

TIME RELEASE STUDY

JULY-DECEMBER, 2013



Ministry of Finance
Department of Revenue

JAWAHARLAL NEHRU CUSTOMS HOUSE

NHAVA SHEVA





सत्यमेव जयते

JAWAHARLAL NEHRU CUSTOMS HOUSE

NHAVA SHEVA

TIME RELEASE STUDY
FOR JULY-DECEMBER, 2013

Prepared By

TRS PROJECT TEAM

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1 EXECUTIVE SUMMARY

INTRODUCTION AND CONTEXT

This document reports on the Time Release Study (TRS) for the period of July to December, 2013. The purpose of this study is to measure the time taken by the Jawaharlal Nehru Custom House (JNCH), Nhava Sheva 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 third such study undertaken by JNCH, and follows the Jan-June, 2013 study. The objectives of the study were to replicate the previous studies to produce comparable measurements and identify opportunities for improvement. In 2012, the Jawaharlal Nehru Custom House (JNCH), Nhava Sheva completed its first TRS for a sample of data taken for the period of 01 July to 07 July, 2012.

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 20.06.2013 directed some Custom Houses including JNCH 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 sea cargo volume at JNCH 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, December 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 could be a retrospective of past transactions. The sample period for analyzing the time release by JNCH was chosen from 01.12.2013 to 07.12.2013. This is generally considered as a normal period for various activities at JNCH.

THE WCO’s TRS MEASURE

The WCO’s TRS measure is:

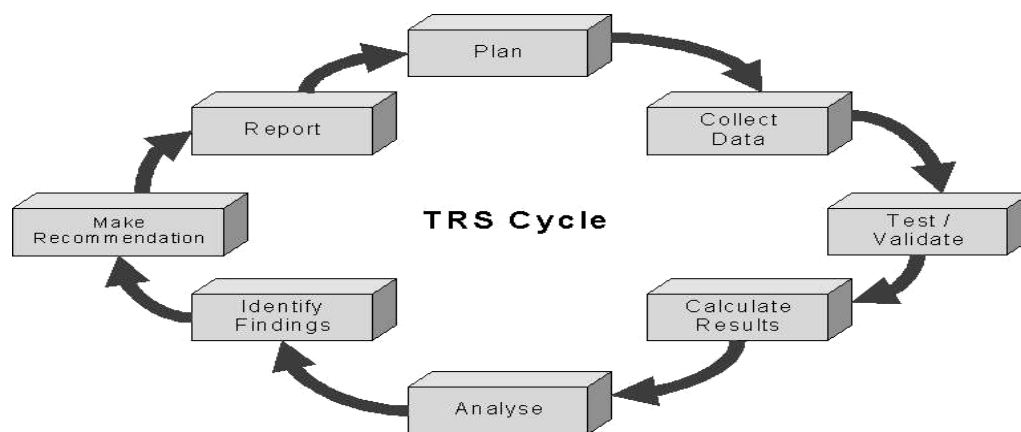
The arithmetic mean between the arrival of the goods and their release into the economy via a standardised system.

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

Jawaharlal Nehru Custom House is the biggest Customs location in the country in term of Imports declarations (B/Es) processed in a day. Customs clearances at a seaport can be classified into following stages:

- a) Filing of Import General Manifest (IGM) by the Shipping lines.

- 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 except Ex-Bond 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

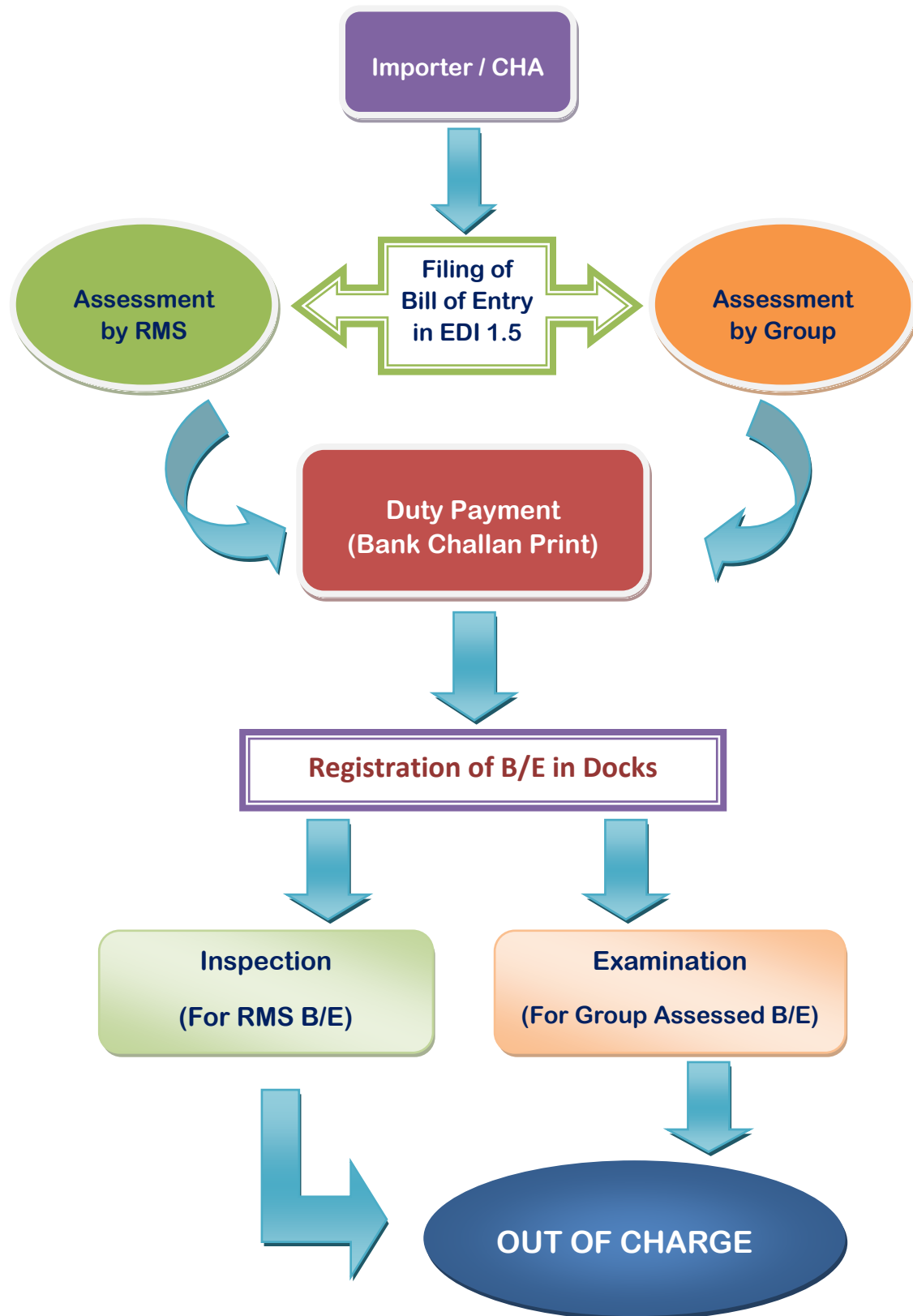
The Import General Manifest (IGM) and the Bills of Entry are filed electronically in the ICES either through the Service Centre or through ICEGATE mode will be forwarded to the RMS. The RMS will process the Bills of Entry and the IGM through a series of steps and generate an electronic output for the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

The RMS facilitated B/Es are exempted from examination procedure by Docks 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.

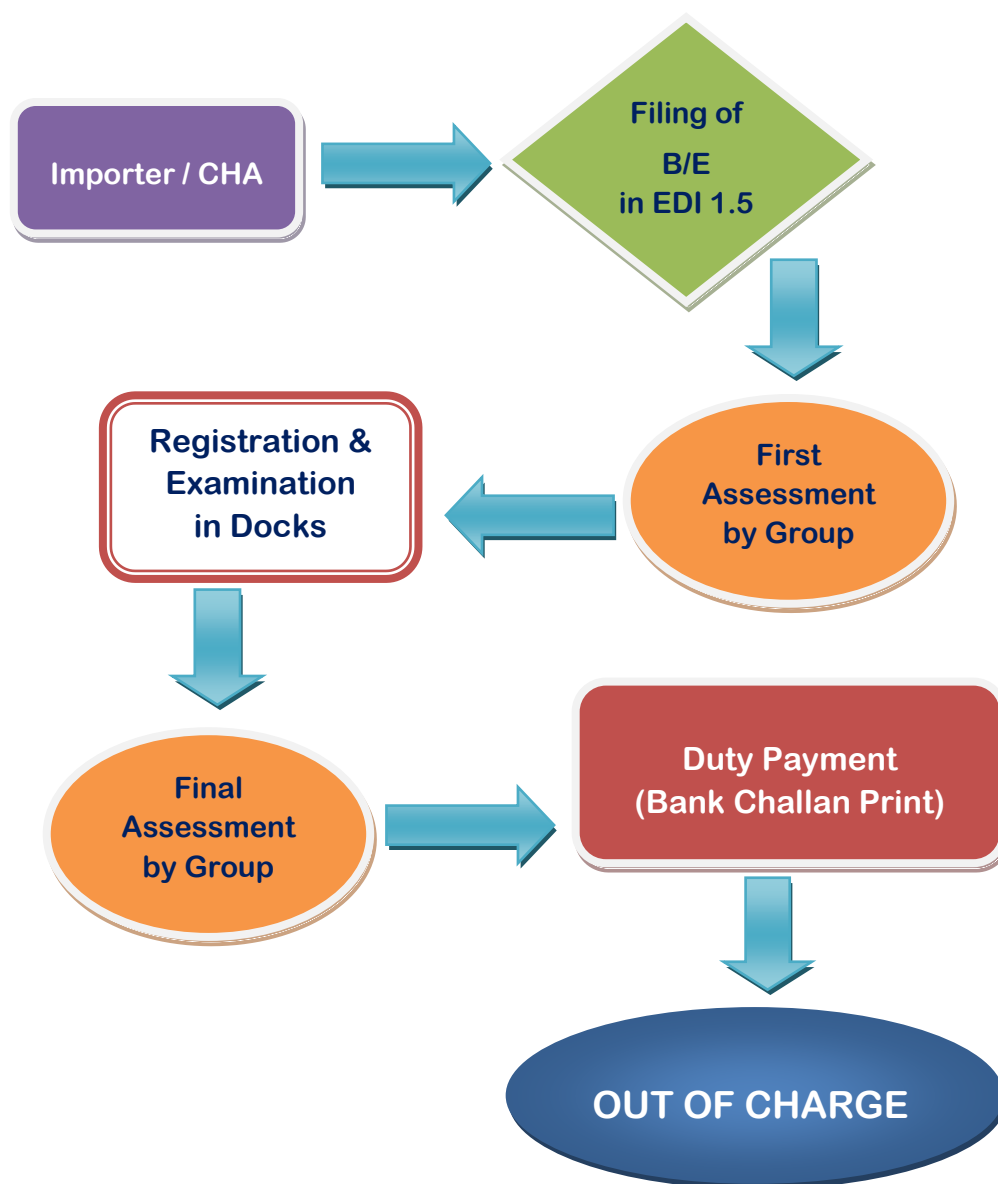
Based on the output given by the RMS, Bills are directed to the officers in the assessment groups along with suitable instructions to mitigate the risk identified in the declaration. The instructions are in the form of guidelines to the scrutinizing officers to concentrate on various issues of mis-declaration,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



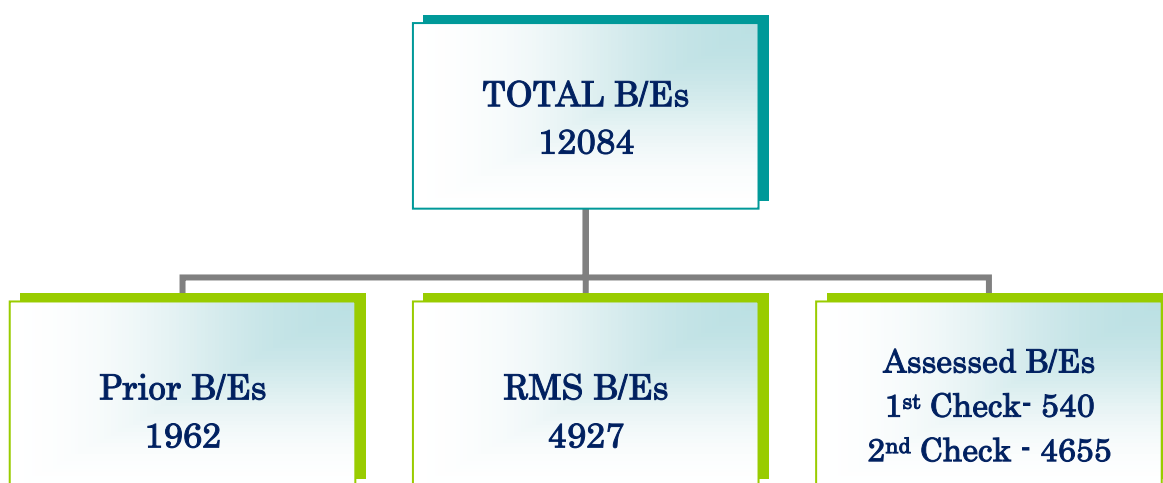
The following chart shows the clearance process of a **First Check B/E** :



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. 01.12.2013 to 07.12.2013 was **12084**.

The data sample received had **12084** Bills of entry for the given period. The sample included bills of entry filed for home consumption and for ex-bond. Bills of entry are allowed to be filed prior to filing of IGM. There were 1962 such prior bills that 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 10122 Bills.



TOTAL B/Es CONSIDERED FOR STUDY IS 10122

TYPE	NO. OF B/E	PERCENTAGE
RMS	4927	48.62
FIRST CHECK	540	5.39
SECOND CHECK	4655	45.99

RMS FACILITATED CARGO

Total number of bills facilitated by RMS are 4927 and the bills selected for scrutiny are 5195. Out of the bills selected for scrutiny, 540 belong to the First Check category and 4655 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	1956	39.70
Between 03-06 Minutes	2877	58.39
Between 06-12 Minutes	94	1.91

Arithmetic Mean per B/E is 3.86 Minutes.

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

PARAMETER	NO. OF B/Es	PERCENTAGE
Within 24 Hrs	3039	61.68
Between 24-48 Hrs	736	14.94
Between 48-72 Hrs	443	8.99
Between 72-96 Hrs	198	4.02
Between 96-120 Hrs	127	2.58
After 120 Hrs	384	7.79

Arithmetic Mean per B/E is 52.96 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	2115	42.93
Between 24-48 Hrs	905	18.37
Between 48-72 Hrs	561	11.39
Between 72-96 Hrs	414	8.40
Between 96-120 Hrs	309	6.27
After 120 Hrs	623	12.64

Arithmetic Mean per B/E is 83.18 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 01 Hrs	2692	54.64
Between 01-02 Hrs	833	16.91
Between 02-03 Hrs	516	10.47
More Than 03 Hrs	886	17.98

Arithmetic Mean per B/E is 4.99 Hrs.

Total Average Time Taken From Filing to OOC in RMS B/E is 141.19 Hrs

FIRST CHECK CARGO

Total number of bills selected for scrutiny are 5195. Out of these, 540 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
Within 10 Days	275	50.93
Within 10-20 Days	176	32.59
Within 20-30 Days	51	9.44
More Than 30 Days	38	7.04

Arithmetic Mean per B/E is 14.77 Days.

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	311	57.59
Within 10-20 Days	156	28.89
Within 20-30 Days	37	6.85
More Than 30 Days	36	6.67

Arithmetic Mean per B/E is 13.42 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	205	37.96
Within 24-48 Hrs	65	12.04
Within 48-72 Hrs	62	11.48
Within 72-96 Hrs	28	5.19
Within 96-120 Hrs	24	4.44
After 120 Hrs	156	28.89

Arithmetic Mean per B/E is 139.41 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	327	60.56
Within 24-48 Hrs	94	17.41
Within 48-72 Hrs	20	3.70
More Than 72 Hrs	99	18.33

Arithmetic Mean per B/E is 29.54 Hrs.

First Check B/Es are about 5% of the total B/Es

Total Average Time Taken From Filing to OOC in First Check B/E is 354.48 Hrs

SECOND CHECK CARGO

Total number of bills selected for scrutiny are 5195. Out of these, 4655 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	2631	56.52
Between 24-48 Hrs	817	17.55
Between 48-72 Hrs	479	10.29
Between 72-96 Hrs	240	5.16
Between 96-120 Hrs	141	3.03
After 120 Hrs	347	7.45

Arithmetic Mean per B/E is 46.15 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	3026	65.01
Between 24-48 Hrs	538	11.56
Between 48-72 Hrs	349	7.50
Between 72-96 Hrs	213	4.57
After 96 Hrs	529	11.36

Arithmetic Mean per B/E is 50.17 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	2423	52.05
Between 24-48 Hrs	873	18.75
Between 48-72 Hrs	449	9.65
Between 72-96 Hrs	299	6.42
After 96 Hrs	611	13.13

Arithmetic Mean per B/E is 65.17 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 01 Hrs	900	19.34
Between 01-02 Hrs	774	16.63
Between 02-03 Hrs	651	13.98
Between 03-04 Hrs	589	12.65
Between 04-05 Hrs	547	11.75
Between 05-06 Hrs	380	8.16
Between 06-12 Hrs	434	9.33
After 12 Hrs	380	8.16

Arithmetic Mean per B/E is 7.42 Hrs.

Total Average Time Taken From Filing to OOC in Second Check B/E is 168.91 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 to
decide on RMS Facilitation is 3.86 Minutes.**

**The Study observed that
the average time taken by Customs from
Registration to give OOC in ICES for
RMS B/Es is 4 Hrs & 59 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 Appraisement 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.
- Import of all types of Scrap requires to be examined 100% before clearance as per CBEC circulars to ensure that no serviceable goods/weapons/arms/ammunition are concealed.

- 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 two days (Saturday and Sunday).
- Some of the B/Es require NOCs before clearance from various authorities e.g. Drugs Controller, FSSAI, PQ, AQ, WLRO 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.
- In respect of scanned containers wherein suspected portion/area of image found, 100% examination is done. Even non-scanned containers (which are selected but not scanned) are subjected to examination to rule out any suspicion and mis-declarations.
- 100% examination of goods is also carried out when the intelligence agencies likes SIIB, CIU, DRI. In such cases, out of charge is not given till the NOC received from concerned agency.
- Consignments originating from Pakistan are subject to 100% examination.

KEY FINDINGS FROM THE STUDY

Average Time Taken for RMS B/Es

BY CUSTOMS

To decide RMS facilitation

3.86 Min.

From Registration to OOC

4 Hrs & 59 Min.

Total Time Taken is 5.04 Hrs

BY Importer/CHA

To pay duty for RMS B/Es

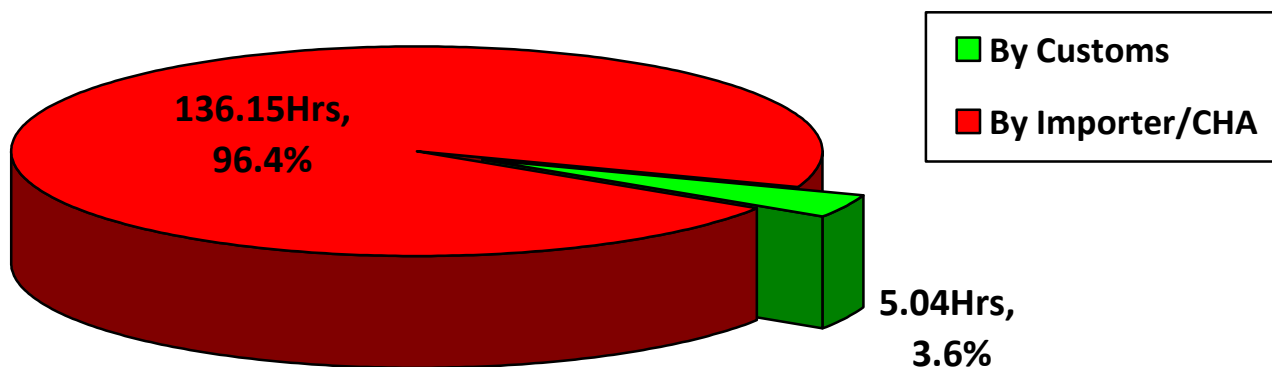
52 Hrs & 58 Min.

To Registration after payment

83 Hrs & 11 Min.

Total Time Taken is 136.15 Hrs

Total Average Time Taken for RMS B/Es



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

BY CUSTOMS

For Completion of Scrutiny
46 Hrs & 9 Min.

From Examination to OOC
7 Hrs & 25 Min.

Total Time Taken is 53.57 Hrs

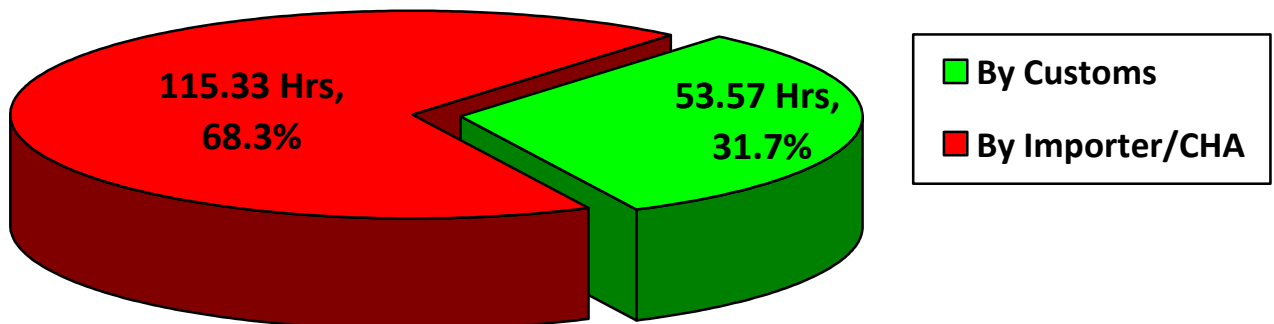
BY Importer/CHA

To pay duty after Scrutiny
50 Hrs & 10 Min.

To Registration after payment
65 Hrs & 10 Min.

Total Time Taken is 115.33 Hrs

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



COMPARISON OF KEY RESULTS FROM 2013 & 2012

JNCH performance in clearing import cargo in 2013 (July-December) remains more or less at similar levels to that found in 2013 (Jan-July). Some measures improved remarkably which show significant change in performance as under -

MEASURES FOR CUSTOMS	TRS 2013 (July-Dec)	TRS 2013 (Jan-July)	TRS 2012
Average Time Taken per B/E in RMS Facilitation B/Es	5 Hrs & 2.86 Minutes	3 Hrs & 23.29 Minutes	3 Hrs & 33 Minutes
Average Time Taken per B/E in Group Assessed Second Check B/Es	53 Hrs & 34 Minutes	62 Hrs & 45 Minutes	85 Hrs

MEASURES FOR IMPORTER/CHA	TRS 2013 (July-Dec)	TRS 2013 (Jan-July)	TRS 2012
Average Time Taken per B/E in RMS Facilitation B/Es	136 Hrs & 9 Minutes	142 Hr & 4 Minutes	149 Hrs
Average Time Taken per B/E in Group Assessed Second Check B/Es	115 Hrs & 20 Minutes	102 Hrs & 41 Minutes	121 Hrs

The above result confirms that time taken by Customs in Group Assessed B/Es has been reduced significantly while in RMS Facilitated B/Es, it has been increased. For Importer/CHA, time taken in RMS B/Es has been reduced while it has been increased in Group Assessed B/Es. Additionally, the findings from both the TRS studies for the year 2013 and 2012 provide evidences supporting Customs' role in facilitating trade.

OPPORTUNITIES FOR IMPROVEMENT

Opportunities for improvement were identified. These opportunities reinforce the opportunities identified from the previous studies. Customs should continue to work on the opportunities from this year and last year.

- » 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.
- » Some cargo types showed an improvement in earlier reporting times. 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.
- » 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 JNCH TRS provides a third set of measures relating to the clearance of import cargo. This second TRS allows comparative analysis between the previous two studies. Analysis of difference in the measures identify changes in the performance of Customs in clearing cargo at JNCH, Nhava Sheva. The findings and opportunities identified are similar to the previous studies and JNCH should continue to work on these.

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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3. **D. V. Gautam, Examining Officer, EDI, JNCH**

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