Testimony of

Mr. Charles Upchurch

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Madame Chair and distinguished members of the Senate Judiciary Subcommittee on Technology, Terrorism and Government Information.

My name is Charles Upchurch and I am President and CEO of SGS Global Trade Solutions, Inc., headquartered in New York. I am also a member of the Global Alliance for Trade Efficiency, known as GATE. GATE is a multi-national not-for-profit organization focused on improving the efficiency and security of trade. GATE represents technology solution providers, inspection and certification companies, shippers, financial institutions, Fortune 500 companies, manufacturers, importers and exporters.

GATE maintains close and cooperative relationships on customs and trade-related issues with the World Customs Organization, the World Bank, the European Union, and the Office of the US Trade Representative.

I have been asked today to offer you trade efficient recommendations and solutions for the protection of US ports including the necessary existing technology.

In protecting US ports, technology plays an important role in what we believe is at least a three step process. The first step is to carry out a security inspection of the container at the time of loading; the second is to seal the container; and the third, or final step being the use of global tracking technology to monitor the cargo while in transit.As the Subcommittee is aware, the shipment of goods in containers represents a significant security risk as they can hide weapons of mass destruction from easy detection. Inspecting containers upon arrival is already too late in the supply chain for this particular risk. US Customs Commissioner Robert Bonner has recently outlined a four step plan to minimize this risk: establishing international criteria for containers, pre-screening high risk containers, maximizing the use of detection technology, and the development of "smart boxes" with electronic seals and sensors.

We support these recommendations which include figuratively extending America's borders to allow for the security inspection of cargo prior to shipment. However, the potential exists that these efforts to improve container security would incur a very high cost to the government, would take a significant amount of time to implement due to the negotiation of bilateral agreements and would likely hinder trade efficiency by requiring changes to current trade patterns and processes. We would like to propose ideas that will strengthen these recommendations to improve container security while avoiding the potential problems.

It is our recommendation that the Subcommittee consider establishing a solid foundation for container security by requiring in high risk countries compulsory security inspection at the time of loading goods into the container. This is not only the most secure method of pre-screening high risk containers but it is also the least disruptive to trade as it occurs within the normal

logistics process. If a container has not been inspected at loading, pre-screening would require either scanning or unloading the container in a port area. Scanning containers is a useful complementary tool but has limitations in its effectiveness as a sole solution and unloading/ reloading containers is very expensive.

Once a container has been inspected and sealed at the time of goods loading there is still the risk that weapons of mass destruction can be introduced into the container. There are many ways to enter a container without breaking the seal while evading detection. It is therefore critical to monitor containers after inspection and sealing to detect any unauthorized entry prior to arrival in the USA.

Cost effective technology exists to track individual container shipments and is already in use to track vehicles today. Small inexpensive GPS transponder units can be installed inside containers with sensors to detect any changes, such as to light and air pressure, that would indicate entry. The transponders would be continually monitored by information technology and an alert will only be generated for intervention when a sensor indicates container integrity has been compromised prior to arrival in a US port.

The most cost effective and the quickest way for the US Government to create a program of compulsory inspections in high risk countries is to accredit private sector security inspection companies and technology solution providers. Private sector security inspection companies operate through existing legal entities in all countries and can inspect cargo at the time of container loading within the normal pattern of trade. They can also invoice the foreign exporter for the cost of the container security inspection and monitoring. The US Government can establish sufficient criteria to accredit appropriate service providers. Accreditation usually generates a royalty payment which could fund the strong control to be exercised by the US Government over the service providers.

The program I have outlined can only be implemented by introducing legislation that requires compulsory security inspection in the country of exportation of all containers destined for the USA. Under this program, the government would likely elect to exempt countries that are considered low risk threats. This would provide flexibility in the program and focus the compulsory inspections only on high-risk countries.

The Subcommittee may be aware that entrusting security inspections to the private sector has already been recommended by a working group composed of representatives of the Department of Transportation and the US Customs Service in a report to Secretary Mineta, Secretary O'Neill, and Governor Ridge.

We applaud the Subcommittee on its efforts to introduce technology into container and port security. On behalf of GATE we request that the Subcommittee consider the concept of compulsory container security inspection and the use of accredited private sector service providers in protecting US ports.

Thank you for your time and I will be pleased to answer any questions you may have.