

1. EXECUTIVE SUMMARY

INTRODUCTION AND CONTEXT

This document reports on the Time Release Study (TRS) for the period of January to June, 2015. The purpose of this study is to measure the time taken by the AIR CARGO COMPLEX, SAMSHABAD, HYDERABAD to clear import cargo.

A Time Release Study (TRS) is a method endorsed by the World Customs Organization (WCO) to measure Customs performance in trade facilitation.

The main message from the study is that Customs maintains a high level of performance in trade facilitation. Customs does this by processing, assessing, and clearing legitimate cargo efficiently and effectively as confirmed by the study's findings and results.

The current TRS is the first study undertaken by ACC, Hyderabad . The objectives of the study are to ascertain the time taken for clearance of import cargo and to produce comparable measurements and identify opportunities for improvement.

OBJECTIVES OF THE STUDY

The key objectives of the TRS are :

- To adopt time and motion studies of the import clearance processes and procedures with the aim of removing bottlenecks.
- To undertake reforms within the Department with the intention of benefiting both the department and the stake holders.
- To examine effectiveness of client service charters established and improving on service standards.
- To establish consistent, transparent and predictable service delivery system.
- To reduce clearance and processing time and to achieve efficiency for both the department and stakeholders.
- To establish a seamless flow of customs clearance.
- To identify opportunities to improve the performance.

GUIDELINES OF WCO & CBEC

The CBEC (Central Board of Excise & Customs) has by its letter vide F.No. 450/3/2012-Dir(Cus) dated 02.01.2015 directed some Custom Houses including Air Cargo Complex, Hyderabad to conduct a Time Release Study of Import clearances to estimate average release time of goods. The said study is to cover the time taken at various stages in customs clearance processes in accordance with WCO (World Customs Organization) guidelines.

2. SCOPE & METHODOLOGY

TRS SAMPLE SIZE

The TRS sample is stratified by the air cargo volume at ACC, Hyderabad and is further broken down into RMS facilitated and Group Assessed Bills of Entry. The Group assessed B/Es are divided into First check B/Es and Second check B/Es.

According to the WCO guidelines, the sample period chosen should be one of 'normal' traffic, avoiding seasonal variations. Based on data reported to the ICES, May was suitable as 'middle-of-the range' between peak and low activity. The Time Release Study should ideally include all the declarations processed in a period of at least seven consecutive working days. The period chosen should be one of normal traffic and where administrations use automated systems that capture all the data elements chosen for the study, the period covered should be representative of past transactions. The sample period for analyzing the time release by ACC was chosen from 18.05.2015 to 24.05.2015. This is generally considered as a normal period for various activities at ACC.

THE WCO's TRS MEASURE

The WCO's TRS measure is:

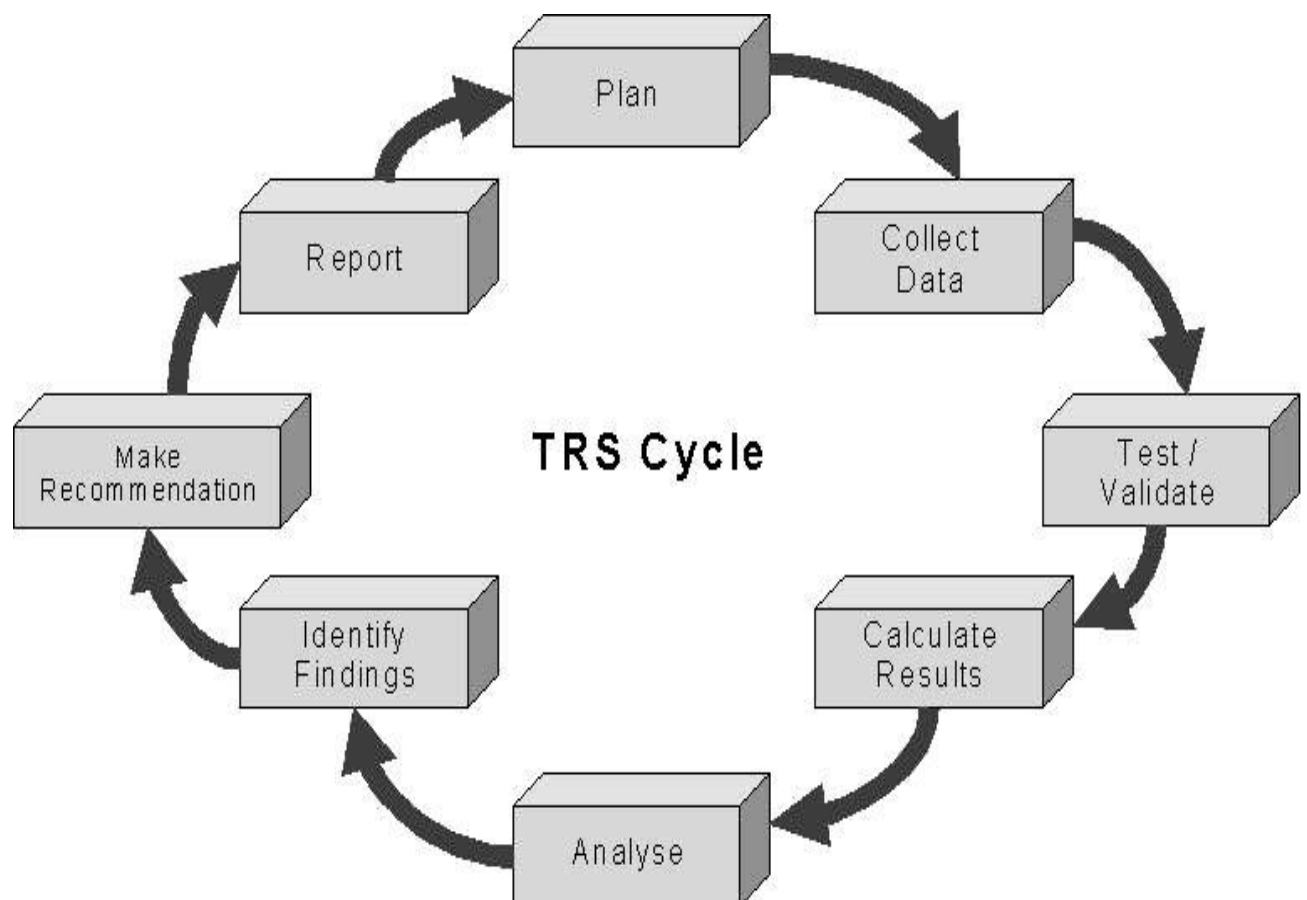
The arithmetic mean between the arrival of the goods and their release into the economy via a standardised system.

According to the WCO's TRS Guidelines, the terms 'Release' and 'Clearance' are defined as follows:

RELEASE : The action by Customs to permit goods undergoing clearance to be placed at the disposal of the person concerned.

CLEARANCE : The accomplishment of all formalities necessary to allow goods to enter home use, to be exported, or to be placed under another Customs procedure.

The Study is stratified in steps shown below :



METHODOLOGY FOLLOWED

Air Cargo Complex, Hyderabad is the medium air cargo location in the country in term of Imports declarations (B/Es) processed in a day. Customs clearances at the Air cargo can be classified into following stages:

- a) Filing of Import General Manifest (IGM) by the airlines.
- b) Self-assessment and submission of Import declaration (Bill of Entry) by the Importer/CHA (Custom House Agent) to the ICES (Indian Customs Electronic Data Interchange System).
- c) Submission of the declaration data (BE) from ICES to Risk Management System.
- d) Decision of the RMS to facilitate or send the BE for scrutiny by officers.
- e) Scrutiny of the self-assessed BE by the officers.
- f) Decision, either at the behest of the Importer or officer, to examine the cargo before completion of scrutiny (First Check). Decision to send the BE for examination after scrutiny (Second Check).
- g) Payment of duty in respect of all facilitated bills and scrutinized second check Bills of Entry.
- h) Goods registration for all the Bills of entry.
- i) Examination of cargo and entry of examination report in the ICES.

- j) First check Bills are sent back to the Assessment groups to complete the scrutiny followed by duty payment and out of charge.
- k) Collection of all documents and Out of Charge in ICES.

The time attributable to Customs clearances would be the aggregate of the time taken from the moment a BE is submitted in ICES up to the time of completion of its scrutiny (if any) and the time taken from registration of goods for examination up to out of charge.

In case of RMS facilitated B/Es, the time taken for calculating the period for Custom Clearance is from Self-assessment or Submission of B/E by Importer/CHA to Out of Charge in ICES.

3. RESULTS&ANALYSIS

CLEARANCE PROCESS OF IMPORT CARGO

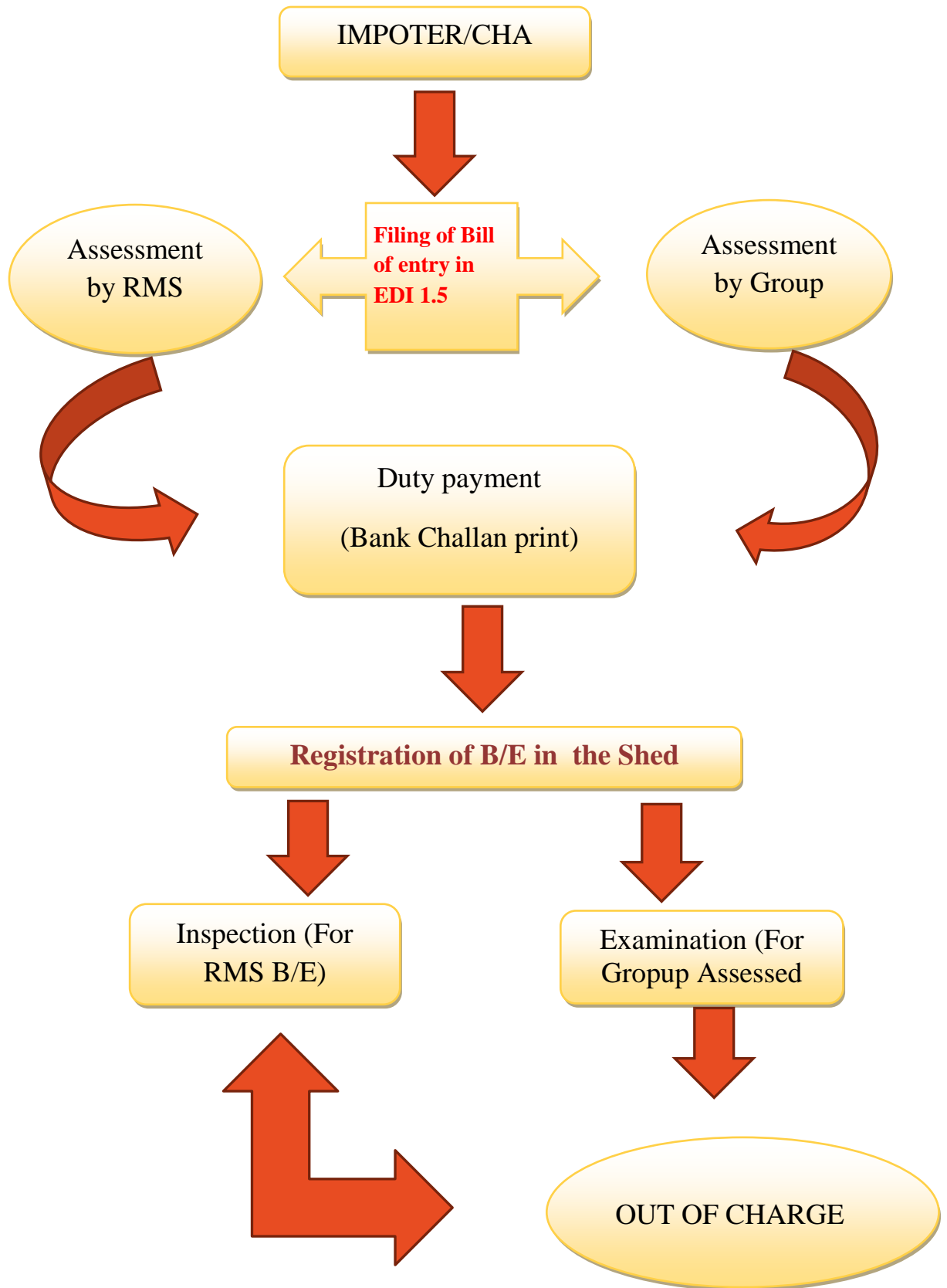
The Import General Manifest (IGM) and the Bills of Entry are filed electronically in the ICES either through the Service Centre or through ICEGATE mode will be forwarded to the RMS. The RMS will process the Bills of Entry and the IGM through a series of steps and generate an electronic output for the Indian Customs EDI System (ICES). This output will determine whether a Bill of Entry will be taken-up for giving Out of Charge directly (RMS) or be assessed by the Group Appraiser.

The RMS facilitated B/Es are exempted from examination procedure by Shed Officers and therefore, get out of charge directly after inspection if otherwise in order. The Group Assessed B/Es are divided into two types- First Check & Second Check B/Es.

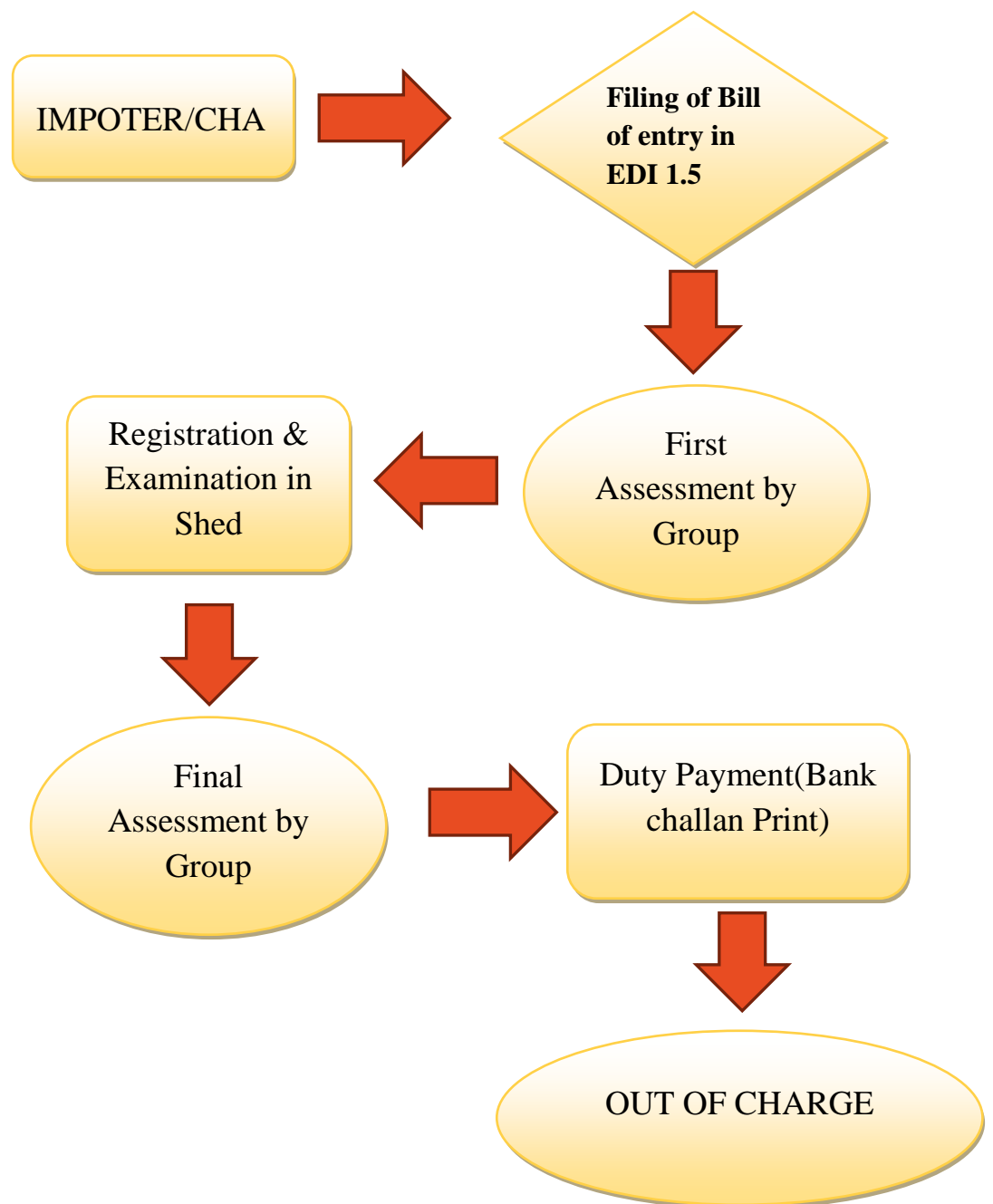
Based on the output given by the RMS, Bills are directed to the assessment groups along with suitable instructions to mitigate the risk identified in the declaration. The instructions are in the form of guidelines to the officers to concentrate on various issues of mis-declaration, concealment, undervaluation, mis-classification, avilment of ineligible notification benefits and violation of allied acts.

First Check B/Es follow a special type of clearance procedure. It requires two times assessment by Group as well as thorough examination followed by sampling/testing of import goods.

The following chart shows the clearance process of a **B/E** :



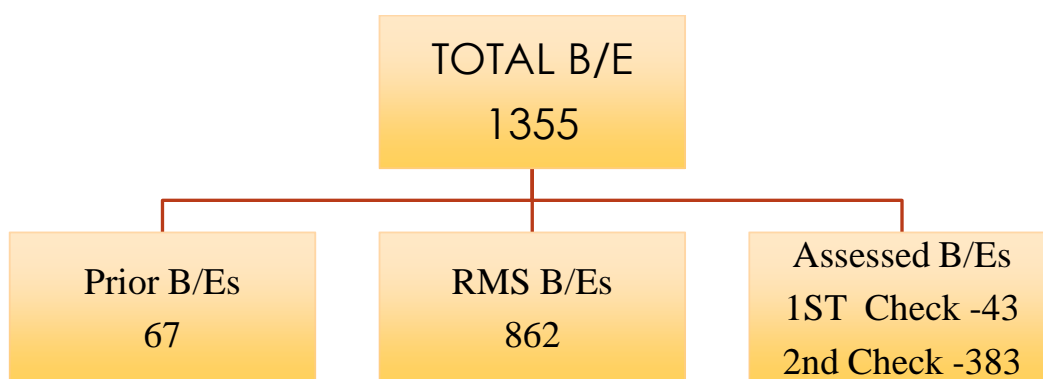
The following chart shows the clearance process of a **First Check B/Es**



ANALYSIS OF IMPORT CLEARANCE DATA

It was noted that data for all the declarations for the given period has to be called from the central ICES (Indian Custom EDI System) team at New Delhi. Total number of Bills of Entry provided by ICES team for the sample period i.e. 18.05.2015 to 24.05.2015 was 1355.

The data sample received had **1355** Bills of entry for the given period. The sample included bills of entry filed for home consumption. Bills of entry are allowed to be filed prior to filing of IGM. There were 67 such prior bills and non-processed bills are there which were not considered for this study. This is because the IGM could be filed up to 30 days after the filing of the BE. Considering such bills would not be feasible for the stated purpose, therefore the study given below is in respect of 1288 Bills.



TOTAL B/Es CONSIDERED FOR STUDY IS 1288

TYPE	NO. OF B/E	PERCENTAGE
RMS	862	66.93
FIRST CHECK	43	3.3
SECOND CHECK	383	29.74

RMS FACILITATED CARGO

Total number of bills facilitated by RMS are 862 and the bills selected for scrutiny are 426. Out of the bills selected for scrutiny, 43 belong to the First Check category and 383 belong to the Second Check category.

The Results received by the analysis of RMS facilitated B/Es are as under –

1. TIME TAKEN BY CUSTOM SYSTEM TO DECIDE ON RMS FACILITATION:

PARAMETER	NO. OF B/Es	PERCENTAGE
Less than 03 Minutes	393	45.59
Between 03-06 Minutes	463	53.71
Between 06-12 Minutes	6	0.70
	862	

Arithmetic Mean per B/E is 3.16 Minutes.

2. TIME TAKEN BY IMPORTER/CHA TO PAY DUTY IN RMS B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	666	77.27
Between 24-48 Hrs	104	12.06
Between 48-72 Hrs	42	4.87
Between 72-96 Hrs	19	2.21
Between 96-120 Hrs	07	0.81
After 120 Hrs	24	2.78

862

Arithmetic Mean per B/E is 22.94 Hrs.

3. TIME TAKEN BY IMPORTER/CHA FOR REGISTRATION AFTER PAYMENT OF DUTY IN RMS FACILITATED B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	770	89.32
Between 24-48 Hrs	50	5.80
Between 48-72 Hrs	27	3.13
Between 72-96 Hrs	09	1.04
Between 96-120 Hrs	02	0.24
After 120 Hrs	04	0.47

862

Arithmetic Mean per B/E is 16.42 Hrs.

4. TIME TAKEN BY CUSTOMS FROM REGISTRATION TO GIVE OUT OF CHARGE (OOC) IN ICES FOR RMS FACILITATED B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 1 Hrs	157	18.22
Between 1-2 Hrs	110	12.76
Between 2-3 Hrs	97	11.25
More Than 03 Hrs	498	57.77

862

Arithmetic Mean per B/E is 2.59 Hrs.

Total Average Time Taken From Filing to OOC in RMS B/E is 41.59 Hrs

FIRST CHECK CARGO

Total number of bills selected for scrutiny are 426. Out of these, 43 belong to the First Check category. The Results received by the analysis of First Check B/Es are as under –

1. TIME TAKEN BY CUSTOMS FROM FILING TO GIVE OUT OF CHARGE (OOC) IN ICES OF FIRST CHECK B/Es:

PARAMETER	NO. OF B/ES	PERCENTAGE
0-02 DAYS	9	20.93
02-04 DAYS	9	20.93
04-06 DAYS	0	0
06-08 DAYS	12	27.91
08-10 DAYS	03	6.98
10 – 12 DAYS	10	23.25

Arithmetic Mean per B/E is 4.81 Days.

2. TIME TAKEN BY CUSTOMS FROM FILING TO COMPLETION OF SCRUTINY OF FIRST CHECK B/Es:

PARAMETER	NO. OF B/ES	PERCENTAGE
0-02 DAYS	11	25.58
02-04 DAYS	9	20.93
04-06 DAYS	08	18.60
06-08 DAYS	5	11.63
08-10 DAYS	02	4.65
10 – 12 DAYS	8	18.61

Arithmetic Mean per B/E is 4.16 Days.

3. TIME TAKEN BY CUSTOMS FROM REGISTRATION TO COMPLETION OF SCRUTINY OF FIRST CHECK B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	770	89.32
Between 24-48 Hrs	50	5.80
Between 48-72 Hrs	27	3.13
Between 72-96 Hrs	09	1.04
Between 96-120 Hrs	02	0.24
After 120 Hrs	04	0.47

Arithmetic Mean per B/E is 22.05 Hrs.

4. TIME TAKEN BY CUSTOMS FROM PAYMENT TO GIVE OUT OF CHARGE (OOC) IN ICES OF FIRST CHECK B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	35	81.35
Between 24-48 Hrs	02	4.66
Between 48-72 Hrs	01	2.36
More Than 72 Hrs	05	11.63

Arithmetic Mean per B/E is 22.60 Hrs.

First Check B/Es are less than 5% of the total B/Es

Total Average Time Taken From Filing to OOC in First Check B/E is 53.05 Hrs

SECOND CHECK CARGO

Out of the total 426 bills selected for scrutiny, 383 belong to the Second Check category. The Results received by the analysis of Second Check B/Es are as under –

1. TIME TAKEN BY CUSTOMS IN COMPLETION OF SCRUTINY:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	248	64.75
Between 24-48 Hrs	53	13.84
Between 48-72 Hrs	33	8.62
Between 72-96 Hrs	13	3.40
Between 96-120 Hrs	04	1.04
After 120 Hrs	32	8.35

Arithmetic Mean per B/E is 32.93 Hrs.

2. TIME TAKEN BY IMPORTER/CHA TO PAY DUTY AFTER SCRUTINY OF SECOND CHECK B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	288	75.19
Between 24-48 Hrs	47	12.27
Between 48-72 Hrs	28	7.31
Between 72-96 Hrs	06	1.57
After 96 Hrs	14	3.36

Arithmetic Mean per B/E is 23.09 Hrs.

3. TIME TAKEN BY IMPORTER/CHA FOR REGISTRATION OF SECOND CHECK B/Es AFTER PAYMENT OF DUTY :

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	350	91.38
Between 24-48 Hrs	18	4.70
Between 48-72 Hrs	10	2.61
Between 72-96 Hrs	01	0.26
After 96 Hrs	04	1.05

Arithmetic Mean per B/E is 15.58 Hrs.

4. TIME TAKEN BY CUSTOMS FOR EXAMINATION & OUT OF CHARGE (OOC) AFTER REGISTRATION IN ICES FOR SECOND CHECK B/Es:

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 1 Hrs	55	14.36
Between 1-2 Hrs	57	14.88
Between 2-3 Hrs	51	13.32
Between 3-4 Hrs	45	11.75
Between 4-5 Hrs	45	11.75
Between 5-6 Hrs	31	8.09
Between 6-12 Hrs	34	8.88
After 12 Hrs	65	16.97

Arithmetic Mean per B/E is 4.85 Hrs.

Total Average Time Taken From Filing to OOC in Second Check B/E is 76.27 Hrs

4. FINDINGS&OBSERVATIONS

FINDINGS AND OPPORTUNITIES

The first stage of our study is RMS Facilitated B/Es. The period from submission of the Bill in ICES and either completion of scrutiny of Bills by the officers or the decision of RMS to facilitate the Bill without scrutiny by officers, is popularly known as assessment period. However with the introduction of Self-assessment in Customs, the nomenclature has changed and the term scrutiny is used to refer to the verification of self assessed bills. 'RMS Facilitated' refers to all those bills which are not selected for such scrutiny and are directed by the system for duty payment soon after its filing.

The Study observed that the average time taken by Customs for Assessment on RMS Facilitation is 3.16 Minutes

The Study observed that the average time taken by Customs from Registration to give OOC for RMS B/Es is 2 Hrs& 38 Minutes

WHY CLEARANCE OF FIRST CHECK B/E TAKES SO MUCH TIME ?

All imported goods are required to be examined for verification of correctness of description given in the bill of entry. In case the importer does not have complete information with him at the time of import, he may request for examination of the goods before assessing the duty liability or, if the Customs Appraiser feels the goods are required to be examined before assessment, the goods are examined prior to assessment. This is called First Check B/E.

The importer has to request for first check examination at the time of filing the bill of entry or at data entry stage. The reason for seeking First Appraisal is also required to be given. On original copy of the bill of entry, the Customs Appraiser records the examination order and returns the bill of entry to the importer/CHA with the direction for examination, who is to take it to the import shed for examination of the goods in the shed. Shed Appraiser/Examiner examines the goods as per examination order and records his findings. In case Group Appraiser has called for samples, he forwards sealed samples to the group.

There are a number of reasons why First Check assessment takes more time for clearance. Some of them are as follows :

- In the cases of Re-Import, it is mandatory to verify that the goods imported are the same as the goods claimed to have been exported. Drawback and other export benefits availed at the time of exports need to be calculated and reversed/paid before permitting completion of scrutiny. Examination in such cases completed after 100% verification of cargo. Same procedure is followed in case of Import for Re-Export purpose.

- Re-import of bulk drugs and formulations due to quality rejection requires NOC from Assistant Drug Controller, which inter-alia involves drawing of sample, sending to test laboratory. Clearance cannot be given till test results and NOC from ADC are communicated.
- Imports of textiles are subjected to clearance from Textile Committee, for presence of hazardous dyes. Since textile committee has no testing facility at Hyderabad, the same are sent to Chennai for testing. Clearance is allowed only after test results and NOC from textile committee.
- All second hand/Used Machinery is examined by Customs officers along with a Chartered engineer to value the goods before scrutiny.
- Adjudication is resorted before completion of scrutiny wherever an offence is registered during verification/examination. This delays the clearances further.

WHY CLEARANCE OF SECOND CHECK B/E TAKES SO

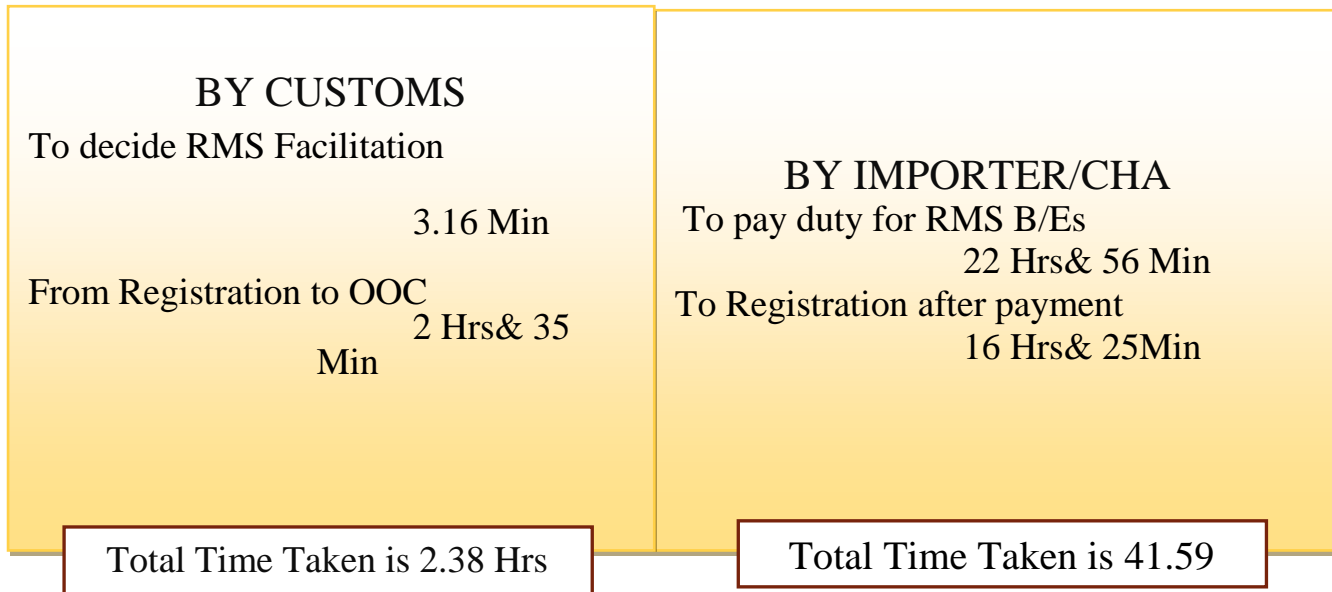
MUCH TIME ?

Similarly, there are a number of reasons why Second Check assessment needs so long time for clearance. Some of them are as follows:

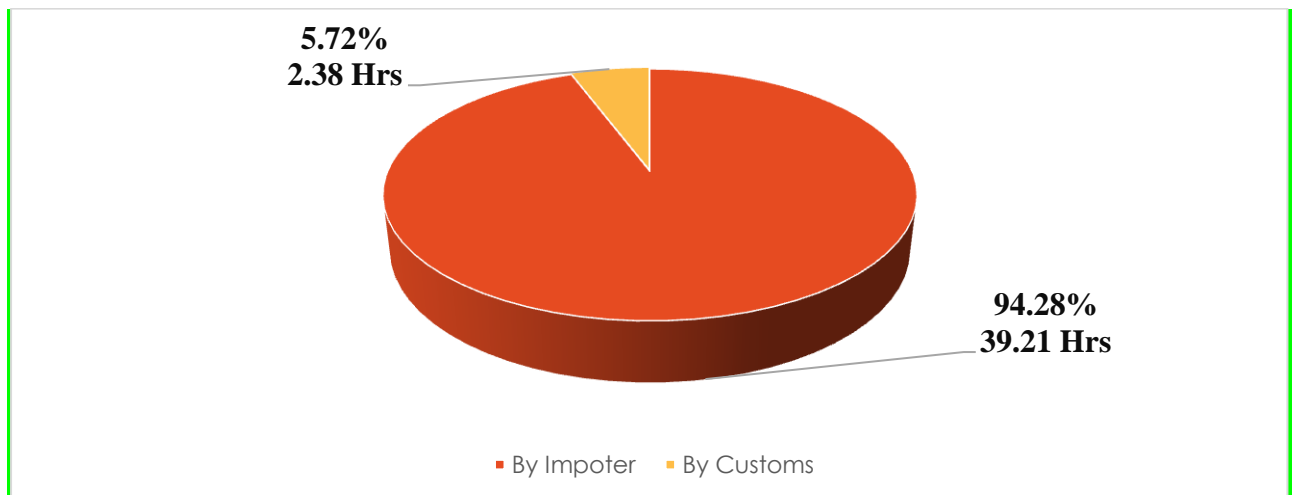
- Filing of B/Es in late evening after office hours on last working day of week which shows the B/E pending in EDI System for next one day (Sunday).
- Some of the B/Es require NOCs before clearance from various authorities e.g. Drugs Controller, FSSAI, PQ, AQ, Textile Committee etc.
- Grade/Purity/Specification and other physical/chemical characteristics of the goods need to be verified to ensure proper classification, valuation and extension of notification benefit. Hence goods are sent for testing at different Laboratories available in various locations in India and scrutiny is completed on the basis of test results received accordingly.
- 100% examination of goods is also carried out in the cases where the intelligence agencies likes SIIB, CIU, DRI are involved. In such cases, out of charge is not given till the NOC received from concerned agency.

KEY FINDINGS FROM THE STUDY

Average Time Taken for RMS B/Es



Total Average Time Taken for RMS B/Es 44.37 Hrs



Average Time Taken for Group Assessed 2nd Check B/Es

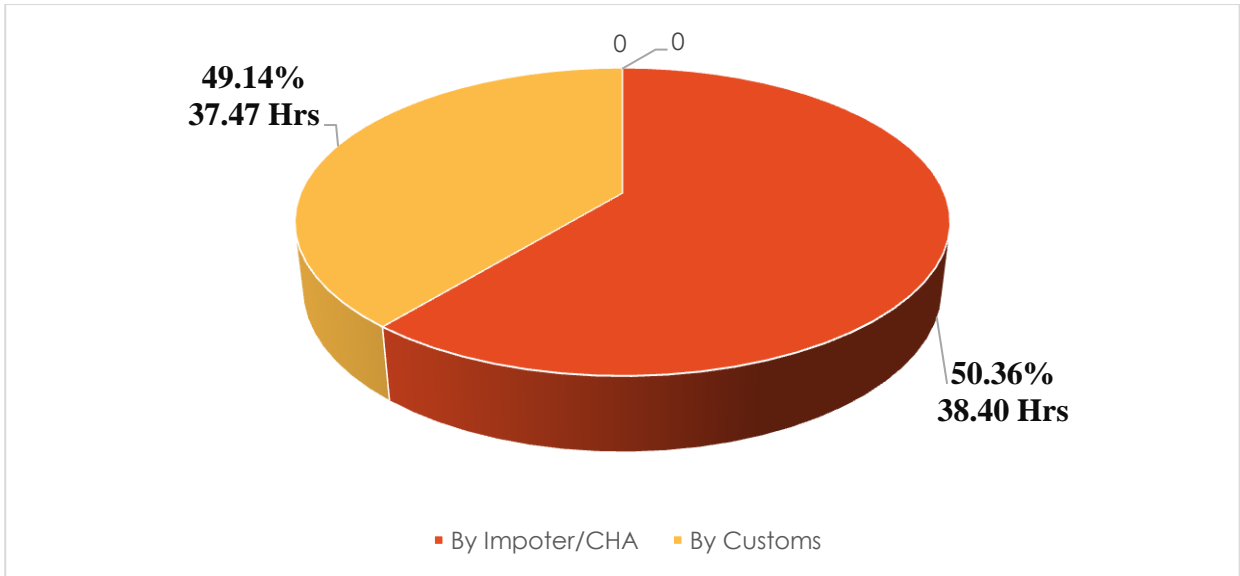
BY CUSTOMS
 For Completion of Scrutiny
 32 Hrs& 56 Min
 From Examination to OOC
 4Hrs & 51 Min

Total Time Taken is 37.47 Hrs

BY IMPORTER/CHA
 To pay duty after Scrutiny
 23Hrs& 05 Min
 To Registration after payment
 15 Hrs& 35 Min

Total Time Taken is 38.40 Hrs

**Total Average Time Taken for Group Assessed 2nd Check B/Es
 76.27 Hrs**



OPPORTUNITIES FOR IMPROVEMENT

Opportunities for improvement were identified which are broadly as detailed below.

- » The Results for time taken by Importer/CHA to pay duty and to produce B/E to registration after payment of duty show the need of more effective measures to improve both the periods.
- » Customs should continue to work with and encourage industry to lodge declarations earlier to increase the percentage of entries lodged before arrival. Advanced reporting provides benefits to importers and Customs.
- » Improvement of the EDI 1.5 version speed and connectivity.

Customs should share the results of the study with other government agencies and trade industry. This will promote the role of Indian Customs in trade facilitation and growth of Indian economy.

5. CONCLUSION&DISCLAIMER

CONCLUSION

The Air Cargo Complex TRS provides one more set of measures relating to the clearance of import cargo. This study being the first one of Air cargo Complex , Hyderabad it helps us to compare the time taken by the ACC Hyderabad in comparison to the other major ports/ Air Cargo Complex and to taken necessary measure to fasten the clearance where ever possible. On comparison to the JNCH study it is noticed that ACC has took lesser time to clear in all categories of the cargo.

In summary, the measurements show that Customs is efficient in clearing legitimate cargo with trade facilitation. The study provides evidence that demonstrates how Customs supports the goal of government to grow the economy of the Country by measuring and reporting on the delivery of service to traders engaged in international trade. Future studies will provide further sets of measures and evidence of actual and sustainable change in the way Customs manages and works at the import clearing cargo.

DISCLAIMER

While every effort has been made to ensure the compilation and calculation of information in this publication is accurate, the TRS Project Team does not accept any responsibility or liability for error of fact, omission, interpretation, or opinion that may be present, nor for the consequences of any decisions based on this information.

While the TRS Project Team has exercised all reasonable skill and care in the preparation of data information and analysis in this report, it does not accept any liability in contract, tort or otherwise for any loss, damage, injury, or expense, whether direct, indirect or consequential, arising out of the provision of information in this report.

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