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IMPROVING SECURITY AND FACILITATING COMMERCE AT THE NATION'S PORTS OF ENTRY: SEAPORTS OF LOS ANGELES AND LONG BEACH, CA

HEARING

BEFORE THE

SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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IMPROVING SECURITY AND FACILITATING COMMERCE AT THE NATION'S PORTS OF ENTRY: SEAPORTS OF LOS ANGELES AND LONG BEACH, CA

FRIDAY, FEBRUARY 1, 2002

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES,
COMMITTEE ON GOVERNMENT REFORM,
Long Beach, CA.

The subcommittee met, pursuant to notice, at 12:10 p.m., at Port of Long Beach, Port Administration Building, 6th Floor, 925 Harbor Plaza, Long Beach, CA, Hon. Mark E. Souder (chairman of the subcommittee) presiding.

Present: Representative Souder.

Also present: Representative Millender-Donald.

Staff present: Christopher Donesa, staff director and chief counsel; Nick Coleman, professional staff member and counsel; and Conn Carroll, clerk.

Mr. SOUDER. Good afternoon. Thank you all for coming. Today our subcommittee will explore the status of the Long Beach and Los Angeles seaport border. Even before the terrorist attacks on September 11, 2001, this subcommittee was considering ways to improve both the security of our Nation's borders and the efficient flow of international commerce, travel and tourism.

Continuing problems with illegal immigration and smuggling of drugs and other contraband over the Southern and Northern borders and into our seaports and the threat of terrorism have prompted calls to hire more Federal law enforcement officers and to expand the physical and technological infrastructure needed to allow those officers to work effectively.

The attacks of September 11th and the heightened scrutiny of the last 4 months emphasized the urgency in dealing with the terrorist threat as well as the problems of narcotics interdiction and illegal immigration. Following the attacks, the Nation as a whole came together to quickly develop and implement added security measures at our land, air and sea borders.

The teamwork and cooperation required and displayed among the many Federal, State and local entities throughout America was and still is truly remarkable.

All morning long I have seen seaport activities from the water, the land and by air. I thank everyone who has been involved for

working so hard these past 4 months to keep these ports secure and efficient.

Our Nation's seaport borders today are more secure than 10 September of last year, but the job is nowhere near done. We cannot let our guard down on vital border issues such as drugs and terrorism. We must continue to improve. We must continue to work together to work smarter and better.

Our ports and borders must remain secure and prosperous in the years to come. Our prosperity clearly depends upon our ability to accommodate the global trade that is predicted to double or triple in the next 20 years. So government also needs to be attentive to minimize the disruptions and delays caused by Federal inspections and other requirements. There is no doubt that there have been costs associated with heightening our Nation's security at our borders.

Delays at some border crossings and a reduction in commercial and commuter traffic from the increased security measures put in place after September 11th have raised concerns about the effect of these policies on trade, tourism and travel.

A slowing of the flow of people, cargo and vessels is a major concern at our seaports. Congress has been considering numerous proposals to deal with these problems, and our subcommittee is open to exploring all of them. However, finding and implementing solutions is much more difficult than simply identifying problems. For example, the House of Representatives and the Senate last year passed anti-terrorist legislation that, among other measures, authorizes the tripling of the number of Border Patrol agents, INS inspectors and Customs inspectors along the Northern border.

President Bush just proposed much needed comprehensive increases in our support to the Coast Guard. It is unclear how quickly any of these agencies can meet these added requirements. Moreover, it is unclear what the impact of the new emphasis on anti-terrorism will be on personnel decisions at each of those agencies.

In the rush to protect our Nation's border from terrorists, we must not hamper our ability to protect our citizens from other dangers, as well as we must not slow down the lifeblood of our Nation's economic well being, that of international trade and commerce.

This hearing is part of a series of field hearings which this subcommittee is holding at border crossings and ports of entry throughout the United States. At each location, this subcommittee is defining the problems facing the Federal agencies, local lawmakers and community and business leaders with respect to border policy.

We will focus on what new resources are needed for the Federal Government most effectively to administer the border crossing and port of entry as well as what new policies could be pursued to ease the burdens placed on commerce, travel and tourism. We will last explore how the new emphasis on preventing terrorism may affect the ability of these agencies to carry out their other vital mission. These issues are all very important and extremely urgent, and I look forward to hearing from our witnesses today about ways to address them.

We have invited representatives of the agencies primarily responsible for protecting our borders and seaports in this region;

namely, the U.S. Coast Guard, the U.S. Customs Service, the Immigration and Naturalization Service, to testify here today. The subcommittee is vitally interested in ensuring the effective functioning of those agencies, and we will continue to work with them and their employees to ensure continued security and effective administration of our Nation's borders and seaports.

We welcome Captain John Holmes of the U.S. Coast Guard, who serves as the Operational Commander of this area, and Captain of the Ports, Los Angeles and Long Beach; Ms. Audrey Adams, Director of Field Operations for the South Pacific Customs Management Center; and Mr. Thomas Schiltgen, Director of the Los Angeles District Office, Immigration and Naturalization Service.

A big part of developing and implementing any seaport security plan involves the respective port authorities. No two seaports are alike. As such, input from the local port component and port personnel is important to evaluating changes to seaport border security policies.

Today, our second panel is the individuals that manage day-to-day port operations. We welcome Mr. Richard Steinke, executive director of the Port of Long Beach, and Mr. Larry Keller, executive director of the Port of Los Angeles.

When examining seaport border policies, we must of course also seek the input of representatives of the local community whose livelihood is directly affected by changes to seaport security procedures. Our third panel is made up of representatives and port users. We welcome Mr. Jay Winter, Executive Director of the Steamship Association of Southern California; Mr. Guy Fox, chairman of the board of Global Transportation Services; Mr. Dennis Heck, corporate import compliance and purchasing manager for Yamaha Corp., Captain Bill Wright, senior vice president for safety And Environment, Royal Caribbean and Celebrity Cruise Lines; and Moises Cisneros, legislative manager of the Los Angeles Chamber of Commerce.

We thank everyone for taking time this afternoon to join us for this important discussion. Congresswoman Millender-McDonald is on her way here. Maybe after the first panel we will have her recognized for her opening statement if she wants to do that.

[The prepared statement of Hon. Mark E. Souder follows:]

Opening Statement
Chairman Mark Souder

"Improving Security and Facilitating Commerce at the Nation's Ports of Entry: Field Hearing on the Seaports of Los Angeles and Long Beach, California"

Subcommittee on Criminal Justice, Drug Policy, and Human Resources
Committee on Government Reform

February 01, 2002 – Long Beach, California

Good afternoon and thank you all for coming. Today our Subcommittee will explore the status of the Long Beach and Los Angeles seaport border. Even before the terrorist attacks of September 11, 2001, this Subcommittee was considering ways to improve both the security of our nation's borders and the efficient flow of international commerce, travel and tourism. Continuing problems with illegal immigration and the smuggling of drugs and other contraband over the Southern and Northern borders and into our seaports, and the threat of terrorism, have prompted calls to hire more federal law enforcement officers and to expand the physical and technological infrastructure needed to allow those officers to work effectively.

The attacks of September 11 and the heightened scrutiny of the last four months emphasized the urgency in dealing with the terrorist threat, as well as the problems of narcotics interdiction and illegal immigration. Following the attacks, the nation as a whole came together to quickly develop and implement added security measures at our land, air, and sea borders. The teamwork and cooperation required, and displayed, among the many Federal, State, and local entities, throughout America, was and still is, truly remarkable. All morning long, I've seen seaport activities from the water, the land, and by air. I thank everyone who has been involved for working so hard these past four months to keep these ports secure and efficient.

Our nation's seaport borders today are more secure than 10 September of last year. But the job is nowhere near done. We cannot let our guard down on vital border issues such as drugs and terrorism. We must continue to improve. We must continue to work together to work smarter and better. Our ports and borders must remain secure and prosperous in the years to come. Our prosperity clearly depends upon our ability to accommodate the global trade that is predicted to double or triple in the next 20 years. So government also needs to be attentive to minimize the disruptions and delays caused by federal inspections and other requirements.

There's no doubt there have been "costs" associated with heightening our nations security at our borders. Delays at some border crossings and a reduction in commercial and commuter traffic from the increased security measures put in place after September 11 have raised concerns about the effect of these policies on trade, tourism and travel. A slowing of the flow of people, cargo, and vessels is also a major concern at our seaports. Congress has been considering numerous proposals to deal with these problems, and our Subcommittee is open to exploring all of them. However, finding and implementing solutions is much more difficult than simply identifying problems.

For example, the House of Representatives and the Senate last year passed anti-terrorist legislation that, among other measures, authorizes the tripling of the number of Border Patrol agents, INS inspectors, and Customs inspectors along the northern border. President Bush just proposed much needed comprehensive increases in our support to the Coast Guard. It is unclear, how quickly any of these agencies can meet these many added requirements; moreover, it is unclear what the impact of the new emphasis on anti-terrorism will be on personnel decisions at each of these agencies. In the rush to protect our nation's borders from terrorists, we must not hamper our ability to protect the citizens from other dangers. As well, we must not slow down the life blood of our nations economic well being, that of international trade and commerce.

This hearing is part of a series of field hearings which this Subcommittee is holding at border crossings and ports of entry, throughout the United States. At each location, this Subcommittee is assessing the

problems facing the federal agencies, local lawmakers, and community and business leaders with respect to border policy. We will focus on what new resources are needed for the federal government most effectively to administer the border crossing and port of entry, as well as what new policies could be pursued to ease the burdens being placed on commerce, travel and tourism. We will also explore how the new emphasis on preventing terrorism may affect the ability of these agencies to carry out their other vital missions.

These issues are all very important and extremely urgent, and I look forward to hearing from our witnesses today about ways to address them. We have invited representatives of the agencies primarily responsible for protecting our borders and seaports in this region, namely the U.S. Coast Guard, the U.S. Customs Service, the Immigration and Naturalization Service, to testify here today. The Subcommittee is vitally interested in ensuring the effective functioning of these agencies, and we will continue to work with them and their employees to ensure the continued security and effective administration of our nation's borders and seaports. We welcome Captain John Holmes, of the U.S. Coast Guard, who serves as the Operational Commander of this area and Captain of the Ports Los Angeles and Long Beach; Ms. Audrey Adams, Director of Field Operations for the South Pacific Customs Management Center,
and Mr. Thomas J. Schiltgen, District Director of the Los Angeles District Office of the Immigration and Naturalization Service.

A big part of developing and implementing any seaport security plan involves the respective port authorities. No two seaports are alike, and as such, input from the local port components and port personnel is important to evaluating changes to seaport border security policies. Today, our second Panel is the individuals that manage day-to-day port operations. We welcome Mr. Richard D. Steinke, Executive Director of the Port of Long Beach, and Mr. Larry Keller, the Executive Director of the Port of Los Angeles.

When examining seaport border policies, we must of course also seek the input of representatives of the local community whose livelihood is directly affected by changes to seaport security procedures. Our third Panel is made up of representatives of port users. We welcome Mr. Jay Winter,

Executive Director of the Steamship Association of Southern California; Mr. Guy Fox, Chairman of the Board of Global Transportation Services; Mr. Dennis Heck, Corporate Import Compliance and Purchasing Manager for Yamaha Corporation; and Captain Bill Wright, Senior Vice President for Safety and the Environment, Royal Caribbean & Celebrity Cruise Lines. We thank everyone for taking the time this afternoon to join us for this important discussion.

Mr. SOUDER. Before proceeding, I would like to take care of a couple of procedural matters: First, ask unanimous consent that all Members have 5 legislative days to submit written statements and questions for the hearing record; that any answers to written questions provided by the witnesses also be included in the record. Without objection, so ordered.

Second, I ask unanimous consent that all exhibits, documents and other materials referred to by Members and witnesses may be included in the hearing record, and that all Members be permitted to revise and extend their remarks. Without objection, it is so ordered.

And, finally, I ask unanimous consent that all Members present be able to participate in the hearing.

Now, this is an oversight committee of Congress and we always ask that our witnesses be sworn in. So would the witnesses on the first panel please rise. Raise your right hands, I will administer the oath.

[Witnesses sworn.]

Mr. SOUDER. Let the record show that the witnesses have answered in the affirmative. Each of you will now be recognized for your opening statements. We ask you to summarize your testimony in approximately 5 minutes, because we have lots of witnesses. And you can insert any—the full statement, any other additional materials you have.

It is my privilege to first recognize Captain Holmes. We thank you for the courtesy of hosting us last night at the wonderful Point Vicente Lighthouse and other stops on our visit, including rousing me out of bed at 3:45 in the morning to go out with the sea marshals.

But we appreciate your work here, as the others, and look forward to hearing your testimony for the official record.

STATEMENTS OF CAPTAIN JOHN HOLMES, OPERATIONAL COMMANDER, U.S. COAST GUARD, AND CAPTAIN OF THE PORTS OF LOS ANGELES AND LONG BEACH; AUDREY ADAMS, DIRECTOR OF FIELD OPERATIONS, SOUTH PACIFIC CUSTOMS MANAGEMENT CENTER; AND THOMAS SCHILTGEN, DIRECTOR, LOS ANGELES DISTRICT OFFICE, IMMIGRATION AND NATURALIZATION SERVICE

Captain HOLMES. Thank you very much. Good afternoon, Mr. Chairman. My name is John Holmes. I am the Coast Guard Captain of the Port for the Los Angeles-Long Beach Port Complex.

It is a pleasure to appear before you today to discuss Coast Guard border security, particularly as it applies to the transport of people and cargo by sea into this, the country's largest and most active international cargo hub. I have a written statement I have submitted for the record, and I would like to summarize it here.

What I would like to do today is provide you with a perspective of Coast Guard security efforts in the Los Angeles-Long Beach Port Complex. To do this I will address several pertinent issues, including size and scope of the Port Complex, security efforts that took place prior to the September 11th attacks, immediate actions after the incident, current security measures in place, and long-term initiatives underway to address security challenges.

Simply stated, the Los Angeles-Long Beach Port Complex is the Nation's super port. Individually, either port, Los Angeles or Long Beach, would rank as the largest cargo port in the United States. Cumulatively they represent the third largest cargo port in the world, handling over 35 percent of the Nation's containerized cargo, over one million cruise passengers, over 500,000 vehicles, and approximately 50 percent of the oil used in the western United States.

Over 6,000 deep-draft vessels arrive here each year. And perhaps the most important statistic of container cargo is—predictions indicate that container cargo will grow fourfold in the next 20 years from a figure of approximately 9 million TEUs, which is basically a 20-foot container, to 36 million TEUs by the year 2020.

Prior to September 11th, the Port of Los Angeles-Long Beach had one of the most active harbor safety committees in the country. Upon review of a number of reports, including the DOT report and assessment of the U.S. Marine Transportation System and the August 2000 report of the Interagency Commission of Crime and Security in U.S. Seaports, another committee was formed, and that committee was the Marine Transportation System Committee.

This committee was formed to facilitate the safe, efficient and environmentally conscious flow of cargo in and out of the seaport. In addition to this main committee, subcommittees were formed, which included a Port Security Subcommittee, which was made up of the port users and the Federal agencies which they interact with, and a Law Enforcement Subcommittee, which was made up strictly of the law enforcement agencies in the port area.

I only mention this because this figures into the actions that the Port Complex took immediately after the September 11th tragedy. I will talk a little bit about the Coast Guard operations before September 11th, which some people are now referring to as the old normal, as opposed to what a lot of people refer to now as the new normal. And under the old normal the Coast Guard was conducting routine and—the Coast Guard and several other agencies were conducting routine water borne security patrols. Controls of vessels were exercised via unique State, Federal, user fee-supported Vessel Traffic Service. Shoreside security was ensured through facility inspections and roving vehicle patrols. A limited number of container inspections were being conducted by the Coast Guard, with a particular focus on hazardous material, and a very robust Port State-controlled Boarding Program was in place.

As you probably are aware, the Port State-controlled Boarding Program is the program that the Coast Guard uses to board foreign vessels that come into U.S. waters to ensure that they meet the International Safety Standards.

In the wake of the September 11th tragedy everything changed of course, and we started to view things in terms of threat, and we put those threats into three basic categories. First was the waterside threat of vessels approaching facilities or other vessels in the port, a shoreside threat of those vessels coming into the port, either from vehicles or trucks, and the internal threat of the vessels coming into the port that is represented by the crews, cargo and passengers on board.

To mitigate the waterside threat posed by small vessels, additional floating resources were employed, around the clock harbor patrols were conducted and every vessel entering the Port Complex after September 11th was provided an escort, an armed Coast Guard escort.

To mitigate the shoreside threat to facilities, terminal managers were directed to upgrade security, and around the clock, multi-agency vehicle patrols were set in place. The greatest challenge, however, posed itself in the internal threat posed by the crews, passenger and cargo on the vessels. In order to mitigate this threat, we had to identify every vessel coming into port, exert positive control over its actions using the Vessel Traffic Service, and conduct boardings to screen the vessels, passengers and crew.

No one agency in the port, unfortunately, has the personnel to undertake a screening operation of this nature. So on the morning of the 11th, a multi-agency maritime enforcement effort, consisting of Coast Guard, Immigrations, Customs, FBI, ATF, California Highway Patrol, Los Angeles Port Police, and the L.A.P.D. and many others were used to screen the vessels.

To give you some idea, on the 11th and 12th, this represented about a 4 to 6-hour delay on vessels coming into the port. After a week this was down to a delay of about 1 to 2 hours, and presently no delay exists. Currently, multi-agency boardings are being conducted, although most are currently using Coast Guard Reserves and/or joint U.S. Coast Guard-Los Angeles Port Police sea marshal security teams. Vessel, vehicle, and air patrols continue with procedures refined daily.

Multi-agency facility surveys have been conducted in conjunction with the Port Authority to identify and alleviate shoreside security shortfalls. Risk management procedures are used to identify and disburse resources. And our Harbor Safety Committee and the MTS Committee and subcommittees have been extremely active in developing standards and procedures to use around the port.

In the long term, we are working with both ports to develop a security manual. We have recently developed security guidelines, minimal security guidelines for the terminals and facilities, and these guidelines deal with physical security issues, such as perimeter security, vehicle and personnel access, and control of visiting vessels.

The next step we are working on is a—we are working with the DOT in a credentialing subgroup to identify the possibility of a portwide credentialing system, and we are working on the issue—the container inspection issue with our colleagues from Customs and other agencies.

The security of the Los Angeles-Long Beach Port Complex has improved significantly in the months following September 11th. I am confident that to a large extent this is due to the phenomenal interagency cooperation that exists.

I would like to take this opportunity to acknowledge this cooperation and thank my colleagues from the marine industry, the ports and particularly from the other Federal, State and local agencies for their untiring efforts.

I also believe that this crisis has been benefited significantly from outstanding and unwavering leadership. Certainly Admiral

Loy, Transportation Secretary Mineta, Governor Ridge and President Bush have provided superb leadership. From a field commander's perspective, it is always tremendously gratifying to have clear direction and unwavering support.

In conclusion, the Coast Guard has taken a leadership role in coordinating the homeland security strategy, and I know you can see from your interaction with them today the men and women of the Coast Guard are committed to the protection of our Nation, its citizens and the marine transportation system.

I want to thank you for your interest in enhancing homeland security and for holding this hearing. I certainly appreciate the opportunity to testify before you today. I will be happy to answer any questions you may have.

Thank you.

[The prepared statement of Captain Holmes follows:]

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DEPARTMENT OF TRANSPORTATION

U. S. COAST GUARD

STATEMENT OF

CAPTAIN JOHN M. HOLMES

ON

PORT SECURITY

BEFORE THE

SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLCY
AND HUMAN RESOURSES

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

PORT OF ENTRY LOS ANGELES/LONG BEACH, CALIFORNIA

FEBRUARY 1, 2002

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
STATEMENT OF CAPTAIN JOHN M. HOLMES
ON
PORT SECURITY
BEFORE THE
SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY
AND HUMAN RESOURCES
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 1, 2002

Good afternoon Mr. Chairman and distinguished members of the Committee. My name is Captain John M. Holmes and I am the Coast Guard Captain of the Port for the Los Angeles – Long Beach Port Complex. It is a pleasure to appear before you today to discuss Coast Guard border security, particularly as it applies to the transport of people and cargo by sea into this, the country's largest and most active international cargo hub.

Protecting America from terrorist threats requires constant vigilance across every mode of transportation: air, land, and sea. The agencies within the Department of Transportation, including the U.S. Coast Guard, Federal Aviation Administration, Federal Highway Administration, and the Maritime Administration (MARAD), touch all three modes of transportation and are cooperatively linked. This is especially true of the maritime mode. Ensuring robust port and maritime security is a national priority and an intermodal challenge, with impacts in America's heartland communities just as directly as the U.S. seaport cities where cargo and passenger vessels arrive and depart daily. The United States has more than 1,000 harbor channels, 25,000 miles of inland, intracoastal and coastal waterways, serving 361 ports containing more than 3,700 passenger and cargo terminals. This maritime commerce infrastructure, known as the U.S. Marine Transportation System, or MTS, has long been a Department of Transportation priority. The U.S. MTS handles more than 2 billion tons of freight, 3 billion tons of oil, transports more than 134 million passengers by ferry, and entertains more than 7 million cruise ship passengers each year. The vast majority of the cargo handled by this system is immediately loaded onto or has just been unloaded from railcars and truckbeds, making the borders of the U.S. seaport network especially abstract and vulnerable, with strong, numerous and varied linkages direct to our Nation's rail and highway systems.

Simply stated, the Los Angeles – Long Beach complex is the nation's Superport. Individually, the port of Los Angeles or the Port of Long Beach would rank as the largest cargo port in the United States. As a complex, Los Angeles – Long Beach represents the third largest port in the world, handling over 35% of the nation's containerized cargo, over 1 million cruise passengers and over 50% of the petroleum products used in the western United States. The port complex continues to grow at an amazing rate. Current growth predictions indicate that container cargo will grow four fold in the next 20 years from the current number of nine million Twenty-Foot Equivalent Units (TEU, or the equivalent to a 20 foot container) in 2001 to 36 million TEU's in the year 2020.

The port complex has one of the most active and efficient Harbor Safety Committees in the nation. In 2001, a new committee was formed in the port complex to augment our Harbor Safety Committee. This committee, the Marine Transportation System (MTS) Committee, is made up of representatives from the transportation industry and the federal, state and local agencies that interact with it. The committee is tasked with examining ways to facilitate the safe, secure and environmentally conscious growth of the transportation system. A number of subcommittees were also established, among which included the Security Subcommittee and the Law Enforcement Subcommittee, both of which were specifically outlined in the final report of the Interagency Commission on Crime and Security in the U. S. Seaports. The formation of these subcommittees, and the interaction of their members were instrumental in security efforts after the terrorist attacks of September 11th.

Prior to September 11th, routine waterborne security patrols were conducted, active control of vessels was exercised via the nation's only joint state/federal Vessel Traffic Service, and shore side security was monitored through facility inspections and roving vehicle patrols. A limited number of container inspections were conducted and/or coordinated with U.S. Customs with an emphasis on hazardous material violations. Due to an almost exclusive foreign vessel customer base, a robust Port State Control boarding program was in place to screen vessels for safety problems.

On 11 September, immediate actions were necessary to ensure heightened security, and the Captain of the Port assumed a leadership role in this effort. To reduce the threat posed by small vessels, additional Coast Guard, Coast Guard Auxiliary, state and local law enforcement personnel and watercraft deployed. Around-the-clock harbor patrols were conducted and armed Coast Guard vessels escorted every vessel entering the port complex. To mitigate the shoreside threat to facilities, terminal managers were directed to upgrade security and additional federal, state and local agency vehicle patrols were set in place.

The greatest logistical challenge presented itself with respect to the internal threat posed by crews and passengers of vessels, and it became imperative that all vessels receive a thorough screening prior to entry. To accomplish this it was essential to identify every incoming vessel, exert control over its actions, and conduct boardings to screen the vessels, passengers and crew. Fortunately, the existing Vessel Traffic Service (VTS) provides excellent near shore vessel location information, a critical piece of Maritime Domain Awareness – the overall knowledge of vessels, cargoes and people using the MTS. Unfortunately, with 6,000 vessel arrivals per year, no federal, state or local agency has the resources to board every vessel. Faced with the problem of either securing additional resources, or causing a substantial delay of commerce, a decision was made to use the MTS Committee, Law Enforcement Subcommittee as a coordinating body to assemble a cadre of boarding officers to screen the vessels. This resulted in one of the largest multi-agency maritime enforcement efforts ever undertaken in the port, with participation from the Coast Guard, INS, Customs, FBI, ATF, California Highway Patrol, LA Port Police, LAPD and many others.

This unprecedented cooperation allowed rapid screening of vessels, and commerce to continue with minimal delay. On 11 September, delays of 4-6 hours were experienced. Within a week, the delay was reduced to less than two hours. With the advent of the Sea Marshal Program, in which the security teams board the vessels with the Harbor Pilots, security efforts become transparent, and short delays are experienced only by those high interest vessels that are held at anchorage until a boarding can be conducted.

Vessel and vehicle patrols continue with procedures being refined daily. Multi-agency facility surveys have been conducted in conjunction with the Port Authorities to identify and alleviate shoreside security shortfalls. Risk management procedures have been used to better identify critical operations and focus resources. The MTS Security and Law Enforcement Subcommittees have assumed a crucial role in all Port Security efforts. Around the clock harbor patrols continue, with an increased emphasis on those facilities or activities that pose the highest risk.

The Coast Guard is working with both ports to develop a Security Manual. The MTS Security Subcommittee has recently completed security guidelines for terminals and facilities that deal with such issues as perimeter security, vehicle and personnel access and control of visiting vessels. These guidelines incorporate the best practices in use nationally and internationally, and have been developed in the format used by the International Maritime Organization. They have been developed in conjunction with the users throughout the Pacific Area ports and will be implemented this month. The results of this effort in Los Angeles – Long Beach will be shared with other ports throughout the United States.

The next areas of focus are the development of a Port-wide identification system and enhancing container security. In these areas the MTS Port Security subcommittee intends to use the fine work of the Department of Transportation working groups on credentialing and container security workgroup as a springboard for its efforts.

The security of the Los Angeles – Long Beach port complex has improved significantly in the months following September 11th. I am confident, that to a large extent, this is due to the phenomenal interagency cooperation that exists.

Mr. SOUDER. Thank you very much.

Ms. Adams.

Ms. ADAMS. Thank you. Chairman Souder, thank you so much for your invitation to testify and for providing me the chance to appear before you today. I would like to discuss the efforts of the U.S. Customs Service to address the terrorism threat and the challenges that exist at our Nation's airports and seaports. The specific challenges I will address today are those that U.S. Customs has encountered at the Los Angeles-Long Beach Seaport as well as at the Los Angeles International Airport.

The issues we face at the seaport and airport here in Los Angeles are representative of those encountered at other major international air and seaports throughout the country.

As Captain Holmes has stated, the Los Angeles-Long Beach Seaport complex is the largest seaport in the United States. We process an average of 7,400 arriving containers each and every day. Los Angeles International Airport is the second busiest international airport in the country, processing on average of 23,000 arriving international passengers and cargo valued at $110 million every day.

As a major participant in the protection of our Nation's borders, Customs has taken a lead role in efforts to deny entry to potential terrorists and the implements of terrorism into the United States from locations throughout the world. Our areas of highest risk are these cargos and passengers arriving from or departing to high risk countries, and those which might conceal explosives, nuclear materials and weapons of mass destruction.

The Customs Service enforces over 400 laws and regulations for more than 40 Federal agencies. While fully enforcing our Nation's laws at this time of highest alert, the Customs Service also fully recognizes the impact of our enforcement and regulatory actions on international trade, which is so vital to our Nation's economy.

International trade must continue to flow through our Nation's ports of entry. Expansion efforts which were underway prior to September 11th continue at our air and seaports and the demand for Customs resources is at an all time high.

To use the Los Angeles-Long Beach seaport as an example, cargo valued at approximately $188 million arrives each and every day. Much of the arriving cargo is destined for the shelves of mass merchandisers throughout our country. Fully assembled automobiles and auto parts destined for further manufacturing in U.S.-based assembly lines pass through our port as do large quantities of wearing apparel, foodstuffs, electronics, bulk chemical and steel.

In our global economy, corporations large and small rely heavily on imported merchandise to ensure the vitality and competitiveness of their organizations. Our security and anti-terrorism efforts must take into account the need to ensure the smooth flow of legitimate trade and travel. Addressing the terrorist threat and security vulnerabilities as well as narcotics and currency smuggling requires a coordinated multi-agency and multi-national approach.

The Customs Service continues to buildupon an established cooperative relationship with the Intelligence Community, the other Federal, State and local agencies, as well as our partners in the International Trade Committee.

Using a collaborative approach, we are employing targeting and risk management technologies to select people, vessels, aircraft and cargo for increased inspection. The Customs Service was addressing security and anti-terrorism well before the attacks of September 11th. We now know that the Los Angeles International Airport was the ultimate target of the Algerian terrorist, Ahmed Ressam, who was arrested in December 1999 by Customs inspectors at Port Angeles, Washington.

In response to the terrorist attacks of September 11th, the U.S. Customs Service immediately implemented a level one alert for all personnel and ports of entry. This is our highest state of alert, calling for sustained intensive anti-terrorist operations. We remain at level one alert today. In order to meet the demands of maintaining this highest state of alert, we have deployed significant numbers of local Customs employees to other locations around the country, including the Northern border.

These officers were immediately deployed following September 11th to ensure that there is adequate staffing available along the Northern border. In addition, we have a number of our officers detailed to various national programs to ensure a sound and cohesive national response to the threat of terrorism.

Never has the demand for Customs resources been so great. To help us respond to the needs of the international trade community for expeditious release of their time sensitive cargo, we are relying heavily on nonintrusive technology, such as the full container gamma and x-ray devices, pallet x-rays and radiation detection pagers.

We also rely heavily on accurate and timely advance information from the international trade community and both our air and sea carriers. This advance information coupled with available technology helps us screen cargo and passengers and enables us to use the principles of risk management when determining the best investment of our scarce resources.

The vast volume of trade and traffic through our Nation's air and seaports as well as our land borders has put immense pressure on our ability to enforce the Nation's laws, while facilitating international trade even before September 11th.

After September 11th, our challenge has risen to a new level. Although we have taken many steps to address these challenges, such as our recently announced Customs-Trade Partnership Against Terrorism, we still face many challenges. We continue to work and develop and deploy nonintrusive inspection technology to detect weapons of mass destruction and the implements of terrorism.

We continue to look for the best ways to recruit, train, and retain our Customs officers. We continue to enhance our industry partnership programs to enable the trade, transportation and business communities to assist us in the overall security strategy envisioned by the U.S. Customs Service.

I want to thank you, Mr. Chairman, for this opportunity to testify. The U.S. Customs Service continues to make every effort possible working with our fellow inspection agencies, with the administration, with congressional leaders, and the international trade and transportation community to address the concerns of the American people.

I would be happy to answer any questions you may have.

[The prepared statement of Ms. Adams follows:]

STATEMENT OF AUDREY ADAMS, DIRECTOR FIELD OPERATIONS SOUTH PACIFIC CUSTOMS MANAGEMENT CENTER, UNITED STATES CUSTOMS SERVICE BEFORE THE COMMITTEE ON GOVERNMENT REFORM SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES LONG BEACH, CALIFORNIA FEBRUARY 1, 2002

Chairman Souder, thank you for your invitation to testify and for providing me the chance to appear before you today. I would like to discuss the efforts of the U.S. Customs Service to address the terrorism threat and the challenges that exist at our nation's airports and seaports. The specific challenges I will address today are those that U.S. Customs has encountered at the Los Angeles/Long Beach Seaport and at the Los Angeles International Airport. The issues we face at the seaport and airport here in Los Angeles are representative of those encountered at other major international air and sea ports throughout the country. The Los Angeles/Long Beach seaport complex is the largest seaport in the United States, processing an average of 7400 arriving containers each day. LAX is the second busiest international airport in the country processing an average of 23,000 arriving international passengers and cargo valued at $110 million each day. *

As a major participant in the protection of our nation's borders, Customs has taken a lead role in efforts to deny entry to potential terrorists and the implements of terrorism into the United States from locations throughout the world. Our areas of highest risk are those cargos and passengers arriving from or departing to high-risk countries and those which might conceal explosives, nuclear material and weapons of mass destruction. The Customs Service enforces over 400 laws and regulations for more than 40 federal agencies. While fully enforcing our nation's laws at this time of highest alert, the Customs Service also fully recognizes the impact of our enforcement and regulatory actions on

*Based on fiscal year 2001 data.

international trade which is so vital to our nation's economy. International trade must continue to flow through our nation's ports of entry. Expansion efforts which were underway prior to September 11th continue at our air and seaports and the demand for Customs resources is at an all-time high.

To use the Los Angeles/Long Beach seaport as an example, cargo valued at approximately $188 million arrives each and every day. Much of the arriving cargo is destined for the shelves of mass merchandisers throughout the country. Fully assembled automobiles and auto parts destined for further manufacturing in U.S. based assembly lines pass through our port, as do large quantities of wearing apparel, foodstuffs, electronics, bulk chemicals and steel. In our global economy corporations large and small rely heavily on imported merchandise to ensure the vitality and competitiveness of their organizations. Our security and anti-terrorism efforts must take into account the need to ensure the smooth flow of legitimate trade and travel.

Addressing the terrorist threat and security vulnerabilities, as well as narcotics and currency smuggling requires a coordinated, multi-agency and multi-national approach. The Customs Service continues to build upon established cooperative relationships with the intelligence community, other Federal, State and local agencies as well as our partners in the International Trade community. Using a collaborative approach, we are employing targeting and risk management techniques to select people, vessels, aircraft, and cargo for increased inspection. The Customs Service was addressing security and anti-terrorism well before the attacks of September 11th. We now know that LAX was the ultimate target of the Algerian terrorist, Ahmed Ressam who was arrested in December of 1999 by Customs inspectors at Port Angeles, Washington. In response to the terrorist attacks of September 11th, the U.S. Customs Service immediately implemented a Level One Alert for all personnel and ports of entry. This is our highest state of alert, calling for sustained, intensive anti-terrorist operations. We remain at Level One Alert today.

In order to meet the demands of maintaining this highest state of alert, we have deployed significant numbers of local Customs employees to other locations around the country, including the Northern Border. These officers were immediately deployed following September 11th to ensure that there is adequate staffing available along the Northern Border. In addition, we have a number of officers detailed to various national programs to ensure a sound and cohesive national response to the threat of terrorism. Never has the demand for Customs resources been so great!

To help us respond to the needs of the international trade community for expeditious release of their time sensitive cargo we are relying heavily on non-intrusive technology such as full container gamma and x-ray devices, pallet x-rays and radiation detection pagers. We also rely heavily on accurate and timely advance information from the international trade community, and both air and sea carriers. This advance information, coupled with available technology, helps us screen cargo and passengers and enables us to use the principles of risk management when determining the best investment of our scarce resources.

The Challenges Ahead

The vast volume of trade and traffic through our nation's air and seaports, as well as our land borders, has put immense pressure on our ability to enforce the nation's laws while facilitating international trade, even before September 11th. After September 11th, our challenge has risen to a new level. Although we have taken many steps to address these challenges, such as our recently announced Customs-Trade Partnership Against Terrorism, we still face many challenges. We continue to work to develop and deploy non-intrusive inspection (NII) technology to detect weapons of mass destruction and the implements of terrorism. We continue to look for the best ways to recruit, train and retain our Customs officers. We continue to enhance our Industry Partnership Programs to

enable the trade, transportation and business communities to assist in the overall security strategy envisioned by Customs.

Conclusion

I want to thank you, Mr. Chairman, for this opportunity to testify. The U.S. Customs Service continues to make every effort possible, working with our fellow inspection agencies, with the Administration, with Congressional leaders, and the international trade and transportation community to address the concerns of the American people. I would be happy to answer any questions you might have.

Mr. SOUDER. Thank you very much.

Mr. Schiltgen.

Mr. SCHILTGEN. Mr. Chairman, thank you for inviting me here today to address you on behalf of U.S. Immigration and Naturalization Service. I am pleased to appear before you today with two of our sister agencies in order to discuss port security issues.

The United States has a strong history of immigration that we should be proud of. Our immigration process contains a degree of openness that is aligned with the freedoms this country has to offer. But in order to retain those freedoms we must be vigilant in our effort to enforce the immigration laws and secure our borders.

INS has incredibly dedicated officers and support personnel facilitating immigration and commerce to the United States, while at the same time enforcing our immigration laws. We remain committed to our responsibilities, And a significant part of those responsibilities is to work collaboratively with Federal, State, and local law enforcement to secure areas of our borders like the seaport here in Los Angeles-Long Beach.

Given the extensive nature of our operations, it is not surprising that the Los Angeles District is the largest INS district, with nearly 1,700 government employees, and over 500 contract employees assigned to the various facilities throughout our jurisdiction.

I know that you are familiar with the INS responsibilities, and today I want to focus on issues relating to the seaport here. The Los Angeles District seaport operations distinguishes itself from our seaport operations by the number of both commercial and passenger vessels that pass through the ports here.

They are tasked with the job of inspecting over 300,000 crew members and 500,000 passengers every year. The average daily arrival of 15 commercial vessels at the combined ports, results in over 5,400 vessels arriving per year.

These vessels operate out of 46 different terminals at the port. In addition to inspecting container vessels, inspectors clear approximately five passenger vessels weekly, and each of those vessels brings an average of 2,500 passengers and 800 crew members.

Now, key to our efforts to secure our borders is the development, analysis and sharing of intelligence. Even before the tragedy of September 11th, INS seaport inspectors and the Customs Intelligence Collection and Analysis Team shared intelligence information. And thanks to this joint effort, INS officials continued to gather significant information regarding Chinese smuggling organizations which transport migrants to the United States from Asia. This has led to several successful prosecutions. And we have expanded our efforts to include the investigation of leads that may involve possible terrorist activity.

We have successfully coordinated efforts between our own inspections and investigations programs, and will remain dedicated to working with other law enforcement agencies in developing intelligence related to smuggling operations, including smuggling in containers.

Now, since the terrorist attacks on September 11th, the INS has operated under a threat level one security alert. This is the highest level security alert in which ports of entry operate. In response, we have established a 24-hour command element staffed to increase

our responsiveness to law enforcement efforts against terrorism. Operations at threat level one involve a more intense inspection, as well as closer scrutiny of individuals and their documentation.

Additionally, we have moved INS personnel and resources from our LAX operation to the seaports here. And vessels that are considered high risk are boarded by multi-agency teams, which include INS inspectors and the Coast Guard. And the Coast Guard provides INS with crew lists to run queries on all persons arriving on vessels prior to our boarding those vessels. And INS has also tightened documentary requirements for entry into the United States by crew members of cargo vessels.

Now, clearly INS's responsibility is focused on the inspection of aliens and prevention of unauthorized entrants to the United States. However, we must continue to work closely with Federal, State and local agencies, particularly U.S. Customs and the Coast Guard, in order to foster and improve security and communications through multi-agency task forces.

Currently, the INS is participating in the Los Angeles Mayor's Task Force for Security and Safety. This group consists of port officials as well as both civilian and Federal agencies, which face the challenge of ensuring that the waterfronts of both ports are provided with increased security.

Topics currently being reviewed are the issuance of ID cards to those seeking access to port facilities, issues of potential security risks on utilization of existing security personnel, and inspection of empty containers. INS also attends a quarterly interagency regional meeting to aid in the prevention of human cargo smuggling and a quarterly law enforcement manager's meeting which is hosted by the Long Beach Police Department.

In conclusion, the INS and the Los Angeles District are committed to securing our ports of entry against those who wish them harm, while facilitating legitimate commerce and travel. I want to commend the men and women of this INS district for their outstanding commitment to the INS mission in the face of increasing demands and finite resources.

Thank you, Mr. Chairman, for allowing me to give testimony regarding the Los Angeles District Office. And as my panel members said, I am happy to take questions that you may have. Thank you.

[The prepared statement of Mr. Schiltgen follows:]

STATEMENT

OF

THOMAS J. SCHILTGEN
DISTRICT DIRECTOR

IMMIGRATION AND NATURALIZATION SERVICE
LOS ANGELES DISTRICT

BEFORE THE

HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY, AND HUMAN RESOURCES

REGARDING

BORDER ISSUES IN SOUTHERN CALIFORNIA

FIELD HEARING
FEBRUARY 1, 2002
LOS ANGELES, CALIFORNIA

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITEE, thank you for inviting me here today to address you on behalf of the United States Immigration and Naturalization Service (INS). I am pleased to appear before you today with two of our sister agencies – the Customs Service and the Coast Guard – to discuss port security issues.

The United States has a strong history of immigration that we should be proud of. Our immigration process contains a degree of openness that is aligned with the freedoms this country has to offer. In order to retain those freedoms, we must be vigilant in our efforts to enforce the immigration laws and secure our borders. INS has dedicated officers and support personnel facilitating immigration and commerce to the United States, as well as enforcing our immigration laws. We remain committed to our responsibilities. Certainly, a significant part of those responsibilities is to work collaboratively with federal, state and local law enforcement to secure areas of our borders like the Seaport here in Los Angeles.

Since you are familiar with the various INS authorities and our inspection processes from your previous field hearings, my focus today will be on the Los Angeles District and specific issues related to our Seaport here in Los Angeles.

LOS ANGELES DISTRICT OVERVIEW

The Los Angeles District is a full-service district office composed of five branches: Adjudications, Investigations, Detention and Removal Operations, Inspections, and Management. Each of these branches has a specific role in administering and enforcing the Immigration and Nationality Act.

The jurisdiction of the Los Angeles District Office encompasses a seven county area in Southern California, which is comprised of Los Angeles, Orange, Riverside, San Bernardino, Ventura, Santa Barbara, and San Luis Obispo counties. This represents an area of more than 40,000 square miles, and contains a general population that exceeds 15 million inhabitants. In addition to the main office in downtown Los Angeles, the Los Angeles District operates full-service suboffices in Santa Ana and San Bernardino, inspections facilities in four terminals at Los Angeles International Airport, inspections facilities at Ontario Airport and a Seaport office responsible for inspecting vessels arriving in Long Beach, San Pedro, Wilmington, Terminal

Island and Port Hueneme, a naturalization office in El Monte, an outreach office in Bellflower, an enforcement satellite office in Ventura, and 12 Application Support Centers. Currently, Los Angeles International Airport has the second highest volume of airline passenger traffic in the United States. In fiscal year 2001, our inspectors processed approximately 8,500,000 people through the ports of entry at our international airports, and one million additional people at our seaports.

Our Adjudications branch operates out of the main district office in downtown Los Angeles, a naturalization office in El Monte, suboffices in Santa Ana and San Bernardino, and an outreach office in Bellflower. These offices primarily process applications for naturalization and permanent resident status. In fiscal year 2001, we completed 107,324 applications for permanent resident status and 145,410 applications for naturalization. In cooperation with the U.S. District Court, the Los Angeles District office coordinates naturalization ceremonies in which approximately 4,000 to 7,000 people are naturalized every month. The Adjudications branch is currently conducting approximately 8,000 interviews for permanent resident status and 9,000 naturalization interviews per month.

Detention and Removal Operations for the Los Angeles District detain an average of 1,250 aliens in two primary detention facilities: a service owned and operated facility in San Pedro and a contract facility in Lancaster. We also utilize space in four Southern California jails. In fiscal year 2001, the Los Angeles District Office removed 9,506 aliens, of which 6,136 were criminal aliens. The current success of our removal operations can primarily be attributed to the creation of our Removal Operations Unit. This unit is tasked with increasing our liaison with local consular offices in order to obtain travel documents in a more expeditious manner. This has dramatically reduced the amount of time that detained aliens are kept in custody prior to their removal. The Removal Operations Unit has also improved our communications with Headquarters and the State Department, which has streamlined the process of obtaining the necessary clearances to remove criminal aliens.

The Investigations Branch at the Los Angeles District Office focuses its resources into four critical areas: the apprehension of criminal aliens, anti-smuggling operations, fraud and

employer sanctions. Through the Alien Criminal Apprehension Program, our Special Agents cooperate with officials from the California Department of Corrections, the U.S. Bureau of Prisons, and various county jail systems to identify, locate and remove criminal aliens. As the Los Angeles area remains one of the largest distribution points in the United States for counterfeit immigration documents, the Los Angeles District Office has a significant number of Special Agents assigned to the Fraud Program, which has made tremendous progress in the fight against document fraud. As a result of the events on September 11th, the Investigations Branch has allocated more resources to work with federal and local law enforcement in the identification and location of those individuals in the United States who are involved in terrorist organizations or pose a threat to national security.

Given the extensive nature of our operations, it is not surprising that the Los Angeles District is the largest INS district with nearly 1,700 government employees and over 500 contract employees assigned to the various facilities throughout our jurisdiction.

The Los Angeles District seaport operation distinguishes itself from other seaport operations by the number of both commercial and passenger vessels that pass through the Ports of Long Beach and Los Angeles. The designated Seaport unit is a class-A port of entry comprised of the coastline from San Luis Obispo to San Clemente, California. Often called the World Port, our unit currently consists of the Port Director, permanently assigned Seaport inspectors and recently detailed inspectors from the Los Angeles International Airport (LAX). They are tasked with the job of inspecting over 300,000 crewmembers and 500,000 passengers yearly. The average daily arrival of 15 commercial vessels at the combined ports, results in over 5,400 vessels arriving per year, of which 4,131 originate from a foreign country. These vessels operate out of 46 different terminals in the Ports of Long Beach and Los Angeles with an estimated movement of over 6.5 million containers per year.

At present, the Port of Los Angeles serves as the home base for two major cruise lines. In addition to inspecting container vessels, inspectors clear approximately five passenger vessels weekly. Each vessel brings an average of 2,500 passengers and 800 crewmembers on each voyage. That number of arriving vessels and need for Inspections personnel is expected to rise when construction of Carnival Cruise Lines' new terminal in Long Beach and the renovation of

the San Pedro Cruise terminal is completed. It should also be noted that since September 11, with the elimination of enroute inspections due to security concerns, ships that had previously requested and been granted enroute clearance must now be inspected upon arrival in Los Angeles or Long Beach.

The fine reputation of the Long Beach Seaport Unit is largely attributable to our staff. Through hard work and dedication, excellent relationships have been built with the U.S. Coast Guard, U.S. Customs Service, U.S. Department of Agriculture, the FBI, Port Authorities and local law enforcement agencies.

Key to any efforts to secure our borders, is the development, analysis and sharing of intelligence. Even before the tragedy of September 11, 2001, INS Seaport Inspectors and the Customs Intelligence Collection and Analysis Team (ICAT) shared intelligence information. Thanks to this joint effort, INS officials gathered significant information regarding Chinese smuggling organizations, which transport migrants to the United States via Hong Kong. This led to several arrests in Hong Kong. Since September 11, this multi-agency ICAT team has expanded its efforts to include the investigation of any leads that may involve possible terrorist activity in both ports. We have successfully coordinated efforts between our Inspections and Investigations programs and will remain dedicated to working with other law enforcement agencies in developing intelligence related to smuggling operations.

RESPONSE TO SEPTEMBER 11

Since the terrorists attacks on September 11, 2001, the Immigration and Naturalization Service has operated under a Threat Level One security alert. This is the highest level security alert in which Ports-of-Entry operate. In response, the Los Angeles District established a twenty-four-hour command element staffed to increase our responsiveness to law enforcement efforts against terrorism. Operations at Threat Level One involve more intense inspections, as well as closer scrutiny of individuals and their documentation.

Following the September 11 attacks, the District temporarily moved Inspections personnel and resources from LAX to the Los Angeles and Long Beach Seaports. However, these detailed inspectors may be returned to their official duty stations in early summer, when

seasonal traffic at LAX increases. As a result of the heightened threat level, all vessel inspections are now conducted by two Inspectors. U.S. Coast Guard personnel board both inside and outside of port breakwaters and direct vessels to anchorage where they undergo USCG inspection. Vessels considered high risk are boarded by multi-agency teams, which include INS Inspectors. Because of the high volume of arriving vessels and crew, the Seaport Unit provided fraudulent document training to 45 newly designated "Sea Marshals" and supplied the Reservists with equipment INS uses to detect malafide entrants. Coast Guard also provides INS with crew lists to run queries on all persons arriving on vessels, prior to boarding. INS has also tightened documentary requirements for entry into the U.S. by crewmembers of cargo vessels.

COOPERATION WITH OTHER AGENCIES

The INS Seaport Office is working closely with Federal, state, and local agencies in order to foster and improve security and communication. Those entities include: the Joint Drug Intelligence Group (JDIG), the Intelligence Collection and Analysis Team (ICAT), the U.S. Customs Contraband Enforcement Teams (CET), the Mayors Task Force for Safety and Security (MTF), and the Office of National Drug Control Policy's High Intensity Drug Trafficking Area (HIDTA). Furthermore, we receive full cooperation from Canadian Customs, the Australian Customs Service, and the Australian Department of Immigration and Multi-cultural Affairs.

Currently, INS is participating in the Los Angeles Mayor's Task Force for Safety and Security. This group consists of port officials, both civilian and federal agencies, who face the challenge of ensuring that the waterfronts of both ports (Los Angeles and Long Beach) are provided with increased security. The task force has been broken down into subcommittees focusing on port security. Topics currently being reviewed are the issuance of ID cards to those seeking access to port facilities, potential security risks, utilization of existing security personnel and the inspection of empty containers. INS also attends a quarterly inter-agency regional meeting to aid in the prevention of human cargo smuggling as well as the Quarterly Law Enforcement Managers meeting hosted by Long Beach.

CONCLUSION

The Immigration and Naturalization Service, and the Los Angeles District, are committed to securing our ports of entry against those who wish them harm while facilitating legitimate commerce and travel. I want to commend the men and women of this District for their outstanding commitment to the INS mission in the face of increasing demands and finite resources.

Thank you Mr. Chairman, for allowing me to give testimony regarding the Los Angeles District Office. I will be happy to take any questions at this time.

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Mr. SOUDER. Thank you very much, each of you, for your testimony. And let me first start with Captain Holmes. One of the things I wanted to—I am not sure I completely understood your distinction. Could you explain how, waterside, shoreside and internal? And I understood the internal, you said was the greatest threat, crews, items on the ships.

What would be some examples on—when you say waterside, if something attacking, for example a cruise ship or a tanker, that would be a waterside threat, something coming up and hitting it while it is docked, that would be seaside?

Captain HOLMES. Anything that could be affected by a vessel, whether it be getting in front of a vessel or coming up alongside of a vessel, that would be what we consider a waterborne threat. Then a shoreside threat would be a truck or large vehicle who does not normally access the terminal, coming on the terminal with perhaps something on it or in it that you don't want to have at the terminal.

Mr. SOUDER. Your feeling is that programs like this, the Sea Marshals, are going to be potentially more fruitful. Then this morning we saw one of the cutters out going across the front of the harbor, because one of the fundamental questions is it is fine to do all of this on September 11th, but what is going to happen when the boating season starts and there is much more pressure on your resources?

Captain HOLMES. We are also very fortunate here during the boating season to have a number of other resources to deal with small boat search and rescue. We have both the—Long Beach and Los Angeles have fire departments which do search and rescue, the bay watch people, and most of the counties around here have search and rescue. So the boating season here is pretty well a year round season as opposed to other places. So we depend a lot on some of our partners in the search and rescue part of the partnership here to conduct search and rescue operations.

But, basically as—I would indicate that when you came in this morning, you had a cutter that was alongside the cruise ship as well. And that is part of the—that is the cutter that would, of course, deal with any kind of waterborne threat. Once the cruise ship tied up to the pier, I am not sure you notice it, they are provided 24-hour a day on the water boat protection by either a Coast Guard small boat or a Port Police boat.

Mr. SOUDER. We put—as the President just said the other day—a lot of new dollars in for the Coast Guard. But what you see, it is not just here, in Puget Sound where they have a number of the naval bases and in Detroit where they have lots of—whether it is nuclear power plants north of Detroit, you are increasingly seeing vessels parked.

Come on up. Happy to have you here. I am going to wait until Ms. McDonald comes up. Great to be in your hometown. One of the concerns as we—we were neighbors 'till I moved over to the other building and spent many times walking back and forth across the floor and talking about different challenges, including here in Los Angeles. We were hoping to be able to—when I chaired the Empowerment Subcommittee, we had lots of discussion about urban revitalization and a number of other issues.

Ms. MILLENDER-MCDONALD. You left me.

Mr. SOUDER. Yes. I wound up chairman of this subcommittee and moved to a different office.

Because as we increase the resources, one of our—but one of our concerns is that this is what I was trying to sort through. Are you going to have additional pressures as the year goes on, as we see these different boats parked, that previously the Coast Guard was already kind of tightened for their resources. Now, how much of your resources have been devoted, switched over to security from what was search and rescue and other types of operations? Do you know?

Captain HOLMES. Search and rescue operations are still the top priority for the Coast Guard. What has had to happen, honestly, since the 11th is resources which do other things, work with our fishing—local fishing fleet, law enforcement patrols, those initially were curtailed to almost zero. And then as we have been able to get some Reserves on board, use a little bit better risk management procedures, work with other agencies and covering some of those patrols, we have been able to increase the patrols to a certain state.

But we certainly are not back to where we were before the 11th, by no stretch of the imagination, and I don't think we will be there until we get some more resources. I think the figure was given that prior to the 11th we spent about 1 percent of our budget on homeland security, and right now we are spending about 50 percent of our budget on homeland security. I think the Commandant is hoping to move that down to a more realistic figure, about 25 percent.

But as you can imagine, that still represents a 25 percent additional increase in responsibilities that we are going to have to deal with.

Mr. SOUDER. Are your most critical needs here personnel, and what equipment needs are your most critical?

Captain HOLMES. At this port, we—at the present time, we are fairly sustainable. But what we can't deal with is any kind of a surge operation. And in the homeland security arena, as you know, there is any number of surges that will occur as time goes on. Not too long ago we had some threats or perceived threats against the bridges in California, and we had to surge operations to add additional coverage for those threats.

So what will happen is those surges now are basically borne on the backs of our people and our equipment, and what you end up doing is of course running the people more hours than they should and the equipment more hours than they should. So our needs are really across the board. We would need both more people and more equipment to do the job.

Mr. SOUDER. I met a number of reserve officers in addition to people talking about overtime. Are you nearly—can you sustain that, or are you going to have to make some adjustments in those areas?

Captain HOLMES. We have 70 Reserve officers on board. And I believe about half of them are Sea Marshals, and we could not do the mission we are doing without the reserve officers. Any base—my baseline now really I consider it the people I have plus the 70 reserve officers that are currently on board. That is my new baseline.

Mr. SOUDER. Ms. Adams, one of the things I want to make sure, Congressman Clay Shaw of Florida, who is a friend of mine, has legislation, along with Senator Graham of Florida and Senator Hollings of South Carolina, on a—it has been moving through the Senate, it is a homeland defense—it is port security legislation.

And so in addition to our committee working on the border reports that we are doing, as pieces of these legislation move through we wanted to look at unique needs that we might want to be able to build into this type of law. And some of my questions may relate to that, some may be more general that we are trying to follow through in each hearing.

As you can see, I was asking personnel questions as well as needs questions. But I have an—so a couple of kind of basic questions. First, it is clear, and I am sure we are going to hear in the later panels, that this port is expanding exponentially. Is Customs—do you have a plan that increases you at 40 percent to meet the cargo increases?

Ms. ADAMS. Unfortunately, I don't think we are that far along. We do know that we have gotten some increased personnel. As you know, our budget has been relatively stagnant in recent years. We are adding about—I think it is 640 additional personnel this year, and that number may be wrong. And I probably have it written down somewhere. But I apologize for not having that nationwide at the tip of my fingers. But we can get back to you on that.

There has been exponential growth in both the sea and the air environment as well as along the land borders in recent years, and Customs has had to work smarter. We employ the principles of risk management. We try to focus our activities on those shipments, those people of specific interest. Clearly in response to the events of September 11th we would like to increase those efforts. We are relying very heavily on various types of nonintrusive technology that we continue to work with.

And every time you get a new piece of equipment it is a little bit more sophisticated. We learn more about the different capabilities. So to answer your question, our staffing needs have not diminished, shall we say. There are clear staffing needs. There is lots of demands on the Customs resources. But there is not a manager within the Customs Service or anywhere else who would tell you that they don't need more, want more, couldn't do better with more. But we are just trying to work smarter.

Mr. SOUDER. Most places aren't looking at 40 percent increases in the demands. Now, yes, more efficient, and looking at how to become more efficient. One thing that I found a little disturbing earlier this morning was that if you—we went through the new x-ray machines, different variations. But if something is found and they need to do followup, my understanding, to take it apart it has to be transported 15 miles.

Ms. ADAMS. That's correct. We have two container exam sites located at very—two different locations in proximity to the seaport. But the demand for warehouse space is very, very great. We have a whole system where we establish these container exam stations. They are—people bid for this opportunity. The location is certainly one of the factors that we evaluate. And essentially it is the best combination of factors: Who can provide the best turnaround time,

how long, how many cargo doors do they have? There is an infinite number of factors.

But to answer your question, that is correct. We do have to take our cargo and the containers to remote locations.

Mr. SOUDER. So if the little radiation thing, which is a great invention, goes off, and somewhere in this huge container there is something possibly nuclear, you have got to take it through 15 miles of city and can't take it apart. I mean, that is an extreme case. But it argues the illogic of not having something in the port, both for port security and the people around here do not want to see if these things are in containers, and that there isn't a lot of space. Obviously if there was urgency, you would clear out.

But the truth is, is that when a device goes off, you don't know the level of urgency, and it is even dangerous enough if it is heroin or cocaine or if there were other questionable things inside that possibly—who knows what kind of weapons cache. You don't necessarily want those going through cities. That was a rather extraordinary challenge that has to be addressed here. I think the Federal Government is spending a lot of dollars in this harbor area and dredging and getting it ready, and one way or another, that is just too much separation.

In one of the border crossing up in New York, in the Montreal to New York corridor, there was a concern that when we first spot something in the truck, they have to go around the corner. And when they corner it, we can't quite see them on the machine. Here they are going 15 miles.

It is a totally different type of challenge than I have seen at most other places, and I think that is a concern.

One other small thing I just wanted to say for the record, because I hope we can follow this up, too. That is that one of the new pieces of equipment for scanning was using a direct connection, and the new machines may need to be looked at. We are working through this kind of thing, because the computer really needs to be built into the equipment, and that was clearly expressed as something that we need to look at.

Hopefully that is the type of thing when we look at the homeland security. Are there any other specifics that you would like to raise at this point in addition to the general points you have that might relate to your challenges here at Long Beach and Los Angeles?

Ms. ADAMS. I concur with your concerns over the container exam site delays and the distances. There is no question that we would like to have container exam facilities at the docks, ideally at the premises of every carrier where all of this cargo is off-loaded. As you saw this morning, however, space is very limited. Space is very expensive.

Up to this point, we have been somewhat unsuccessful in trying to locate permanent Customs facilities with some of our x-ray devices on the terminal property. There is I am sure a variety of reasons for that, not the least of which would obviously be their space limitations and the need for the waterfront space to be occupied by the container traffic that essentially generates the revenue. So, we would like to have those kinds of facilities much, much closer.

The remote container exam site was a compromise that we went to a number of years ago, perhaps in the late 1980's, when it be-

came very clear that we needed to look at more cargo as the threats were increasing, and we had no place on the docks to do it, and we therefore moved to the idea of the remote site. Again, it is not ideal. It is the best we can do right now.

I would like to clarify a couple of things. If there is an exceptionally high risk shipment in terms of anything that would be radioactive or give any indication that it was dangerous, we would immediately take all of the necessary steps working with our partners at the Coast Guard, the Environmental Protection Agency, the military perhaps, whoever we needed to call to ensure that cargo, once it was identified as a danger, was not allowed to go unattended.

When the radiation pagers go off, they do show the degree and the intensity of the hit. So ideally when most of them go off, they are relatively low.

Mr. SOUDER. Can I clarify something you said there? You said you wouldn't leave it unattended. Does that mean you would escort it the 15 miles or that you would take it apart at the spot?

Ms. ADAMS. I think it would obviously depend on—we would obviously be talking to the carrier trying to get more accurate manifest information, trying to find out who the importer was, find out what it was. Is there a reasonable explanation for why there is this indication on the radiation pager, just as we would if there was any other sort of alarming anomaly. If, for example, the threat would be perceived to be there was narcotics built into a false wall or the nose of the container or something like that, we would escort it to our exam site or another suitable location as close as possible where we could actually take the container apart, completely devan it, take all of the boxes out and do whatever we needed to do.

The whole concept of the radioactive material and the nuclear material, it is very frightening, and we have worked closely with the other agencies to have plans in place should something like that occur. But, no, I don't envision if there was any concept of any sort of a threat or a danger that it would ever be dragged to the exam site.

Mr. SOUDER. Thank you. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. Thank you, and good afternoon to all of you. And I would like to welcome my good friend and colleague from Washington, Mark Souder, in this morning to examine the port here in Long Beach. And given with the Port of Los Angeles makes up—both make up the largest port system in the United States, and the third largest in the world. And so these are extremely important ports, not only to the region here, but to the country and indeed the world.

You have some of the most important and very impressive people who are before us here. I have had the opportunity to meet with them on several occasions given September 11th, and know the plight and the arduous task that they have given not only September 11th, but just the mere fact of seaports and the problems that it employs.

I am happy to see Captain Holmes here and Ms. Adams, two of the persons whom I have spoken with on several occasions. I am concerned about—let me first say, this make the 90th year celebra-

tion for the Port of Long Beach. And so we will be certainly doing things in grand fashion come the exact moment in time.

I do see Larry Keller out in the audience, who is the fine Executive Director to the Port of Los Angeles, as well. But, Mark, what we have here is a system that carries over 35 percent of our interstate cargo from the Ports of Los Angeles and Long Beach across this Nation. And certainly after we finished the dredging and the improvements that we wanted to have done here, it will then become even a larger percentage.

Let me digress for a second to not only welcome you to Long Beach, the city that I share with our friend Dana Rohrabacher, but I am sure Dana in his absence welcomes you here, too.

So as we listened to Ms. Adams and this urgent need for us to revisit this whole notion of the examination of the containers 15 miles away, I would like to perhaps entertain at another time this conversation. And perhaps when Larry comes up, he might have some of the same issues that we have.

But indeed I think the Federal Government has to weigh in on this as well because of the importance of these ports to not only this region but also to the country, and indeed the world.

We have talked about the ships that are coming into these seaports, both Long Beach and Los Angeles, most of whom are not American ships, as we know. And so we need to look at clearing the manifests on ships that are coming into our ports as we do now for the manifests now that we are going to clear on the—with the international flights that are coming in.

And so I am happy to have you here today. This is simply a revisionists of what I have been told, and I have come to know about the ports of both Long Beach and Los Angeles.

And I welcome you and I working together, to make sure that we continue to have the strength of these ports for the American people, not only in this region but throughout the country. So thank you for being here this morning, and I will continue to listen, because what they are saying is what I have heard before. And I just want to reiterate the importance of your being here so that you can help me as I return back to Washington to tout the critical need for port security funds.

As Captain Holmes said, they have had to divert a lot of their resources to take care of what happened on September 11th. They can't continue to utilize 50 percent of their budget to do that. And so we must have the many pieces of legislation that is now coming forward, in the full House, full Transportation Committee. We need to look at that and garner the support of those who are not on the Transportation Committee, but who are in key positions to help us move this legislation, to give them the funding that they so badly need to secure our seaports.

Thank you.

Mr. SOUDER. Thank you.

Ms. MILLENDER-MCDONALD. I have a statement for the record, and I would like to submit that.

Mr. SOUDER. Without objection, we will submit your full statement for the record, and any other materials that you want to put in.

I wanted to ask a couple of questions of Mr. Schiltgen, and I neglected to ask Ms. Adams this question too, because you said directly in your testimony that you had—let me ask you the question first.

Approximately how many of your people were diverted post-September 11th? And are most of them back at this point?

Ms. ADAMS. We immediately deployed 14 officers from—7 from the Los Angeles-Long Beach seaport and 7 from the Los Angeles International Airport to support the Northern border. We have maintained that commitment to this day.

Mr. SOUDER. So you are down 14 basically?

Ms. ADAMS. As far as the Northern border is concerned, yes.

Mr. SOUDER. You didn't move any to any other part of the United States, like to New York or Boston?

Ms. ADAMS. Not necessarily in their capacity as Customs officers involved in the inspection of people or merchandise. We do have several officers working at our national office. We have established a new Office of Border Security. We have two officers there that are participating in a national targeting program. There has been several other ongoing groups that have been put together, task forces to look at ways that we can identify our highest threat work, highest risk work, and somehow figure out a way to take care of the rest of it on sort of maintenance mode.

There is a lot of risk management initiatives going on. There is a lot of looking at ways to measure compliance using a statistically valid random sample. Again, as I mentioned earlier, we are really trying to work smarter.

Mr. SOUDER. So you are saying you weren't overstaffed, you are trying to work more efficiently, but a lot of that is at maintenance level, which is not sustainable long term?

Ms. ADAMS. I think that is correct. Certainly we have used a lot of overtime. We have our officers working very, very hard, very long hours, and I worry very much about that. It is not sustainable. I don't care who the officer is or how good. In hour 15 of your 16-hour shift your senses aren't as sharp in they were in hour 1 or hour 4.

Mr. SOUDER. This is a tough question we have to look at. We are looking at a deficit this year. We have tremendous needs in Social Security with more people aging, more people are out of work. That is going to put more demands on our Medicaid and welfare systems and support systems, unemployment insurance. So we have all kinds of pressures on the budget. We are not trying to look at it.

But I have explained to Mr. Ziglar, to Asa Hutchison, Mr. Bonner to Admiral Lloyd and others, that when you divert resources and then say you are able to sustain it, it doesn't make a big compelling case to Congress about the need for those resources. Now, the fact is you are also under tremendous pressure not to make a lot of requests to us and to work within the establishment. I understand that. But that is what we are trying to hear on the balance. And, yes, we need to all work smarter. We have had to do that in the social service support systems. We have had to do that in many parts of government, and all of us have a little bit of leanness.

On the other hand, in talking to people in the field, you can see that they are working overtime, there are pressures on the system, the Reservists, we are seeing it in the military as well.

In INS, had you had people transferred to the Northern border from this region as well?

Mr. SCHILTGEN. Since September 11th we have only had two inspectors from our LAX operation that have been temporarily on detail to the Northern border. But what we have done is transferred an additional 10 from LAX temporarily to the seaport operation here. Very significantly understaffed here. And as we picked up part of our operation post-September 11th, I think the fortunate thing that we have going for us, as you may know, the user fee account placed for the first time a fee on passenger ships, on cruise ships, which will provide additional dollars to our agency.

And that in combination with the fiscal year 2002 budget, we are seeing additional inspections resources coming into our agency. I don't know at this time how many of those will be coming to Los Angeles or the seaport. Certainly there is a focus after September 11th on the Northern border, an understanding that we have vulnerabilities or we have certain concerns about areas of illegal entry into the United States that haven't necessarily been the focus of previously.

But to some extent there is a bit of hope for us for additional resources in the near future.

Mr. SOUDER. Have you lost any staff to Sky Marshals, to other services? Have you been able to maintain fully staffed and fill the potential new slots?

Mr. SCHILTGEN. Yes. We have been able to keep 100 percent of our inspectional staff here in Los Angeles. We have had a very aggressive hiring program over the last couple of years. I think unlike other agencies we have been growing. Our budget has been increasing and we have had a very aggressive hiring situation going on.

We have lost a few folks to the Sky Marshals, not to the number that the Border Patrol has. I know that they have lost a lot of people or are in the process of losing people, but we have lost only one or two.

Mr. SOUDER. In the check—in the background checks like the people on the cruise of the—the ships, and so on, let me ask you two questions related to that. One is, are there any particular things that we should be looking at in Congress as far as information, and do you have any stumbling blocks on information sharing?

And the second—well, let me ask that one first. Clearly things have improved nationwide since September 11th. Where are your greatest difficulties?

Mr. SCHILTGEN. I think the thing of maybe greatest concern is to make sure that we get the advanced passenger lists on all incoming vessels. We are to the point now where we have for a few years now received that on many of the incoming air flights into the United States. We are getting from the Coast Guard copies of lists of individuals, and we are doing our data base checks prior to the individuals coming in. I don't believe at this time, however, that under at least INS regulations that advance—or Customs—

that advance passenger information is required for ships. I think that is going to be critical as we——

Mr. SOUDER. That counts crew when you are saying passenger?

Mr. SCHILTGEN. Yes.

Mr. SOUDER. It was clear when we boarded this morning that down in the engine room that none of the people spoke English and none of them spoke Spanish. Do you have programs for language diversity and the challenges, whether it is Sea Marshals, INS? One of the things that we have seen in Los Angeles is a huge melting pot of multiple Asian languages. How are you going to handle this long term, in addition to the whole question of the Middle Eastern languages?

Mr. SCHILTGEN. Well, first of all, we provide Spanish training to all of the immigration officers, and we have since I can remember. We recruit both for our inspection personnel and our special agents, investigatory personnel, from individuals who speak a wide variety of languages. However, as you know, there is no way one or two inspectors are going to go on any ship and have language capabilities. We utilize the resources on each of those vessels for translation when we need to, and I have to say that I think that we have got very astute officers who at whatever point in the process make determinations of the validity of information, the fairness of the translations that are going on on the ships and interviews with the crew. And if, in fact, we have concerns, an officer has concerns, then we have the opportunity to bring in our own translators.

Mr. SOUDER. If I could ask each of the panelists, and if you want to add anything else, I will yield to Ms. Millender-McDonald, if you want to add anything else that I missed in the questioning. But I focused on this language question, in particular with Middle Eastern languages, as we look at the terrorist questions. But here you are dealing with all sorts. Because it came up on the Quebec border that we didn't have anyone who was certified to speak French, we focus so much on Spanish, legitimately because of the south border.

But one of the gentlemen told me something very interesting, and I wonder whether more of each people in your agencies would respond if we made this adjustment. He was born in Quebec, spoke French as his first language, English as his second, but couldn't pass the State Department test because what they expect you to do is have a formal—be willing—you know, it is a different standard than you would need to have to talk to somebody in an engine room.

Yet, to get the bonus pay, what a number of people have told me is to get those grade level pay increases by taking the language courses, it requires so much intense study, immersion, that it is just not worth the time diversion when you have a family. Have you heard of and do you think people would respond if at certain times, like now, on Middle Eastern languages, we had kind of somewhere in between colloquial here of basic words, such as anthrax, you know, point of origin, where are you from, there is some of that type of thing? But some kind of range between there and being able to be Deputy Ambassador to Saudi Arabia.

Mr. SCHILTGEN. I guess I will start out. I think there is certainly a need for additional language assistance for the INS, and I would think for all of the agencies.

We have on our—either by contract or on staff, interpreters, language specialists that we hire at a lower graded position, that is their job.

Certainly individuals as we go through and we are addressing the issues of terrorism, issues of smuggling, putting together criminal cases, we need to have interpreters that we can trust. Our interpreters go through background investigations just like INS employees.

I think with regard to the language training for the officers, certainly any training is beneficial. But I would have to think that either native or proficiency in a language is really critical when you are talking about some of the issues that we get into. And having a working language or working capability like maybe I do in French and Thai, sometimes it gets me in more trouble than it aids.

So clearly we have a significant need.

Mr. SOUDER. Comment from the Captain or Ms. Adams?

Ms. ADAMS. I think there is no question that language capability is very, very important, and it would again be a perfect world if we had officers that were multilingual, that spoke a variety of languages. Customs does have a program where we pay a bonus to employees, and I believe it is 10 percent, but I am not sure, who have a level of proficiency in a particular foreign language, and who use it more than 10 percent of the time in their work environment, and that has to be certified.

Your discussion is the first I have ever heard about the testing being too difficult and that people don't——

Mr. SOUDER. I heard it from Customs agents in the field at a couple of borders.

Ms. ADAMS. It is the first time I have ever heard of it. I have certainly spent a lot of my career on the Southern border, a lot here, and I have never heard that. I do know that the demand for Farsi and some of the different dialects in the Asian languages has been very, very pronounced as in terms of we see announcements coming out on a regular basis. Do we have anybody who speaks this particular dialect or speaks Mandarin Chinese or whatever language they need. And it is—frequently we do those canvasses on a national level.

But I wanted to pick up on something that Mr. Schiltgen just said. We work very, very hard to ensure that we have a diverse work force. By having a diverse work force, they do bring those basic language skills, if not the ability to communicate perfectly in writing or have the best grammar, at least they have some skills that enable them to survive in their communities. So I just—I happen to have a chart that talks about the work force diversity of our South Pacific Customs Management Center area, which includes the Los Angeles-Long Beach seaport as well as the Los Angeles International Airport. Essentially 19 percent of our employees are of Hispanic origin, and another 14 percent of Asian and Pacific Islander. We try very, very hard to ensure that we have the demo-

graphics of our organization resemble the demographics of the community at large, and that has served us well.

Similarly to the experience that INS has, though, we rely very heavily on interpreters perhaps from the airlines, from the steamship companies, if we have to get someone from the State Department or from a consulate perhaps. We don't stop because we can't speak the language. Unfortunately, that person or that cargo would have to be delayed until we could get the appropriate information.

Ms. MILLENDER-MCDONALD. Ms. Adams, what percentage of Latinos do you have in the U.S. Customs?

Ms. ADAMS. I don't have Customs-wide figures. I am sure that our people——

Ms. MILLENDER-MCDONALD. You just mentioned a percentage of Latinos, I think.

Ms. ADAMS. Here in our area, it would be Los Angeles Seaport and Los Angeles International Airport, 19 percent of our work force is Hispanic.

Ms. MILLENDER-MCDONALD. And of that 19 percent, do they come fully skilled for the work to be done given the multilanguage expertise that they have?

Ms. ADAMS. Oh, no. This is just the demographics of our work force. If they bring the language expertise to the job, so much the better, and they are compensated for it if they work 10 percent of their time at work in that language.

Ms. MILLENDER-MCDONALD. But do you utilize some of that 19 percent to train for any security measures that you might need?

Ms. ADAMS. Not specifically. It wouldn't be limited to those 19 percent that are of Hispanic origin. We may have outstanding Spanish speakers or French speakers or people with other language skills that are Anglo or have other backgrounds. My point in raising the diversity issue is it is just one way that we are able to help ourselves in terms of for——

Ms. MILLENDER-MCDONALD. Well, it is good business too, of course.

Ms. ADAMS. It helps us interact effectively with the people that we interact with in the committee.

Ms. MILLENDER-MCDONALD. That's correct. I hope I pronounced your name correctly, sir, Mr. Schiltgen.

Sir, given that when I was here right after the September 11th, I was gathering information and data on the type of cargo that comes into this seaport and both seaports, Long Beach and Los Angeles, and I was told that there is a lot of human cargo that comes in here. What percentage of illegal immigrants comes through the seaports? Can you give me that?

Mr. SCHILTGEN. Well, I really cannot give you any real hard and fast information on that, partially because to some extent we don't know. Over the last 2 years, we have, I believe, had 18—I believe it is 18 containers where we have found—here in this area where we have found that were used for human smuggling.

And each of those is—I am sure you very well know—are just horrific conditions inside of those containers after people have been on very long voyages. But, again, given the volume of the containers coming in here, I don't know that we have got a good indication of really what the volume is.

Ms. MILLENDER-MCDONALD. Is that something that we should be looking at? And perhaps if not, why not?

Mr. SCHILTGEN. Well, it is something that we look at on a daily basis. We have got a portion of our seaport unit here that is focused on gathering intelligence and targeting containers for human smuggling. And, again, I think where we need to continue on with this is the interagency coordination and the development and the analysis of intelligence to try to determine which of those millions and millions of containers are coming in potentially carry human cargo.

And, again the stakes are different with regard to human cargo. And I think it is something that we need to be very sensitive to.

Ms. MILLENDER-MCDONALD. I must say, and I would like to get with you, to perhaps see how we can best—I serve too on the Homeland Security Task Force, and we need to see how we can best integrate all of this intelligence so that you can be better equipped, if you will, to try to get those persons who are smuggling others and those who are coming in in those containers to get them and arrest them.

We also need to look at what nationalities they are, because I am told that they are coming from far away, and to be able to sustain themselves inside of a container is a question in and of itself.

Mr. SCHILTGEN. It is a remarkable process. If one should see the containers and the kind of the aftermath when individuals arrive here, somewhat primitive, somewhat sophisticated methods to keep the people alive through the very long process: The air ventilation, the water and the food systems that they have, batteries in the containers to run fans to circulate air, the waste material. You know, you can hardly stand close to one of those containers because of the stench after we find individuals in those containers.

Just a horrific means by which, you know, the smuggling organizations, and the majority of the individuals that we see coming in here are Chinese, but just horrific conditions that those criminal organizations are benefiting by human cargo.

Ms. MILLENDER-MCDONALD. Absolutely. My question again to you, sir, is does the INS use your INSPASS card system at the port here, and if not, why not?

Mr. SCHILTGEN. We don't use it here at the port. To the best of my knowledge, we do have one at LAX at the airport, and we use it quite extensively. I haven't heard of a use at the seaport of the INSPASS process. I don't know that I can answer why.

Ms. MILLENDER-MCDONALD. Would it not be at this heightened security environment that we find ourselves in, would this not be an appropriate time to revisit that?

Mr. SCHILTGEN. It may. I am thinking back at the implementation of INSPASS, and the fact that it was directed toward frequent business—primarily business travelers, frequent travelers into the United States. I would have to give some thought as to the frequency of which individuals return to the United States through the seaport here. I know that we have crews that come back on a regular basis, but I don't know that the volume of individuals traveling would be sufficient to warrant the use of INSPASS here. It may be, but it is certainly something that we can look at.

Ms. MILLENDER-MCDONALD. Captain Holmes, during your time—both you and Ms. Adams can answer this. Given the heightened security awareness that you are now and we are all in, and even the pronouncements of the Secretary of Defense Rumsfeld on yesterday saying that we must continue to keep this, and actually California is a very high target State, what is the impact when you have a diversion of your attention taken from your regular duties to perform duties at the border or whatever? Are we prepared to intercept any terrorist attempts given the position that I have now demonstrated that you might be in?

You might be doing something—your diversion, as you said to me once when I spoke with you, that sometimes you have to take—you have go up to the Northern border to try to protect that region given the heightened security that we are now trying to seek in the ports.

While you are one way or the other, do we have enough personnel in the event that interception of a terrorist right in the middle of the ports here? Do we have enough personnel to combat that?

Captain HOLMES. Yes, I would say that we do. What would suffer, as I said earlier, would be the other mission areas. I mean, we would—if we had to protect several areas at once, which we are doing right now, what happens is those resources are solely functioning as homeland security resources, and they don't do law enforcement patrols and some of the other things that we do.

Ms. MILLENDER-MCDONALD. Drug trafficking and those types of things, you will not be able to do some of that because you are having to go to try to protect the terrorists?

Captain HOLMES. That has been the case since the 11th. Our mission areas have shifted, and homeland security went from a No. 5 on the scale to No. 2, right behind search and rescue. So we have never been in a situation where we don't respond to oil spills or chemical spills, but there are a lot of other missions that the Coast Guard does, which is working with the fisherman, working with the State Fish and Game, anti-drug patrols down in the San Diego area, which we have had to curtail to put the resources up here in L.A. Harbor, Port Hueneme, which we also cover, and then we also cover near Morro Bay as well, the El Diablo area.

Ms. MILLENDER-MCDONALD. This is why in the committee I kept stressing the need for personnel enhancement and increased personnel at these ports, because of the diversion that especially you have had to do and the U.S. Customs, and yet we are so threatened right here that we need more personnel.

Ms. Adams, did you want to comment on that?

Ms. ADAMS. Certainly. We know that in our recent allocation of personnel for fiscal year 2002, a large number of those allocated officers will go to the Northern border. And we are hoping that when they complete their training at Federal Law Enforcement Training Center in Glynco, Georgia, and go through their on-the-job training that we will be able to return our 14 officers back to our area.

The second highest area of priority, though, in terms of additional staffing, we understand, after the Northern border we understand will be the Nation's seaports.

And we are certainly looking forward to having the availability of additional personnel.

Ms. MILLENDER-MCDONALD. Thank you.

Mr. SOUDER. Well, I want to thank each of you for participating in our hearing. If you could also convey again our thanks to your personnel that basically have been working overtime and at high stress levels, I personally do not think, nor does our leadership or our President think this is going to end shortly. They have been coming at us about every 6 months for 5 years on bases overseas. They have now had success on our domestic soil and are likely to continue to do so. And we have to become smarter and better and stay ahead rather than behind.

We thank you for your work and thank your people for their work, and thank you for testifying today.

Ms. MILLENDER-MCDONALD. I would like to add to that, too. Thank you all for what you are doing to make this region and seaports more secure with your limited resources. Thanks.

Mr. SOUDER. If the second panel could now come forward. Mr. Richard Steinke, Mr. Larry Keller, and Mr. Guy Fox.

If you could remain standing, I will do the oath.

[Witnesses sworn.]

Mr. SOUDER. Let the record show that the witnesses have each answered in the affirmative.

Mr. Steinke, you are recognized for 5 minutes.

STATEMENTS OF RICHARD D. STEINKE, EXECUTIVE DIRECTOR, THE PORT OF LONG BEACH; LARRY KELLER, EXECUTIVE DIRECTOR, THE PORT OF LOS ANGELES; AND GUY FOX, CHAIRMAN OF THE BOARD, GLOBAL TRANSPORTATION SERVICE

Mr. STEINKE. Mr. Chairman, Member Millender-McDonald, thank you for this opportunity to address you on port security, one of the most important issues of the day.

Security has always been a paramount concern to the Port of Long Beach. Prior to the events of September 11, 2001, our focus was primarily crime prevention with an emphasis on cargo theft. Following the tragic terrorist attacks on the World Trade Center and the Pentagon, the focus of our efforts to protect the port and facilitate commerce and travel has been broadened to include prevention and response to acts of terrorism.

Long before the events of September 11th we realized the need for maintaining the highest levels of security possible in the port. To that end the Port of Long Beach has proactively developed a port security plan to create and maintain a level of security that might serve as a model for the maritime industry.

Over the last decade, the Port of Long Beach created a Port Crime and Security Committee, made up of industry stakeholders, terminal operators, Federal, State and local law enforcement agency representatives, terminal security officials. And we meet on an ongoing basis to discuss issues related to crime, safety and security.

These meetings shape the infrastructure and open lines of communications among industry and law enforcement responsible for the safety of the people who work in the ports and the security of the cargo that moves through it.

Since September 11th, we have been operating at a heightened security level, as has been mentioned before by other people who have testified. We have increased the number of committees and task forces to address the greater needs and the new charge for greater protection of our port.

Greater security is not limited simply to the movement of cargo through the port. Every capital project that we undertake now has a new element built into it. Our plans for a new bridge or a pier, widening of a channel, erecting a crane all must now include considerations for security enhancements.

We have recently completed a detailed security assessment of our waterfront facilities with the Long Beach Police Department and the U.S. Coast Guard and expect that the assessment will suggest further improvements and upgrades. Those refinements will require funding not heretofore anticipated.

Basically what I am saying is that the new demands for security will require new sources of funds. Funding considerations also should be given to supplement the manpower needs of the participating Federal and local law enforcement agencies. We especially would like to emphasize our support for increased funding for the U.S. Coast Guard and the Customs Service.

Approximately 35 percent of all waterborne cargo that comes into the United States comes through this port complex. So the workload of these two agencies is many times above the level expected of them in other ports throughout the country, once again an expense to be reviewed in reconsidering the status of our efforts to prevent and suppress acts of terrorism against shipping and to improve maritime security.

It is my honor to serve as chairman of the American Association of Port Authorities this year, and we are on record in full support of greater security at all ports. Because each port has unique characteristics, however, control for security should be determined and maintained by the captain of the individual ports.

The Association is aware of the funding challenges of any new legislation, but stresses that grant funds need to be adequate to allow for mandated security enhancements. According to the Report on Crime and Security in U.S. Seaports, the estimated cost of security for a model port, of which I would think the Port of Los Angeles and Long Beach are, ranges anywhere between 10 million to 38 million per port. That would include physical security, cargo-crew security, military mobilization, and contraband detection.

Military load-out capabilities in port is a key to our national security, and must be kept in the forefront in any security decision. There are a number of other initiatives that could be examined in a review of seaport security issues as they relate to international maritime traffic into and out of the Port of Long Beach. Automatic identification systems that provide a ship's identity, position, course and speed; seafarer identification and background check; port of origin container examinations, a means of ship alerting may be items that reach beyond the scope of this committee.

I would be remiss if I did not make special note of the exemplary job done by the Coast Guard and U.S. Customs following the tragic events of September 11th. They deserve recognition for taking the lead in exerting positive control over the port at a time when con-

fidence and assurance were needed. The Coast Guard and Customs continue to play an instrumental role in our efforts to keep our people and the Port of Long Beach safe.

In closing, I thank you, Mr. Chairman, and all of the members of the subcommittee for your interest and concern in seaport security issues and for choosing the Port of Long Beach to hold this hearing. Thank you.

[The prepared statement of Mr. Steinke follows:]

Testimony by Richard D. Steinke, Executive Director, Port of Long Beach for delivery during a hearing of the Government Reform Subcommittee on Criminal Justice, Drug Policy, and Human Resources.
Feb. 1, 2002 Port of Long Beach Administration Building

Mr. Chairman, members of the subcommittee, friends of the Port of Long Beach, guests. Welcome and thank you for this opportunity to address you on Port Security, one of the most important issues of the day.

Security has always been of paramount concern to the Port of Long Beach. Prior to the events of Sept. 11, 2001, our focus was primarily crime prevention with an emphasis on cargo theft. Following the tragic terrorist attacks on the World Trade Center and the Pentagon , the focus of our efforts to protect the port and facilitate commerce and travel has been broadened to include prevention and response to acts of terrorism.

Long before the events of 9-11, we realized a need for maintaining the highest levels of security possible in the Port. To that end the Port of Long Beach has proactively developed a port security plan to create and maintain a level of security that might serve as a model for the maritime industry.

Over the last decade, the Port of Long Beach created a Port Crime and Security Committee. Made up of industry stakeholders, terminal operators, federal, state and local law enforcement agency representatives, terminal security officials, we meet on an ongoing basis to discuss issues related to crime, safety and security. These meetings shaped the infrastructure and opened lines of communications among industry and law enforcement responsible for the safety of the people who work in the ports and the security of the cargo that move through it. Since Sept. 11, 2001 we have been operating at a heightened security level. We have increased the number of committees and task forces to address the expanded needs and new charge for greater protection of our port.

Greater security is not limited simply to the movement of cargo through the port. Every capital project that we undertake now has a new element built into it. Our plans for a new bridge or pier, widening of a channel, erecting a crane all now must include considerations for security enhancements. We have recently completed a detailed security assessment of our waterfront facilities and expect that assessment will suggest improvements or upgrades. Those refinements will require funding not heretofore anticipated.

Basically what I am saying is that the new demands for security will require new sources of funds. Funding considerations also should be given to supplement the manpower needs of the participating federal and local law enforcement agencies. We especially would like to emphasize our support for increased funding for the U.S. Coast Guard and the Customs Service. Approximately 35% of all waterborne cargo that comes into the United States comes through this port complex, so the workload of these two agencies is many times

above the level expected of them in other ports throughout the country. Once again an expense to be reviewed in reconsidering the status of our efforts to prevent and suppress acts of terrorism against shipping and to improve maritime security.

It is my honor to serve as Chairman of the American Association of Port Authorities and I am on record in full support of greater security at all ports. Because each port has unique characteristics however, control for security should be determined and maintained by the Captain of the individual ports.

There are a number of other initiatives that could be examined in a review of seaport security issues as they relate to international maritime traffic into and out of the Port of Long Beach. Automatic Identification Systems (AIS) that provide a ship's identity, position, course and speed, seafarer identification and background check, port of origin container examinations, a means of ship alerting may be items that reach beyond the scope of this committee.

I would be remiss if I did not make special note of the exemplary job done by the Coast Guard, following the tragic events of Sept. 11, 2001. They deserve recognition for taking the lead in exerting positive control over the port at a time when confidence and assurance were needed. The Coast Guard continues to play an instrumental role in our efforts to keep our people and the Port of Long Beach safe.

In closing, I thank you Mr. Chairman and all the members of the Subcommittee on Criminal Justice, Drug Policy, and Human Resources for your interest and concern in seaport security issues and for choosing the Port of Long Beach to hold this hearing.

Mr. SOUDER. Thank you very much.

Mr. Keller.

Mr. KELLER. Thank you, Mr. Chairman, Congresswoman Millender-McDonald, ladies and gentlemen.

Thank you for the opportunity to discuss the Port of Los Angeles and the subject of seaport security, as it relates to international maritime trafficking into and out of the San Pedro Bay ports of entry. This hearing's goal is extremely important to improve security, facilitate commerce and travel between the United States and other foreign countries of paramount importance to our port.

The Port of Los Angeles is a remarkable story. In 1984, after the main channel was deepened, the Port of Los Angeles was ranked 8th in the Nation. With the help and cooperation and partnership of our customers, the Port of Los Angeles today in an environmentally responsible way handles more than 5 million containers in a year while creating hundreds of thousands of jobs.

Last year's total of more than 5 million TEUs marked a national record. This growth has been particularly important because the rest of the Nation and the State of California experienced a dramatic economic downturn several times during that developing period.

We are in the midst of an incredible construction activity as we prepare for the challenges and opportunities of the future. The Alameda Corridor will open in April; the first phase of an almost 500-acre terminal for America Sealand. As has been said before, 35 percent of the U.S. ocean commerce is moved through the two ports.

However, the events of September 11, 2001 have shifted our focus from efficiency to security, while at the same time continuing in the throughput, which is important to our Nation's economy. Led by the Coast Guard and our Port Police force, our response was immediate as we teamed with various law enforcement agencies, as well as the INS, U.S. Customs and other Federal agencies to safeguard cargo, people, and property.

Our national crisis has mandated security precautions and permanent changes in how we do our business. This is a new day with enhanced security standards for our maritime community. We have experienced only slight delays caused by understandable security measures, but commerce has continued unabated. As Dick said, we can't thank our Federal agencies, particularly the Coast Guard, INS and U.S. Customs enough for their assistance in making this thing happen.

Since September 11th, the Port of Los Angeles has had in place 12-hour shifts for our Port Police with two patrol vessels on duty at any given time, increased fixed port security at the cruise passenger terminal, the addition of two explosives trained canine dogs, increased liaison with the Federal, State and local law enforcement officials, regular dive inspections of the passenger terminal and other sensitive areas of the port, establishment of the Joint Port Police, U.S. Coast Guard, Sea Marshal Program to board incoming and outgoing vessels, increased inspections of truck traffic, placement of security barriers around the perimeter of our Harbor Administration Building, with increased security offered to the port offices and support to various legislative, industrial and neighborhood communities on port security matters.

I have provided you with an assessment of the costs related to additional Port Police, operations and equipment. The city of Los Angeles Major James Hahn has taken the lead in establishing a Port Security Task Force to look at the San Pedro Bay Port and evaluate new challenges and opportunities for providing much more secure ports. In our open society the challenge is to provide security yet effectively facilitate commerce and travel.

Our future security needs call for increased cooperation and support from Federal, State and local governmental bodies and agencies. Mayor Hahn's Port Security Task Force is looking into how we can more closely monitor who and what enters our country through its seaports. Securing our borders and our seaports is vital to the protection of the United States.

Some other areas of port security we would like to put in place include a portwide identification system to control access and positively identify users of the port, increased Port Police personnel and equipment to adequately deploy and maintain increased operation security and policing functions, development of systems and legislation to support the sharing of the passenger information, development of data bases and legislation to support acquisition and analysis of information about persons and products arriving by sea, development of improved public relations programs to communicate credible terrorist threat information to the public and to dispel unsubstantiated rumors, development of new technologies to adequately inspect more shipping containers, funding for improved audio and video surveillance and monitoring systems, creation of a secure Internet Web site for law enforcement agencies to act as a terrorism warning clearing house, and establishing a data base and central repository for intelligence that is currently being collected by several separate Federal and State agencies.

Because of all of those factors and the new vulnerability, it is imperative that we must concentrate on maintaining and enhancing security awareness of our maritime environment. We also strive to encourage a more open information sharing base among local, State and Federal law enforcement agencies in order to be better prepared, to fight the new terrorism.

Thank you very much.

[The prepared statement of Mr. Keller follows:]

Remarks by Larry A. Keller
Executive Director, Port of Los Angeles
Before the Government Reform Committee
Subcommittee on Criminal Justice, Drug Policy and Human Resources
Friday, February 1, 2002

Chairman Souder,
Honorable Committee Members,
Ladies and Gentlemen,

Thank you for the opportunity to discuss the Port of Los Angeles and the subject of seaport security as it relates to international maritime traffic into and out of the San Pedro Bay ports of entry.

This hearing's goal to explore ways to improve security, facilitate commerce, and ease travel between the United States and other foreign countries is of paramount importance to the Port.

The Port of Los Angeles is a remarkable story. In 1984, after the Main Channel was deepened, the Port of Los Angeles was ranked 8th in the nation, moving 1.04 million TEUs (20-foot equivalent units, maritime terminology used when counting containers). With the help, cooperation and partnerships of our customers, the Port of Los Angeles is today an environmentally responsible port complex which handles more than five million TEUs (20-foot equivalent units, maritime terminology for counting containers) in a year, while creating hundreds of thousands of jobs.

Last year's total of more than five million TEUs marked a national record. This growth has been particularly important because the rest of the nation and the State of California experienced dramatic economic downturns several times during that period.

We are in the midst of incredible construction activity as we prepare for the challenges and opportunities of the future. The Alameda Corridor will open in April. The first phase of the almost 500-acre Maersk Sealand terminal opens mid-year.

Thirty-five percent of the United States' ocean commerce is through the San Pedro Bay ports.

However, the events of September 11, 2001, have shifted our focus from efficiency to security, while at the same time continuing the throughput which is so important to our nation s economy. Led by the U.S. Coast Guard and our Port Police force, our response was immediate as we teamed with various law enforcement agencies as well as the I.N.S., U.S. Customs and other federal agencies to safeguard cargo, people and property. Our national crisis has mandated security precautions and permanent changes in how we do business. This is a "new day" with enhanced security standards for our maritime community. We have experienced only slight delays caused by understandable security measures, but commerce has continued unabated.

Before dealing with our local response and needs, let me commend the Coast Guard, the Customs Service and other federal agencies here for their professionalism and cooperation. We urge that there be increased federal support for the Coast Guard and Customs Service, including the needed Automated Commercial Environment (ACE), new computer system.

Since September 11, the Port of Los Angeles has had in place 12-hour shifts for port police; two patrol vessels on duty; increased fixed-post security at the cruise passenger terminal; the addition of two explosive-detection K9s; increased liaison with various federal, state and local law enforcement agencies; regular dive inspections of the passenger terminal and other sensitive areas of the port; establishment of the joint Port Police/U.S. Coast Guard Sea Marshal program to board incoming and outgoing vessels; increased inspections of truck traffic; placement of security barriers around the perimeter of the Harbor administration building; increased security officer presence at Port facilities; and support to various legislative, industrial and neighborhood committees on port security matters. I have provided you with an assessment of the costs related to the additional Port Police operations and equipment.

The City of Los Angeles and Mayor James Hahn have taken the lead in establishing a Port Security Task Force to look at the San Pedro Bay ports and evaluate needs, challenges and opportunities for providing much more secure ports. In our open society, the challenge is to provide security yet to effectively facilitate commerce and travel.

Our future security needs call for increased cooperation and support from federal, state and local governmental bodies and agencies. Mayor Hahn's Port Security Task Force is looking into how we can more closely monitor who and what enters our country through its seaports. Securing our borders and our seaports is vital to the protection of the United States.

Some other the areas of port security we would like to put in place include a Port-wide identification system to control access and positively identify users of the Port; increased Port Police personnel and equipment to adequately deploy and maintain increased operational security and policing functions; development of systems and legislation to support the sharing of passenger information; development of a data base and legislation to support acquisition and analysis of information about persons and products arriving by sea; development of improved public relations programs to communicate credible terrorist threat information to the public and to dispel unsubstantiated rumors; development of new technology to adequately inspect more shipping containers; funding for improved audio and video surveillance and monitoring systems; creation of secure Internet websites for law enforcement agencies to act as a terrorism warning clearinghouse; and establishing a database and central repository for intelligence that is currently being collected by separate federal and state sources.

Because of all of these factors and the new vulnerability, it is imperative that we must concentrate on maintaining and enhancing security awareness of our maritime environment. We also strive to encourage a more open information-sharing base among local, state and federal law enforcement agencies in order to be better prepared to fight the new terrorism.

In order to evaluate the security requirements of the Port of Los Angeles, it is necessary to understand the environment in which the Port operates. The Port is an independent, self-supporting department of the City of Los Angeles. It receives no income from taxes. Our financial stability has been acknowledged with a AA rating by the rating agencies, the highest of any port without taxing authority.

The Port is under the control of a five-member Board of Harbor Commissioners appointed by the Mayor and approved by the City Council. The City operates the Port under the State of California Tidelands Trust Act, through which the Port is granted control of tidelands, and all monies arising out of the operations of the Port are used for commerce, navigation and fishery. The Port prepares and controls its own financial plan, administers and controls its fiscal activities, and is responsible for all construction and operations.

The Port operates as principal landlord for the purposes of assigning or leasing Port facilities and land areas. Our principal source of revenue is from shipping services such as dockage and wharfage as determined by tariff. Other income is derived from rental of land and facilities, oil royalties and other fees.

Operations of the Port are financed in a manner similar to that of a private business. The Port recovers its costs of providing services and improvements through tariff charges for shipping services and the leasing of facilities to Port customers.

Capital construction is financed from operations, bonded debt and loans secured by future revenues and Federal grants. Daily operations of the Port facilities and regular maintenance are performed by the Port's permanent 550-person workforce. Generally, major maintenance and new construction projects are assigned to commercial contractors.

We are officially the Harbor Department of the City of Los Angeles. We are also known as The Port of Los Angeles. The Port covers approximately 7500 acres of land and water and has 35 miles of waterfront. We pride ourselves in being a diverse port.

The San Pedro Bay ports are blessed by a location on the Pacific Rim, by a quality infrastructure, by a strong workforce, by a region which has a massive consumer population and by a willingness to work together to improve the infrastructure to meet growth needs and improvements in transportation and air quality.

Location has not been the only reason for our growth. In the early 1980s, containerization was recognized as the key to the future of international trade. Critical commitments of time, manpower and materials were allocated to reconfigure and develop facilities to handle the ships which have been and are getting bigger, and the containerized cargo they carry. That required eliminating the old finger piers and making longer reinforced berths, creating new terminal layouts, and dredging the harbor. Meeting future needs is a continuing challenge for all of us in the business of international trade, since 8 to 10 years is considered "fast-tracking" through the permitting processes. Smart planning is a lengthy, detailed process.

Ninety-five percent of all international trade to the U.S. comes by ship. Much of our trade is with Pacific Rim countries, including Japan, Korea, China, Southeast Asia, Australia/New Zealand and the west coast of South America.

In terms of the value of goods coming through the Port, about 65% of our trade is currently with China, Japan, Taiwan, South Korea and Ecuador. Ten years ago, the top five trading partners were, in order, Japan, Taiwan, South Korea, China and Hong Kong.

Currently, the Port of LA's top containerized imports are furniture, toys, apparel, computer equipment and footwear. Our top containerized exports are wastepaper, resins and plastics, pet and animal feed, raw cotton and meat and poultry. In addition to the five million containers we handle, we also move automobiles, heavy equipment, coal, liquid bulk and even passengers. In fact, the Port of Los Angeles is the number 1 cruise port on the West Coast and fourth busiest in the nation.

Our diversity also includes serving agricultural needs, commercial fishing interests and the community at large. We are the only port in the nation with its own public beach. We are proud of our environmental record and the fact that we have one of the cleanest harbors in the world. The giant kelp beds in the port are testimony to our water quality. This giant kelp only grows in clear water.

One of the reasons shippers choose the Port of Los Angeles is its efficient transportation system. In the Los Angeles area, cargo can move rapidly by highway, rail or air. Speed and efficiency are extremely critical to shippers as idle hours mean hundreds of thousands of lost dollars.

For example, we can typically move goods from the Port of Los Angeles to Chicago within three days. If a ship comes into Port at 8 a.m. on a Sunday, the cargo can be off loaded from the ship and onto a train by 9 p.m. the same day. The train would then arrive in Chicago by late Tuesday.

Another reason shippers chose the Port of Los Angeles is its excellent facilities. We have 30 major cargo terminals, including six container terminals. We are constantly upgrading and improving so that we can offer our customers the most efficient facilities available anywhere. And, we can remain competitive with the other West Coast ports. Five of the top 10 container ports in the nation are on the West Coast – Los Angeles, Long Beach, Oakland, Seattle and Tacoma. The same five ports are among the top 10 ports in our country in terms of cargo value -- with Los Angeles on top.

We are in an extremely competitive business, and keeping our market share is absolutely key to our success. Half of our cargo is considered discretionary. That cargo does not have to come into this country through Los Angeles, or any other California port for that matter. It could just as easily move through Vancouver in Canada. That's what makes this business so tough. Our challenge is to be competitive to keep the cargo and the jobs associated with it in this state and nation.

Much of the development we are doing now will have dramatic impacts on our future. The projects which we have talked about -- and strategically planned -- for many years are off the drawing boards and are now being built. We are past the middle of a $600 million capital development program -- the Pier 300/400 Implementation Program.

The nationally acclaimed Alameda Corridor project will open in mid-April and has been designed to accommodate projected increases in cargo traffic. On time and under budget, it will create a dedicated 20-mile rail route directly connecting the Ports of Los Angeles and Long Beach to major downtown rail facilities. In so doing, it will achieve reductions in air emissions as some 200 intersection conflicts are eliminated by channeling three rail lines into a single grade separated route.

This is what we are doing today to meet and be prepared for the demands of the future.

We are not creating the increase in cargo expected. We are responding to it. Independent studies predict that the population in Los Angeles in 2010 will be six million more people than now. That means that in 2010 there will be about 20 million people in LA. That was the population of the entire state in 1970. Cargo will continue to be drawn to high population centers such as Los Angeles for consumer and manufacturing consumption.

And what do we expect that future to be for the Port of Los Angeles? We are expecting continuing growth in throughput. We are expecting growth in revenue tonnage at the rate of about 5% a year over the next 10 years. We expect the growth in cargo to come from Japan, all countries in Latin America, Taiwan, the ASEAN countries (Malaysia, Thailand, Indonesia and Philippines), Korea and China. In addition, trade with Mexico and the nations on the west coast of Central and South America should increase as new markets open and mature with the development and expansion of trade and commerce in these areas.

And in the next decade, we expect that the competition will grow stronger as new facilities are being built in Oregon, Washington, British Columbia, Canada and Mexico. To meet that competition we must take reasonable risks and have a responsible vision of and for the future. To do otherwise will mean that others will take jobs and other economic advantages from our region and, possibly, from the nation.

Some people might ask, "Why can't the cargo just go elsewhere?" The fact is that the cargo can easily go elsewhere. And that's a big concern. If the cargo goes elsewhere, the jobs and the revenues that are associated with it go as well. Our cargo means jobs -- lots of jobs. On a regional basis, nearly 259,000 people are directly employed in some aspect of cargo movement through the Port. That represents one out of every 24 jobs in Southern California. In addition, one out of every $23 in income generated in the Southland is attributed to Port-related activities. It's our job at the Port of Los Angeles to assure that the cargo moves through this harbor for the benefit of the entire region. We are in an extremely competitive business, and staying competitive is absolutely the key to our success. And, the Port makes this economic impact without tax support because we generate our own revenues.

We must continue to work hard to be successful at the Port of Los Angeles. We welcome new opportunities. While we are proud of our record of accomplishment over the last decade, we know that we are constantly being challenged and we must continue to be fully prepared to meet tomorrow's challenges.

Thank you for the opportunity to share this information with you.

Mr. SOUDER. Thank you.

Mr. Fox.

Mr. FOX. Thank you, Mr. Souder and Representative McDonald, ladies and gentlemen. I am honored to have been invited to testify here at your investigative hearing concerning the seaport border issues as it relates to maritime logistics that is being held at the Port of Long Beach on behalf of the international business community in southern California.

Global Transportation Services, Inc. and Global Container is a company that is involved in international transportation, both by sea freight and air freight. We are also licensed customshouse brokers as well as licensed international freightholders. We act on behalf of commercial companies to move cargo from door to door to and from any point in the world.

Security has always been an issue in the movement of international freight due to pilferage, and lately due to stowaways of human beings in containers. Our company has always taken a firm stand on the security of all cargo for our customers.

However, we fully understand that under today's circumstances this is not business as usual. It is virtually impossible to inspect each and every container that moves in international trade. If that would happen, international commerce would face severe injury with delays in the supply chain.

Global handles shipments from door to door, including placing containers at the vendor's door in China for loading, picking up the container, processing the export documentation, loading on the vessel, and shipping to the United States where we perform the Customs clearance and the delivery to the customer's door.

In doing this, we have agent partnerships throughout Asia with individuals and firms that we have known and have had experience with over the past several years. These are reputable firms that are fully licensed and committed to the highest quality performance and ethical practices.

Global receives a purchase order from our customers. This information is sent electronically to our agents for arranging shipment. They will call the factory; that is, the shipper, to coordinate the movement. If this is an unknown factory and has not had any shipping experience, they will visit this factory to make sure that everything is in order and to make sure that they are a legitimate supplier for commercial goods. If everything checks out, then shipping will be arranged.

When a container is placed at the factory for loading, the loading is supervised by the management of the factory. As the container is loaded, the container is sealed with a specific container seal with a unique number on that seal. The number of the seal is placed on the bill of lading that is used in the movement of the container. Our partners are always on the lookout for any anomalies that may exist. If and when those anomalies do occur, the authorities would be notified immediately to check them out.

You also have to understand that our partners are knowledgeable people and thoroughly understand the process, and anything out of the ordinary would be readily identified. Anything that does not look right is investigated.

Global also has the other scenario of consolidating containers, which is freight that is less than a container load from various suppliers to various consignees in the United States. We again deal with known suppliers, and I have to emphasize that, known suppliers, factories and known consignees in the United States.

Less than container loads are picked up from the factory and transported by truck to a container freight station where the goods are received and checked in. If the goods are from a factory that is not known, then our partners will visit the factory to make sure that they are a legitimate supplier. They again will look for any anomalies and report such anomalies to the authorities for investigation. They do not take any chances.

The LCL cargo is then loaded into a consolidated container where a load plan of cargo is made. Each LCL cargo is given a subbill of lading number and is manifested on a cargo manifest that will go forward with a master bill of lading and the export documentation to the Global office in the United States.

When those documents are received, they are immediately processed the same day, and our people also look for any anomalies. The documents are broken down by LCL shipment and each consignee is notified of the arrival of these goods, and a copy of the shipping manifest is given to U.S. Customs for their review. Manifests will have the name of the consignee, a full description of the cargo, weight, size, name of the shipper, and port of origin. We do this as a matter of course.

There are some consolidators that do not follow this practice, and it is usually the Asian-based consolidators who do not understand our laws and regulations, yet we license them to do business in the United States and we do not have the same privilege in their country.

In cases such as these, security can be compromised as they will take freight from any shipper to any consignee in the United States. I only bring this up as it is not a level playing field for consolidators that are an American-based firm.

When the goods arrive in the United States, the consolidated container is moved to a CFS, which is the container freight station, and the CFS is a Customs-bonded warehouse. So the goods are under Customs custody until they have been cleared for delivery to the consignee. This is another opportunity to look for anomalies. Due to the security steps we have taken, we have not run into any anomalies, but we are ever vigilant for such anomalies if they exist. If any are discovered or if there is implicit feeling about any shipment, we would immediately notify the authorities.

If the proper procedures are followed, this will minimize the possibility of any breaches in security. Nothing is perfect, and a certain amount of risk has to be taken in order to move cargo to keep trade goods flowing. Due to Customs procedures, Global is able to pre-file Customs entries 5 days prior to the arrival. All information concerning any given shipment is given to Customs. We understand that they have the resources of checking out the shippers, consignees and the cargo itself.

We make sure they have all of the information in order to process the Customs clearance. This also gives Customs a chance to review everything and anything that has to do with any individual

shipment. Security will perhaps become tighter and importers will still want to and need to use the just-in-time concept. However, we will see importers while still using JIT will also use a just-in-case concept.

Importers will start warehousing more goods to have on hand, which will increase the cost of goods and will ultimately be passed on to consumers. Importers refer to this as an operational buffer.

Security in today's environment is based on the knowledge of who you are dealing with and the faith that you have in the factory or individuals. Reputation of ethical practice also plays a large part and a role in this process. Due diligence on the part of the importer in the United States is absolutely necessary to be able to spot any inconsistencies that may exist.

In southern California the international business community is working together very closely. This includes all of the international trade associations, the U.S. Coast Guard, U.S. Customs, Immigration, the Marine Exchange, the Vessel Tracking System, and many of us are or have been officers at the International Trade Association and are on the cutting edge of what is going on in our ports. We also have the opportunity to participate in getting the word out on security measures, and I would like to compliment Captain John Holmes of the U.S. Coast Guard, the Marine Exchange and Vessel Tracking System, and also Larry Keller and Dick Steinke of the Ports of Los Angeles and Long Beach.

I hope this report will give you some insight on the process, because I think it is very important in understanding where security measures must take place. If you understand the process, then we know where to focus.

But we need to make sure that security is absolute as much as it can be. If you have any further information you require or if there is any questions that I may answer, I will be available to do so.

Thank you.

[The prepared statement of Mr. Fox follows:]

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January 30, 2002

Honorable Mark E. Souder
Member of Congress
Chairman
Subcommittee on Criminal Justice, Drug Policy, and Human Resources
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Congressman Souder,

I am honored to have been invited to testify at your investigative hearing concerning seaport border issues as it relates to maritime and logistics scenarios, that is being held at the Port of Long Beach, on behalf of the international business community of Southern California.

Global Transportation Services, Inc., and Global Container Line, Inc. is a company that is involved in international transportation, both by sea freight and air freight. We are also licensed Customs House Brokers, as well as licensed International Freight Forwarders. We act on behalf of commercial company's to move cargo from door to door, to and from any point in the world.

Security has always been an issue in the movement of international freight due to pilferage, and lately, due to stowaway of human beings in containers. Our company has always taken a firm stand on the security of all cargo for our customer's, however, we fully understand that under today's circumstances, it is not business as usual. It is virtually impossible to fully inspect each and every container that moves in international trade. If that would happen, then international commerce would face severe injury with the delays in the supply chain.

Global handles shipments from door to door, including placing containers at the vendor's door in China for loading, picking up the container after it is loaded, process the export documentation, load on the vessel, ship to the United States, perform Customs clearance, and deliver to the customer's door. In doing this, we have agent partnerships throughout Asia, with individuals and firms that we have known, and have had experience with over the past several years. These are reputable firms that are fully licensed, and committed to high quality performance, and ethical practices.

When Global receives a purchase order from our customer's, this information is sent electronically to our agent for arranging shipment. They will call the factory that is the shipper to co-ordinate the movement. If this is an unknown factory that they have not had any shipping experience, they will visit this factory to make sure

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that everything is in order, and that they are a legitimate supplier for commercial goods. If everything checks out, then shipping will be arranged. When a container is placed at the factory for loading, the loading is supervised by the management of the factory, and when the container is loaded, the container is sealed with a specific container seal with a unique number on the seal. The number of the seal is placed on the bill of lading that is used in the movement of the container. Our partners are always on the lookout for any anomalies that might exist. If and when these anomalies do occur, the authorities would be notified immediately to check them out.

You also have to understand that our partners are knowledgeable people, and thoroughly understand the process, and anything out of the ordinary would be readily identified. Anything that does not look right, is investigated!

Global also has the other scenario of consolidated containers, which is freight that is less than a container load, from various suppliers, to various consignees in the United States. We, again deal with known suppliers/factories, and known consignees in the United States. The less than container loads (LCL) are picked up from the factory, and transported by truck to a container freight station (CFS) where the goods are received a checked in. If the goods are from a factory that is not know, then our partner will visit the factory to make sure they are a legitimate commercial supplier. They, again, will look for any anomalies and report such anomalies to the authorities for investigation. They do not take any chances. The LCL cargo is then loaded into a consolidated container, where a load plan of the cargo is made. Each LCL cargo, is given a sub bill of lading number, and is manifested on a cargo manifest that will go forward with the Master Bill of Lading and the export documentation to the Global office in the United States.

When these documents are received, they are immediately processed the same day, and our people also look for any anomalies. The documents are broken down by LCL shipment, and each consignee is notified of the arrival of the goods. A copy of the shipping manifest is given to U.S. Customs for their review. This manifest will have the name of the consignee, a full description of the cargo, weight, size, name of the shipper, port of origin. We do this as a matter of course. There are some consolidators that do not follow this practice, and it is usually the Asian based consolidators who do not understand our laws and regulations, yet we license them to do business in the United States, and we do not have the same privilege in their country. In cases such as these, security can be compromised as they will take freight from any shipper to any consignee in the United States. I only bring this up, as it is not a level playing field for consolidators that are an American based firm.

When the goods arrive in the United States via the consolidated container, the container is moved to a CFS where the goods are devanned. The CFS is a Customs

bonded warehouse, and the goods are under Customs custody until they have been cleared by Customs for delivery to the consignee. This is another opportunity to look for anomalies. Due to the security steps we have taken, we have not run into any anomalies, but we are ever vigilant for such anomalies if they exist. If any are discovered, or if there is an implicit feeling about any shipment, we would immediately notify the authorities.

If proper procedures are followed, this will minimize the possibility of any breaches in security. Nothing is perfect, and a certain amount of risk has to be taken in order to move cargo and to keep trade goods flowing.

Due to Customs procedures, Global is able to pre-file Customs entries 5 days prior to arrival. All information concerning any given shipment, is given to Customs. We understand that they have their resources for checking out the shippers, consignees, and the cargo itself. We make sure that they have all of the information in order to process the Customs clearance. This also gives Customs a chance to review everything, and anything , that has to do with an individual shipment.

Security will perhaps become tighter, and importers still want, and need to use the Just In Time (JIT) concept, however, we will see importers, while still using JIT, will also use a Just In Case (JIC) concept. Importers will start warehousing more goods to have on hand, which will increase the cost of goods, and will ultimately be passed on to the consumer. Importers refer to this as an "operational buffer".

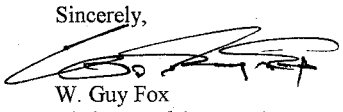
Security, in today's environment, is based on the knowledge of who you are dealing with, and the faith that you have in that factory or individual. Reputation of ethical practices, also plays a large role in this process. Due diligence on the part of the importer in the United States is absolutely necessary ,to be able to spot any inconsistencies that may exist.

In Southern California, the international business community is working together very close. This includes all of the international trade associations, The U.S. Coast Guard, U.S. Customs, Immigration, Marine Exchange/Vessel Tracking Systems, and the like. Many of us are , or have been officers of the international trade associations, and are on the cutting edge of what is going on at our ports. We also have the opportunity to participate in getting the word out on security measures, and I would like to compliment Captain John Holmes of the U.S. Coast Guard, and Captain Manny Aschemeyer, of the Marine Exchange/Vessel Tracking Systems, for their hard work in bringing it all together.

I hope this report will give you some insight on the process of international transportation, and what we have done to make sure that security is absolute as much as it can be.

If there is any further information that you require, or if you have any questions on the process, I will be available to answer those questions.

Sincerely,



W. Guy Fox
Chairman of the Board
Global Transportation Services, Inc.
Global Container Line, Inc.

Mr. SOUDER. Thank you, Mr. Fox. On the licensing question that you mentioned, some of the Asian-based consolidators, is that a license that goes through Customs, through the Commerce Department, through Transportation? Who issues the license?

Mr. FOX. There are licenses to become a Customs broker. There are also licenses to become an FMC, which is a Federal Maritime Commission. And we issue these licenses to foreign companies. They may have a U.S. citizen that is the qualifying party. But then in many cases those individuals don't have much of a say.

Mr. SOUDER. Mr. Steinke or Mr. Keller, are you familiar with what he was raising there, and is that a—how much of a problem is this that we may have different standards on overseas shippers compared to American shippers?

Mr. KELLER. Frankly, Mr. Chairman, this isn't an issue that rises to our level. This is something that Mr. Fox can address. I am not even sure that is——

Mr. STEINKE. I would agree.

Mr. SOUDER. I wanted to say, too, Mr. Fox, I appreciated your comment about the just-in-case concept. I think that reflects what is happening across the board in the business community, not just in shipping, but in trucking and airport type of things. Businessmen are going to make an adjustment. There are hidden costs as well as overt costs to the American people of security.

I don't think that changes their attitude that they want more security. But I don't think there has been quite a realistic risk assessment, cost assessment in the public mind. But in fact it is going on, and it is important that we get out in front of us so that we can really do wise risk assessment, what the real costs are. And I appreciate that concept, because in fact there are going to be slowdowns here and there. And that means that if your whole factory is going to shut down, or your store is not going to have things on the shelf if it got slowed down at a given point for whatever reason, you have to have some sort of an emergency thing.

I have an MBA, and just-in-time inventory—I am old, that was kind of new coming in then, the critical path method and all of that kind of stuff. There is going to be those adjustments, and those margins are tight. So I appreciate that. That is the first time I ever heard a kind of public record acknowledgment of that, but it is a very logical change that is likely to occur. And obviously we are all trying to keep that down as a percentage.

That, I think the next panel, I am going to focus a little more on the manifest question, on the goods. But could Mr. Fox—I am not sure whether the two port directors may have a comment on this too. You heard us raise it at the beginning. One is a people manifest for INS checking and for security, whether it be crew or a cruise ship passengers, but there are difficulties that I saw today, in just the few cases that I saw of manifests with specific goods being mentioned by item to be matched up. We require that in the trucking area. I have seen it on multiple borders. They match up item by item. And anything that looks like an anomaly is caught. But if the manifest is too general, then what you have is a much longer, much more expensive to the taxpayer, which means that we are either paying more to process it, which means the American taxpayer is paying for it, or it means that fewer points are being

checked, or the backlog goes up, all of which are expenses that are borne by different parts of the public.

Do you see that as a problem in your business and the people you work with as being able to provide detailed manifests? I would assume that, for example, I grew up in the furniture business. We didn't want a truck coming in that says you got a bunch of bedroom furniture coming in. We wanted to know how much dressers, how many chests, how many three-drawer chests and how many five-drawer chests so we could match up—as a kid, I helped unload the trucks. It was a family business. My dad said learn every part. Clean the restrooms, unload the truck, ride the service truck, do every part of it. Then we had to check off when we got each two-drawer chest and each three-drawer chest.

Why are we having a problem with that here?

Mr. FOX. I think it all starts at the point of origin. You have to have complete descriptions of the cargo that you are shipping. We make sure that we have complete descriptions on the bills of lading. We need to have that on the manifests, because when we are submitting those manifests to Customs, they have to have complete descriptions. If there is anything out of the ordinary, they are going to spot it and designate those shipments for examination.

While there might not be anything wrong with that shipment, if there is not a proper explanation, they are going to pull it aside to examine it, because something isn't right there. So it is up to our people on the other end to make sure that we have complete descriptions.

Further, you know, when you are talking about description of goods and having to do a lot of extra work, we receive a lot of inbound cargo here in the Port of Los Angeles, sent inbound to inland points. And I think if you have just more of an editorial description on those cargos, and I think there is a bill before Congress now to put harmonized tariff numbers against those, that would just cause—it is really of no use. If you have a verbal description of that, you have got a ship's manifest, you certainly don't need to go to all of the trouble and expense to put those harmonized tariff numbers on a Customs inbound form.

And I think it is up to again the people that are handling the door-to-door shipping to see—when we take responsibility, we take responsibility from the supplier's door, including the transportation, the Customs clearance, and delivery to the customer's door, whether it be here or in Chicago or Minneapolis, or what have you.

So these are just some of the things that—this is why I say, if you understand the process of shipping and the supply chain, then you can understand the areas to focus on as far as security is concerned.

Ms. MILLENDER-MCDONALD. Mr. Fox, this is a concern that I have always had. When the containers are loaded at the point of origin, that doesn't mean that you will not have others being boarded at different intervals before it gets to this seaport; am I correct on that or once it is boarded at the point of origin, nothing else is disturbed, either on or off before it gets to the Ports of Los Angeles and Long Beach?

Mr. FOX. When it is loaded at the supplier's door, then it is trucked to the port that—it is accepted and received there under

a bill of lading number. It is on book that they know what they are receiving. The seal is put on the container at the factory. If any of those seals are busted or what have you, they won't put those containers on board. So nobody else is touching that.

Ms. MILLENDER-MCDONALD. No one else is touching it, nor—will there be any more cargo put on that ship at any other point outside of the initial point of origin?

Mr. FOX. If it is a feeder vessel, say going from China to Hong Kong, then it would be off-loaded there and put on a mother ship coming to the United States.

Ms. MILLENDER-MCDONALD. I suppose this is a concern that we have as to how much security is given to those various points?

Mr. FOX. Well, that again is—the seaport security of those particular countries, you know, like here in the United States, when you have a shipment that is the transient, it is in bond, so it remains within the custodial area. It is not moved. And then when it goes on rail, it is going on the carrier's bond. They accept full responsibility for it.

Ms. MILLENDER-MCDONALD. Thank you. Well, yes, thank you, Mr. Chairman.

Richard, you spoke of these new devices. I tell you, they are just great.

You spoke of the fact in your statement that because of the heightened security now, it is a possibility you might have to do new bridges or piers, widening of a channel, erecting cranes. Did I hear you correctly in saying that these will be added types of—increased types of things you will have to do to secure the region, or would these be things that you would just ordinarily do in the improvement of the port?

Mr. STEINKE. Congresswoman, my statement was that as we are doing improvements to the infrastructure here at the Port of Long Beach, and I am sure at the Port of Los Angeles too, security has taken on a whole other meaning with respect to contracting and the construction contracts that we let.

Contractors are being informed about security measures, you know, having a better sense of what they are doing, looking for unauthorized vehicles that might be coming to the work site, those types of things, which was not of paramount importance in previous years.

So we have broadened our net with respect to security concerns, not only as far as cargo goes, but also the other work that takes place on a day-to-day basis here in this harbor complex.

Ms. MILLENDER-MCDONALD. Given all of those scenarios that you are talking about and the increase given the improvement as well as the heightened security, and your having to inform the many entities that are directly involved in that, be it the contractors or construction folks, are you also keeping in touch with your Chambers of Commerce in the region to let them know, because a lot of this might spill out over a cost factor to them, given the increase in what you will have to do to secure the ports?

Mr. STEINKE. Congresswoman, as Mr. Keller said, there is a public relations element to the whole security issues, making sure that the public is informed. I know that we have been working very closely with the Long Beach Police, and they have been working

with the Chamber of Commerce so that they can inform business members and the community in general about measures that they may see or that may be taking place. Added security in certain locations, as was testified earlier, there were some concerns about the safety of bridges in California. And that needs to be communicated to the general public and businesses around the port as to what is taking place so that there is not any undue concern when they see a heightened security presence.

Ms. MILLENDER-MCDONALD. Speaking of bridges, Larry, let me first thank all of you for being here. I suppose I just wanted to go right into the questions here. But let me thank you for the work that you do in providing our Nation as well as the people who work at and around this place, close to our maritime centers, the type of, I guess, satisfaction that they have. They really do depend upon you guys, your expertise, your ability to move quickly at the sight of any problems. And so I really want to personally thank all of you for the work that you do here while some of us are back in Washington trying to bring the bacon in to you.

But the information sharing, Larry, that has been a concern that we have had since September 11th, that a lot of the agencies were not integrating their intelligence whereby one did not particularly know what the other was doing. Given the September 11th, how much information sharing are you now getting from the Federal agencies, you know, the CIA, FBI and others?

Mr. KELLER. We believe that as a part of the task force there has been vast improvement. As Captain Holmes said, when the Port Security Task Force came out about a year and a half ago, many things were pointed out. At that time, this port community, which is a particularly active one, a real partnership with the ports, the shipping companies, the freight forwarders, the security agencies began looking at those things. And what we found is we didn't know too much.

And leading up to September 11th——

Ms. MILLENDER-MCDONALD. Neither did we.

Mr. KELLER. But leading up to September 11th there was a lot of work that was done, particularly between the Coast Guard, INS, Customs, and then with FBI and some other more arcane Federal agencies where this information sharing began taking place. Starting on September 11th, as a result of the work that has been done before, all of the parties came together. And as Captain Holmes said, the initial response was to stop each ship and anchor it outside of the port, go on board, check the documents, make sure that in fact the captain and the crew were who they said that they were, and that they were in fact in charge of this ship.

And we had those delays in the first week or so. And those delays are something that frankly, while they made sense from a security point of view, aren't something that we can sustain as a trading society. We have grown prosperous over the efficiency that we have built in, the logistics efficiency that we have built in.

Following that, however, as this information sharing got better and better, what then happened was that INS, Customs, Coast Guard were feeding information back and forth. And Coast Guard was, for instance, requiring earlier and earlier notification calls in from the ships as to who was on board, what the manifests were,

and that information was then shared out to the agencies and came back essentially a clearance to allow a vessel in without anchoring, or to anchor the vessel out far enough where it could do no harm until such time as the individuals and the cargo manifests were checked.

So information has made this whole thing work. I am going to guess that we can always do a better job. One of the things that I have said, and it is a little out of my purview, but I don't think so, is that I would like to see the Congress and the Senate fully fund the ACE computer system, that is the Automated Customs Environment system, which has been requested to be replaced for about the last 5 years. And while our Legislature and the President have put in 100 million and 200 million here and there, this is about a $1.2 billion project. And the type of information that it affords in profiling, if not in specific, and these were some of the things that you were discussing with Mr. Fox, allows Customs and the other agencies to make a decision as to whether they are dealing with a reputable known party who has patterns of integrity or someone who is just trying to slip something through. And those type of enhancements frankly are—and this information sharing that you have referred to, Congresswoman, are what allowed Congress to move.

When we speak to our railroad brethren, they talk about velocity. When that velocity slows and you are moving 9 million containers as we through these two ports, someone is going to hurt. Some factory is going to slow down. Some retail store is going to run out of materials. And while the buffer stocks are probably something that should be better considered, the fact is that our standard of living and the efficiencies at which transportation and retailing and manufacturing are done have delivered a remarkable economy in the way we do business, and it has given a remarkable economy to our citizens.

Ms. MILLENDER-MCDONALD. You are absolutely right. This is why it is critical for folks to recognize the importance of those ports and how they do transport cargo and if, in fact, it has to be held in abeyance because of some manifest and we cannot get the goods in here and sent across the Nation, then it is absolutely a—it will be a hinderance and a disaster in my view.

Let my say a couple of things. I see the—I hate to see this device. I thought we only saw it in committee in Washington. But let me see that permanent change costs. I need to get some assessment of that, a list of that. I think you spoke about a cost that will now be permanent given the heightened security that you have.

The portwide identification system and the control access and positive identification, if you can speak on that perhaps at the time maybe the chairman comes back in to raise questions. But I will say that we understand that there is going to be a cost because of the heightened security. Now permanent things that you are going to have to put in place. I need to know this for one of the Congress folks who represent you down here, along with the one who really actually represents the port; that is, Congressman Rohrabacher. We would like to have that so we can best understand what we are going after as we go back to fight on your behalf.

I would like to have you look at the bill that I have, and you too, my friend, Mr. Chairman, the threat assessment bill that I have that looks at the clear—the threat assessment of all transportation so that we can get a better understanding of what we need, the type of funding that is needed, and the critical aspects of those threats. And so I have that bill pending. I have talked with the Secretary, and I have talked with some of the administration folks about it. And so that will help us in really getting some idea of the costs that will be imposed, permanent costs, given the heightened security that we are asking for.

Mr. FOX. I would like to, if I may, emphatically second what Larry Keller had to say about the Customs, so that is it on the record, because it is really a critical part of our new environment.

Ms. MILLENDER-MCDONALD. Thank you.

Mr. SOUDER. Currently intelligence and the ability to share information is going to be the critical component, because we can't chase everything.

I, too, want to thank the port directors for your—I mean it is amazing to see the size and scale of what you are doing here and the expansion with it. It is clearly important to our trade. I was intrigued by one of statements from Mr. Steinke, and I—just because I am not familiar enough with ports.

You said because each port has unique characteristics, control for security should be determined and maintained by the captain of the individual ports. As opposed to what we are doing now?

Mr. STEINKE. Mr. Chairman, I think it is important to note that unlike airports, individual ports have multiple points of entry. As you go through an airport, you have an individual concourse that can be controlled at a certain point. I think Captain Holmes and other people in the profession would agree with me when they say that here in the Port Complex of L.A.-Long Beach, you can probably get in landside 15 or 20 different ways, and waterside, you know, multiple ways. We have 46 terminals that was mentioned before. And so I think the security plan that would be endorsed and approved should be done on a localized basis as opposed to a cookie cutter approach that would say that Port Hueneme in Ventura County should be looked at the same way that the Port of Long Beach-Los Angeles should be looked at, the same way that San Diego should be looked at.

Each has a unique need. Each has a different control point, and the captain of the port should be working with the port authorities on a local basis to approve a plan that fits the right size of the individual port.

Mr. SOUDER. Do you and your association sense that this isn't happening?

Mr. STEINKE. No. I think it was one of the concerns expressed by the association early on as to some pending legislation that said there would be mandated requirements for each and every port, and those mandated requirements may not apply to a bulk dock that is dealing with coal or petroleum coke or some kind of aggregate versus a container terminal that has very specific requirements and controls on those types of things.

So we wanted to make sure that those differences were recognized in any legislation that was passed. I think that the Hollings bill reflects that.

Ms. MILLENDER-MCDONALD. The Hollings bill is the bill that reflects that?

Mr. STEINKE. The Senate bill was revised to reflect that.

Ms. MILLENDER-MCDONALD. The companion bill is—Representative Brown out of Florida has the companion bill to that in the House.

Mr. SOUDER. You also made a reference to the AIS—I think that is the Shaw. Since we are in the majority, it will move in the House under a Republican name. But Ms. Brown is certainly a key player.

The AIS system, in your statement you described some of what that is. Is there anything else you want to add to that? One of the things you said is it may be beyond the scope of this committee. One of the things that frustrates this committee is hardly anything is beyond our scope, because we have commerce and the others. I just wanted to make sure because some of this we are backing into areas to get at what we are doing here. We are saying, oh, well, just like on INS, when we go to the embassies overseas, what we are learning is a lot of the preclearances who we are clearing at the embassies or who we are rejecting at the embassies, garbage in, garbage out, in the sense of background checks. And often it is Congressmen beating on them to clear somebody, and they clear somebody and then we have got them in our system and they are cleared. They are not even illegal, they are legal because some constituent called us and we said, hey, we have got someone who is a friend of someone who lives in my district in Pakistan, who is from Pakistan. Similar on some of the trade things, as we move to the points of origin, not only on our close borders but elsewhere.

Did you have anything that you wanted to add to that comment?

Mr. STEINKE. Well, Mr. Chairman, I think the AIS system, as I understand, it is basically for cruise mariners, and I think it is something that the Maritime Administration is working on. I would see that would be a stepping stone toward a broader identification system. And I know there has been some talk about advocating a national transportation identification system, where all transportation workers would have some kind of a system. So the AIS is a stepping stone toward that process.

Mr. SOUDER. For individuals, basically much like a variation of this Fast Pass stuff that you have on workers.

You heard me commenting in the last panel regarding the inability of Customs to do more detailed taking apart of—kind of the second tier of investigation at the actual ports. That is a subject in both of your ports. I know the arguments can go both directions; in other words, what comes in here goes all over the country, we all have a stake, and the money comes from Los Angeles to Washington. In the first place it is not Washington's money, it is money that stays here. But we are putting a lot of Federal dollars in here as well.

And do you think this can be worked out? I mean, it is inconceivable to me that it is 15 miles. It is even inconceivable that it would be several miles. As I said, at most places we are concerned about

it going—vehicles going around a corner from the site once they have been identified as a potential risk.

What do we need to do to make this happen?

Mr. KELLER. Perhaps I could answer that. We are in a new reality. I mean, years ago each of our terminals had warehouses onsite because we were handling non-containerized cargo. So this would have been easy. As we have redeveloped our facilities, those have disappeared, and you only have to look at the old photos and the new photos to see how much that has been the case.

But for efficiency's sake, as I think Customs has stated, you know, they have chosen sites for their physical characteristics to handle a mass of containers, both for storage and for individual inspection for a variety of reasons.

It is not unreasonable to assume that there probably are some facilities that are closer. That is not going to be on each terminal, I don't imagine. Some terminals do have what we call tailgate facilities where they can actually examine the tailgate of the container. While they may not have space to unload the whole container at that site if there were something suspect inside it, it would give the ability to do that.

The other thing that comes to mind, just as I was listening to the conversation is that Customs recently moved, and GSA has put up their property for sale, which is right on Terminal Island, and that is very, very central to both ports and could possibly give a site, in a limited space environment, where this might be possible.

But again, I can't help but agree with you. 15 miles is clearly too far if you have a container threat of some kind, particularly if there is a public health threat of any kind involved. The last thing you would want to do is drag it through neighborhoods.

Ms. MILLENDER-MCDONALD. Given the quadrupling of containers coming after the dredging has taken place, the spot that you have just identified as an interim place for the container inspection would not be adequate at all. Then is there anything else that we would have on a larger scale for the container ships—for the containers that we will have given the large volume that we are expecting?

Mr. KELLER. Well, we certainly have a large volume of containers. There has to be a differentiation, Congresswoman, between the inspection of suspect containers which probably at this point is best done by some of the portable equipment that Customs has acquired, the gamma ray equipment as opposed to the solid almost bunker type equipment that works at the border, because the trucks are streamed through, and at any given time you can—you have power to take them through a fixed facility.

But in an identified threat, after that has been done, I am going to guess that you are probably talking a very, very small number of containers. Not 15 or 20, but say one container that sets off a geiger counter or some other sniffing devices that would show that there is a biologic or something inside that would be threatening. In that case I think a small central facility probably would suffice.

Ms. MILLENDER-MCDONALD. We are speaking about—while there will be quadrupling of the containers, We are speaking about a small percent of those that really will need to be further examined in this place?

Mr. KELLER. I think so. The quadrupling or the doubling over the next 20 years from our 9 to 20 million is going to be occasioned by the growth in trade and manufacturing and consumption. The bad guys only have to send one in to give us a really bad day.

Mr. SOUDER. It is going to take more than an acre. I am not arguing that site—in fact I have similar questions about that site. But it is going to take multiple acres. Secondary is the most critical. Secondary is where the stakes really go up. It isn't the first part where they go through on the border where they are scanning them, it is when they send them over to secondary to take it apart, to send guys in. That is when all of the danger occurs. If there is a shooting, that is where it is going to be. If there is bribery, that is when it is going to be. If there is an explosion, that is when it is going to be. If there are people who are going to flee, that is when it is going to be, because it means that we have identified them beyond the first part, and that part of the cooperation is the Federal Government is going to invest more, but there is going to have to be investments by the local ports, the local city, the local business people.

And let me—I know we need to get to the third panel, and I want to raise this, this point which I am going to reiterate on the third panel. They can hear it on this one, too.

One of the things my home city does is a lot of reinsurance. We have lots of major companies there in reinsurance. And security and terrorism have become a huge question in the insurance industry as to whether anybody is going to be able to afford insurance any more. One of the things is that those who don't, who have additional vulnerabilities, are going to either pay premium rates on insurance or get no insurance, and that is just the bottom line.

Most of these companies right now are opting out of any terrorism insurance and asking the Federal Government to pick it up. Some are looking at the risk and the cost to business, much like what happened to doctors, when they couldn't get catastrophic coverage, individuals, it is incredible. We have to figure out how to do this. And the businesses that—whether they are cruise lines or ports or whoever who become more difficult targets are going to have a competitive edge. It isn't just that there is a cost of security, it is going to become a competitive edge, in your rates and insurance, in whether people take your cruise or not your cruise, your airlines or not your airlines, because for the business side, you will be able to get insurance probably at a cheaper rate and people haven't done it, and from the advertising side, for clients who want to use you, it is a different market.

Instead of security being a liability, all of a sudden having better secondary facilities, being able to say—it is almost like a Good Housekeeping Seal that what is coming through here has an advantage over other ports, and a bad housekeeping seal if you don't have it. It is a different commercial reality that is just kind of dawning on everybody in the business area, and insurance is going to be one of our huge first tests that can just bust the bank, like it is happening in medicine, if we are not careful where you are going if you get hit and don't have insurance.

So those are new dynamics, and I wanted to make sure I raised that because these issues are important. Anything any of you want to add before we conclude, or do you have any additional?

Ms. MILLENDER-MCDONALD. No. I just want to thank them and want to continue to work with them so that we can make sure that you have what you need for the safety of our folks and the work that you are doing and the businesses here. Please, stick with me, and of course Dana Rohrabacher and I will be working together with you.

Mr. SOUDER. I wanted to make one final plug that is security, but also a historic landmark. You have got some great lift bridges. I know the Coast Guard was arguing that they are part of their secondary emergency route, but I hope you can preserve those. I know there is a push to be efficient, and we are doing that all over America. But as somebody who really appreciates historic landmark opportunities, it is a vital part of your community if you can figure out how to make it work commercially.

Ms. MILLENDER-MCDONALD. Funding from the Federal Government, Mr. Chairman.

Mr. SOUDER. You can tell which party she is from.

Can the third panel please come forward? Mr. Winter, Mr. Heck, Captain Wright, Mr. Cisneros.

[Witnesses sworn.]

Mr. SOUDER. Let the record show that each of the witnesses responded in the affirmative.

And Mr. Winter, you are first. Thank you for coming.

STATEMENTS OF JAY WINTER, EXECUTIVE DIRECTOR, STEAMSHIP ASSOCIATION OF SOUTHERN CALIFORNIA; DENNIS HECK, CORPORATE IMPORT COMPLIANCE AND PURCHASING MANAGER, YAMAHA CORPORATION OF AMERICA; CAPTAIN BILL WRIGHT, SENIOR VICE PRESIDENT FOR SAFETY AND THE ENVIRONMENT, ROYAL CARIBBEAN AND CELEBRITY CRUISE LINES; AND MOISES CISNEROS, LEGISLATIVE MANAGER, LOS ANGELES CHAMBER OF COMMERCE

Mr. WINTER. Good afternoon. Chairman Souder, Congresswoman Millender, it is always wonderful to have you back in the district.

Chairman Souder, we are honored to have you spend the time and take the time and the interest to look at our seaports, which we feel very strongly are a very unique part of southern California, and frankly a very important part, I think as you are learning, of not only California as a whole, but the Nation.

The Steamship Association is made up of the shipowners, operators that provide deep sea ocean transport service to southern California's ports in San Pedro Bay. Our members also include the pier operators and stevedoring companies that provide service in this harbor.

Primarily, the focus of our membership is the liner-container trades that serve us here. I want to say every one of the major container carriers that comes into Los Angeles-Long Beach is a member of our organization. Frankly, we are rather small. There is only about 45, and of those, the container carriers, the major container carriers run probably 25. So the industry, frankly, in terms of numbers isn't quite as large as people often think.

I always like to mention, and I think I did when I spoke with Mr. Rendon on the telephone, frequently people, when talking about our industry, tend to confuse the vocabulary and refer to us as shippers. We are not the shippers, we are the ocean carriers. The shippers are our customers, the people who tender freight and merchandise to us to transport.

Since September 11th, our members have had quite a revelation here, and I think it is appropriate Larry Keller and Dick Steinke certainly and Guy Fox mentioned that the role of the Coast Guard and the Customs in particular and the other agencies played. They stepped right up and provided the leadership necessary, frankly, to keep our members and this port and the community and the economy moving on a very smooth basis.

You mentioned the delays we had right at the beginning. I think those were worked out very quickly, and we have found ways to operate. Because of the global nature of the ship operating business, we have seen security all over the world.

In the United States, it is frankly somewhat new to us. In other parts of the world we have to deal with pirates, we have to deal with gangs that come aboard the ships and steal and murder crew, and so forth. So we have always thought of the United States, I think like the rest of us, as a safe haven. Today of course these things have changed.

In our business here in Los Angeles-Long Beach, and I think throughout the United States, and I don't want to speak for the United States, but primarily here, what happens on the line side of our operations I think is our primary concern.

The shipowners that have just mammoth investments today are very responsible, conscious business people. But we come into seaports, and particularly I think here, West Coast and California in particular, we have always had a rather open feeling about our ports and anybody who wanted to could basically come in. As a result, we think it is very important, other people have mentioned also, that there be developed a standardized ID system for all port laborers, truck drivers, what have you, that want access to our facilities.

Those IDs and standardized system of checking the people should include a reasonable background check. We don't have to go back to their childhood, and so forth, but I think we need to have a good idea who the people are that are having access to these vital assets that we have here in the harbor.

We think also that random drug testing should become an important part for people who provide service in the harbor, whether it is truck drivers—most of the truck drivers already do. Some of our other port workers today don't. Most parts of the transportation industry require some type of random drug testing, and I think that would be appropriate given today's circumstances that be included.

The trucks that pick up the containers and deliver them in the harbor. The system that we should be working with them, because it is a constant flow, needs to be a real-time system. By that, we don't want to have systems where the information is put in, it stays in there 5 years and nobody ever updates it. You have to have a system that ties into the other law enforcement agencies. So if, say, an outside person that's coming into the harbor has cre-

ated a felony since their identification went into the system, they are flagged, they get a new no-entry type of process.

Above all, we think that we have to be sure that we come up with essentially one system that is going to work. As you know, there has been a lot of concern, different agencies, levels of government, everybody is pushing for it. Let's not—let's put all of our energies into one system and make sure that we get one that works.

Cargo security and the flow of commerce here. I think Customs has certainly touched on it, everybody has touched on it. It is very important with the volumes that we deal with here to use sound risk management approaches to security.

An absolutely crucial item that Larry Keller mentioned was updating of the computers that the Customs Service uses. As good as they are, and I think the people that work with the port will tell you that Customs has better information than most people give them credit for today. But those systems are still outmoded. The Customs folks that are here, Eileen, you can correct me if I'm wrong, I wanted to say the system that is still in place, the old ACS system, does not connect directly with the ocean manifest that we are using. We provide Customs with electronic manifest information, and that information has to be essentially hand input to the rest of the system.

That is where the Automated Commercial Environment System that we started to get funding is very crucial. We have to have a system that ties it all together.

I think now on the Customs issue, I think Audrey Adams was being kind. We are terribly understaffed here. If you look at our manpower relative to the Port of New York, which is less than half of our size, New York has more people than we do in the Customs Service. I mean it is appalling. As you know, the East Coast of course is where this country was born, and I think a lot of manning and staffing of the government agencies still reflect that mentality. We have never moved west where the growth is. It is very important that Customs and probably Coast Guard—frankly, I don't know the Coast Guard numbers compared to those others areas, but I would guess that we are lower.

Another item I always like to touch on, too, is TEUs, 20-foot equivalent units. My apologies to Mr. Steinke and Mr. Keller. They like to talk in TEUs because those are big numbers. It is like we like to say in oil pollution, people like to talk in gallons rather than barrels and tons because they are a bigger numbers. When we talk TEUs, bear in mind that approximately 75 percent of the containers that come into this area are 40-foot containers. So if you translate it back, we are handling really total container volume somewhere in the neighborhood of 5½ to 6 million containers that come through this port, import and export.

On the import side alone, it is somewhere in the neighborhoods of 3.2 million containers. And again nobody, I don't think we have a hard number, but a good working figure is that 75 percent of our containers are 40-footers.

This means though when we hear people talking about increasing the examination of containers here, that is still on the import side over 31,000 containers someone has to look at. There's seaports in the United States that aren't handling that many in a

year. The volumes here are significant. That is where risk management and new technology becomes critical. We just cannot start to do the job of looking at the risk cargo, not the everyday cargo, not the Mattell, the Barbie dolls, not the Nikes, the Dell computers, the Toyota components. We have got to do a better job of identifying the people we don't know and that pose the risk.

As you may have seen on the border down at Otay Mesa and San Ysidro, they worked down there with the manufacturers and the maquiladoras to develop essentially a Good Housekeeping Seal of Approval for those manufacturers that have good procedures in place. We think with effort, the same type of procedures and recognition can be adopted for the overseas cargo that comes into this area.

You have mentioned the price tag. And some day it is—we are all going to have to reckon up to it and figure out what this is costing, And this is where good management and good risk management is going to play a role.

I wanted to thank you for the opportunity to address you. In addition, I would like to leave with you, if you haven't seen by chance the World Shipping Council, which is really our master organization for container and liner trades in the United States, their position and their position paper that they have used in the Senate with the Hollings bill. I will leave copies of that here.

Thank you again.

[The prepared statement of Mr. Winter follows:]

TALKING POINTS
TO
THE HOUSE SUBCOMMITTEE
ON
CRIMMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES
CHAIR
THE HONORALBE MARK E. SOUDER

TOPIC
SEAPORT SECURITY
FEBRUARY 1, 2002
PORT OF LONG BEACH
CALIFORNIA

By
Jay Winter
Executive Secretary
Steamship Association of
Southern California

I. Who we are- represent ship owners/operators that provide deep sea ocean transport services to San Pedro Bay, and the pier operators and stevedoring companies in this harbor.
   A. Are members are the primary participants in the container trades that service this harbor.
   B. Please note that are members are not "shippers," but ship owners and operators, our customers are shippers.

II. Since September 11, 2001 our members have had a heightened awareness of both waterside and landside security issues.
   A. Because of the global nature of our business, we see security issues in the U.S. as part of our worldwide security plan.
      1. In other parts of the world we worry about pirates and gangs of thugs- these are our terrorists.

III. On the landside our primary concern is the lack of control on who enters our marine terminals.
   A. First we want a standardized I.D. system for all port labors, which includes a reasonable background check.
   B. Random drug testing should be applied to port workers' as it is in other transport industries.
   C. Truckers that pickup and deliverer containers and cargo to the ports should be on a "real time" I.D. system.
   D. Above all, there should be only one system for the port industry, not each port and each government agency having its own system for port ID processing.

IV. Cargo security and the flow of commerce.
   A. Use risk management tools, not security mania.
   B. U.S. Customs does much better job of screening cargo coming into the U.S. than the media, and others realize.
      1. Approximately 4.5 million containers (don't be fooled by TEU s) enter San Pedro by water annually. If Customs is doing a complete exam on 1%, that is 45,000 containers a year, more than many small ports handle in one year.
      2. Do you want to examine all the Barbie dolls, Nike's, Dell Computers and clothing for WalMart and Target that comes through this port?
      3. Develop quick pass programs with your major importers that have as much or more interest in

the integrity of their shipments as the government.

4. Improve Customs overseas intelligence efforts, and provide the funding to Customs to have in place the technology they need to do a modern risk assessment of the cargo entering the seaports.

V. At some point that will be a price tag placed on security, if we have managed our resources well, that cost will be minimal, but if we allow the security mentality that says security at any cost, we will find ourselves with procedures that are not worth their costs and they have done serious damage to our nation's commerce.

VI. Than you for the opportunity to address your today.

ACE manifest

N.Y. has more people but is tell the ships

Some you need to get your fast needs for entry

Harbor Department Wish List
Additional Port Police Resource Requirements
Following 9/11/01 Terrorist Attacks

• Police and Security Officers overtime Rough estimate, additional annual cost	$1,000,000
• Equipment (includes metal detector, bomb dogs, etc.) Rough estimate, additional annual cost	$100,000
• 5 Police vehicles fully equipped with MDT @ $35,000 each	$175,000
• Use of retired Port Police Officers and Security contract Rough estimate, additional annual cost	$200,000
• Additional full-time Port Police Officers 15 officers @ $70,000 (salary & benefits)	$1,050,000
• Additional full-time Security Officers 5 officers @ $46,000 (salary & benefits)	$230,000
Estimated grand total additional annual cost	**$2,755,000**

Note: The above costs include, but are not limited to, the following additional security measures put in place since 9/11/01.

1. Port Police Officers assisting Coast Guard in boarding all incoming cruise ships.

2. Additional Port Police Officers assigned to patrol boat, vehicle and foot patrol while cruise ships are in port.

3. Port Police Officers assisting LAPD in Vincent Thomas Bridge footing inspections.

4. All Port Police Officers on 12-hour shifts since 9/11/01.

Mr. SOUDER. Thank you. We will look to at least take the summary recommendation and put that in the record if we can.

Mr. Heck.

Mr. HECK. Yes, Representative McDonald and Mr. Souder, I really appreciate this opportunity to address your committee about seaport security from the perspective of a medium size importer. Now I am maybe one of the smaller fish in the supply chain, but I want to just give you some perspective from a company that imports maybe 3,300 of these 40-foot containers.

My name is Dennis Heck, and I am the corporate manager for purchasing and compliance for Yamaha Corp. My primary responsibilities are purchasing inbound logistics, Customs clearance and compliance for our shipments out of Asia and Europe and Canada.

Each year, Yamaha imports approximately 3,300 of those 40-foot containers containing our pianos, musical instruments, components and things like that to our corporate headquarters here in the Los Angeles area, and the parts to our factory, our musical instrument factory in Grand Rapids, Michigan, and our piano and speaker factory in Thomaston, Georgia. Some of these parts also end up at an OEM musical case factory in Elkhart, Indiana.

You can see that our shipments are not only important for our U.S. sales efforts, but for the continuation of our assembly lines and for the safety and employment of our valued U.S. factory workers and support staff.

I am glad to report that since September 11th Yamaha has not experienced any appreciable delays in clearing Customs or in picking up and delivering these containers to our warehouses. Part of that I feel is due to my close working relationship with U.S. Customs.

Virtually all of Yamaha's purchases and shipments are related party transactions from our parent company in Japan or from Yamaha factories throughout Asia. Since the majority of the containers for these shipments are stuffed and sealed at our factory door, we feel reasonably comfortable as to the security and safety of these shipments from the foreign origin to U.S. destinations.

The few unrelated transactions that we purchase from non-Yamaha suppliers are further controlled by requiring the use of our U.S. Customs broker's freight forwarding divisions in the foreign ports of departure. Since September 11th we have implemented a procedure that, as a condition of purchase, our purchase orders to unrelated foreign suppliers state they must surrender their shipments and documents to our selected freight forwarder in the foreign countries. Our U.S.-based freight forwarder and his foreign office will then be responsible for coordinating the export to the United States.

This process, we feel, increases the security of our shipments and dramatically reduces the chance of introducing unwanted problems into our supply chain.

I have several proposals that I would like to discuss. Since September 11th there has been a flurry of activity by many Federal agencies to address the security of our Nation. We are concerned that, unlike Customs, most other Federal agencies may be preparing their respective initiatives without input from the trade and without a coordinating lead agency.

It would seem appropriate for U.S. Customs to be given this task since they have the expertise in handling and inspecting passengers and cargo. In addition, Customs should be given priority funding to ensure expedited implementation of their new ACE system to assist them in their enforcement functions and to ensure faster clearance of imported products in the future.

In an effort to tighten security at the ports, I am hopeful that background checks and identification be required of all employees in and around our air and seaports. This should at least include crew members, dock workers and trucking companies.

Since almost half of my 25 years in the international trade arena was spent with U.S. Customs, I must admit that I am a bit biased in my support of their endeavors. However, Customs recently has linked—proposed linking commercial compliance to supply chain security. These are two separate issues of international trade that I feel should not be linked.

For example, the related party aspect of commercial compliance is one issue that must be overcome by an importer to qualify as a low-risk importer. But, on the other hand, supply chain security in a related party shipment should be considered a low risk importation. Consequently, I urge Customs not to link commercial compliance and supply chain security, since I feel it would be very difficult for more importers to qualify as a low risk importer under these two buckets.

Thank you again for giving me this opportunity to speak with you.

[The prepared statement of Mr. Heck follows:]

Y

YAMAHA CORPORATION OF AMERICA

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February 1st, 2002

Representative Mark E. Souder
Chairman, Subcommittee on Criminal Justice, Drug Policy &
Human Resources
2157 Rayburn House Office Building
Washington, DC 20515-6143

Dear Representative Souder,

Thank you for giving me the opportunity to testify before your Committee to discuss Supply Chain/Seaport Security. Based on the short time we were given to prepare, and the limited time for testimony, I will keep my comments brief.

BACKGROUND -

I am Dennis Heck, Corporate Import Compliance & Purchasing Manager for Yamaha Corporation of America. It is my primary responsibility to import and ensure Customs compliance of our worldwide imports from Asia and Europe to the U.S.

Each year Yamaha imports approximately 3300 40-foot containers of pianos, musical instruments, stereo components and electronics to our California Corporate Headquarters (360 employees), and parts for our brass, woodwind and percussion factory (230 employees) in Grand Rapids, Michigan and our piano and speaker factory (270 employees) in Thomaston, Georgia. Some of our parts are also forwarded to an OEM

musical instrument case factory (50 domestic employees) in Elkhart, Indiana. You can see that our shipments are not only important for our U.S. sales efforts, but for the continuation of our assembly lines and for the safety and employment of our valued U.S. factory workers and employees.

Since September 11th, Yamaha has not experienced any appreciable delays in clearing Customs or in picking up and delivering these containers to our warehouses.

PROCESSES -

Virtually all of Yamaha's purchases & shipments are "related party transactions" from our parent company in Japan or from Yamaha factories throughout Asia. Since the majority of the containers for these shipments are "stuffed" and sealed at our factory door, we feel reasonably comfortable as to the security and safety of these shipments from foreign origin to U.S. destinations.

The few "unrelated transactions", that we purchase from non-Yamaha suppliers, are further controlled by requiring the use of our U.S. Customs Broker's freight forwarding divisions in the foreign ports of departure. We have recently implemented a procedure that, as a condition of sale, Purchase Orders to "unrelated suppliers" state that they must surrender their shipments and documents to our selected freight forwarder in the foreign countries. Our freight forwarder will then be responsible for coordinating the export to the U.S.

Additionally, when a Purchase Order is initiated, our U.S. freight forwarder is contacted to coordinate this shipment with his agent in the originating country. This process, we feel, increases the security of our shipments and dramatically reduces the chances of introducing biological, chemical, nuclear, and other unwanted commodities into our supply chain.

ISSUES/PROPOSALS -

1. Since September 11th, there has been a flurry of activity by many Federal agencies. We are concerned that each Federal agency may be preparing their respective initiatives, without input from the trade and without a coordinating "lead agency". It would seem appropriate for U.S. Customs to be given this task since they have the expertise in handling and inspecting passengers and cargo. In addition, Customs should be given priority funding to ensure timely implementation of their new Automated Commercial Environment system, to assist them in their enforcement functions and to assure expedited clearance of imported product.

2. In an effort to tighten security at the ports, it is suggested that background checks and identification be required of all employees in and around our air and seaports. This should at least include crewmembers, longshoremen and drayage companies.

3. Since almost half of my international trade career of 25 years was spent with U.S. Customs, I must admit that I am a bit biased in my support in their endeavors. However, Customs recently has proposed linking the commercial compliance aspect of importing to the supply chain security aspect of importing. These are two separate issues of international trade, and we urge Customs to reconsider this position to ensure the international trade community's complete support of the Customs' missions.

Thank you again, for giving me this opportunity to present my views.

Respectfully submitted,

Dennis Heck
Yamaha Corporation of America

Mr. SOUDER. You still have a little bit of time on your 5 minutes. Because I am not familiar with the term, could you explain what exactly you mean by the related party? You mean, like a parent company, a co-shipper?

Mr. HECK. Exactly. Related party transaction in Customs lingo means that there is a relationship between the parent and the subsidiary. That is what the transaction is.

Mr. SOUDER. Captain Wright.

Captain WRIGHT. Good afternoon, Mr. Chairman, and Representative Millender-McDonald. My name is Captain Bill Wright. I am the Senior Vice President for Safety and Environment for Royal Caribbean Cruises, Ltd., comprised of two brands, Royal Caribbean International and Celebrity Cruises.

An additional responsibility of my position requires that I continue to sail regularly as a Master on Royal Caribbean ships.

I am pleased to appear before you today regarding security at our Nation's seaports, particularly in the Port of Los Angeles and Long Beach. I am here not only to testify on behalf of my company, but also our industry, our trade association, the International Council of Cruise Lines.

Mr. Chairman, I have written testimony that with your permission I would like to submit for the record and summarize in an oral statement. The International Council of Cruise Lines is a North American industry trade association representing 16 of the largest cruise vessel operators.

Last year ICCL members carried over 7 million passenger on over 90 ships calling at ports around the world. The majority of those passengers were carried out of U.S. ports, and the majority of those from the Port of Miami and Port Everglades and Ft. Lauderdale.

Mr. Chairman, before September 11th, passenger ships calling on U.S. ports and U.S. terminals were required to maintain comprehensive security plans that are acceptable to the U.S. Coast Guard.

ICCL worked closely with the Coast Guard a number of years ago to provide a security plan template for use by our members to assure that each of these plans contains the required information in a similar format to ensure consistency and thoroughness.

Because these plans and the industry's existing security posture, this industry was able to immediately increase its security measures to the highest level immediately after the tragic attack on our country on September 11th.

In addition, ICCL initiated daily telephone conference calls between cruise companies' security and operations managers and government agencies. Participants included the Coast Guard Atlantic Area Command, Coast Guard Pacific Area Command, Coast Guard Headquarters, Coast Guard Marine Safety Offices, Department of Transportation, U.S. Immigration and Naturalization Service and other agency representatives as needed.

Again the purpose was to harmonize actions around the country, facilitate the ship relocations when the Port of New York was closed to cruise ships, identify best practices for use by everyone, to share information, control rumors, and to standardize requirements and procedures.

Each ICCL member line has officers at my level who are at the front line of these conference calls and who are the front line facilitators responsible for stepping up security, relocating ships to alternative ports and ensuring the consistent safety and security of our passengers, not only here but around the world.

Mr. Chairman, I have mentioned harmonization and consistency several times now. These elements are absolutely critical to the success of all efforts addressing terminal, ship, passenger and cruise security.

We are currently working with the Coast Guard at several levels to identify and implement a long-term security posture that is not only high but also sustainable, one that is flexible enough to meet the demands of each of the unique ports that we visit, either as turn-around ports or as ports of call.

Because our members trade worldwide, it is important to assure that appropriate and adequate security is provided at each port of call in whichever country we visit. To assist in obtaining consistency around the world, ICCL has recently sent to all Caribbean states urging a review and a timely upgrade of security at these ports.

We have and will continue to participate fully in the U.S. Coast Guard initiative at the International Maritime Organization to develop worldwide security regulations and guidelines.

Mr. Chairman, ICCL members continue to operate at the highest level of security. The visible measures that passengers will see actually exceed those at airports. Not only are passengers and hand-held items screened by x-ray and magnetometers, all baggage, 100 percent, is screened by x-ray, hand searches, explosive sniffing dogs or other methods.

All stores coming on board are screened and all personnel passengers, crew and visitors are thoroughly identified and vetted before boarding. Passenger lists with pertinent information are provided to the Coast Guard, Customs and INS at least 96 hours in advance of sailing for their screening.

Key side terminal and waterside security, where necessary, is coordinated with the Coast Guard and other Federal, State, and local authorities. At this time I would like to applaud the support and close cooperation that our industry has received form the three Federal agencies represented here today. The benefits derived from our longstanding relationships with these agencies in responding to the events of September 11th is one of the real success stories of the last 5 months.

Mr. Chairman, a lot has been accomplished since September 11th. However, our task is by no means over. Let us assure you that ICCL and its cruise line members will be at the forefront of these activities, development and implementation of technology and striving in partnership with responsible agencies to assure that cruising remains a safe and secure vacation option.

Thank you, Mr. Chairman. I would be pleased to answer any questions you may have.

[The prepared statement of Captain Wright follows:]

INTERNATIONAL COUNCIL
OF CRUISE LINES

TESTIMONY

Captain Bill Wright, Senior Vice President Royal Caribbean Cruises Limited

Before:

House Committee on Government Reform
Subcommittee on Criminal Justice, Drug Policy and Human Resources

Field Hearing on Seaport Security

February 1, 2002

Mr. Chairman, my name is Captain Bill Wright. I am the Senior Vice President for Safety & Environment for Royal Caribbean Cruises Ltd. comprised of two brands, Royal Caribbean International and Celebrity Cruises Inc. I am pleased to appear before you today regarding security at our nations seaports and particularly at the port of Los Angeles and Long Beach. I am here not only to testify on behalf of my company but also the industry and its trade association the International Council of Cruise Lines (ICCL).

The cruise industry is shocked and deeply saddened by the attack on America and the tremendous loss of life that resulted from this national tragedy. In light of these recent events, we are continuing operations at a very high level of security and ICCL, together with our cruise line member operators, are working with all appropriate federal, state, and local agencies to ensure that traveling Americans are protected to the maximum extent possible.

ICCL is a non-profit trade association that represents the interests of 16 of the largest cruise lines operating in the North American cruise market and over 73 Associate Member companies that are cruise industry business partners and suppliers. ICCL member cruise lines serve major ports in the United States and call on more than 400 ports around the world. Last year, ICCL's member lines carried more than 7 million passengers on 95 vessels.

We welcome the opportunity to appear before the Subcommittee today to review and discuss our industry's efforts to ensure the safety and security of all of our passengers

and crew. The cruise industry's highest priority is to ensure the safety and security of its passengers. A cruise ship is unique in that it is inherently secure because it is a controlled environment with limited access. In order to maintain this secure environment, cruise lines have established strict and highly confidential ship security procedures that meet or exceed strict ship and passenger terminal security procedures that are set forth by the International Maritime Organization (IMO) and by the comprehensive regulations established by the U.S. Coast Guard (USCG). In the United States, the USCG oversees the enforcement of these security measures. Regulations address both passenger ship and passenger terminal security and outline methods to deter unlawful activities onboard passenger vessels.

The 1986 IMO *Measures to Prevent Unlawful Acts Against Passengers and Crew* address concepts such as: restricting entry to sensitive locations including the ship's navigation bridge and the terminal's security control center for example; monitoring the flow of materials and consumable supplies brought onboard a ship; and providing perimeter security around the terminal and ship. Security procedures within these measures include the use of metal detectors, x-ray machines and other screening techniques to prevent unauthorized entry or carriage of weapons onboard.

In 1996, the USCG implemented an Interim Final Rule on *Security for Passenger Vessels and Passenger Terminals*, which was finalized in October of 1999. These regulations require ship and passenger terminal operators to submit comprehensive security plans to the USCG for review and acceptance. In this regard, the plans for all

ICCL member lines have been submitted and accepted by the USCG. The security plans, which are sensitive law enforcement documents and therefore not available to the public, include the following major components:

- Identification of three levels of security and specific procedures to implement and follow at each level
- Procedures to prevent or deter unlawful acts onboard
- Procedures to prevent or deter introduction onboard of weapons and other unauthorized items.
- Procedures to prevent and or deter unauthorized access to vessels and restricted areas
- Designation of an onboard Security Officer
- Security training for all crew members
- Procedures for coordinating the ship security plan with the terminal security plan
- Directions and procedures for reporting of violations and unlawful acts
- Annual security audits for each ship
- Review of security plan amendments and security plan implementation by the USCG

Passenger vessel security plans and their amendments are reviewed by USCG Headquarters and examinations are conducted by the local Captain of the Port to verify that all security practices and procedures are effective, up-to-date, and are being followed.

As a result of this extensive security planning, the cruise industry was one segment of the transportation industry that was able to immediately move to a heightened security posture as a result of the attacks on September 11, 2001. While implementation of Level III security, the highest level of security, was directed by the U.S. Coast Guard at U.S. ports, ICCL member operators reported that they implemented security measures consistent with this declaration even before it was ordered.

Security measures at U.S. cruise terminals, and onboard ICCL member cruise ships remain at Level III – the highest possible level. Passenger vessel security measures include passenger-screening procedures which are similar to but actually exceed those

found at airports. This includes 100% screening of all passenger baggage, carry-on luggage, ship storage and cargo, and also includes higher levels of screening of passenger identification. Official passenger lists are carefully reviewed and proper identification is ensured before anyone is allowed to board the vessel. Even before the attacks of September 11th, and as a result of long standing memorandums of understanding, all passenger lists were made available to the INS and Customs for screening. Passenger identification is now subject to even stricter scrutiny and the industry is working closely with the INS and other federal agencies to ensure that any passenger suspected of being on any agency's lookout list are reported to the federal authorities for further action.

Another component of Level III Security requires ship operators to restrict access to authorized personnel and to identify restricted areas on the vessel that require positive access control such as intrusion alarms, guards, or other measures to prevent unauthorized entry. Restricted areas on a vessel will include the bridge, the engine room, and other areas throughout the ship where operations are conducted. Other onboard security measures, not generally discussed for obvious reasons, are employed to maximize shipboard security and to deter unauthorized entry and illegal activity. Every vessel has a trained security staff responsible for monitoring activities and responding to any suspicious activity that may jeopardize the safety of the passengers and crew.

For many years, the cruise industry has been pro-active in developing effective security measures and has looked for ways to increase passenger safety. In fact, most ICCL member lines now utilize advanced technologies to control access to our vessels. The Passenger Access Control System, that has been installed on many of our members'

vessels, utilizes a passenger identification card that incorporates a picture of the passenger that is taken at the time of boarding. This picture and other passenger identification information and cruise information is placed into an onboard computer system. During the course of a cruise, the identification card is presented each time a passenger departs or boards the vessel. The picture appears on a computer screen that is matched against the person's face for identification purposes before they are allowed to board the ship. The card can also be used for room access and for onboard purchases. This new technology is only part of an overall onboard security system that further enhances the proper identification of all passengers and crew boarding the vessel.

Since 1998, ICCL and its member operators have been members of the U.S. Interagency Task Force on Passenger Vessel Security. This group, which includes representatives from the Departments of Transportation, Defense, State, and the U.S. Coast Guard and others, meets every 60 days to discuss emerging security issues, receive updated threat information, and address specific security concerns. Starting on September 12th, the ICCL Security Directors and Operations Managers teleconferenced on a daily basis with this group and other federal agencies such as the INS, USCG's Atlantic and Pacific Area Commands, major USCG Marine Safety Offices and port authorities to efficiently communicate, resolve problems and control rumors. These daily conference calls lasted for almost six weeks before being scaled back to twice a week and finally eliminated, as the issues were resolved. That information exchange was proven to be valuable both to our member lines and the federal agencies involved. As the need arises, we continue to jointly address matters impacting both ship operations and security.

We are committed to providing the highest levels of security for our passengers and to working with appropriate federal agencies to address additional security measures that may become necessary.

Mr. Chairman, we in the cruise industry, believe that our security plans and working relationships with regulatory agencies are accomplishing many of the goals of the Port and Maritime Security Act of 2001. The collaboration and cooperation of all agencies and industry exhibited since the events of September 11th are also accomplishing many of the goals of this legislation. Of course all of the additional security measures that we have put in place are consuming resources and money at a rapid pace. We would urge you to ensure that there is adequate funding that comes with any additional mandates that are placed on agencies, ports or industry through the legislative process.

While we as an industry together with our Coast Guard partners seek to identify a long-term sustainable security posture, we believe that new technologies must be developed and brought on line in the security battle. These technologies may include detection of exotic explosives, plastic weapons, and biological and chemical agents. In the wake of the Anthrax attack, there were many hoaxes, and instances of spilled powders, sugar and coffee creamers that caused concern. This industry, as with other segments of the travel industry, went to great lengths to minimize the impact of these incidents. But, from an abundance of caution approach, all had to be treated with the utmost seriousness. Methods need to be developed, tested and certified to rapidly identify and/or rule out

agents such as Anthrax so as to give decision makers the necessary tools to make well-reasoned and scientifically supported decisions.

Neither the Coast Guard nor the ports currently have the resources necessary to provide continuous effective waterside security patrols in those ports where this may be necessary. In some ports, the cruise ships themselves have been asked or directed by the Coast Guard Captain of the Port, to lower lifeboats or rescue-boats to assist in the waterside security equation. While this has been possible in the short term, we do not believe that the ships themselves, whether they be cruise ships or cargo ships, should be placed in a position of utilizing lifesaving appliances for purposes other than lifesaving. It is our belief that waterside security zone enforcement and other waterside patrols, if not conducted by federal or state agency assets, should be the responsibility of the local port authority.

Mr. Chairman, these are challenging times – not only from a security standpoint but also from a business point of view. But as I stated before, the highest priority of the cruise industry is, and will always be, to provide a safe and secure vacation experience for our passengers. Our industry pledges its cooperation working in partnership to sustain the level of security necessary to maintain the outstanding safety record of the cruise industry

This country can and will unite to exercise one of our most cherished freedoms, the freedom to travel. It is up to us to ensure that we protect not only the freedom, but to ensure that those whose goal it is to disrupt our way of life are not successful. We, in the

cruise industry, will do everything possible to protect those who choose this outstanding and safe vacation option.

Thank you for the opportunity to appear before you today.

Mr. SOUDER. Thank you very much. Mr. Cisneros, you get to bat clean-up.

Mr. CISNEROS. Good afternoon, Chairman Souder, Representative Millender-McDonald. It is a pleasure for me to be here and speak on behalf of the Los Angeles Area Chamber of Commerce, where I serve as the International Trade Manager. We are the largest Chamber in the Los Angeles region, speaking for companies who employ over 750,000 individuals.

First off, I would like to mention that we are in awe and admiration of the diligence and hard work that we have witnessed in the southern California international trade community. They have strived to efficiently balance two very important issues, which is the timely delivery of goods and the heightened security risks.

And as some several speakers mentioned before me, one-third of all containers entering the United States passes through the Ports of Los Angeles-Long Beach complex. Any outgoing hub in the transportation shake here would adversely affect local economies throughout the United States.

We are keenly aware that international commerce has played a dramatic role in the shaping of Los Angeles' business landscape. In fact, one out of seven jobs in California is directly related to international trade.

International trade affects so many different industries in southern California that any impediment to international commerce would have a detrimental effect on all of our economies.

September 11th has made all of us reevaluate everything that we do. Security and vigilance has increased. The U.S. Coast Guard took immediate action when they improved the way that they identified vessels, cargo, how they identified the ports from where these vessels are coming from, and where they are going to.

Now the Coast Guard, Customs, Immigration or the FDA board all incoming ships before they actually reach their berth. The idea of all crew and passenger lists aboard cruise ships are closely scrutinized. The shipping industry has also agreed to deliver manifest and crew information 96 hours in advance to U.S. Coast Guard officials, and since September 11th, many procedures like smart examinations have been implemented rapidly and effectively, thanks to the cooperation of the Federal agencies, the steamship industry, the Marine Exchange and the harbor commissioners of both the Port of Los Angeles and Long Beach.

We would like to especially acknowledge the leadership of the Captain of the Port, John Holmes, of the U.S. Coast Guard and Captain Mannie Ashmeyer of the Marine Exchange, their crew and colleagues for their fine work under these new and extreme circumstances. We are confident that they will continue to do everything humanly possible to protect us from security risks without plugging the flow of our economy.

However, we must understand that these increased security risks must also be met with applied new technologies. Unless we implement new technology solutions, we will be forced to use manual processes and techniques that will delay shipment and cause a negative ripple effect in our economy.

We need to purchase smart technology like the gamma machines that use X-rays to examine the hull of vessels and help pinpoint

suspicious cargo efficiently. Currently we only have two such machines. And at the cost of $1 million each, we urge Congress to help offset the increased cost of securing our Nation's busiest seaport as we use technology to protect our home front.

We believe this is a national problem with national solutions. Much like the government has developed rapid response to the risks at airports, so too must it focus on sea-based transportation. The risk that security breaches pose both to human life, cargo security and potential environmental consequences require that we be diligent in all three of these areas.

The fact that we are holding these hearings today is a reflection of your interest in this, and we welcome your commitment to continue to work with our local community to find sustainable solutions to these new challenges. I am available for questions.

Mr. SOUDER. Thank you very much. If I could start with Mr. Winter with just a—first a comment. Your comment was very interesting. I'm not arguing. New York does make sure that they get covered on their fair share. But every single State will make the argument they are underfunded. And in fact, California is not underfunded compared to the dollars that are coming in.

I think much of the numbers are—in some areas you are up, and some areas you are under. I am not arguing the port question. I think you diverted a lot of yours to water. And different States are—everybody—one of the funny things that we have dealt with as Republicans, as we got in the highway bill, for example, California gets I think 89 cents on the dollar and argued that they weren't getting their full dollar. But that is like fourth. Everybody else was below 89. The problem is the Federal Government takes off of everybody. That is why some of us believe that we ought to take less in at the Federal level and leave it at the State.

But there is no question that you made an interesting point about historic use of resources not adjusting to contemporary conditions; in other words, when there is movement and growth in one area and there are certain categories where is it very difficult. My bet is, and I wanted to ask you this question, that it isn't the business community that is necessarily resisting the background checks.

Mr. WINTER. No, I don't think it is the business community. The business——

Mr. SOUDER. So why isn't it being done? Is it because of the unions oppose it?

Mr. WINTER. Historical baggage there, should we say, and that goes back to some of the waterfront practices during the McCarthy era and some resistance by laborers on the West Coast and some of the ports in general back—there were some witch hunts and there were some concerns that they were just unnecessary intrusions into the background of people.

Mr. SOUDER. Because the illustration that I was going to use, because clearly this is a California political problem, it makes eminent sense that—particularly as—one of the people when I was a staffer in the Senate who drove the drug testing for transportation, I carried the workplace bill that helped fund small businesses, in particular, how to set up drug testing, which also would have to in-

clude some treatment type of proposals or it would never be held up in court, for one thing, and equality of management and labor.

But those type of things seem very logical. I also don't believe that either of the ports or any official organization of any type here is prohibited from doing it. What seems to be being asked is for the Federal Government to mandate it because there is not the ability to execute it here at the local level.

And the corollary I wanted to make is, it is a similar political problem in how to downsize the Port of Philadelphia or Connecticut or New York, or places because you have the same difficulty in the historic structure that views it as a job threat. It is one of the difficulties of when things become consolidated in government of the ability to move, or when there are large institutions.

So hopefully we can gradually over time catch up some of those balances. Maybe if there is additional security threats we can move toward more background checks, but my bet is that politically both of those things, while good sounding ideas, are difficult to move ahead. And I wanted to comment on some of the complexity and some of the numbers that you hear thrown around.

In fact, often one State gets one thing and one State gets another. In Indiana we lose in a lot of other categories, but we do OK on agriculture. There are some countervailing things.

I also really appreciated your comments on risk assessment. You know, I already heard both of us talk some about that. And this has been an emotional reaction. But one message, in talking with Mr. Bonner yesterday, because apparently he is going to be giving a speech here Monday to many in the community, and I urge each of you to take this back to the business community, we are in a political environment that is different than anything that we have been in in my lifetime, arguably Pearl Harbor was but I wasn't here yet. And that is at this point there is a zero tolerance expectation out of the general public, which is nearly impossible to execute. And with that zero tolerance, it requires us to think more and more in our budget sense of risk assessment, and you all have given us some good suggestions about how to do that.

You have had to do it in your businesses already, and we have to do that. But you need to understand a fundamental thing, that this is different than what you would do in the private sector, in the public arena, because you would make a more logical dollar risk assessment and figure there is going to be a certain number of losses. We are in a zero tolerance situation. If anything happens in any port in the United States, it will be automatic almost shutdown of the commerce because—same thing at the airports. Same thing if they hit an amusement park.

OK. We gave you guys in government 6 months and you still didn't protect us. And that is why there is going to be kind of—hopefully we can be logical and then ramp up one notch post logical.

Because this isn't logical at the grass roots level. If we successfully kind of fend off some of these attacks for a period of time, perhaps we can have a more realistic discussion. But I can feel in town meetings here in January as I went through, they believe there is the one unifying legitimate function of government, and that is to protect them from external and internal attack. And a

clear nonparty differentiation, nonpolitical. It has put us, when you are trying to figure out how to do your businesses in a logical way, your costs in a logical way, all of a sudden, as I mentioned, last panel, insurance rates, the companies are going to be asking you now proactively what are you doing to make yourself less of a hard target? What are you doing? It is changing our phenomena, at least in the short-term and probably somewhat over the long-term.

I wanted to make some of those comments. You have given a lot of good information, and if I could ask one more specific thing of Mr. Heck following up my other question to you. When you said that if these are parent or related companies, and you said it we would be very difficult to get preclearance for any—I forget your—you said it would be—there would be problems in the supply—the related party to get a low risk importation. Are you saying that most people who ship have some affiliation somewhere with somebody who wouldn't be cooperative or it would be considered somewhat of a risk somewhere?

Mr. HECK. No. I was trying to make the point that in related party transactions, the supply chain security aspect of that would noticeably be less of a risk, because in a related party transaction your parent has gotten the container and it is sealed and it is shipped to the subsidiary. So a lot lower risk than dealing with an unknown shipper shipping to someone else in this side where the U.S. import has no control.

Mr. SOUDER. It would be almost like a regional Wal-Mart store compared to the parent Wal-Mart, maybe a little more independence, depending on the company.

Well, I yield to you, Ms. Millender-McDonald, for questions. Then we will get closing.

Ms. MILLENDER-MCDONALD. Thank you so much, Mr. Chairman. Please, Mr. Winter, don't delay those Barbie dolls, for heaven's sake.

Mr. WINTER. That goes back to the related transactions.

Ms. MILLENDER-MCDONALD. My grandchildren will be a little floored.

The first thing that I suppose—I am trying to get to the notes that I wrote here. You spoke of sound risk management approach. And I suppose you said that so that we would not have the propensity to try to examine every cargo, but those that are potential threats. Or may I ask you to expound on what you mean by sound risk management approach?

Mr. WINTER. I think you interpreted exactly what I meant. But I think sometimes today there is—you will see in the media and the press concerns that Customs is only looking at 1 or 2 percent of all of the containers that come in.

Ms. MILLENDER-MCDONALD. That is what is reflected back in Washington.

Mr. WINTER. Exactly, yes, and I think Customs officials will say that the 1 or 2 percent that they are looking at, they are looking at for a very good reason.

Now, maybe they can go up a little higher, but then it becomes redundant. You start looking at the Barbie dolls and the Toyotas, and the things that—those are manufacturers and business people who have spent millions of dollars developing the integrity of their

brand names and so forth. They are not going to allow bad things to happen, and I think the example we used like down in the maquiladoras when Senator Feinstein had some concerns, and they developed some programs there that—where they went to these major manufacturers. They surveyed, you know, their shipping systems and watched the logistics chain from the plant to the border, and they saw that those were good sound practices that they were putting in, and there is no need then for the examination.

Ms. MILLENDER-MCDONALD. Irrespective of a new heightened awareness that we have now with the security, you still think that what they have is sound enough where we will not need to go through all of them?

Mr. WINTER. We just can't look at—the numbers are just too large.

Ms. MILLENDER-MCDONALD. Indeed, you are right that we cannot slow up commerce either, because people are waiting for whatever it is on the other side of this.

Mr. WINTER. You combine that with practicality. And I think one of the points that Dennis is trying to make, when you have Yamaha shipping to Yamaha, that is probably a poor use of resources to open up every Yamaha container and start looking at it.

Ms. MILLENDER-MCDONALD. Very well put and duly noted.

Background checks. I will say to the chairman, we have grappled over this given the fact that there are some persons, unions who are concerned about background checks, not necessarily to have background checks, but to not use that adversely against them if in fact—if there was an arrest, this arrest was not a criminal one. And so this is what the whole notion is of the background checks and the concerns.

Mr. WINTER. I think you have some ideas. The word is reasonableness. That is exactly that. Our industry has kind of come to a quasi-understanding that you don't have to go back to a person's childhood, or if they had a juvenile or something arrested for smoking marijuana, say you can't have a job. Today they have a family they are raising, they are responsible citizens. That person's background is going to get cleared.

Ms. MILLENDER-MCDONALD. Absolutely. That is the sentiments of those whom I have spoken with.

Mr. SOUDER. What I wonder is, clearly people change, and so one way to deal with this is the period of time, depending on when it is. But other transportation workers do in fact have drug and alcohol background checks. That is part of it.

Ms. MILLENDER-MCDONALD. By no means are we on the Transportation Committee stating not to have background checks, but we have got to have some reasonable provisions that we impose. I think that is what it is.

Mr. Winter, the general feeling among shippers regarding the 96-hour notification requiring the Coast Guard to come aboard the ship, do you have any feelings on that whatsoever?

Mr. WINTER. I think it is—on the whole, most of the information our industry today provides both Customs and Coast Guard is electronic, and it is—other than a few unusual exceptions where the distance say from a foreign port to the U.S. port is very short, less than 96 hours, it is—then it gets difficult of course.

But I think your ocean transits across the Pacific, for instance, providing that type of information I don't think has been a major challenge. They have it. They are used to providing it. It is just a matter of maybe sending it a few days earlier. I wouldn't be surprised if the vast majority of the companies were already sending it that early.

You have to watch in that 96 hours as the ships get faster. What used to be a 15-day trip from Japan to the West Coast is now a 9 and sometimes 8-day trip.

Ms. MILLENDER-MCDONALD. Again, duly noted. I want Mr. Chairman to know as he returns back and certainly speaks on our behalf, that he does recognize—he recognizes that the growth here is in California. And therefore California needs more resources given that growth and given the request that is imposed here on these two ports to move cargo is just enormous. And so we have got to make sure that you recognize the necessity of California calling upon this Congress for more financial resources, Mr. Chairman.

Thank you so much.

Now, Mr. Royal Caribbean. You spoke of your security plan, and indeed it seems like you really do have something rather ironclad. But given the heightened security, would you be opposed to having either sea marshals, and what would be your public reaction to that, or undercover law enforcement on these cruise lines? And did you have any fewer people going aboard the cruise lines after September 11th?

Captain WRIGHT. Well, I will answer the last question first. You are speaking in terms of guests? The industry has been dramatically impacted. Our business I think was affected very much in the same way that the airline industry was affected, and partially the relationship is because of all of our guests or majority are coming through the airlines to us.

But the good side of that story is it seems to be recovering nicely. We are not where we would have been had September 11th not occurred, but we are on our way.

In terms of the sea marshals, we are very appreciative for the Coast Guard's efforts and their concerns in trying to provide that type of security.

I would question, looking at the current loads that are on Coast Guard resources, the need to necessarily direct those sea marshals toward cruise vessels. Our crews we feel that we have—given the background checks that are in place, all of our crew members are in possession of U.S. visas issued prior to becoming crew members or boarding our ships.

The controlled environment of a cruise ship, the access control that we have on and off the vessel. All of our vessels, for example, crew members and passengers alike have access cards that have electronically embedded photographs, facial photographs of the crew members and the guests, which are checked every time the crew member or guest leaves or boards the ship.

So there is a whole slew of efforts that are going into maintaining a highly structured security organization on board the ship.

So, again, I am stating this based on the known and limited resources that the Coast Guard is working with, that perhaps there

are other merchant traders that don't have similar types of controls over their crews, that effort might be more appropriate.

Ms. MILLENDER-MCDONALD. And last, Mr. Chamber of Commerce. I have not—Mr. Cisneros, thank you for being here.

What impact has September 11th had on tourism and travel? And what impact has it had on our local businesses?

Mr. CISNEROS. It has been pretty devastating. The southern California area travel and tourism industry, hotels, the convention bureaus, the trade conferences, some other—the L.A. Convention Center and others areas have suffered dramatically. I know for a fact that the hotels all over the Los Angeles area have declined at one point down to 60 percent. And those numbers, although they are getting better, it is still—it hasn't changed back to where it was at all.

And so we have been very concerned. There is a lot of people being laid off. And trying to get back into a work force is a concern for the Department of Commerce.

Ms. MILLENDER-MCDONALD. I have a resolution that is going in, as I return back, asking people to revisit your State and all of the great things that are in your State and do the due diligence of going to hotels, staying over the weekend, and doing some things that we think that we Californians can do to help us during this time of getting back on our feet, if you will, in terms of tourism. And then we are inviting folks to come in and not be concerned about the air travel or the bus travel or rail, whatever it is coming into California, or to any other State. This is not just endemic to California, it is talking about to revisit your own State, meaning your respective State.

I was late coming in because I had the great opportunity to be with a company in my district that has done breakthrough through providing a type of container now that will be in the hull of the aircraft, that will circumvent any explosive devices that would be in luggage to dismantle the plane. This is just great breakthrough. They will be coming to Washington next week, and hopefully you will come and meet with them, as I will be inviting Members of Congress to come.

But this is what we are trying to do to get that type of satisfaction and the fear taken from that flying passenger as well as the ship passenger, to try to see what we can do in terms of technology. So that is a new breakthrough that is coming in. It will be for aircraft. And certainly the amount of passenger travel and tourism that we have had has come from aircraft as opposed to sea, in my opinion. I might be wrong, sir.

But, nevertheless, we are trying our desperate best to get people back on planes, on ships. Mr. Royal Caribbean, my husband wants to take a cruise, and so I am going to see whether we can do this to help you out.

But let me again thank this chairman for his sensitivity. I have known him to be this way. He goes outside of his State to come in to see just what can be done to help us. While he is not a Californian, he is a committed Congressperson for trying to find the answer. So thank you for being here today.

Mr. SOUDER. Thank you. I have to make sure those Yamaha parts gets to Elkhart, which is in my district, and for my son's keyboard.

I wanted to ask two more brief things, one on the cruise lines, on your background checks. Would you agree that an INS background check has access to information that you in the private sector do not have in a background check, and that really the Federal Government would not want to share?

Captain WRIGHT. I would assume so, yes. I would almost want to say I would hope so.

Mr. SOUDER. Because one of the—the reason is right now in this heightened security times, while I tend to kind of superficially agree that you are not a prime target, in actuality you have—I will just say this—what I saw this morning was a higher degree of security, and probably better clearance than at any airport. What we are striving for is to get to that level in an airport. With the one exception that we are trying to do at the airports as well, and quite frankly as a conservative Republican I have some concern that the information we are collecting on people could actually leak out and really isn't the business of the general public and needs to be kept in the Federal realm.

In the area of background checks, because a lot of it is basically—I mean, the fundamental problem we are trying to deal with in the United States right now, there isn't any other way to say it, with latent cells. And what in the world is a latent cell? In other words, we are not just chasing—in the 19, 2 of those guys on September 11th had done something before. But others were interconnected. This isn't the type of information that all can find out in your background checks, only the Federal Government will have it.

That is why at least for a period of time it actually gives your cruise people additional support that we are running those lists of your crew members and others with those background checks, because you wouldn't have it. It is not a lack of, well, in fact, your willingness to work with ports. Is it unfortunate that you got caught up in your weakness in our airlines system, because from what I can see here, you are way ahead. With the sea marshals you are double that. By having people watching, probably unnecessarily because you already had security on board as you come into a port, you are able to do the background checks. If they can't penetrate that, they are basically going to look for a softer target.

But that is one thing that I wanted to point out, because of your ability to do a background check is different than the government's ability to do a background check.

Captain WRIGHT. We are fortunate that the government is doing it though. I think the way that it is being processed now is that all that is happening, if there should be a hit, that the government is simply indicating that is an individual that they would like to look more closely at. The reasons for that are not communicated.

Mr. SOUDER. And then the other thing is I think that the 1 to 2 percent figure is more of a national figure from what I can tell. And believe me, just learning a little about ports is almost worse in some cases than learning nothing, because whether it is counted one container or two containers, and how to convert the 31,000 that

they are going through or trying to move up to 40,000 into the units looks to me more like a third of a percent that is being checked. But what the bad guys need to know is they never know which parts are likely to get the highest risk. We are moving that up. The question is how to move that up from that even to the 1 to 2 percent level or higher. I am one who believes that—I don't know whether it is 1 percent, 2 percent. It is certainly higher than probably where it is at in Los Angeles and Long Beach.

You have so much stuff going through here that you have to have a higher load than 31,000 even to get it up to the national average. But how to do that is really the question with the system, with the new radiation devices, with the equipment that people can drive through faster. We can probably look at a higher percent with more accuracy without compromising a lot of that if we do a logical ramp-up. Because our supposition in the government is—and I have been working on the terrorism issue for about 5 years in this oversight committee and around the world, and Larry Johnson and others have been in front of our committee both in closed session and open session for years looking at that—is they are going to increasingly get more sophisticated, but we are, too.

And that now that we have new tools to be able to identify, it isn't necessarily a win-lose situation here if we work it, because what I call the kind of the—everything seems to a baby boomer like another repeat of Vietnam, where we are always not quite doing enough to get over the hump. In this case we may be slightly ahead of the curve if we stay at it and work together, with hopefully the least impact on commerce.

Do any of you want to make a final statement before we adjourn?

Mr. HECK. I would like to make one comment about this 2 percent figure. It is really important to understand that importers transmit data to Customs on virtually every line on every invoice that we ship through Customs, and that along with the manufacturer ID number of the factory, the IRS number of the importer, the country of origin of the product of every line on every invoice, that is all transmitted to Customs. That data, with the help of business analysts at Customs and their computer, that is why this ACE system is so important to make it even more efficient. That is where they come up with this 2 percent.

So people may think that this 2 percent, they just throw darts at a board and they pick 2 percent and the other 98 percent go through. That is really not true.

Mr. SOUDER. Our political problem is that system didn't work on September 11th, that we thought we did a better job of identifying risk factors, and what we found is that we didn't know them. They were moving back and forth across our border, some of them three and four times. We have been up meeting in Ottawa to try to address their questions. This has gotten beyond where we had an ability to identify the risk, And this is not unusual in international trade.

The biggest narcotics—well, one of the biggest narcotics busts in Detroit were narcotics inside a load of worms. In the reporting, what looked like was going through looked like worms, not narcotics. In Vermont—that was the kind of the worm story. And the other one in Vermont, there they are looking for cheese, because

that is important to their people. In other places they are looking for fish. This isn't just terrorists, but the fact is that—and then the last point is because all of the information is coming in doesn't mean that the Federal Government—that this is typically coming from the business side, this is typically what you think anyway, but that all of information coming in doesn't mean that we actually have the ability to sort it.

When we are looking at those college kids who came in and—illegally sometimes, and we don't know what university they are going to, yet the university sent it in to the INS, it doesn't get looked at because we haven't had the ability to have enough agents to go through it to track it. So the universities say, well, I don't know about all this paperwork, and some of the business goes well, so what if I kind of don't make it real clear on this manifest, because who knows whether they are going to check it anyway. And we have kind of bred that system, which all now is kind of getting a little tightened up, and we have to figure out how to tighten that up without putting you out of business.

I think your fundamental point is correct. Probably we have a lot of this paperwork already in the system. By managing it better, by doing what the private sector does, this is a government that at the Social Security System we have regional computers that couldn't talk to each other and we had a company stealing us blind in four regions and we didn't know it. That was a government that still reenlists servicemen who have been—I mean, I remember working on this a number of years ago. We reenlisted rapists who were busted in one zone, and then they reenlisted in another branch of the military because we weren't sharing family information.

It is expensive to get everything up to speed. We are working on terrorism. We are behind the business sector. But we are trying to catch up. We have a mandate from the American people: Stop the terrorists. We are trying to do it because they also want a good job and a good paying job. If we don't have international trade, we aren't going to have that either. And your message is today help us sort that through.

You were also very specific in a number of things that are just very helpful too, and helping me understand, and as I say, it comes out in the committee print and the report, too.

Anything else you want to add?

Captain WRIGHT. On behalf of the ICCL, I would like to say that we fully support the need for the nationwide ID, and to what degree that requires background checks or what type of background checks that can be done, that can be discussed, but that we have a consistent way of identifying port workers is of critical importance.

An investigation was done not so many years ago in Miami, the Port of Miami. I cannot quote you the exact statistics of that investigation, but it showed a shockingly high percentage of port workers who were actually convicted. That raised great concern.

Mr. SOUDER. It is scary.

Captain WRIGHT. These workers are at times being given access to all areas of our vessels due to loading.

Ms. MILLENDER-MCDONALD. Mr. Chairman, the one thing that I would like to ask Mr. Winter and Mr. Heck to do for me is to give

me some type of a white paper, if you will, on those percentages that we talked about, because those of us who are on the Homeland Security tend to think, and I, until I have heard from some of you over the times I have been here, that the 1 percent is just atrocious in terms of investigating.

But, when you speak of it in the realm that you have today, and others have in recent meetings I have had, it is efficiency, and efficiency is what is going to help us to identify a small percentage as opposed to those of us who thought it should be a 10 percent, 15 percent. You always think in large numbers, but not necessarily does that always cash in to efficiency and also security protection.

Mr. WINTER. If is it any comfort, I was speaking to the Century Plaza this week and they were sold out. So they were very optimistic. They wouldn't renegotiate some rates for May.

Mr. SOUDER. One of things you can tell politicians too, and we complain about the 1 or 2 percent, that we often make decisions based on a national sample of 600 people. Good target sampling is a principle in marketing research. The only question here is, are we getting the right mix? That is what we are struggling with right now, because we have had our confidence shattered.

Mr. WINTER. Mr. Chairman, you touched on, and I tried to in my comments, the role that using the technology and new technology that is going to enable these percentages to be increased. Because I think what people have been looking for in the past is usually—people that lie about the value of their merchandise or drugs and things like that, and we are looking at a new world of what we are looking for, too. And I think in every industry where it has been challenged, we have been able to find the technology, whether it is better gamma rays, faster and so forth, that we can increase the percentage of the freight that we are looking at without being intrusive in the stream of commerce. I think that is absolutely critical.

Mr. SOUDER. Thank you very much for coming. I thank everyone for being patient, and those who came here today to listen. And with that, our hearing stands adjourned.

[Whereupon, at 3:25 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

Committee on Government Reform
Subcommittee on Criminal Justice, Drug Policy and Human Resources
"Improving Security and Facilitating Commerce at the Southern California Border,"
Los Angeles and Long Beach, California.

Question: For the record, what additional personnel do you need to manage each of the ports of entry in your region effectively, and how rapidly should they be added?

Answer: Resource needs are not unique to the South Pacific CMC. The U.S. Customs Service has a national requirement for increased staffing to support its continuing efforts in combating drug smuggling and terrorism. In FY 2002 alone, we are adding approximately 30 new inspectional personnel to our Los Angeles/Long Beach Seaport operations. We expect to continue this staffing initiative by adding 40 additional Customs Inspectors to our Seaport in FY 2003.

Question: Please provide us with data concerning the prior occupations of new recruits in your region, including the percentages of new recruits who come from other federal law enforcement agencies, from state and local law enforcement agencies, and from the military.

Answer: The occupational information on new hires prior to working for Customs is not available to field offices. We do not electronically maintain any information on employees prior to their employment with Customs.

Question: In addition to new personnel, what new infrastructure and equipment will be required in your region? What new facilities in the Los Angeles and Long Beach seaports do you believe should be constructed?

Answer: At the Los Angeles and Long Beach seaports, new infrastructure, equipment and facilities that enable Customs to conduct examinations at our greatest point of control -- ship side, within each terminal or barring that, within the immediate port area -- would greatly enhance our ability to accomplish our mission.

Accordingly, fixed or mobile Non-Invasive Inspection (NII) equipment that can be effectively deployed on the docks, ship side or within terminal grounds, is desirable. In addition, small, designated exam facilities located at each ship terminal would give Customs the capability to quickly and safely open a suspect container without having to move it. In some instances this would also keep the cost of a full exam from being incurred by the importer.

Finally, a fully equipped container inspection station centrally located within the immediate port area, would enable Customs to examine containers where a complete unloading and thorough inspection of the container's contents is

needed. Such a site would ideally come equipped with the ability to isolate and contain hazardous cargo, and would accommodate a multi agency approach to cargo examination.

Question: We briefly discussed the difficulty that the Customs Service has had with obtaining sufficient space to build new inspection and other facilities. Would you support statutory measures that would ensure that local seaports make sufficient space available to the Customs Service and other federal agencies?

Answer: Yes. Due to the increasing growth of the Ports of Los Angeles and Long Beach, land within the port limits is scarce and its cost at a premium. Thus, local port authorities and terminal operators are reluctant to voluntarily establish exam facilities on each terminal or turn over to Customs, land that we can use to set up fixed (NII) equipment.

Question: Are there any entry facilities at this port that are unstaffed for any period of time during the day or night? How do you handle such unmanned stations? Do you shut them down, and if so, how (using orange cones, closing gate, etc.)? Is it possible for anyone to enter illegally through these unmanned facilities?

Answer: Persons entering the United States from foreign into the Los Angeles area generally arrive via commercial aircraft, private aircraft or by vessel. It is the responsibility of the U.S. Immigration and Naturalization Service (INS) to clear these persons for entry into the United States. All aircraft arriving from foreign must have pre-approved landing rights or overflight clearance prior to entering the United States in Los Angeles, California. Customs and INS personnel meet and clear these flights, therefore, it would be unlikely that there would be aircraft arrivals from foreign where the passengers would be released into an unmanned Federal facility. Passengers and crewmembers arriving from foreign by vessel will generally clear at one of numerous terminals within the Los Angeles/Long Beach Seaport. All passenger ships are met and cleared by Customs and INS. Customs and INS do not have dedicated staff at the commercial vessel terminals within the port. Both agencies will meet these vessels at arrival to conduct clearance and examination processing. However, Customs does not meet all commercial vessels upon arrival. Customs meets and boards vessels based on a risk assessment of that vessel and other factors. The terminal operators provide security at their individual terminals; however, it would be possible for a crewmember or stowaway to enter the U.S. illegally on a commercial vessel by "jumping ship" or climbing a fence to get out of the secured vessel terminal.

Question: Please describe how the ports of entry in this region are participating in the development of Customs' Automated commercial Environment (ACE).

Answer: The Customs Modernization Office (CMO) is working with a consortium of contractors called the e Customs Partnership (eCP) to plan, design and build

the Automated Commercial Environment (ACE). ACE is a collaborative effort among Customs, Participating Government Agencies (PGAs), various segments of the trade community, our oversight agencies, and Customs headquarters and field offices.

ACE is a four year modernization program with early delivery of increased functionality, to include: Account Based Processing for efficiency to all parties, the trade community and government agencies; Automated Truck Manifest System to provide enhanced border security and better enforcement; e-Release Processing for expeditious release of compliant cargo and conveyances.

Customs has brought together several Subject Matter Experts (SMEs) from the field ,i.e., Customs Inspectors, Import Specialists, Entry Specialists and Account Managers, to assist in writing the requirements for these ACE deliverables.

Question: How effective has the predecessor to ACE, the Automated Commercial System (ACS) been here? How widespread is the use of the Automated Manifest System component of ACS? How successful has it been? Could this program be improved and expanded? How many importers use customs brokers that participate in the Automated Broker Interface component of ACS? How successful has it been? Could this program be expanded or improved?

Answer: The Automated Commercial System has been extremely effective in Los Angeles, Long Beach and Port Hueneme. In these areas, over 99 percent of all entries are submitted to Customs electronically, using the Automated Commercial System.

There are currently three automated manifest system applications within the Automated Commercial System, two of which are used in the Los Angeles/Long Beach areas. These systems are: (1) Air Manifest System --There are 50 carriers who arrive at LAX; of those, 23 use the automated Air Manifest System and 27 do not. The AMS air carriers account for approximately 60 percent of the AMS air waybills at LAX. It may not be cost-effective for the non-participating carriers to automate at LAX at this time due to low air waybill volume; (2) Sea Manifest System -- In Los Angeles and Long Beach, there are 56 carriers who use the sea manifest system.

At this time, the trade community is taking advantage of the automated manifest systems in place and no expansion is needed. A freeze has been placed on further enhancements to the Automated Commercial System. Enhancements to or replacements of these systems will be made as part of the development of the Automated Commercial Environment (ACE).

Customs only keeps track of the number of entry filers. We do not capture the number of importers who use brokers versus the number of importers who self-

file. However, in the Los Angeles/Long Beach area, over 99 percent of all entries are submitted to Customs electronically, using the Automated Broker Interface component of ACS. The Automated Broker Interface has been very successful in southern California, and as mentioned earlier, Customs has no plans to expand or improve the system.

Question: Are you seeing a significant amount of illegal smuggling of pharmaceuticals from foreign countries? What kinds of pharmaceuticals are being brought here? Who is typically bringing them into the U.S., and how are they doing it?

Answer: There are significant amounts of pharmaceuticals coming into the Los Angeles area from foreign. Most pharmaceuticals seized by Los Angeles Customs arrive via foreign mail and, to a lesser degree, brought in by passengers arriving on commercial aircraft. In Fiscal Year 2001, over 300,000 units of these Schedule 4 & 5 narcotics (pharmaceuticals) were seized at the Los Angeles International Mail Facility. Through the first seven months of Fiscal Year 2002, over 290,000 units of Schedule 4 & 5 narcotics have been seized in mail. The top two countries where the pharmaceuticals are mailed from are New Zealand and Canada. Since October 1, 2000, over 125,000 units of Schedule 4 & 5 narcotics have been seized from passengers arriving at Los Angeles International Airport. The main pharmaceutical seized by Los Angeles Customs is codeine. Additionally, over 1.2 million units of pre-cursor chemicals (i.e., pseudo-ephedrine) have been seized in the Mail Division since October 1, 2000.

Question: Has the post September 11 need to combat terrorism altered the way you approach acquiring new technology? For example, are you considering acquiring new bomb-detection equipment instead of new drug-detection equipment?

Answer: The terrorist events of September 11th have altered the way Customs is acquiring new technology. The testing and acquisition of new technology to detect components of and/or weapons of mass destruction has become the top priority of the Customs Service. Although individual radiation pagers were in use by Customs personnel prior to the events of September 11th, additional procurements of this technology are being made to equip all inspectional personnel nationwide. Additionally, radiation portals and ion scanners are being tested at various locations for possible deployment at land border, seaport and airport locations. X-ray and gamma ray inspection machines that were acquired for narcotic detection are now also being used, in conjunction with the personal radiation detection devices, for rapid screening of containers that might be used to ship weapons of mass destruction

Question: What efforts does the Customs Service in your region take to keep local government, law enforcement, businesses and chambers of commerce informed of changes in policy at the ports of entry?

Answer: The Director of Field Operations (DFO) is a member of the Federal Executive Board and attends monthly meetings. In this forum information is exchanged with other federal agencies located in the area. Port managers and the DFO are frequent speakers at events sponsored by various trade groups such as the Foreign Trade Association, the Customs Brokers and Freight Forwarders Association, Women in International Trade and the Harbor Transportation Association. These events are widely attended by both trade and civic representatives. The DFO is a member of the Policy and Steering Committee of the Center for International Trade and Transportation and attends monthly meetings. The seaport director is a member of the Port Security Task Force that is headed by the mayors of Los Angeles and Long Beach. The group meets twice a month and includes federal, state and local law enforcement representatives as well a representatives from private interests such as terminal operators, carrier representatives and union officials.

Follow-up Questions for the Port of Long Beach

1. **As a day-to-day manager of port operations, do you feel as though your security personnel have adequate access to intelligence information regarding vessels, people, and cargo?**

   The information received by the Port's Security personnel is provided by other law enforcement agencies like U.S. Customs, INS, FBI, or the U.S. Coast Guard. While there is a desire to have more intelligence on some issues, we recognize the reasons why the various agencies may not want the Port to know about certain sensitive or confidential things. Port of Long Beach personnel have operated on a "need-to-know" basis. Overall, more communication is needed by and between all law enforcement personnel, especially at a complex like Los Angeles/Long Beach.

2. **Right now there is a lot of effort at the federal, state, and local levels to identify necessary port security enhancements at each of our nations seaports. Is there one aspect of security you feel needs more attention than it is currently being given?**

   Better coordination. There needs to be a designation of a lead agency for seaport security so that local, state, and federal officials all know who is in charge. Everyone is doing a good job in their own respective area, but the question of "seamless" security operations is one that has not been definitively answered.

3. **We briefly discussed the difficulty that the Customs Service has with obtaining sufficient space at the port to build a new tier-2 level inspection facility. The current procedure of transporting a potential security threat 15 miles inland before a Customs inspection could be conducted is clearly not a prudent setup in terms of efficiency, safety, and security. As the Port of Long Beach continues to plan for the future and upgrade facilities, will the Customs Service needs for inspection space be a part of your long-term capital planning? Have you met with the Customs Service to discuss possible onsite options for a Customs inspection facility?**

   As part of MARAD's Security Grant Program, the Ports of Long Beach and Los Angeles are filing a joint application to establish a "Joint Agency Container Inspection Facility." This project will provide for a specialized facility to conduct container inspections without adversely affecting the day-to-day movement of shipping operations. This facility would allow U.S. Customs, U.S. Department of Agriculture, Immigration and Naturalization Service, and others to inspect "high risk" containers <u>within</u> the port complex without trucking through residential neighborhoods.

4. **Is there a communications network in place to allow for "real time" conversing between various federal, state, and local law enforcement entities?**

In my testimony, I described the Port Crime and Security Committee that has been meeting in Long Beach for several years prior to the events of September 11, 2001. This forum has proven to be an effective way of getting issues of mutual concern discussed. The events of September 11 and the resulting challenges of credentialing, container security, vulnerability assessments, etc. go beyond the scope of this committee at this point. The U.S. Coast Guard established the Law Enforcement Security Committee about a year ago (pre-Sept. 11) after the Graham Commission made recommendations about crime and security in U.S. seaports. I have heard of federal interagency task forces that are meeting, but I am not aware of a nationwide forum that combines state and local input as well. From the standpoint of "real time" communications network, the closest thing would be California Law Enforcement Teletype System (CLETS), which is a teletype system between law enforcement agencies throughout the state.

CAPTAIN OF THE PORT AUTHORITY AND FLEXIBILITY

Question: As Captain of the Port, do you feel you have the necessary authority and flexibility to tailor a set of security measures to match the needs of the port?

Answer: The Coast Guard has robust existing authority to carryout Homeland Security in our ports and navigable waters. Additionally, we have evaluated our needs in light of the new normalcy to determine how we can do better. To that end, we have promulgated a series of new regulations under existing statutory authority.

- On 12 September 2001, we began requiring cruise ships calling on U.S. ports to submit passenger lists. (Authority is 50 USC 191 and 33 USC 1226).
- The Coast Guard immediately implemented the Sea Marshal program that placed armed ship riders on board high interest vessels to guard against the risk of hijacking and other subversive activity, under a previously unused statutory section. (Authority is 33 USC 1226).
- On 14 September 2001, the Coast Guard delegated authority to Area Commanders who promulgated new regulations creating for the first time Naval Vessel Protective Zones to protect Navy vessels under a previously unused statute, 14 USC 91. (USCG working with USN on this issue since incident involving USS COLE).
- On 4 October 2001, the Coast Guard promulgated new Notice of Arrival requirements for all vessels over 300 GT, requiring them to report earlier (24 to 96 hours) and requiring them to report more information. (Authority is 33 USC 1223 and 1226) (Note: This is a temporary final rule that will expire in June 2002 and the Coast Guard will be publishing a notice of proposed rule making for a final rule in the near future.)

Although our existing authority is very broad, there are some areas in which additional authority would better enable us to protect maritime transportation. We are working closely with the Department of Transportation and Congress through legislation to address any additional requirements needed. Some of these issues include:

- Expansion of authority under the Espionage and Magnuson Acts out to a 12 nautical mile territorial sea.
- Clarify the authority of Coast Guard petty officers, warrant officers and commissioned officers to carry firearms and to make arrests without warrant ashore for violations of Federal law when the mission involves the protection and security of vessels, harbors and waterfront facilities.
- Establishment of a national port security planning process including national, area and facility and vessel security plans and planning committees similar in structure to the existing planning and response infrastructure for pollution.
- Authority to require vessel and facility owners and operators to place armed security on board vessels or at facilities – to supplement our current "Sea Marshal" program.

SURGE STATUS, CAPABILITY, AND FATIGUE

Question: Many agencies showed great surge capability to meet heightened homeland security needs following the 11 September tragedy. Do you consider Coast Guard units in this area to still be in a surge status, that is, are your people still working far above their normal routine? Is fatigue an issue right now in the Coast Guard and how are you dealing with it?

Answer: There are currently 69 reservists on Title-10 active duty orders within the District 11 Area of Responsibility (AOR) at multiple units. Although not in a "surge status like that experienced in the days immediately following the event, full time active duty personnel as well as recalled reservists are all working beyond "normal" hours. Thus, fatigue is an issue that I remain constantly concerned about. We have adjusted by utilizing our resources in a manner which allows individual members to have adequate rest time, keeping in mind that the new "normal" does require most operational units to put in hours above pre-September 11th.

INTEL SHARING AND ADEQUATE PROCESSES

Question: Intelligence is key to success in any law enforcement arena. Do you feel there are proper mechanisms in place to gathering intelligence and adequate processes amongst agencies to promote and ensure intelligence sharing? Do you have any recommendations for improvement?

Answer: The U. S. Coast Guard works closely with other Federal Agencies, including the Immigration and Naturalization Service and U.S. Customs Service. Intelligence coordination mainly takes place through sharing of information by field personnel. Specific areas of formal interaction and exchange:

- High Intensity Drug Trafficking Areas through local Coast Guard participation, including the Coast Guard Investigative Service (CGIS).
- Joint Terrorism Task Forces through local Coast Guard participation, including CGIS.

In addition, District and Group Commanders and Captains of the Ports establish relationships with local authorities and stakeholders using methods such as Port Security Committees and coordinated operations.

However, it can be extremely difficult to share sensitive or classified information between the various levels of government (Federal, State and Local agencies) due to the complex security clearance process and incompatible communication systems. Simplifying this process and establishing secure communications between agencies will promote intelligence and information sharing.

COAST GUARD BOATS AND CUTTERS ESCORT DUTY

Question: As Coast Guard boats and cutters conduct escort duty, are they equipped to respond immediately to an approaching vessel that may attempt to engage in a terrorist act against a commercial vessel? Are adequate Use of Force policies in place that allow your people to act swiftly and decisively?

Answer. Yes, in the maritime environment in which we operate, we have the authorities needed to execute this mission. Our cutters are properly equipped to conduct escort missions and our cutter commanding officers have the authority to mount/display, as necessary in accordance with policy, all of the weapons at their disposal. Our small boat and crewmembers are also armed and capable of conducting this mission. All units operate under use of force policies that allow them to respond swiftly and decisively.

However, Coast Guard personnel still face a difficult equation in crowded ports with extensive pleasure boat traffic. The sorting of inbound threats versus recreational traffic will need to be done in virtually no time to prevent an attack. Coast Guard personnel must rely on their professionalism, training, and doctrine to make critical decisions.

VESSELS LABELED "HIGH RISK"

Question: It is well understood that the Coast Guard cannot escort each and every commercial vessel into port and out of port, nor can you place a Sea Marshal team onboard each vessel. I understand that you narrow your focus and effort to those vessels designated as "high risk." What is the determination process and factors involved that result in a vessel being labeled as "high risk."

Answer: The Coast Guard Intelligence and Coordination Center (ICC) analyzes vessels arriving in the United States using various government databases and other intelligence sources/sensors to determine which vessels are high risk. The ICC analyzes the information provided in the advance notice of arrival, including the crew and passenger list, and if a positive "hit" occurs on any of the personnel, the vessel is designated "high risk."

Additionally, vessels are identified as "high risk" based on their cargo. We have identified numerous cargos and chemicals that can be potentially used as Weapons of Mass Destruction and present a substantial health/security concern to U.S. ports. Vessels carrying one of these cargoes are also labeled "high risk."

Individual Captains of the Port (COTPs) may designate specific vessels as high risk if the COTP can articulate that the vessel poses a specific hazard to the port or human life. In making such a determination, COTPs consider such factors as type of vessel (i.e. cruise vessel, liquefied natural gas, etc.) and proximity of the transit to designated critical infrastructure or to densely populated areas.

NATIONAL AND INTERNATIONAL STANDARDIZATION OF PORT ENTRY REQUIREMENTS

Question: Is there national standardization regarding the security measures that are being taken by the Coast Guard and security requirements that are placed on commercial traffic that enter/depart this port? How about international standardization?

Answer: National standards for terminals and vessels have been recently reviewed and are being updated based on current threat conditions. National standards also exist regarding vessel and facility risk assessments, vessel boardings and facility surveys. The Coast Guard also requires all vessel over 300 gross tons to provide a 96-hour advance notice of arrival providing adequate time to screen each vessel. Security checks are conducted on information provided by these vessels. Based on these security checks and other risk-based information, the Captain of the Port determines if any port-specific entry requirements are needed.

Internationally, the U.S. has proposed a comprehensive set of security standards that include-: accelerating installation requirements for Automatic Identification Systems on ships; requiring ship, offshore facility, and port facility security plans; requiring the designation of and assigning specific responsibilities to security officers for companies, ports and vessels; requirements for seafarer identification verification and background checks; and requirements for each port to conduct a periodic port vulnerability assessment. These standards will be discussed and further developed at the International Maritime Organization's Maritime Safety Committee meeting in May of 2002. An international convention will then consider adoption of Maritime Security requirements into the Safety of Life at Sea convention in December 2002.

PORTS AND MARITIME BORDERS CONTROL

Question: Are there any technologies tools needed that would assist the Coast Guard in its duties to control the ports and maritime borders?

Answer: There are many advances in technology that offer great potential to improve the four cornerstones of port security - maritime domain awareness, prevention, response, and consequence management. The technology ranges from improved sensors capable of providing more effective physical security for facilities, vessels, and containers, improved detectors for screening vessels, their cargo, and the people on board, to alarm systems and remote indicators to better enhance the security of the facilities and vessels using our ports.

A specific example of technology improving port security is an advanced computer program that provides real-time processing, tracking, and analysis of vessel, cargo, and personnel information. In October 2001, the U. S. Coast Guard (USCG) developed and implemented the ship arrival notification system (SANS) to centralize the reporting, storage, and analysis of ship arrival information. Required electronic reporting of this information would allow the USCG to screen crew and passenger lists against national law enforcement databases. Additional software tools would allow the USCG to track and analyze all pertinent maritime information.

Automatic Identification System (AIS) technology is another tool that is capable of enhancing maritime domain awareness. It uses transponders and land based antennae to provide real-time tracking information to provide a ship's identity, position, course and speed, among other things. AIS offers tremendous potential to achieve significant awareness of vessels operating in the maritime domain which will improve maritime security. With this in mind, the Coast Guard has asked the International Maritime Organization to accelerate the implementation of requirements to require early implementation of AIS transponders for certain international ships.

New equipment is also available that will provide quicker and more effective non-intrusive inspection of containers. Electronic container seals will allow greater security and reduce the risk of illegal container intrusion and/or tampering.

Installing appropriate ship security equipment may also enhance ship security. Basic security enhancement equipment, such as a closed circuit television monitoring system and alarms on security sensitive doors, would help the crew quickly become aware of security threats while the ship is in port.

However, there is no single tool that will solve all port security needs. New technology must be reviewed and analyzed to ensure it is capable of meeting the needs. It is a time consuming but important process. Through the multi-agency Technology Support Working Group (TSWG), the USCG has sought out proposals for new security technology. The USCG Research and Development Center and other members of the TSWG will evaluate the viability and effectiveness of these proposals for port security applications.

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