



WORLD SHIPPING COUNCIL
PARTNERS IN AMERICA'S TRADE

Testimony of

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World Shipping Council

to the

**Senate Committee on Commerce, Science and
Transportation**

on

“Maritime Security and International Trade”

Seattle, Washington
July 1, 2002

The government and all segments of the maritime industry, including liner shipping¹, have spent considerable effort since last September to determine what new programs and rules should be developed to protect international trade from the risk of terrorism. Now that the Senate and House of Representatives have both passed versions of maritime security legislation and announced the formation of a conference committee to produce a final bill, we enter the most important stage of this legislative process. It is important because the Executive Branch agencies need additional authority to address the challenge. It is important because the agencies need to have their roles and missions more clearly defined and coordinated. It is important because the private sector needs to know what will be required of it. And it is important because what is required will not

¹ The World Shipping Council is a nonprofit trade association representing the international liner shipping industry. Its members carry roughly 90 percent of America's international liner cargoes, which represents two-thirds of the value of the country's ocean-borne international trade. A list of the member companies of the Council is attached at Appendix A.

only affect enhanced security, but how efficiently and reliably, and at what cost, America's international trade will continue to flow.

I. Containerization and Liner Shipping

Containerization was developed for the purpose of providing a more efficient, less expensive way to move goods, and its success surely exceeds what Malcom McLean hoped for when he began this revolution in the mid- 1950's. Last year, the United States moved roughly 7.8 million containers of import cargo and 4.8 million containers of export cargo through its ports. That is roughly \$1.3 billion worth of containerized goods moving through U.S. ports every day. Seattle and Tacoma are major national gateways for the nation's international trade, as well as efficiently serving the import and export needs of Washington State. The movement of sealed containers has greatly reduced damage and pilferage of goods. It has facilitated intermodal door-to-door supply chains. And it has done so with remarkable efficiency – making ocean transportation a huge bargain for importers, exporters and consumers. Last year, for example, the cost of transporting all of America's liner imports, including all consumer, commercial and industrial goods, was only \$133 per household.

This remarkable system operates by carriers – truckers, railroads and ocean carriers – transporting sealed containers, like the postal service transports sealed letters and packages. The challenge we now face is how to ensure the continuation of this system's benefits and efficiencies that knit the world's economies together, while at the same time instituting new initiatives and rules that can enhance security.

The international liner shipping industry has taken this challenge seriously. On January 17 of this year, the World Shipping Council issued a White Paper² that made a series of recommendations on how the government should address the issue of maritime security. It was and is, not a solution to every possible concern, but a good-faith effort to propose meaningful improvements to the supply chain.

The immediate challenges are (1) to design the security process and deploy the capabilities necessary to minimize, detect and intercept security risks as early as possible – before they are loaded aboard a ship for delivery to their destination, and (2) to have the systems and international protocols in place to ensure the efficient flow of international commerce during all possible security conditions. We must protect the system that facilitates world trade, and prevent transportation assets from becoming means of delivering destruction. We must protect the lives of people who make the international trade system operate and who work and reside in areas through which trade flows. We must protect nations' ability to continue their trading relations in the event terrorists do attack. And, we must recognize that this terrorist threat is not going to go away, but only become more challenging as world trade volumes grow.

² The paper, entitled "Improving Security for International Liner Shipping", can be found on the Council's website at www.worldshipping.org.

For that reason, what is at issue is not just maritime security, or even the global, intermodal transportation system, but the flow of international trade and the world's economic health. The stakes are high. Consequently, the United States is focused on implementing security measures that begin as early in the transportation supply chain as possible.

The World Shipping Council has provided this Committee with its White Paper recommendations and has previously testified about specific aspects of security regarding vessels, marine terminals and ports, personnel, and cargo documentation. I will not repeat that testimony today, but will instead offer some suggestions as the Committee enters into the final phase of writing maritime security legislation

II. The Government Organization Challenge

Designing and implementing an effective maritime security program will require cooperation, information sharing, and coordination between government and industry, and because this is an international business, it will also require international cooperation between governments.

A unified, coordinated U.S. government strategy must be designed not only to detect and prevent terrorist attacks on the international cargo transportation system, but also to provide adequate contingency planning for the management of the consequences should a significant attack occur, and – by all means not to be forgotten – to ensure the continuation of efficient, reliable, low cost transportation of America's commerce.

The government organizational challenge is substantial. The Department of Transportation oversees transportation, and, in the immediate aftermath of September 11, the Congress created the new Transportation Security Administration (TSA) within DOT with very broad authority for transportation security in all modes, including maritime. Also within DOT is the Coast Guard with broad authority to address large segments of the maritime security issues involved, but not all. The Customs Service oversees trade, and has taken the commendable initiative to develop two programs to reduce the risk of terrorism, namely Customs' Trade Partnership Against Terrorism (C-TPAT) and the Container Security Initiative (CSI). C-TPAT is a voluntary program between Customs and industry to develop a more secure supply chain. CSI is a program pursuant to which Customs has begun establishing agreements with other nations' Customs organizations for the purpose of information collection, pre-screening, and cargo inspection. The Immigration and Naturalization Service and the Department of State are responsible for crew visas and entry into the United States.

Improving the security of international commerce requires a tightly integrated, common approach and clear responsibilities. It also requires government agencies to effectively share the information that they require. President Bush's proposal to reorganize the government and create a Department of Homeland Security should help achieve this. In many respects, maritime trade is a "poster child" for this initiative. In fact, the maritime transportation industry was the first example used in the President's

explanation of the new Department.³ The fact that there are numerous federal agencies, each with a portion of responsibility-- often overlapping other agencies'-- has not only caused confusion in the industry and within government, but it has delayed the development and implementation of problem solutions.

Let me provide some examples, both because they are illustrative of the problem and because we request that the maritime security legislation clearly address them. First, consider personnel security aboard vessels. Ocean carriers must file their crew manifests with three different federal agencies (the Coast Guard, the INS and the Customs Service) in different format at different times. The House-passed maritime security legislation would add a fourth agency, TSA, to that list. Instead of having one agency responsible for checking crew members, or even having one system that all agencies can share, each agency has its own system and procedures. The three agencies are now working on plans to automate these systems for electronic advance filing of the information. But, each agency – motivated by recently enacted or envisaged legislation -- is planning on having its own system, rather than a single system that all agencies could share. The present system is uncoordinated, confusing and inefficient. We strongly recommend that the final legislation require the establishment of a single system for the receipt of crew manifest information, and that agency responsibility for crew issues be clearly defined.

The Coast Guard estimates that roughly 200,000 seafarers call at U.S. ports per year. It is entirely appropriate that security procedures for seafarers be in place. At the same time, it must be recognized that seafarers are, in many respects, the first line of defense to ensure that vessels are secure when they arrive in a U.S. port, and they should be treated fairly with clear, predictable, and uniformly applied rules.

Let me provide another example of the need for clear government organization and role definition. The U.S. Customs Service appears to have the “lead” on container security issues, as both the C-TPAT and the CSI initiatives would indicate. Customs is awaiting enactment of the pending maritime security legislation by Congress which will authorize it to issue regulations changing the requirements applicable to cargo documentation for imports and exports and conduct better cargo security screening earlier in the transportation process. But the bills in conference do not agree on what Customs’ role will be, as the House version of the legislation provides that, while Customs may collect cargo manifests from carriers to use for security screening purposes, TSA shall “develop and maintain a antiterrorism cargo identification, tracking, and screening system for containerized cargo shipped to or from the United States”.

This presents fundamental governance issues that must be resolved. First, which agency is responsible for the analysis and risk assessment of the acquired information, and, if that agency is not Customs, can it analyze and act on the information and communicate to Customs in time to identify cargo that requires further attention before loading aboard a vessel?

³ “The Department of Homeland Security” – President George W. Bush (June 2002)

Second, if Customs is responsible for screening and inspecting cargo and detecting security threats, but another agency is responsible for managing how and whether ports and vessels and trade would operate if there were a terrorist incident, there is a risk of an uncoordinated or inconsistent view of what needs to be done, when coordination and consistency will be most needed.

It is essential that the enhanced security, screening and prevention programs be in precise alignment with the incident planning, management and response programs. If they are not, many billions of dollars worth of trade and millions of jobs in America and around the world could be adversely affected. The agency responsible for answering to the President for how the United States government would keep international trade flowing in the event of a terrorist event, must have complete understanding and confidence in the programs being put in place to address these risks on a preventive basis. Stated differently, the regime being designed for addressing the risk on a preventative basis also must be capable of addressing how trade would continue to flow efficiently if it had to respond to an incident.

A Department of Homeland Security should help accomplish this. Already since the announcement of the President's proposal, we see some positive signs of closer agency cooperation. If there is one overarching concern over the initiative, it is that such a department would become so focused on the security of the transportation system that it would not properly consider the costs, delays, inefficiencies and complexities that new requirements could impose on America's international trade.

III. Supply Chain Security Analysis

Defining what constitutes a secure shipment is relatively straightforward: a container should be stuffed in a secure facility, by approved people, sealed immediately upon stuffing, transported from that location to the ocean carrier in a timely manner that ensures the container is not compromised, stored in a secure facility where it is not compromised, and then loaded aboard a secure ship for transit. And if there is a security question about a container, it should be inspected by appropriate authorities before it is loaded aboard a ship.

Implementing that vision is enormously difficult (1) because of the number of different entities in different jurisdictions involved in a shipment – those involved in loading and sealing the container, documentation of the shipment, storage, trucking, railroads, inland terminals, marine terminals, and the ocean carrier, (2) because of the current lack of a clearly defined and coordinated information system to receive, analyze and act on all the shipment data relevant to pre-screening containerized shipments before they are loaded aboard a ship, (3) because of the limitations and expense of technologies that might be developed, and (4) because of the lack of an established or coordinated global capability to inspect containers, when warranted, before they are loaded aboard ships.

C-TPAT and CSI

The good news is that the government is taking positive steps in tackling this challenge. The Customs Service has undertaken two important initiatives: Customs' Trade Partnership Against Terrorism (C-TPAT), and the Container Security Initiative (CSI).

C-TPAT is a voluntary program focusing on U.S. importers. The theory is that if they undertake certain actions to improve the security of their supply chain, they will get preferential treatment of their cargo by Customs. C-TPAT importers will also be required to use ocean carriers that have C-TPAT agreements with Customs, to use C-TPAT brokers, C-TPAT NVOCCs etc, etc. While there are limits to how far C-TPAT can go as a voluntary program without binding requirements, it is a good first step. C-TPAT recognizes that true security requires that the entire supply chain and all its component pieces be considered. For example, a seal on a container by itself is meaningless; it is an indicator of security only if it is part of a supply chain that is secure from the stuffing of the container through its final delivery.

The World Shipping Council has been engaged in detailed discussions with the Customs Service about the C-TPAT program, and while there is no ocean carrier component of the program yet in place, our members are hopeful of accomplishing that with Commissioner Bonner in the very near future.

Customs' CSI initiative is another very important initiative to address supply chain security, pursuant to which the Customs Service is seeking to enter into agreements with foreign governments and port authorities:

- establishing security criteria for identifying high-risk containers
- developing and implementing a pre-screening process to target containers before they are loaded aboard a vessel, and
- developing and deploying technology to screen and inspect identified containers prior to loading, including the stationing of Customs officials overseas in accordance with the principle of reciprocity.

Customs has entered into such agreements with Canada, Mexico, Singapore, the Netherlands, and Belgium, and is in the process of entering into agreements with several other European governments. Such arrangements provide a level of security capability and communication not otherwise easily achieved. The competencies and protocols that can emerge from CSI are essential to screen cargo before it is loaded aboard a vessel. This is especially important because secure intermodal supply chains will take considerable time to develop, and even then, the capability to check and inspect containers will be essential.

The CSI complements, but does not compete with, the international efforts being undertaken at the International Maritime Organization. The IMO is working to amend the existing international convention regulating ships in order to institute new vessel

security requirements, and to develop a new international agreement to address physical security standards and requirements for port facilities. But by sharing cargo information and developing negotiated agreements for how cargo security can be monitored and verified, the CSI agreements fill a hole in current international cargo security capabilities.

Another aspect of such CSI agreements is that they are important to manage the continuation of trade if the industry is ever beset by a terrorist attack. Without such agreements and without the technology in place to inspect containers in ports of origin, what system would provide sufficient security confidence to keep international trade flowing following an incident? It would be difficult to over-emphasize the importance of this initiative and its urgency. Similarly, it must be recognized that CSI must not focus on just the largest ports around the world, otherwise terrorists would simply know that there is less risk of detection by using ports which are not among the largest.

Cargo Documentation Requirements

Beyond these Customs' initiatives, enhanced container security requires a clearly defined and coordinated government information system capable of receiving, analyzing and acting on data determined by the government to be necessary to screen shipments. Such data should be transmitted electronically and early enough to meet the government's needs. This requires enactment of the pending legislation and some clear direction to be provided. Because this remains one of the more complex and unresolved areas of the legislation, I would like to take a moment to address some of the questions involved, specifically:

- What information must be filed with the government?
- When must the information be filed?
- Who must file the information?
- What level of detail and accuracy is required?
- Who will analyze and act on the information?

What information?

We fully support the provisions of S.1214, which set forth thirteen specific items of information must be included on a cargo manifest, and urge that section 115(a)(2) of the Senate bill be retained in conference. Its clear enumeration of what is required will provide necessary clarity and uniformity.

The cargo manifest filed by a carrier was never designed to provide all the information that might be relevant to a security analysis, and it is not likely to ever do so, because that would require information beyond the knowledge of the carrier and involve commercially sensitive information that shippers may not want to share with a carrier. We recognize, however, that until a new system is developed, cargo manifests will be the interim means to gather relevant information. We request, however, that cargo manifests not be perceived as the means to gather any and all information of interest, and that Customs be instructed not to require "additional" information on cargo manifests unless it

is appropriate information to be provided to and by a carrier and is essential for security screening.

When must the information be filed?

Today, cargo manifests are not required to be filed until the vessel arrives in port, although for those carriers that file manifests electronically via Customs' Automated Manifest System, they file 48 hours before the vessel arrives. Both the House and Senate bills require that cargo manifests will be filed electronically in advance of arrival in such manner, time and form as the Customs Service requires. Customs officials have indicated that, when this bill is enacted, they intend to require carriers to file import cargo manifests 24 hours before loading in a foreign port. The logic of this is clear. If you want to perform a security screening of a container before it sails for the United States, you need the shipment information before loading.

This will be a substantial change for carriers and shippers, and it will affect how a lot of cargo is transported. Ocean carriers can accept such a requirement, but *only* if the requirement is applicable to *all* carriers equally, including non-vessel operating carriers. If this information serves a sufficiently important security function so as to be required earlier than today, then all carriers and all shipments must be required to comply with the same rules, or else the system will be both unfair and will provide inconsistent levels of security.

Who must file?

Ocean carriers are required by law to file cargo manifests for all cargo they transport. Nonvessel operating common carriers (NVOs), however, – which carry between 30- 40% of the containerized cargo moving in U.S. foreign trades – are not currently required to file cargo manifests for the shipments for which they are responsible. NVOs are common carriers that purchase space from ocean carriers on a “wholesale” basis and then resell it to shippers on a “retail” basis. They issue the bills of lading to the shipper; they know the cargo descriptions; and they know the identity of the shipper and the consignee. Today, the only manifested information required for NVO-controlled containers is from the ocean carrier's manifest, which typically provides only a very limited cargo description (e.g., “freight all kinds” or FAK), and contains *no* information about the actual shippers or consignees of the cargo. Thus, the government has no advance visibility of cargo descriptions or, more importantly, the identity of the shippers or recipients of a huge percentage of our trade. A recent estimate, for example, was that from Hong Kong alone, over a quarter of a million “FAK” containers were sent to the U.S. last year.⁴

The House bill does not specifically require NVOs to file cargo manifests, whereas Section 115 (a) (3) in S. 1214 requires Customs to issue regulations requiring NVOs to meet the same cargo manifesting requirements as ocean carriers.

⁴ Lloyd's List, June 21, 2002.

It is essential that the final legislation either require NVOs to file cargo manifests with the Customs Service for shipments for which they are responsible in the same time, manner and form as ocean carriers, or give this information to the ocean carrier to file with its manifest (an option that neither the NVOs nor the ocean carriers want). Without such a requirement, the government will have insufficient cargo descriptions and will have no advance information about the shippers or consignees of 30-40% of our imported ocean borne cargo. Without such a requirement, a shipper or consignee could conceal its identity from advance disclosure to the government by using an NVO rather than an ocean carrier to transport its goods. Furthermore, without such a requirement, the same shipment would be subject to less onerous security requirements if handled by an NVO than if handled by an ocean carrier. That would make no sense.

What level of detail and accuracy?

In modern ocean-borne transportation, the shipper is the party that provides the bill of lading information to the carrier. The carrier essentially transcribes the information into its system and issues a bill of lading on the carrier's form. Consequently, cargo documentation information is actually provided by the shipper.

Regarding the required level of detail of cargo manifest information, there is presently no common, agreed standard for what level of cargo description detail is needed on the cargo manifest for security screening. Clear and uniform rules are needed to inform shippers what is required in the way of cargo descriptions. Recognizing that this early manifest filing is not needed or used for Customs entry or trade compliance purposes, such cargo description requirements should require only information that is needed for security purposes, and should not be so detailed as to impede the efficient flow of commerce.

Regarding the accuracy of the cargo description, the ocean carrier by necessity must rely on the shipper's declaration to the carrier of the cargo, because the carrier can't open and verify the contents of sealed containers or crates. While shippers are subject to penalties for inaccurate information filed for customs *entry* purposes – a process that is not required until after the goods arrive in the United States, existing customs law (Section 431 of the Tariff Act) does not clearly require the shipper of the cargo, who has the necessary cargo information, to provide complete and accurate cargo descriptions for the carrier's *cargo manifest*. In addition, the law's current penalty provisions (Section 436 of the Tariff Act) authorize penalties only on the *ocean carrier* in cases where the cargo description on the manifest is incomplete or inaccurate. This may have made sense in the pre-containerization days when the law was written and when carriers physically handled all the loaded cargo, but it is anachronistic and inappropriate when applied to cargo in sealed containers. With sealed containers, the ocean carrier by necessity must rely on the shipper's declaration to the carrier of the cargo because the carrier does not – and cannot – open and verify the contents of the sealed container.

In addition to being unfair, the current absence of clear statutory obligations from shippers fails to ensure that the cargo interests, who possess the cargo information, have the proper incentives to provide accurate information that the government requires on the cargo manifest. We recommend that, if penalties are going to arise from inadequate cargo descriptions of cargo in sealed containers, then those penalties should be imposed on the cargo interests, not the ocean carrier which is simply transmitting what it has been told is in the container. The Tariff Act should be amended to make such penalty authority clear.

Who will analyze and act on the information?

The House bill (Section 101) would require the Under Secretary of Transportation Security to develop and maintain, by June 30, 2003, “a[n] antiterrorism cargo identification, tracking, and screening system for containerized cargo shipped to and from the United States either directly or via a foreign port”.

The Senate bill appears to assume that cargo identification, tracking and screening for containerized shipments would continue to be the responsibility of the Customs Service. However, Section 207 of the bill also requires the Secretaries of Transportation and Treasury to “establish a joint task force to work with ocean shippers and ocean carriers in the development of systems to track data for shipments, containers and contents”.

The lack of clarity over which agency is responsible for cargo security analysis should be clearly addressed by the conferees. It is essential that Congress: 1) clearly establish which agency is responsible for what portion of this security challenge, and 2) ensure that, if Customs is not the agency responsible for security analysis, then the lines of communications guarantee that identification of what cargo requires further review or inspection be communicated to the Customs Service in a timely manner. If the new regime is going to require substantial changes, such as filing import cargo manifests 24 hours before loading, then the security screening system must be able to analyze and act on the information before the cargo is loaded, or it will not accomplish its objective.

Export Cargo Documentation

Section 115(b) of the S.1214 would require shippers to “properly document” all export cargo, meaning submit a “complete set of shipping documents” “no later than 24 hours after the cargo is delivered to the marine terminal operator”. The bill provides that carriers cannot load cargo aboard a ship unless it has been “properly documented”. The House bill does not specifically address export cargo.

As you consider what requirements may be made applicable to export cargo, we request that you consider the following:

- The National Customs Brokers and Freight Forwarders Association has recommended that filing with the Automated Export System (AES) be made

mandatory for all export shipments. We believe that this would facilitate government acquisition of export shipment data and simplify export procedures.

- Carriers should not be made responsible for whether a shipper has properly interpreted and applied export rules applicable to its cargo. For example, today an export declaration may be required for a particular type of cargo, but not another.⁵ The determination of whether a particular cargo requires an export declaration is an obligation of, and should be the sole responsibility of, the shipper.
- When complete documentation is required can significantly affect the flow and timeliness of commerce. For example, S.2534 would require exporters to provide a complete set of shipping documents 72 hours prior to departure of the vessel. That would require a large amount of cargo to just sit in a marine terminal for several days before loading. Such a requirement could cause delays to a significant amount of export trade and create congestion in marine terminals. S.1214 would allow shipments to be loaded for export if tendered just before loading so long as the documents were complete.⁶

IV. The Role of Technology Improvements in Meeting the Security Challenge

There is no question that technology can help address the security challenges. There is also no question that one must be careful not to assume technology can solve every security problem in a short time frame. The role of technology should be analyzed in the context of specific security challenges.

Seals

Today, there is no government standard for seals. A standard should be established promptly, which is internationally acceptable. We believe that in the immediate future, the standard should be for a hardened bolt-type seal. In the future, electronic seals may be required, but seal standards should not wait for the development, testing, and standard setting for electronic seals. Depending on the specific technology, electronic seals will also require different kinds of supporting infrastructure to be installed, such as readers at gates.

Sensors

There is interest in sensors that could be installed in containers to detect entry, and depending on the technology, perhaps even notify somebody of that entry. There are

⁵ This would not be the case if export declarations were required of all shipments.

⁶ S.1214 requires for export shipments that all documents be submitted to the vessel common carrier or its agent “no later than 24 hours after the cargo is delivered to the marine terminal operator”, and that no export container be loaded aboard a vessel unless this has been done. Thus a container could be delivered to the marine terminal the day the vessel sails and still be loaded aboard. (Section 115(b)).

no commercially accepted or internationally accepted standards for such devices. Such devices also may require sophisticated supporting infrastructure depending on the type of sensor, such as satellite coverage. Finally, a requirement of such sensors is that they not be so costly as to be commercially impractical.

Transponders on Ships

The House bill (Section 107) would require the installation of Automated Identification System (AIS) transponders on any vessel built after December 31, 2002, on any vessel operating within a Vessel Traffic Service by that date, and on all other vessels, by December 31, 2004.

S.1214 does not have a comparable provision. However, S. 2329, which has been approved by the Senate Commerce Committee, would impose a requirement that AIS be installed by December 31, 2004, independently of when the vessel was built, or whether it was in a geography with a VTS system.

The IMO is presently addressing this issue, and we agree with the G8 Transportation Security Summit conclusion of last week that the IMO is the most appropriate forum to accelerate implementation of AIS equipment requirements. If accelerated installation of AIS equipment is nevertheless required by Congress, we believe the S.2329 approach and timeframe is preferable, as it coincides with the G8 agreement. In addition, the following clarifications are requested if this requirement is included in the final security legislation: 1) The AIS transponders are short-range (approximately 30 miles) transponders – as there are no standards for long-range equipment. 2) There is some uncertainty as to adequate availability of these transponders by the proposed date. It would therefore be appropriate to link the implementation of the installation requirement to a positive determination by the Secretary of Transportation that the AIS equipment will be reasonably available to install on all ships in international commerce. 3) Shore-based radio facilities, manned and operated by the Coast Guard, do not currently have the necessary equipment to receive AIS signals, obviously diminishing the value of AIS for enhanced maritime security. It would seem appropriate, therefore, to include in the legislation a requirement that the Secretary of Transportation provide regular progress reports to the relevant Congressional Committees on the planned installation of the necessary equipment on shore-based radio stations for receiving short-range AIS communication signals.

Personnel Credentialing

The issue of credentialing and checking transport workers in security sensitive positions requires resolution. The industry has expressed its support for the House and Senate legislative efforts to establish a national credentialing program, with uniform, minimum federal standards, with a federal background check process using criminal history and national security data, and with “smart card” technology for the credentialing of appropriate transportation workers. The credentialing system adopted should cover people with access to restricted marine terminal areas and to vessels, the truckers hauling

the containers, and other security sensitive positions. America's seaports, like America's airports, should have systems to ensure and record that only approved people who are supposed to be there are there, and only when they are supposed to be there.

Regarding seafarers' documents, we were pleased to see the G8 Transport Security Summit agreement agree to seek by June 2003 minimum standards for issuance of seafarer identity documents at the International Labor Organization, and minimum standards for the application of biometrics in procedures and documents by the spring of 2003

Cargo Inspection Technology

The Customs Service is acquiring non-intrusive container inspection equipment for use at seaports around the country. These technologies are as important and useful as any in ensuring a secure supply chain, and such equipment should be installed at ports in other countries that load containers destined for the United States. This is an objective of the Customs Container Security Initiative.

We understand that other inspection and detection equipment is being deployed to check for certain risks, such as radioactive materials. These kinds of technologies should be among the highest priority acquisitions.

* * * * *

The challenges in developing and applying such technologies are many, but certainly include the following considerations. The first is internal to the government – clearly assigning organizational responsibility for developing and managing the process of reviewing all available technologies, setting criteria and standards for testing, judging the test results, and developing standards and requirements. A second challenge will be finding the right technologies for security at a reasonable cost. A third challenge will be making sure the standards and requirements are internationally accepted – an essential task when regulating international commerce, because the consequences of security requirements can affect equipment, systems, business practices and operating procedures around the world. Differing standards or disagreements could impede international commerce and cause substantial confusion.

V. International Commerce Needs International Security Solutions

A final point to consider is that ensuring higher security standards for international commerce requires international cooperation. Certain aspects of a security solution are beyond the direct reach of United States legislation. However, Congressional recognition and support of ongoing international efforts at the IMO, the ILO, the World Customs Organization and the G8 Summit is helpful.

First, S.1214 calls on the Secretary of Transportation, in consultation with the foreign governments concerned, to assess the effectiveness of the security measures maintained at foreign ports, by determining the extent to which a foreign port effectively maintains and implements internationally recognized security measures. This approach is consistent with and supportive of the U.S. government's international initiative to develop such standards at the International Maritime Organization, and with the G8 Transport Security summit agreement. We support this approach in the Senate bill, and believe that it should help further promote international cooperation in this area.

Second, the bilateral negotiations that are part of the Customs Service's Container Security Initiative are a critically important part of any security regime addressing the security of international cargo transportation. It will help detect and inspect security questions earlier, and will help governments manage the continuation of commerce under a wide range of security scenarios.

Finally, it is obvious, but worth repeating, that the hundreds of ships and millions of containers serving America's trade travel to and between all nations. This transportation network, that allows American exporters and importers to move their goods to and from any location in the world, must operate under rules that are internationally acceptable.

VIII. Moving Forward

I would like to close my remarks by thanking the Committee for its leadership in addressing this issue. S.1214 was conceived before September 11. The Senate passed it during the last session. The Committee's continued perseverance on the issue is instrumental in making progress on an exceptionally difficult challenge. Your efforts are one of the reasons to be encouraged, if not by the present state of success, at least by the efforts and positive direction things are moving.

I would also be remiss if I did not express thanks to the Committee for listening to all parts of the industry so that you understand and appreciate the consequences of the actions being considered. It is essential that maritime security legislation be enacted this year. It is also critical that the legislation and its implementation not unduly handicap commerce. International liner shipping is remarkably successful in providing America's international trade with efficient, reliable and low cost service. Great care should be taken to preserve those attributes at the same time that we improve security measures against the risk of terrorism.

We can't always choose the circumstances in which we find ourselves, but we can choose how we respond to those circumstances. Governments are now engaged in an exceptionally difficult endeavor, namely to institute safeguards against the risk of terrorism while protecting the benefits of free trade. It is essential that governments succeed. It is incumbent on all the participants in this international transportation process to help governments succeed. The World Shipping Council is committed to helping the

Congress and the Executive Branch agencies succeed in these efforts, and we commend those in industry and in public service who are doing their best to address this new and complex set of challenges.

Attachment A

Member Companies of the World Shipping Council

APL
A.P. Moller-Maersk Sealand
(including Safmarine)
Atlantic Container Line (ACL)
CP Ships
(including Canada Maritime, CAST, Lykes Lines, Contship
Containerlines, TMM Lines, and ANZDL)
China Ocean Shipping Company (COSCO)
China Shipping Group
CMA-CGM Group
Compania Sud-Americana de Vapores (CSAV)
Crowley Maritime Corporation
Evergreen Marine Corporation
(including Lloyd Triestino)
Gearbulk Ltd.
Great White Fleet
Hamburg Sud
(including Columbus Line and Alianca)
Hanjin Shipping Company
Hapag-Lloyd Container Line
HUAL
Hyundai Merchant Marine Company
Italia Line
Kawasaki Kisen Kaisha Ltd. (K Line)
Malaysia International Shipping Corporation (MISC)
Mediterranean Shipping Company
Mitsui O.S.K. Lines
NYK Line
Orient Overseas Container Line, Ltd. (OOCL)
P&O Nedlloyd Limited
(including Farrell Lines)
Torm Lines
United Arab Shipping Company
Wan Hai Lines Ltd.
Wallenius Wilhelmsen Lines
Yangming Marine Transport Corporation
Zim Israel Navigation Company