

# Interest Grows for Tagging Cargo

Major importers and exporters of goods say they expect significant gains from using RFID to track oceangoing containers.

By Jonathan Collins

Feb. 2, 2005—Some of the world's largest importers and exporters of goods expect that the deployment of a tracking system using active RFID tags would truly improve the security and management of their transoceanic shipments, according to a new report commissioned by RFID cargo-tracking solutions provider Savi Technology.

However, at least one analyst maintains that shipper enthusiasm for radio frequency identification will not be enough to spur the technology's wide deployment.

Savi commissioned A.T. Kearney to ascertain the key supply chain pain points for major importers and exporters and to gauge the interest of those companies in deploying RFID-related solutions to help solve logistics problems. The report draws on interviews with senior executives from 25 of the world's largest importers and exporters in the consumer products, chemicals, automotive and high-tech industries. A.T. Kearney says it hopes to eventually to publish information from the report, but no publication date has been set.

Crucial to these companies' interest in using active RFID tags for transoceanic shipping, according to A.T. Kearney, is the ability of an RFID-enabled shipping lane to enhance two areas of the shipping business. "They see a double bottom-line benefit from improvements in container security and supply chain management," says Omar Hijazi, an A.T. Kearney principal who oversaw the report. "So far they have not seen a business case for enhancing security and no mandate for improving their overseas supply chain, but a tipping point comes from both increased security and increased supply chain visibility. The combination makes the difference."

According to the report, shippers expect to save around \$1,200 per container shipment by securing the container with a seal incorporating an active RFID tag. Fastened with an RFID-enabled seal, the container would be tracked through ports, weigh stations and other choke points, and the resulting data on the container's location and status would be shared by shippers and their supply chain partners.

The \$1,200-per-container savings is expected to come from a range of sources, including reduced inventory, reduced administrative costs and theft prevention.

The executives interviewed by A.T. Kearney see a significant cost advantage in tracking containers through active RFID tags rather than tracking containers through GPS technology, which is significantly more expensive to deploy, according to Hijazi.

Implementing RFID could also save companies money by enabling shipments to earn "green lane" status under the U.S. Customs and Border Protection agency's evolving Customs-Trade Partnership Against

Terrorism (C-TPAT) program, which brings together the U.S. government and international shippers. When shippers meet C-TPAT guidelines for security of shipments in transit, the program enables qualified shipments to move through U.S. Customs with reduced inspections. Shippers could earn "green lane" treatment for their shipments by deploying RFID or other electronic container-tracking technologies. The productivity gains that come when shipments are processed quicker, according to the report, would outweigh the costs of RFID implementation.

A number of shipping companies have been testing out the technology. The Smart and Secure Tradelanes, an initiative involving commercial and government participants, has used active RFID sensor bolts to provide security and real-time visibility across international shipping lanes. The SST system has been installed at more than 15 ports in Asia, Europe, Latin America and the United States, and so far, more than 2,000 containers sealed with active RFID sensor bolts have been shipped in SST-related programs. (See [African Beef Gets Tracked](#) and [Safeguarding Shipping Profitably](#).)

During the next three years, Hijazi expects the largest importers and exporters to start pushing their freight forwarders and shippers to use RFID tracking for their transoceanic shipments. "Right now awareness of RFID-enabled container tracking is building, but most survey respondents see implementation as one to three years away," says Hijazi.

However, David Schrier, an analyst at [ABI Research](#) and author of an ABI report entitled [Container Security and Tracking](#), believes that wide adoption of RFID or other electronic container-tracking technologies such as GPS will not come without government mandates.

"Certainly market forces haven't pushed deployment without government influence so far. There are so many players involved in the shipping supply chain that shippers are reluctant to move on their own to use the technology in their supply chains," says Schrier.

Last week, Robert Bonner, the U.S. Customs and Border Protection commissioner, announced that his agency was launching C-TPAT Plus. This expansion of C-TPAT would provide the potential for qualified containers to forgo an inspection by U.S. Customs officials when the containers reach U.S. ports, as well as ensure that U.S. Customs release the containers as soon as the containers arrive there. To qualify, shippers must use technology that can detect and record any act of tampering with a container seal applied at the containers' point of origin.

C-TPAT Plus is expected to go into operation at some U.S. ports this month. The program, however, is one that shippers join voluntarily and not by mandate, which will limit the program's chances of driving adoption of electronic container tagging, according to Schrier.

"A government mandate, rather than voluntary provisions, will be the only way the industry can realize significant volumes of electronically tracked containers in the near future," Schrier says.

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