate it!

Audacious security-focused entrepreneurs, as we admit to being, we put together a plan to build a \$100M Intermodal railroad yard adjacent to the Port of Charleston, to be paid for with private debt and equity, without a penny of precious taxpayer money. The advanced technology used on the railroad yard, adopted from best practices in Singapore and Rotterdam, would link the port to the intersection of I-95 and CSX rail in Orangeburg County.

We met with every homeowner and over 18 months were able to get clear title and options on over 1300 rural acres in Orangeburg, which we master-planned as a major inland distribution hub.

In addition to linking to the PoC, we were able to establish rail access to the Ports of Virginia, Wilmington, Savannah and Jacksonville. Cargo can be consolidated on this site for export and import for 5 major seaports.

In October 2007 JAFZA of Dubai bought the project from us and will carry out a development plan of at least \$700M in infrastructure alone. Sheik Mohammed's team has stated that more than \$2 billion will be invested on the site. Multiply this times the economic benefit and the most amazing story emerges.

The result: We have unlocked the private sector's ability to move fast, invest real capital, leading to thousands of jobs to be created in a desperately poor community – all the while moving more cargo out of our municipalities by rail, allowing truckers to avoid crowded city roads to and from the ports – i.e., RED RULE. And the best part for technologists like many of us in this conference room, the absorption of new solutions to be incorporated into the 16 million plus square feet to be built on this site is enormous.

For Customs, the opportunity to install a new clearance center 60 miles from the PoC and 50 miles from the state capital will enable free trade zone activities, bonded warehouses and more.

In this one experiment, the RED RULE thesis is going to generate millions of dollars annually for the state, particularly into a poor community, and resolve multiple security, energy, environmental and economic challenges. According to Senator Lindsey Graham and Congressman Jim Clyburn, this is the most important economic development project in the state's history.

When the next president takes the oath of office, he will quickly name a new Cabinet – of men and women who will be expected to do more with less in a way that neither party could have envisioned at the start of their campaigns. The tax rolls will simply not be there for most states to do their part, the feds will be scrambling for money for the most important requirements, while trying to figure out how to keep our American way of life going.

I have been reading Tom Friedman's new book, Hot, Flat and Crowded. He is truly inspirational – rather than seeing the environmental problems as overwhelming and unsolvable – he believes the American entrepreneur can solve much of the global carbon emission nightmare – that our private sector is smarter, faster and more effective than anyone seems to give us credit for – particularly with the financial leadership shamed out of their own jobs recently.

Is he right?

We think so - particularly in this space. So much so, that we are in discussions with DHS, our nation's Class I railroads, truckers, world class real estate developers and economic development offices in Texas, Kansas and California to take Project RED RULE to communities where we as the private sector can work with the public sector to solve capacity problems on ports, unlock incentives to build additional rail infrastructure, and drive jobs inland – all the while enhancing municipal security by removing a significant part of the threat.

In Orangeburg, we were able to finally unlock the value of land for the families who had been literally planted there in the early '40s. We were able to help local colleges; one has already secured a \$1.5M grant to build a new transportation school. Last week I saw their new building, which is under construction now.

We believe that the incoming Presidential Cabinet will see that border security initiatives, such as this concept, can create huge spiral benefits across departments and agencies.

We hope that the incoming Secretary of the Department of Homeland Security will want to reach out and engage with his or her people and the private sector to find powerful new approaches that solve problems with a practical eye. If so, I believe everyone here will want to contribute.

Instead of shivering in our boots this winter lamenting the many programs that will be cut due to budgetary constraints – let's think differently. Larry Summers once said, "I think one has to be prepared to accept long casual chains. That is, if you're trying to think about a problem and propose a solution, it does not happen the next day. But it affects the climate of opinion, and things go from being inconceivable to being inevitable."

I think the concept of inland ports is already understood – we see them in Kansas serving cargo from Mexico; in Chicago handling cargo from the West Coast, in Texas handling both. On the East Coast we see them connecting to European, Indian and increasingly Asian cargo. And, when the third lock of the Panama Canal opens, this will drive even more cargo to the East Coast and Gulf ports.

As Tom Friedman's new book points out – the global population is growing and wanting to live the American life style of heavy consumerism. This fact alone will stress our distribution economy's infrastructure and services beyond the point that we can say we are successfully doing our jobs on the security front. The government requirements for security and safety will be stretched to a breaking point if we do not unknot the kinks – now. We can do it - in partnership.

The very tools that we have learned to use to protect the port perimeters can be introduced successfully in Intermodal transfers, and new, smart technologies can be introduced into the supply chain as projects like RED RULE become “inevitable”.

Thank you.