

Air Cargo & Air Supply Chain Security : Perspective From Integrators

Introduction

The September 11 terrorist attacks in the US in 2001 has changed the whole concept of Aviation Security and has affected integrators like ourselves in ensuring greater security in moving our customers' products and goods through the air system.

I will not elaborate on the security measures that came into effect as these would have been discussed and mentioned by the speaker from the TSA arising from the formation of the TSA and the Homeland Security Agencies. However, I would like to take this opportunity to share with you what UPS needed to do as a result of these security enhancements with our operation in handling our cargoes through our Supply Chain and Air Networks.

Security Directive Implementation

The Transportation Security Administration (TSA) issued Security Directive 108-01-04 that required air carriers to implement specific security measures immediately after the 9/11 crisis. Immediately, UPS Airline Security issued our own security procedures for compliance. Security had to ensure that compliance is mandatory.

Physical security at all our gateways were enhanced as follows:

- Vigorous identification checks and challenge procedures were implemented to positively confirm that only authorized employees and personnel are allowed

unescorted access in our air facilities

- Prohibited items as listed in the TSA Security Directive were not allowed in the flight deck
- Physical searches were conducted on all carry-on baggage submitted for transportation
- Service personnel working on our aircrafts are physically searched and and screened by pat-down or using a handheld metal detector
- Security guards were deployed to guard the aircrafts on the ramp during the loading process or when the aircraft is laid over night unattended.

Tendering Procedure Enhancement

TSA directed that only packages from Verified Known Shippers can be tendered to US Passenger Air Carriers.

What is a verified known shipper? UPS quickly developed a definition and defined a Verified Known Shipper as a shipper that was a known shipper prior to Sep 1,1999 with an active account showing 24 shipments since Sep 1,1999; or cargo from a known shipper that has been visited since Oct 1, 2001. All Known Shippers' profile will be updated and kept on file.

As the majority of our cargo volume in Asia Pacific moves on our own all-cargo aircrafts, this is not so much a concern for us. However, we were concerned that other non-US air carriers would also want to ensure the same tendering procedures as directed by the TSA.

To play it safe, UPS Asia Pacific Top Management decided to send all our Accounts Executives (Sales staff) out to their customers to personally visit with them and to fill out the Customer Profile Update Forms. This exercise was completed within one month by November 15, 2001

Unknown Shipper Procedure Enhancement

In fact, since 1996 even before the 9/11 crisis in US, UPS in Asia Pacific Region has already implemented what we called the Unknown Shipper Procedure. We defined Unknown Shippers as those “ walk-in “ customers who do not have a Shipper Account Number, and usually pay by cash, checks or credit cards. They could also be those who want to ship with us using the same payment modes by calling our Customer Service Telephone Centers (CSTC) from their hotels.

The main objective of this procedure is to deter would be illegal shipments of drugs, contrabands, pornographic materials, dangerous goods or bombs, through our system.

The Unknown Shipper Procedure calls for the shipper to personally open the package/ letter for visual inspection in his presence by our trained counter staff. The shipper shall also be requested to show any identification papers, like Identity Card, Passport or

Company Identification Badges with photograph, to verify and confirm his identity. His personal particulars will also be recorded in an Unknown Shipper Procedure Control Log.

In the event that the shipper refuses to open his package / letter for inspection or to give any identification papers for verification, we will not take delivery of his package/ letter. An Unknown Shipper Procedure Poster highlighting the UPS requirements is displayed prominently at our Customer Counters to ensure compliance.

For a hotel cash pick-up shipment, our CSTC will need to ensure that the customer is billeted at the said hotel by confirming with the hotel front desk, and to request that the package/ letter be opened for inspection by our pick-up driver, in the presence of the shipper.

Periodic audits on compliance of this procedure, and semi-annual training and certifications are conducted by my Security Management Teams in each country.

X-Ray Screening of Cargoes

Although the TSA Security Directive demands all checked baggage be screened on passenger air carriers, we at UPS voluntarily implemented our x-ray screening procedures even for cargoes going into our own all-cargo aircrafts. In this respect, we committed to the US Authorities that we would screen one in five international packages destined for the United States. To do so, we had to purchase x-ray machines

for installation at our gateways and hubs across Asia Pacific Region. We had to modify our Master Operating Plans (MOP) in each location to ensure that we screen as many of the US bound shipments as possible.

Radiation Screening

As the TSA and Homeland Security Department evaluated the terrorist threats and come out with enhanced security measures, the fact that US led the military action of war against Iraq, led to fears that the terrorists might be using “dirty bombs” as a mean of weapons of mass destruction, became a real and significant concern. Again, UPS voluntarily and proactively implemented a Radiation Screening Program world-wide, to screen cargo pallets and air containers filled with our customers’ packages, at all our gateways prior to loading them into our aircrafts..

In the Asia Pacific Region, we installed five sets of Radiation Detection Portals with the ability to detect gamma emissions when the cargo pallets or air containers are driven through the portals prior to loading them into our aircrafts. The Portals could be installed just outside the building or in the open depending on the situation and location. The whole process of training the employees concerned on how to use the equipment, how to screen, how to react to an activation, and installation was completed by end of 2002.

Plans are on the way to upgrade the portals in the new future to allow them the ability to also detect neutron emissions.

In July 2003, we added more radiation detecting equipment into the program. This time, we introduced using handhelds with vibration attachment to the operator's wrist. If the handheld device detects radioactive emissions, an audible alarm will sound and the wrist attachment will vibrate. At this time, the air container must be scanned a second time. These handheld devices have already been upgraded to detect gamma and neutron emissions.

For safety reasons, all operators are trained and certified on how to operate the handhelds, testing it, and how to respond in the event of an alarm activation. A Crisis Management Plan is put in place in all gateways to deal with any unforeseen circumstances.

Customs-Trade Partnership Against Terrorism (C-TPAT)

Across the transportation industry, including manufacturing , many additional security programs came to light. One example is C-TPAT or Customs-Trade Partnership Against Terrorism.

I am happy to report that UPS and its subsidiary UPS-Supply Chain Solution are certified members of the Bureau of Customs and Border Protection's C-TPAT initiative. C-TPAT is a joint government business initiative whose primary purpose is to combat the threat of terrorism by building cooperative relationships that strengthened overall supply chain and border security.

UPS is committed to maintaining a secure system for supply chain management. We have a comprehensive and active security program whose objective is to establish and maintain the appropriate level of security necessary to provide a safe working environment for our employees and to safeguard our customers' merchandise and UPS' assets. Our security program incorporates many processes, including pre-employment screening, physical and vehicle security. In addition, our company actively participates in security program such as C-TPAT , complies with Federal Aviation Authority and Transportation Security Administration regulations, and takes independent security measures that go beyond regulatory requirements.

We utilize threat and risk analyses to determine the necessary physical security and security staffing requirements. Our approach to Security is based on prevention and deterrent, security related investigations, special on-going training, professional relationships, partnering with Customs on an individual basis. We assign a Security Representative to our major customer's account to address claims and security issues.

Security Cost

At the recent 2003 APEC Customs-Business Dialogue (ACBD) hosted and organized by the Thai Customs Department, participants have voiced their concern about balancing security and cost in doing business. The theme of the 2003 ACBD was appropriately titled " Trade Facilitation & Supply Chain Security: How They Can Be Convergent"

At UPS, we strive to do just that.

Improved security is costly for everyone involved. We at UPS recognizes the burden imposed by these costs. But failure to improve our transportation security is even more costly. It is paid in human lives as well as in dollars.

To our customers, the added security measures and their costs are transparent. They do not have to pay more. Their packages and cargoes do not get delayed.

Partnership/Close Cooperation

UPS and the TSA have been working very closely since the Sep 11 crisis. We continuously strive to better interconnect and be mutually supportive of aviation security polices and procedures so that our air operations and networks will not be compromised or diminished in the future. Only through working together, industry and government agencies, can we assess security systems, reduce vulnerability and keep the air system safe.

Another agency UPS worked very closely with is the Customs Authorities. Some 3 years ago, we had commenced work on our own Risk Management Program. We worked with Customs to develop our own software that can be used internally to target and focus on high risk shipments. We wanted to target these high risk shipments even before Customs target them.

The Sep 11 crisis have created new operational challenges and added new costs, as have been mentioned earlier. We accept that we must tackle these challenges and continue to

work closely with Customs to minimize the impact on global cargo mobility.

We have now deployed our Risk Management Program in all the countries we operate in.

Our program is able to target :

- specific origin countries
- blacklisted shippers and consignees
- mode of payment for shipments
- description of merchandise
- weight range for documents and non-documents
- shipment value against weight
- and a host of other criteria factors

In working with Border Agencies like the Customs Department, our Risk Management

Program allows:

- Early analysis of shipments using advance shipment information prior to flight arrival
- Focus on high risk shipments
- Faster clearance of low risk shipments which form the bulk of legitimate trade
- Deters smuggling, drug trafficking and IPR violations
- Helps prevent loss or leakage of Customs duties and taxes
- Makes more effective use of Customs resources, and
- Protects the Border

Thank You

With this note, I like to say thank you for your kind attention. And if there are any questions, I will be glad to answer them later in the Panel Discussion.

