



**The Hong Kong  
Shippers'  
Council**  
香港付貨人委員會



## EXECUTIVE COMMITTEE 2013

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# Shippers foresee of new air cargo



Willy Lin  
Chairman

*I am very concerned about future changes in the Hong Kong air cargo security regime and their impact on the supply chain. I must alert both the authority and the trade that without proper planning and swift action the operational efficiency that makes Hong Kong the busiest air cargo hub in the world will be seriously impaired.*

The EU rules EC 859/2011 published in January 2012 require that after 30 June 2014 cargo is to be screened unless tendered by an independently validated Known Consignor. Considering the vast geographical spread of consignors using Hong Kong air freight services, the complexity of compliance requirements, the absence of X-ray machines capable of screening a whole pallet or ULD and approved by major global authorities and institutions, it would be extremely difficult for Hong Kong to comply with these requirements in time.

The EU and the International Civil Aviation Organisation (ICAO) came forward with the new concept of Account Consignor in January 2013, which somewhat represents a relaxation of the above requirement. Account Consignor is indeed Known Consignor without completing the independent validation process. Cargo from an Account Consignor could be carried only by all-cargo freighter and not passenger flight, unless the cargo is screened. Shippers who do not want to go through the independent validation process



# ers warned go requirements

may choose to become Account Consignors only. However, there is concern that in addition to the operational difficulties that may arise from the restrictions of carriage by freighter only, there are uncertainties of whether the freight forwarders, airlines and authorities have different treatments for Account Consignors' cargoes in handling, charges and inspections.

I must also mention that the new ICAO requirements, applicable to both Known Consignor and Account Consignor, are much more stringent than those under the current Hong Kong Regulated Agent Regime. There are enhanced shipper requirements, including nominated staff to take charge of the security programme, pre-employment check for that nominated staff, secured premises, secured transport, agreement to unannounced inspection, etc., together with the Known Consignor/Account Consignor status. The implementation date for these requirements is as early as 15 July 2013, which leaves very little time for Hong Kong to adopt a new scheme.

The EU has given a temporary exemption to Hong Kong for EC 859/2011 in Feb 2013, subject to our compliance with the above ICAO requirements. The Civil Aviation Department (CAD), the authority overseeing the air cargo security regime in Hong Kong, will announce details of the new requirements later this month. Shippers should note the details of the requirements and, in

particular, a new Known Consignor Declaration of Compliance form to complete and submit through freight forwarders, which must be Regulated Agents. Since there is no current requirement of independent validation for Known Consignors, there is virtually no need for shippers to consider the application as Account Consignor, which would only incur unnecessary restrictions and inflexibilities.

The requirements announced would only be temporary measures, however. Soon we will have to deal with the issues of independent validation and screening requirements. With regard to independent validation, our concerns are whether there are sufficient service providers and qualified inspectors, qualifications and training for those inspectors, a charging scheme of these service providers and competition among them, service standards, ability to meet the demand that may come when the scheme starts, appeal and recourse mechanism, dispute resolution mechanism, etc. Of course, the fundamental concern is whether the requirements will be too harsh or too costly for shippers to comply with. The Council will work closely with CAD and the industry for protection of shippers' interests.

I also believe that it is absolutely necessary to look into the scanning requirement. Some shippers may prefer screening over independent validation. I think this option is particularly needed by small shippers with only occasional shipments. Also, screening could be the only solution for first-time shippers. Scanning is also needed for operational flexibilities, otherwise open-box search would be the only alternative.

At present, scanning is carried out at the two airport cargo terminals. Even with Cathay Pacific's new cargo terminal becoming operational this year and more X-ray machines installed, it would be impossible for the present capacity to cope

with the demand when security requirements are tightened.

The authority must quickly carry out comprehensive assessments on the demand, the need for common town facilities or upstream scanning facilities at the freight forwarder premises, impact on cargo flow, changes in the legal framework, availability of qualified handling staff and their training, etc., and negotiation for mutual recognition with ICAO and foreign authorities over each other's cargo security regime. I must reiterate that the US requires 100-per-cent screening, regardless of supply chain security. Although slow, the US government is making progress. Since December 2012, all cargo carried by US-bound passenger flights must be scanned before being placed onboard. The US government is not going to stop there.

The EU and the US government also announced mutual recognition of EU's security programme and C-TPAT in Feb 2013. The industry's general understanding is that mutual recognition of each other's security scheme is the best approach and should be given high priority in the design of any national cargo security regime. Senior lobbying and negotiations are essential and critical for success.

We will be happy to see more initiatives and efforts of this type. In addition to taking a single-line approach in dealing with ICAO and other air cargo security authorities, the SAR government should initiate an overview of all current securities initiatives. The Authorised Economic Operator (AEO) programme, which falls under Hong Kong Customs, is also focusing on supply chain security. Would a concerted and co-ordinated approach bring synergy? Could we also make use of the fact that many Hong Kong consignors are C-TPAT approved? Hong Kong needs a centralised, co-ordinated yet multi-dimensional approach to safeguard our trading and logistics interests.