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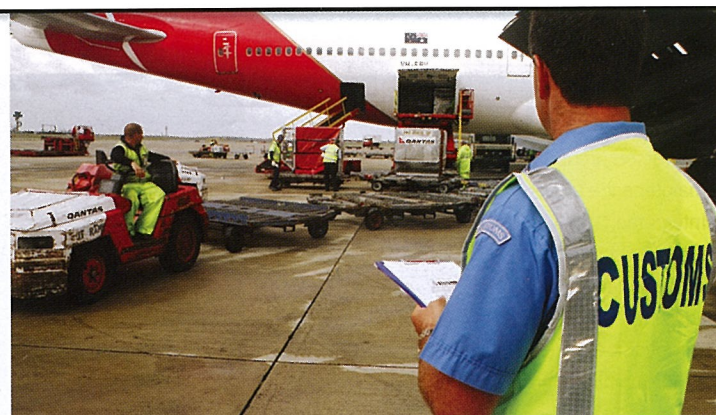
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Photos courtesy of Australian Customs and Border Protection Service.



TIME RELEASE STUDIES: MEASURING CUSTOMS CLEARANCE PROCESS TIMES AND DELIVERY PERFORMANCE

Time Release Studies (TRS) are a particular trade facilitation tool utilised to quantify the average time taken for goods to clear through Customs. Adopted for the first time by the USA and Japan at the beginning of 90s, their use has been recommended by the World Customs Organisation (WCO) since 1994.

In measuring the total time taken to clear an import consignment, TRS data is a useful tool for logistics providers and traders alike to estimate delivery times. The findings of the TRS are particularly useful as they serve to identify constraints, delays and bottlenecks in the customs clearance process that can impede the swift flow of goods. TRS data are a valuable source of information providing the basis for any decision, corrective action and initiative in which Customs has primary authority.

TRS data allow the creation of detailed and precise customs clearance time diagnostics, including release times for different types of merchandise and country of origin, at the various sea ports, airports, and other customs import clearance locations. The measurement of customs clearance timelines is useful both to exporters in estimating delivery dates, and to importers in anticipating the arrival of inventory from a foreign supplier. This enables traders to operate with a higher degree of certainty in relation to product delivery across international borders. Indeed, the predictability of controls over customs clearance matters is one of the principles of the International Convention on the Simplification and Harmonisation of Customs procedures ("Revised" Kyoto Convention, 1999), a legal instrument of the World Customs Organisation (WCO) on the harmonisation of Customs techniques, that covers all aspects

ROBERTO BERGAMI AND DANILO DESIDERIO

of Customs legislation and aims to standardise existing Customs procedures around the world.

Logistics and distribution activities of any business following 'just-in-time' principles would benefit greatly from enhanced accuracy on customs clearance process timelines, as this would enable a greater optimisation of resources and provide a benchmark for performance for both internal and external logistics providers, including 3PL providers.

The measurement of customs clearance process, as a true indicator of the performance of Customs, is increasingly used by the international trading community as "a measure by which the international trading community assesses the effectiveness of a Customs administration" (World Customs Organisation, 2002, p.1), in discharging its duties. The aim is to identify further causes of delays and costs overruns concerning particular types of goods, or points of entry of the customs territory, in order to develop the necessary corrective measures.

Additionally, TRS data are helpful in monitoring and evaluating the impact of customs reforms by comparing data across different studies. Importantly, cross-country comparison may also be possible, where identical methodology has been adopted to calculate relevant timelines. To encourage the adoption of a standard measure for international comparisons, the World Customs Organisation (WCO), in 2002, developed special guidelines to measure release times. In 2005, jointly with the World Bank, the WCO created specialist software for the design of the TRS which is fully compatible with the various IT systems currently adopted by Customs authorities around the world.

WCO's TRS guidelines (World Customs Organisation, 2002, pp. 19-20) describe a fifteen data point process that import consignments are subject to from time of arrival to release. A seven-step summary of this process is provided below:

- 1) Arrival of the goods: the date and time of the arrival of the means of transport conveying the goods at importation or under customs control.
- 2) Unloading of the goods: the period of time elapsed between the beginning and the end of unloading of the goods from the means of transport that brought them to the customs territory.
- 3) Delivery to temporary storage: the time from the arrival to the removal of goods from the temporary storage location for customs clearance purposes.
- 4) Lodgement and acceptance of the declaration: the date and time from the lodgement of the customs declaration at the Customs office to its acceptance.
- 5) Inspection: the time from the beginning to the end of the examination process carried out on the customs declaration and accompanying documents (documentary control). The inspection may be based on a risk management approach from intelligence sources, or random sampling. Initially the inspection may be conducted by X-Ray equipment or other non-intrusive measures. Inspections are not limited to Customs authorities and include other regulatory agencies. In the Australian context these may include the Australian Quarantine and Inspection Service, Therapeutic Goods Administration, etc.). The inspection may also include other interventionist measures, such as fumigation, disinfection and disinfection.

- 6) Release of goods by Customs: indicates the date and time at which release of goods is granted by Customs. It should be noted that in the case of advanced declaration or release (e.g. pre-clearing), the date and time of release may precede the date and time of arrival.
- 7) Removal of goods: identifies the date and time when the goods leave the area of customs control.

Each of the seven steps measures a portion of the overall period of time from arrival of cargo into areas under customs supervision or control, until its physical release by Customs authorities. There may be slight differences to the sequence of events listed above due to country-specific considerations and the type of imported goods.

Australian TRS 2008

In Australia, the first TRS was conducted in 2007, followed by a second study adopted in 2008. Both documents are available on the Australian Customs Border and Protection Service website, in the 'Media, publications and forms' area. As the final results of the 2009 TRS were not available at the time of writing this article, comments will be limited to two selected aspects of the 2008 results. Unless otherwise indicated, all page numbers are to the Australian Customs and Border Protection Agency Time Release Study 2008.

The TRS data is the measurement of import performance for the period 24 to 30 September 2008. Its is acknowledged that this is only a sample, however, the TRS provides a useful basis

from which to set benchmarks and investigate problem areas with corrective action in mind.

Documents

'Documents' is defined as "when a consignment is fully reported and declared to Customs and Border Protection, including all cargo reports and declarations" (p. 17). Documents remain a significant issue, with 17% of sea cargo and 13% of air cargo experiencing documents incomplete problem, as shown in Table 1.

The TRS data shown in Table 1 suggest that there is room for improvement in documents/declaration processes in a significant proportion of transactions. Given that the availability of information for import processing is dependent on the exporting party, a higher level of communication and co-operation is required between importers and exporters to ensure that adequate information is available prior to the arrival of the consignment, in order for customs formalities to be completed in the shortest possible time frame, as delays in customs clearance may slow delivery of goods, resulting in increased costs both for companies and final consumers.

Country of export

The TRS data shows the breakdown of country of export for major partners, based on arrival to document submission, arrival to release and arrival to clearance. A summary of arrival to clearance is shown in Table 2. As the data does not analyse commodity type and cargo type (FCL/



LCL breakdown), it is not possible to comment on the country-by-country variations, however, the data can be used as one variable to estimate total travel time from origin to destination, and is thus useful for inventory planning and production scheduling purposes. Additionally, this data may also be used as a benchmark for service providers. Importers may also use the TRS data as the basis from which service level agreements may be developed with customs brokers. Customs brokerage service providers may also use clearance times as part of their benchmark measure. Where clearance times on average exceed those of the TRS, an investigation of the causes is warranted.

Conclusion

TRS are a valuable tool for both government and private enterprise to identify and address factors and procedures that contribute to inefficiencies in international trade flows. The TRS data are useful, in particular, to traders and logistics providers, to estimate transit time for shipments from origin to destination, as this directly impacts pipeline and buffer inventory holdings, as well as scheduling of deliveries from foreign suppliers.

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Table 1: Cargo status at arrival

STATUS (2008)	SEA CARGO	AIR CARGO
Released	48%	69%
Ready to pay	24%	1%
Total unimpeded	72%	70%
Impeded	11%	17%
Documents incomplete	17%	13%

Table 2: Arrival to import clearance time for major trading countries

COUNTRY	NUMBER OF CONSIGNMENTS	ARRIVAL TO CLEARANCE (DAYS)
ALL	35,295	1.2
China	12,076	1.2
USA	2473	1.9
Hong Kong	1951	1.6
New Zealand	1679	-0.8
Thailand	1637	1.0
Japan	1350	0.2
Malaysia	130	1.2
Germany	1237	0.7
Indonesia	1087	1.4
Taiwan	1083	1.6