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Airport Security Costs Are Up, But Weak Spots Remain

By Scott McCartney

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The costs of increased transportation security run to tens of billions of dollars a year world-wide, and authorities still are grouping to close obvious vulnerabilities a decade after the 2001 terrorist attacks.

Passengers, taxpayers, airlines, air-freight carriers and their customers pay the costs daily in cash, time and aggravation. As security costs are passed on, the price of everything from flowers to automobiles goes up a bit. Airline passengers directly pay \$2.50 for security screening on every flight, up to \$10 per round-trip. And airlines have suffered a huge hit as more people opt to drive or take the train for short trips rather than deal with airport security hassles.

All air cargo leaving U.S. airports began getting mandatory screening only a year ago—the same kind of X-raying or swabbing for traces of explosive material that passenger baggage gets at airports. Shippers have purchased screening equipment and set up their own Transportation Security Administration-approved employees, procedures, fences and locks. Or they pay airlines and air-freight carriers to screen for them.

"In the old days, we worried about someone stealing the box. Now we worry about someone putting something in the box," said Brandon Fried, executive director of the Airforwarders Association, which represents cargo companies.

On average, the increased cargo security measures add about 5 cents to 8 cents per pound to the cost of air freight, or up to about 5% of the cost of two-day shipping. That's a significant cost that has been passed on to manufacturers and ultimately to consumers. Still, the effect is far less than the higher cost of jet fuel during the past several years. When the price of a barrel of oil topped \$100 earlier this year, fuel surcharges on cargo soared to about 45 cents per pound.

Consider a typical shipment of 1,500 pounds electronic equipment from Amsterdam to San Francisco. Total shipping cost, according to Falcon Global Edge Inc., a Boston-based freight forwarding firm, was \$2,852. Screening cost: about \$77.

Falcon Global Edge, which had \$26 million in sales last year, has had to hire a "Facility Security Director" and an assistant at its Boston and Hayward, Calif., warehouses. At least one must be on duty at all times, especially when TSA shows up for spot inspections.

The freight-forwarding firm has installed X-ray machines and explosive-detection machines. Workers, all subject to TSA background checks, have to unpack pallets of auto parts, electronics or whatever is being shipped, then scan the material and repack the pallet exactly as it came in. Now Richard Fisher, who runs the 100-employee firm, is working on overseas security requirements in places like Hong Kong.

Before the enhanced security measures went into effect, industry executives had predicted they would slow shipments by 24 hours to 36 hours, which would be extremely costly to manufacturers waiting on vital parts or merchants selling perishable goods. That hasn't

happened. A big reason: Air freight volume is still down compared to 2008, so the system hasn't really been tested at full capacity.

But authorities have yet to launch requirements that all cargo inbound to the U.S. be screened to U.S. standards. That likely is coming soon; a pilot program is already underway.

So far, Mr. Fried of the Airforwarders Association said, only a small percentage of shipments in the pilot program have been subjected to secondary screening, and delays have been minimal. But shippers worry that full-scale screening of inbound international cargo will slow up supply chains. Missing a flight because of a security tie-up can mean a two or three-day delay until space may be available on another flight—a major problem for high-value goods sent by air.

"We're more concerned about the way the program will operate than the cost," he said.

On the passenger side, the International Air Transport Association, a Geneva-based group, estimates that airlines spent \$7.4 billion on security. That doesn't include the \$2.1 billion in Sept. 11 security fees paid by passengers and airlines to the U.S. government last year. And airlines say they spend far more on indirect security functions, like millions per year spent on data transmission sending passenger information to the government.

By comparison, the Government Accountability Office estimated that U.S. airlines spent \$448 million on security in 2000, back when airlines hired contractors to run the screening checkpoints at airports.

"Despite that fact that aviation security is a national security function, airlines and passengers continue to bear the brunt of funding a system that benefits the entire nation," said Nick Calio, chief executive of the Air Transport Association, a U.S. trade group.

The Transportation Security Administration spends about \$8 billion a year, much of it on 52,000 airport screeners and equipment at 450 airports that not only X-rays baggage but also now people. The agency has reacted to various terrorism attempts over the past year with new rules, spending and hassles for travelers.

After a man in late 2001 tried to explode a bomb hidden in his shoes, TSA forced travelers to remove shoes for X-ray screening. After a 2006 plot to use liquid explosives was uncovered, strict limits on the quantity of liquids that can be carried through checkpoints were imposed around the world. And when terrorists began hiding bombs on their bodies to avoid X-ray detection, the agency rolled out body-scanning machines and what the agency called "aggressive" pat-downs, including checking private areas of the body.

"Every time something happens, we add layers," said Robert Poole, director of transportation policy at The Reason Foundation and a member of the Government Accountability Office's aviation advisory panel. "It's a very labor intensive model and it's based on the underlying premise that everyone deserves to be scrutinized as a suspect."

The U.S. has resisted targeted security because of concerns about racial profiling and passenger privacy, and fear of "sleeper cell" terrorists with clean records who could qualify as "trusted" travelers. But TSA is now rolling out a risk-based trusted-traveler type of program, starting with a test project this fall where top-level frequent fliers of some airlines and people already enrolled in the Customs and Border Protection department's trusted traveler programs, such as Global Entry, will get expedited security screening at airport checkpoints in return for government background checks.

TSA Administrator John Pistole has said that using frequent-flier data, with the permission of travelers, gives the government years of established travel patterns, making it more difficult for terrorists to step into the program.