



# TIME RELEASE STUDY 2018

Central Board of Indirect taxes and Customs

**MUNDRA PORT**

Based on World customs Organizations Guidelines for Carrying out Time Release Study

“The first step in solving a problem is recognizing there is one”

■ Will Mcavoy

“I often say that when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind.”

■ Lord Kelvin, 1883

“The goal of measurement is to Not only do things right but do the right things and continuously improve doing that”

# MUNDRA PORT



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## **Introduction and Context**

### **What is Time release study?**

It is a method endorsed by the World Customs Organization (WCO) to measure customs performance in trade facilitation. It measures the time taken by any Custom House to clear import cargo.

It measures the average time taken between the arrival of the goods and their release. This facilitates Customs to identify both the problem areas and potential corrective actions to increase their efficiency. The use of automation and other sophisticated selectivity methods can allow Customs to improve compliance and at the same time improve facilitation for the majority of low risk goods.

### **Customs and Trade facilitation:**

Customs maintains a high level of performance in trade facilitation. Trade facilitation lowers the trade transaction costs and creates standard efficiencies as has been highlighted in the Doha Declaration as "expediting the movement, release and clearance of goods, including goods in transit." This includes the causal relationship of customs procedures and other practices that may add to the cost or time requirements of trade.

### **Functional utility of TRS for Customs:**

It helps Customs to respond to trade requirements where the operators need to plan ahead for the movement of goods across borders in order to meet tight production schedules and just-in-time inventory systems that require forward planning.

The time required to release goods has also increasingly become the measure by which the international trading community assesses the effectiveness of a Customs administration. The Time Release Study provides guidance to Customs administrations on the best way to apply this method of internal review.

Time release study plays a major role in realization of this aim as its sole purpose is to measure the time required to release goods, and role of customs in the entire procedure in both import and export.

It is a unique tool and method for measuring the actual performance of Customs activities as they directly relate to trade facilitation at the border. The TRS thereby measures relevant aspects of the effectiveness of operational procedures that are carried out by Customs and other regulatory actors in the standard processing of imports, exports and in transit movements. It seeks to accurately measure these elements of trade flows so that related decisions to improve such performance can be well conceived and thereby carried out.

**Key objectives of the time release study :**

- 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.

**Trade facilitation Agreement (TFA)**

Traders from both developing and developed countries have frequently highlighted the vast amount of “red tape” that exists in moving goods across borders. To address this, WTO members have forged the Trade Facilitation Agreement (TFA), which came into force on 22 February 2017 after two-thirds of the WTO membership completed their domestic ratification process. The TFA contains provisions for expediting the movement, release and



clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

Trade facilitation efforts, such as simplifying required paperwork, modernizing procedures and harmonizing customs requirements, can slash the costs and time needed to export and import goods. It further contains provisions for technical assistance and capacity building in this area. The full implementation of the TFA is estimated to reduce global trade costs by an average of 14.3%, with African countries and least-developed countries (LDCs) forecast to enjoy the biggest average reduction in trade costs. Full implementation has also been found to potentially reduce the average time needed to import by 47%. Cuts in export time will be even more dramatic: estimates predict a 91% reduction of the current average.

By easing the time and costs burdens, the TFA is expected to increase exports from existing traders while also enabling new firms to export for the first time. Furthermore, the TFA is forecast to add up to 2.7% a year to world export growth and more than 0.5% a year to world GDP growth over the 2015-30 horizon. Developing countries are expected to enjoy larger gains than the global average: the swift and full implementation of the TFA is estimated to boost their exports by 3.5% annually and augment their economic growth by 0.9% each year. Overall, two thirds of all benefits are predicted to go to the developing and least-developed world.

Consequent upon the ratification of the Trade Facilitation Agreement (TFA) of World Trade Organization (WTO) by India in April, 2016, a National Committee on Trade Facilitation (NCTF) under the Chairmanship of Cabinet Secretary has been constituted. The TFA would necessitate simplification of border management procedures and adoption of new transparency measures, all of which are expected to reduce the transaction cost of imports and exports and facilitate smooth movement of goods across borders.

## **National committee on Trade facilitation**

For the implementation of the TFA, the government has set up Cabinet Secretary-headed National Committee on Trade Facilitation (NCTF) in 2017.

National Trade Facilitation Action Plan (2017-20):

- Implementation of the plan, which also includes suggestions of the private sector, has been divided into short term (0-6 months), medium term (6-18 months) and long term (18-36 months).
- The short term action plan includes augmentation of storage infrastructure for perishable goods and clearance of such goods within 12 hours of landing for import and 8 hours for export.
- The plan for midterm includes updating of all regulatory information available on the internet on a single window portal; to put in place adequate bio-security measures for livestock imports and publication of all fees on a single window website.
- Cargo release time, both for export and import purposes, would also be reduced within a time period.
- **For imports, sea and air cargo release time would be reduced to three and two days respectively. Similarly, for exports, sea cargo release time would be brought down to two days and air cargo the same day.**
- The CBEC and the commerce ministry would also work on streamlining policy for e-commerce which includes cutting documentation requirements and providing single submissions.
- Further, as part of the national trade facilitation action plan, legislative changes have been proposed in the Customs Act 1962 for processing of documents among other things.
- The agencies and ministries involved in the implementation process include Central Board of Excise and Customs (CBEC), Directorate General of Foreign Trade and Animal & Plant Quarantine, textiles and environment ministries.

India assumed the Vice-Chairmanship of the WCO Council for the Asia Pacific Region for the period 2018-2020.

## **Mundra Port**

An infrastructural marvel, the mega port at Mundra is major economic gateway that caters to the land locked northern hinterland of India with multimodal connectivity. Mundra Port is a deep draft, all-weather port that is today the largest commercial port of India with a high degree of mechanization. In fact, it is the only port in the country with handling and storage facilities for crude oil, containers, dry bulk, automobiles and liquid cargo.

Strategically situated on international maritime routes, Mundra Port on the Gulf of Kachchh offers multiple benefits for global trade. The Gulf acts as a natural shelter for the port, facilitating 24x7 safe berthing, un-berthing and vessel operations. Compared to other ports on West Coast, Mundra Port enjoys logistical advantage in reaching the North-West hinterland of India. This makes it the preferred port for the cargo hubs functioning in the Northern and Western states and union territories of India.



## **Section – A**

### **1. Executive Summary**

This study presents the findings of the Time Release Study conducted at Mundra Custom House in respect of both import and Export Cargo, representing the first week of July, 2018 (from 01.07.2018 to 07.07.2018). This study has utilized various data sources, information provided by Director of Systems, EDI reports, CFSs, participating government agencies (PGAs) like FSSAI, Directorate of Plant Protection, Quarantine & Storage and Departmental Chemical Test Laboratory at Kandla. This TRS study 2018 is an house effort, involving officers of Customs Mundra, PGAs, aimed at developing capacity and at ownership of the results of the study.

Time needed by Customs to release goods can provide pertinent information to guide any necessary process improvements or identify desirable regulatory changes to ensure the effective facilitation of trade. Trade facilitation is lowering trade transaction costs and creating standard efficiencies as has been highlighted in the Doha Declaration as "expediting the movement, release and clearance of goods, including goods in transit." This includes the causal relationship of customs procedures and other practices that may add to the cost or time requirements of trade. With this aim, the present study was conducted at Custom House, Mundra with sole purpose to measure the time required to release goods, and role of customs in the entire procedure in both import and export.

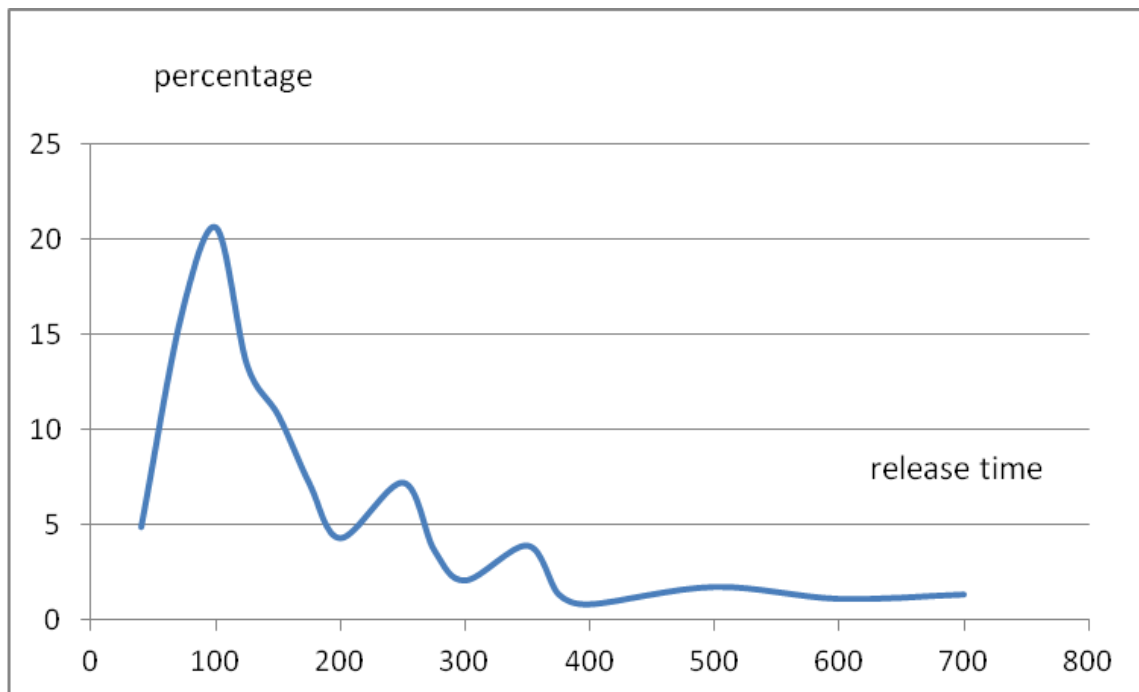
### **Imports**

The study using core methodology, selected sample period first seven days of July 2018 viz. from 1-7 July, so as to provide strictly comparable release time data. The study covered all the 1830 Bills of Entry filed during the sample period and tracked them till August 7, when the data was frozen for analysis. In total 1851 BOEs were filed in EDI were taken in study, which included 1773 BOEs for containerized cargo, and 58 BOEs for importing bulk cargo. In sample period 23 bills of Entries (which is 1.29%) remained to get out of charge. During sample period three bills of entries were filed manually, the same has not been included in study. One sample study has been conducted to quantify the time from “out of charge” given by Customs to importer, identifying the reasons for delay in gate out.

The standard definition of release time is the time taken from arrival of the goods (represented by entry inwards) to release of cargo by Customs (represented by grant of out of charge.) In the study release time is study from submission of BOE, the time at which the importer informs department. The study compares the release time to National Trade Facilitation Action Plan Target of 72 hrs.

The overall release time of imports of containerized cargo in sample study is **153.27** hours.

### Essence of Effort



The normal distribution above shows that: (a) 20.80 % of bills of entry were cleared within 72 hours. (b) About 2/3<sup>rd</sup> of the bills of entries were cleared in less than release time of 141 hours, with balance 1/3 of the consignments, adversely impacting the release time; and (c) significantly lower number of bills of entry entailed inordinate delays.

The study presents a four-way disaggregated and stratified release time data for different categories of bills of entry, preferred clients such as AEO and DPD, selected commodities and PGAs, and certain time-intensive sub-processes, to highlight the areas of success and concern.

The bill of entry with minimum release time of 4.53 hrs, of M/s PLG Impex, New Delhi was characterized by features that must be at the core of drive to reach the TFA target of 72 hours, namely (a) great facilitation (b) more AEO enrolment (c) higher DPD clearances.

Out of 1750 bills of entries of containerised cargo 804 bills of entry, accounting to 45.94 % of the total number of 1750 bills of entry were filed as advance bills of entry. The average release time for advance bills of entry was found to be 138:07:55 from the time of Entry Inward to Out of Charge, in comparison to normal bills of entries having more release time as release time of normal bills of entry is 179:25:38. The results received supports the belief that advance bills of entries have better release time than normal bills of entries. Thus filing of advance bills entries helps in faster release of cargo.

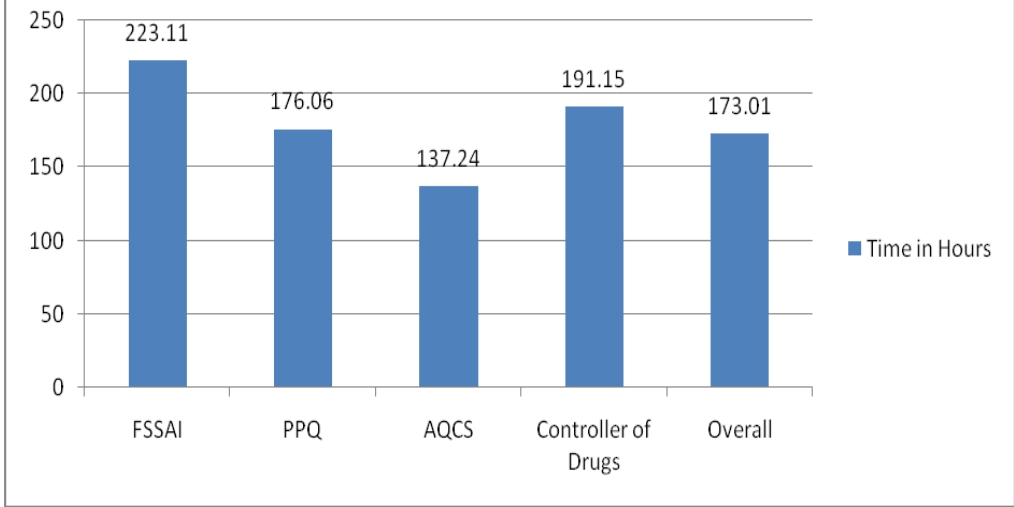
The facilitation levels during the study period to the importers reads: (a) full facilitation, with no assessment or examination as 46.21% and (b) second check with assessment at 12.97%. It is noticed that the facilitation level at Mundra is lower than national level where no assessment or examination 67.88%, second check with assessment only 9.94 %. For increase in facilitation department would make efforts in this direction by encouraging importers to apply for AEO status

This study identified six categories of commodities, based on specific requirements associated with them, to highlight their impact on the release time, sometimes hidden in the arithmetic averages. The average release time is presented below -

<b>(a)</b>	<b>Food Items (chapter 7,8,9)</b>	<b>223.10 hrs</b>
<b>(b)</b>	Bitumen (chapter 27)	75.38 hrs
<b>(c)</b>	Marble ( chapter 25)	157.57 hrs
<b>(d)</b>	Brass Scrap ( chapter 74)	280.52 hrs
<b>(e)</b>	Timber ( chapter 44)	176.34 hrs
<b>(f)</b>	Steel ( chapter 73)	12.23 hrs

The release time for bills of entry that were referred to participating government agencies under SWIFT were separately quantified to obtain a PGA wise perspective on the release time as shown in Graph below:

### Partners in Common Pursuit



## 2. Scope and Methodology

### 2.1 Data Source:

This study has expanded the data source to include data obtained from Customs IT system, Terminal Operating System, CFS, FSSAI, Textiles Committee, ADC, DYCC.

#### (i) *Categorization:*

This is a study of stratified sample of cargo categorised on the basis of bills of entry, wherein a single bill of entry may cover more than one container or goods covered by more than one bill of entry may be stuffed in one container (LCL cargo). The release time for LCL and FCL cargo, as well as liquid bulk cargo, has been separately quantified.

#### (ii) *By bills of entry:*

For the first time average release time for all bills of entry has been calculated. The average release time has also been calculated for the following categories of bills of entry, namely (a) facilitated bills of entry, (b) first check bills of entry, and (c) second check bills of entry, with assessment only and with both assessment and examination. The release time for advance and normal bills of entry has been separately calculated, recognising that the release time for these two categories of bills of entry require a different method.

#### (iii) *By importer category:*

Authorised Economic Operator (AEO) programme is the flagship programme of CBEC. In view of the various advantages provided to AEOs, it is expected that the release time for their cargo would be lower than non-AEO clients. Similarly, it is expected that the release time for DPD clients, the flagship initiative of CUSTOMS MUNDRA, would be lower than non-DPD clients. Therefore, the study has presented the release time for AEO and DPD clients separately, seeking to highlight the benefits of these schemes.



**(iv) *By commodity:***

The release time for select commodities is separately calculated to highlight the challenges specific to those commodities. While the average release time in respect of these commodities has been calculated from the timestamps obtained from Customs IT system, the time taken in sub-processes by the PGAs or specified agencies has been analysed using the datasets of the concerned PGAs/agencies.

**(v) *Sample Size:***

On the import side, the overall release time has been calculated in respect of 1,812 bills of entry filed during the sample period. These include all bills of entry filed for home consumption as well as for warehousing. However, they do not include ex-bond bills of entry. The sample size relevant for the release time in respect of the specific category of bills of entry has been explicitly mentioned at appropriate places.

**(vi) *Definition of release time:***

The release time in this study is defined as the time taken from the grant of entry inwards to grant of out of charge by customs in respect of both, normal bills of entry, wherein the bill of entry is filed after grant of entry inward, as well as advance bills of entry, wherein the bill of entry is filed before the grant of entry inward. Therefore, in the case of advance bills of entry, the time taken between filing of advance bill of entry and grant of entry inward has been ignored by setting the same to zero in respect of each such bill of entry. Similarly, the time taken in the sub-processes that are fully completed before grant of entry inward is assumed as zero; and where the process begins before the grant of entry inward but is completed after the same, only the time taken from grant of entry inward to the completion of the sub-process is taken into account.

**(vii) *Lengthening the timeline:***

A study was conducted covering four Container Freight Stations (CFS) to quantify the time taken by trade after being given out of charge till gate out from the CFS premises. Since the time stamps in Customs IT system end with the grant of out of charge, the gate out time in

respect of each bill of entry was correlated with the data obtained from the CFS computer system.

**(viii) Studying the sub-processes:**

The timeline for various sub-processes are available in the computer systems of the agencies involved and they have been collated to quantify the time taken in different sub-processes. In few cases, manual data records and small surveys have been relied upon to quantify the time taken or reasons thereof.

**2.2 Adani Ports and Special Economic Zone Limited (APSEZ) - Port Analysis**

Adani Ports and Special Economic Zone Limited (APSEZ), is the number one multi-location private port developer and operator. APSEZ is the number one multi-location private port developer and operator. It owns and operates the Mundra port, a crown jewel of the Adani Group, which is located in Mundra, Kutch district of Gujarat and is today the country's largest multi-cargo private commercial port and second largest port when compared to Government run ports. It was incorporated as Gujarat Adani Port Limited in May 1998 and commenced phased operation at Mundra Port in October 1998 with commercial operations beginning in October 2001.

**Port Statistics**

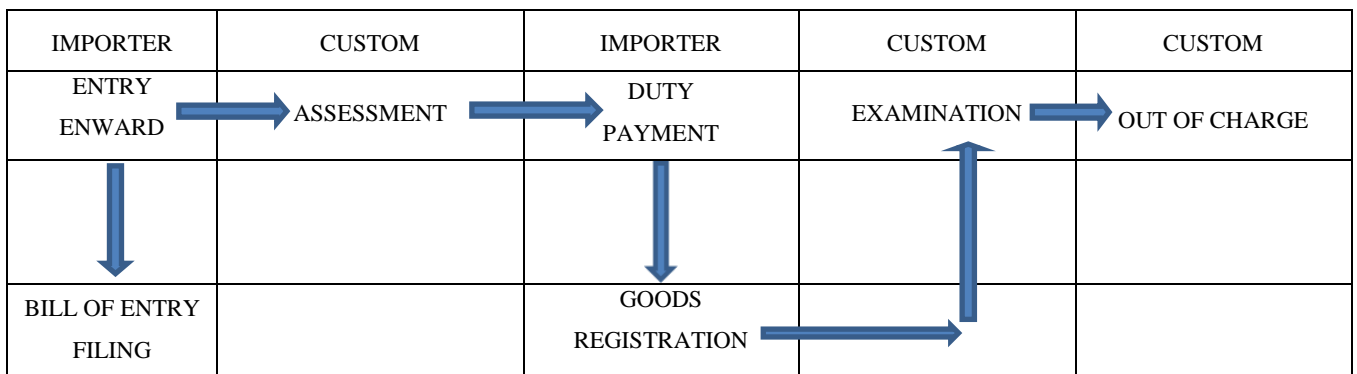
						(IN TEU)				
Mundra Port Container Traffic	2017-18					2018-19 (Upto July -2018)				
	MICT	APCTPL	AMCT	AICTPL	Mundra Port Total	MICT	APCTPL	AMCT	AICTPL	Mundra Port Total
Vessel Discharge	451244	233262	425523	519305	1629334	118231	90629	165931	229354	604145
Vessel Load	428426	234846	451125	530271	1644668	149769	88635	158613	213075	610092
Transshipment	109485	54595	41156	512696	717932	15469	27910	15415	177711	236505
Total No.of Terminal	989155	522703	917804	1562272	3991934	283469	207174	339959	620140	1450742

## Section - B

### 3. Import Procedure

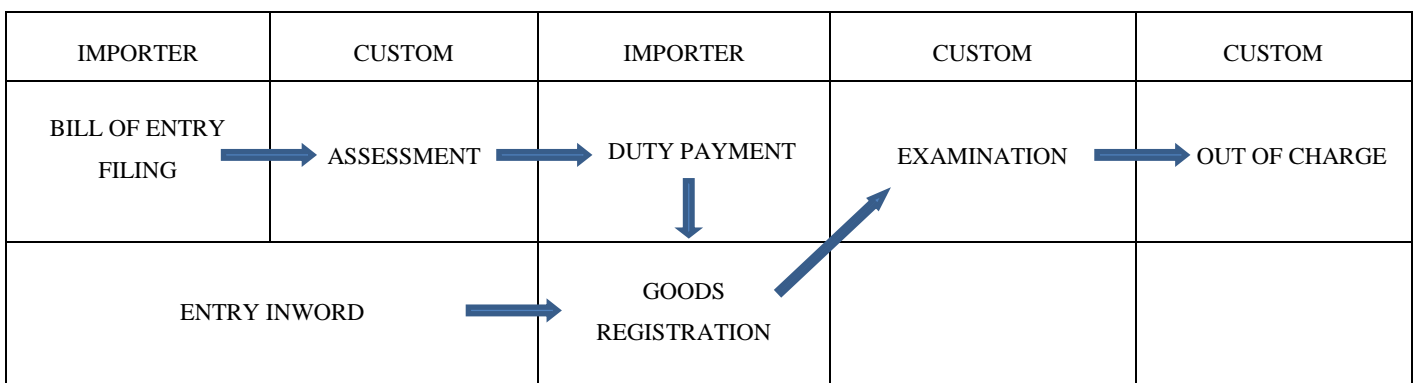
The standard import clearance process can be largely categorized into following stages commencing with filing of the Import General Manifest (IGM) by the Shipping Lines. This is followed by electronic submission of bill of entry by the importer or an authorized Custom Broker (CB) on his/her behalf based on self-assessment. The bills of entry which are filed after grant of entry inwards are known as normal bills of entry.

#### Normal Bill of Entry Process Flow:



The Customs Act, 1962 also provides the facility for filing bills of entry within thirty days of the expected arrival of the vessel. These bills of entry, which are filed before the grant of entry inwards, are called advance bills of entry. Filing of advance bills of entry enables initiation and processing of the documents even before the arrival of the goods, thereby resulting in reduction of the release time.

#### Prior Bill of Entry Process Flow:



Recognizing the importance of early filing of bills of entry in reduction of release time, the provisions of the Customs Act (Section 46) were amended vide Finance Act, 2017 to prescribe that the importer shall file a bill of entry before the end of the next day following the day (excluding holidays) on which the vessel carrying the goods arrive at customs station at which such goods are to be cleared for home consumption or warehouse.

The law also provides for imposition of charge for late filing of bill of entry without sufficient cause for such delay. The self-assessed bills of entry, whether advance or normal, are thereafter processed by the Risk Management System (RMS).

It is the RMS which essentially decides whether a bill of entry will be facilitated, i.e. the self-assessment by the importer is accepted as such or it merits verification by the group officer and examination by the docks officer. In cases where, the bills of entry are facilitated by RMS, the importer proceeds to make the duty payment and thereafter register the goods for subsequent out of charge. These bills of entry are called facilitated bill of entry.

The DPD facility has been extended to selected importers and the facility of direct clearance of cargo upon obtaining out of charge from the terminal premises is available to those bills of entry filed by DPD clients and facilitated by RMS. Viewed this way, DPD bills of entry constitute a subset of facilitated bills of entry. In case of DPD bills of entry, since out of charge is given from the terminal premises itself and the goods are not required to be moved to CFS for registration and out of charge, it is expected that the release time for such bills of entry would be significantly lower.

It may be mentioned that certain facilitated bills of entry may belong to importers who are not eligible for DPD and certain bills of entry of DPD importers may not be facilitated. In both these cases, the goods are required to be moved to CFS pending assessment and examination, before eventual out of charge. Among the non-facilitated bills of entry, which have been selected for scrutiny, there are two categories:

- i. Those selected for assessment only. In this case, the bill of entry is assessed by the respective group to which it belongs, and thereafter the goods are taken for registration after payment of customs duty. After carrying out final

inspection of documents, the subject goods are given out of charge by the docks officer;

- ii. There may be a scenario where a bill of entry is selected for both assessment and examination. In this case after the assessment and duty payment is over, an examination of goods, based on an examination order by group officer/system instruction as deemed fit, is carried out. Thereafter, if the goods are found to be as per declaration by the docks officer, the subject consignment is given out of charge. These bills of entry are covered under second check.

Lastly, there are certain special categories of cargo, namely, second-hand machinery, certain chemicals, textiles, food items, drugs, highly sensitive items (designated as those which are prone to mis-declaration and evasion) undergo a procedure called first check. As the name suggests, the goods are first examined by the docks officer and based on his report and certain other parameters like test reports, certificates, including those by partner government agencies, as applicable, the goods are assessed by the respective assessing groups. After assessment, customs duties are paid and the goods are given out of charge by the docks officer. These bills of entry are called first check bills of entry.

Customs clearance also includes enforcement of various allied acts which determine the importability of goods. The role of partner government agencies (PGA) in the clearance of such cargo is crucial. CBEC has introduced a single window system to bring on one platform six PGAs for providing single documentation facility as well as common risk management system.

However, in case of compliance with certain other allied laws, different procedures are prescribed, with ultimate responsibility of ensuring their compliance with the customs officers. Clearance for such goods can be under facilitated as well as second or first check, depending on the conditions imposed on their importability and risk profile. The release time of such cargo is expected to be considerably longer in comparison to cargo which does not require reports/NOC from respective PGA namely Textile Committee, Animal Quarantine, Wildlife Crime Control Bureau, Drug Controller, FSSAI and Plant Quarantine. The impact

on release time of cargo in cases requiring report/NOC from PGAs has been studied in greater detail in the ensuing chapters.

In the case of advance bill of entry, the self-assessment particulars are considered by the RMS immediately upon such filing and before the grant of entry inward. In case the bill of entry is facilitated, the importer can proceed to make payment of customs duty even before the entry inward and be ready for registration of the goods immediately upon arrival of the cargo. The process of registration and out of charge would be completed in the CFS in case of non- DPD cargo and at CUSTOMS MUNDRA itself in the case of DPD cargo.

Since the release time seeks to capture the time taken in clearance of cargo after its arrival at the customs port, in the case of advance bill of entry, the time taken in the processes that are completed before grant of entry inward are assumed to be zero. It is reiterated that the time clock begins with the grant of entry inward even in the case of normal bill of entry.



#### **4. Analysis of Import Data – Categorization by Bills of Entry**

The National Trade Facilitation Action Plan (2017-2020) published by the National Committee on Trade Facilitation (NCTF) envisages bringing down the overall import cargo average release time to within three days (72 hours) for sea cargo.

##### **4.1 All-In-One: Consolidated Data for all Bill of Entry**

The benchmarking of Customs House, Mundra performance against this goal requires calculation of average release time for all bills of entry filed during the sample period. However, Previously no TRS had estimated the average release time for all bills of entry covered by those studies.

Therefore, in order to provide context and facilitate easy comparison, the average release time from 1<sup>st</sup> July 2018 to 7<sup>th</sup> July 2018 has been calculated as part of this study. It is seen that the average release time for 1750 bills of entry for July 2018 was 153.27 hours.

Therefore, the distance to TFA goal of 72 hours, which was 81.34 hours for the period of 1<sup>st</sup> July 2018 to 7<sup>th</sup> July 2018. The study recognizes the challenge of effectively halving the overall release time to achieve the TFA target and seeks to identify the stakeholders, commodities and processes, which must be the focus of the concerted effort in this direction. The normal distribution of the bills of entry according to their release time for 1<sup>st</sup> July 2018 to 7<sup>th</sup> July 2018. It shows that the percentage of bills of entry cleared within 72 hours is 36.4 for the captioned period.

Interestingly, it is seen that around 20.80% of the bills of entry were cleared with release time lower than the arithmetic mean of release time, suggesting that enhanced focus must be placed on expeditious clearance of those 79.20% bills of entry, focusing on commodities and processes that are found to be more time-consuming.

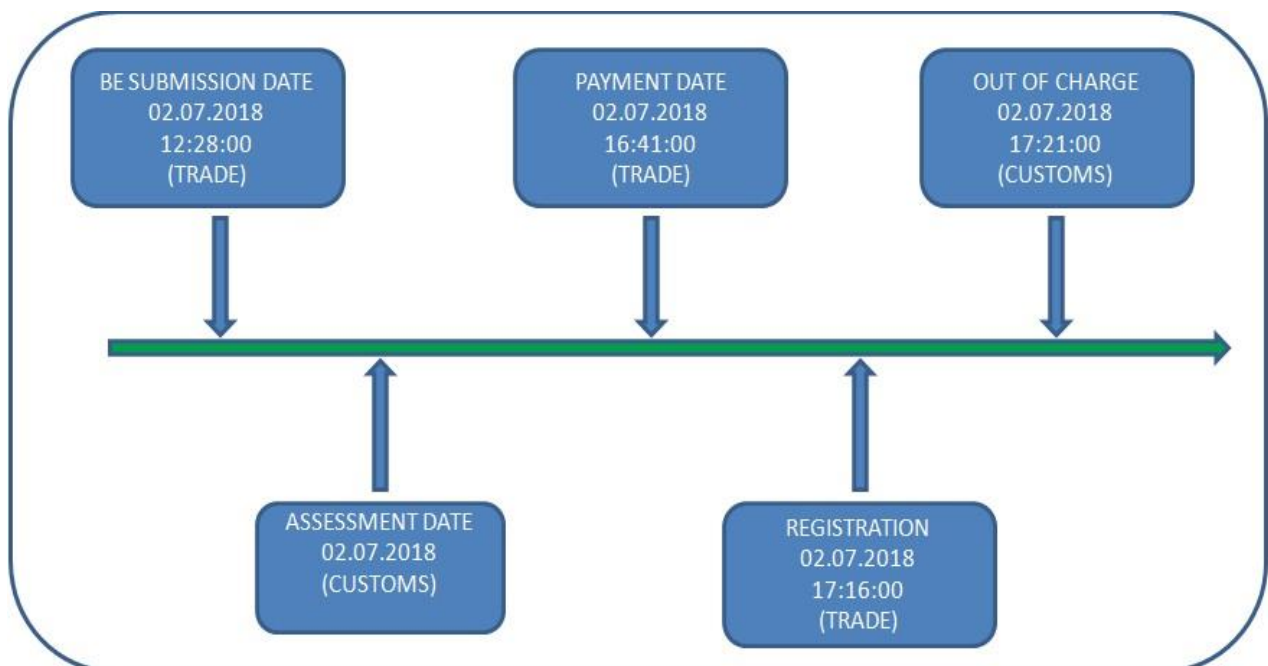
#### 4.2 The Excluded bills of Entry:

During the sample period, 1812 bills of entry were filed. Of these, 23 bills of entry, accounting for 1.3% of the total bills of entry filed, were excluded for the purpose of calculation of the average release time. As on 07 Aug, 2018, the 23 bills of entry, which have not been given out of charge, have not been taken up for scrutiny, were excluded from the study.

#### 4.3 Fastest Bill of Entry:

The study identified the bill of entry that was cleared during the study period with the minimum release time. The bill of entry No. 7033539 dated 02.07.2018 filed by M/s Shivam Seatrans Pvt. Ltd. on behalf of M/s PLG Impex, AEO Category-I and DPD Client with Commodity as Coated Paper which was cleared as a facilitated bill of entry, with no assessment and no examination, had an impressive release time of **04 hrs 53 min.**

The fastest bill of entry was characterized by the three essential features that are at the core of Mundra drive to minimize release time, namely enhanced level of facilitation, promotion of AEO scheme and increasing utilization of DPD scheme, consistent with prudent risk management parameters.



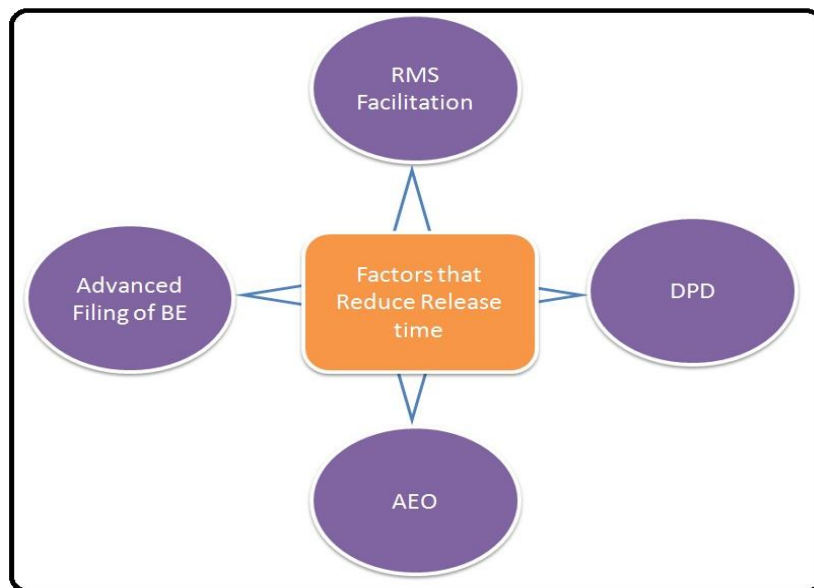
Fastest Bill of Entry – Process Flow



Theoretically, to reduce the Release time four pillars must be emphasized namely,

1. RMS facilitation
2. AEO Scheme
3. DPD Scheme
4. Advanced Filing of BE. -

The release time in respect of these categories of bills of entry are discussed in the following sub-sections.



Interestingly, the fastest Bill of Entry cleared in this study contains 3 of the four main pillars of trade facilitation namely, RMS facilitation, AEO scheme and DPD scheme utilization.

#### **4.4 Advanced V/s Normal Bill of Entry**

The critical role of filing advance bills of entry for overall reduction in release time cannot be overemphasized. While the departmental literature makes a distinction between advance and prior bill of entry, with former being those filed before the filing of the import general manifest (IGM) and the latter being filed after IGM but before grant of entry inward, this study refers to all bills of entry filed before the grant of entry inward as advance bills of entry.

Filing of advance bills of entry enables the initiation of the processing of the documents before the arrival of cargo, thereby saving the time in release after its arrival at the customs port.

During the present study period, 804 bills of entry, accounting for 45.94% of the total number of 1750 bills of entry were filed as advance bills of entry. The study found that the average release time for 804 advance bills of entry at average time 138:07:55 was about 25.74 % lower than 179:25:38 average time for 946 normal bills of entry during study period of July 2018.

The study recommends that Mundra Custom House should continue with the outreach efforts clarifying misplaced doubts regarding timing of duty payment liability and exchange rate, explaining the public notices that allow filing bills of entry, even in the absence of original documents, and further simplify the amendment process.

Mundra Custom House should also take lead in reaching out to other agencies for e.g., banks and shipping lines involved to ensure expeditious delivery of required documents to the importers.

#### **4.5 Facilitated V/s Non Facilitated Bills of Entry:**

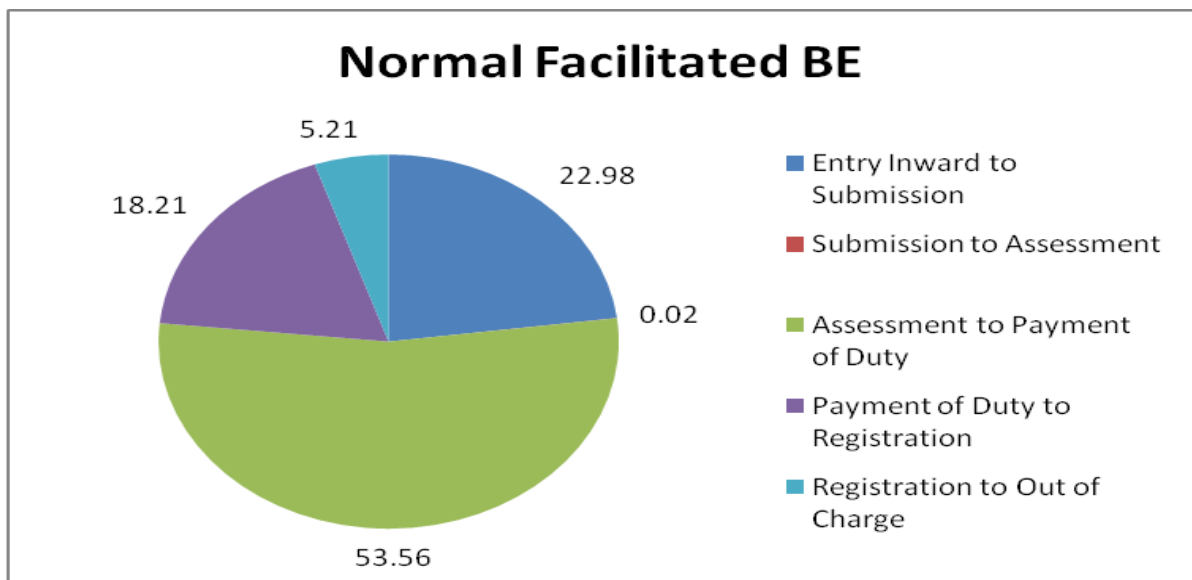
Increasing the level of facilitation has been one of the objectives of the risk management system of the CBEC. There are different grades of facilitation provided under the RMS, with the lowest risk category being cleared on the basis of self-assessment by the importer, without subjecting the cargo to either assessment or examination.

In this sub-section, it is this lowest risk category bills of entry that have been treated as facilitated, often referred to as fully facilitated bill of entry. The stratified release time for normal facilitated bills of entry is presented below:

### Stage- Wise Time Analysis of Normal Facilitated Bill of Entry:

The table below presents the comparative stage-wise average time taken in the case of normal facilitated bills of entry:

S. No.	Stages	Stakeholder	In Hours	Percentage
1	Entry Inward to Submission	Importer/CB	37:10:02	22.98
2	Submission to Assessment	Customs	00:02:50	0.02
3	Assessment to Payment of Duty	Importer/CB	86:39:31	53.56
4	Payment of Duty to Registration	Importer/CB	29:27:37	18.21
5	Registration to Out of Charge	Customs	08:26:01	5.21
6	All		161:46:01	100%



- The chart above shows that the share of time taken by customs in the total release time in the case of normal facilitated bills of entry is about 5.23%.

#### 4.6. AEO vs NON-AEO

The Authorized Economic Operator (AEO) scheme is a flagship scheme of the CBIC, which entitles the entities with several benefits that are expected to result in relatively lower release time. The total number of importers/ exporters registered as AEO with CBEC is about 400. In addition, about 125 logistics operators are also registered under the scheme. During

the study period 90 bills of entry were filed by these AEO importers, accounting for 4.97% of the total bills of entry filed.

The study affirms that higher level of facilitation is one of the obvious benefits of the AEO programme. It is seen that the full facilitation level for the AEO bills of entry was 96%, which was significantly higher than the average facilitation level.

The average release time for AEO bills of entry was 114.04 hours as against the release time of 153.27 hours for all bills of entry.

The stratified release time data for AEO advance/normal and facilitated/ non-facilitated bills of entry is presented below :

	<b>Total number of Bill of Entry</b>	<b>% of Total Bill of entry</b>	<b>Release Time in Hours</b>
<b>Facilitated (Normal)</b>	20	22	107.17
<b>Facilitated (Advance)</b>	68	76	114.52
<b>Non-facilitated (Normal)</b>	0	0	0
<b>Non-facilitated (Advance)</b>	2	2	154.09
<b>Total</b>	90		

The study recognizes that the average release time of all normal facilitated bills of entry, constituting 22% of the total bill of entries of AEO importer is 107.17 Hours. The average release time of advance facilitated bills of entries, constituting 76% of total bill of entries of AEO importer is 114.52 Hours. The average release time of advance non-facilitated bills of entries, constituting 2% of total bill of entries of AEO importer is 154.09 Hours.

The study recognizes that the average release time of all advance facilitated bills of entry, constituting 75.55% of the total bills of entry filed by AEO importers, at 114.52 hours is higher than the national action Plan target of 72 hours.

The study recommends that Customs House Mundra should accord highest priority to the CBIC mandate of enrolling more members under the AEO scheme and interact closely with them to identify reasons that restrict filing of advance bills of entry and work towards removing those constraints, in consultation with the concerned stakeholders.

#### **4.7. DPD v/s Non- DPD**

Direct Port Delivery (DPD) scheme was introduced at Mundra Custom House, from 18.08.2015, initially for selected ACP/ AEO clients only. The scheme allows cargo to be given out of charge directly from the terminal premises, thereby eliminating the requirement of containers being moved to CFSs for the purpose.

In the interest of trade facilitation and to reduce compliance cost Mundra Customs Commissionerate, have issued various Public Notices vide which DPD permission have been extended to importers who have imported more than 100 containers in a financial year. This facility is available to RMS facilitated bills of entries and do not require opening of containers for drawing samples etc by PGAs.

One issue which is adversely affecting the uptake of this facility is the physical intervention by agencies like DPPQ & S, Animal Quarantine done on 100% basis as they do not have any RMS in place. This is resulting in non-availability of DPD facility even in case of Customs RMS facilitated B/Es. The major imports of items like wood, wool, food items at this port require NOC from PGAs.

The DPD scheme has been proactively promoted by Mundra Custom House. As a result, the number of DPD clients has increased from around 12 in July, 2016 to around 150 in July, 2018. During sample period 118 bills of entries were filed under this scheme, with average release time of 72.72 hours.

The stratified release time data for DPD advance/normal and facilitated/ non-facilitated bills of entry is presented below :

	<b>Total number of Bill of Entry</b>	<b>% of Total Bills of Entry</b>	<b>Release Time in Hours</b>
<b>Facilitated (Normal)</b>	4	33.33	49:29:00
<b>Facilitated (Advance)</b>	8	66.67	90:39:00
<b>Non-facilitated (Normal)</b>	0	0	0
<b>Non-facilitated (Advance)</b>	0	0	0
<b>Total</b>	12		

The study recognizes that the average release time of all normal facilitated bills of entry, constituting 33.33% of the total bill of entries of AEO importer is 49.29 Hours. The average release time of advance facilitated bills of entries, constituting 66.67% of total bill of entries of DPD importer is 90.39 Hours.

#### **4.8 Liquid Bulk Cargo**

The processes and issues involved in clearance of bills of entry covering liquid bulk cargo are expected to be different from those relating to containerized cargo. During the sample period, 12 bills of entry (0.685% of all bills of entry) were filed covering liquid bulk cargo. At MCH, berths are earmarked for vessels containing liquid cargo.

After berthing of the vessel and completion of the boarding formalities, the discharge of liquid cargo through pipe line to the tanks, known as shore tanks, takes place. During the discharge of the liquid cargo, ullage survey report (discharge port report of quantity of liquid bulk cargo) is prepared and signed by Master of the Vessel and surveyor and the Boarding Officer.

The liquid bulk cargo cleared through MCH is of the following two types:

- i. Edible oil, including crude palm oil, soya bean oil, crude sunflower seed oil, crude kernel oil, RBD palmolein oil;
- ii. Petroleum products, such as base oil etc.

The clearance of liquid cargo takes place under either home consumption or warehousing bill of entry. These bills of entry can be filed either as advance or normal bill of entry. Entities owning the shore tanks are owned and operated by M/s.- Adani Ports and Special Economic Zone Limited (APSEZ), M/s.- Hindustan Petroleum Corporation Limited (HPCL), M/s.- Indian Oil Corporation Limited (IOCL) & M/s.-HPCL Mittal (HMEL). These are appointed as Private Bonded Warehouse under section 58 of the Customs Act.

During discharge of liquid cargo sampling is done and representative samples, drawn in duplicate, are sent to Kandla lab or FSSAI as per nature of cargo, for test. In the case of edible oil, samples are sent to FSSAI both for determination of grade of crude and content and to verify whether the same is fit for human consumption. Only after the receipt of test report from FSSAI and DYCC, goods are given out of charge. For grant of out of charge, the bill of entry for home consumption or warehousing is presented to the Boarding Superintendent.

In majority of the cases, the assessment is provisional and in the case of warehousing, they have to comply with the formalities of warehousing as well. After taking out of charge from Boarding Superintendent, importer files ex-bond bill of entry as per their requirement. Till then the cargo is kept in the bonded tank as stated above.

The average release time in respect of the 12 bills of entry filed in respect of liquid bulk cargo was 114.32 hours.

#### **4.9 Second Check – Assessment Only**

The second check-assessment only bills of entry are those bills of entry that are identified by the RMS for assessment only, with no physical examination of the goods prescribed. The other categories of second check bills of entry are those, wherein for assessment by group and physical examination by docks are prescribed. During the period under study 15.49% (numbering 271) of the total bills of entry were subjected to second check with assessment. The share of fully facilitated bills of entry was 43.94% (numbering 769).

The study found that the average release time for second check bills of entry with assessment only is 140.02 hours and for the fully facilitated bills of entry is 132.45 hours.

#### 4.10 Second Check – Assessment and Examination

The bills of entry that are subjected to second check with assessment and examination are non-facilitated bills of entry, involving higher release time. Therefore, it has been the effort of CBEC to reduce the share of bills of entry under this category, subject to risk consideration. The study found that, consistent with the CBEC objective, the number and share of bills of entry subjected to second check with assessment and examination is 645 bills of entry (36.85%) during the period. The study found that the release time in respect of these second check bills of entry is 173.32 hours.

In order to identify the reasons for increase in the release time for such second check bills of entry, separate stage-wise analysis was conducted in respect of advance bills of entry.

Stages	Stakeholder	During 01.07.2018 to 07.07.2018	
		Time Taken (in hours)	Time Taken (in percentage)
Entry inwards to payment of duty	Importer/CB	114.12	63.66%
Payment of duty to registration	Importer/CB	47.00	26.22%
Registration to out of charge	Customs	18.14	10.22%

It was found that approximately 161.12 hours (89.78% of the total time) is the time taken by trade in payment of duty and subsequent registration of the goods. However, the time taken by the Customs from registration to out of charge is 18.14 hours i.e. 10.22% of the total time. The study recommends that, Mundra Custom House needs to focus on this category of bills of entry, accounting for about 16.17% of total bills of entry, to significantly reduce the release time.



The roadmap in this regard would need to critically examine the commodities and sub-processes that continue to take relatively longer time. It is also recommended that Mundra Custom House should also explore the possibility of greater use of technology in its examination and testing processes to reduce the time involved as well as improve the effectiveness of such examination/testing.

#### **4.11 First Check**

The first check bills of entry entail maximum release time, which is inherent in the processes involved in the customs clearance. The reasons that necessitate first check are well known (as briefly discussed below) and overtime Mundra Custom House has reviewed its policy to minimize the recourse to first check. As a result, first check was resorted to in the case of 3.14% (55 nos.) of bills of entry.

First check may be resorted to either at the initiative of the importer in case, it does not have complete information at the time of import and may request for examination of the goods before assessment of the duty liability. First check may also be undertaken in case the customs officer is of the view that the assessment should not be completed without prior examination of the goods. Some of the cases that have very high possibility of first check are:

- a) Cases of re-import wherein it is mandatory to verify that the goods imported are the same as the goods claimed to have been exported;
- b) Cases of import of all types of scrap that require 100% examination as per extant CBEC guidelines; and
- c) Cases of import of second hand/used machinery that requires examination along with valuation etc. by customs officers along with a chartered engineer to arrive at residual life and valuation of the goods.

In a significant number of such first check cases, further time is taken in the adjudication process, wherever infringements of the provisions of the law are detected. The study shows that the average release time for first check bills of entry is 281.48 hours. The study observed that the cases of first check are already very few and further reduction in its share would be possible with the installation of new scanning facility.

Custom House Mundra should also explore the possibility of greater use of technology in its examination process to reduce the time involved as well as improve the effectiveness of such examination.

## **5. Analysis of Import Data: Categorization by Commodities**

### **5.1 Wood and articles of Wood (Timber)**

Until the 20th century, forest policies across the globe focused primarily on effective forest utilization for timber production. Subsequent loss of forest land prompted many countries to review and amend such policies, in an attempt to incorporate the principles of conservation and sustainable forest management. One of the countries to implement such changes was India, which introduced new policies, acts and programmes to regulate forest conversion and degradation, beginning in the 1980s. These policies, acts, and programmes included the Forest Conservation Act of 1980, the National Forest Policy of 1988 and the Hon. Supreme Court Order of 1996.

All of these regulations affected the timber supply from government forest areas, and created a huge gap in timber supply and demand. Currently, this deficit is met through imports and trees outside forests (TOFs). Timber production from government forest areas is abysmally low (3.35% of total demand) compared to potential timber production from TOFs, which fulfil 45% of the total timber demand in India.

Coming onto the present study revolving around the imports of Wood and Articles of Wood at Mundra Sea Port, there are total 1730 Bills of Entry for the subject time with 153:46 hours of average time and in respect of Bills of Entry involving Wood and Articles of Wood, there are 193 Bills of Entry involving average time of 177.17 hours. The delay might be accounted due to the delay in the receipt of PPQ NOC and Phytosanitary Certificate.

### **5.2 Food Items**

This sub-study has been completed in close cooperation with the officers of Food Safety and Standards Authority of India (FSSAI). The process of clearance of food items is expected to be more time-consuming since the cargo requires clearance from the point of

view of Food Safety and Standards Act, 2006. While the food items that may require “No Objection Certificate” from FSSAI may fall under different chapters of the Customs tariff, this sub-section has covered the release time of foods items falling under Chapter 7 (edible vegetables and certain roots and tubers), Chapter 8 (edible fruit and nuts; peel of citrus fruit or melons) and Chapter 9 (coffee, tea, mate and spices) of the Schedule I to the Customs Tariff Act 1975 only as representative of all food items.

FSSAI is one of the PGA that is part of the Single Window Interface for Trade (SWIFT) initiative of CBEC. The SWIFT allows importers the facility to lodge their clearance documents online at a single point only. The required permissions, if any, from these regulatory agencies are expected to be obtained online without the importer having to approach these agencies, thereby reducing the need for interface with the concerned agencies.

The average release time, from grant of entry inwards to out of charge, for all 82 bills of entry relating to the three chapters and separately for bills of entry selected by RMS for reference to FSSAI have been calculated from the Customs data. It is seen that of the 82 bills of entry (accounting for 4.68% of all bills of entry) filed during the sample period, 22 bills of entry (26.83%) were referred to FSSAI/PPQ by RMS, with balance 62 bills of entry being facilitated. Out of these 22, 7 bills of entry were further facilitated on the basis of previous FSSAI reports and 4 bills of entry were facilitated being out of scope of FSSAI being nuts in shell.

During the period under review, 3 bill of entries were filed for chocolates out of which one bill of entry took 547.29 hours of release time as importer himself requested for first check as they were not sure about classification of one of the items. The remaining two bill of entries facilitated under second check took only 144.29 hours as release time.

The average release time for all food bills of entry was 212.35 hours, which is significantly higher than the overall average release time of 153.27 hours. The average release time for 47 food bills of entry that were scrutinized by FSSAI was significantly higher at 217.17 hours.

### **5.3 Marble Blocks**

The processes involved in clearance of bills of entry covering marble are being carried out under second check and bills of entries are also facilitated under RMS. The clearance of marble takes place under either home consumption or to 100% EOUs viz. to Private Bonded Warehouse under section 58 of the Customs Act, 1962. During the sample period, 24 bill of entry (1.38% of all bills of entry) were filed covering marble blocks.

The average release time in respect of the 24 bill of entry filed in respect of marble blocks was 157.47 hours.

### **5.4 Coal**

The process involved in clearance of bills of entry covering coal are being carried out under second check. The clearance of coal takes place mostly for home consumption. During the sample period, 13 bills of entry (0.742% of all bills of entry) were filed covering coal. However clearances of bills of entry pertaining to coal took on an average 528.2 hours as one of the importers took very long time i.e. approximately 90% of dwell time in payment of duty which resulted in delay in giving out of charge.

In case of B/E No. 7096278 dated 05.07.2018 filed by importer A. S. Bajaj Sales & Marketing Pvt. Ltd. which was assessed on 06.07.2018 is still awaiting clearance due to non-payment of duty till 06.09.2018.

The average release time in respect of the 13 bills of entry filed in respect of coal was 528.20 hours.

## **5.5 Brass and Articles thereof**

In this sub-section, release time for Brass and articles thereof falling under Chapter 74 has been presented.

### **(i) Major End Markets**

Plumbing fixtures and fittings, hardware and ornamental home products, ammunition casings, zippers and musical instruments are popular end markets.

### **(ii) Flow Patterns**

Brass scrap flows to mills in the Midwest and the upper South in the USA and to overseas destinations, with China and India being leading recipients.

### **(iii) Supply and Demand Factors**

Scrap became more available as prices increased in the first half of 2017. USA brass mill production has been relatively steady.

It was decided to analyse the release time for Brass separately since it was felt to be one category of items that was imported in large quantity through Mundra Port and also had perceptibly higher revenue risk on account of frequent mis-declaration of the grades of Brass, under valuation etc.

During the study period, 61 Bills of entry were filled covering goods falling under chapter head 74. The facilitation level for these goods at 1.63% was lower than the average facilitation level. Further, it was seen that the percentage of first check at 98.36% was higher than average first check of 90%.

The average release time in respect of all bills of entries was higher at 265.51 hours. vis-a vis the overall average release time of 153.46 hours.

## **5.6 Steel and Articles**

In this sub-section, release time for Steel and articles thereof falling under Chapter 79 has been presented.

As per leading economic forecasts, India is set to overtake Japan to become the second largest producer of crude steel in the world. After reaching 95 million metric tons at

the end of 2016, India the world's fourth-largest economy produced 101 million metric tons in February 2017, quickly increased by 11%.

India, the 14th largest exporter of crude steel, supplied 10 million metric tons of steel to global buyers. India had a high 75% growth in exports as per a few estimations. Other estimations go as far as 101% to 142%. Imports, however, have fallen by nearly 25%.

The biggest buyers of steel from India are Nepal, Belgium and Bangladesh.

TATA Steel Group, Steel Authority of India Ltd. (SAIL), and JSW Steel Limited are India's top steel producers. These are also recognized as the some of the largest export-quality steelmakers in the world.

It was decided to analyze the release time for Steel separately since it was felt to be one category of items that was imported in large quantity through Mundra Port and also had perceptibly higher revenue risk on account of frequent mis-declaration of the grades of Brass, under valuation etc.

During the study period, 11 Bills of entry were filled covering goods falling under chapter head 79. The facilitation level for these goods at 0% was slightly lower/higher than the average facilitation level of 10% Further , it was seen that the percentage of first check at 100% was higher than average first check of 90%.

However, the average release time in respect of all bills of entries was higher at 214.43 hours vis-a vis the overall average release time of 153.46 hours.

## **6. Assessment of Sub-Processes**

### **6.1 Filing of Bill of Entry**

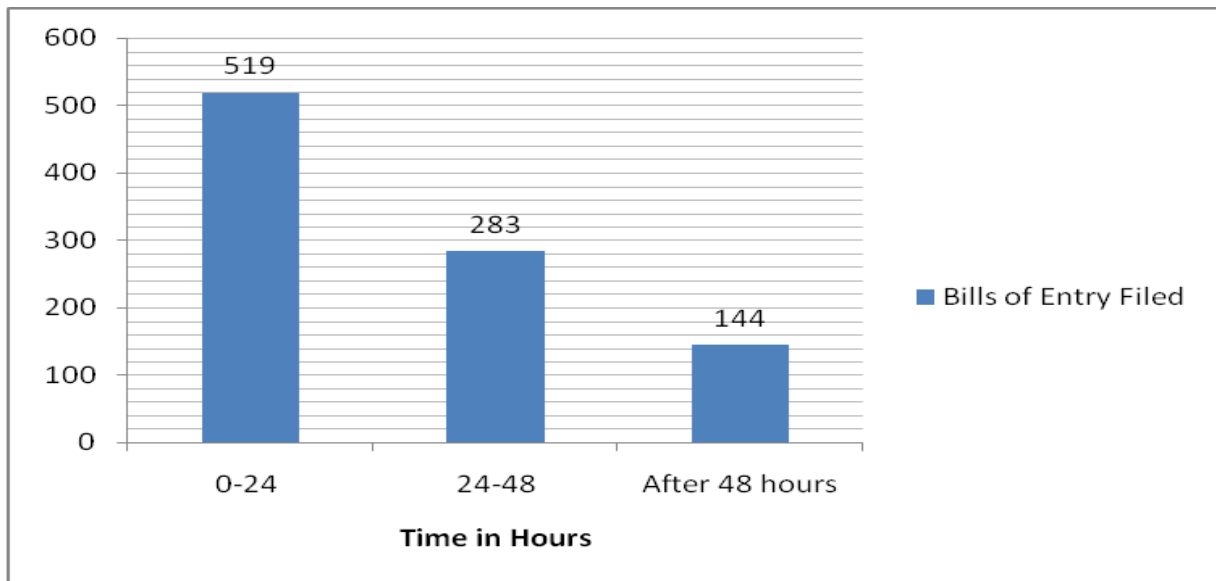
#### **Delays in Filing of Bill of Entries**

The importance of timely filing of bill of entry for reduction in release time cannot be over-emphasized as it marks the initiation of the process of clearance of cargo not just by the customs but also by some PGAs such as FSSAI. As brought out earlier, the average release time for advance bills of entry was 113.54 hours, as against 187.30 hours for normal bills of entry. The legal provisions allow for advance bills of entry to be filed within 30 days before the arrival of the vessels.

During the study period, 804 bills of entry, accounting for 45.94% of the total bills of entry, were filed before grant of entry inward. It is evident that prompt filing of the normal bills of entry immediately after the arrival of the goods would enable early release for such bills of entry. Both data and anecdotal evidence had suggested that there are several instances of very late filing of bills of entry.

Recognizing the need for a legal provision to nudge the importers towards timely filing of bills of entry, section 46 of the Customs Act, 1962 was amended vide Finance Act 2017 to prescribe that the importer shall file the bill of entry before the end of the next day following the day (excluding holidays) on which the vessel arrives at a customs station. The amendment also provides for imposition of a charge where the bill of entry is not presented within the specified time without sufficient cause for such delay.

The study noted that the number of normal bills of entry filed is 946 between 1<sup>st</sup> Jul to 7<sup>th</sup> Jul 2018 i.e. 54.05% of total Bill of entry filed during the said period. Further, the number of bills of entry filed within 24 hours is 519 and between 24-48 hours is 283 and after 48 hours is 144. The comparative share of bills of entry filed during specified period is presented below.



Therefore, the study observed that the introduction of provision to impose charges for late filing of bills of entry has nudged many importers towards prompt filing of bills of entry and thereby played an important role in the reduction in the overall release time.

The study, however also noted with concern that 144 normal bills of entry, accounting for 15.22% of the total normal bills of entry were filed after 48 hours. It is reasonable to assume that these bills of entry would not be eligible for the benefit of provisions relating to holidays. This conclusion is consistent with the data regarding actual collection of charges for late filing of bills of entry obtained from the records pertaining to payment of duty and other charges.

## 6.2 Queries in Assessment

The assessment by group officers may in certain cases require them to raise queries either due to importer not providing the necessary information or the officer may need certain additional information to complete the assessment. Since the routine administrative supervision places significant importance on insisting that queries may be raised only in necessary case, it was decided to assess the extent of queries and its impact on release time.

It was seen that the additional release time on account of queries will depend on the time taken by the importer in replying to the query and its scrutiny and decision, based



thereon, by the officer. It is admitted that complete examination of the reasons, quality, and consequences of such queries is beyond the scope of this study.

The study found that queries were raised in the case of 9 bills of entry, accounting for 0.5% of total bills of entry. The percentage of queried bills of entry among the normal bills of entry was found to be 8 and lower at 01 among the advance bills of entry.

The study found that the average release time for these queried bills of entry was 172.56 hours, i.e. 19.29 hours more than the overall average release time of 153.27 hours. It was seen that the additional release time broadly corresponds with the average time taken by the trade in responding to the query. The average time taken by the trade in responding to the query was 41.41 hours in the case of normal bills of entry.

The study recommends that there is a need to focus on reducing the percentage of queried bills of entry by the group officers through exercise of greater sensitivity to the necessity of such queries and more regular and intensive supervisory control on the matter. Further, Custom House Mundra should engage with the customs brokers to reduce the time taken in responding to such queries, wider adoption of e-sanchit would mitigate higher release time.

### **6.3 Chemical Tests**

In some cases, the assessment of bill of entry may require representative samples of the goods to be drawn and tested for determining its physio-chemical parameters, composition, purity/ concentration, grade etc. However there is no laboratory facility set up in the Mundra Port. Therefore, the testing in most cases is conducted in CRCL, located Customs House Kandla building, Kandla. In some cases, due to requirement for specialized tests, samples are sent to other laboratories.

The goods sent for testing are either under first check examination (wherein assessment is completed after the receipt of the test report) or under second check examination (wherein the goods are cleared for home consumption after taking appropriate bond and bank guarantee). The decision to subject goods to testing involves additional time, which may be on account of process of drawl of sample, collection of samples from various

CFSs located around Customs Mundra by Central Sample Cell, Custom House Mundra and transportation to the laboratory, test process itself and communication of result to the group officer for a decision in the matter.

In this sub-study, it was found that 20 bills of entry, accounting for 1.14% of the sample bills of entry were subjected to test by CRCL, Kandla. 75% of these bills of entry were normal and balance advance bills of entry.

For normal bills of entry, the average release time was 231.06 hours. It is acknowledged that for more accurate analysis of the release time attributable to chemical tests, first check and second check bills of entry need to be treated differently.

However, it was felt that the objectives of this study would be met by analyzing the records maintained by CRCL to quantify the time taken by CRCL from the time of receipt of the sample to the communication of test results thereof to the concerned group.

The study found that chemical tests constitute an important compliance tool for enforcement purposes. It is, however, important to be selective in its use, given that such tests take, on an average, about 4.5 days time. The chemical laboratory should also move to maintaining time-stamp regarding its processes from the present system of date-stamps for more accurate time record keeping. In this regards, as the drawn sample used to go to the CRCL laboratory at Kandla in the afternoon everyday and in consequence taking extra time to get the Lab Test Report.

It is recommended that a laboratory has to be set up in in the Mundra Port to minimize the extra time of sending the samples to CRCL laboratory at kandla & the present proposal for expansion and modernization of the CRCL laboratory may be pursued expeditiously.

## 6.4 Payment of Duty

### Delays in Payment of Duty

For the process of expeditious customs clearance, it is important that the duty is paid by the importer immediately after assessment. Section 47(2) of the Customs Act, provides for payment of interest on late payment of duty. Prior to the amendment of the said section, vide Finance Act, 2017, the interest was attracted in case duty was not paid within two days (excluding holidays) from the date on which the bill of entry is returned to him for payment of duty.

The section 47(2) now prescribes that the importer shall pay the import duty

- a) On the date of presentation of bill of entry in the case of self-assessment, or
- b) Within one day (excluding holidays) from the date on which the bill of entry is returned to him for payment of duty in the case of assessment, re-assessment or provisional assessment.

The study had presented the share of bills of entry, wherein duty was paid within 24 hours, 48 hours and after 48hours for January and July 2017. Since, duty is not required to be paid in cases where in the goods are either exempt from duty or the importer claims Duty benefit of specified exemption etc., only those cases that involved duty payment were considered for the purpose of this calculation. The study, did not take into account the impact of holidays, since that would have required a significantly more granular analysis.

The study attempted to identify the number of bills of entry wherein interest on delayed payment of duty was paid. The total amount of interest paid in all these cases was Rs. 3,63,247/-, suggesting that the delays in payment of duty was for short periods of time. Therefore, the study undertook a sample survey and reached out to importers/customs brokers who had delayed payment of duty to ascertain the reasons thereof.

In responding to the survey many of the importers ascribed the delay to paucity of funds or difficulties in arranging requisite funds. In small number of cases, wherein the clearance also required submission of bond or bank guarantee, the brokers ascribed the delay to time being taken in obtaining such bond/bank guarantees.

Thus, the study found that the legislative amendment to reduce the interest free period for payment of customs duty has nudged many importers to pay duty earlier. The study, however, acknowledges that it is a matter that calls for further enquiry as to why a significant number of importers do not pay customs duty in time, attracting interest burden and adversely impacting the release time.

## **6.5 Time taken from Out of Charge to Gate out**

The customs clearance process is deemed to be completed with out of charge being issued by the concerned officer in the customs system, viz. ICES. Thereafter, the importer or her agent is at liberty to take out the goods from the terminal/ CFS premises. However, there is an inevitable gap between the grant of out of charge by the customs officer and the actual gate out from the terminal/CFS premises. The time of actual transportation of goods out of CFS premises is recorded in the CFS computer system as “Gate Out”. A view has been expressed that the computation of release time should be extended to gate out, instead of out of charge, as has been done in this TRS.

In the present sub-study, four CFSs, namely Ashutosh, Honeycomb, Seabird and Hind were covered. It was found that the number of bills of entry covered during the study period is 1812. DPD scheme that allows the cargo to be cleared directly from the port terminal premises.

The survey covering such 1812 bills of entry revealed that the following as the reasons for delay in taking out of charge were:

- a) Delivery Orders were not received due to late payment of shipping line charges; and
- b) Improper logistic arrangement,
- c) Insufficient space for inventory at the factory/trading premises,
- d) Due to re-stuffing issues after de-stuffing of the cargo, and
- e) Others.

The survey observed that the delay is in the part of importer only not from the part of CFSs, as they used to take out the delivery late.

## **Section -C**

### **7. Export Release Time**

#### **Introduction**

The importance of minimizing release time for export cargo is as important as for import cargo. The National Trade Facilitation Action Plan envisages regular Time Release Study for export cargo through seaports and other custom formations. The Action Plan has set the release time target for export of sea cargo to be within two days (48 hours). In order to benchmark the current performance of Mundra CH against the said target, TRS 2018 has included the first export time release study for Mundra CH. This study has been conducted to quantify the export release time by adopting a methodology that relies on real time data obtained through representative sample study.

The export TRS has attempted to cover all the shipping bills filed during the study period, viz. 1-7 July, 2018, based on the time stamps available in the customs system. The main conclusions are drawn from the sample study conducted with the active involvement of exporters/customs brokers in respect of certain shipping bills filed during the sample period. The study also aimed at highlighting the impact of various measures taken by Mundra CH to minimise export release time.

#### **Scope & Methodology**

The study attempted to analyse the data obtained from the time stamps available in the customs system for the sample period. The data obtained from the customs system shows that 7,699 shipping bills were filed during the study period of seven days from 01-07 July, 2018. Further, after ignoring the purged shipping bills during the relevant period, the net sample count comes to 6,018.

The export release time, for the sample study, is defined as the cumulative time taken for the export of cargo, starting with the time when export goods are stuffed in the container (either self-sealed or supervised stuffing) till the sailing of the vessel on which the cargo is loaded. It includes the time taken by the exporter or customs or any other stakeholder at

various stages of export. This release time is defined as gross export release time to distinguish the same from net export release time, arrived at by deducting the domestic transport time from the factory premises to CFS.

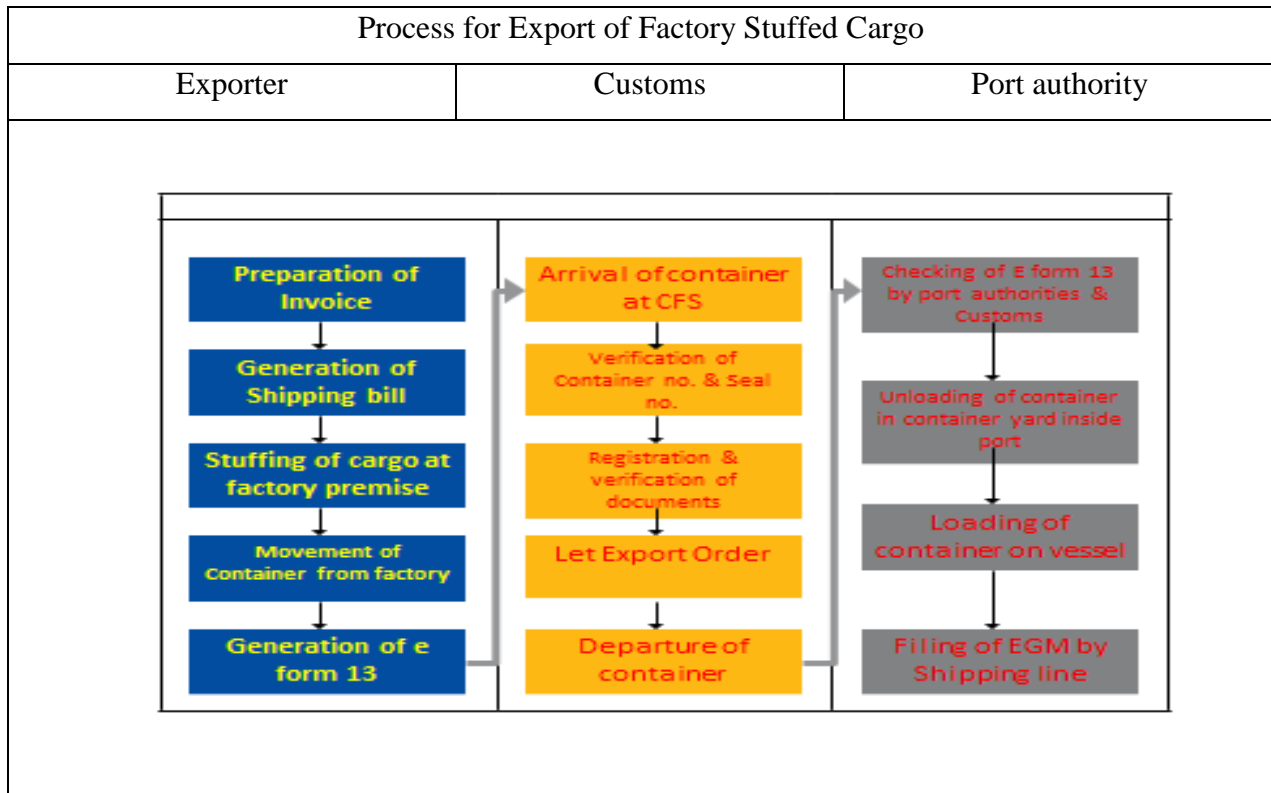
The study presents the time taken at different stages of export, including sub-aggregation of certain stages, as mentioned below:

- (i) Time taken from filing of shipping bill till registration of goods
- (ii) Time taken from registration to Let Export Order (LEO),
- (iii) Total time taken from CFS to terminal gate,
- (iv) Time taken at the terminal gate,
- (v) Time from arrival inside the terminal to loading on the vessel,
- (vi) Time from loading of container on the ship to departure of the vessel.

The export release time from filing of Shipping Bill to grant of LEO for all shipping bills undertaken during sample study comes out to be 53.34 hours.

## 8. Export Procedure

The export procedure is a multi-stage, multi-stakeholder process. It can be viewed to start with the physical process of movement of goods from the exporters' premises or with filing of the shipping bill. The flow chart representing a stylised export process is given below:



### Salient features of the Export:

For clearance of export goods, the exporter or his agent has to obtain an Importer-Export Code (IEC) from the DGFT prior to filing of Shipping Bill. Under the EDI System, IEC number is received online by the Customs System from the DGFT. The exporter is also required to register Authorized Foreign Exchange Dealer Code (through which export proceeds are to be realised) and open a current account in the designated bank for credit of export incentives, if any. Further, all the exporters intending to export under the export promotion scheme need to get their licences etc. registered at Mundra CH, which requires, inter alia, presentation of relevant original documents and submission of bond and furnishing of security / surety.

## **Stuffing & Sealing (Including e- sealing)**

At Mundra Port with its CFS-based model with Direct Port Entry (DPE) facility, the export procedure is as under:

### **For Factory Stuffed Containers:**

- (i) The e-seals are affixed at the premises of the exporter, who himself files the shipping bills in the electronic form. RFID e-seal based self-sealing procedure has been introduced as a measure of export facilitation. The detailed procedure for electronic sealing for containers by exporters under self-sealing has been prescribed by CBEC Circular No 26/2017 and 36/2017.
- (ii) The goods brought for the purpose of export are allowed directly into port. After verification of container number, seal number and integrity of seal, when the goods are presented for registration to customs, RMS indicates whether or not to examine the goods. If goods are not required to be examined, LEO is given and the container is ready for being loaded onto the vessel with no further checks. If the goods require examination, the containers are shifted to CFS for the same.

### **For CFS Stuffed Cargo**

In case of FCL/LCL cargo, the stuffing of container at CFS is done under customs supervision. After the LEO is given, the container is moved to the port terminal by the concerned CFS.

### **Direct Port Entry (DPE)**

“Direct Port Entry” (DPE) for export cargo is a facility similar to the “Direct Port Delivery” (DPD) for the import cargo. The DPE facility has been extended to exporters as part of the initiative to provide ease in doing business through reduction in transaction time and cost.



## 9. Analysis of Export Data

For the purpose of study only Net export release time has been taken into account. The time taken from the factory/place of export to the CFS has been ignored because variety of reasons such as significant domestic transport time, which would be dependent upon the distance of the factory from the port.

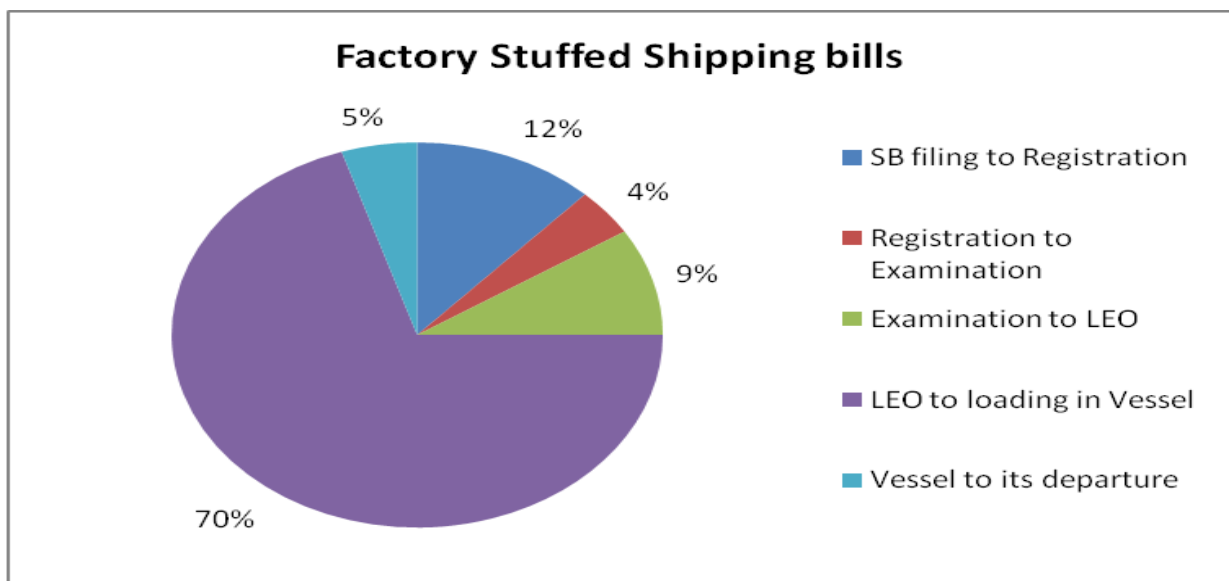
The study also expected that the net export release time would better reflect the priority accorded to document processing and grant of LEO.

The stage wise analysis for the various shipping bills is presented in the table below :

### Stage – Wise analysis of Shipping Bill

**Table – A: Factory Stuffed shipping bills**

S.No	Factory Stuffed Shipping bills	Stakeholder	Average Time taken (In hours)	% Time Taken
1	SB filing to Registration	Customs Broker	23:16:48	12%
2	Registration to Examination	Customs	8:31:12	4%
3	Examination to LEO	Customs	16:22:00	9%
4	LEO to loading in Vessel	Terminal	130:49:50	70%
5	Vessel to its departure	Terminal	10:35:46	5%
		Total	189:35:36	100%

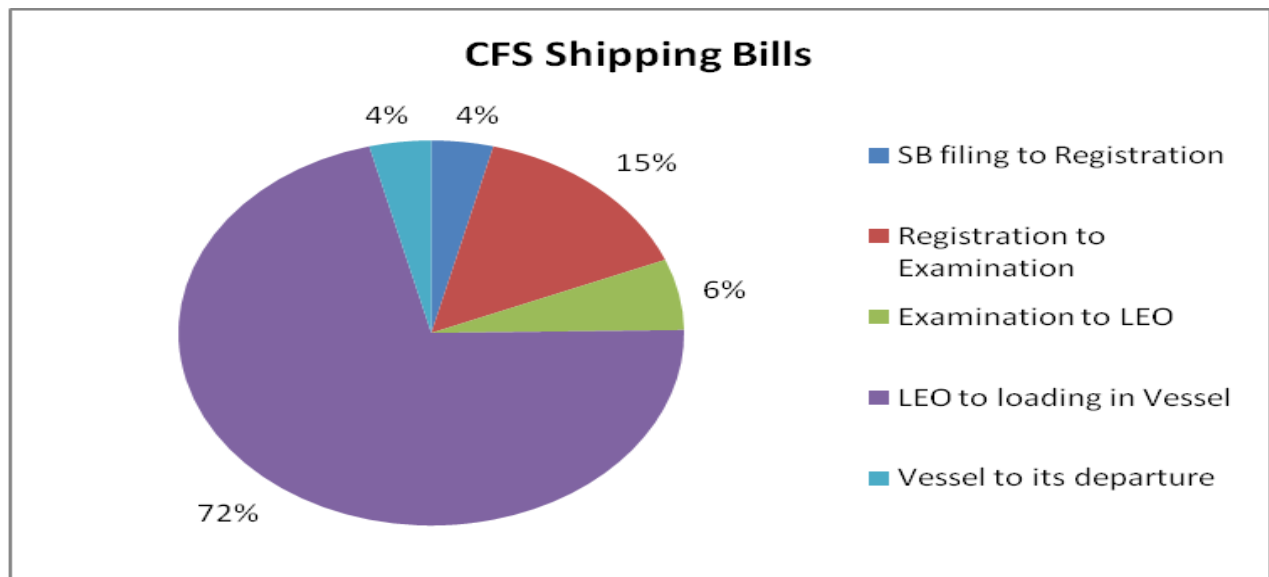


The study with respect to factory stuffed shipping bills reveals the followings:

- (a) The table above reflects that in case of factory stuffed shipping bills the average time taken by the Customs is only 24 hours i.e. about 13%.
- (b) The total time taken by the terminal operators is 141 hours i.e. about 75% of net export release time. However, this is due to the reason that the container terminals at Mundra Port allow approx. 7 days free storage period for export containers as they have larger back up area as compared to other major ports. This facility allows the exporters to move the cargo in piecemeal to port as and when ready for export.

**Table B – CFS Shipping Bills**

S.No	CFS Shipping Bills	Stakeholder	Average Time taken (In hours)	% Time Taken
1	SB filing to Registration	Customs Broker	11:31:12	4%
2	Registration to Examination	Customs	43:57:00	15%
3	Examination to LEO	Customs	16:51:48	6%
4	LEO to loading in Vessel	Terminal	199:09:27	72%
5	Vessel to its departure	Terminal	10:58:58	4%
		Total	282:28:25	100%



The study with respect to CFS shipping bills reveals the followings:

- (a) The table above reflects that in case of factory stuffed shipping bills the average time taken by the Customs is only 61 hours i.e. about 21%.
- (b) The total time taken by the terminal operators is 210 hours i.e. about 76% of net export release time. This is due to sometime taken at CFSs in stuffing of cargo in container after LEO, time taken in moving stuffed container to container terminal and storage facility up to 7 free days available at container terminals.

This data, however, does not approximate the actual export release time primarily because:

- a) shipping bills, in general are filed days in advance of actual dispatch of export cargo,
- b) statistical evidence suggest that the time stamp relating to stuffing does not capture the occurrence of actual event,
- c) EGM is generally filed after export of goods.

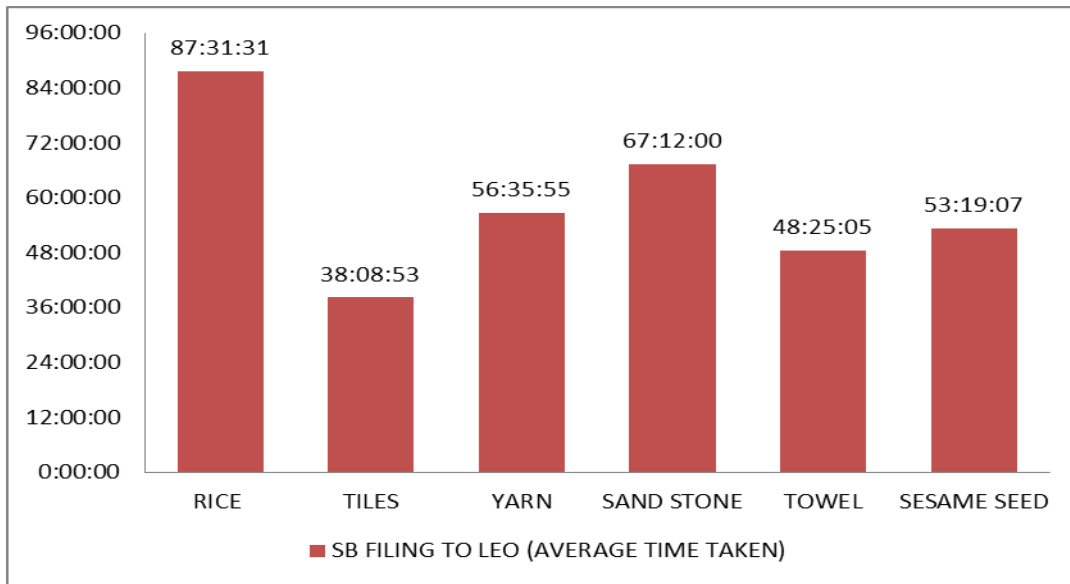
### Sub Processes Analysis

Six commodities Rice, Tiles, Yarn, Sand stone, Towel and Sesame Seeds has been analysed to quantify average time of two aspects of Export Release time namely,

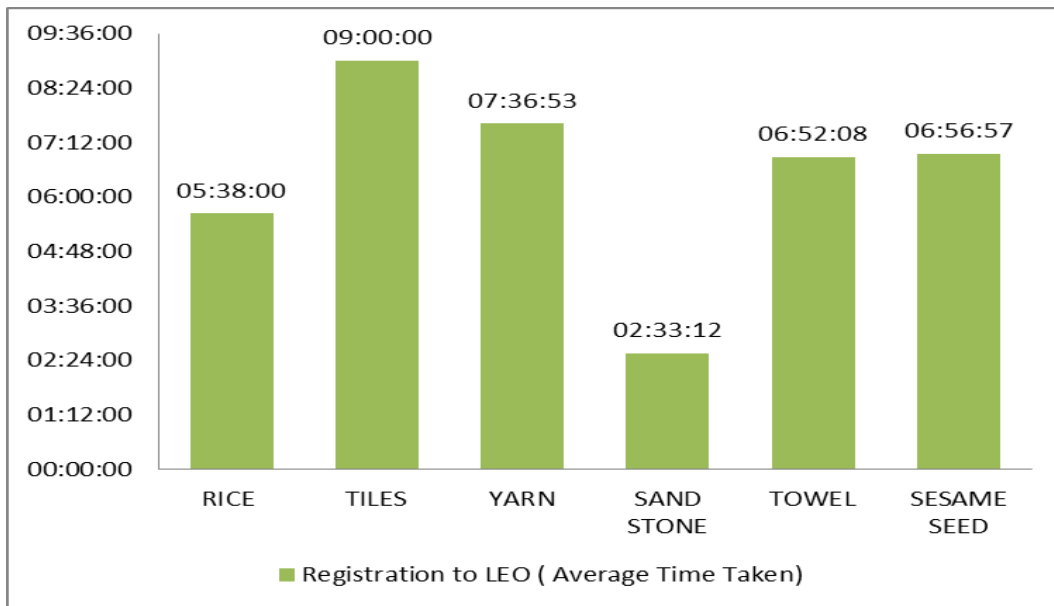
- 1) SB filing to LEO and
- 2) Registration to LEO.

Average timing (Time in hours)						
Commodity	Rice	Tiles	Yarn	Sand stone	Towel	Sesame Seeds
<b>No. of SB</b>	235	610	458	277	156	105
<b>SB filing to LEO</b>	87:31:31	38:08:53	56:35:55	67:12:00	48:25:05	53:19:07
<b>Registration to LEO</b>	05:38:00	09:00:00	07:36:53	02:33:12	06:52:08	06:56:57

### SB Filing to LEO



### Registration to LEO

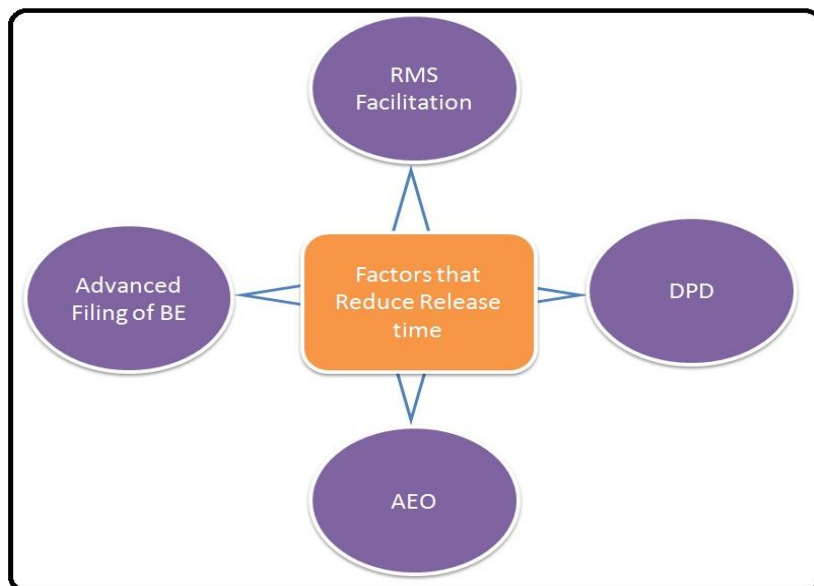


## 10. Recommendations

**Based on the detailed analysis, following recommendations are made for minimization of release time for import cargo:**

After the detailed analysis to reduce the Release time four pillars must be emphasized namely,

1. RMS facilitation
2. AEO Scheme
3. DPD Scheme
4. Advanced Filing of BE. -



- (i) RMD and MCH may constantly review the risk parameters and profile to increase the full facilitation level (involving neither assessment nor examination). Strengthening of the feedback loop involving risk profile, interdiction results and constant revision of risk profile will enable increasing the facilitation levels, without threat to revenue or other compliance requirements.
- (ii) Since the release time for first check bills of entry and second check bill of entry with both examination and assessment is significantly higher than average overall release time there is a need to think of ways of reducing their share as well as

compressing their release time. In particular, the need for physical examination of cargo must be more carefully considered and scanning facility at the terminal premises should be strengthened.

- (iii) MCH must enhance its outreach programme to increase the share of advance bills of entry, avail of e-Sanchit facility (for online uploading of supporting documents with bills of entry) to minimize the need to raise queries during assessment and to encourage prompt filing of normal bills of entry and prompt payment of duty.
- (iv) MCH should engage with regular importers/exporters and logistic operators to increase enrolment under the AEO and DPD scheme highlighting, inter alia, the significant benefits in terms of higher levels of facilitation, lower release time and direct savings in case of DPD clearance.
- (v) The partner government agencies, like FSSAI, ADC, PQ and TC should review their risk parameters and processes to reduce the share of interdicted bills of entry and minimize the associated release time. The PGAs and CBEC Single Window team should work towards setting targets for progressively increasing the facilitation levels assigned to each PGA.
- (vi) The PGAs and other agencies must be advised to modify their record management to register not just the date-stamp but precise time-stamps.
- (vii) MCH should identify other major agencies that have role in clearance of cargo through MCH, such as Central Insecticide Board, RFCL, DYCC, etc. and engage with them to streamline the processes so as to minimize the release time in respect of such cargo, including if possible, electronic transmission of test reports or no objection certificate through systems.
- (viii) It is recommended that a laboratory has to be set up in in the Mundra Port to minimize the extra time of sending the samples to CRCL laboratory at kandla & the present proposal for expansion and modernization of the CRCL laboratory may be pursued expeditiously.

- (ix) Prompt installation of additional scanners by MCH and acquisition of mobile scanners by port terminals will help in reducing recourse to physical examination of goods; reduce the time involved in such scanning, besides improving interdiction and consequent effectiveness in risk profiling.
- (x) Special attention must be paid to streamline the process of clearance of liquid bulk cargo through, inter alia, putting in place special testing procedure by FSSAI, setting up of additional shore tanks, etc.

**The study recommends the following measures to further reduce the export release time:**

- (i) On the export side, the study found that creation of parking plazas, catering to different terminals has reduced the customs processing time, besides eliminating movement of goods to CFS en-route to the terminals and congestion on the roads leading to terminal gates. Consequently, it has resulted in overall reduction of export release time.
- (ii) The average time taken for factory stuffed shipping bills is significantly lower than the time taken for CFS stuffed shipping bills. As the facility of DPE is available to all factory stuffed containers at Mundra Port, exporters should take advantage of same.
- (iii) The selection for examination by RMS is lower for AEO clients; therefore outreach programme for enrolling AEO should also target exporters.
- (iv) The proposed testing facilities for import cargo may also be equipped with testing facility for perishable goods, etc.
- (v) The outreach programme for enrolling AEO and DPD should also target exporters. The outreach programme should also impress upon the opportunity to benefit from increased certainty of time from CFS to terminal to better schedule their export consignments. Taking note of the fact that monthly

average dwell time for green channel (facilitated) and red channel (non-facilitated) bills of entry is being released by CBEC regularly on its website and the resource intensive methodology entailed in the TRS, it is recommended that the frequency of such studies should be made annual.

