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100 PERCENT AIR CARGO SCREENING: REMAINING STEPS TO SECURE PASSENGER AIRCRAFT

HEARING

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION SECURITY AND INFRASTRUCTURE PROTECTION

OF THE

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100 PERCENT AIR CARGO SCREENING: REMAINING STEPS TO SECURE PASSENGER AIRCRAFT

Wednesday, June 30, 2010

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON TRANSPORTATION SECURITY AND
INFRASTRUCTURE PROTECTION,
Washington, DC.

The subcommittee met, pursuant to call, at 2:00 p.m., in Room 311, Cannon House Office Building, Hon. Sheila Jackson Lee [Chairwoman of the subcommittee] presiding.

Present: Representatives Jackson Lee, DeFazio, Thompson (ex officio), Dent, and Austria.

Also present: Representatives Harman and Markey.

Ms. JACKSON LEE. The subcommittee will come to order. The subcommittee is meeting today to receive testimony on "100 Percent Air Cargo Screening: Remaining Steps to Secure Passenger Aircraft." Our witnesses today will testify about TSA and the industry's progress and challenges in meeting the 9/11 Act's requirement to screen 100 percent of cargo on passenger planes by August 2010.

Let me first of all applaud the Chairman of this committee, of the full committee, for establishing the mark of oversight for Homeland Security. It is a particularly special responsibility that we have because we are amidst the front-liners on securing the Nation. Oversight is key, and we in this committee and our subcommittees take an enormous sense of responsibility for this task. The witnesses who are here today, let it be very clear that you are part of the dictates of oversight, which really are part of securing this Nation.

I would like to thank my Ranking Member for his cooperation in this effort and the Ranking Member of the full committee as he cooperates with our Chairman on making sure that this House committee follows its obligation and assesses the different modes of security for the Nation.

I now recognize myself for 5 minutes for an opening statement.

Today the subcommittee will continue its commitment to robust oversight of one of the most important issues addressed by Congress in the 9/11 Act, the screening of cargo on commercial passenger aircraft. This is my third hearing on this issue as Chairwoman of the subcommittee which has jurisdiction over TSA.

Without doubt, the cargo screening mandate is critical to aviation security and our interest and oversight into TSA's progress in establishing this system will be continuing until and after we reach 100 percent.

I would like to welcome my colleagues on the subcommittee and also thank them for their strong commitment to this issue. I would acknowledge Mr. Dent, the Ranking Member, and Mr. DeFazio, who is present here at this time.

TSA is nearly 3 years into implementing and certifying the Certified Cargo Screening Program, known as the CCSP, and has also negotiated key international harmonization agreements with the United Kingdom, Australia, and Canada on 100 percent cargo screening measures. On both the domestic and international fronts, TSA has made progress but the law is clear. By August 3 of this year, TSA must be able to report to Congress that 100 percent of cargo traveling on commercial passenger aircraft is being screened for explosives. Today, we will ask TSA the hard questions concerning the status of the implementation of section 1602 of the 9/11 Act.

The subcommittee needs to understand that TSA has the necessary resources to educate, certify, inspect, and oversee CCSP and its thousands of private sector participants.

We need assurance that our TSA is properly verifying the private sector screening. We need the right kinds of opportunities as well for the private sector so they have the standards and guidelines with which they can continue to produce new technology and serve the Nation as well.

Finally, TSA must inform the subcommittee of its plan with milestones and deadlines for implementing its system for screening all cargo on passenger aircraft originating at foreign airports.

If you ask why are we pushing TSA so hard, why is section 1602 so important for cargo screening, the logic is clear. If we screen passengers and their checked baggage we must screen the cargo aboard the very same aircraft.

Additionally, we must remind ourselves that even as we have screened passengers, we have seen the likes of the incident regarding the Northwest Airlines. We have seen the shoe bomber. We have seen the newness of ideas to harm this Nation. So obviously cargo has to fall right in the line of ensuring that we do everything we can to meet the goals of 100 percent air cargo screening.

Our commitment as Members of this subcommittee and full committee has never wavered as we oversee the Department's implementation of the provisions contained in the 9/11 Act. If enacted properly, fulfillment of the cargo screening mandate will be a major milestone in aviation security, building upon previous mandates to conduct the 100 percent screening of checked bags, fortified cockpit doors, deploy Federal air marshals, secure airport checkpoints and perimeters, and improve the way we check passengers against the terrorist watchlist.

One hundred percent cargo screening on passenger aircraft is the next step in improving aviation security, and the deadline is upon us.

The scope of this hearing includes reviewing the cargo screening programs and regulations TSA has established, exploring TSA's

compliance and verification standards for ensuring that screening is effective, and evaluating the Department's progress in certifying new screening technologies. In addition, we want to know whether TSA has adequate resources and personnel to accomplish this mission.

As we review TSA's efforts to meet the screening deadline, we also want to understand the impact this is having on industry partners, including air carriers, freight forwarders and manufacturers, many of whom have made significant investments in purchasing cargo screening technology and in training their employees.

GAO has completed its review of TSA's efforts and is releasing its report today. The issues raised in GAO's report bring us concern. During the first panel of this hearing, we will examine GAO's assessment and hear TSA's response.

The second panel consists of representatives from the private sector involved in air, in cargo transportation logistics, private sector stakeholders certified to screen and securely transport cargo, are the critical linchpin in TSA's plan to ensure 100 percent screening.

Finally, let me say that any statement I make about cargo screening must include a call for the Department to continue its outreach to scientists, researchers, and small businesses to develop new technologies and processes to help industry reach and maintain 100 percent cargo screening without supply chain dislocations and delays that would also include the science and technology section of the Department, effectively and efficiently reviewing the backlog of new ideas that have been submitted by small businesses and making sure that we come into the 21st Century as we work together to secure the homeland.

Let me also take the time to thank our witnesses for coming before us today and helping us to shed light on this very critical issue.

I would like to welcome Doug Brittin, the general manager for air cargo at TSA, who is in the audience. As we all know, Mr. Ed Kelly, former general manager for air cargo, passed away last fall. Mr. Kelly's considerable contributions to air cargo security will not be forgotten, and we welcome Mr. Brittin as one who is committed to the values and the work ethic of Mr. Kelly, and we wish him the very best.

Before I offer into the record some materials, let me also acknowledge in his absence, Congressman Ed Markey, who was previously on this committee, actual committee, and is enormously interested in this issue as one of the issues that he initiated.

He is presently in a markup and may attend, but I do want to offer my appreciation for his leadership on this very important issue.

Might I also say that we have done some very important work on this committee and on the full committee. It is important to note that although today we are assessing air cargo security, that we have done great work on surface transportation, which we hope the Senate will see fit to join us in passing that legislation, join the House and this committee in its work to help ensure that security is expanded to all of our transportation modes.

Let me also congratulate the new TSA Administrator, Mr. John Pistole, who I know is now confirmed. Congratulations. This is an

important day for us. Let me also make it very clear that I look forward to seeing Mr. Pistole this week in person, as my office has requested and I hope that I will hear from DHS very quickly, along with TSA very quickly, on the scheduling of that appointment. Again, let me make sure that I am stating a physical appointment, if you will, not a phone call, and I would appreciate it if that could be conveyed as quickly as possible.

At this time, without objection, I would like to enter into the record a statement from the Airforwarders Association. Hearing no objection, this has been submitted.

[The information follows:]

STATEMENT OF THE AIRFORWARDERS ASSOCIATION

JUNE 29, 2010

Dear Chairwoman JacksonLee and Ranking Member Dent, the Airforwarders Association (AfA), the voice of the freight forwarding industry representing over 300 dues-paying member companies with 1,260 facilities and 6,300 employees, respectfully submits the following comments in advance of the June 30 hearing on air cargo security. Our members include a broad range of businesses including both multinational logistics companies with hundreds of employees and facilities as well as small, "mom and pop" operations with a single facility.

The Airforwarders Association and our members have been actively engaged with the development and launch of the Certified Cargo Screener Program (CCSP). We have worked closely with TSA to provide insight into the complexities of the air cargo supply chain, including the impact of time, temperature, and screening methodologies on the product. The AfA has consistently provided information and enthusiastically encouraged our members' enrollment in CCSP. We also coordinated with airlines and TSA to reach our customers, who were less aware of the regulations and its' impact on their products. The freight forwarding industry, including AFA members, has invested tens of millions of dollars to ensure that CCSP works as intended.

Concerns remain regarding the efficacy of a 100 percent screening program (as opposed to a risk-based targeting system) and its ability to provide a robust and nimble security regime. The legislation is clear, however, and the screening deadline must be met by August 2010. The AfA is apprehensive that the bulk of screening responsibilities, including cost and liability, are shifted to the private sector. Still, given the other options to meet the deadline, we firmly believe that the time for complaints is over, and our focus must be on compliance through the CCSP.

With only 5 weeks to meet the 100 percent screening mandate, we applaud the committee for examining the status of enrollment in CCSP as well as the overall progress in screening. While the TSA's phased-in approach to screening percentages, notably the narrow body amendment in October 2008 and 75 percent by May 2010, has presented challenges to the forwarding industry, it has resulted in compliance with few disruptions. As a result, the 100 percent mandate looks increasingly attainable now that the industry, particularly for domestic flights, is already screening the vast majority of cargo in passenger planes.

Despite this progress, the members of the Airforwarders Association have several on-going concerns that we ask Congress and TSA to address in the days leading up to and after the August 2010 deadline.

Preserving Just in Time Delivery.—There is no question that screening has the potential to substantially delay cargo. CCSP was designed to address this issue by moving screening into the supply chain so tendering screened cargo would eliminate delays at the airport. Given the lower rate of enrollment with shippers, this may not work as effectively as TSA originally anticipated. In a recent survey, our members have identified two of their most significant concerns as delays and earlier lockout times.

Recommendations

1. TSA should be provided additional budget to continue to encourage enrollment in the program. Increased enrollment will lower the amount of cargo that requires airline screening at the airport. This is arguably the least efficient point in the supply chain to screen cargo; the less cargo screened there improves efficiency across the supply chain.

2. It is imperative that additional budget dollars are allocated to certify a method or equipment that is capable of screening an entire pallet or ULD. This may also require an amendment to the existing legislation to adjust the piece level mandate, which would provide TSA with needed flexibility. Pallets contain up to 300 individual pieces that must be screened, piece by piece, since there is no approved technology that can effectively scan the cargo. Unpacking and repacking the pallet is extremely time-consuming and will result in delays. The pallet issue also raises warranty concerns for shippers and security concerns with loose cargo for airlines. The anticipation of screening pallets is spurring airlines to have earlier lockout times for cargo, which is problematic for sensitive cargo that cannot easily handle additional time at the airport. It is our understanding that such pallet screening equipment has been certified for use at European airports.

Minimizing Costs.—For some forwarders, the cost-benefit analysis and available capital provided ample incentive and opportunity to become a Certified Cargo Screening Facility (CCSF). Smaller and mid-size forwarders do not have the same business case to justify an up to half million dollar investment in technology. The costs to the forwarding community (the largest percentage of CCSF's) are staggering. Without guarantees of certification past 2012, the purchase of technology becomes a serious financial risk. Airlines who have published screening policies and pricing information, notably American and Southwest, are providing an alternative by screening at the airport, but additional options should be explored.

Recommendations

1. TSA should continue to develop and approve alternate screening options. The AfA is working closely with TSA on concepts for independent screeners and consortium approaches to screening. TSA should certify the existing pilots, as well as provide assistance to others wishing to establish a consortium or independent facility.
2. Congress should direct GAO to work with TSA and the industry to prepare a report on the state of the industry no less than 6 months after the August deadline. A full report detailing the economic impact on industry, areas of concern as well as areas for improvement will assist in ensuring that Congressional intent—providing a more secure air cargo environment without disrupting commerce—has been achieved with the existing programs and technology.

The AfA welcomes the opportunity to share our concerns and questions about alternative options for screening, namely Federalization of screening by having TSA agents screen cargo. The call for Federal screening at airports ignores three key points: (1) There is already an airport alternative—the airlines—for forwarders; (2) the pricing for these services is kept competitive and affordable through market competition, rather than through an arbitrary fee for Federal screening; and (3) smaller markets and forwarders at Category I airports have been operating in a 100 percent screening environment since the narrow body amendment became effective in October 2008. We have virtually no complaints with pricing or service from our members on record since the amendment took effect 6 months ago.

Our concerns with Federalized screening are on the record with this committee in our testimony from July 2009 and March 2008, but bear repeating. The private sector has the experience and expertise with sensitive cargo shipments, from how to handle the containers to what screening technology is most effective. There are fundamental flaws with Federalizing screening, ranging from the lack of existing facility space at many Category X airports to a lack of TSA budget and personnel to staff such an effort. We do not deny that the Federal Government has an important role to play, but we believe it should be through funding for participants in CCSP and enhancing technological capabilities.

The Airforwarders Association looks forward to continuing our dialogue on these issues with the committee. The Airforwarders Association is the only dues-based association that represents the full spectrum of the forwarding industry and regularly polls our membership to assess a true sense of the issues that affect forwarders. We will continue to share this and other vital pieces of information to the committee and its staff.

Ms. JACKSON LEE. The Chairwoman now recognizes the Ranking Member, the gentleman from Pennsylvania, Mr. Dent. Again, let me thank him for his leadership and his work on this committee. For an opening statement.

Mr. DENT. Thank you, Madam Chairwoman. Good afternoon. I would like to thank you for holding this important hearing today on the importance of security and cargo in passenger aircraft.

Let me at the outset express my disappointment that I have to leave here shortly as I certainly wanted to be here for this important hearing. Unfortunately, I must attend a meeting of the Ethics Committee, which does require my attendance.

But truthfully, I don't believe that the 100 percent cargo screening, whether it is in the aviation or maritime environment, will ever equal 100 percent security. When Congress enacted this mandate, we disregarded that 100 percent of screening requirements cannot guarantee security because there is always another point of vulnerability. Security must be risk-based, layered, and economically viable.

The 100 air cargo percent screening mandate in the 9/11 Act was certainly a lofty goal, and while it sure sounds nice, it provides the appearance of increased security without any new increase in security.

In 2007, this committee and this Congress moved away from its risk-based resourcing philosophy and placed an expensive and burdensome mandate without adding any tangible security benefit. We added another very expensive layer, but only domestically on mostly U.S. carriers. Foreign air carriers bringing cargo and passengers back into the United States are not nearly as impacted as U.S. carriers, and so we put our own airlines at a distinct disadvantage.

I would be very interested if Lufthansa, who will be appearing here later today, could share with us as a ballpark estimate how much this U.S. mandate will cost them.

Recently, I asked how TSA would determine the economic impact of this mandate on small and medium-sized businesses. How will they track how many businesses will go under and lay off employees because of the new mandate? The answer is they are not. They have no intention of tracking how many people lose their jobs over this mandate.

Then there is the question of enforcement. How will such a mandate be enforced domestically? Is it just a review of paperwork like an IRS audit, or will there be some inspections?

International enforcement is, very frankly, impossible. If we require Air China to inspect 100 percent of its cargo bound for the United States, would we expect China to allow TSA inspectors to verify its assurances on the mainland? Not likely.

While I have concerns with the 100 percent screening mandate, and while I think it provides very little tangible security benefits, we are a Nation of laws and it is the law of the land. As such, as the Ranking Member of the subcommittee that oversees the TSA, I am going to ensure compliance with the law.

I certainly want to commend Mr. John Sammon who is here with us again today, and the men and women from TSA for their efforts under these circumstances. It is certainly a difficult job, and, Mr. Sammon, you have been before this committee and subcommittee many times before and you have testified as to just how TSA's hard work is, given the daunting tasks associated with protecting our transportation security systems.

Again, thank you and to the men and women of TSA for your combined efforts. We really appreciate it.

While TSA has done an admirable job with its outreach and promotion of the domestic Certified Cargo Screening Program, the fact remains that too few companies have become certified cargo screening facilities.

Cost certainly seems to be a driving factor, and I have real concerns that many of these smaller and mid-sized, medium-sized freight forwarders will be unable to spend literally hundreds of thousands or millions of dollars to outfit their companies with the approved automated screening equipment.

With respect to international cargo, I am very disappointed that TSA only very recently began collecting statistics on foreign in-bound cargo. This law was enacted on August 3, 2007. Why did it take until June, 2010, for TSA to begin to collect metrics on these in-bound aircraft? It seems like someone, somehow, forgot about these largest of the large-body aircraft.

Having said that, we in Congress have left the TSA and this administration in the untenable position of trying to enforce U.S. mandates on foreign sovereign states. How many times are we going to be enacting laws that place mandates on our foreign counterparts before we realize they are simply unachievable?

TSA has no clear plan in place to address foreign in-bound cargo, though the law demands it. Why is that? Not for lack of effort, but because of a lack of authority.

I certainly commend Secretary Napolitano, Deputy Secretary Liddy, and the former Acting Assistant Secretary for TSA, Ms. Gail Racise, for the efforts to improve aviation security at the international level.

Richard Reid, Umar Farouk Abdulmutallab, the liquid explosives plot, all of these were in-bound threats from international aircraft, not domestic flights. We need to improve international security standards, and I am pleased that TSA is moving in that direction.

Finally, let me say publicly that I am looking forward to working with the newly confirmed Assistant Secretary for TSA, Mr. John Pistole. Like the Chair, I applaud him for his 27 years of service to the FBI and for his willingness to take on such a challenging position.

Madam Chairwoman, you and I have worked together very closely to improve our transportation security systems in a constructive and productive manner, and I look forward to continuing that relationship as we work with our new administrator, Assistant Secretary Pistole, and as a partner in this process.

Thank you, Madam Chairwoman, and I yield back the balance of my time, as, unfortunately, I will have to depart the hearing a little early to go to an ethics meeting. Thank you.

Ms. JACKSON LEE. Thank you very much, Mr. Dent, and we will hold it down until you return. Thank you very much for your service.

First of all, let me ask unanimous consent to allow the gentlewoman from California, who is a Member of the full committee, and Chair of the Subcommittee on Intelligence, Ms. Harman, to this subcommittee. Without objection. Hearing no objection, Ms.

Harman is authorized to sit for the purpose of questioning our witnesses. Thank you.

Let me also ask unanimous consent to welcome a former Member of the committee to this subcommittee, the gentleman from Massachusetts, a champion of cargo security, Mr. Markey, who is not present at this time, but he would likewise be authorized to sit for the purpose of questioning witnesses during the hearing today.

Hearing no objection, so ordered, as was Ms. Harman.

The Chairwoman now recognizes the Chairman of the full committee, the gentleman from Mississippi, likewise a champion of air cargo security, Mr. Thompson, for an opening statement.

Mr. THOMPSON. Thank you very much, Chairwoman Jackson Lee, for convening this important hearing.

Today we will evaluate progress made by TSA in implementing the 9/11 Act's requirement to screen 100 percent aboard all cargo passenger aircraft. I would like to take this moment to applaud the efforts of my colleagues on this committee for championing this important mandate and ensuring that we take all important steps towards enhancing the Nation's aviation security.

After all, the 9/11 Commission report recommended that TSA intensify its efforts to identify, track, and appropriately screen potentially dangerous cargo in aviation. In an effort to fulfill this recommendation, Congress has undoubtedly provided TSA with the necessary tools to implement the air cargo screening program.

Additionally, through the subcommittee, I have continuously offered a public forum where an honest discussion of the air cargo screening mandate could be held. Developing a program to fulfill this mandate is no easy task. However, it is imperative that Congress and the administration continue an open dialogue on program challenges in identifying solutions that will ultimately yield greater security of the flying public.

Last year, in conjunction with my colleague from Massachusetts, I requested the GAO to conduct an evaluation of TSA's air cargo screening program. Today I look forward to Mr. Lord's testimony in which he will shed light on key recommendations that will delve into the program's goals of TSA air cargo screening initiatives.

Mr. Sammon, I look forward to your testimony, particularly with regard to TSA's perspective on the recommendations GAO has provided. Earlier this year, we learned that interagency cooperation continues to be a challenge within the Department.

GAO has testified before this subcommittee, emphasizing the lack of coordinating efforts aimed at streamlining technology goals, which can be crucial in fulfilling mandates such as the 100 percent air cargo screening deadline. Today I look forward to receiving a status update from TSA on coordination efforts between TSA, S&T, and industry. We need to ensure that the work in progress made by industry relevant to screening can be leveraged by TSA to effectively screen and detect explosives hidden in air cargo.

We will also hear from stakeholders who have concern about TSA's plan to implement this mandate. I look forward to this input from the private sector, which is playing a critical role in this endeavor to screen all cargo on passenger planes. We are all interested in strengthening aviation security and protecting the traveling public.

Again, I thank the Chairwoman for hosting this important hearing and thank the witnesses for appearing before us today.

Ms. JACKSON LEE. The gentleman yields back. Other Members of the subcommittee are reminded that under committee rules opening statements may be submitted for the record.

At this time I welcome our first panel of witnesses. Our first witness is Mr. John Sammon, Assistant Administrator for Transportation Sector Network Management at TSA. Mr. Sammon leads a unified effort to protect and secure our Nation's transportation systems, bringing more than 25 years of transportation experience to his position, including management of customer networks for railroads, motor carriers, ocean carriers, petrochemical manufacturers, ports, and other public agencies.

Our second witness, Mr. Stephen Lord, is Director of GAO's Homeland Security and Justice Issues Division and is responsible for directing numerous GAO engagements on aviation and surface transportation issues.

Mr. Lord was a key member of the 2007 Iraq Benchmarks Assessment Team that received a GAO integrity award for exceptional analysis of the Iraq Government's progress in meeting 18 legislative security and economic benchmarks.

Without objection, the witnesses' full statements will be inserted in the record.

I now ask each witness to summarize his statement for 5 minutes, beginning with Mr. Sammon. Mr. Sammon, you are recognized for 5 minutes.

STATEMENT OF JOHN SAMMON, ASSISTANT ADMINISTRATOR, TRANSPORTATION SECTOR NETWORK MANAGEMENT, TRANSPORTATION SECURITY ADMINISTRATION

Mr. SAMMON. Good afternoon, Chairman Thompson, Chairwoman Jackson Lee, Ranking Member Dent, and distinguished Members of the subcommittee. I am pleased to report on TSA's considerable progress in establishing a system for screening 100 percent of cargo on passenger aircraft. First, thank you for the guidance of your subcommittee, and I would also like to thank Chairwoman Jackson Lee and other Members of the subcommittee for your kind and warm recognition of the late Ed Kelly's contributions to air travel safety and security.

In less than 3 years, TSA has created a Safety Act-approved Certified Cargo Screening Program, issued an interim final Air Cargo rule, reached out to over 100,000 businesses, doubled the U.S. air cargo screening capacity by certifying 790 new screening facilities, approved 77 screening technologies, vetted 300,000 air cargo workers, added 114 canine teams, trained 450 inspectors to certify cargo facilities, eliminated nearly all screening exemptions, screened all air cargo on 96 percent of U.S.-originated flights 1½ years ahead of schedule, required screening on high-risk international cargo, and engaged all aspects of the international community to raise overseas cargo screening standards.

The TSA plan is based upon increased screening capacity coupled with Government inspection. Consistent with what TSA has told Congress over the past several years, we expect to meet the August 2010 screening requirement for U.S.-originated cargo, but in-bound

international will take several years longer because many sovereign foreign governments have yet to implement the verifiable, 100 percent cargo screening programs. Without verifiable Government cargo programs, TSA cannot fully confirm that cargo is being screened overseas.

In the United States, TSA's plan is built on airlines, forwarders, and shippers and TSA canines doing the screening with TSA inspectors verifying the screening. Our estimate shows sufficient capacity for the United States, but we have also added capacity with 67 independent facilities and by training our 450 inspectors to certify freight forwarders and shippers.

TSA's international plan is built upon continuously raising airline screening requirements while we work with foreign governments to create cargo screening capacity and inspection.

TSA's plan estimates that 82 percent of all cargo will be screened by August 2010, 90 percent by 2011, 96 percent by 2012, and 100 percent by 2013. Enforcement in the United States is through the 450 cargo inspectors and TSA covert and overt testing. International enforcement, on the other hand, ultimately relies on foreign government cargo programs and inspectors.

Despite much progress, a number of challenges remain. First, it is getting sustainable, foreign government screening programs in place.

The second challenge is cargo screening technology. While TSA has approved 77 technologies from various manufacturers, we need large aperture, affordable, multi-commodity technologies. We share the committee's concern about the pace to develop and improve new technologies.

The third challenge is to continuously improve cargo screening, training, and effectiveness.

The fourth challenge is tightening chain of custody standards related to seals, tamper-evident packaging, and information transfer.

TSA appreciates the professionalism and expertise of Steve Lord and his team at GAO. We have worked closely with them, and I would like to discuss their recommendations.

The first recommendation is to establish milestones for the completion of TSA staffing study. TSA concurs, and we will have that study done this fall.

Second, develop a mechanism to verify the accuracy of all screening data. TSA concurs with the need for in-bound cargo data, but the ability to verify reported in-bound data will be a challenge.

Third, develop a plan for screening in-transit cargo. TSA has implemented in-transit screening requirements effective August 1, 2010.

Fourth, develop a contingency plan for meeting the mandate for domestic cargo. TSA does not concur and intends to enforce the mandate for domestic cargo in the United States.

No. 5, develop an in-bound cargo. TSA concurs and is finalizing plans.

In closing, I again would like to thank the committee and would be happy to answer any questions. Thank you.

[The statement of Mr. Sammon follows:]

PREPARED STATEMENT OF JOHN SAMMON

JUNE 30, 2010

Good afternoon Chairwoman Jackson Lee, Ranking Member Dent, and distinguished Members of the subcommittee. I am pleased to appear before you today to update you on our progress in implementing a system for screening 100 percent of cargo carried aboard passenger aircraft. First, let me thank you for the on-going guidance and oversight your subcommittee has provided and continues to provide as we work through this considerable challenge. I would also like to thank the Government Accountability Office, whose professionalism and expertise have provided additional assistance as we proceed forward.

My message to you today is twofold: First, both we and the industry are ready—as of August 1, 2010, no unscreened cargo will be uploaded onto a passenger aircraft departing an airport in the United States. Quite simply, if it isn't screened, it won't fly. All segments of the air cargo community are prepared, and we expect that this will happen with little disruption.

Second, international in-bound air cargo on passenger aircraft is more secure than it has ever been, with 100 percent of currently identified high-risk cargo now being screened. Although 100 percent screening of all in-bound air cargo cannot reasonably be achieved by August 1, 2010, we are making substantial progress toward meeting the 100 percent mark in the next few years.

SECURITY OF DOMESTIC CARGO—THE CERTIFIED CARGO SCREENING PROGRAM

As you know, from the time the 100 percent screening requirement was enacted in August 2007 as part of the Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Act), everyone recognized that the air carriers could not do it alone. Thus began the Transportation Security Administration's (TSA) unprecedented outreach to all elements of the cargo industry in the United States (to over 100,000 companies) and an intense collaborative effort among TSA, air carriers, freight forwarders, the shipping community, and major associations such as Air Forwarders Association and the Air Transport Association.

The centerpiece of this program continues to be the Certified Cargo Screening Program (CCSP), under which responsibility for the screening of cargo is distributed throughout the supply chain to improve security while minimizing the potential negative impact on the integrity and movement of commerce—precisely what would happen if we allowed a screening bottleneck to occur at the Nation's airports. After piloting the concept, the CCSP was permanently established in 2009 through an Interim Final Rule. As of today, TSA has certified more than 760 entities as Certified Cargo Screening Facilities, which are currently contributing over 47 percent of the screened cargo volume (by weight) transported on passenger aircraft departing U.S. airports. These entities have reported that they already have capacity to screen nearly the entire remaining unscreened volume as we approach the August 2010 deadline, if it becomes necessary.

Beginning in October 2008, TSA has been steadily increasing the required percentage of screened air cargo. As of October 1, 2008, TSA has required 100 percent screening of cargo transported on narrow body aircraft, resulting in full protection of 96 percent of all domestic passenger flights. And as we know, it is about the passengers, not the boxes; it is more than noteworthy that screening of cargo on these flights translates into protection of more than 86 percent of all passengers flying domestically.

While industry is positioned to achieve the 100 percent screening mandate, challenges remain in screening specific commodity types and cargo configurations such as bulk configurations (i.e., large skids and pallets), perishables, electronics, chemicals, and pharmaceuticals. Nonetheless, there continue to be limits on the capability of specific screening technologies. In the past 2 years, TSA has qualified or approved 77 different screening technology models to help industry make effective capital investment decisions and provide screening options to meet the requirement.

SCREENING INBOUND INTERNATIONAL AIR CARGO

As TSA has consistently indicated in many settings, including in prior testimony before this subcommittee, the challenges presented by the international setting have made it unlikely that Congress's ambitious schedule for 100 percent screening could be met with respect to in-bound air cargo. The genesis of the challenge is simple: An estimated 2.8 billion pounds of air cargo arrives on passenger aircraft from 94 different sovereign nations annually via a global air cargo supply chain with a vast number of participants. Those 94 nations have unique air cargo security programs

and regulatory requirements, many of which differ significantly from those required by TSA.

Accordingly, TSA's approach to international in-bound air cargo must necessarily be flexible and diplomatic. We have been pursuing many options that have already significantly increased the security of in-bound air cargo and are finalizing a strategy for achieving 100 percent screening.

In general, the milestone can be reached via two major avenues—cooperation with key foreign government partners to explore possible recognition of National air cargo security programs that we have examined and determined to be commensurate with U.S. standards; and by imposing a timeline for requiring additional screening by air carriers. The former is the preferred course, as it would permit airlines flying into the United States to adhere to either the TSA security program or a foreign country's commensurate security program.

In the mean time, we are also working with stakeholders, including Federal agencies and international partners, to continually strengthen security standards for in-bound air cargo. TSA's efforts focus on strengthening air cargo security standards through information sharing and direct engagement with international organizations and partner countries. TSA is currently engaged in multiple bilateral and multilateral initiatives and has made significant progress recently in its work with the European Commission (EC) to assess the comparability of air cargo security standards of European Union Member States. Engaging in such initiatives and establishing partnerships increases the cross-sharing of information regarding international air cargo security best practices and will identify potential candidate countries whose security regimes can be recognized as National cargo security programs (NCSP), that is, programs with security standards commensurate with those of the United States.

In March 2009, TSA's proposal to the International Civil Aviation Organization (ICAO) to incorporate key air cargo supply chain security and threat detection concepts into the security Standards and Recommended Practices (SARPs) of Annex 17 to the Convention on International Civil Aviation of 1944 (the Chicago Convention) was accepted by ICAO's Aviation Security Panel. The proposal, which strengthens ICAO's standards by stressing the importance of detection methods in screening over security controls alone, is currently being reviewed by ICAO Contracting States, after which it will be submitted to the ICAO Council for consideration and approval. TSA worked closely with the International Air Transport Association (IATA) and foreign government partners on this effort.

TSA is also working closely with U.S. Customs and Border Protection (CBP) to explore the feasibility of leveraging CBP's Automated Targeting System (ATS) to collect, pre-departure, information on international in-bound air cargo, which will allow TSA to perform baseline threshold targeting. Though it will not fulfill the screening requirement of the 9/11 Act, the use of ATS will provide a greater level of shipment information, thereby enabling TSA to even more effectively identify elevated-risk cargo that would be subject to additional screening prior to departure.

As with our domestic screening, program TSA's stakeholder outreach has been vigorous. TSA's international outreach efforts have included the IATA and other industry associations such as the International Air Cargo Association, as well as numerous U.S.- and foreign-flag air carriers. TSA has participated in meetings and conferences throughout the world, directly engaging with industry representatives and also continues to engage with its foreign government counterparts around the globe. This is evidenced by TSA's recent participation in the Asia Pacific Economic Cooperation Air Cargo Security Conference in Singapore, recent meetings with the European Commission, and participation in the Association of Asia Pacific Airlines conference in Kuala Lumpur, Malaysia. TSA will continue to focus on comprehensive outreach activities and engage all stakeholders as it moves forward with these efforts.

The success of a 100 percent screening requirement will depend in part on an effective inspection and enforcement program—we cannot simply impose a requirement and declare victory. The domestic screening program will be monitored by a robust, on-going process of inspection and enforcement. We currently have 500 cargo inspectors in the United States who are already conducting focused inspections to ensure compliance. In the international milieu, many of the same considerations that are challenging us in creating a screening program will also be a challenge with respect to inspection of that program. TSA cannot enter and inspect in foreign countries without the consent of the host country, and even with consent, would not have nearly the same level of access as we have in the United States. As with other aspects of international screening we will have to rely on foreign government programs to validate that the screening is occurring as required. This can only be ac-

complished through the recognition and acceptance of NCSPs, through which we would have access to their inspection data.

In closing, it bears repeating that our success in this endeavor thus far and going forward depends upon the dedication of and collaboration among all of our partners—the aviation industry, freight forwarders, shippers, as well as our international partners. Together, and with the continued guidance and oversight of this subcommittee, I am confident that the goal of 100 percent screening of domestic air cargo by August 1, 2010, will be achieved. In concrete terms, this means the domestic screening program will be securing 250 million pounds of cargo per month, or over 3 billion pounds of cargo per year. I am likewise confident that, working with industry and our international partners, we will continue to address and overcome the unique challenges of securing inbound international air cargo to achieve the same milestone in the next few years.

Thank you again for the opportunity to testify. I am happy to take any questions you may have.

Ms. JACKSON LEE. Thank you for your testimony. I now recognize Mr. Lord to summarize his statements for 5 minutes. Mr. Lord, you are recognized.

STATEMENT OF STEPHEN LORD, DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. LORD. Thank you, Madam Chairwoman. I am really excited about the opportunity to testify today on the report that we are releasing just today to your committee on TSA's air cargo screening program.

What I would like to do today is highlight some of the key findings and recommendations of our report; namely, TSA's progress towards meeting the mandate and also some of the associated challenges it faces in doing so.

As noted by my distinguished TSA colleague, I would like to first note that TSA has taken a number of important actions to address the screening mandate for domestic cargo. This includes establishing the so-called Certified Cargo Screening Program, the CCSP, which allows screening to take place earlier in the air cargo supply train.

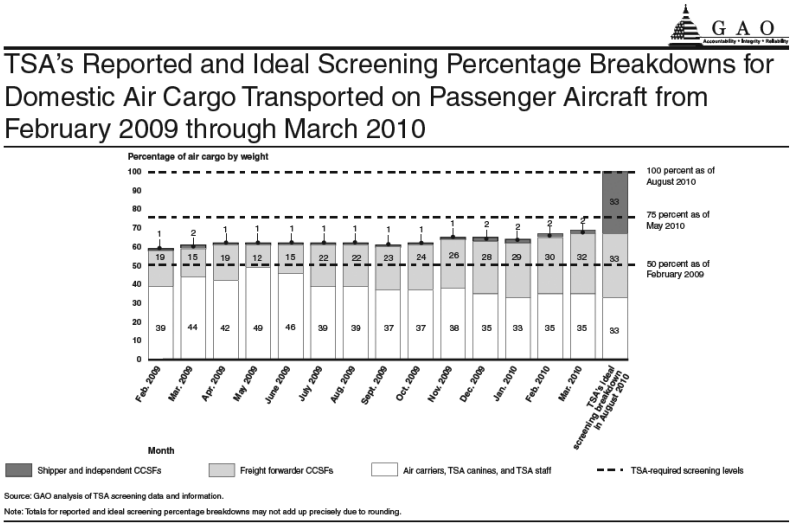
TSA initiated this program at 18 major gateway airports and later expanded it to all airports in early 2009. TSA is also taking some important steps to test and qualify various technologies for screening cargo. For example, in November 2008, they issued a list of technologies approved for screening air cargo. This is very useful for the entities out there screening. Also, in early 2009, they initiated a qualification process to help ensure that these technologies met TSA technical requirements.

However, despite these promising developments, TSA faces several significant challenges in establishing a system to screen 100 percent of domestic air cargo. One major issue is industry participation, and we have a graphic prepared for the hearing today I would like to turn your attention to. I am not sure if you can read it from there, but I would like to draw your attention to two trends. Overall screening levels have increased steadily through March 2010. TSA reports to us they are now screening 68 percent of all cargo as of March 2010.

However, the line I want to draw your attention to is the amount being screened by shippers, which is an essential part of their business model. If you look at the top dark shaded line in each bar,

that is the amount being screened by shippers. As you see, it has held relatively static since they started recording the data.

[The information follows:]



Mr. LORD. So it is clear to us a significant number of shippers are sitting on the fence waiting to see what happens, and you really need their participation to make this business model work.

Although TSA often reports to us that unscreened cargo is not going to fly, I am also concerned about the potential for unscreened cargo remaining at airports that does not fly. That is potentially disruptive to commerce. So I was hoping today's hearing could help us get a little more perspective on that issue; what happens to the cargo that remains on the ground.

Another key challenge is despite what some vendors may have told you and your staff, the TSA has not approved or qualified any technology for screening the so-called unit loading pallets and containers, and these are the large devices commonly used to load cargo on wide-body aircraft. Because of these daunting challenges in the report we issued today, we suggested that TSA come up with a so-called plan B, a contingency plan, to identify some additional options for meeting the mandate, given all the challenges we had laid out.

Some of these alternatives could include requiring CCSP; that is the screening program participation, instead of relying on voluntary participation or mandating that more of the cargo be screened before it is loaded on to these big large ULD pallets and containers.

TSA could also strategically redeploy some other assets to these 18 major airports to help minimize the disruptions that could occur. Although TSA did not agree with the recommendation in this report, we continue to think it is really important to come up with a so-called plan B.

The good news is TSA did agree with several other of our report recs. This includes identifying the number of inspectors you are going to need to conduct oversight of the program, screening the so-called in transit cargo and, as Mr. Sammon pointed out also, improving the accuracy of the TSA screening data that TSA tallies, which is ultimately reported to this committee.

So in closing, screening the cargo entering the United States is also a significant outstanding issue and TSA confirmed that it will not, I repeat, not be able to meet the August deadline for the in-bound cargo.

That concludes my statement. I would be happy to answer any questions that you or other Members may have.

[The statement of Mr. Lord follows:]

PREPARED STATEMENT OF STEPHEN LORD

JUNE 30, 2010

Madam Chairwoman and Members of the subcommittee: I appreciate the opportunity to participate in today's hearing to discuss air cargo screening. In 2008, about 7.3 billion pounds of cargo was transported on U.S. passenger flights—approximately 58 percent of which was transported domestically (domestic cargo) and 42 percent of which was transported on flights arriving in the United States from a foreign location (in-bound cargo).[1] The 2009 Christmas day plot to detonate an explosive device during an international flight bound for Detroit provided a vivid reminder that terrorists continue to view passenger aircraft as attractive targets. According to the Transportation Security Administration (TSA), the security threat posed by terrorists introducing explosive devices in air cargo shipments is significant, and the risk and likelihood of such an attack directed at passenger aircraft is high.[2] To help enhance the security of air cargo, the Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Commission Act) mandated the Department of Homeland Security (DHS) to establish a system to physically screen 50 percent of cargo on passenger aircraft—including the domestic and in-bound flights of foreign and U.S. passenger operations—by February 2009, and 100 percent of such cargo by August 2010.[3] The 9/11 Commission Act defines screening for purposes of the air cargo screening mandate as a physical examination or nonintrusive methods of assessing whether cargo poses a threat to transportation security.[4] The Act also requires that such a system provide a level of security commensurate with the level of security for the screening of checked baggage.

According to TSA, the mission of its air cargo security program is to secure the air cargo transportation system while not unduly impeding the flow of commerce. Although the mandate is applicable to both domestic and inbound cargo, TSA stated that it must address the mandate for domestic and in-bound cargo through separate systems because of differences in its authority to regulate domestic and international air cargo industry stakeholders. My statement is based on a report we are publicly releasing today that assesses TSA's progress and related challenges in meeting the air cargo screening mandate.[5] It addresses the following key issues in our report: Progress TSA has made in meeting the 9/11 Commission Act screening mandate as it applies to: (1) Domestic air cargo and (2) in-bound air cargo and related challenges it faces for each.

For our report, we reviewed documents such as TSA's air cargo security policies and procedures. We also conducted site visits to four category X U.S. commercial

[1] For the purposes of this statement, domestic cargo refers to cargo transported by air within the United States and from the United States to a foreign location by both U.S. and foreign air carriers, and in-bound cargo refers to cargo transported by both U.S. and foreign air carriers from a foreign location to the United States. These cargo statistics were provided by the Transportation Security Administration from the Bureau of Transportation Statistics.

[2] Specific threat details are classified and are not discussed in this statement. Generally, the threat that has been identified by TSA is that of an improvised explosive device.

[3] Pub. L. No. 110–53, § 1602, 121 Stat. 266, 477–80 (codified at 49 U.S.C. § 44901(g)).

[4] See 49 U.S.C. § 44901(g)(5). For the purposes of this statement, physical screening is generally used to describe screening for purposes of the air cargo screening mandate.

[5] GAO, *Aviation Security: TSA Has Made Progress but Faces Challenges in Meeting the Statutory Mandate for Screening Air Cargo on Passenger Aircraft,* GAO–10–446 (Washington, DC: June 28, 2010).

airports and one category I U.S. commercial airport that process domestic and in-bound air cargo.[6] We selected these airports based on airport size, passenger and air cargo volumes, location, and participation in TSA's screening program. At these airports, we observed screening operations and technologies and interviewed local TSA officials, airport management officials, and representatives from 7 air carriers, 24 freight forwarders, 3 shippers, and 2 handling agents to obtain their views on TSA's system to implement the screening mandate.[7] We selected these air carriers, freight forwarders, shippers, and handling agents based on input from TSA and industry stakeholders. More detailed information about our scope and methodology is included in our June 2010 report. We conducted this work in accordance with generally accepted Government auditing standards.

In summary, TSA has taken a number of actions to meet the screening mandate as it applies to domestic cargo, including creating a voluntary program to allow screening to take place at various points in the air cargo supply chain and mandating that, effective May 1, 2010, 75 percent of all cargo transported on passenger aircraft is screened. However, TSA faces several challenges in developing and implementing a system to screen 100 percent of domestic air cargo, and it is questionable, based on reported screening rates, whether 100 percent of such cargo will be screened by August 2010 without impeding the flow of commerce. Moreover, TSA has made some progress in meeting the screening mandate as it applies to in-bound cargo, but challenges exist, in part related to TSA's limited ability to regulate foreign entities. TSA does not expect to achieve 100 percent screening of in-bound air cargo by the mandated August 2010 deadline. We made five recommendations to TSA to address these challenges. TSA concurred with three of these recommendations, partially concurred with one, and did not concur with the remaining recommendation, which we discuss in more detail later in this statement.

TSA HAS MADE PROGRESS TOWARD SCREENING 100 PERCENT OF DOMESTIC CARGO, BUT REMAINING CHALLENGES HIGHLIGHT THE NEED FOR A CONTINGENCY PLAN

TSA has made progress in meeting the 9/11 Commission Act air cargo screening mandate as it applies to domestic cargo, and has taken several key steps in this effort, such as increasing the amount of domestic cargo subject to screening, creating a voluntary program to allow screening to take place at various points along the air cargo supply chain, and taking steps to test air cargo screening technologies, among other actions. However, TSA faces several challenges in fully developing and implementing a system to screen 100 percent of domestic air cargo, including those related to industry participation and technology.

Progress Made

TSA has taken several steps to address the air cargo screening mandate as it applies to domestic cargo including the following.

TSA increased the amount of domestic cargo subject to screening. Effective October 1, 2008, TSA established a requirement for 100 percent screening of nonexempt cargo transported on narrow-body passenger aircraft.[8] In 2008, narrow-body flights transported about 24 percent of all cargo on domestic passenger flights.[9] Effective February 1, 2009, pursuant to the 9/11 Commission Act, TSA also required air carriers to ensure the screening of 50 percent of all nonexempt air cargo transported on all passenger aircraft. Furthermore, effective May 1, 2010, air carriers were re-

[6] There are about 450 commercial airports in the United States. TSA classifies airports into one of five categories (X, I, II, III, and IV) based on various factors, such as the total number of takeoffs and landings annually, the extent to which passengers are screened at the airport, and other special security considerations. In general, category X airports have the largest number of passenger boardings, and category IV airports have the smallest.

[7] For the purposes of this statement, the term freight forwarder only includes those freight forwarders that are regulated by TSA, also referred to as indirect air carriers. A freight forwarder is a company that consolidates cargo from multiple shippers onto a master air waybill)—a manifest of the consolidated shipment—and delivers the shipment to air carriers for transport.

[8] TSA exempts some categories of air cargo from physical screening and requires alternative methods of screening, such as verifying shipper and cargo information and visually inspecting the cargo shipment, rather than opening the shipment and physically searching its contents or screening it with technology. For the purposes of this statement, the phrase "exempt cargo" and the word "exemption" refer to cargo that is subject to such alternative screening measures. Narrow-body aircraft, such as Boeing 737s and Airbus 320s, are defined by fuselage diameter, and most narrow-body aircraft have only one aisle. Narrow-body aircraft that fly in the United States do not carry unit load devices (ULD) that allow packages to be consolidated in a container or pallet. Wide-body aircraft are also defined by fuselage diameter and can carry ULDs.

[9] According to statistics provided by TSA from the Bureau of Transportation Statistics, narrow-body aircraft make up 97 percent of domestic passenger flights and transport more than 90 percent of passengers traveling on domestic passenger flights.

quired by TSA to ensure that 75 percent of such cargo was screened. TSA also eliminated or revised most of its screening exemptions for domestic cargo.

TSA created a voluntary program to facilitate screening throughout the air cargo supply chain. Since TSA concluded that relying solely on air carriers to conduct screening would result in significant cargo backlogs and flight delays, TSA created the voluntary Certified Cargo Screening Program (CCSP) to allow screening to take place earlier in the shipping process, prior to delivering the cargo to the air carrier. Under the CCSP, facilities at various points in the air cargo supply chain, such as shippers, manufacturers, warehousing entities, distributors, third-party logistics companies, and freight forwarders that are located in the United States, may voluntarily apply to TSA to become certified cargo screening facilities (CCSF). TSA initiated the CCSP at 18 U.S. airports that process high volumes of air cargo, and then expanded the program to all U.S. airports in early 2009.

TSA is conducting outreach efforts to air cargo industry stakeholders. Starting in September 2007, TSA began outreach to freight forwarders and subsequently expanded its outreach efforts to shippers and other entities to encourage participation in the CCSP. TSA is focusing its outreach on particular industries, such as producers of perishable foods, pharmaceutical and chemical companies, and funeral homes, which may experience damage to their cargo if it is screened by a freight forwarder or an air carrier.

TSA is taking steps to test technologies for screening air cargo. To test select screening technologies among CCSFs, TSA created the Air Cargo Screening Technology Pilot in January 2008, and selected some of the Nation's largest freight forwarders to use these technologies and report on their experiences.[10] In a separate effort, in July 2009, DHS's Directorate for Science and Technology completed the Air Cargo Explosives Detection Pilot Program that tested the performance of select baggage screening technologies for use in screening air cargo at three U.S. airports. In November 2008, in addition to the canine and physical search screening methods permitted by TSA to screen air cargo, TSA issued to air carriers and CCSFs a list of X-ray, explosives trace detection (ETD), and explosives detection systems (EDS) models that the agency approved for screening air cargo until August 3, 2010.[11] In March 2009, TSA initiated a qualification process to test these and other technologies that it plans to allow air carriers and CCSP participants to use in meeting the screening mandate against TSA technical requirements.

TSA expanded its explosives detection canine program. TSA has taken steps to expand the use of TSA-certified explosives detection canine teams. According to TSA, in fiscal year 2009, TSA canine teams screened over 145 million pounds of cargo, which represents a small portion of domestic air cargo. As of February 2010, TSA had 113 dedicated air cargo screening canine teams-operating in 20 major airports—and is in the process of adding 7 additional canine teams. TSA also deployed canine teams to assist the Pacific Northwest cherry industry during its peak harvest season from May through July 2009, to help air carriers and CCSFs handling this perishable commodity to meet the 50 percent screening requirement without disrupting the flow of commerce.

TSA established a system to verify that screening is being conducted at the mandated levels. The agency established a system to collect and analyze data from screening entities to verify that requisite levels for domestic cargo are being met. Effective February 2009, TSA adjusted air carrier reporting requirements and added CCSF reporting requirements to include monthly screening reports on the number and weight of shipments screened.

Challenges Facing TSA

TSA faces industry participation, technology, planning, oversight, and other challenges in meeting the air cargo screening mandate as it applies to domestic cargo.

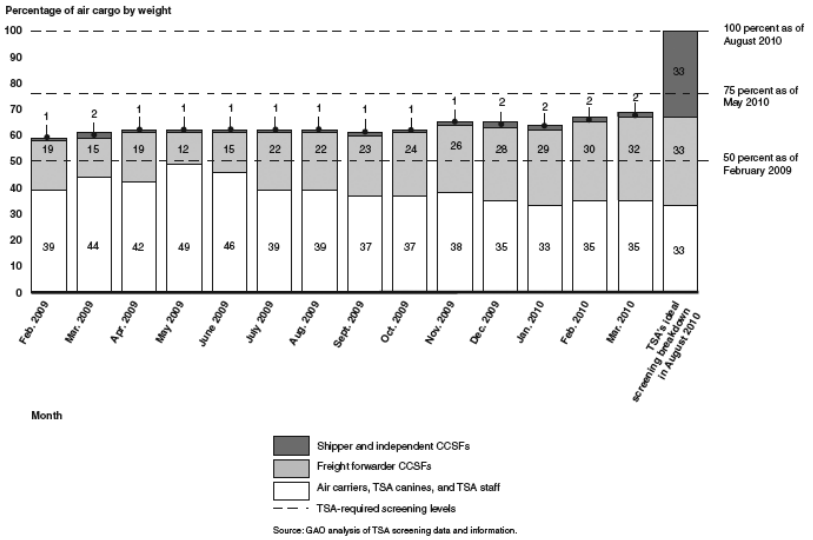
Industry Participation. Although TSA is relying on the voluntary participation of industry stakeholders to meet the screening mandate, far fewer shippers and independent CCSFs have joined the program than TSA had targeted. As shown in figure

[10] Initially, the Air Cargo Screening Technology Pilot was limited to high-volume freight forwarders (i.e., freight forwarders processing at least 200 shipments annually per location that contain cargo consolidated from multiple shippers). However, in November 2008, TSA sought additional high-volume freight forwarders and independent cargo screening facilities to apply for the pilot. Moreover, entities that do not participate in the pilot will not receive TSA funding to purchase screening technology.

[11] ETD requires human operators to collect samples of items to be screened with swabs, which are chemically analyzed to identify any traces of explosive material. EDS uses computer-aided tomography X-rays to examine objects inside baggage and identify the characteristic signatures of threat explosives. In December 2009, TSA extended the expiration date of the approved technologies to January 2012.

1, TSA officials have estimated that an ideal mix of screening to achieve the 100 percent mandate as it applies to domestic cargo without impeding the flow of commerce would be about one-third of cargo weight screened by air carriers, one-third by freight forwarders, and one-third by shippers and independent CCSFs.[12]

Figure 1: TSA's Reported and Ideal Screening Percentage Breakdowns for Domestic Air Cargo Transported on Passenger Aircraft from February 2009 through March 2010



Source: GAO analysis of TSA screening data and information.

Note: Totals for reported and ideal screening percentage breakdowns may not add up precisely because of rounding.

To achieve TSA's ideal mix of screening by August 2010, shipper and independent CCSF screening efforts would need to increase by over sixteen-fold. As shown in figure 1, the total percentage of reported screened cargo rose on average by less than a percentage point per month (from 59 to 68 percent) from February 2009 through March 2010.[13] At these rates, it is questionable whether TSA's screening system will achieve 100 percent screening of domestic cargo by August 2010 without impeding the flow of commerce. Effective May 1, 2010, TSA requires that 75 percent of air cargo transported on passenger aircraft be screened. However, even if this requirement is met, an additional 25 percent of domestic air cargo would still need to be screened in the 3 months prior to the August 2010 deadline, including some of the most challenging types of cargo to screen, such as unit load device (ULD) pallets and containers.

TSA and industry officials reported that several factors, such as lack of economic and regulatory incentives, are contributing to low shipper participation levels. TSA and the domestic passenger air carrier and freight forwarder industry association officials we interviewed stated that many shippers and freight forwarders are not incurring significant screening costs from air carriers. This decreases the financial pressure on the entities to join the CCSP and invest resources into screening cargo, factors that are making TSA's outreach efforts more challenging.

Screening Technology. There is currently no technology approved or qualified by TSA to screen cargo once it is loaded onto a ULD pallet or container—both of which are common means of transporting air cargo on wide-body passenger aircraft. Cargo transported on wide-body passenger aircraft makes up 76 percent of domestic air

[12] The CCSP allows air cargo industry stakeholders, such as an air cargo handling agent, to establish independent cargo screening facilities to provide screening services for shippers or freight forwarders that have not joined the program and do not want the air carriers to screen their cargo. These independent facilities screen cargo for a fee, according to CCSP guidelines. For the purposes of this statement, we refer to independent cargo screening facilities as independent CCSFs.

[13] The screening percentages in fig. 1 have been rounded to the nearest percentage point. The actual percentages for March 2010 sum to 68 percent.

cargo shipments transported on passenger aircraft.[14] Prior to May 1, 2010, canine screening was the only screening method, other than physical search, approved by TSA to screen such cargo. However, TSA officials still have some concerns about the effectiveness of the canine teams, and effective May 1, 2010, the agency no longer allows canine teams to be used for primary screening of ULD pallets and containers.[15] Canine teams still may be used for secondary screening of ULD pallets and containers; however, secondary screening does not count toward meeting the air cargo screening mandate.

In addition, TSA is working to complete qualification testing of air cargo screening technologies; thus, until all stages of qualification testing are concluded, the agency may not have reasonable assurance that the technologies that air carriers and program participants are currently allowed to use to screen air cargo are effective. Qualification tests are designed to verify that a technology system meets the technical requirements specified by TSA. Because of the mandated deadlines, TSA is conducting qualification testing to determine which screening technologies are effective at the same time that air carriers are using these technologies to meet the mandated requirement to screen air cargo transported on passenger aircraft. While we recognize that certain circumstances, such as mandated deadlines, require expedited deployment of technologies, our prior work has shown that programs with immature technologies have experienced significant cost and schedule growth.[16] We reported that these technology challenges suggest the need for TSA to consider a contingency plan to meet the screening mandate without unduly affecting the flow of commerce.

Contingency Planning. Although TSA faces industry participation and technology challenges that could impede the CCSP's success and the agency's efforts to meet the 100 percent screening mandate by August 2010, the agency has not developed a contingency plan that considers alternatives to address these challenges. Without adequate CCSP participation, industry may not be able to screen enough cargo prior to its arrival at the airport to maintain the flow of commerce while meeting the mandate. Likewise, without technology solutions for screening cargo in a ULD pallet or container, industry may not have the capability to effectively screen 100 percent of air cargo without affecting the flow of commerce. We have previously reported that a comprehensive planning process, including contingency planning, is essential to help an agency meet current and future capacity challenges.[17] Alternatives could include, but are not limited to, mandating CCSP participation for certain members of the air cargo supply chain—instead of relying on their voluntary participation—and requiring the screening of some or all cargo before it is loaded onto ULD pallets and containers. In the report being released today, we recommended that TSA develop a contingency plan for meeting the mandate as it applies to domestic cargo that considers alternatives to address potential CCSP participation shortfalls and screening technology limitations. TSA did not concur with this recommendation and stated that a contingency plan is unnecessary since effective August 1, 2010, 100 percent of domestic cargo transported on passenger aircraft will be required to be screened. The agency also stated that there is no feasible contingency plan that can be implemented by TSA that does not compromise security or create disparities in the availability of screening resources. However, we continue to believe that there are feasible alternatives that TSA should consider to address potential CCSP participation shortfalls and screening technology limitations. Thus, it is prudent that TSA consider developing a contingency plan that would allow for the security and legitimate flow of air cargo.

Inspection Resources. While TSA has amended its Regulatory Activities Plan to include inspections of CCSP participants, the agency has not completed its staffing study to determine how many inspectors will be necessary to provide oversight of the additional program participants when the 100 percent screening mandate goes into effect. According to TSA, the agency's staffing study is continuing through fiscal year 2010 and is therefore not yet available to provide guidance in helping to plan for inspection resources needed to provide oversight. According to our analysis of TSA data, in the next year, inspectors will need to at least double their comprehensive inspections of CCSFs to reach the agency's inspection goals. We recommended that TSA create milestones to help ensure completion of the staffing study. TSA con-

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[14] Cargo may be screened before it is loaded onto ULD pallets or containers.

[15] TSA canine teams conduct primary and secondary screening of cargo. Primary screening counts toward meeting the air cargo screening mandate. Secondary screening provides spot checks of the screening already conducted by air carriers and CCSFs.

[16] See GAO, *Defense Acquisitions: Measuring the Value of DOD's Weapon Programs Requires Starting with Realistic Baselines,* GAO–09–543T (Washington, DC: Apr. 1, 2009).

[17] GAO, *Federal Law Enforcement Training Center: Capacity Planning and Management Oversight Need Improvement,* GAO–03–736 (Washington, DC: July 24, 2003).

curred and stated that as part of the staffing study, the agency is working to develop a model to identify the number of required transportation security inspectors and that this effort would be completed in the fall of 2010. If this model includes an analysis of the resources needed to provide CCSP oversight under various scenarios, it will address the intent of our recommendation.

Reported Screening Data. While TSA reported to Congress that industry achieved the February 2009 50 percent screening deadline domestically, questions exist about the reliability of the screening data, which are self-reported by industry representatives, because TSA does not have a mechanism to verify the accuracy of the data reported by the industry. We recommended that TSA develop a mechanism to verify the accuracy of all screening data through random checks or other practical means. TSA stated that verifying the accuracy of domestic screening data will continue to be a challenge because there is no means to cross-reference local screening logs—which include screening information on specific shipments—with screening reports submitted by air carriers to TSA that do not contain such information. However, TSA could consider a quality review mechanism similar to the compliance measurement program used by CBP, which includes regular quality reviews to ensure accuracy in findings and management oversight to validate results.

In-Transit Cargo. Cargo that has already been transported on one leg of a passenger flight—known as in-transit cargo—may be subsequently transferred to another passenger flight without undergoing screening. According to TSA officials, though the agency does not have a precise figure, industry estimates suggest that about 30 percent of domestic cargo is transferred from an in-bound flight. TSA officials stated that transporting in-transit cargo without screening could pose a vulnerability, but as of February 2010, the agency was not planning to require in-transit cargo transferred from an in-bound flight to be physically screened because of the logistical difficulties associated with screening cargo that is transferred from one flight to another. We recommended that TSA develop a plan with milestones for how and when it intends to require the screening of in-transit cargo. TSA concurred with our recommendation and stated that the agency has implemented changes, effective August 1, 2010, that will require 100 percent of in-transit cargo to be screened unless it can otherwise be verified as screened. Because this is a significant change and potentially operationally challenging, it will be important to closely monitor the industry's understanding and implementation of this requirement to help ensure that 100 percent screening of in-transit cargo is being conducted.

TSA HAS MADE PROGRESS BUT FACES SEVERAL CHALLENGES AND LACKS A PLAN FOR ACHIEVING 100 PERCENT SCREENING OF IN-BOUND CARGO

TSA has taken steps to increase the percentage of in-bound cargo transported on passenger aircraft that is screened, but the agency has not developed a plan, including milestones, for meeting the mandate as it applies to in-bound cargo. Consequently, TSA officials have stated that the agency will not be able to meet the mandate as it applies to in-bound cargo by the August 2010 deadline.

Steps Taken

Steps TSA has taken to increase the percentage of in-bound air cargo that is screened include the following:

- Revising its requirements for foreign and U.S. air carrier security programs, effective May 1, 2010, to generally require air carriers to screen a certain percentage of shrink-wrapped and banded in-bound cargo and 100 percent of in-bound cargo that is not shrink-wrapped or banded.[18] According to TSA, implementation of this requirement will result in the screening of 100 percent of in-bound cargo transported on narrow-body aircraft since none of this cargo is shrink-wrapped or banded.[19]
- Obtaining information from foreign countries on their respective air cargo screening levels and practices to help assess the rigor and quality of foreign screening practices.

[18] Details on TSA's screening requirements are Sensitive Security Information and are not discussed in this statement. Prior to May 1, 2010, TSA generally required air carriers to screen 50 percent of nonexempt in-bound cargo transported on passenger aircraft and a certain percentage of all in-bound cargo transported on passenger aircraft. Banded cargo is cargo with heavy-duty metal, plastic, or nylon bands that secure all sides of the cargo shipment or secure the cargo shipment to a skid.

[19] According to statistics provided by TSA from the Bureau of Transportation Statistics, in 2008, narrow-body flights made up 69 percent of in-bound flights and transported 45 percent of in-bound passengers.

- Working to harmonize security standards with those of foreign nations.[20]

Challenges TSA Faces

According to TSA, screening in-bound air cargo poses unique challenges, related, in part, to TSA's limited ability to regulate foreign entities. As such, TSA officials stated that the agency is focusing its air cargo screening efforts on domestic cargo and on screening elevated-risk in-bound cargo as it works to address the challenges it faces in screening 100 percent of in-bound cargo. In April 2007, we reported that TSA's screening exemptions for in-bound cargo could pose a risk to the air cargo supply chain and recommended that TSA assess whether these exemptions pose an unacceptable vulnerability and, if necessary, address these vulnerabilities.[21] TSA agreed with our recommendation, but beyond its requirement to screen 100 percent of in-bound cargo transported on narrow-body aircraft and a certain percentage of shrink-wrapped or banded in-bound cargo, has not reviewed, revised, or eliminated in-bound screening exemptions, and did not provide a time frame for doing so. We continue to believe that TSA should assess whether these exemptions pose an unacceptable security risk.

In addition, identifying the precise level of screening being conducted on in-bound air cargo is difficult because TSA lacks a mechanism to obtain actual data on all screening that is being conducted on in-bound air cargo. TSA officials estimate that 55 percent of in-bound cargo by weight is currently being screened and that 65 percent of in-bound cargo by weight will be screened by August 2010. However, these estimates are based on the current screening requirements of certain countries and are not based on actual data collected from air carriers or other entities, such as foreign governments, on what percentage of cargo is actually being screened.[22] We recommended that TSA develop a mechanism to verify the accuracy of all screening data through random checks or other practical means and obtain actual data on all in-bound screening. TSA concurred in part with our recommendation, stating that as of May 1, 2010, the agency issued changes to air carriers' standard security programs that require air carriers to report in-bound cargo screening data to TSA. However, as noted in our report, these requirements apply to air carriers and the screening that they conduct and not to the screening conducted by other entities, such as foreign governments. Thus, TSA will continue to rely in part on estimates to report in-bound cargo screening levels. TSA officials stated that it may be challenging to obtain screening data from some foreign governments and other entities that conduct cargo screening, but TSA has not developed a plan for how it could obtain these data. We recognize that it may be challenging for TSA to obtain cargo screening data from foreign governments; however, similar to domestic reporting requirements, the agency could require air carriers to report on cargo screening for all in-bound cargo they transport, including the screening conducted by other entities.

Moreover, the 9/11 Commission Act requires the establishment of a system to screen 100 percent of cargo transported on passenger aircraft, including in-bound cargo. As we have reported in our prior work, a successful project plan—such as a plan that would be used to establish such a system—should consider all phases of the project and clearly state schedules and deadlines.[23] TSA officials reported that the agency is unable to identify a time line for meeting the mandate for in-bound cargo, stating that its efforts are long-term, given the extensive work it must conduct with foreign governments and associations. However, interim milestones could help the agency provide reasonable assurance to Congress that it is taking steps to meet the mandate as it applies to in-bound cargo. In our June 2010 report, we recommended that TSA develop a plan with milestones for how and when the agency intends to meet the mandate as it applies to in-bound cargo. TSA concurred with our recommendation and stated that the agency is drafting milestones as part of a plan that will generally require air carriers to conduct 100 percent screening by a

[20] The term harmonization is used to describe countries' efforts to coordinate their security practices to enhance security and increase efficiency by avoiding duplication of effort. Harmonization efforts can include countries mutually recognizing and accepting each other's existing practices—which could represent somewhat different approaches to achieve the same outcome—as well as working to develop mutually acceptable uniform standards.

[21] GAO, *Aviation Security: Federal Efforts to Secure U.S.-Bound Air Cargo Are in the Early Stages and Could Be Strengthened,* GAO–07–660 (Washington, DC: Apr. 30, 2007).

[22] According to TSA officials, the agency does not know the screening requirements for every country that transports air cargo into the United States. TSA assumes that other countries are in compliance, at a minimum, with TSA's regulation that a certain percentage of in-bound air cargo be screened.

[23] GAO, *2010 Census: Cost and Design Issues Need to Be Addressed Soon,* GAO–04–37 (Washington, DC: Jan. 15, 2004).

specific date. If implemented effectively, this plan will address the intent of our recommendation.

Madam Chairwoman, this concludes my statement. I look forward to answering any questions that you or other Members of the subcommittee may have.

Ms. JACKSON LEE. Thank you both, Mr. Sammon, Mr. Lord. I will remind each Member that he or she will have 5 minutes to question the panel. I will now recognize myself for 5 minutes.

Following up on your testimony, Mr. Lord, your report raises several questions for TSA regarding its cargo screening system. In fact, as I look at your graph, that also raises several questions.

You mentioned that a staffing study needs to be done to determine the appropriate staffing levels for CCSP oversight.

Will TSA in your estimation be able to conduct adequate oversight of the CCSP with its current staffing levels, will it have to increase personnel resources, will it need to employ third-party inspection and validation of firms?

In looking at this graph, will they be able to ramp up with outside air cargo inspection entities to meet their goals established by law for August 2010?

Mr. LORD. Well, that is a key issue we laid out in our report. Obviously their oversight function, their requirements are going to increase dramatically. We laid out some numbers. As of March they had 583 facilities in the program. Given TSA's requirement to conduct two comprehensive inspections a year, if I am doing the math correctly, that is 1,166 inspections alone, and more players are entering the system.

On the other hand, their inspection resources have grown only slowly. So we posed the question, how are you going to conduct all this oversight with the amount of inspectors you currently have? So we thought that it was important for them to do some additional analysis, to do a study to identify the needed resources.

The goods news is they agreed to our recs, but we have yet to see the final study.

Ms. JACKSON LEE. Can you add to that point that was made in my opening testimony, and I believe also Mr. Dent, they are a partner, besides the inspection there is also the vetting of new technologies that will involve air cargo inspection in the private sector.

Would you just stretch your analysis as to what needs to be, or how TSA needs to handle the S&T part of it when so many technologies that might be new and useful are seemingly not being approved?

Mr. LORD. Well, because of the looming deadline, TSA unfortunately was forced to field some of this technology at the same time it is being, it is undergoing qualification testing. So that was another issue we raised in our report.

Yet in TSA's defense they cited the deadline. Well, they basically had no other option. So they were simultaneously testing the technology, effectiveness of the technology, at the same time carriers, freight forwarders and others are using it. So perhaps Mr. Sammon might want to comment on that one.

Ms. JACKSON LEE. You view that as a concern?

Mr. SAMMON. Oh, yes. We highlighted that as one of the key challenges in our report, yes, Madam Chairwoman.

Ms. JACKSON LEE. Mr. Sammon, then following up on that line of questioning, the President's fiscal year 2011 budget flatlined the request for TSA cargo inspectors. We need assurance that TSA has resources to inspect certified facilities for compliance and to verify that self-reported screening data submitted by air carriers and CCSP participants is accurate.

Can you, No. 1, tell me about your oversight resources for this purpose, including where you are lacking and may need more people, equipment, other resources? So that is a budget question. But, let me ask, No. 2, the statute, and this is the premise of the GAO report, the statute, the law, is quite clear in setting the August 3 deadline for screening all cargo on all passenger aircraft. So is the committee to understand from your testimony that you will be able to report to this committee on August 4 that 100 percent screening will be occurring for all domestic flight and how will TSA verify that this is the case and what are the milestones and time line for reaching 100 percent on the international in-bound flights? Of course, those two are intertwined because part of that is budget and staffing.

Mr. Sammon.

Mr. SAMMON. Thank you. On the staffing and inspector staffing, if what we are looking at, we expect to have by August 1, approximately one—just under 1,000 certified screening facilities throughout the country, United States, I am talking about domestic. We have approximately another 7-, 6- or 700 or so air cargo facilities at airports.

So if you think about where the actual screening activity is taking place, we are talking about 1,500 or so, 1,500, 1,600 facilities. With just under 500 inspectors, that is about three facilities per inspector.

So we think that because what has happened now is that we have increased the focus on the facilities where screening is actually taking place, it actually makes the inspection job much more focused and we can put the resources where they need to be.

The large majority of the activity, in terms of the tonnage of cargo, takes place at about 18 gateway airports. We are focusing the inspector activity there, the canine teams and the other resources that are necessary to, with the canine teams' help, to screen but also to verify with the inspectors that the cargo is actually being screened.

We do a large number of inspections every year throughout the country. We expect to continue to do what we call cargo strikes, which are unannounced showing up at cargo facilities and inspecting all portions of the activity there, not just inspecting paperwork and records, and so on and so forth.

In terms of our expectation, as you asked, as of August in 2010, we expect that 100 percent of the cargo will be screened in the United States. We are going to have a very visible presence throughout the country with our inspectors and inspector teams, and we expect that the international cargo, with the addition of international and domestic, that we should be about 83 percent this year, about just under 90 percent the next year, about 95 percent in 2012, and approximately 100 percent by 2013.

Now, I think you are going to hear from a gentleman from Lufthansa a little later, and he may talk to you a little bit about what the EC is doing. Obviously the European Community is a large trading partner with the United States, a lot of cargo going back and forth. We have been working closely with them on similar kinds of cargo screening programs and that is the kind of time frame they are looking at also.

What we want to do is make sure, particularly overseas because it is a difficult program, we want to make sure that we have sustainable programs that are verifiable by a government entity. We can't march U.S. inspectors in and around the world and inspect these facilities, but if there is a verifiable program in place overseas and we can be assured that the government of that nation is inspecting it, we have greater confidence that the cargo is being screened.

Ms. JACKSON LEE. You will not be able on August 4 to say 100 percent screening, is that correct?

Mr. SAMMON. I will not be able to say 100 percent screening worldwide, no, ma'am.

Ms. JACKSON LEE. Let me yield to the full committee Chair for 5 minutes of questioning. Mr. Thompson.

Mr. THOMPSON. Thank you very much, Madam Chairwoman.

Mr. Sammon, I applaud you for meeting the deadline on the 100 percent domestic screening, cargo screening. It is the right thing to do. I wish we could do some important stuff and other stuff equally as timely, but that is for another hearing.

If we do 100 percent this year, where are we now with the international?

Mr. SAMMON. Our estimate right now is that it will be about 62 percent in August.

Mr. THOMPSON. Of this year?

Mr. SAMMON. Of this year, yes, sir.

Mr. THOMPSON. Okay.

Mr. SAMMON. We would be about 80 percent in 2011, we estimate that we would about 92 percent in 2012, and that the combination of our efforts and the efforts overseas, we just had a team returning from Asia working with foreign specific, foreign governments there to put in place cargo security programs, again, verifiable programs.

Because, again, the key is what we have done in the United States has been able to almost double the capacity of people who can screen by extending up the supply chain, by adding the freight forwarders and the shippers.

Mr. THOMPSON. The point I am trying to get to now is if we meet the 100 percent, does this mean that all the cargo is shipped or does it mean that all that is shipped is screened?

Mr. SAMMON. That is a good question. Well, we estimate about 250 million pounds a month is shipped, and we estimate the capacity to be going into August slightly above that. We have right now about 67 independent facilities that haven't even been tested yet and we see another 10 percent of capacity out there with these people who have gone into business simply to screen freight for small shippers, small businessmen, and small freight forwarders.

Mr. THOMPSON. So I take that to mean that some will not get shipped?

Mr. SAMMON. Well, sir, what we want to make sure that in August that we are clear about that mandate, yes, sir. There may be certain shippers——

Mr. THOMPSON. Well, let me get to another issue. Where will this not get shipped cargo end up?

Mr. SAMMON. Well, I think there are two things, actually, there are alternate means. Within the United States, there are trucks and there are all cargo carriers such as Federal Express, UPS. Also, if you look at the shipping volumes and patterns, typically there are about 2 peak days during the week which the shipping pattern and volume are about 15 to 20 percent higher than others. So it may be delayed a day. It may miss shipping to the next day, so you may not make service. We also know that some carriers will prioritize certified cargo, the prescreened cargo that comes in that gets on the plane first.

Mr. THOMPSON. Thank you.

Mr. SAMMON. Yes, sir.

Mr. THOMPSON. Two problems. One is it didn't get shipped. The second is, unless it is kept in a sterile area, it is a vulnerability because someone could put something on that cargo that conceivably could cause harm, and that is why I raised the question.

Mr. Lord, do you see that as an issue in my line of questioning with Mr. Sammon?

Mr. LORD. Yes, definitely do. There are two aspects you have to focus on, the commercial implications and the security implications. Obviously if you hold it overnight you have to worry about who is watching it. Is it a secure area? But there is also a commercial dimension that I think is very important. For example, if you are shipping fish, I don't think it is an option to ship it in a truck that is going to take 3 days to get from the Pacific Northwest to your plate here. I mean, some of this stuff has to move.

Mr. THOMPSON. Well, Mr. Sammon, have we allowed for perishable cargo in this process?

Mr. SAMMON. Yes, sir. In fact, we have worked with some of the prominent shippers; there is a prominent shipper of lobsters out of Boston. We have the Washington Cherry Association, and I think the carriers also recognize the perishable nature of certain products that we give priority to in shipping out rather than having a whole container of fish sit there and melt on the dock.

Mr. THOMPSON. Well, could you provide the committee with whatever guidance you provided staff with, with respect to perishable cargo and that with respect to this 100 percent screening?

Mr. SAMMON. Yes. In terms of——

Mr. THOMPSON. Is there a written directive on this?

Mr. SAMMON. I am sorry?

Mr. THOMPSON. Is there a written directive?

Mr. SAMMON. There is not a specific written directive, but we have worked with the perishable people, also worked very hard in terms of the technology angle to get metal detection as a means of screening for the perishable commodities, which is helpful.

Mr. THOMPSON. I am a little concerned that although we might do the 100 percent, and it is the right thing to do, the issue of

cargo not being included in the screening, being left, is a vulnerability and from the standpoint of the commercial side it is obviously a loss leader for the individual who is shipping it. I would like to see, Madam Chairwoman, some additional involvement from TSA on making sure that those standards are uniform and pushed out to at least staff in writing so they understand.

I yield back.

Ms. JACKSON LEE. I thank the Chairwoman. This is an important inquiry that we need to make.

I recognize the gentleman from Oregon, Mr. DeFazio, for 5 minutes for questioning.

Mr. DEFAZIO. I thank the Chairwoman. In the GAO report on page 10, we are talking about reported screening data, and it says: Questions exist about the reliability which are self-reported by industry representatives. TSA does not have a mechanism to verify the accuracy of the data reported by the industry recommending random checks or other practical means.

I would like you both to comment on that. That seems to me to be a bit problematic, and do you want to expand on that at all, Mr. Lord? You are still looking forward there.

Mr. LORD. Undoubtedly, we have the data. Since it is self-reported, we thought it would be useful to establish some sort of quality assurance process, again random spot checks, other practical means to help ensure the data is in fact reliable. We did have some concern, you know, nobody was scrubbing it. Since this data is ultimately rolled up and reported to Congress in the quarterly reports, we think it is important to do that. It is also used as a metric to help show progress in meeting the August 2007 air cargo screening mandate.

So being from GAO, we are always concerned about the quality of the data, and it concerned us they didn't have a quality control mechanism established yet.

Mr. DEFAZIO. Mr. Sammon, would you comment on that, please?

Mr. SAMMON. We concurred that the difficulty of using self-reported data coming from overseas. We intend to do after-the-fact spot checks over here. But, again, the system is always suspect from an accountability standpoint, and that is why we have been reluctant to declare victory to say 100 percent is going to be screened, until we are more comfortable that there are governmental agencies who can inspect facilities and inspect processes and programs overseas on a random basis.

So the reporting is, we agree with the recommendation that GAO has made, but it is still going to be something that you have to look at with a certain amount of, you know, what the veracity of it is.

Mr. DEFAZIO. Mr. Lord, was this just concerns about overseas data or was this also domestic data?

Mr. LORD. We raised the concern about both data, the in-bound and the domestic. So on the in-bound side, as Mr. Sammon noted, some of the screening is conducted by foreign governments. U.S. Government in general, TSA in particular has no access to that, so we raised that as an issue.

On the domestic side, it is interesting, TSA is actually getting two streams of data. One is provided by the air carriers directly to headquarters and the other is the inspectors go out and look at

screening logs, you know, do detailed inspections of particular warehouses, but there is no way to reconcile those two streams of data. So we thought perhaps there was a way to do that but, you know, we left it to their expertise and perspective.

In our report we did notice that Customs and Border Patrol, they are confronted with a similar dilemma, yet they have implemented a quality assurance process to get at that. You know, to scrub the data they are getting from their customers, their clients, so to speak.

Mr. DEFAZIO. Right. That is what, Mr. Sammon, you did only address foreign and I thought domestic——

Mr. SAMMON. I am sorry. No, that is why we concurred with the recommendation, but particularly the challenge of putting a system in to ultimately verify the in-bound international would be difficult.

Mr. DEFAZIO. Right. But let's deal with the domestic.

Mr. SAMMON. We concur with the recommendation. We agree.

Mr. DEFAZIO. Okay. So you are going to develop some sort of random or quality assurance program for the domestic?

Mr. SAMMON. Yes. We will work closely with GAO to do that to make sure that it satisfies their requirements.

Mr. DEFAZIO. I wasn't quite certain of the response to the Chairman's question about these new, apparently there are new independent screening entities who have inserted into the chain, now people bring things to them. What is the chain of custody at that point? I mean, who establishes, okay, it came to the independent shipper, who I assume has been vetted, background checked, everything else, yes?

Mr. SAMMON. Yes.

Mr. DEFAZIO. Okay. But what is the chain of custody after they have put it through some sort of device?

Mr. SAMMON. The chain of custody would begin at the independent screening facility to the airport.

Mr. DEFAZIO. Who is responsible at that point, the airline?

Mr. SAMMON. The chain of custody to the airport is that independent screening facility. They will turn it over to a reputable, certified agent to take it and under a sealed, tamper-evident packaging, so on and so forth, to the airport.

Mr. DEFAZIO. Okay. So you are confident in that, and you have been verifying and monitoring that, that these independent shippers, that we have got, you know, basically a very good and verifiable chain of custody from there to delivery to the airline?

Mr. SAMMON. Well, they have met our requirements for certification. Because the deadline has not taken, has not been enforced yet, the 67 facilities out there really are not handling much freight. People aren't using them, they are doing it on a fee basis. So we expect those people, and they are available in key cities to—their business to pick up once the deadline approaches. But until then people are at a lower threshold for screening requirements, so they are just not pushing all the freight through the system.

Mr. DEFAZIO. Okay. Thank you. Thank you, Madam Chairwoman.

Ms. JACKSON LEE. I thank the gentleman, and I recognize the gentlelady from California, Ms. Harman, for 5 minutes.

Ms. HARMAN. Thank you, Madam Chairwoman. I am pleased to be accommodated as a participant on this subcommittee hearing panel, and I recognize that we have a vote on, so I will be very brief. Not only am I interested in this general subject, but I came here to brag.

The Certified Container Shipping Program is, as we all agree, one of a number of layers of security in place at the U.S. airports. At LAX we have a model program conducted by Mercury Air, a firm located in my district, which is one of the largest privately owned aviation services companies in the world, with business operations on five continents and more than 60 locations.

I am very pleased that TSA has selected Mercury Aviation's services program as a model for the CCSP and will be highlighted at an upcoming press conference in Los Angeles.

I visited this facility last year and was impressed with the strong relationship between Mercury Aviation and TSA as they collaborated to improve air cargo security. CCSP allows businesses to screen cargo where it is packaged, often in-house, which avoids screening delays at airports, something we just heard about.

The screening program is supported by the air freight and air carrier industries, because it leverages best practices from a variety of global supply chain programs and allows businesses to choose the best and most effective model for their needs.

Ms. HARMAN. So my question is, has either witness ever visited Mercury Air's screening facility near LAX?

Mr. SAMMON. I have not been, but I believe Ed Britton, our general manager of cargo, has been, yes, ma'am.

Ms. HARMAN. Mr. Lord.

Mr. LORD. We visited LAX as part of our review, and I can't recall if we met with Mercury or not, but I can provide that for the record if you are so interested.

Ms. HARMAN. Well, it is an opportunity for both of you for future activity. I mentioned that the CCSP leverages best practices. That is a good thing. How might CCSP take advantage of, from what I understand, the excellent work that has been going on at Mercury Aviation?

Mr. LORD. Well, I think personally it would be useful if TSA summarized the leading practices among all the players and disseminated it more broadly, especially to people who are new entrants to the program. That is how you accumulate knowledge and share knowledge. I think that would be a useful start.

Ms. HARMAN. What is your reaction to that, Mr. Sammon?

Mr. SAMMON. I agree. In terms of standing up, we have been very busy trying to stand up the program and trying to catch our breath here a little bit. I think it is an excellent recommendation. Mercury is a great participant. We are very happy to have them in the program.

Ms. HARMAN. Well, I invite you anytime to visit paradise, and I do think what is going on there is excellent and I think it is a great idea to share information and, once in a while, to celebrate some good news, don't you?

Thank you, Madam Chairwoman. I yield back.

Ms. JACKSON LEE. I thank the gentlelady from California for providing that insightful line of questioning.

Let me very quickly—you raised some additional questions for the record. The Congresswoman is correct; we are having votes ongoing, and we will soon call the hearing in recess.

But quickly, Mr. Sammon, some freight forwarders—we posed this question—but before I do that, let me go back to the report. On April 4, will you be able to give us a report that you are able to screen 100 percent domestic cargo?

Mr. SAMMON. Reporting for cargo screening will come probably in September when the data is gathered.

Ms. JACKSON LEE. Will you be able to report 100 percent domestic screening in September?

Mr. SAMMON. Yes, ma'am.

Ms. JACKSON LEE. Our surface transportation bill gave you 2 years to finish this work. It appears that you are asking now for 3 years to complete the work on international air cargo inspection.

Mr. SAMMON. I am estimating that the amount of time to finish it, we are looking at the EC and their time frame, and what we would like to do is make sure that member states, our member states around the world, we have a long-term sustainable government-based program, as opposed to putting a deadline down that may not be sustainable.

Ms. JACKSON LEE. In September 2010, what will you be able to report to us on international cargo screening?

Mr. SAMMON. I would guess our estimate would be 62 percent.

Ms. JACKSON LEE. So as far as the same percentages that you gave us previously in your testimony?

Mr. SAMMON. Yes, ma'am.

Ms. JACKSON LEE. What do you perceive to be the most difficult issue around international screening?

Mr. SAMMON. It is the time frame for each government to set up a similar program to allow other people in the supply chain to do the screening, and for them to have their inspectors capable of inspecting those facilities.

Ms. JACKSON LEE. We know that is the problem. But let me just say that I am going to want to have a report to this committee on why we cannot expedite that process. I will take that in writing, and we will probably have to have some further meetings on that.

You know that general shippers have been complaining, small businesses, that they have not been certified to screen at a sufficient rate and that such freight forwarders bear the brunt of the cargo screening.

Can you tell me why we haven't been able to move along on certification?

Mr. SAMMON. I think in terms of the certification rate, the application rate after we went to 50 percent dropped off and laid fairly flat for the low level. It has within this year started picking up rather rapidly, and we have several—in the past months, added several hundred applicants. We have trained all our inspectors to be able to certify, to go out and meet those people and review their facilities and certify them. So I think that the ability to get into the program, we are standing that up pretty quickly.

Ms. JACKSON LEE. Would you please provide this committee with a report on the backlog, what is remaining, or what do you characterize as the remaining companies that need to be screened?

On technology, that has been a complaint and certainly an issue in this committee.

We hear that canines are effective particularly for cargo screening. Can you tell me the scope of the TSA canine program? I need cryptic remarks. Time is running out on the vote, but I wanted to get this answer in. Would you discuss how the industry, TSA, and DHS are addressing the large pallet screening issue?

Mr. SAMMON. Yes. We have added 114 proprietary canine teams which go anywhere. They are not restricted to the airport, so they can go off airport.

One of our important needs, as I mentioned in my oral testimony, is large aperture pallet screening on multicommodity technology. We have that technology in the testing labs right now, hoping for approval on metal detectors. It would help all the perishable people. There are several large aperture X-rays available, and we are working with S&T and the labs on automated ETD technologies.

So there are technologies in the hopper, but again we share your frustration and concern about this pace and development of the technology. We simply do have to pick that up.

Ms. JACKSON LEE. I am now going to have this committee stand in recess, gentlemen. I may have have an additional question for you when we return.

[Recess.]

Ms. JACKSON LEE. Thank you to the witnesses for your patience, and let me finish.

Question to you, Mr. Lord, before I yield to a distinguished Member.

We heard the line of questioning on the international cargo screening deadline, and I guess the new component, not so much new component but what probably will be expected is the individual country agreements. My thought would be, in addition to the resources that were utilized in DHS for international agreements, this may be a place for State Department involvement.

But my question to you is to give us what you think are the most serious challenges for meeting the 100 percent screening on international in-bound flights. Is it geography, countries? What were the obstacles that we did not see, and why can't those obstacles be resolved expeditiously?

Mr. LORD. Excellent question. I think the impediments are well known. Essentially you are dealing with foreign governments, their own sovereign entities, beyond the direct control or authority of TSA. So essentially you have to negotiate a diplomatic agreement.

The other complication is you have to attack the problem at two levels. You have the multilateral issue, the ICAO standards have to be updated and revised. You also have to enter into bilateral agreements individually with separate countries. Again, foreign governments, they are their own sovereign beings, and quite simply, you have to negotiate with them. That takes time.

The 2013 date that Mr. Sammon identified, that is the first time I have heard that today, but that seems a reasonable amount of time to me. It is going to take 3 years to get all these agreements in place and to have the screening conducted at the 100 percent level. That does not surprise me.

Ms. JACKSON LEE. I could continue down this line of inquiry for a period of time, but let me yield now to Mr. Austria 5 minutes for questioning.

Mr. AUSTRIA. Thank you, Chairwoman Jackson Lee, and thank you to our panel. Thank you for doing it. I think it is very important that we be updated and understand what is in place and the impact it is having.

Let me first of all start with you, if I could, Mr. Sammon. Can you provide maybe just an overview of the TSA's consideration in vetting and approving certified cargo screening facilities in comparison with the 760 certified entities; and any you have rejected and if so, why? What is the status on that, if you could update this committee?

Mr. SAMMON. Yes, sir, be happy to. What we look for when we look for the certification, one is, first of all, background checks of the employees who are going to be handling the cargo. We look for physical security and integrity of the area where the screened cargo will be handled. We also look for the overall security practices in terms of how they handle sensitive material and paperwork regarding shipments going onto airplanes, and then also their ability to establish a secure chain of custody from the facility to the airport.

I don't have off the top of my head the number of facilities that have been rejected, but facilities are rejected. People have applied, and they may not have one or all of those pieces involved, or they may have key employees who handle the cargo who would not pass a background check for various reasons.

Mr. AUSTRIA. I would be interested in those numbers, if it is a common occurrence as far as being rejected; or if it is an isolated-type situation, what those numbers are, if you would be able to provide that, and the effectiveness.

Mr. SAMMON. Yes. Well, initially the process starts out with an interview with one of our inspectors with the facility, and then an application by that organization. Early on, most organizations understand whether they will be able to pass the requirements or not.

Many times, people will have an initial contact, we will have an interview with them, go over the facilities, and we may tell them, Look, you have to install this kind of access control or secure area. Then the person says, Well, you know, that might cost me a certain amount of money, so I am not really interested; or they may follow up and establish those. So oftentimes the rejections come early on in the process.

Mr. AUSTRIA. Mr. Lord, let me ask you a question. I know there have been some concerns that have been raised such as with the business community. In your opinion of GAO, that 100 percent of the screening equates to 100 percent security; does the screening of all air cargo eliminate the dangers to our aviation system, in your opinion, or do other vulnerabilities exist, and is the CCSP verification system in your opinion effective or working?

Mr. LORD. Well, I think that is important to note. Even when TSA reports they have achieved the 100 percent screening levels, it is important to note there are some exemptions to screening requirements. For example, as we note in our report we issued today, a significant percentage, I can't tell you the exact amount, is con-

sidered sensitive security information; a significant percentage of in-bound cargo is exempt from TSA screen requirements. So theoretically, you could be reporting you achieved 100 percent, but that is not to be confused with 100 percent of all cargo arriving in the United States. Until you eliminate all the exemptions, you won't technically have achieved that level.

Mr. AUSTRIA. I guess, what is that mix as far as the screening side? Do we have to screen air carriers, freight forwarders, shippers, independents? Is it a third, a third, a third, in your opinion, or what is that balance?

Mr. LORD. Well, the ideal mix, as we highlighted in the graphic earlier today, is a third—one third, one third, and one third; that is, the carriers are reasonably expected to screen a third of the cargo; the intermediaries, freight forwarders a third; and TSA.

Mr. AUSTRIA. Is there anything we can do to incentivize and generate the industry participation in the CCSP?

Mr. LORD. Well, that is a key concern we raised in the testimony today. From the data we have looked at, it appears that a significant amount of shippers are still not participating in the program, and in their business model, their participation is absolutely essential to make it work. I mean, there are still a few weeks left. There has obviously been some increased shipper interest in the last few weeks but, again, shipper participation has held relatively constant, about 2 percent over the last few months, not the 33 percent considered the ideal. So we are concerned about that. So really, again, to make the model work, you need the shippers to be actively involved. We don't see that yet.

Mr. AUSTRIA. I think that is important as that mandatory deadline is approaching.

I know my time is up. So Chairwoman Jackson Lee, thank you and thank you, panel. I yield back my time.

Ms. JACKSON LEE. I thank the gentleman. Mr. Austria, we are delighted to have you sitting in as the Ranking Member for what I think is a very constructive and instructive, if you will, hearing. So thank you very much.

Earlier today, we asked unanimous consent to allow the distinguished gentleman from Massachusetts Mr. Markey, a former Member of this committee and a champion of air cargo screening for domestic cargo and international, to be able to both sit in and ask questions. There was no objection heard and it was so ordered.

So at this time, I recognize the gentleman from Massachusetts, Mr. Markey, for 5 minutes of questioning.

Mr. MARKEY. I thank the gentlelady, and I thank her for her courtesy and for her leadership on these issues.

This GAO report that we are discussing is something that I drafted up the questions, and working with the Chairman of the full committee and the gentlelady from Houston, you know, requested the GAO to put together. So we are here now with it being delivered back to the Congress.

My first question is to Mr. Sammon. Why doesn't TSA have a contingency plan, a plan B, for screening all cargo on passenger planes beyond simply grounding all of this cargo if it is unscreened?

Mr. SAMMON. When we started the program some time ago and talked to the public, talked to shippers, talked to airlines, and we talked about that there was going to be a date at which people were going to be required to screen cargo, most people thought we were going to delay the date. Most people thought we would give certain people exceptions and exemptions and so on. So we found, particularly early on, lots of apathy. People didn't believe that the Federal Government would make this happen, that the legislation that the Congress put forward, particularly as it applies in this country, would be enforced.

So what we have done, we worked diligently with the air carriers, with the air forwarder community, and they have stepped forward in the program. We believe that there is sufficient capacity between the shippers, the forwarders, the airlines and the canine teams we have in place to screen the cargo come April 1.

There are still people out there, and there was a recent survey, very recent survey, by the air forwarding community, wherein 67 percent of the respondents——

Mr. MARKEY. Did you mean April 1 or August 1?

Mr. SAMMON. August 1—where 67 of the respondents stated that they thought it was the forwarders' job, that it wasn't the shippers' job. Yet we have prominent shippers, such as the Smithsonian Institution; we have pharmaceutical companies such as Eli Lilly; we have manufacturers/retailers such as Calloway Golf who have signed up.

Mr. MARKEY. They just didn't believe that the Department of Homeland Security was going to bring the hammer down and make them do it; is that what you are saying?

Mr. SAMMON. A lot of people thought we were not serious.

Mr. MARKEY. That is I think a big problem.

Mr. Lord, do you see situations like this where there is no plan B, or we are just left here in no man's land without asking——

Mr. LORD. That is a key recommendation of our report is for TSA to develop a contingency plan, a so-called plan B, that will help them identify some additional alternatives they could use to help meet the mandate. That is our recommendation and we think that is important.

Mr. MARKEY. Well, will you put together a plan B, Mr. Sammon?

Mr. SAMMON. We intend to enforce the mandate, and I think that there is sufficient capacity. There are also alternative transportation means for the shipments to be made.

Mr. MARKEY. When will TSA comply with the requirement that cargo on planes coming into the United States from overseas be screened? That was also something that I wrote into the law back in February 2007, like this mandate for domestic cargo. As we all know, 40 percent of all cargo that flies over the United States on domestic planes comes in from overseas. Only 60 percent of it is on domestically originated flights.

When are you going to meet the deadline for international flights, Mr. Sammon?

Mr. SAMMON. As I said in my oral testimony early on today, we expect to take several more years, following getting programs in foreign countries in place that are enforceable by those countries; we see that that is taking several more years perhaps than to——

Mr. MARKEY. Which country gives you the most problem?

Mr. SAMMON. I am not going to go into that here.

Mr. MARKEY. Here is the problem that I have. I think it is just a lack of will, to be honest with you. I think if the United States Government said to these other governments, we don't want to run the risk of having another group of Mohammed Attas and the other nine—they were up in my Congressional district, and there were 150 passengers from Boston on those two planes that flew into the World Trade Center.

So my concern about the issue goes back to that day, okay. Plus, it goes back to the day that Abdelghani Meskini, the millennium bomber, jumped off of the LNG ship coming in from Algeria in my district, and the people that got arrested in Watertown in my district a couple of weeks ago, who are terrorists we think, and the Russian spies that were arrested yesterday up in my district. So I kind of think this is something that can happen if you allow the apertures to open.

I think these are very intelligent people. They are targeting us, and I think the technology is there, and I just don't think the Department of Homeland Security does a good enough job enforcing this as something that the governments in other nations have to take seriously. We don't put enough political capital on it.

Al-Qaeda is looking for the weak link. That is what Mohammed Atta found up in Boston with the other nine. They found the weak link, and this is still an opening, it is still an aperture where they can put these deadly explosives on planes. I still don't understand why this deadline has slipped 3 years.

There was no discretion that was in the law that, in my opinion, has been met by any justifiable criteria that you have established. Okay? Just saying, Well, these other governments are just too tough on us doesn't prove to me that our Government has been tough enough on them to establish the standards, at least someplace, in some part of the world, that we are demonstrating that we are doing it, and the domino—the positive domino effect then begins to work, Mr. Sammon.

Mr. SAMMON. We have been working with ICAO, with the European Community. They have specific, in terms of the cargo, screening processes. ICAO has adopted it in terms of it is a procedure to go forward. They have not voted it with the full membership. The European Community expects to adopt it, and the time frame they are looking at is the time frame that I outlined. I think if you want to——

Mr. MARKEY. Is this going to be risk-based? What is your goal? Is the goal to make it risk-based, or is the goal to have physical screening? What is your goal?

Mr. SAMMON. The goal is to have actual physical screening. If you want that in place on a sustainable basis that is inspectable by a government authority, you need to have these agreements in place. If you want to just declare people have to screen everything, I can't inspect it, you have no program.

Mr. MARKEY. I do not believe the Department of Homeland Security is doing a good enough job. I don't think they are pressing and it is a high enough priority. I don't think we are seeing results that are commensurate with the risks that our country runs, okay. I am

going to insist on much more thorough, periodic reports in terms of what the administration is doing; and it just can't be: Well, we can't tell you which country.

It is like a secret exam out there of the world without really knowing, you know, where the obstacles are, because once you put in place the first 15 countries that have all signed up, the first 20 countries, it makes it much more hard for all of the other countries to say no.

By the way, if I may, the same thing is true for screening of nuclear materials on incoming ships into our country. We know that al-Qaeda is trying to get the loose nukes, put it on a ship, bring it into a port in America. Postponing that and using the erroneous argument, again, that you can't agreements with other countries and the technologies don't exist is just absolutely untrue. The technologies exist. It can be done. The Department of Homeland Security has to do an infinitely better job in telescoping the time frame it takes to close these apertures of risk that these brilliant terrorists will try to exploit if we don't deploy in a timely fashion.

I thank the gentlelady and I apologize.

Ms. JACKSON LEE. The gentleman's time has expired. We look forward in this committee to be as diligent as the gentleman has articulated, and none of this is taken lightly, and that is why we are following up.

Let me pursue the gentleman's questions, just for a moment as I move to dismiss this panel, to quickly ask Mr. Lord. In your report you have argued for contingency plans for TSA, and we would like to hear what you are speaking of, what kind of contingency plans might even respond to the example that Mr. Markey has just articulated, particularly with loose nuclear materials. But other than that, what kind of contingency plans would you want TSA to have?

Mr. LORD. Well, we thought given the looming deadline and the nature of some of the challenges, it would be advisable to consider other alternatives for helping meet the mandate. One thing you could do, you could strategically redeploy TSA assets to help minimize the disruption in, for example, the 18 major gateway airports. That is one possible option.

You could consider making some aspects of the program mandatory. The CCSP is now a voluntary program, but that would be up to the TSA to decide. They are the experts.

Or you could require more screening of the packaging earlier in the process before it is loaded onto ULD pallets and containers. Essentially the earlier you do the screening, the easier it is to deal with the problem. If it arrives at an airport in a ULD container, unscreened, it is going to be more difficult to address the problem, given there is no technology that has been qualified to screen the ULD containers. But, again, these are just suggested alternatives.

Again, from our perspective it seemed there were some other options to consider. We just left it to TSA to decide. But we basically recommended to think more broadly.

Ms. JACKSON LEE. Mr. Sammon, do you have any contingency plans? Are you in the midst of constructing any contingency plans?

Mr. SAMMON. Ma'am, no. If I can explain why. Getting this program going and convincing people that we were really serious

about doing this was a long and difficult process. Many people didn't believe us, many people didn't want to become involved, and so we have been very serious all along. We have testified, I testified here in 2008 that if 100 pounds are screened, 100 pounds will fly. We are serious.

A lot of people originally didn't believe us, they didn't believe Ed Kelly; but many have, and many have signed up. We believe we have sufficient capacity to screen the freight.

Those who haven't, there is always going to be a group of people who say: It is not my job, I don't have to do anything, I am not going to worry about it, I will push it off to somebody else.

If we say August 1: Don't worry, we'll take care of you, those people aren't going to do anything. This is all people acting in self-interest. Either they are going to act in their self-interest and get off and sign up with the program, or align themselves with independent facilities who can screen it or not.

But if there are contingencies—I learned when I was in second grade, when the teacher said your homework was due on Tuesday, and she said Sally will do it for you, or you can get it done Friday. If homework was due on Tuesday, I would do my homework; but if I knew I had until Friday, I wouldn't do my homework. It is the same kind of thing.

People can sign up the process. It is a very huge process. We are set up to handle people, and it is simply folks who are sitting on the sideline saying: It is not my job, it is somebody else's job. If we let that down, the process to sign up will drop off immediately.

Ms. JACKSON LEE. Well, that is fair enough, Mr. Sammon. Let me just conclude by asking a stakeholder question.

The relationship that you have had with ASAC has lapsed again in April 2010. We consider them an important advisory committee we use to facilitate stakeholder input across the TSA security policies.

What is TSA doing to ensure consultation with stakeholders, particularly as it rolls out new requirements related to the 100 percent cargo screening standard; and how does TSA plan to communicate with stakeholders about any implementation issues related to the August 100 percent screening? Which really plays into what I hear you saying is, that we are going to be firm and immovable as relates to our goals and commitments to the law. So how are you communicating to stakeholders?

Mr. SAMMON. We have been communicating with stakeholders all along. I think Brandon Fried is here from Airforwarders Association. All the folks from the airline associations are here. We have been reaching out to those people. We have been working with the National Association of Manufacturers, the Chamber of Commerce, a wide variety of groups, to not only communicate that here is the looming deadline, but also here is how you can get into the program, and we think it is an achievable thing.

We found out a number of the shippers who signed up, it really hasn't cost them a lot of money. It is not an expensive process if you have security processes and programs in place. A number of shippers have found it has actually improved their—by signing up, it has improved their logistics security and safety programs.

But we have outreached. We have pushed out, we believe, communications to over 100,000 businesses. We have personally talked to 26,000 individuals since January. So we have been doing an unprecedented amount of outreach to people to get the message across not only in terms of the deadline, but what we can offer in terms of using freight forwarders and using—or for shippers, how to sign up for the program.

Ms. JACKSON LEE. The ASAC agreement, is that something that you are going to reignite, using a play on words?

Mr. SAMMON. Yes. The ASAC in terms of—we held an ASAC meeting this past year. We want to revise that and have that to be a more active portion of the process. We have been probably busy focused on getting the various aspects of this program in place, and I think probably have overlooked ASAC as a good tool to use in this process.

Ms. JACKSON LEE. Let me thank the witnesses. Hearing no further questions for our first panel, I thank the witnesses for appearing before the subcommittee today.

I thank the GAO, Mr. Lord, for responding to the inquiry made by myself, Mr. Markey, and the Chairman of the full committee; and I thank Mr. Sammon for taking seriously this report and attending to some of the very serious concerns and, more importantly, making a very firm statement here today that you are going to adhere to the law with regard to the obstacles and challenges, but not to allow them to overcome you.

I believe that there is a great deal of room for the variety of occurrences, creative occurrences that come about through franchise terrorism, meaning that we do not look to a certain country, we look to individuals who may find themselves within our boundaries or elsewhere, moving about individually, attempting to do this Nation harm.

So I think that this is an important hearing for the very fact that we are the wedge standing between foreign materials. When I say that, not necessarily from foreign countries, but materials that would do us harm from many different entities coming into the United States or, for that matter, being moved around the United States in domestic cargo.

I would hold you to the testimony, gentlemen, that you have made today, and that we will as a committee continue our oversight on this matter.

The Members of the subcommittee may have additional questions for you, and we ask that you respond to them expeditiously in writing.

We now welcome our second panel. You are very much appreciated. Thank you, and thank you to the subcommittee Members.

I welcome our second panel of witnesses, gentlemen, and now you are expected to have all of the answers.

Our first witness is Mr. John Meenan, Executive Vice President and Chief Operating Officer for the Air Transport Association, the Nation's oldest and largest airline trade association. Mr. Meenan joined the association as the assistant general counsel in 1985, following 9 years with the U.S. Secret Service, and has been involved in airport issues including noise abatement, airport access, environ-

mental impact, slot restriction, airport and airway systems financing, and FAA reform.

Our second witness is Mr. Harald Zielinski, who is responsible for worldwide security programs at Lufthansa Cargo, one of the world's leading international cargo carriers. He has been working in the security area at Lufthansa since 1988. Prior to that, he was a police officer at Frankfurt Airport where he specialized in airline security but also trained as a chief negotiator for skyjacking and hostage incidents.

Let me take the special privilege of introducing the third witness, as I listened to Ms. Harman on a company located in her Congressional district. Let me acknowledge Mr. Mike Middleton from Houston, Texas. He is Executive Vice President of Secure Global Logistics which operates a TSA-certified cargo screening facility and provides air forwarding and other air cargo transport services. Mr. Middleton sits on the board of directors and serves as a North American director for the World Freight group, an alliance of companies providing freight services in more than 388 air- and seaports throughout the world.

I had the privilege of visiting the offices of Secure Global Logistics in Houston, Texas, near Bush Intercontinental Airport, and I, too—as Ms. Harman was with her company in her district—was impressed with the technology and the quality of performance of this company. I look forward, Mr. Middleton, to your testimony. That will be instructive to all of us.

Our fourth witness is Mr. Fernando Soler of SOS Global Express. Mr. Soler is a founding member of the Air Cargo Security Alliance. We welcome you.

Without objection, the witnesses' full statements will be inserted in the record. I now ask each witness to summarize his statement for 5 minutes, beginning with Mr. Meenan.

STATEMENT OF JOHN MEENAN, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER, AIR TRANSPORT ASSOCIATION

Mr. MEENAN. Madam Chairwoman, thank you very much.

On behalf of the Air Transport Association member airline, we appreciate the opportunity to brief the committee on the progress we have made toward the 100 percent cargo shipping goal. We also would like to commend the committee for its leadership and support in meeting this goal, and join you in saluting the legacy of Ed Kelly and the legacy he left with Ed Britton and the team.

I am pleased to report that the airline industry has fulfilled its interim goals of 50 percent cargo screening by February 2009 and 75 percent by May 1 of this year. What that experience has taught us is that this getting to 100 percent is going to require a great deal of additional work. We are engaged in that right now, but we know it is going to require a great deal of cooperation between the airlines, TSA, the freight forwarders and shippers, both here in the United States and overseas.

The biggest challenge in meeting this August 2010 deadline continues to be the lack of certified screening technology capable of inspecting large palleted shipments. As you may know, the great bulk of air cargo is carried aboard wide-body aircraft. Seventy-five

percent of that cargo in the United States is palletized, and that gives you a sense of the magnitude of the problem we are dealing with here.

Shippers and freight forwarders typically create these palletized shipments before they are tendered to the airlines. The challenge has always been, is that screening is required at the individual carton level. The nature of our business and available screening equipment continue to be badly mismatched.

We identified this challenge when we testified before this subcommittee last March, and the situation remains unchanged. While the certified cargo shipper program is helping to address the problem by implementing screening protections upstream, a far more practical solution remains to be found with the eventual TSA certification of screening technology for large—compatible with the cargo we carry.

Breaking down consolidated shipments at an airport cargo facility is simply not practical. Shipment size, time constraint, and facility limitations are the main difficulties. A better alternative has to be found.

Particularly in light of recent changes in TSA regulations relating to the handling of in-bound international air cargo, work is ongoing with TSA to identify practical measures to both assure security and facilitate the important flow of cargo. We believe that through this combined effort of industry and Government, a practical solution will be in place before the upcoming deadline.

Going forward, however, the most practical approach internationally rests with the approval of government-to-government compatible security programs. As Mr. Sammon testified earlier, they are projecting a 3-year timeline. We would respectfully suggest that perhaps that be reduced by half, and with a particular effort being made to target the high-volume countries with whom we do business.

We have long been on record as supporting the CCSP as an indispensable tool in meeting the August 2010 deadline, and the Department of Homeland Security is to be complimented for the high tempo effort it has made in implementing that program.

There are basically four remaining key challenges as far as we are concerned:

The first one is that TSA has dramatically increased the number of certified cargo screening shipping facilities among freight forwarders and other TSA-certified indirect carriers. The certification of large key shippers and manufacturers remains to be improved upon. We are concerned that in some regions and at some airports, some shippers may experience delays after August. As Mr. Sammon testified today, we understand that the pressure will be put on them to participate, but we do want to see that process facilitated in order to get them on-line as quickly as possible.

Although we recommended last year that TSA expand as swiftly as possible the use of TSA-certified explosive detection canines to screen large air cargo consolidation, we have not yet seen the number of teams throughout that we would like to see. We appreciate the authorization of this committee for additional teams, but we are looking forward to seeing more paws on the pavement, I guess

is the best way to put it, and I think more pressure in that area would be appreciated.

As noted previously a major push is to improve the compatible host country security programs, and that remains critically important.

Finally, we all recognize that the best solution remains the development of certified, efficient screening technologies.

The airlines recognize that on August 1, 2010, the deadline means that only complying shipments will be transported after that date. We are committed to meeting that deadline, but also to meeting the needs of the domestic and world economies for reliable air cargo service. These goals must both be met and we look forward to continuing a cooperative effort with the Government to see to it that that happens.

Thank you.

[The statement of Mr. Meenan follows:]

PREPARED STATEMENT OF JOHN MEENAN

JUNE 30, 2010

On behalf of the Air Transport Association member airlines, we appreciate the opportunity to brief the committee on our progress in achieving 100 percent screening of cargo transported on passenger-carrying aircraft by August 2010. The airlines are committed to do their part in meeting that requirement of the 9/11 Commission Recommendations Act, and to work cooperatively with the Transportation Security Administration (TSA) in doing so. We would like to commend the committee for its leadership and support in meeting this goal and to recognize, in particular, the important contributions made by Ed Kelly at the Transportation Security Agency, who we all greatly miss.

I am pleased to report that the airline industry fulfilled interim requirements that 50 percent of such cargo be screened by February 2009 and 75 percent by May 1 of this year. This impressive achievement reflects hard work; this was not an easy task. That experience taught us an important lesson: Achieving the 100 percent level will require the continued close collaboration of the airlines, TSA, freight forwarders and shippers, both in the United States and overseas.

The biggest challenge in meeting the August 2010 deadline continues to be the lack of certified screening technology to inspect large air-cargo pallets. Most pieces of cargo transported on wide-body aircraft are consolidated into large shipments, and 75 percent of cargo is transported on wide-body aircraft. That fact gives you an idea of the magnitude of the challenge that we face.

Shippers and freight forwarders typically create these pallet-size shipments before they are tendered to an airline. The challenge has always been that screening is required at the individual carton level. Existing technology cannot screen large consolidated shipments. The nature of our business and available screening equipment continue to be badly mismatched. We identified this challenge when we testified before this subcommittee last March, and the situation remains unchanged. While the Certified Cargo Shipper Program (CCSP) is helping to address this problem, by implementing screening-protection upstream, a far more practical solution remains to be found with the eventual TSA certification of screening technology that is compatible with the cargo that we carry.

Breaking down consolidated shipments at an airport cargo facility is not practical. Shipment size, time constraints and facility limitations are the main difficulties. Dismantling an air-cargo pallet or unloading a container and screening each piece would result in the significant disruption of air commerce. Airport cargo facilities and ramps were not designed to be high-volume disassembly and reassembly locations, and are not big enough to perform that role, especially at peak times. A better alternative must be found.

Particularly in light of recent changes to TSA regulations relating to the handling of in-bound international air cargo, work is on-going with the TSA to identify practical measures to both assure security and facilitate important cargo flows. We believe that through the combined efforts of industry and Government, a practical solution will be in place before the upcoming deadline.

Going forward, however, the most practical approach internationally rests with the approval, at the government-to-government level, of compatible security programs. TSA indicates that it will pursue recognizing the screening regimes of additional host countries beyond the countries with previously approved programs. We enthusiastically support this effort. Success will eliminate what today often results in the duplicative screening of air cargo by security personnel at the foreign airport and/or the locally authorized freight forwarder, as well as by the air carrier. While TSA anticipates a 3-year approval process, we would respectfully urge an initiative to reduce this time frame by at least one-half, with a prioritized effort to move our major trading partner countries to the head of the approval queue.

We have long been on record in support of the CCSP as an indispensable tool in meeting the August 2010 deadline. We have repeatedly noted that if enough shippers and forwarders are not certified, attaining that deadline will be at risk. The Department of Homeland Security is to be complimented for its high-tempo implementation of the CCSP. Its performance has been admirable but, despite best efforts, the number of U.S. shippers certified to date is not as robust as we had hoped. Again, just as the airlines are accelerating compliance plans to meet the August deadline, we would hope to see a companion Government effort to address the remaining key challenges as follow:

1. Although TSA has dramatically increased the number of Certified Cargo Screening Facilities among freight forwarders and other TSA-certified Indirect Air Carriers, the certification of key large shippers and manufacturers has not been as successful. We are concerned that in some regions and at some airports, some shippers may experience delays after August, and request attention to these key shippers.
2. Although we recommended last year that TSA expand as swiftly as possible the use of TSA-certified explosive-detection canines to screen large air-cargo consolidations, and the Department directed additional funding to the TSA proprietary canine cargo-screening program, little real change has yet to occur. We continue to believe that canines offer a very valuable tool to help meet the August deadline, and would hope to see a significant application of existing and future TSA resources in this area. We appreciate the committee's authorization of additional canine teams and hope to see Government action soon to get more "paws on the ground" to assist in this important work.
3. As noted previously, a major push to approve compatible host-country security programs remains critically important.
4. And finally, as we all recognize, the best solution remains in the development and certification of efficient screening technologies for large palletized and containerized cargo.

The airlines recognize that the August 1, 2010 deadline means that only complying shipments will be transported after that date. We are committed to meeting that deadline but also to meeting the needs of the domestic and world economies for reliable air-cargo service. These goals must both be met, and we look forward to a continuing cooperative effort with the Government to see that they are accomplished.

Ms. JACKSON LEE. Thank you very much for your testimony.

We now call upon Mr. Zielinski for 5 minutes.

STATEMENT OF HARALD ZIELINSKI, HEAD OF SECURITY AND ENVIRONMENTAL MANAGEMENT, LUFTHANSA AIRLINES CARGO

Mr. ZIELINSKI. Chairwoman Jackson Lee and distinguished Members of the subcommittee, it is my pleasure to testify before you today on behalf of Lufthansa Cargo.

My statement will comprise the four steps titled "smart security": communication, mutual recognition, technology, and training standards.

First, a brief snapshot of our U.S. presence. The Lufthansa Aviation Group is proud of its 10,000 employees living and working in cities and towns across America. We invest billions of dollars in U.S. goods and services. Lufthansa is the launch customer for the fuel-efficient Boeing 747–800.

As for Lufthansa Cargo, we currently serve over 300 destinations worldwide by 400 passenger aircraft, 17 MD–11 freighters, and road feeder service. We serve some 65 cities in all 48 contiguous States.

Security is an uncompromised priority and purposeful investment at Lufthansa Cargo. All of our U.S. airport stations are equipped with self-owned security equipment consisting of trace detection and advanced technology X-ray systems at our gateway stations.

The requirement to screen 100 percent did not simply apply to screening alone, but also required changes to our operations, budget, resource allocation, productivity, and processes. Despite these challenges, we are very much pleased to report that Lufthansa Cargo will achieve the 100 percent outbound screening mandate by tomorrow.

We commend TSA on its robust communication effort within the United States to increase public awareness and understanding of the mandate. We also acknowledge their extensive efforts in developing and allowing industry to adopt a key tool for the success for this mandate within the U.S. CCSP program.

The plan regarding the 50 percent and 100 percent milestones were effectively communicated; however, the intermediary milestones for both U.S. and foreign in-bound cargo were mandated without industry consultation nor adequate notice effective May 1 of this year. We encourage TSA to engage industry as expeditiously and extensively as possible in order to fulfill any necessary incremental requirements.

Determining the time table for 100 percent foreign in-bound screening or any additional interim regulatory steps is uncertain. Crucial towards this process is the way TSA will plan to engage other governments in order to assess their security programs for mutual recognition. Due to the complexities of the air cargo industry, we must look beyond a one-size-fits-all approach to security, and commend TSA in recognizing the complexity of the international air freight market.

The security policy of Lufthansa Cargo is based on risk management. Furthermore, our implementation of the European Union framework and the German Aviation Security plan provides a robust regulated environment for air cargo that has and continues to develop.

EU 300, Rule 185, is a comprehensive program that mirrors the basic fundamentals of the TSA regulatory programs for U.S. origin flights.

General EU requirements have adopted a structure with the regulated agent and certified consigner that is of familiar intent and requirements of the TSA recognized indirect air carrier and non-shipper screening under the CCSP program.

As a regulated entity, we are not in a position to directly address the international challenges and concerns which require a government-to-government dialogue and engagement on this issue. We encourage TSA to adopt an international policy in collaboration with foreign governments to address security concerns and the development of mutually recognized programs.

As TSA has provided the tools necessary to complete the outbound U.S. screening requirements and have further indicated that the CCSP program is critical in meeting the 100 percent mandate in the United States, such tools are imperative overseas in the area of mutual recognition in order to achieve the same level of success.

Operational testing is critical to evaluate the real life challenges demanded of our industry and the complexity of cargo commodities and packaging. We urge TSA to bolster and expand the field testing of the large aperture screening technologies, the current associated restrictions, the expanded research and use of trace detection, and the further recognition of international canine teams.

Training is to us an essential component in order to effectively operate equipment and carry out security requirements. Currently, there is a tremendous disparity within the industry on how training and testing is fulfilled. Training standards should be reviewed and amended in order to develop a stronger framework for the industry.

In conclusion, ladies and gentlemen, smart security depends upon the responsible allocation of justified resources in order to invoke the most efficient flow of operations while maintaining a balanced and reliable security environment.

Madam Chairwoman, I thank you again for the opportunity to appear before this distinguished subcommittee. We applaud the committee and staff on your leadership to address the modes of transportation security. Lufthansa Cargo is looking forward to continuing a strong dialogue with the committee, TSA, and the industry.

I was very much pleased by the invitation to your House and this wonderful city, and I would be pleased to answer any questions you may have. Thank you.

[The statement of Mr. Zielinski follows:]

PREPARED STATEMENT OF HARALD ZIELINSKI

JUNE 30, 2010

Chairwoman Jackson Lee, Ranking Member Dent, and Distinguished Members of the subcommittee, it is my pleasure to testify before you today on behalf of Lufthansa Cargo. Thank you for the opportunity to present our views on one of the most important issues facing the air cargo industry: Cargo screening.

My statement today will address several key aspects of the 100 percent screening requirement and further identify steps towards "smart security." Based on Lufthansa Cargo's experience, TSA has done an outstanding job of developing and communicating about the CCSP and ensuring that air cargo stakeholders are aware of the pending August 1 deadline for 100 percent screening of U.S. origin cargo. In comparison, some cases, the confidential security measures, as a result of this mandate, were not communicated with sufficient notice. We are unclear about how TSA will proceed with measures relating to foreign in-bound cargo. Finally, we believe more could be done to evaluate cargo screening technologies and to foster the development of applied training to support the effectiveness on use of the technologies.

Deutsche Lufthansa Group Overview.—Please allow me to offer a brief introduction of the Deutsche Lufthansa Aviation Group. Our portfolio of business units consist of Passenger Airlines services, Cargo, Logistics, Technical services as the largest Maintenance Repair and Overhaul provider globally, IT services through Lufthansa Systems and catering via LSG Sky Chefs. As one of the world's largest airlines, Lufthansa currently flies to 191 destinations in 78 countries, with hubs in Frankfurt, Munich, and with its recent acquisition of Austrian Airlines and SWISS—Vienna and Zurich.

From our 17 gateways in the United States, Lufthansa serves some 400 destinations in more than 100 countries. Our Group is proud of the 10,000 employees living

and working in cities and towns across America, contributing to local economies and communities. We also believe in being a good corporate citizen. Annually we invest hundreds of millions of dollars within the United States for goods, services, and equipment. This year we celebrate our 50 years of cooperation with the Boeing Company, and we are proud to be the launch customer for the new Boeing 747–8 jetliner—a multi-billion dollar order—that will serve as one of the industry's most fuel-efficient aircraft. As an industry innovator, this strategic investment embraces our long-standing commitment at the Lufthansa Group dedicated to environmental care and sustainability.

We rely on many U.S. partners and suppliers including General Electric, United Technologies, Honeywell and numerous ground handling, security, contract, and service providers domestically. In addition, we closely cooperate with our Star Alliance partners United Airlines, US Airways, and most recently Continental Airlines.

Specifically for Lufthansa Cargo, we serve 300 destinations worldwide by aircraft and/or truck. Currently, we operate with over 400 passenger aircraft and 17 MD–11 Freighters. Additional capacity is available to Lufthansa Cargo through the part ownership of Jade Cargo in China operating new Boeing 747 freighters and AeroLogic GmbH with new Boeing 777 freighters. Effective July 1 of this year, 102 additional aircraft from Austrian Airlines will be available to Lufthansa Cargo for capacity. Our total U.S. import tonnage in 2009 was 136,488 Tons. Our total export U.S. Tonnage for 2009 was 123,593 Tons. The capacity share is 41 percent freighter vs. 59 percent passenger cargo capacity. We serve some 65 cities in all 48 contiguous States by our Road Feeder Service.

Lufthansa Cargo Approach.—Cargo security is an uncompromised priority and purposeful investment at Lufthansa Cargo. All of our airport stations in the United States are equipped with self-owned security equipment consisting of explosive trace detection equipment and large aperture, advanced-technology X-ray systems at our gateway stations.

When Congress passed the Implementing Recommendations of the 9/11 Commission Act of 2007 into law, mandating 100 percent cargo screening on-board passenger aircraft in the United States, Lufthansa Cargo adopted a comprehensive strategy. This was supported immediately by our executive board and senior leadership. For Lufthansa Cargo, the requirement to screen 100 percent did not simply apply to screening alone, but also required changes to our operations, resource allocation, productivity, and processes. We directed extensive funding to our United States operations for the investment in technology and the cost for increased resources.

As our business is in the service sector, it is reliant upon our customer base. Integral to this strategy was establishing an effective communication campaign to promote awareness of the mandate. The key to this communication was to ensure an understanding by our customers on the need for readiness. Lufthansa Cargo initiated and hosted two security conferences in New York in 2008 and 2010 bringing together our industry partners and customers, academia, and U.S. Government representatives to address the increased regulatory framework in the United States. Additionally, we led two security conferences in Germany, which included representatives from TSA, in order to continue the outreach plan on the U.S. and EU regulatory frameworks and the need for mutual recognition of security measures.

A tremendous effort has been incorporated into our business plan to ensure the mandate is accomplished successfully. It is important to highlight that these measures were adopted when the economic climate in 2009 was focused on business survival. I am very proud to report to you that these extensive efforts by Lufthansa Cargo will allow us to achieve the screening mandate in the United States 1 month early, effective July 1, 2010. Albeit a massive challenge, considerable resources, money, and time were allocated to adopt and carry out this strategy effectively and to ensure a robust business continuity plan.

U.S.-origin flights.—We commend TSA on its robust communication effort within the United States to increase public awareness and understanding of the mandate. This included various road-shows, public outreach seminars, and webinars to address the dynamics of the regulation and the operational challenges to industry. We also acknowledge TSA's extensive efforts in developing and allowing industry to adopt a key tool for the success for this mandate within the United States, the Certified Cargo Screening Program (CCSP). This program, although still in its infancy, is critical to ensure all partners share in the screening effort to maintain commercial flows, close-out times and to limit facility and airport congestion. We would encourage TSA to continue the outreach on the CCSP and invigorate the program beyond August 1, 2010. We further commend TSA in meeting with specialty shippers in the pharmaceutical and sensitive goods markets to encourage adopting a plan to ensure the flow of commerce within these markets are not impeded.

Although TSA has been effective in its communication plan regarding the 50 percent and 100 percent milestones, intermediary milestones for both U.S. and foreign origin cargo were mandated without industry consultation and without adequate notice effective May 1, 2010. Lufthansa Cargo had strategically aligned our budgets, resource scheduling and technology delivery schedules based on the initial mandates. In the future, we would encourage TSA to engage industry as expeditiously and extensively as possible in order to fulfill any necessary incremental requirements. While we recognize that TSA is responsible for developing the regulatory protocols, it is critical for industry to be well informed in order to best execute these regulations on multiple complex operational and management levels.

Foreign in-bound cargo.—TSA has communicated openly regarding the concerns and necessary policy adaptations to properly address 100 percent screening of cargo on-board passenger aircraft in-bound to the United States. However, we are not certain of TSA's time table for implementing 100 percent foreign in-bound screening, of any additional interim regulatory steps it may take, or of the process by which TSA is engaging other governments to assess and recognize their security programs and factor this into compliance for foreign in-bound shipments. Due to the complexities of the air cargo industry, we must look beyond a "one-size-fits-all" approach to security. It is critical that measures fulfilled under foreign programs that meet or exceed the measures anticipated by TSA be fully assessed and evaluated for mutual recognition. We are a global company operating in a global industry, and duplication and redundancy in implementing multiple country-specific cargo security efforts would impede the flow of commerce, create unnecessary costs, and diminish efficiencies within supply chains. In the air freight market, we need to deliver products today, not tomorrow.

We commend TSA for recognizing the complexity of the international air freight market and the need to address the 100 percent in-bound criteria with legitimate prudence to preserve trade and commerce among global partners, and we stand ready to engage in an active dialogue with TSA on this subject.

The security policy of Lufthansa Cargo is based on risk management. Furthermore, our implementation of the European Union framework and the German Aviation Security plan provides a robust regulated environment for air cargo that has and continues to develop.

The German Aviation Security Program and the newly released European Union Framework 300, Rule 185, is a comprehensive program that mirrors the basic fundamentals of the TSA regulatory programs for U.S. origin flights. The basic fundamentals implemented thus far in the United States are currently mandated or underway for development within the European Union and each respective member state. In some areas these programs exceed TSA's requirements, such as in the areas of access control and employee screening prior to entering the secure area. General EU requirements have adopted a structure with the regulated agent and certified consignor that is of similar content and requirements of the TSA recognized indirect air carrier and known shipper who conducts screening under the CCSP program. Any entity in the EU issuing the security status of a shipment must be a regulated agent approved by the national competent authority. A certified consignor within the EU must apply and be subject to site-specific audits by the national competent authority. Additionally, road feeder service providers must also have a regulated status with the authority or be contractually connected to the regulated agent or airline.

Although we understand and respect that within the regulations imposed by TSA the airline is the regulated entity, we are not in a position to directly address the international challenges and concerns which require a "government to government" dialogue and engagement on the issues. We strongly encourage this official communication to be expedited between TSA and each member state within the EU to discuss the existing security measures that are currently applied in the United States and respective member state. TSA needs to adopt an international policy and program whereas protocols are developed and communication is strengthened. As TSA has provided the tools necessary to complete the outbound-U.S. screening requirement and have further indicated that the CCSP program is critical in meeting the 100 percent mandate in the United States, such tools are imperative overseas in the area of mutual recognition in order to achieve the same level of success.

Lufthansa Cargo looks forward to work in continued collaboration with Government and industry in the development of future security measures as they evolve or change with the continuous assessment of risks. In the effective approach to define risk, we recognize Government to assess the threats; whereas industry can elaborate when it comes to realizing vulnerabilities and business consequence modeling. At Lufthansa Cargo we constantly review and evaluate the need for future security enhancements. We look forward to the opportunity to address a robust,

comprehensive security program based on the supply chain and not based on the type of aircraft flown.

Technology for air cargo screening.—We appreciate and recognize the requirements in the Implementing the 9/11 Recommendations Act of 2007 that cargo must be screened to "commensurate with checked baggage", however, the fact remains that cargo does not have the same characteristics as checked baggage. Cargo consists of bulk packaging, odd sizes, various commodities and sensitivities that require enhanced technology. This would include the requirement to use larger aperture X-ray use beyond the current restrictions, expanded research on the use of trace detection applications and the further recognition of international canine teams. Lufthansa Cargo believes that based on our experience in dealing with millions of kilograms and hundreds of flights weekly we urge TSA to evaluate the need for requiring complicated screening percentage evaluations and manually reported data. "Smart security" depends upon the responsible allocation of justified resources to order to invoke the most efficient flow of operations while maintaining a balanced and reliable security environment.

Operational Testing and Training.—Lufthansa Cargo has instituted best demonstrated practices for our security operation in the area of operational testing and training. In working closely with manufacturers we are extensively evaluating and field testing new technologies in Europe and the United States. Operational testing is critical to evaluate the real-life challenges demanded of our industry and the complexity of cargo commodities and packaging. When evaluated outside the laboratory environment, the expansion of use for the technologies can be effectively realized. We urge TSA to bolster and expand field testing of large aperture screening technologies in order to address current restrictions. Equally, training is critical in order to effectively operate equipment and carry out security requirements. Lufthansa Cargo is confident that our training programs surpass any previous industry benchmark and believes that effective training will demonstrate effective security. Currently there is a tremendous disparity within the industry on how training and subsequent testing is developed and disseminated to the operational staff and representatives. We would welcome any opportunity to review these standards with TSA to develop a stronger framework for the industry.

Through our existing partnerships with TSA in exploring effective freighter screening technologies and the early evaluation stages for the CCSP program, we look forward to other areas of collaboration where we can find suitable solutions for the extremely complex environment that poses such significant challenges.

In conclusion, Madam Chairwoman, I thank you again for the opportunity to appear before this distinguished subcommittee. We applaud you and the committee and staff for your leadership on the numerous efforts to ensure all modes of transportation are secure. We at the Lufthansa Group look forward to continuing a strong dialogue with you, the TSA and industry to address the challenges specific to air cargo. I am pleased to answer any questions you may have.

Ms. JACKSON LEE. Thank you very much for your testimony.

Mr. Middleton, you are recognized for 5 minutes.

STATEMENT OF MIKE MIDDLETON, EXECUTIVE VICE PRESIDENT, SECUREGLOBAL LOGISTICS

Mr. MIDDLETON. Madam Chairwoman, greetings from your constituents in Houston, and distinguished Members of the committee, it is my pleasure to be here today represent project SecureGlobal Logistics and our frontline efforts in support of TSA as a participant in the cargo screening program.

In our role as an indirect air carrier, we were early adopters of TSA's screening program. We were initially certified as a cargo screening facility prior to the February 2009, 50 percent screening requirement. We subsequently applied for and were accepted into TSA's pilot program, and we received grants enabling us to procure AT X-ray equipment and trace detection equipment.

We have been screening at the 100 percent level since February 2009, first using manual inspection techniques and later utilizing X-ray and trace technologies provided by TSA reimbursement.

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

However, manual inspection presents several inherent challenges. The first and most obvious is the dependence upon the skill set of those who were trained to perform manual screening operations. Even with the best of training those typically carrying out manual open and inspect are usually entry-level employees in most companies. These are typically hourly warehouse workers, where turnover rates can be higher than normal, and the cost of TSA-mandated training and conducting security threat assessments for this more transient group of employees can be quite challenging.

The second challenge to manual open and inspect processes, is that it create a bottleneck to the supply chain. Imagine, if you will, a company like ours requiring pallets upon pallets of cargo with boxes in it and having to break down every single pallet, every single box and inspect every single one. Now multiply that across the entire customer base that we have, and you can see that it can create a substantial bottleneck in the supply chain.

A third challenge to manual open and inspect relates to certain sensitive cargoes for which the client would not want their cargo opened. There are a host of commodities ranging from pharmaceutical to high-tech equipment that just would be compromised by the open and inspect method.

So technology-based screening processes have created better alternatives. X-ray and trace detection do not slow down the supply chain in the same way as manual inspection. Rather than opening each and every box or crate and looking inside complex equipment, we simply move the material through an X-ray device or swipe it and we can obtain a quick reading.

Additionally, these X-ray technologies can, in fact, create some additional benefit for our client. For instance, we can check the cargo inside a box that we are screening by X-ray to see if the total number of pieces matches the manifest. If it doesn't, we can alert the client in advance. You don't have enough pieces in your box based on your manifest. You may want to reissue this cargo. Solve a problem for them before the shipment ever occurs. We can also check for broken pieces inside X-rayed boxes as well and alert the client in advance of shipment. These are some advantages of the technology.

Our cargo can be everything from multiple boxes on a pallet to odd length pipe, to very dense valve bodies. Our cargo is a wide range of different commodities. By having different screening technologies, we can use the different technologies to bear on the specific commodities that we are screening and match those up appropriately.

As we approach the August mandate for 100 percent screening, facilities like ours are generally well suited to the challenge. We have a history of screening at the 100 percent level, we have already put in place the facility security requirements, conducted the training and managed our staff properly to be able to conduct this process appropriately. In other words, companies that have taken this mandate seriously and who have embraced the program will be ready.

However, companies like ours are in the minority. In the United States, there are less than 800 certified cargo screening facilities. As I mentioned, there are a thousand companies like ours in Houston alone.

I can't speak for all companies, but I do know that for a company like ours the cost of program participation can be onerous. Facility security measures alone cost us approximately $80,000. Training our staff in CCSF procedures and OEM equipment training cost approximately $20,000. The X-ray and trace detection equipment was $300,000. All in all, we have approximately $500,000 invested in the CCSF program. That is quite a burden for a company of our size.

The air carriers can speak for themselves in regard to the issues that might impact their operations should the cargo be tendered to them primarily unscreened, but we are advising our clients that prescreened cargo will receive priority booking and will go to the head of the line for loading in aircraft, and it is not difficult to imagine that unscreened cargo will of necessity take second priority and experience delays until the carriers are able to effect screening.

We are grateful to participate with TSA in this pilot program and as a fully functional certified cargo screening facility. We make ourselves available to you in the days ahead for any additional input we may be able to offer in support of the screening programs.

[The statement of Mr. Middleton follows:]

PREPARED STATEMENT OF MIKE MIDDLETON

JUNE 30, 2010

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

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

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

Funding from TSA as a pilot program participant was the key for our company to bring technology to bear on the screening process. Ours is a low margin industry and capital funding for non-revenue producing services like cargo screening would be prohibitive for companies like ours. In fact, in our city there are more than 1,000

companies similar to ours and yet less than 40 have become Certified Cargo Screening Facilities. Of those, I would suspect that the majority are not purchasing technology, but only utilizing manual open and inspect procedures in order to avoid the substantial capital investment required to obtain screening equipment.

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

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

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

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

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

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

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

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

One area of criticism in the use of X-ray technologies has been a lack of training in IED-specific X-ray interpretation. The primary focus of the OEM training was on system utilization such as turning the equipment on and off, cleaning, and maintenance. There should be a tighter connection between the TSA CCSF training process

which does provide IED specific training and the X-ray equipment manufacturers who simply don't address this subject in their equipment training.

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

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

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

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

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

The air carriers can speak for themselves on the issues that might impact their operations should the majority of air cargo be tendered to them as unscreened. But we are advising our clients of the communication we are receiving from various air carriers who are advising that pre-screened cargo will receive priority booking and will go to the head of the line for loading to the aircraft. It is not difficult to imagine that unscreened cargo will of necessity take second priority and experience delays until the carriers are able to affect screening.

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

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

Ms. JACKSON LEE. Thank you very much for your testimony and your participation in the program as well.

It is now time to recognize Mr. Soler for 5 minutes.

STATEMENT OF FERNANDO SOLER, OWNER, S.O.S. GLOBAL EXPRESS

Mr. SOLER. I would like to thank Chairwoman Jackson Lee, Ranking Member Dent, Chairman Thompson, Ranking Member King, my Congressman, and other Members of the subcommittee for if the opportunity to testify at today's hearing.

In addition to our submitted comments, I would like to offer the following. First, I am the majority owner of SOS Global Express, which is a minority-owned business. From modest beginnings 25

years ago, we service our clients around the country 24/7/365. We use over 100 airports in all 50 States to accomplish our work. We employ over 130 full-time employees and provide them with competitive wages, 100 percent company-paid medical benefits, 401(k), and additional compensation.

Second, SOS Global is typical of thousands of small and medium-sized forwarders all across this Nation. We support the highest level of security for air cargo. Like safe highways are vital to the trucking industry, safety in air cargo is paramount. We are concerned that TSA's current path to 100 percent screening will substantially hurt the small and medium businesses in our industry.

We believe the CCSP program is a valid and appropriate approach for many companies. However, our company and thousands of others have needs not addressed by this program.

In our business model, like many others, our cargo is picked up and taken directly to the airport by our trucking companies. We don't own or use warehouses to clear the vast majority of our freight.

For us to participate in CCSP, we would have to set up warehouses and screening equipment at over 100 airports which would cost between $150- and $500,000 per facility. Although CCSP is a good fit for many shippers, it will not work for the business models of our clients. Today, many of our clients do not have products waiting to ship from a warehouse. Instead, they use many third parties to supply inventory for immediate demand, which means that we have to make cargo pickups in many different places.

Third, as a non-CCSP company, we will face significant delays and cost in getting our freight onto planes. Any delay in the movement of air cargo is unacceptable to our clients. We are very concerned airlines will drop screening options and/or cargo services at smaller airports to focus on bigger markets. We are also very concerned about increased prices and delay.

Announced screening fees for August are running from 10 to 33 percent higher than last year's costs. We expect to see more and higher. This is especially difficult for small forwarders and shippers with little pricing power. Airlines are also promising faster access to flight for screened cargo, put non-CCSP companies at competitive disadvantage. Without equal and open access to move air cargo, we are marginalized and effectively limited to compete.

Finally, today America is a world leader in air cargo. Any shipper of any size can compete globally using the passenger cargo system with or without a freight forwarder. Our clients are usually small and medium businesses that depend on low cost and effective movement of air cargo to compete in the global marketplace. We need a level playing field and cost-effective options to offer our clients.

In order to ensure that small and medium forwarders like SOS continue to have a level playing field and a fair shot to compete within the air cargo industry, we have called on TSA to establish and operate Federal air cargo screening facilities at all airports. We believe these facilities should operate in conjunction with CCSP and airline screening.

We also believe that these facilities should be paid for with a per pound screening fee rather than taxpayer dollars.

Finally, we believe this will allow SOS and others to continue competing while continuing to meet the 100 percent air cargo mandate.

Again, I would like to thank the committee for this opportunity and would be happy to answer any questions.

[The statement of Mr. Soler follows:]

PREPARED STATEMENT OF FERNANDO SOLER

JUNE 30, 2010

INTRODUCTION

I would like to thank Chairwoman Jackson Lee, Ranking Member Dent and the other Members of the Subcommittee on Transportation Security and Infrastructure Protection for the opportunity to present testimony for today's hearing.

Today's hearing topic—what steps does the Transportation Security Administration need to take to secure America's skies with a 100% air cargo screening mandate—is timely and critical to both our National security and the air cargo industry. My testimony focuses on TSA implementation of the 100 percent screening mandate and its impact on the thousands of small and mid-size freight forwarders whose very existence depends on reliable access to passenger aircraft for shipping cargo.

I am honored to testify today as the owner of SOS Global Express, a small freight forwarder based in New Bern, NC. We ship cargo on passenger planes out of more than 120 airports Nation-wide on an annual basis and employ approximately 150 employees in eight States. In the areas that we operate, our employees make wages that are substantially higher than others with similar educations and we are proud of our ability to help them provide for their families.

I am also speaking as a founding member of the Air Cargo Security Alliance (ACSA). ACSA is a coalition of over 300 Indirect Air Carriers, direct shippers, customs brokers and affiliated businesses Nation-wide that represent every part of the air cargo industry. Formed in 2008, ACSA is dedicated to developing and implementing an air cargo screening program that will meet our homeland security needs and allow all members of the air cargo industry to continue providing world-class service to their customers.

ACSA's mission is ensure a level playing field for the entire air cargo industry through the development of a multi-layered air cargo screening program that relies on two very important components: First, voluntary screening by members of the air cargo industry and, second, the presence of Federal screening centers physically located at America's airports. Any program that fails to include both of these elements will create economic and logistical obstacles to effective screening and fair competition.

BACKGROUND

The air cargo industry is made up of over 4,200 registered Indirect Air Carriers (IACs), which operate at over 10,000 separate facilities and utilize over 450 airports Nation-wide, as well as dozens of airlines which carry air cargo and millions of companies that rely on IACs (also known as freight forwarders) to move their goods through the air cargo supply chain. The volume of cargo that is shipped via commercial airplanes is immense—more than 50,000 tons a day, with over 12 million pounds moving on commercial passenger planes daily.

Air cargo can range from very small packages to loads that weigh several tons. On any typical day the cargo shipped on passenger planes will include anything from perishable foods and flowers to machinery and equipment. The cargo can be shipped in numerous forms including individually wrapped packages, wooden crates, assembled pallets and large containers called unit loading devices.

The companies that make up the air cargo industry are as diverse as the freight that they move. Obviously, there are several very large companies such as integrators, which own their own planes, trucks, and warehouses (such as FedEx, UPS, and DHL). However, the vast majority of the companies that make up the industry are small companies that do not own or operate aircraft, own limited (or no) warehouse space and contract with trucking companies for their trucking needs rather than own fleets of trucks.

Typically, when a small or mid-size IAC gets an order to move cargo from one city to another on a specific, time-sensitive schedule, the company will make arrangements with a commercial air carrier to transport the cargo and contract with a trucking company to deliver the cargo from its origination point to the airport for

loading on the passenger plane. They will also contract with another company to pick the freight up at the airport following the flight and deliver it to its final destination. At no point during this transaction does the cargo go to a warehouse or central clearing station owned or operated by the IAC.

The consequences of the 100 percent air cargo screening mandate apply equally to every participant in the air cargo industry; from the shipper, trucker, and IAC to the airline and the ultimate consignee. It is vitally important to the existence of all of these companies that the mandate be implemented in a manner that takes into consideration their unique needs and business model.

9/11 ACT AND TSA RESPONSE

The Transportation Security Administration (TSA) is responsible for securing the air cargo transportation system without unduly impeding the flow of commerce.[1] In order to carry out this mission, TSA is responsible for establishing security requirements governing all domestic-originating flights (whether on domestic or foreign passenger air carriers) that transport cargo, overseeing the implementation of air cargo security requirements by air carriers and freight forwarders and conducting research and development of air cargo security technologies.[2]

In order to meet these security requirements, TSA developed a multilayered, risk-based system that requires airlines to screen a percentage of cargo transported on passenger aircraft, requires IACS to screen (or provide to TSA for screening) all cargo that meets certain high-risk criteria and includes TSA screening of all cargo at Category II–IV airports.

Pursuant to the language enacted in the Implementing Recommendations of the 9/11 Commission Act of 2007 ("the 9/11 Act"), TSA is also required to establish a system to screen 100 percent of air cargo transported on domestically originated passenger aircraft.

Section 1602 of the 9/11 Act requires this system to provide a level of security commensurate with the level of security for the screening of passenger-checked baggage, requires that 50 percent of all cargo be screened by February of 2009, and require 100 percent of all cargo be screened by August 2010. The 9/11 Act also provides TSA with the authority to develop additional methods to ensure that cargo does not pose a threat to transportation security—including the development of a program to certify the security methods used by shippers.

The 9/11 Act defines the term "screening" to mean "a physical examination or non-intrusive method of assessing whether cargo poses a threat to transportation security." Examples of such methods include X-ray systems, EDS, ETD, explosives detection canine teams and a physical search with manifest verification.

The costs of meeting the 100 percent screening mandate will be significant—in a 2007 study, the Center for American Progress estimated the total costs of screening 100 percent of the cargo tendered on passenger planes will be at least $600 million annually.[3]

In response to the enactment of the screening requirements set forth in the 9/11 Act, TSA announced that it would not conduct any screening of air cargo, but would instead develop a two-pronged approach that will rely on screening by air carriers and the development of the Certified Cargo Screening Program (CCSP).

The CCSP is designed to allow the screening of air cargo to take place at various points throughout the air cargo supply chain. Participants in the CCSP, including freight forwarders, direct shippers, manufacturing facilities, and perishable shippers, will be designated at Certified Cargo Screening Facilities (CCSFs) upon meeting security requirements established by TSA. In order to prove the validity of the CCSP approach, TSA has initiated a pilot program, in which TSA has purchased screening equipment for a limited number of large IACs in 18 major cities.

In addition to the development of the CCSP, TSA implemented regulations that require 100 percent of all cargo transported on narrow-bodied planes (airplanes that have only one aisle) to be screened. Due to the fact that participation in the CCSP has not been robust, compliance with this rule, which became effective on October 1, 2008, has fallen largely on the shoulders of air carriers.

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[1] Transportation Security Administration, Air Cargo Strategic Plan, November 2003.

[2] GAO, *Transportation Security Administration May Face Resource and Other Challenges in Developing a System to Screen All Cargo Transported on Private Planes,* Testimony before the Subcommittee on Transportation Security and Infrastructure Protection, July 2008.

[3] PJ Crowley and Bruce Butterworth, *Keeping Bombs Off Planes,* Center for American Progress, May 2007.

IMPACTS OF THE CURRENT TSA APPROACH

The Air Cargo Security Alliance applauds TSA's commitment to a multi-layered approach to air cargo security and the creation of the CCSP program. However, ACSA believes that CCSP must be supplemented by Federal air cargo screening centers at America's airports in order to ensure that all companies have the ability to utilize the air cargo network.

In order to participate in the CCSP, a freight forwarder will be required to purchase screening equipment, acquire (or already own) warehouse space to facilitate the screening, and hire and train employees to conduct the cargo screening.

As discussed above, the small and mid-sized companies that make up the vast majority of freight forwarding industry have very limited warehouse space (which is often owned by a third-party and leased by the forwarder)—and typically operate at many airports where they do not have any warehouses at all. Unlike the integrators, who move all of their cargo through their own warehouses located at the airports prior to placing it on their planes, freight forwarders rely on a Nation-wide network of trucking companies to route their cargo directly from the original pick-up point to the airport for tender with the airline for the vast majority of their shipments.

Given the business model that freight forwarders use, the costs of securing warehouse space, acquiring screening equipment, hiring employees to conduct the screening and training those employees in order to participate in the CCSP can be simply overwhelming. The purchase of the screening equipment alone will cost between $150,000 and $500,000 or more per facility.[4] For a typical freight forwarder or customs broker, this will add up to an investment of several million dollars merely to continue servicing existing clients and accounts.

Although there are some companies which can afford these types of investments, there is simply no way that the vast majority of the 4,200 IACs Nation-wide have the financial resources to participate in such a program. In order to remain competitive with the with multi-national freight forwarders or integrators who can afford the investment in screening equipment, small and medium-sized IACs are forced to make a tough choice—they can either purchase the screening equipment (provided that lenders are able to extend them credit), or they face a continuing loss of business and are forced to downsize their operations. Considering the current economic contraction, the burden of making such a tremendous investment could not be placed on small business owners at a worse time.

In addition to the direct costs, the air cargo industry will also face reduced air cargo service because airlines have been forced to invest millions in cargo screening equipment in order to continue providing air cargo services. Given the volume of air cargo traffic, airlines are likely to make these investments at major hub-airports. However, airlines are simply not economically capable of making the substantial investments required to continue servicing all non-hub airports that are currently used by IACs.

In fact, since TSA's announcement of the narrow-body screening program, air carriers have announced reduced or eliminated air cargo service to several regional airports including Colorado Springs, Anchorage, Palm Springs, and Buffalo. As airlines are faced with the costs of purchasing screening equipment, it is reasonable to assume that airlines will scale back air cargo services to hub airports only. This pull-back in cargo service will eventually force IACs and their customers to rely solely on hub-airports—and will likely force many to lay off workers and close their doors.

The impact that TSA's reliance on CCSP and airline screening to meet the 100 percent screening mandate will have on the air cargo industry will be devastating.

In addition to forcing airlines to restrict air cargo services to hub-airports only, denying them much-needed cargo revenues, it will:

- Force airlines them to spend millions of dollars in screening equipment at a time when they are least able to make such investments,
- Significantly reduce (or completely eliminate) cargo volumes at hundreds of regional airports Nation-wide,
- Force IACS to choose between spending millions to participate in the CCSP program or face restricted (and more expensive) access to passenger fleets for air cargo service,
- Significantly drive up shipping costs for businesses that rely on the air cargo industry to move their goods on an expedited basis, and

[4] Testimony of Cindy Allen, National Customs Broker and Forwarders Association of America, before the Subcommittee on Transportation Security and Infrastructure Protection, July 15, 2008.

- Cause job losses as both regional airports and small to mid-size IACs lose air cargo volume.

THE NEED FOR FEDERAL AIR CARGO SCREENING CENTERS

In order to comply with the clear Congressional intent in the 9/11 Act, and in order to ensure that the thousands of small companies that make up an integral part of the air cargo industry are not significantly or unfairly disadvantaged, we recommend that TSA establish and operate Federal air cargo screening centers that will operate at all American airports.

Such Federal screening centers would ideally:

- Be funded by a per-pound screening fee modeled on the passenger screening program currently operated by TSA,
- Provide screening at all American airports,
- Allow the screened cargo to go onto any airline that provides air cargo services, and
- Work in conjunction with the CCSP program.

The presence of such screening centers at American airports would preserve hundreds of thousands of jobs in the air cargo industry, enhance air cargo security, ensure that the entire air cargo industry would retain the ability to service their customers and maximize the flow of air cargo.

If TSA were to implement ACSA's proposal and establish Federal screening centers, they would:

- Protect thousands of new jobs without raising taxes or adding to the Federal deficit,
- Allow non-CCSP participants to continue to drop cargo at the airport,
- Allow non-CCSP participants to ship cargo on any airline,
- Allow companies to choose whether they want to participate in CCSP or not, and
- Allow U.S. businesses to continue to complete globally—by ensuring that they can continue to rely on air cargo services to get their products into the market in a timely and reliable manner.

Furthermore, where the individual IAC operating as a CCSF will screen only a limited amount of cargo, the Federal screening program would screen cargo received from multiple IACs, providing a much better return on investment.

CONCLUSION

The air cargo industry is as diverse as the shipping community it services. The companies that make up this industry come in all sizes and offer "niche" services as well as a full menu of offerings from managed global transportation to warehousing, distribution, trade compliance, and even financial services. The small to mid-size forwarder with an entrepreneurial bent can provide equally competitive service offerings as multi-national companies given a level playing field.

However, TSA's current cargo screening regime will take away that level playing field and force the small to mid-size IACS to face insurmountable costs and logistical hurdles in order to remain in the market-place. For many, a 100 percent screening mandate without Federal screening centers operating at all American airports is a threat to their very existence.

The Air Cargo Security Alliance calls upon Congress and the Obama administration to fulfill the clear Congressional intent of the 9/11 Act and protect the air cargo industry by creating Federal air cargo screening centers that will operate at all American airports. As a Nation committed to both homeland security and economic growth, we must allow IACs to continue to serve their clients and provide essential services that create hundreds of thousands of jobs, ensure the timely delivery of essential goods worldwide and bolster the American economy.

Thank you for the opportunity to submit this testimony to the subcommittee.

Ms. JACKSON LEE. Thank you very much, Mr. Soler, for your testimony, and thank very much all the gentlemen for your presentation today and accepting my invitation.

It is now my pleasure to yield to the gentleman, Mr. Austria, for 5 minutes for his questioning.

Mr. AUSTRIA. Thank you, Chairwoman Jackson Lee and thank you to the entire panel for your testimony. I appreciate you taking time out of your busy schedules to be here.

First of all, let me just follow up, Mr. Soler, with your testimony, if I may. You mentioned that you believe that the Federal screening centers can work in conjunction with the TSA's Certified Cargo Screening Program. You are looking at leveling the playing fields, in other words?

Mr. SOLER. Correct.

Mr. AUSTRIA. Let me just, in your testimony, you mentioned that in order to ensure survival of many of our small businesses, numerous small companies that make up a significant part of the air cargo industry, TSA needs to establish Federal air cargo screening centers at all American airports. You also mention that these Federal air cargo screening centers would ideally work in conjunction with the CCSP program, and that is where my question comes in.

How do you envision the Federal screening centers would operate in conjunction with CCSP program? If TSA provided Federal screening center options, you know, wouldn't that undermine the CCSP program, or can you help us understand how you envision that working together?

Mr. SOLER. Sure. CCSP is a wonderful program for certain types of shippers. If you are a manufacturer bringing in raw materials on the front side of your building and exporting it out the back, you have a grand opportunity to use CCSP to inspect your cargo and have it arrive at the airport untouched from there forward.

Unfortunately, that doesn't really bring a lot of value to a lot of other shippers that do not have brick and mortar, that rely on third-party warehouses, rely on vendors to supply materials, on immediate demand for export or movement.

They can coexist. The value of CCSP is to the companies that use it themselves, such as a museum. A museum would love nobody to touch or open their packages like antiques, things like that. However, there are many other companies that have to take cargo from places that are not CCSP, such as a third-party warehouse, and immediately get it to the airport for export, for transportation. In air cargo minutes count. So if you take it to a different facility to then offload, screen, reload, and go, you will spend significant dollars and time.

Mr. AUSTRIA. I appreciate that. But let me also follow up, without participation in the CCSP program and valid implementation of the Federal air cargo screening centers, is there any other way that your company and other small businesses or small companies, in your opinion, along with other IACs, will be able to meet the upcoming 100 percent screening mandate? I know it is a big concern with small companies.

Mr. SOLER. Oh, absolutely. Well, we would like to think of this as plan B that was mentioned earlier, but we have talked to stakeholders, we have talked to the Congress, we have talked to the TSA. We have had various meetings with the TSA. We are very open to anything that allows a level playing field, allows us and our clients to operate effectively and efficiently.

They are using the cargo system to compete globally. They can't allow—they won't allow additional costs to filter in. So we are open to anything that makes sense.

However, we have looked hard at it, we have talked to a lot of people. This seems to make sense for a lot of not only freight for-

warders, direct shippers. There are very large companies that use the airlines directly that have nothing to do with a freight forwarder for many years, and their whole history, and they need an open airport. They need access to the flights. It is their lifeline. It is their sales for the year.

Mr. AUSTRIA. Let me kind of move to the other end of the panel. Mr. Meenan, much of your testimony was devoted to the lack of technology capable of significantly screening large air cargo pallets. You indicated that a practical solution remains to be found with the eventual TSA certification screening technology to address these concerns.

Has ATA, in your opinion, in collaboration with TSA, seen any progress in developing technology that can adequately screen these type of cargos, such cargo?

Mr. MEENAN. There are a number of technologies in development. They have not been certified at this point as satisfying TSA's requirements. We think many of them hold a great deal of promise. We think more investment needs to be made in that area. Certainly Government investment could be of assistance as well.

One of the great interim steps that we believe is very valuable is the expanded use of canines, as we mentioned repeatedly. They are the best thing we have got going at this point in terms of being able to handle some large shipments that would not otherwise be capable of being screened in an efficient manner. So that is sort of the low-tech solution until we get that certified equipment out there, is more paws on the pavement, as we put it.

Mr. AUSTRIA. One other question if I may, Madam Chairwoman. Let me ask Mr. Zielinski, with your company and your situation, what is Lufthansa's capacity for screening cargo bound for the United States? Because I know you already have infrastructure in place in the United States with out-bound flights, and how hard is that to replace that, this process, for your last point of departure, airports bound for the United States?

Mr. ZIELINSKI. It is definitely a burden for us to fulfill the 100 percent security as requested in-bound to the United States.

I cannot share with you in front of the public the number of shipments we are screening for flights into the United States, but earlier mentioned by the gentleman from TSA, there was a number by 65 percent. We are doing more than this mentioned 65 percent by screening cargo in-bound to the United States.

I have to explain maybe a little bit the system on European cargo. Screening is not the only thing we are doing to secure cargo. There is a secure supply chain, and I can guarantee for—as the one who is charge for responsibility beside those which are not screened—100 percent of our shipments leaving for the United States and for any other destination is 100 percent secured without any doubt.

Mr. AUSTRIA. Thank you and thank you to the panel. I yield back the rest of my time, Madam Chairwoman.

Ms. JACKSON LEE. Thank you very much, Mr. Austria, for your questioning. I think that all of these questions that Members are asking will move us closer to our goal, and that is to stand, as I said, in the breach between the American people and those who desire to do us harm. So we thank all of you for your involvement.

Mr. Meenan, let me try to discern how we are doing as U.S. carriers and whether or not U.S. carriers have worked with foreign governments in meeting their screening requirements and has U.S. cargo screening mandate put the U.S. carriers in a better position to meet screening mandates in foreign countries such as the United Kingdom?

Mr. MEENAN. We work with both the foreign governments and the U.S. Government. We are regulated by the TSA as far as the security requirements are concerned, but when we are serving a foreign government, we are there at the sufferance of the host government we work with and comply with their security requirements as well.

As the TSA witness has testified, it is a complicated process. You have got sovereign nations on both sides of the water on most of these flights, and it is really something that we look to the governments to work out the appropriate understandings between themselves.

As we are really the party in the middle here, we try to satisfy, we do satisfy the demands on both sides. But I think it is far more efficient if we can get the governments to agree among themselves so that we don't end up having to duplicate procedures in Europe and again in the United States and carriers coming from the United States to Europe don't have to do the same kind of thing.

Ms. JACKSON LEE. But as it presently stands, do you try to cooperate with the laws of the countries of which you are engaged with?

Mr. MEENAN. Absolutely. We do cooperate. We are there essentially at the sufferance of those countries, and we are honored to cooperate with their laws because that is part of the way we do business.

Ms. JACKSON LEE. The movement that we have now in screening standards that we have now established, including our march towards 100 percent screening on in-bound, but is that helping our U.S. carriers work better at times with the government such as the United Kingdom?

Mr. MEENAN. I can't comment specifically to the relationship with the United Kingdom, but the fact is that the standards applied in different countries are technically different in some instances, and the way TSA might decide to provide security may not be identical with, but in many cases, the foreign government will say that its measures are more effective. TSA might say that it is measures are more effective. So you get really a mix of different perspectives on things.

We believe the best way to resolve this is for the governments themselves to establish the meeting of the minds where they both can understand the procedures in place in the various countries and they can, just as we do on certification of aircraft and safety issues, we honor the foreign authorities' expertise as much as they honor ours and we work in a mutually supportive way in that environment.

Ms. JACKSON LEE. Would you perceive domestic carriers that have been screening all cargo on narrow-body aircraft since 2008—I guess the question is: Domestic carriers have been screening all

cargo on narrow-body passenger aircraft since 2008: What are the challenges in screening cargo going onto wide-body aircraft?

Mr. MEENAN. Well, as I said, the cargo on narrow-body aircraft in general is not containerized, and so it is generally smaller shipments, it is individual cartons, it is things that are more susceptible to being screened using existing technologies.

The cargo that is carried on wide-body aircraft is generally palletized or containerized in some way prior to its delivery to the airport. That actually is the great bulk of air cargo that is carried. It is 75 percent of the cargo. It is carried in wide-body aircraft in palletized or containerized-type circumstances.

Those containers and pallets are not susceptible to screening using the existing technologies that have been certified to date, and that is why we are so eager to see more work devoted to accelerating that certification effort. In the mean time, as I say, one of the better alternatives, we believe, remains canines, and we are continuing to work with TSA on that front as well.

Ms. JACKSON LEE. Mr. Soler has made a suggestion that we have Federal screening sites at every airport. What do you think about that proposal?

Mr. MEENAN. I would defer to the TSA on that. That is something, you know, we are where we are in implementing the 9/11 Act at this point. We are close to July 1 with 100 percent deadline on August 1. The decisions have been made as to how, why we got here and how we got here. I think, reversing course at this point presents a number of difficulties, but I am not really the one to be answering that kind of question.

Ms. JACKSON LEE. Well, let me do this. Let me put TSA aside and ask you what would be your assessment of the challenges of having that kind of structure?

Mr. MEENAN. It is a matter of the application of TSA resources. We believe that under the current arrangement going forward to August 1 that the technology and the equipment and the facilities and the investments that we have made to this point will facilitate the flow, the continued flow of air cargo.

There may be some difficulties that are encountered. We anticipate that. We are hopeful they will not be significant, but as the process proceeds, I think we will have a better understanding of whether or not what we believe has been done to date will be sufficient to take care of the interests of the shippers.

There may be some delays. It may encourage people to do some additional things to get that cargo moved to the front of the line as opposed to be waiting to be screened at the airport.

But I think the bottom line, as far as we are concerned at this point, is that Congress and the administration has made the decisions that has brought us to this point and we are prepared to go forward.

We clearly accept that come August 1, no cargo will board any of our aircraft that isn't compliant with TSA regulation. If those regulations change, if there is another way to facilitate that, if there are better ways to approach this, we are certainly amenable to that.

Ms. JACKSON LEE. If that is not the case, however, that would mean going back to point A, would it not?

Mr. MEENAN. As I say, we are hopeful and reasonably confident that we have the facilities to take care of shipments as they are expected at this point. We certainly are always amenable to looking at these things again and certainly having TSA look at them again.

I think Mr. Sammon's point was a valid one, that encouraging people to be compliant with this is the best way to really facilitate getting the program in place.

Ms. JACKSON LEE. I think you are referring to his second grade homework story.

Mr. MEENAN. I wouldn't use that analogy.

Ms. JACKSON LEE. I thought it got the point over.

Mr. MEENAN. He did.

Ms. JACKSON LEE. I think that if we give options, or I think we always want to look for a new idea. But if we give options, we are in the category of starting again from point A on something that is enormously serious.

Mr. Zielinski, again, we appreciate you being here. So we ask the question from your perspective how TSA can work more effectively with foreign governments to establish reciprocal screening agreements. Can foreign air carriers assist in this process?

My assessment is that as a member of the Foreign Affairs Committee, I am very respectful of sovereign governments, but this is a very slow, painful process. Do you have any insight on how this can be moved along more quickly? I imagine you might comment on the European Union or European Commission that is working on some of these issues.

Mr. ZIELINSKI. Thank you, ma'am. I definitely cannot comment on the European Commission but I am observing the process going on. It is painful, definitely.

We, as airline representatives, have contacts to TSA and other entities doing cargo security all over the world, but there is a lack of mutual recognition, harmonization, and conversation, I would say. I was told by the senior representatives of the European Commission just a few days ago there is a movement to be seen, but it took quite a long time, without any doubt.

But from my perspective, it is still a challenge, and we as an industry, we are absolutely keen to help and open doors by talking to the European Commission. As I said, there is a movement going on, a positive one, and also as a representative of a German airline in talking to the German government, I was told on my return I have the possibility to talk to senior representatives of the Ministry of Traffic in Germany and already spoke to the gentleman of the TSA to arrange as facilitator, maybe, for a meeting between those governments.

All I can do is sharing information. The mutual recognition, and the further steps have to be done between the governments.

Ms. JACKSON LEE. As you assess the task that we have, is there a more effective way of working with foreign governments as it relates to this air cargo question?

Mr. ZIELINSKI. If I got your question right, ma'am.

Ms. JACKSON LEE. Do we work through our colleagues such as yourself or are there other methods for TSA to work?

Mr. ZIELINSKI. I would say they should, as soon as possible, they should look for direct contracts to the representatives of the Euro-

pean Commission and the government involved. We can be helpful for that, but the initiation, if I may, must come from one side, and there is still a lack of communication. Not as big as it has been, but we are working really hard. The industry is working really hard on closing this lack.

Ms. JACKSON LEE. We will work on that, and that is to both collaborate with our colleagues such as yourself and then work to directly connect with governments.

We know that the European Union is on its way to establishing air cargo standards. Do you have an assessment, because of your travels and expertise, of what the particular hotspots may be around the world that would be more difficult to implement these standards?

Mr. ZIELINSKI. Difficult to be answered by me, ma'am. I am traveling all over the world, especially in the European Union, and see the great harmonization done by the European Commission in the past. It is definitely the case, from my personal perspective, we are not reaching always the absolute same way of reaching security, as it may be written in this law, because there is space for definitions left.

But I have to say from my perspective, we are very close to a very, very good security regime, mirroring the most, and it seems not to be known here all the time, mirroring very close the sense of the U.S. security regime for cargo. Therefore, I am repeating myself, it would be the first and most important step that this would cover from my personal perspective at least 50 percent of the open questions, to sit together, to combine and to see where the measures are mirrored to each other and to mutual—recognize what the other countries are doing.

I don't see any serious threat on my side, not at all, by the European regulations. As always, there is room for improvement. But coming back to my statement, they should sit together, and this is my recommendation, and discuss really where obstacles are left but I guess they are not so much any more. Good conversation could solve many of those open questions.

Ms. JACKSON LEE. So I think your premise is that we work together with members of the European Union and look at obstacles but try to resolve them together.

Would you see outside of the European Union any challenges and hotspots around the world?

Mr. ZIELINSKI. Yes, ma'am. Please don't get me wrong if I say I do not like to mention hotspots on aviation security in front of the public. I know many, many countries where maybe there is room for improvement, definitely.

When it comes to an airline like ours, but I guess this is for other airlines the same, all security measures are based on the risk metrics. We do not fly cargo out of cities or countries where we do not trust in the security measures. But we always fulfill the requested rules by the EU 300 and 185. So to make sure that for an airline like ours there is no piece of cargo anywhere on board which is not secured under the best and reliable circumstances. Not the best given circumstances, we may take the opportunity not to fly, not to export cargo from several countries, but again, please, this

is confidential. I would love to share that later with you in another meeting but not in front of the public, please.

Ms. JACKSON LEE. We thank you for your explanation. What I would leave you with is, one, we will accept that opportunity, I will have staff work with you on how we can communicate that information. But just answer this plain, straightforward question: There are hotspots around the world?

Mr. ZIELINSKI. Yes, ma'am.

Ms. JACKSON LEE. Thank you. Thank you very much for your testimony.

Mr. Middleton, again, thank you again for coming from Houston and representing the industry and, of course, the business community that has been engaged in this process.

Just let me ask you about a component of the TSA certification, and that is the ability to review technology that may be designed.

Would you speak to me about some of the challenges of maybe a newly discovered technology that SecureGlobal Logistics might have and how challenging the review process in Science and Technology in DHS has been?

Mr. MIDDLETON. Absolutely. We partnered with a company called ICx Technology just about 18 months ago to bring in a prototype that had been in use in Iraq screening parcels for the U.S. military. The equipment is called ParcelPoint. It is actually a multisensor technology that screens for chemical, nuclear, radiological, biological.

The thing that we like about this technology is that it is not only scanning for IED, but it is a multi-threat detection system.

The other thing that we like about it is it is an automated system. It is not dependent upon user intervention or user interpretation. So the skill set for those operators utilizing the equipment can be quite varied.

The other aspect of it that we like is that its portal can basically be sized to any size requirement. So it could screen at the pallet level, it could screen at the piece level. We have had Dr. Anne Hultgren in from Science and Technology as well as other members from Homeland Security and TSA demonstrating this equipment, and they have reviewed the equipment and promised to take it under consideration.

Again, we started that process about 18 months ago. We have not seen any of that approval process come out of the other side of that chain yet, but I do know that there are technologies like this that are available currently. If we could get approval speedily done, they could be put into place. That could increase supply chain velocity and not inhibit it. From a commercial standpoint, that is a major consideration.

Ms. JACKSON LEE. Is there any suggestion on moving this oversight over vetting the technology faster?

Mr. MIDDLETON. Well, I would have to leave that to the experts at TSA. I am not familiar with their process for approval or how their systems work. I do know that placing equipment in an environment like ours, where you can do live testing, I think has great value to it. I know they have to test in a controlled setting, but we have had this equipment in our facility for a long time and have

had the opportunity to test it on a daily basis, to be able to stream live data in terms of its performance.

I believe those types of scenarios could be quite beneficial to Homeland Security as well.

Ms. JACKSON LEE. How long has it been placed in your facility?

Mr. MIDDLETON. We have had it just over 18 months.

Ms. JACKSON LEE. Give us again where it stands with DHS?

Mr. MIDDLETON. Still under review.

Ms. JACKSON LEE. You submitted it how long ago?

Mr. MIDDLETON. Approximately 18 months ago.

Ms. JACKSON LEE. I would just like to state for the record that time frame and ask that we get a report from TSA, generally speaking, on the time frame of the vetting of technology and specifically speaking on the inquiry regarding this technology, particularly since it has been utilized in Iraq. So I would appreciate that response coming.

Let me continue my line of questioning. We are going to reach, I believe, the 100 percent screening. We have just heard from TSA, the technology approach that they are taking and the research that they are doing to meet the standards set by the law. What are you hearing from your colleagues in the industry on being able to make 100 percent cargo screening by August 2010?

Mr. MIDDLETON. I will speak both from my client level as well as the colleague level.

Ms. JACKSON LEE. Do you see any challenges in making that goal?

Mr. MIDDLETON. I absolutely do. I know that the model is built around a high degree of participation by shippers. I can tell you that out of the thousands of shippers that we work with, I have only one that has actually shown any interest whatsoever in becoming a certified screening facility.

The shippers see it as our issue, as the airlines' issue, not as their issue.

In terms of my colleagues in the freight forwarding industry, there has been a watch and see approach. I think to some extent there has been some concern that the system or that the program would change and they didn't want to make a commitment to purchase equipment until they saw that the system itself was going to be solidified, the program itself. So there has been some reluctance to embrace the program.

I think now that we are facing the impending deadline in August, many of them are beginning to panic and recognize that they need to get certified at some level. Most of them have great concerns about their financial ability to be able to acquire the technology. So most of them, if they are going to become certified, are planning to do so on a manual basis only.

As I outlined in my presentation in the beginning, manual open and inspect has great limitations to it.

Ms. JACKSON LEE. So you see the obstacles as confusion or lack of resources or lack of commitment?

Mr. MIDDLETON. I think it is all of the above. But I believe commitment has been a huge part of this.

I believe that many in our industry have been unsure or uncertain that this mandate was going to hold. I think, to your credit,

you should hold the time frame and require that people get in line with the program.

Ms. JACKSON LEE. Well, I would say this, we hope that this hearing sends a signal that we are serious, that TSA is serious, and that we all need to work together. We need to understand the challenges, but we need to work together.

If I can have this message recorded, shippers should begin to assess their resources and ability to move forward to make a full commitment to compliance with the law. It will be enforced.

I think part of the reasoning was evidenced today, maybe not so much by testimony, but by some of the anecdotal comments made by Congressman Markey, who seems to have a district that has become quite instructive of what can happen.

We are trying to stand in front of what can happen. So I think it is important for shippers to partnership with you and companies like yours so that we can work out the solutions.

I am very glad to hear these concerns, and we are going to work with TSA on these points that you have made.

Let me pursue the line of questioning, if I might. Should there be more Federal funding or resources such as grants awarded to the private sector to purchase screening technology? Does this create an economic disadvantage to firms not receiving Federal assistance for screening equipment, sort of going back to the point, I think, that you have just made?

Mr. MIDDLETON. Well, I think funding is absolutely necessary. I think in order for us to get a broad-based platform of screening facilities to handle the volume of cargo that is going to move through the system, we have to have more participants with more technology. Funding is the drawback to the use of technology. So I think without a doubt we have to find a way to release funding to create additional screening centers.

Now, that can create competitive obstacles, as was already mentioned. I don't know how we resolve that issue, quite frankly, unless we go to a centralized screening concept.

But I think to go back to a centralized screening concept at this point would be difficult. We have gotten to this point with the program, and I think going backwards would be a significant step back.

Ms. JACKSON LEE. I think you would understand that in the scheme of responsibilities of this Government as a whole, Federal screening centers cast all over the country would be almost an enormous challenge of impossibility. We believe in the possibility of the impossible, but that would be an enormous challenge.

So you believe that we could work with extra resources and grants that would help bring a number of these companies in line?

Mr. MIDDLETON. I do. In fact, we are already beginning to work with our colleagues in a way that is almost unprecedented for our industry. I have other freight forwarders coming to me asking if we will partner with them to provide screening for their cargo.

Now, that is almost unheard of in our industry, because the exposure of your client base from one company to another is something that no one wants to risk. Yet they understand that the cargo must be screened and they need to work with someone that has the

technology to do that. So we are seeing almost unprecedented cooperation with colleagues in this regard.

I think it is because the mandate has been made and people are looking for creative alternatives. I think if we stick to that you will see these types of solutions arise.

Ms. JACKSON LEE. Well, we will look forward with this committee being in touch with all of you so that we can be apprised of the obstacles as we proceed toward a very firm date.

I might just finish, Mr. Middleton, with you, to try to assess whether you feel that this is a burden of small businesses and whether expanding on your earlier answer what can be done to lessen that impact.

What do you consider your shippers' size in terms of the general population which your company deals with?

Mr. MIDDLETON. I am sorry, what was the last part of your question?

Ms. JACKSON LEE. The shippers that you deal with, what range or size are they?

Mr. MIDDLETON. Oh, I see. Well, we work with companies that are quite large. Being in Houston, Texas, obviously, we are the oil field capital of the world and so we work with some of the largest oil field companies in the world, and we work with companies of that size down to very small mom-and-pop type operations.

But in terms of the impact on companies like ours, I would say one of the areas that I think there must be some collaboration is between the OEM equipment manufacturers and TSA with regard to training. The OEM manufacturers train you on how to turn the equipment on and how to service it.

TSA has told us how to screen for IEDs, but there is very little bridging between the training that we receive from TSA and the original equipment manufacturers. In other words, we need to know how to utilize X-ray machines and trace detection equipment in a way that is more specific toward the detection of IEDs than the training that comes from the OEM manufacturers.

So some bridging of training between these two entities, I think, would be very important in helping us to do a better job as screeners on the front line of this process.

Ms. JACKSON LEE. That would be training that would complement the TSA with the manufacturers?

Mr. MIDDLETON. That is correct.

Ms. JACKSON LEE. That kind of side-by-side training or expanded training.

Mr. MIDDLETON. That is correct.

Ms. JACKSON LEE. Mr. Meenan, do you have any comment on the training element?

Mr. MEENAN. I think because of the experience of our people operating this equipment, they are pretty well up to speed. I would suspect that some of the other players in the industry today who are getting into the security business for the first time have not had that level of experience.

Ms. JACKSON LEE. Let me follow up, Mr. Soler. Thank you, Mr. Meenan. I just wanted to see if you had an added comment on that. Mr. Middleton, thank you.

Mr. Soler, we want to be helpful to you. Do you have a list of your membership? How large is your membership?

Mr. SOLER. It is approximately 300 members.

Ms. JACKSON LEE. So would you be willing to work with the committee so that we can assess how we might be helpful on this question that you have raised?

Mr. SOLER. Absolutely.

Ms. JACKSON LEE. Would grants help your membership in some of the requirements that we have in place?

Mr. SOLER. We would never turn down money. I find that would probably be just problematic. Again, we are bringing freight to a certain point outside the airport for screening that is coming, many times, from long distances to bring into a facility.

There are concerns where the screening process off the airport is just problematic. It works for some, it is wonderful. It is a very, manufacture-base type of thinking. But in a service economy, many clients are going from their vendors directly to their point-of-sale, their construction project or so on. So going to many, many CCSPs at the airport becomes quite a problem.

We would take the money, obviously. We would take, and we would be thrilled to help the process.

Our key point is a level playing field. Our key point is cost. A lot of these ideas bring a lot of costs into the equation for transportation, and our clients are extremely cost-sensitive in a global marketplace that demands an efficient process and a price.

Ms. JACKSON LEE. At the same time many stakeholders say that the private sector can screen more effectively and efficiently than the Government sector. Do you not agree with that if the right kind of procedures and resources are in place?

Mr. SOLER. Oh, I am sure, absolutely. I think that private screeners can compete with anybody. We don't have any problem with that. We question whether you really need the number of CCSPs Nation-wide to process the cargo and that in and of itself is a very effective method. But, it certainly can be very competitive.

We are not saying the Federal Government should be the answer; we are saying the Federal Government should allow the small and medium businesses of the industry, as freight forwarders and shippers, the opportunity to compete as well as—and let the marketplace decide who are the winners and losers.

Ms. JACKSON LEE. Well, I imagine if we instructed the Government to do the millions and millions of pounds of cargo, we certainly might expect some level of delay if we didn't include the private sector, would you not think so?

Mr. SOLER. Oh, absolutely. In our vision CCSP and airline screening is a partner in this process. It is a very big business. There is a lot of cargo. It needs to be spread out.

Ms. JACKSON LEE. Well, let me take you up on your offer and have staff try to discern the issues more carefully and, as we understand it, there are about 300 members, and are those members in one region of the country?

Mr. SOLER. No, we are dispersed throughout the United States. As a matter of fact we have one in your district and we also have one in Congressman Austria's district as well, throughout the United States.

Ms. JACKSON LEE. Well, we will look forward to your constructive input on how we move the very firm date that we now have for domestic screening at 100 percent and then the progressive structure that we now have for the international in-bound cargo that is coming in. We think your testimony has been instructive, but we want to move to solve those concerns as quickly as possible.

Let me just ask this last question of the gentlemen, starting from Mr. Meenan. How important do you think moving forward on the screening of cargo at the level of 100 percent is to the Nation's security, both domestic and then as we move forward for international?

Mr. MEENAN. We obviously think, we take the law very seriously. We understand why it was put in place, and we are committed 100 percent to compliance with the law.

You know, it is, there is nothing more important to the airlines than the safety of their passengers and their crews, and this is just another measure, another set of measures, another layer to improve the security overall.

Ms. JACKSON LEE. Internationally, Mr. Zielinski, how important do you think it is to have a worldwide standard that allows us to screen airplane cargo?

Mr. ZIELINSKI. To me, Madam, it is the top importance of all to have screening harmonized and having 100 percent screening to make sure there is nothing harmful inside any shipment.

That is our top target, anyhow, worldwide, for operation. We as a company do security on our own, especially in Europe, using our own machines, our own stuff. But worldwide, again, it is the No. 1 target for our industry to offer 100 percent security for our customers as soon as possible.

Ms. JACKSON LEE. Thank you very much. Mr. Middleton, your assessment of how important this effort is.

Mr. MIDDLETON. Well, we believe it is very important. That is why we were early adopters of the CCSF program. We also look forward to the day when this becomes a multimodal requirement and a multisensor requirement so that we are looking for all threats, not just IED, and believe that when that day approaches that we will be that much closer to a standard that fully secures our country.

Ms. JACKSON LEE. Thank you, Mr. Middleton. Mr. Soler, is this an important step that we are now making?

Mr. SOLER. Absolutely. We believe that air cargo security is paramount, it is the whole goal. It is vital to the health of the industry, long term, short term. We are anxious and ready to participate in every level that we can possibly afford and practically provide.

Also, I would like to point out that everybody here has a Houston office at some point. I do, too.

Ms. JACKSON LEE. Well, I am delighted that that is the case. Members are enriched by the presence of businesses in their Congressional district. So thank you very, very much.

Let me acknowledge to the witnesses, as I close, these simple comments regarding this hearing and to thank the previous panel, the Government witnesses, and to particularly thank Panel II, which gives us more than a bird's-eye view into the work that we have to do, the challenges that we have.

Mr. Middleton, I think you are right. I look forward to a day of multimodal concepts and would never want us to be narrowed into one way of looking at a target or a potential target of materials or items to be shipped, because whenever we do that we obviously limit our ability to secure the homeland.

I think this is key for one reason. As we sit in this building and proceed with this hearing, there are how many takeoffs and landings of families and businesspersons and others, for whatever reason, are flying in the Nation's airlines and in the international group of airlines.

As we sit here comfortably in this building, there is no question that there are possibilities of someone attempting to do us harm. That was the way it was on the very bright, shining day on September 11, 2001, and not a single person in this room will forget where they were and how bright a day in most parts of the country that day was.

So we hold this hearing for that very reason, and we ask for you to be present for that very reason. We are interconnected around the world. One tragedy in Germany is a tragedy that impacts the American people, and one tragedy in the United States as well impacts the people in Europe and also around the world.

So your testimony was crucial today. We will look forward to working on some of the issues that have been broached and raised here. We may have additional questions, and I would hope that you would provide us those answers in writing.

The committee will look forward to you expeditiously providing us with those answers, and we will speak to some of you as we ask some questions that you indicated that you would provide to us in a manner away from the public setting. We respect that, and we will look forward to having that occur.

Hearing no further business, the subcommittee stands adjourned.

[Whereupon, at 5:20 p.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS FROM CHAIRWOMAN SHEILA JACKSON LEE OF TEXAS FOR JOHN SAMMON

Question 1. What is TSA's plan and schedule for negotiating harmonization agreements with foreign countries regarding explosives detection screening for in-bound cargo? Specifically, what countries is TSA engaging with to establish a system to screen in-bound cargo on passenger aircraft in accordance with Section 1602 of the "Implementing Recommendations of the 9/11 Commission Act of 2007"?

Answer. Response was not received at the time of publication.

Question 2. Explain the scope of training, including screening and secure transport protocols, provided by TSA to private sector employees regarding the implementation of security provisions required of Certified Cargo Screening Program (CCSP) participants.

Answer. Response was not received at the time of publication.

Question 3. According to the Government Accountability Office (GAO) analysis of TSA's screening data, shippers, and independent Certified Cargo Screening Facilities (CCSFs) are to screen approximately one-third of all domestic cargo traveling on passenger aircraft in order for TSA to meet the 100 percent screening mandate; however, as of March 2010, shippers and independent CCSFs only screened about 2 percent of such cargo. How does TSA plan to increase CCSP participation among shippers so that cargo is effectively screened in the supply chain without dislocations and undue delays?

Answer. Response was not received at the time of publication.

Question 4. How many personnel does TSA have dedicated for inspecting and certifying CCSFs, and for training employees at CCSP firms?

Answer. Response was not received at the time of publication.

Question 5. What cargo screening exemptions are currently in place for passenger aircraft cargo and what are TSA's plans to address or eliminate these exemptions?

Answer. Response was not received at the time of publication.

Question 6. What is the current backlog of firms who have applied to have a facility certified as a CCSF but have not yet had the facility approved for certification?

Answer. Response was not received at the time of publication.

Question 7. What is the current number of TSA proprietary and non-proprietary canine teams engaged in cargo screening activities? Will this amount increase or stay the same over the next 12 months? What is TSA's schedule for implementing a pilot program to test the safety and reliability of third-party explosives detection canine teams?

Answer. Response was not received at the time of publication.

Question 8. What provisions has TSA made for the screening of perishables cargo carried on passenger aircraft?

Answer. Response was not received at the time of publication.

Question 9. What quality control measures has TSA implemented to verify reported screening data from private sector CCSP participants?

Answer. Response was not received at the time of publication.

Question 10. What are TSA's plans for re-chartering the Aviation Security Advisory Committee (ASAC) and its Cargo Working Group? Outside of the ASAC, how is TSA engaging with stakeholders on CCSP implementation?

Answer. Response was not received at the time of publication.

Question 11. Will enacting the 100 percent screening mandate make the Known Shipper program obsolete? With scarce resources available to both industry and Government, is Known Shipper an unnecessarily duplicative program, given that all cargo will be screened for explosives on and after August 3, 2010?

Answer. Response was not received at the time of publication.

Question 12. What are the available technologies certified by TSA for screening large palletized cargo? What coordination is taking place between TSA and DHS S&T in developing screening technologies for large palletized cargo?

Answer. Response was not received at the time of publication.