



The Hong Kong  
Shippers'  
Council  
香港付貨人委員會



Willy Lin  
Chairman

## A win-win approach to consignor validation dilemma

# EXECUTIVE COMMITTEE 2017

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The Secretary General of the International Civil Aviation Organisation (ICAO) issued a State Letter in September 2016 announcing the ICAO Council's decision that consignors not subject to approval by the Authority should be phased out within a five-year period or by June 30, 2021.

To comply with the requirement, shippers either have to be "validated" by the Authority to become "known consignors" (KC) or tender their cargo for full security scanning before loading onto a commercial aircraft.

In order for Hong Kong to comply with the requirement, it will have to drastically revamp its current Regulated Agent Regime. As I see it, challenges will arise from two main factors. Firstly, the validation of consignors that are located outside Hong Kong and secondly, the inadequate scanning facilities in Hong Kong. At present, many consignors are based in Mainland China.

Furthermore, only a small percentage of air cargoes are scanned for security purposes and scanning facilities which include scanning centres, scanning machines, trained/qualified personnel, secured transport, training and accreditation institutions and so on are far insufficient or simply lacking. Besides, if compliance inflates costs significantly, competitiveness would become a major issue. Hong Kong, as the world's busiest air cargo hub, thrives on flexibility and efficiency instead of cost. In short,

inflating cost is going to worsen the cost disadvantage.

Since the events of 9/11, there have been two main schools of thought regarding cargo security. One idea advocates 100% scanning with no exceptions as this ensures safety. The other, however, considers that since lawbreakers account for only a very small percentage of shippers, a risk profiling approach would be far more efficient and enable the industry to focus on higher risk areas. To the latter, 100% scanning entails spreading scarce resources equally on everyone, which causes too much wastage without contributing to cargo safety.

The ICAO requirement is more in line with the latter, more targeted approach. However, sufficient scanning facilities are needed as shippers may opt for scanning instead of becoming a "known consignor" through validation, which may turn out to be an expensive exercise. This is especially true in the case of infrequent shippers.

For Hong Kong, I believe it is appropriate to take on a dual approach – to make as many shippers become "known consignors" as possible while providing sufficient scanning facilities to meet the scanning needs.

I am fully aware that the Hong Kong Authority, in this case, the Civil Aviation Department (CAD), has no jurisdiction outside Hong Kong, but I believe they should consider options such



as licensing, or sub-contracting the jobs to independent service providers. In addition, CAD should explore the possibility of recognising existing cargo security schemes like the U.S. Customs-Trade Partnership Against Terrorism (CT-PAT), ISO 28000, and related schemes like the Authorised Economic Operators (AEO); the Authority may set out additional requirements for enhanced schemes. However, building on existing schemes could expedite implementation and save substantial administration costs.

On the other hand, the Authority and the industry should work together to identify suitable in-town facilities as the current scanning facilities are almost exclusively at CLK airports with the Cargo Terminal Operators (CTOs). Common facilities should be established in popular logistics centers such as ATL, HLC, AFFC, Mapletree, etc. Of course, the security measures, traffic flow and configurations of these large-scale logistics centres and the operators in these centres will need to be worked out.

The existing facilities are inadequate in their ability to cope with all the scanning and operations demands. Therefore, new logistics centers are needed. The land earmarked for

logistics use at Tuen Mun West should be made available quickly. Besides common scanning facilities, individual freight forwarders may prefer to have small-scale x-ray machines in their own warehouses for speedier and less complex operations.

I must also urge the government to provide assistance, not only on operational guidelines, updated information, available technologies and so on, but also in providing financial help to the industry. Investment in scanning equipment, secured transport for carriage of scanned goods, implementation of security programmes, adoption of security technology are all very costly and difficult criteria to implement and maintain.

Therefore, the government should have a well thought-out and defined programme

to help those affected and a dedicated fund should be set up. The government should also consider establishing a special task force under the Security Bureau or CAD to assist the industry on the technical aspect. I must also stress the additional burden to shippers which would be affected also. They too need help and should not be victimised by the new requirements.

We are four-and-a-half years away from implementation of the requirement, so we must take a proactive approach and act fast. If not, we are inviting chaos in place of delay.

