

**BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON TRANSPORTATION SECURITY**

“Building Secure Partnerships in Travel, Commerce, and Trade with the Asia-Pacific Region”

**Statement of
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On behalf of The Cargo Airline Association**

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Introduction

Good afternoon Chairman Rogers, Ranking Member Jackson Lee and Members of the Subcommittee. My name is Gary Wade and I am the Vice President of Security for Atlas Air, Inc. I’m here today to speak on behalf of the Cargo Airline Association where I serve as the Chairman of the Association’s Security Committee. I appreciate the opportunity to testify today on secure partnerships in travel, commerce, and trade with the Asia-Pacific region.

The Cargo Airline Association is the nationwide trade organization representing the interests of the nation’s all-cargo air carriers.¹ Specializing solely in the transportation of cargo, CAA members are the primary drivers of a worldwide economy that demands the efficient time-definite transportation of a wide range of commodities. Our industry segment has grown over the years to a point where, in Fiscal 2011, it accounted for 87.6% of the Revenue Ton Miles (RTMs) in domestic markets (up from 70.0% in 2000) and 69.2% of the RTMs in international markets (up from 49.3% in 2000). By 2032 the all-cargo industry domestic share is predicted to reach 89.7%.² Looking specifically at the Pacific region, international air cargo RTMs had a significant increase in 2011 of 9.1%, increasing from 8.4 to 9.1 billion RTMs.³

Atlas Air, Inc. is a leading global provider of aviation operating services. Atlas owns a fleet consisting largely of Boeing 747 freighter aircraft which are leased to airlines and express carriers on a contract basis offering aircraft, crew, maintenance, insurance (ACMI) as well as offering worldwide ad-hoc charter service with significant uplift for the U.S. air mobility command. Atlas also has expanded in recent years to passenger-charter operations based in Houston, Texas that operate around the world to include the Asia-Pacific region. In 2011, Atlas Air operated more than 18,500 flights, serving over 250 destinations in more than 90 countries. Last year Atlas transported approximately six billion pounds of cargo around the globe.

¹ Association members include ABX Air, Atlas Air, Capital Cargo, DHL Express, FedEx Express, Kalitta Air and UPS Airlines.

² FAA Aerospace Forecast, Fiscal Years 2012-2032, p.48.

³ FAA Aerospace Forecast, Fiscal Years 2012-2032, p.23.

Operating Securely in Today's World

Operating safely and securely in a worldwide marketplace is a paramount priority of Atlas and the rest of the all-cargo air carrier industry. We continuously strive to achieve the highest possible level of security while simultaneously operating a successful company and facilitating the flow of commerce throughout the globe. At the end of the day, smart effective security is smart business. None of us can afford to lower our guard in a world filled with potential terrorist threats.

In applying the necessary security measures to protect our businesses, it is important to understand that a “one-size-fits-all” approach to air cargo security is not as effective as a risk-based approach. As a practical matter, the aviation industry is composed of a myriad of businesses, each with their own unique operational models. For example, all-cargo operators do not carry “passengers” in any generally accepted definition of that term; have substantial operations that never touch U.S. soil (sometimes in the livery of foreign carriers); provide substantial support services for the U.S. military; and in many cases, have control over the pickup and delivery, as well as the transportation of cargo. Some all-cargo carriers offer a time definite service and are generally known for their express operations, while other companies such as Atlas concentrate on traditional freight operations providing the transportation function through the air freight forwarder community. These differing characteristics must continue to be taken into account in developing and implementing security policy. Accordingly, all-cargo air carriers today operate under a different Security Program and different Security Directives than our passenger counterparts or the members of the indirect air carrier community. Each of these different regulatory requirements is tailored to address the unique threats and vulnerabilities of the separate industry segments.

The Risk-Based Approach to Transportation Security

Transportation Security Administration (TSA) Administrator John Pistole testified in front of this Committee last June and stated “TSA’s existing security measures create a multi-layered system of transportation security that mitigates risk. No layer on its own solves all our challenges, but, in combination, they create a strong and formidable system.”⁴ We absolutely agree with TSA’s approach and I would like to take the opportunity to explain what risk-based security means within the all-cargo community, including the measures being taking to mitigate identified risks in Asia and around the world.

We firmly believe that the approach that must be taken in securing the international supply chain is to identify high-risk shipments and to screen 100% of those shipments found to possess such high-risk characteristics. Using a risk-based approach is not only the right way to address cargo security; it is truly the only effective way to address cargo security. Identification of high-risk shipments requires a combination of shared intelligence and the ability to learn as much as possible about shipments as early as possible in the shipping process. In turn, effective screening involves adequate training of security personnel, the application of

⁴ Statement of John Pistole, House Homeland Security Committee Subcommittee on Transportation Security hearing on TSA Authorization legislation, June 2, 2011.

appropriate technology, and, where available, the use of canines trained to detect possible explosives.

The importance of the role of good intelligence in the identification of high-risk shipments cannot be overstated. Intelligence is absolutely crucial in enabling companies such as Atlas to target potentially dangerous shipments. To be effective, however, we must find better ways to communicate such intelligence to those in the air cargo supply chain. If there were any doubt about the role of effective intelligence, that doubt should have been erased by the events of October 28, 2010, when the dissemination of intelligence led to the interception of explosive devices on all-cargo aircraft originating in Yemen and ultimately bound for the United States.⁵ The necessary intelligence sharing includes not only information on threats from U.S. Government sources to industry and from industry to TSA and/or Customs and Border Protection (CBP), but also cooperation from foreign governments. This foreign government component is clearly an ongoing challenge that TSA and CBP continue to face.

In addition to the intelligence element, isolating high-risk cargo also involves the ability to learn as much as possible about both shippers and shipments as early as possible in the supply chain. All segments of the air cargo industry are currently engaged in efforts to enhance these elements of the security equation. For example, in conjunction with both TSA and CBP, industry members are participating in an extensive program known as Air Cargo Advance Screening (ACAS) pilot program designed to provide as much shipment information as possible to the government for purposes of targeting potential anomalies. This program began with the express industry segment and is now expanding to passenger carriers, air freight forwarders and traditional heavy freight operators.

TSA is also in the process of developing a Trusted Shipper concept that would recognize that certain repeat shippers may possess less of a threat than the occasional single shipper. In the case of Atlas, upwards of 90% of non-express cargo exported from Asia comes from repeat customers in the high-tech arena, such as Apple and Samsung. Indeed, there are instances where certain shippers ship cargo from the same city pair with the same goods every month or every year. This predictability and understanding of the cargo being transported poses less of a threat to air cargo security compared to an aircraft loaded with shipments from many different shippers, some of whom may only occasionally ship on an airline or may be first time shippers. The challenge is to mature this concept to permit the free flow of goods, while at the same time protecting against insider threats in the international environment. 80% of the world's cargo comes from approximately 20 countries. Therefore, expanding ACAS coupled with a trusted shipper concept would produce a very effective security system and provide a foundation for what air cargo security should look like.

As noted above, it is important not to overlook “low tech” initiatives to screen air cargo – in both international and domestic markets. Specifically, the use of canines has proven effective in the screening of air cargo, but the use of dogs has been hampered by the relative scarcity of TSA trained animals. We firmly believe that the use of canines should be aggressively expanded by permitting the use of private, but TSA certified, canines as a primary screening method.

⁵ It is perhaps important to note that the shipments intercepted through the application of intelligence had already been physically screened multiple times without uncovering the hidden explosives.

While all of these initiatives apply generally to all international air cargo, they are particularly important in Asian markets where growth has far exceeded industry averages and further expansion of markets is expected in the coming years.

Industry/Government Cooperation

Finally, it is important to point out that supply chain security, in Asia and elsewhere, can only be effective if the industry and government work together to identify both problems and solutions. Administrator Pistole's commitment to work collaboratively with the stakeholder community to develop the programs necessary to enhance security across the transportation system has been applauded by industry. To his credit, the Administrator has made good on his promise to engage the industry in formulating policy as we move forward. This cooperation, including the understanding of the operationally unique characteristics of the various industry segments, will result in the best possible security regime.

Conclusions

To summarize, growth in air cargo all over the world and in the Asia-Pacific region is predicted to grow steadily throughout the next several years. Therefore, the challenges we face today in transporting cargo throughout the world will only continue. Addressing the security challenges both domestically and globally will hinge on a few key factors. Perhaps the two most important points to stress include the necessity for good, reliable, and timely intelligence and the focusing of resources on a risk-based, threat-based security system. Atlas and the rest of the all-cargo industry will continue to work cooperatively with both TSA and CBP to develop and implement the best possible security regime. We've learned the threats are constantly evolving and we need to continue to adapt to these dynamic challenges whether they be from our homeland or abroad.

Thank you very much and I am happy to answer any questions from the Committee.