



HKIA will come to standstill with 100% screening

Hong Kong's air cargo activities will come to a standstill if every piece of cargo was subjected to x-ray screening when the US' 100 per cent cargo screening rule becomes effective in August 2010, Hong Kong International Airport's (HKIA) cargo manager B S Chow has warned.

Chow told AFA conference delegates that cargo screening at Hong Kong International Airport, which is the world's No. 1 international cargo airport, depends on the Regulated Agent Regime (RAR) scheme to prevent the unauthorised carriage of explosives and incendiary devices in consignments of air cargo.

"At the airport level, cargo is subjected to a random percentage level of checks, and if 100 per cent cargo screening is imposed, HKIA will not be able to meet the manpower and space requirements. Everything will come to a standstill," he warned.

If the cargo screening was pushed back upstream to the manufacturers, Chow asked whether industry executives had faith in every employee in the supply chain between the factory and Hong Kong. "If the cargo is shipped through China, anything can happen," he added.

Complex supply chains

Speaking on the panel's topic of, 'Will 100 per cent cargo screening create safer skies?', Walther Nahr, Hongkong Association of Freight Forwarding and Logistics (Haffa), chairman, said: "I don't think there can be 100 per cent air cargo screening as it will severely disrupt trade



Walther Nahr

and create huge costs to the industry if it goes ahead next year as planned."

The US Transportation Security Administration (TSA) will controversially enforce the rule in August 2010, requiring all air cargo carried in the bellyhold of passenger aircraft to be physically screened – either through detection, x-ray, or canine or hand search.

Nahr, who is in favour of proper risk management and training of people to handle air cargo to ensure safer skies, said in seeking the best solutions for Hong Kong during consultation with other Haffa members, "it was found that goods do not originate from one factory as they sub-contract from one factory to another, making the supply chain very complex".

"If the US Congress continues this way (of wanting to implement 100 per cent air cargo screening), they will totally disrupt trade to the US," Nahr warned. TSA has no influence on trade, so shippers will just ship their goods to another country and have them transported by sea, air or land into the US.

Air cargo's 'Plan B'

David Fielder, International Federation of Freight Forwarders Associations (FIATA) security matters head, said one way to circumnavigate the rule is to fly cargo into Canada, and then truck it across the border. Another way is to fly freight on all-cargo aircraft as this does not have to comply with the TSA rule, but it cannot travel beyond its arrival airport by air without being screened.



David Fielder

Nahr said that while he believed that 100 per cent screening would improve safety, it would not make cargo operations 100 per cent safe. David Harman, CEO of Unitpool, acknowledged that 100 per cent cargo screening would make skies safer, but it would not stop the bad guys from looking at other ways to ship weapons or other things into the US.

As an ULD manager, he said his enquiries with ULD manufacturers



Hong Kong International Airport's (HKIA) cargo manager B S Chow (with microphone) warned that the airport's cargo operations will be paralysed if it has to screen 100 per cent of US-bound cargo.



David Harman



revealed that the TSA had not contacted them, and neither were the manufacturers involved in any kind of security management. He added that the TSA had manufactured a "bomb proof" ULD without consulting existing ULD manufacturers and the finished product would require aircraft to change their cargo door design, costing substantial amounts of money, before they could be put into commercial use. In the case of Cargolux, an estimated 400,000 containers, which make up 75 per cent of boxes handled by the Luxembourg all-cargo carrier, enter the aircraft via curtain doors.

Alain Breuer, Cargolux's head of security, pointed out that cargo screening as defined by TSA did not cover the security concept completely,



Alain Breuer

as aviation security meant that anything that goes on an aircraft had to be checked. He said that the TSA should seek mutual recognition of its screening programme with the EU so that it could make sure that all cargo leaving the EU met its requirements. "Any partner

should aim to secure mutual acceptance of its security concept," he added.

Fielder said the TSA was making it confusing for the industry by pushing cargo inspections back to the factory and leaving the inspections to people putting products in boxes, leaving no paper trail. Commenting on the Secure Freight Initiative which was being worked out with IATA, Fielder said there were lots of issues with this initiative, such as who is doing the auditing of the programme.

He also questioned whether the air cargo industry could learn from the experiences of the sea cargo industry such as the use of different types of equipment in Russia where the weather was very cold and in Hong Kong where the weather was hot. ✈

Businesses told to adapt to current market

Supply chain management is fundamental to every business, and it also offers competitive advantage to a business, according to Michael Proffitt, former CEO of Dubai Logistics City.

In his keynote address to a panel discussing the theme of, 'How to manage post-recession supply chains?', Proffitt said in establishing a company's supply chain strategy, it has to be agile and adaptive to current market conditions.

"A company's focus should not be on delivering across the board, but should also tackle issues such as the network structure, evaluating whether facilities are for long term or short term, checking to see if there was sufficient inventory and whether to hold stocks for the region," he said.

Other issues to be looked at include dealing with customs and seeing if there are clear processes to ensure there are no delays that will incur extra costs. Over the years, the world has seen the growth of global sourcing and extended supply chains, which have had huge financial impacts on distribution and network costs, Proffitt said.

"However, how many companies' boards have supply chain on their meeting agenda? Too few companies do this, and they rarely find a supply chain report or discuss what the company is doing about it, or what level the com-

pany is achieving in terms of supply chain management," he said.

Given the extended supply chain, everything from forecasting to procurement, orders and transportation used to be within 100 kilometres of the manufacturing facilities, but today, everything has become so complex and the situation

will not ease as the supply chain can be very far and long, he added.

A supply chain is a transportation issue, because there is a buzz when goods do not arrive in time, Proffitt said, adding that total delivered costs is a key issue as people look at landed costs.

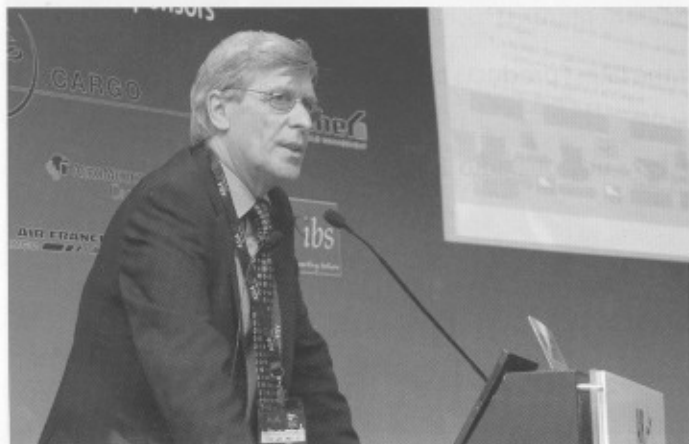
In China, many factories have moved inland, increasing time and transportation costs to the port and airport, and this was continuing to increase, he added.

"If intra-Asia trade develops, there is going to be lots of movement from Asia to US and Europe, pre-recession and post-recession. Even in Asia, supply chains will develop, but it will not be that complex," Proffitt said.

"Companies should not go for low costs but rather for the best cost. We are not talking about procurement costs alone as there are other costs like logistics across the whole supply chain," he said. Walmart and fashion retailer, Zara, for instance, are examples of companies which had recognised total supply chain costs and therefore were more successful than those who did not, he added.

Proffitt noted that the world was now focusing on environmental issues and after the world's economies come out of the recession, the environment issue will return and put pressure on everyone who is part of the supply chain.

"How it will manifest itself, your guess is as good as mine. In future, more thought will be given on how goods move." ✈



Michael Proffitt