

100% SCANNING DIVIDES SHIPPING LINES, TERMINALS

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Last week's World Customs Organization seminar on the impact of 100 percent scanning for U.S.-bound containers highlighted the growing variance of opinion on the subject between the container shipping and terminal operating industries.

The issue has for once united shipping and shippers' representatives, with Simon Bennett, secretary of the International Chamber of Shipping, and Nicolette van der Jagt, secretary general of the European Shippers' Council, both expressing grave doubts about the U.S. law due to come into effect in July 2012.

Bennett said the legislation as it stands "is half-baked, short on detail, and doesn't include who's responsible for what or who should pay."

"There are some really serious issues of principle for the shipping industry. We are a global industry and we require global regulation. The 100 percent scanning law is a draconian and unilateral requirement. It shows a lack of respect on the part of U.S. politicians to their trading partners."

He added that it has more to do with political machinations in the United States ahead of a presidential election than practical realities.

"We think it's rather premature at the moment to be talking about the possibilities for 100 percent scanning as we think the political debate is far from over. Just because the U.S. has passed the law does not by any stretch of the imagination mean that the matter is over. We do suspect that when there's a new administration next year the political landscape is going to be very different than it is now."

Van der Jagt said European shippers are puzzled by the lack of information made available by the U.S. authorities and have a number of questions so far left unanswered, such as will 100 percent scanning negate other schemes like the Customs-Trade Partnership Against Terrorism (C-TPAT) and Authorized Economic Operator (AEO).

"Shippers value reliability above all other qualities in a transport service; yet they are battling with severe port and infrastructure congestion, and now delays due to security measures. We need to find a way of finding the balance between reasonable risk prevention and acceptable cost to our industry," she said.

"Members of the ESC voiced strong concerns regarding the cargo scanning mandates set forth in the new U.S. security law because it implied an inherent distrust in the trade, even of authorized traders, and an abandonment of risk management principles."

A University of Le Havre report commissioned by the WCO suggested that terminal operators have sensed the business advantage to be gained from being compliant with the U.S. law.

John Kok, general manager of Container Security Initiative at Hong Kong's Hutchison Port Holdings, said the real reason terminal companies are complying is "because we have no choice, it is the law."

He also disagreed with Bennett's view that a change of leadership in the United States would result in the law being overturned. Kok said neither the Democrats nor Republicans would want to be seen as being weak on security.

"This is not about protecting the U.S. supply chain. This is about protecting the entire maritime cargo transport system," he said.

"Customs seem to be very much against the idea of scanning because it is against the principle of risk management. On this point I continue to be puzzled because I think risk management is based on taking as much information as you can get."

David Fairnie, director of security at Dubai Ports World, said the conference's fixation on the negative aspects of the U.S. law was disappointing.

"It is a dangerous distraction for those of us dedicated to improving global supply chain security. It is misdirecting our energies towards discussion of theoretical problems and away from the development of practical solutions," he said.

The Dubai-government owned terminals company has participated in the U.S. Customs and Border Protection's Secure Freight Initiative 100 percent scanning trials in the Port of Southampton in the United Kingdom, and Port Qasim, Pakistan. It has also just become the first terminal operator to be certified by the U.S. government for meeting the minimum C-TPAT security guidelines.

Fairnie said the SFI trials were positive and indicate that scanning technology, particularly radiation technology, may actually already be fit for widespread deployment.

"Admittedly we were skeptical and concerned about the possible impact on our terminal operations. However, by the end of the six-month pilot project we were surprised to learn not just that scanning systems worked but they had no adverse impact on our operation efficiency."

At the request of the U.S. government DP World will scale up its Southampton system to test solutions for transshipment and rail with early results expected in the first quarter of 2009.

"We are pretty confident that this will show that 100 percent radiation scanning is achievable and based on our experience will not create bottlenecks or delay the flow of goods," Fairnie said.

"We agree that 100 percent scanning could slow trade if we get it wrong, but the opposite is also possible if we get this right. A key reason for DP World's participation in international customs initiatives has been to gain trade facilitation and resiliency benefits for ourselves and our customers."

He pointed out that as a result of the scanning done in Southampton the physical inspection of containers in the United States went from 1,000 prior to the start of the trial to only seven during the trial.

"Therefore if scanning is done properly our customers' containers will not be impeded at the point of origin and will then be fast-tracked at the point of destination. The cost savings to U.S. Customs could also be significant, not to mention cost saving to customs in other countries with similar systems. All in all this indicates a fairly strong case for facilitation benefits for scanning in a layered security approach."

Fairnie said scanning would require a combination of public and private sector funding and inevitably a "modest levy" will have to be passed down the supply chain to the end user.

"That's why customs agencies and governments should be working hard to prove facilitation benefits of scanning in tangible dollar terms. If customers have to pay an additional sum for scanning and clearing their containers they need to know that in the long run they're going to get much more back in efficiency, security and crucially facilitation benefits. This must be the reward to those proactive industry players who commit to this initiative."

Not all the terminal operators speaking at the WCO seminar were so keen on 100 percent scanning for containers destined for U.S. ports.

Henrik Kristensen, director and head of global health, safety, security and environment at APM Terminals, part of Denmark's A.P. Moller - Maersk Group, said that amid all the debate it is important to remember what the customers wants.

APM Terminals is a sister company to Maersk Line, the world's largest container line, but also handles containers for 60 other carriers at its facilities worldwide.

The Netherlands-based terminal company has engaged in the SFI trial at the Port of Salalah in Oman and has other security initiatives ongoing in Tanjung Pelepas, Malaysia.

"APM Terminals finds the multilayered risk based approach has already improved security to a very advanced level, within a short time," Kristensen said. "These programs can be utilized even further and if a need is still determined by the authorities responsible to include scanning for a certain percentage of the cargo -- we find scanning should be placed at the start of the shipment, never during the transport.

"Many companies view an opportunity to generate new revenues and seem to pay less attention to the practical challenges of implementing 100 percent scanning for a relative small portion of global commerce," he said.

"A 100 percent scanning requirement for all U.S.-bound cargo, only is likely to be very costly both in direct and indirect costs. APM Terminals suggests reevaluating this more thoroughly including simulations and more dialogs with industry players about the impact. The technology to perform the scanning is available, that is evident. The question remains how security in global commerce is kept high and intact, while the cost to operate is likewise kept to a minimum."