Shipping: Some officials rip increased scanning as costly, time-consuming.

By OLGA GRIGORYANTS Staff Reporter

Major shipping industry groups are asking the federal government to rethink the terms of a 2006 law requiring all containers arriving at the ports of Los Angeles and Long Beach to be scanned. The law, slated to take effect in 2018, requires that all cargo originating overseas be scanned for bombs and weapons of mass destruction before entering the United States.

Practical and logistical questions were raised almost as soon as the law, the Security and Accountability for Every (Safe) Port Act, was enacted. Implementation has been delayed twice already, and with little progress on preparation and the latest extension set to expire in less than two years, dozens of industry and trade groups sent a letter on June 20 to Homeland Security Secretary Jeh Johnson seeking a comprehensive re-evaluation of the law.

“The statutory provision calling for 100 percent overseas container scanning has always been, and remains, impractical to achieve on a global level,” the letter says.

“If implemented, this mandate would have a significant negative impact on global commerce and cause significant conflict with our foreign trading partners,”

Among the signatories are the Los Angeles Area Chamber of Commerce and Los Angeles Customs Brokers and Forwarders Association.

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PETER FRIEDMANN, Pacific Coast Council of Custom Brokers

In a statement, Todd Owen, executive assistant commissioner officer of field operations at the Department of Homeland Security, reiterated the necessity of scanning but not the practical implications.

“An integral part of the strategy to combat nuclear and radiological terrorism is the scanning of all arriving conveyances and containers with radiation detection equipment prior to release from the port of entry,” the statement says. “Working with our federal, international, state, local, tribal, and private industry partners, the cargo security programs help to safeguard the nation’s borders.”

Opponents of the 100 percent scanning law said the mandate that aims to target terrorist groups would create cargo congestion.

“Anything that slows the supply chain will raise costs for consumers,” said Peter Friedmann, counsel for the Pacific Coast Council of Custom Brokers. “If our ports are not efficient enough, that creates a bottleneck in the global supply chain. Industry analysis says complying with the new law will be costly and time-consuming.

Covering waterfront

The giant X-ray machines that can examine large shipping containers cost up to $5 million, a purchase not every port can afford. Should the law go into effect as written, every terminal would need to install between one and 10 machines to scan shipments, though the federal government will pick up the tab.

“It will take many resources to do the inspection,” said Gary Toebben, president of the L.A. chamber. “It will increase costs for doing business at the ports and those costs will go to consumers.”

Mark Hirzel, district manager for freight forwarder A.N. Deringer Inc. and chairman of the Los Angeles Customs Brokers and Freight Forwarders Association, said the ports will need to deal with a shortage of technology as well as a lack of employees to collect and process data from scanners.

“There is no technology that is able to take a picture and tell immediately if there is a problem,” Hirzel said. “The issue is that there is no equipment out there that can scan every container that comes in.”

In addition, the terminals lack space to install stations with scanning equipment and store the approved containers.

Some argue the policy fails to define the word “scan,” because it does not include a clear definition on whether cargo needs to be visually inspected or screened by a machine.

Current law

Only suspicious or “hot” containers, about 5 percent of total inflow, are inspected at U.S. ports for radioactive materials. (The ports of Los Angeles and Long Beach took in more 5 percent of total inflow, are inspected at U.S. ports for radioactive materials.)

Implementation of the Safe Port Act, introduced by former Rep. Dan Lungren (R-Calif.), has already been delayed twice, in 2012 and 2014. Congress extended the deadline a third time, to 2018, in May.

“The reason the policy was introduced is because there was a concern that the threat to the ports was increasing,” said Heather Rosoff, a research assistant professor at USC’s Price School of Public Policy and Center for Risk and Economic Analysis of Terrorism Events. “The policy has a potential to reduce the threat.”

She said opponents looking at the costs associated with delays missed a larger part of the picture.

“There is an economic benefit because the policy will create job opportunities and minimize fear, so people have better quality of life,” she said.

For some, the existing security protocols have been reliable.

“We’ve been operating since the 9/11 attack and we have not had any problems,” Hirzel said. “To me, the fact that nothing has happened means the system is working.”

Slower Growth Could Dock Workers’ Pay

The ports of Los Angeles and Long Beach are projecting slower growth over the coming decades, with labor feeling the brunt of the impact.

Combined cargo volume through the ports is now projected to grow at an annual rate of 3.9 percent to 41.1 million 20-foot containers by 2040. Previous estimates projected 5 percent annual growth. The combined ports last year handled 15.3 million 20-foot containers.

Dockworkers who had containers to load from the ships are expected to be hit hardest by the slower rate of growth.

“The freight forecast is a long-term forecast,” said Paul Gagnon, vice president at SSA Terminal at the Port of Long Beach. “The way terminal operators handle it is hiring less people if they don’t have a work opportunity.”

Mark Hirzel, district manager for freight forwarder A.N. Deringer Inc. in Rancho Dominguez and chairman of the Los Angeles Customs Brokers and Freight Forwarders Association, said if import volume remains low it might force terminals to close their gates because they do not have enough business to pay workers.

“Terminals are looking to see how much work they are going to get and order labor based on that forecast,” Hirzel said. “They might just not have enough work to do.”

For terminal operators, the biggest concern is to keep the cargo moving.

“Like any other business, we are concerned about the cargo volume,” Gagnon said. “Less cargo means less work for us.”

Dockworkers are not the only ones who are going to be affected.

Barbara Maynard, spokeswoman for Justice for Port Truck Drivers, a group affiliated with the Teamsters union, said the slowdown will have an impact on truckers, who have ongoing legal battles with trucking companies over classification of their work status.

“For truck drivers, the slowdown is going to be a terrible hardship,” Maynard said. “When things at the ports slow down, there is always an impact.”

Also affected could be Orient Overseas Container Line, a Chinese shipper that in 2012 signed a 40-year, $4.6 billion lease with the Port of Long Beach for the automated Middle Harbor terminal. The facility, set to be completed in 2019, will have an annual capacity of 3.1 million 20-foot units, increasing the capacity of the country’s second-largest port.

“If ports are not seeing projected cargo volumes, it is going to affect their finances,” said Jack O’Connell, an international trade analyst for Westcheste r’s Beacon Economics.