



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

■ CHAIRMAN'S MESSAGE

Look out for radical changes in

Shippers are forewarned that radical changes in the global cargo security regime are imminent. Shippers should get ready for and be prepared for changes in the way they do business as well as shipment planning.

It was somewhat for tunate that the two parcel bombs from Yemen to the US, carried by FedEx and UPS, were intercepted in the UK and Dubai earlier this month. Nevertheless, the incident is bound to trigger a new global cargo security regime. It will also forseably accelerate the changes in cargo security regimes that are currently used in Hong Kong.

The current air cargo security regime for Hong Kong, known as the Regulated Agent Regime (RAR), has been deemed as not quite up-to-scratch after the audit conducted by the International Civil Aviation Organization (ICAO) of the United Nations two years ago. Subsequently, two major initiatives are being pursued at present in order for Hong Kong to bring its security regime up to the standard of ICAO. Although the industry has been trying hard to keep these necessary changes as least disruptive to the flow of trade as possible, there are still going to be substantial changes to the current business procedures and practices.

The Hong Kong Shippers' Council together with HAFFA and the Civil Aviation Department are crafting an enhanced RAR that is based on the "known consignor" concept that underlays the original RAR, but with additional new requirements that will strengthen the documentation trail for all parties involved in a cargo shipment.



Willy Lin, Chairman

The enhanced RAR requires all shippers, shippers' vendors as well as vendors' vendors, whether located in Hong Kong or not, to file completed cargo security questionnaires (similar to that of the US C-TPAT or Customs-Trade Partnership Against Terrorism). The completed cargo security questionnaires will be required to be accompanied by copies of a valid Business Registration (BR) submitted to the Regulated Agents (RA), i.e. the freight forwarder/air carrier that is handling the shipment. Cargo not accompanied with the required filled-up questionnaire and BR copy will be treated as "unknown cargo" and will be subject to scanning. I must point out that the requirement is for all suppliers and vendors, whether they be traders or manufacturers in the Pearl River Delta, or their suppliers from the remote regions that could be as far as Mongolia. They are all required to submit their completed questionnaires and BR copies before shipment. There will be dissent as part of the information required is often regarded as sensitive commercial information. However, this has been

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global shipping

decided to be the better option as the alternative would be a total overhaul of operational efficiency that would have cost millions of dollars. I hope shippers appreciate this and that the additional paper-trail requirements will cause only a small ripple. Enhanced measures are inevitable and we will always try to choose the most pragmatic and least costly methods.

The industry is preparing to see additional physical scanning of goods, following the events of the past few weeks. At present, only a relatively small portion of shipments are scanned and attention has always been on cargo carried on passenger flights. Scanning is carried out at cargo terminals located in the airport. There is no way in terms of operational efficiency and quantity that the current arrangements could meet the rising requirements.

In the US, the Transportation Security Administration's (TSA) 100% screening rule was put into effect on August 1st, that all cargo moving aboard passenger aircraft be screened before loading. According to JoC, during the first week, "67% of the indirect air carriers that responded to a survey reported no problems while another 28% reported minor startup glitches". In another survey in October, some 10% of forwarders' customers remained 'very worried' about the new rules, said the JoC.

The US Homeland Security, as per the bill crafted after 9-11, will eventually implement 100% screening on all cargo—air and sea—passing through their borders and sea and air hubs. The question is when 100% scanning

will be fully implemented and recent events might not only have hastened the time frame but also may have widened the scope—not only in the US but international cargo will be affected.

So far the industry has been counting on a large X-ray scanner that can cover a whole pallet, or an air container of goods. However, the recent FedEx and UPS incidents clearly demonstrate that we simply do not have the technology yet to detect even such a small amount of explosives concealed inside small cargo items such as an ink-jet cartridge. A small amount of explosives will be able to blow up an aircraft.

A few freight forwarders in Hong Kong are testing small-sized x-ray machines in their cargo freight stations (CFS). This looks like it is going to be the trend, but what the industry needs are standards and accreditations, especially from local and international regulatory institutes and authorities. It would be most undesirable, and ineffective, to see different systems spring up without coordination and accreditation. While small x-ray machines installed at freight forwarders' CFS are an option, we must caution about the charges. There must be a regulation for charge levels to ensure shippers' interests are protected. A safer cargo environment will benefit all parties in the operational chain—including shippers, freight forwarders, air carriers, truckers, stevedores, airports and the public. The cost must not be borne solely by shippers. All those benefitting should share the security costs incurred and it is the responsibility of regulatory

bodies to ensure shippers will not be held at ransom, or left holding the bag.

On the sea cargo front, the EU will be implementing the 24-hour Rule come January 1st. Although the industry has had the US seafreight 24-hour rule up and running for a few years, I must caution that the devil is in the details even in a tested environment. On the new EU rule, there have been questions raised, such as not all information required is the same which will throw a glitch into the initial filing step. And more importantly, there is the major contention over allowing direct filing of the manifest by freight forwarders to EU Customs. Shipping through freight forwarders here in the Far East comprises over 60% of trade to Europe and freight forwarders should be given the right to choose direct filing or not. But the EU Rule leaves it to the discretion of the shipping lines. Moreover, regulatory authorities should view this issue from the sensitivity of commercial cargo information.

In addition, I would like to voice caution over the immense impact on operations. The US 24-hour rule has shown its effect on delivery of containers, preparation of documents, etc. and the ceasing of bunching at the cargo terminals over the weekend as transpacific shipments are being delivered to terminals at mid-week instead. The EU 24-hour rule may have the same effect and we may see bunching problems in the middle of the week again. This is just an example of the problems that the industry must be properly prepared for with new security rules coming into effect. So we caution Hong Kong traders, be prepared!