

1. EXECUTIVE SUMMARY

INTRODUCTION AND CONTEXT

This document reports on the Time Release Study (TRS) for the period of January to June, 2016. The purpose of this study is to measure the time taken by the ICD, SANATHNAGAR, 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 ICD, SANATHNAGAR, 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 ICD, SANATHNAGAR, 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 cargo volume at ICD, Sanathnar, 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 ICD, Sanathnagar was chosen from 15.06.2016 to 21.06.2016.

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.

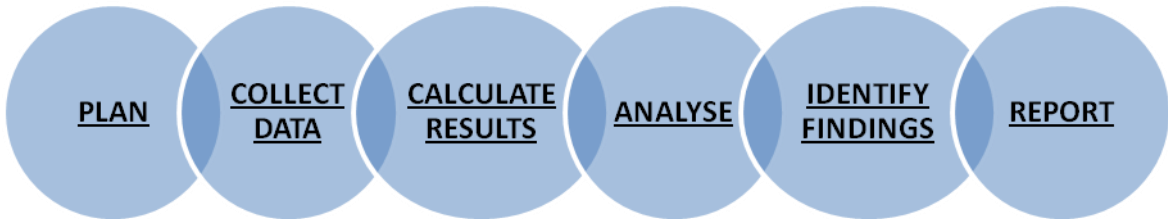
According to the WCO's TRS Guidelines, the terms 'Release' and 'Clearance' are defined as follows:

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 :

TRS PROCESS



METHODOLOGY FOLLOWED

ICD, Sanathnagar, Hyderabad is the medium Inland depot location in the country in term of Imports declarations (B/Es) processed in a day. Customs clearances at the ICD, Sanathnagar 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 to OOC of Charge in ICES.

3.RESULTS&ANALYSIS

CLEARANCE PROCESS OF IMPORT CARGO

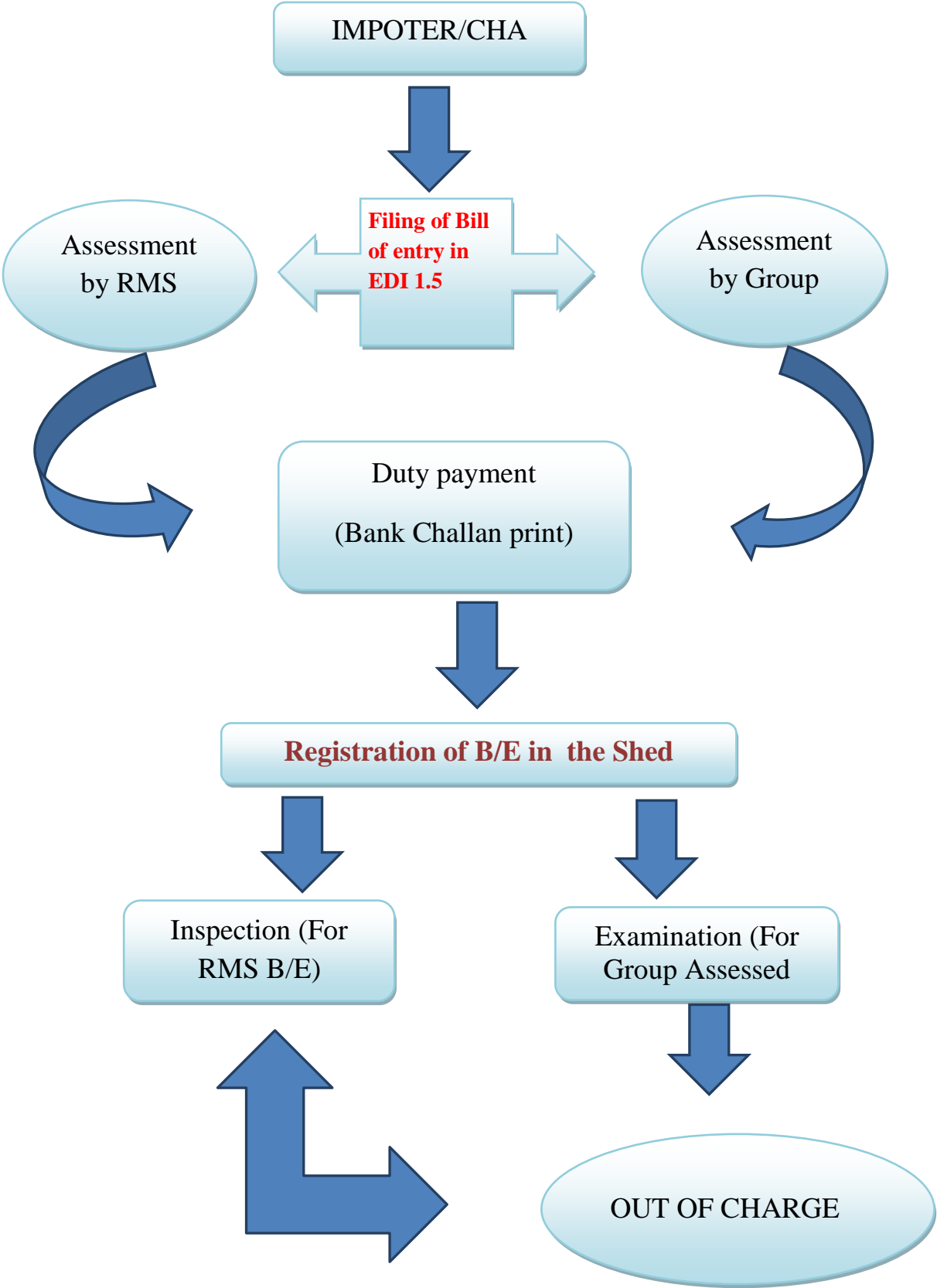
The Import General Manifest (IGM) and the Bills of Entry are filed electronically in the ICES either through the Service Centre or through ICEGATE mode will be forwarded to the RMS. The RMS will process the Bills of Entry and the IGM through a series of steps and generate an electronic output for the 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.

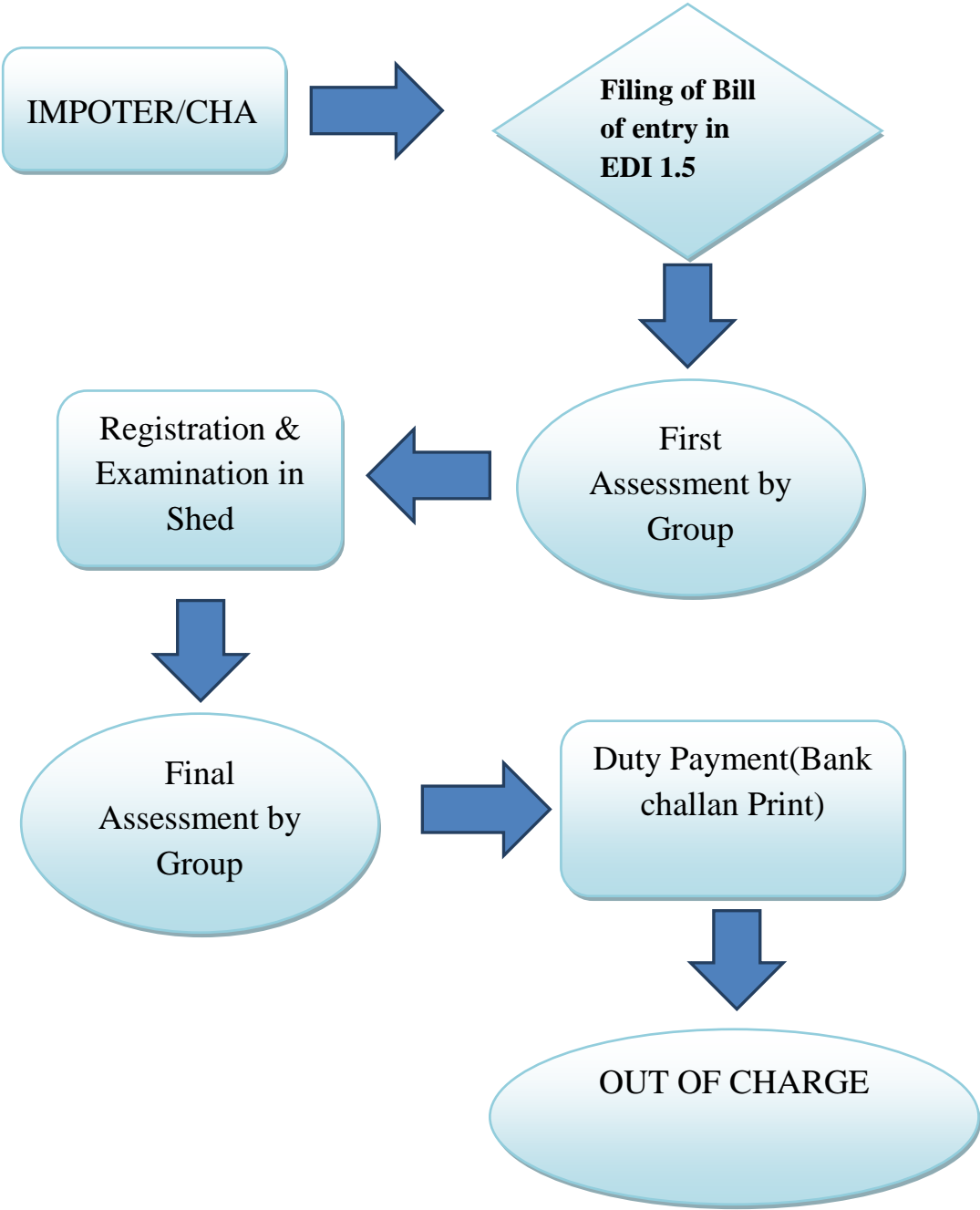
Based on the output given by the RMS, Bills are directed to the assessment groups along with suitable instructions to mitigate the risk identified in the declaration. The instructions are in the form of guidelines to the officers to concentrate on various issues of mis-declaration, concealment, undervaluation, mis-classification, availment 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** :



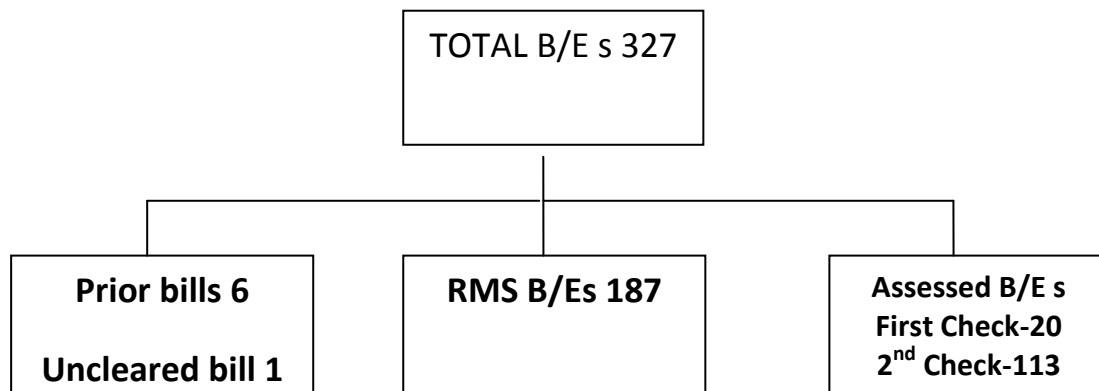
The following chart shows the clearance process of a **First Check B/Es**



ANALYSIS OF IMPORT CLEARANCE DATA

It was noted that data for all the declarations for the given period has to be taken from ICES (Indian Custom EDI System). Total number of Bills of Entry tabulated by the ICES for the sample period 15.06.2016 to 21.06.2016 are 327.

The data sample received had 327 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. Seven (7) Bill of Entry were not considered for this study, reasons 6 being prior bills i.e., LCL cargo and 1 BE yet to cleared for OOC. Considering such bills would not be feasible for the stated purpose, therefore the study given below is in respect of 320 bills .



TOTAL B/Es CONSIDERED FOR STUDY IS

TYPE	NO. OF B/E	PERCENTAGE
RMS	187	59%
FIRST CHECK	20	6%
SECOND CHECK	113	35%

RMS FACILITATED CARGO (15.6.2016 to 21.6.2016)

Total number of bills facilitated by RMS are 187 and the bills selected for scrutiny are 133. Out of the bills selected for scrutiny, 20 belong to the First Check category and 113 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	1	0.50%
Between 03-06 Minutes	163	87%
Between 06-12 Minutes	14	7.50%
Above 12 Minutes	9	5%

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

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	111	59%
Between 24-48 Hrs	36	19%
Between 48-72 Hrs	14	8%
Between 72-96 Hrs	8	4%
Between 96-120 Hrs	5	3%
After 120 Hrs	13	7%

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	131	70%
Between 24-48 Hrs	30	16%
Between 48-72 Hrs	12	7%
Between 72-96 Hrs	4	2%
Between 96-120 Hrs	2	1%
After 120 Hrs	8	4%

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	34	18%
Between 1-2 Hrs	36	19%
Between 2-3 Hrs	35	19%
More Than 03 Hrs	82	44%

FIRST CHECK CARGO

Total number of bills selected for scrutiny are 133. Out of these, 20 bills belong to the First Check category. Under this one Bill of Entry is not yet cleared, thus study is conducted for 19 Bill of Entry. 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
PARAMETER	NO.OF B/Es	PERCENTAGE
Within 10 Days	11	58%
Within 10 - 20 Days	3	16%
Within 20 - 30 Days	1	5%
More than 30 Days	4	21%
Total	19	

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

PARAMETER	NO. OF B/ES	PERCENTAGE
Within 10 Days	12	63%
Within 10 - 20 Days	4	21%
Within 20 - 30 Days	1	5%
More than 30 Days	2	11%
Total	19	

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	9	48%
Between 24-48 Hrs	1	5%
Between 48-72 Hrs	1	5%
Between 72-96 Hrs	0	0%
Between 96-120 Hrs	0	0%
After 120 Hrs	8	42%

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	11	58%
Between 24-48 Hrs	2	10%
Between 48-72 Hrs	0	0%
More Than 72 Hrs.	6	32%

First Check B/Es are less than 7% of the total B/Es

SECOND CHECK CARGO

Out of the total 133 bills selected for scrutiny, 113 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	34	30%
Between 24-48 Hrs	25	22%
Between 48-72 Hrs	16	14%
Between 72-96 Hrs	18	16%
Between 96-120Hrs	9	8%
After 120 Hrs	11	10%

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	73	64%
Between 24-48 Hrs	9	8%
Between 48-72 Hrs	1	1%
Between 72-96 Hrs	2	2%
After 96 Hrs	28	25%

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	99	87%
Between 24-48 Hrs	3	3%
Between 48-72 Hrs	4	4%
Between 72-96 Hrs	5	4%
After 96 Hrs	2	2%

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 01 Hrs	20	18%
Between 01-02 Hrs	16	14%
Between 02-03 Hrs	2	2%
Between 03-04 Hrs	8	7%
Between 04-05 Hrs	3	2%
Between 05-06 Hrs	0	0%
Between 06-12 Hrs	1	1%
After 120 Hrs.	63	56%

4. FINDINGS&OBSERVATIONS

FINDINGS AND OPPORTUNITIES

- **The Study observed that the average time taken by Customs for Assessment on RMS Facilitation is 5 Minutes 52 Seconds.**
- **The Study observed that the average time taken by Customs from Registration to give OOC for RMS B/Es is 15 Hrs & 54 Minutes.**

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

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

- In the cases of Re-Import, it is mandatory to verify that the goods imported are the same that were 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 requires 100% verification of cargo. Same procedure is followed in case of Import for Re-Export purpose.
- Imports of textiles are require 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.
- 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 etc. Clearance cannot be given till test results and NOC from ADC are received.
- All second hand/Used Machinery is examined by Customs officers along with a Chartered engineer to value the goods before scrutiny.

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 on last working day in late evening 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.
- In order to find out Grade/Purity/Specification and other physical/chemical characteristics of the goods testing is required 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 .
- 100% examination of goods is also carried out in the cases where alert/intelligence from the agencies likes SIIB, CIU, DRI . 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

BY CUSTOMS

To decide RMS Facilitation
5 Min 52 Seconds.

BY IMPORTER/CHA

To pay duty for RMS B/Es **43 Hrs & 48 Min**
To Registration after payment **30 Hrs & 33 Min**

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

BY CUSTOMS

For Completion of Scrutiny **56 Hrs & 7 Min**
From Examination to OOC **28 Hrs 34 Min.**

BY IMPORTER/CHA

To pay duty after Scrutiny **92 Hrs 30 Min .**
To Registration after payment **25 Hrs & 54 Min**

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.
- » The Importer/ CBs should be impressed upon to minimise the time taken for duty payment after duty challan is generated and time taken for goods registration in the shed after duty payment.
- » 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 ICD, Sanathnagar, TRS provides one more set of measures relating to the clearance of import cargo. This helps us to compare the time taken by the ICD, Sanathnagar Hyderabad in comparison to the other major ports/ Air Cargo Complex/ICD's and to take necessary measure to fasten the clearance wherever possible.

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.

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