



SecureGlobal  
Logistics

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SecureGlobal Logistics  
June 30, 2010 “100% Air Cargo Screening: Remaining Steps to Secure Passenger Aircraft”

Chairwoman Jackson-Lee and members of the committee, it is my pleasure to be here today representing SecureGlobal Logistics and our frontline efforts in support of TSA as a participant in the Certified Cargo Screening Program.

By way of overview, SecureGlobal Logistics is licensed by the International Air Transportation Association as an air freight forwarder, by US Customs as a licensed Customs Broker, and we are certified by the Federal Maritime Commission as an ocean freight forwarder and NVOCC (Non-Vessel Operating Common Carrier). Our role is as an intermediary between the shipper and the air and ocean carriers, providing freight handling, bookings, and door deliveries to virtually every point internationally. We are also a Service Disabled, Veteran Owned Company and participate actively in support of many US Prime Contractors who are supplying material to our war fighters in Iraq and Afghanistan.

In our role as an “Indirect Air Carrier” we were early adopters of TSA’s screening program. We were initially certified as a cargo screening facility prior to the February 2009 50% screening requirement. We subsequently applied for and were accepted into TSA’s Pilot Program and received grants enabling us to procure AT X-Ray equipment and Trace Detection equipment. We have been screening at the 100% level since February 2009, first using manual inspection techniques and later utilizing X-Ray and Trace technologies provided by TSA reimbursement.

Funding from TSA as a pilot program participant was the key for our company to bring technology to bear on the screening process. Ours is a low margin industry and capital funding for non-revenue producing services like cargo screening would be prohibitive for companies like ours. In fact, in our city there are more than 1,000 companies similar to ours and yet less than 40 have become Certified Cargo Screening Facilities. Of those, I would suspect that the majority are not purchasing technology, but only utilizing manual open and inspect procedures in order to avoid the substantial capital investment required to obtain screening equipment.

However, manual inspection whether it occurs at the shipper’s facility or with an Indirect Air Carrier like our company, presents several inherent challenges. The first and most obvious is a dependence upon the skill set of those trained to perform manual screening operations.

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Even with the best of training, those typically carrying out manual “open and inspect” processes are usually the entry level employees in most companies. These are typically hourly warehouse workers, where turnover rates can be higher than normal. The cost of TSA mandated training and conducting Security Threat Assessments for this more transient group of employees can be challenging.

The second challenge to the manual “open and inspect” process is that it can create a substantial bottle neck to the supply chain. Imagine a company like ours receiving dozens of pallets per day and on each pallet there might be dozens of boxes. Now imagine someone having to open each box, look inside and inspect for IED components. Multiply that scenario by the number of clients moving air cargo through our facility each day and you can readily see that our ability to move air cargo quickly to the air carrier becomes compromised. And if a customer is moving cargo by air rather than by ocean, a much more economical mode of transport, they are doing so for a reason; it is time critical. Delaying client cargo for a slow, manual screening process is not an acceptable business model.

A third challenge to manual open and inspect relates to certain sensitive cargoes for which the client would not want their cargo opened. For instance, we have a client who manufacturers equipment over which they apply a protective film that if cut, broken or unsealed, can void their warranty. There are a host of commodities from pharmaceuticals to high tech equipment that require various protection methods such as seals against moisture penetration and electrostatic shock inhibitors which can be compromised by the open and inspect method.

Technology based screening processes create better alternatives. While still performed by the same warehouse personnel with some of the same personnel vulnerabilities, X-Ray and Trace Detection technologies do not slow down the supply chain in the same way as manual inspection procedures. Rather than opening each and every box or crate, or looking inside complex equipment, we can simply move the material through an X-Ray device or swipe it and obtain a quick reading.

Additionally these technologies, particularly the X-Ray equipment, can provide a value-added benefit to our clients. For instance, if the shipper’s manifest indicates that a box should contain 3 pieces, we are able to ascertain via the X-Ray process if indeed three pieces are in the box. If not, we can alert the client in advance of shipment, enabling them to correct the problem before the cargo is moved. This saves the client time, money and potential problems with their buyers. With the X-Ray equipment we might also determine if there is breakage inside the box, again, solving a problem for the client before the shipment is moved. These value added features create opportunities for us to sell the advantages of the Cargo Screening Program to a suspicious clientele who are concerned that the program will slow down their cargo and increase their cost of shipments. That said, X-Rays are simply a means to see. They require careful and sometimes tedious interpretation by the same entry level warehouse personnel and high turnover in such positions creates costly training and retraining scenarios.

Being located in Houston, our primary client base is comprised of oilfield service companies. So we are moving everything from neatly boxed equipment to manufactured hardware and equipment used in every facet of drilling, exploration and production. Our cargo can be everything from multiple boxes on a pallet to odd-length pipe, to very dense valve bodies. These varying commodities each present their own screening challenges.

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A dense cast iron valve, for instance, cannot be adequately screen by X-Ray equipment. It has no ability to see inside the valve. In this instance, trace detection by swiping the material and reading for explosive residue is a better alternative. For clients moving cargo in cardboard boxes or wood crates, X-Ray provides a fast and efficient option. For a single piece of cargo that has no internal elements, manual inspection can be done quickly and efficiently. Being empowered to utilize multiple screening methodologies enables us to bring to bear the most suitable screening technique for a given commodity type.

One area of criticism in the use of X-Ray technologies has been a lack of training in IED specific X-Ray interpretation. The primary focus of the OEM training was on system utilization such as turning the equipment on and off, cleaning, and maintenance. There should be a tighter connection between the TSA CCSF training process which does provide IED specific training and the X-Ray equipment manufacturers who simply don't address this subject in their equipment training.

As we approach the impending August 3 mandate for 100% screening, facilities like ours are generally well suited to the challenge. We have taken the time to become certified for manual inspection. Through the Pilot Program we have obtained both AT X-Ray and Trace Detection equipment. And with a history of screening at the 100% level for a year and a half, we have already put into place the facility security requirements, conducted the required CCSF training with our staff and certified our employees on the original equipment from the manufacturers of the screening equipment. In other words, companies that have taken this mandate seriously and who have embraced the program will be ready.

However companies like ours are in the minority. As mentioned previously, there are more than 1,000 companies like ours in Houston, Texas alone. Yet in the entire USA there are less than 650 Certified Cargo Screening Facilities.

I cannot speak for all companies, but I do know that for a company like ours, the costs of program participation can be onerous. Facility security measures alone cost us approximately \$80,000. Training for our staff in TSA CCSF procedures and training in the OEM equipment amounted to approximately \$20,000. X-Ray and Trace Detection Equipment used in our facility totaled approximately \$300,000.

There are few companies in our industry that can afford almost a half a million dollars of capital investment for services that are non-revenue generating. Had we not obtained a grant from TSA for the Pilot Program, we would be in the same position as many of our colleagues who have no plans to participate in the screening program, will only become certified in manual inspection, will outsource this service to a third party, or simply leave it to the airlines.

Even some of the largest companies in our industry are foregoing the purchase of equipment in each facility and are opting for regional screening centers. This inevitably leads to delays in cargo uplift as cargo is trucked from one airport hub to another in an attempt to consolidate cargo for screening in a central facility.

The air carriers can speak for themselves on the issues that might impact their operations should the majority of air cargo be tendered to them as unscreened. But we are advising our

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clients of the communication we are receiving from various air carriers who are advising that pre-screened cargo will receive priority booking and will go to the head of the line for loading to the aircraft. It is not difficult to imagine that unscreened cargo will of necessity take second priority and experience delays until the carriers are able to affect screening.

Once we are past the August 3<sup>rd</sup> deadline and the full impact of the mandate can be evaluated, it is possible that new alternatives will become necessary. We have spoken with the Houston Airport System about the possibility of developing a Centralized Screening Facility on the airport property. The concept would require all Indirect Air Carriers to tender cargo to a central location where it would be screened by professional operators in a controlled environment and transferred directly to the airlines. This concept could substantially consolidate costs. And, if properly equipped, with automated screening processes, could retain the current speed of the supply chain. It is not unlike the current passenger screening philosophy currently in use and could be either a public/private partnership or a TSA staffed facility.

We are grateful to participate with TSA in the Pilot Program and as a fully functional Certified Cargo Screening Facility and make ourselves available to you in the days ahead for any additional input we may be able to offer in support of the screening program.

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