

## **Estimation and allocation of security costs at the Port of Boston**

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### **Abstract**

Several studies have been undertaken to assess the economic implications of ISPS with emphasis on risk management and cost control in shipping. Attempts have been made to explore the information management issues that relate to compliance with ISPS code and other related regulatory requirements. According to an OECD estimate, implementation of the ISPS Code will cost vessel operators \$1.28 billion in the first year and \$730 million a year thereafter. Our paper attempts to identify all costs associated with implementing the ISPS code in the port of Boston, while at the same time it focuses on distributing those monetary amounts in a fair and efficient manner to all parties involved in supporting the location's maritime sector. The security costs will be estimated with the aid of surveys, available data and econometric techniques. We also will estimate the adverse economic impact that will occur to various stakeholders should a major breach of security occur. Based on these figures, the paper will attempt to build a game theoretical model to calculate how the implementation costs are to be allocated to the parties concerned. The possibility of extending the model to other ports both in the USA, and in other countries will also be addressed.

*Keywords: ISPS code, compliance, implementation costs, ports.*

### **References**

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