



INFRASTRUCTURE
Building for Growth



Government of India

Report of Inter Ministerial Group Simplification of Customs Procedures in Air cargo and Airports





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**Simplification of Customs
Procedures in
Air cargo and Airports**

Published by
The Secretariat for the Committee on Infrastructure
Planning Commission, Government of India
Yojana Bhawan, Parliament Street
New Delhi - 110 001

www.infrastructure.gov.in

July 2007

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Secretariat for Committee on Infrastructure

Preface

This Report is aimed at streamlining customs procedures at India's major airports with a view to reducing the dwell time of cargo and associated costs.

Air cargo is becoming an increasingly important dimension of India's growing trade. In fiscal year 2005-06, Indian exports crossed \$101 billion, representing an annual growth of 25% over 2004-05. Similarly, imports crossed \$140 billion in the same year. Though some improvements have been witnessed in the recent past, numerous bottlenecks to trade persist. As a result, the dwell time of cargo at Indian airports is significantly longer than that in other major airports in Asia. This compromises the competitiveness of Indian industry, reducing trade potential and, therefore, needs to be addressed as a priority.

Recognising the urgency of reducing the dwell time for air cargo, the Committee on Infrastructure, chaired by the Prime Minister, constituted an Inter Ministerial Group (IMG) under the chairmanship of Shri. K.M. Chandrasekhar, then Revenue Secretary with representatives from Ministry of Civil Aviation, Planning Commission and the Commerce Ministry to make recommendations for streamlining customs procedures. The IMG held extensive deliberations with experts and various stakeholders before submitting its Report.

The Report makes recommendations in key areas such as risk management based screening, EDI based systems, transshipment, financial procedures and staffing. The goal is to match international benchmarks.

The recommendations of the IMG have been formulated as actionable items to be implemented within a definite time frame, as specified in the Report. Implementation of this Report would reduce the dwell time of cargo at airports and is expected to significantly improve the competitiveness of Indian industry.

(Gajendra Haldea)

Abbreviations

Following abbreviations have been used in this report:

Sl. No.	Abbreviations	Expansion
1	AAI	Airport Authority of India
2	AC/DC	Assistant/ Deputy Commissioner
3	ACAAI	Air Cargo Agents Association of India
4	ACC	Air Cargo Complex
5	BAR India	Board of Airlines Representatives in India
6	CBEC	Central Board of Excise and Customs
7	CFS	Container Freight Station
8	CoI	Committee on Infrastructure
9	EICI	Express Industry Council of India
10	FFL	A type of Message Exchange Format
11	FFM	A type of Message Exchange Format
12	GMO	Genetically Modified Organism
13	HAWB	House Air Way Bill
14	ICEGATE	Indian Customs and Central Excise Electronic Commerce/ Electronic Data Interchange (EC/ EDI) Gateway
15	IFO	Import Freight Officer
16	IGM	Import General Manifest
17	IMG	Inter Ministerial Group
18	LEO	Let Export Order
19	LMO	Living Modified Organisms
20	MIS	Management Information System
21	RMS	Risk Management System
22	ULD	Unit Load Device

Executive Summary

1. An Inter Ministerial Group (IMG) under the chairmanship of Secretary (Revenue) with other members from Planning Commission, Ministry of Civil Aviation, Ministry of Commerce and Central Board of Excise and Customs was constituted in pursuance to the decision taken in the seventh meeting of the Empowered Sub Committee of the Committee on Infrastructure. The said Inter Ministerial Group examined the issues related to clearance of goods at Air Cargo Complexes and suggested steps for Simplification of Customs Procedures in Air cargo and Airports.

2. The important issues which the Group discussed relate to Risk Management based customs clearance, expeditious clearance of goods from air cargo complex, EDI based customs control, integration of Customs EDI with other agencies, transshipment-uniform and simple procedure, amendment to Import General Manifest, bank guarantee waiver, etc. The Group also considered policy issues that were equally applicable to both ports and airports/ air cargo uniformly and suggested adoption of certain trade facilitation measures recommended by the similar IMG constituted under the aegis of Committee on Infrastructure (CoI).

3. The Group made the following recommendations:

(a) Risk Management System (RMS) should be further extended to nine specified EDI locations on priority basis viz. (i) Ahmedabad Air Cargo, (ii) Hyderabad Air Cargo, (iii) Trivandrum Air Cargo, (iv) ICD Ahmedabad, (v) Goa Custom House,

(vi) Tuticorin, (vii) Cochin Custom House, (viii) Ludhiana and (ix) Vishakapatnam Custom House.

(b) Uniform transshipment procedure for expediting movement of import/export goods within Indian ports should be prescribed. The requirement for Bank Guarantee in transshipment of goods should be waived. Instruction clarifying 'Gateway Port status' and the legal position that transshipment is permitted at all Customs notified International Airports under the Custom Act, 1962 may be issued.

(c) The period available for free storage of goods in the premises of custodian may be reduced from 5 days to 3 days. However, such reduction would not apply to goods requiring plant quarantine testing, testing for Genetically Modified Food, Feed, Genetically Modified Organism (GMOs) and Living Modified Organisms (LMOs).

(d) The following recommendations pertaining to 'Express industry' should be implemented:

(i) Provide uniform examination norms for import/export of courier consignments.

(ii) Amend Courier Imports and Exports (Clearance) Regulations, 1998 in respect of:

- Enhance the value limit to Rs.10,000/- for duty free import of 'samples' and 'free gifts' under Courier Regulations on the basis of exemption already

- provided under notification' No. 154/94-Cus. and No. 171/93-Cus.
- Enhance validity of registration and renewal under Courier Regulation to 10 years.
 - Provide single registration to Courier Companies enabling them to operate at all Customs locations.
- (e) Instructions should be issued to Customs field formations in respect of perishable cargo for dispensing with routine examination and resorting to examination only on the basis of intelligence or information, so as to ensure that perishable cargo movement in import/ export clearance process is quick.
- (f) On the Customs EDI related issues raised by stakeholders, the following recommendations were made:
- (i) Directorate of Systems and NIC should provide online acknowledgement to Airlines and Console agents (for house airway bills) in addition to existing acknowledgement by sending a copy of complete IGM, which is presently being sent to the Custodian, to carrier.
 - (ii) Directorate of Systems should send the details of manifest ULD wise. This would enable Airport Authority of India (AAI)/ Custodian, to sort out ground level problems in segregation and to avoid delays.
 - (iii) The prevailing mechanism for notifying trading partners about the unavailability of services in ICEGATE operations should continue.
- (iv) ICES terminal should be provided at passenger terminal so that the IGM number is uploaded in ICES as soon as the information is made available to Customs. Once the central server infrastructure is made available this should be interlinked and uploaded online.
 - (v) Carriers/Airlines should be free from submitting hard copies of Customs documents like AWB and Manifest once complete information/details are filed online by Carriers/Airlines.
 - (vi) NIC and Directorate of Systems should provide training in respect of ICES/ ICEGATE to the airlines and other agencies for enhancing compliance with law and procedures.
 - (vii) Field formations should be instructed by CBEC to respond to the specific queries of stakeholders in a time bound manner.
- (g) An institutional mechanism consisting of the senior officers of Customs Administration and Airport/ Cargo authority shall be made responsible for implementation of various recommendations of the IMG. This institutional mechanism shall continue and would deal with problems and issues that arise from time to time in future.

Background

1. Pursuant to the decision taken in the seventh meeting of the Empowered Sub Committee of the Committee on Infrastructure held under the chairmanship of Deputy Chairman, Planning Commission on 15th May, 2006, an Inter Ministerial Group (IMG) was constituted under the Chairmanship of Secretary (Revenue) for Simplification of Customs Procedures in Air cargo and Airports. The IMG consisted of representatives from Planning Commission, Civil Aviation and Commerce Ministries. The constitution of IMG was as follows:

- (a) Shri K.M. Chandrasekhar, Secretary (Revenue) - Chairman
- (b) Shri Ajai Prasad, Secretary (Civil Aviation)
- (c) Shri Gajendra Haldea, Advisor to Deputy Chairman, Planning Commission
- (d) Shri G.K. Pillai, Special Secretary, Department of Commerce
- (e) Shri Devendra Dutt, Member (Customs), Central Board of Excise & Customs

2. The meetings of the IMG were held on 14.07.2006, 14.08.2006, 24.08.2006, 30.08.2006, 19.09.2006 and 29.9.2006 amongst the Members and core group of officers.

3. The Group deliberated on issues flagged by the stakeholders, Ministry of Civil Aviation, Ministry of Commerce and Planning Commission. The various initiatives taken by the Department of Revenue on measures of Trade Facilitation, widening of Indian Customs EDI System (ICES) and introduction of Risk Management Module were noted by

the Group. The Group identified changes that will lead to simplification of customs procedures, facilitation of trade and reduction in dwell time for cargo clearances. Based on this, IMG made the recommendations detailed in this report.

Introduction

Customs procedures and the functioning of Air Cargo Complexes

1. In accordance with international practice, all goods imported into the country or exported out of the country by air or other routes are governed by the provisions of the Customs Act, 1962 and other laws related to entry/ exit from the country. Customs administration ensures that the import and export of goods are in compliance with the Customs Act and other laws in force.

Accordingly, customs procedures are intended to provide definite, predictable methods by which the goods can enter the country and get cleared on payment of applicable import duties, fulfilling the requirements of the law of the land.

2. To regulate and to exercise effective control over import and export activities, goods are allowed for import/ export at notified places under section 7 of the Customs Act, 1962. Custodians are appointed under section 45 of the Customs Act, 1962 for safe storage of goods till they are cleared for home consumption or warehoused. Clearance of goods involves classification, assessment, examination and payment of Customs duty on imported cargo on the basis of Bill of Entry presented by the importer or his authorized agent. The Central Board of Excise and Customs (CBEC) has prescribed the procedures which are implemented by field formations. These are updated and modified according to need, the demands of trade and to improve the efficiency of the system.

The role of Air Cargo Complexes (ACC)

3. ACC is a place where cargo is aggregated/ segregated and export/ import of cargo takes place. With the growing volume of international trade, the need for expeditious clearance of goods within the minimum possible time has been gaining importance. This is more so for goods required 'just in time' for processing or use by industry and in the case of express cargo/ courier industry. Further, for optimal utilization of existing infrastructure, space and equipment, goods that are landed at ACC need to be evacuated straight away without any loss of time. Hence there is a need for efficient clearance procedures from all concerned agencies.

Present Procedure for Customs clearance of Imported Goods at Air Cargo Complexes

4.1 In respect of the cargo stored at the ACC, the importers or their agents have to file the Bill of Entry at the Air Cargo Unit of the Customs Administration. In respect of transshipment cargo the Airlines would likewise file the transshipment applications in the Cargo Unit of the Customs. In case any cargo covered by a Bill of Entry requires examination, necessary instructions for examination are given in the form of an examination order and the packages are delivered on that basis by the custodian for examination. The packages are examined in the presence of the importers or their representatives as well as the representative of the AAI. All the examined packages are sealed

with the Customs seal and delivered back to the custodian through the importer or his agents in case they are not cleared immediately. Arrangements for presenting the packages to the custodian for examination and delivery are made by the importer.

4.2 The delivery of the imported cargo is effected by the custodian on verification of the out of charge order given on the Bill of Entry by the Customs. The custodian of the Ground Handling Agency may require a gate pass for delivery of the imported cargo. Gate pass is countersigned by the same Customs Officer giving out the charge order.

4.3 In the case of Cargo directly delivered, the IFO signs the gate pass after verifying and noting the number of the Kutcha Bill of Entry and endorsing it on the gate pass. The duplicate bill of entry received by the custodian after delivery of the cargo and sent to the Cargo Unit of the Customs is matched with the original (except in the case of Kutcha B's/E by the Cargo Unit which is processed and regularised by the Air Cargo Unit).

4.4 Cargo like plants, human body, life saving drugs, radio active materials, etc. that need immediate attention/ storage/ disposal is permitted to be cleared under Kutcha Bill of Entry system. The importer (with necessary supporting documents) files a Kutcha Bill of Entry well in advance to the Assistant/ Deputy Commissioner (AC/DC) for permission for direct delivery of the goods. The importer also gives advance intimation to the custodian

(A.A.I) regarding the arrival of such goods and the importer has to be present at the time of receipt of the cargo in the Air Cargo Complex. The IFO after verifying the prior permission granted by Assistant/ Deputy Commissioner (AC/DC) will pass an order for direct delivery against Kutcha Bill of Entry. Notwithstanding direct delivery, the custodian accounts for such goods in his warehouse registers and also notes the disposal particulars.

Present Procedure for clearance of Export Goods at Air Cargo Complexes (ACC)

5. Exporter files a Shipping Bill which is assessed by Customs and the goods are also subject to examination by Customs before LEO (Let Export Order) is given. This document can be filed with Customs upto 15 days before the goods are actually exported. To encourage exports, the Government has introduced various export promotion schemes i.e. Drawback, DEEC, DFRC, DEPB, EPCG, etc. and the exporter can choose to avail any of them. However, certain schemes cast an export obligation on the exporter for which he is required to execute Bond and Bank Guarantee for a specific period.

6. The Airlines ensure that only such cargo for which 'Let Export' has been given by Customs are taken into their storage area. The Airlines also ensure that cargo that has not been examined is not mixed with the cargo already examined and cleared. The Export

Freight Officer monitors the Airlines' compliance with these requirements.

7. Both Imports and Exports are governed by the Customs Act, 1962 and the EXIM Policy and are subject to prohibitions and restrictions imposed under various other Acts e.g. CITES, NDPS Act, Arms Act, Antiques Act, Drugs & Cosmetics Act, Chemical Weapons Convention Act, etc.

Issues Considered by IMG Members and Discussion

1. Based on the discussions held in the meetings of Inter Ministerial Group (IMG), the issues were divided into Customs procedural issues and Systems & EDI related issues. The issues are detailed as follows.

(A) Customs procedural issues

(a) Risk Management System (RMS) based Customs process

Central Board of Excise and Customs (CBEC) has introduced the Risk Management System as a measure of trade facilitation and for selective screening of only high risk cargo for customs examination. In view of the benefit of RMS in expeditious clearance of goods, IMG members felt that the same needs to be extended to other EDI locations on a priority basis as this would bring about a considerable reduction in the dwell time. RMS has already been introduced at 13 Customs locations. IMG decided that the facility of RMS should be extended to 9 more locations. The locations identified are as follows: (i) Ahmedabad Air Cargo, (ii) Hyderabad Air Cargo, (iii) Trivandrum Air Cargo, (iv) ICD Ahmedabad, (v) Goa Custom House, (vi) Tuticorin, (vii) Cochin Custom House, (viii) Ludhiana and (ix) Vishakapatnam Custom House. The specific Customs locations may change depending on the relative importance of a particular Customs location.

(b) Transshipment Procedure for expediting movement of import/ export goods within Indian ports

(i) **Bank Guarantee waiver:** In order to ensure faster movement of transshipment

cargo and reduce the congestion in ports, IMG felt that the requirement of a bank-guarantee may be waived in cases of transshipment of air-cargo between any two notified airports in the country and transshipment of cargo from/ to airport from any other Customs location such as Port/ ICD. The bank guarantee aims to ensure the safety of the goods during transshipment between airports. To the extent that carriers can be identified as regularly transacting with customs and compliant with the law, the requirement to provide a bank guarantee may be waived in air cargo transshipment.

Accordingly, IMG decided to waive the bank guarantee for those carriers which operate beyond a prescribed threshold level. It was further decided by the IMG that airlines/ other carriers with annual transshipment volumes above 2500 MT to/ from any airport within the country would be exempt from bank guarantee for carriage of goods on transshipment. Further, the jurisdictional Commissioners of Customs would also be empowered to consider such waivers in cases below the threshold limit. However, the requirement of executing a transshipment bond shall continue.

(ii) **Uniform procedure:** Air Cargo Agents Association of India (ACAAI) represented that there are divergent practices being followed at different international airports for transshipment of cargo. Accordingly, the issue was referred

to the Chief Commissioner of Customs, who constituted a group headed by the Commissioner of Customs, Air Cargo & Air Port, Chennai to have wider consultation with field formation and suggest suitable transshipment procedures. Report of the Commissioner of Customs, Chennai specifies the divergent procedures that exist and the uniform procedures to be adopted at different airports.

Accordingly, IMG decided that based on the transshipment operations at Customs airports, a uniform transshipment procedure may be prescribed by issue of a suitable circular by CBEC. This would provide certainty in procedure and uniform application, reducing delay.

(iii) Gateway airport status: Air Cargo Agents Association of India (ACAAI) and Airport Authority of India noted that only Mumbai has been given gateway port status and the same may be extended to other airports. It was made clear that there is no distinction under the Customs Act in respect of Gateway ports and other Customs airports. All International airports notified under Customs Act may be used for transshipment of goods. IMG felt that the doubts of trade and stakeholders may be removed by issue of suitable instructions by CBEC.

(c) Demurrage Free storage period of 5 days to be reduced in air cargo

IMG felt that the present procedure of

allowing five days of free storage of cargo by custodians of air cargo, does not facilitate fast movement of cargo. Further, the facilities of RMS and, e-payment are allowed to the trade in order to expedite clearances. With the overall objective of reducing the dwell time of cargo, coupled with the increasing volume of cargo to be handled in limited space at air cargo complexes, IMG felt that the present demurrage free period of 5 days should be reduced drastically to around 24 hours to encourage quicker removal of goods. It was reported by field formations of CBEC that 2 or 3 days time would be reasonable under the present situation, where the process of segregation, binning and accounting by custodians itself takes 24 hours and as there is no alternate area for storage of goods in the air cargo complexes till clearance. It is also noted that direct removal of goods transported by air (from the airport to CFS/ Cargo village) is not presently possible.

In view of the above, IMG concluded that the demurrage free storage period should be reduced from 5 days to 3 days, for the present. Based on the working of the system this could be reviewed later for further reduction in the free period for storage so as to achieve the ideal of 24 hour clearance for air cargo.

However IMG noted the need for longer storage of goods requiring quarantine or testing for Genetically Modified Food, Feed, Genetically Modified Organisms (GMOs) and Living Modified Organisms (LMOs). It

was accordingly considered that the reduced time limit should not be applicable to these categories of goods.

(d) Part shipment/ IGM Amendment to be allowed; Segregation report of custodian to be taken into account in the IGM

Board of Airlines Representatives in India (BAR India) has raised a point that only 2-3% shipments arrive in parts due to last minute off loading. Master Air Way Bill (MAWB) gives the details about the number of on-board packages/ pieces available in the aircraft and the same is reflected in Import General manifest. However further details on each on-board package/ piece is not available at MAWB stage which could be provided only in the House Air Way Bill (HAWB) level. Hence, they have requested that complete HAWB data can be stored in Customs systems and the same can be matched after segregation report by Custodian, so as to take in to account the shortages arriving due to last minute shut off or packages leftover at the originating port. Further such details can also be matched by Customs with the subsequent MAWB/ HAWB filed so as to avoid shortage/ excess in each manifest. They state that this would reduce the number of amendments to the IGM.

The issue was discussed in the IMG and a separate meeting was also held by CBEC with Airline representatives. It was felt that filing of complete manifest prior to the arrival of the aircraft is required under the provisions of section 30 of the Customs Act, 1962. However, such manifest is allowed to be amended or supplemented, on the basis of the

provisions contained in section 30(3) of the Customs Act, 1962, if there is no fraudulent intention in such changes to the manifest. The responsibility for proper account of the imported goods, until they are unloaded at approved places, lies with the Airlines/ person in charge of aircraft. After unloading and segregation, the custodian takes custody of the goods till clearance to the importers. Hence, the segregation report prepared by the custodian cannot be taken as a basis for accounting the manifest details required to be filed by the airlines. In view of statutory obligation and present security concerns, IMG decided that segregation report cannot be taken as a basis for changing the manifest. However, the procedure for amending the manifest has already been simplified by issue of instructions.

(e) Express industry issues:

The Courier/Express Industry took up the issues of increase in weight limit of packages handled in courier from 75 kg to 150 kg., uniform examination norms, alignment of monetary limits with exemption notifications, simplified and single registration for operating as Authorized Courier at all Airports in the country. These issues were discussed in the IMG at length as follows.

(i) The weight limit of 70 kg. for individual packages in Courier/ Express shipments should be removed

Considering the need to examine select courier cargo by non intrusive inspection (X-ray), limitation on infrastructure requirements at the Airports such as unloading, conveyor belts,

etc. IMG Members felt that the present weight limit is generally valid. However, in case of airports where exclusive courier terminals have been set up such as Delhi and Mumbai, a higher limit can be considered. IMG agreed that the weight limit in such exclusive courier terminals may be enhanced to 150 Kgs. however, this enhanced weight limit may only be made operational once the courier clearance process is automated in the Customs EDI system, facilitating filing and processing of customs documents and capturing of data for trade statistics. This will ensure that the clearance is based on 'risk'/ Risk Management System and the declared values are verified with NIDB valuation data base.

(ii) Uniform examination norms for Courier Consignments

In this regard, IMG noted that with the increasing volume of air express/ courier transactions in import/ export, it would be advisable that CBEC should prescribe uniform examination norms to expedite clearances.

Based on the existing practices followed at major airports and the considering the fact that express consignments/courier is meant for faster delivery, the goods involving requirement of mandatory certification, availing of export promotion schemes, are already not covered by them, CBEC has prescribed uniform examination norms for implementation.

(iii) Alignment of monetary limits for courier / express consignments

Bonafide samples and gifts are carried through

courier/ express consignments. These goods are cleared duty free when imported, on the basis of exemption provided under notification No. 154/94 and No. 171/93. However, the value limit of courier consignment of samples and gifts (Rs.5,000/-) is less than the permissible limit of Rs.10,000/- in the above notifications. Accordingly, it was decided to align the value limit of duty free gifts and samples imported as courier consignments with the value limits prescribed in the respective notifications.

(iv) Simplified and single registration for courier operation

As the courier agencies operate on behalf of the importers/ exporters by filing documents and complying with the legal requirements under Customs Act, they are registered with Customs Commissionerates for import/ export clearance. The request of the industry is for centralized courier registration with the flexibility to operate at all Customs Commissionerates.

The issue was examined by IMG and it was felt that since the courier agencies/ express industry has to operate in different locations and a large number are in the organised corporate sector, central registration facility at any one Commissionerate would enable a simplified one time registration procedure for operation all over the country. Further, it was also decided that the period of validity of such registration may be enhanced from 3 years to 10 years to provide certainty and continuity.

(f) Perishable cargo:

During the discussions with stake holders and among IMG Members, it was felt that the procedure for clearance of perishable cargo should be simple and time bound to provide quick clearances. AAI had expressed that they have existing infrastructure and procedure for providing required special facilities to perishable cargo. However, it was pointed out that airlines have certain problems in providing continuous cold supply chain when the cargo is waiting at the loading area.

From the Customs side, it was explained that routine examination of perishable cargo is dispensed with. Customs resort to cargo examination only on the basis of intelligence or information. IMG members felt that the instructions in this regard may be issued to the field formations, reiterating the importance of clearing perishable goods in time.

(B) Systems and EDI related issues:

As desired by IMG, Joint Secretary (Customs) held a meeting on 01.09.06 on EDI and System related issues with stake holders and the Directorate of Systems. The following issues were discussed in the meeting and the IMG was briefed about the outcome of the meeting. After considering each point, IMG decided the following:-

(a) Systems Directorate and NIC would provide online acknowledgement to

Airlines and Console agents (for house airway bills) in addition to existing acknowledgement by sending a copy of complete IGM (which is presently being sent to the Custodian), to the carrier.

(b) Systems Directorate would send the details of manifest ULD wise. This would enable AAI/ custodian, to sort out ground level problems in segregation and to avoid delays.

(c) Airlines had requested that details of Down Time* of Customs Systems should be available on website. The current practice followed by CBEC in its ICEGATE operations is whenever the services are unavailable appropriate notices are put on ICEGATE in order that trading partners are aware about the disruption in services. Besides this 24X7 helpdesk facility is also available at ICEGATE. The IMG felt that existing mechanism is sufficient and should continue.

(d) IGM No. should also be available on the ICEGATE web so that service provider can link against job number. Directorate of Systems and NIC explained that an ICES terminal is being provided at passenger terminal so that the IGM number is uploaded in ICES as soon as the information is made available to Customs. Once the central server

*Down Time: It refers to the time during which the Computer network does not operate and may happen due to various reasons like Maintenance, Routing Problems, Congestion, Malicious Attacks, Software Problems, Interface Down, Hardware Problem, Power Failure, Carrier/ Fiber Problem or some Unknown Problem.

infrastructure is made available this would be interlinked and would be uploaded online.

- (e) It was requested by the Carriers/ Airlines that they should be free from submitting all hard copies i.e. AWB and Manifest etc. once they are submitting data close to 100%. It was agreed that the need to submit the hard copy could be dispensed with once complete information/ details are filed online by Carriers/ Airlines.
- (f) On the request of Airlines that list of service providers should be available on web, it was explained that there are no 'authorised service providers' who would take up the filing on behalf of stakeholders. It is only standard message exchange format that is available in website and it is left free to the airlines or their agents to develop their systems of filing.
- (g) Training may be provided to airlines. NIC and Directorate of Systems agreed to provide training in respect of ICES/ ICEGATE to the airlines and other agencies for enhancing compliance with law and procedures.
- (h) On the request of Airlines to provide toll free numbers for getting clarification from customs, it was informed that a helpdesk facility is available on ICEGATE. However, the issue as identified by IMG is to quickly respond to the query raised by stakeholders. In

order to address this concern, field formations should be instructed by CBEC to respond to the specific queries of stakeholders in a time bound manner.

Initiatives taken by the Department of Revenue on facilitation of trade and simplification of procedure

1. Prior to present Inter Ministerial Group (IMG) for Customs issues, another Inter Ministerial Group (IMG) was constituted under the chairmanship of Revenue Secretary and consisting of representatives of Planning Commission, Shipping and Commerce Ministries for making recommendations for streamlining customs procedures in the functioning of Container Freight Stations (CFS) and Ports. The Group had made several recommendations some of which are equally applicable to Air Cargo Complexes such as:

(a) Introduction of Risk Management System (RMS) enabling selective screening of cargo and examination on exceptional basis.

CBEC introduced Risk Management System (RMS) vide Circular No. 43/2005- Customs dated 24.11.2005 as a measure of trade facilitation and for selective screening of only high risk cargo for customs examination. Such systems also provide for a special customs clearance procedure for authorized persons (Accredited Clients) having good track record and who meet specified criteria identified by the Customs. Risk Management System (RMS) has been introduced in major Customs locations where the Indian Customs EDI System (ICES) is operational. Out of three main components of dwell time i.e. (a) Assessment for payment of duty, (b) Examination of goods, and (c) Registration of goods, practically no time is taken for assessment and for the examination of goods under the RMS for Accredited Clients. The

RMS benefits in terms of increased accountability, transparency, uniformity and expeditious clearance of goods on the basis of focused, consistent, structured and scientific risk analysis.

(b) Simplified procedure for Import General Manifest (IGM) Amendment.

CBEC issued a Circular No. 44/2005 Customs dated 24.11.2005 providing that all amendments to the Import General Manifest (IGM) may be considered on the basis of the provisions contained in section 30(3) of the Customs Act, 1962. The said section (sub-section 3) provides that if the proper officer is satisfied that the import manifest or import report is in any way incorrect or incomplete, and that there was no fraudulent intention, he may permit it to be amended or supplemented. Hence the need for adjudication arises only in cases where there are major amendments involving *fraudulent intention or substantial revenue* implication arising from the amendments.

(c) Extension of the facility of payment of customs duty through more banks via e-banking

In order to facilitate imports and enable importers to pay Customs duty and clear goods quickly, the facility of payment of Customs duty through e-banking by internet is introduced on pilot basis. Modalities on revenue accounting and reconciliation in respect of duty collection through e-payment

have been finalized with the Principal Chief Controller of Accounts.

(d) Customs message exchange with EDI community partners like ports, airports, CFSs, CONCOR, banks and DGFT.

Customs message exchange with ports, airports, CFSs, CONCOR, banks and DGFT is being implemented under EDI environment. This would also assist in gradual dispensation of manual system in a phased manner. It also aims at faster exchange of information and expeditious clearance of goods.

(e) Simplified procedure for expeditious disposal of unclaimed/ uncleared goods.

CBEC has issued Circular No. 50/2005- Customs dated 01.12.2005 to ensure expeditious disposal of unclaimed/ uncleared cargo, lying with custodians, under section 48 of the Customs Act, 1962. The procedure for disposal of confiscated goods has also been simplified. This would enable expeditious disposal of such cargo and reduce congestion at airports/ ports and CFSs.

Recommendation of IMG:

The above said five initiatives uniformly apply to customs operations in Airports and Air Cargo as well as Ports, and hence IMG felt they should be made applicable for customs working in order to simplify and streamline

procedures. They have been noted and are already being implemented in the Air port and Air cargo side.

In addition to above facilitative measures, Inter Ministerial Group (IMG) considered issues that are specific to Air sector for simplification for Customs procedures. The findings of the IMG on these issues are elaborated in the following pages.

Recommendations of the IMG with Time Frame for Implementation

1. Taking into account the efforts made by the Department of Revenue and the issues identified by the IMG members, the Inter Ministerial Group recommends the following actions on Customs procedural issues and Systems & EDI related issues:

(a) Risk Management System (RMS) should be extended to nine specified EDI locations on priority basis viz. (i) Ahmedabad Air Cargo, (ii) Hyderabad Air Cargo, (iii) Trivandrum Air Cargo, (iv) ICD Ahmedabad, (v) Goa Customs House, (vi) Tuticorin, (vii) Cochin Customs House, (viii) Ludhiana and (ix) Vishakapatnam Customs House.

(Action: Central Board of Excise and Customs)

(Time frame: 31.3.07)

(b) Uniform transshipment procedure for expediting movement of import/ export goods within Indian ports should be provided. The waiver of transshipment Bank Guarantee and instruction clarifying 'Gateway Port status' should also be issued.

(Action: Central Board of Excise and Customs)

(Time frame: 31.12.06)

(c) Free period available to importer for storage of goods in the premises of custodian may be reduced from 5 days to 3 days. However clearance of goods requiring plant quarantine testing, testing for Genetically Modified Food, Feed, Genetically Modified Organism (GMOs) and Living Modified

Organisms (LMOs) would be exempt from the reduced time period constraint.

(Action: Airport Authority of India/ Custodian)

(Time frame: 31.12.06)

(d) Issues pertaining to 'Express industry' should be implemented i.e.

(i) Provide uniform examination norms for import/ export of courier consignments.

(ii) Amend Courier Imports and Exports (Clearance) Regulations, 1998 in respect of the following,

- Align the value limit to Rs.10,000/- for duty free import of 'samples' and 'free gifts' under Courier Regulations on the basis of exemption already provided under notification No. 154/94-Cus. and No. 171/93-Cus.
- Enhance validity of registration and renewal under Courier Regulation to 10 years.
- Provide single registration to Couriers enabling them to operate at all Customs location.

(Action: Central Board of Excise and Customs)

(Time frame: 31.12.06)

(e) Instruction should be issued in respect of perishable cargo for dispensing with routine

examination and resorting to examination only on the basis of intelligence or information, so as to ensure that perishable cargo movement in import/ export clearance process is quick.

(Action: Central Board of Excise and Customs)

(Time frame: 31.12.06)

EDI related issues:

(f) Directorate of Systems and NIC should provide online acknowledgement to Airlines and Console agents (for house airway bills) in addition to existing acknowledgement by sending a copy of complete IGM which is presently being sent to the Custodian and to the carrier.

(Action: Central Board of Excise and Customs)

(Time frame: 31.12.06)

(g) Directorate of Systems should send the details of manifest ULD wise this would enable Airport Authority of India (AAI)/ Custodian, to sort out ground level problems in segregation and to avoid delays.

(Action: Central Board of Excise and Customs)

(Time frame: 31.12.06)

(h) The prevailing mechanism for notifying the trading partners about the unavailability of services in ICEGATE operations should continue.

(Action: Central Board of Excise and Customs)

(i) ICES terminal should be provided at passenger terminal so that the IGM number is uploaded in ICES as soon as the information is made available to Customs. Once the central server infrastructure is made available this should be interlinked and uploaded online.

(Action: Central Board of Excise and Customs)

(Time frame: 31.12.06)

(j) Carriers/ Airlines should be free from submitting hard copies of Customs documents like AWB and Manifest once complete information/ details are filed online by Carriers/ Airlines.

(Central Board of Excise and Customs, Airport Authority of India/ Custodian)

(Time frame: 31.03.07)

(k) NIC and Directorate of Systems should provide training in respect of ICES/ ICEGATE to the airlines and other agencies for enhancing compliance with law and procedures.

(Central Board of Excise and Customs)

(Time frame: 31.12.06)

(l) Field formations should be instructed by CBEC to respond to the specific queries of stakeholders in a time bound manner.

(Central Board of Excise and Customs)

(Time frame: 31.12.06)

(m) An institutional mechanism consisting of the senior officers of Customs Administration and AirPort/ Cargo authority shall be made responsible for implementation of various recommendations of the IMG. This would be an ongoing exercise so that such machinery can also take care of future problems.

**(Action: Central Board of Excise and Customs/
Ministry of Civil Aviation)**

(Time frame: 31.12.06)

Annexures

Annexure - A

Indian Customs EDI-System (ICES)

1. IMG was also made aware that alongwith the simplification of procedures, its implementation at the field level is also being addressed by the Department of Revenue. The implementation at the ground level is intended by efficient use of the network of Indian Customs EDI System (ICES).

2. Indian Customs EDI-System (ICES), an automated customs transaction processing system was started as a pilot in May, 1995 and presently operational at 35 sites covering all customs stations (Airports, Sea ports, Land Customs stations and ICDs)

3. Provisions of Customs laws, Exim Policies, Fiscal Policies and other allied laws in relation to imports and exports are implemented through ICES. Any change of laws and policies, improvement in procedures, could be effected through ICES uniformly and expeditious manner.

4. ICES has been designed to process import/ export electronic declarations in a automated workflow environment. Some of the benefits of Customs Computerisation are as under:

Benefits to the Trade:

- (a) Extensive re-engineering of processes has been done thereby reducing Number of processing stages reduced for imports from 18 to 6 and for exports from 15 to 5.
- (b) No requirement of filing separate drawback claims by exporters. The

drawback amount is automatically credited to the exporter A/C in the bank.

- (c) The importers and exporters can electronically transmit declarations to ICES from their offices through ICEGATE (Customs e-commerce portal) and get the assessed declaration back in their offices.
- (d) Service Centres have been provided in the Custom Houses for entry of electronic declarations to facilitate persons who do not have facility for filing of declarations from their offices.
- (e) All shipping bills are System Appraised except those under Export Promotion Schemes which require scrutiny on the basis of licence etc.
- (f) Computation of value, customs duties, exempted duties etc. is done by system automatically.
- (g) Requirement of permission for aggregation of cargo in case of export by Air, has been dispensed with.
- (h) Electronic Transmission of Release Advices to enable licence based clearance from ports other than port of registration has been implemented.
- (i) Electronic transmission of IGM from gateway ports to inland ports is being implemented.
- (j) Document status information through use of Tele-enquiry system, Touch Screen Kiosks, SMS, display of Document status on TV monitors and on local web sites leading to greater transparency in the monitoring of shipments by trade.
- (k) Information dissemination through departmental Website: www.cbec.gov.in and www.icegate.gov.in.

- (l) Transparency has also been engendered through Document Tracking, Status Query and Help Desks for ICEGATE filing.
- (m) Processing of documents is done on first come first served basis.
- (n) Reliance on paper documents for assessment by Customs officers has been dispensed with.
- (o) Facility is provided for Systems Appraisal to selected Importers of repute and to select goods on the basis of exemption notification like gold, silver, aircraft parts, books, Defence goods etc.
- (p) Green Channel facility, waiving examination, is available to specified category of importers.
- (q) The facility of 'Self sealing' of export consignments by the assesses has been implemented.
- (r) Reduction in dwell time of cargo and in transaction costs
- (e) About 2.5 lakhs importer and exporters are using the system for filing their declarations either themselves or through Custom House Agents.
- (f) About 45 lakh declarations are processed under ICES annually.

5. ICES has been made operational at the following 35 sites.

Air/ Land	Sea	ICDs/CFSs
Delhi	JNPT	Tuglakabad
Patrapole	Chennai	Patparganj
Mumbai	Cochin	Ahmedabad
Raxual	Kandla	Ludhiana (2)
Kolkata	Goa	Jaipur
Chennai	Mumbai	Mulund
Hyderabad	Vizag	Bangalore
Bangalore	Tuticorin	Hyderabad
Trivandrum	Mangalore	Pithampur
Ahemdabad	Mundra (Bhuj)	Ballabgarh
	Kakinada	Tuticorin
	Kolkata	
	Haldia Dock	

Benefits To the Department

- (a) Senior Officers can monitor performance of functional officers online.
- (b) Time stamping of all activities ensures accountability
- (c) Authenticated and validated transaction-- leading to accurate reporting since with the use of EDI and Internet based filing system data is received directly from the trade instead of having to be entered.
- (d) Various kinds of Management Information System (MIS) reports get generated automatically.

Annexure - B

Risk Management System

1. The IMG was also explained the importance of the Risk Management System (RMS) that is being developed by the CBEC. RMS would further increase the efficiency of ICES by selective screening of high risk cargo. RMS aims at providing a systematic approach to the entire gamut of risk management and to put in place a mechanism assisted by information technology to identify and manage risks associated with the business of cargo clearance.

2. The RMS aims to provide end-to-end solutions for issues spread across the entire compliance continuum - ranging from speedier clearance and facilitation on one end, to targeting and enforcement on the other. It seeks to achieve an optimal balance between the concerns of facilitation and enforcement. The design of the RMS incorporates the following main features:

- (a) Accountability, Transparency, Uniformity, Speed
- (b) Nationally focused, consistent, structured and scientific risk analysis
- (c) Flexibility at both national (strategic) and local (tactical) level
- (d) Scalability to cater to future requirements
- (e) Efficient and effective control
- (f) Resource optimization
- (g) Compliance measurement to assist policy formulation

3. The basic approach of the RMS is “trust the accredited trade partners, promote and assist compliance, and provide a platform for

effective enforcement”. The programme recognizes self appraisal and uses minimal and appropriate intervention to address perceived risks.

Components of the RMS

4. The scheme of the RMS incorporates an Accredited Clients Programme which envisages assured facilitation to clients who meet specified criteria in terms of amount of duty paid, volume of imports and a clean compliance record. The criteria have been designed to assess the applicant's capacity and commitment for compliance with the laws and regulations and his past compliance record. Under this programme, Customs will release most of accredited clients' consignments without any intervention, thus drastically reducing clearance time and transaction costs. Their imports will be subject to a small percentage of system generated random checks in order to monitor their continuing compliance and to retain an element of surprise. Customs, of course, reserve the right to intervene when there is specific intelligence or any other valid ground to do so. The accreditation under the RMS is a national programme to be managed by the Risk Management Division (which is proposed to be set up in the Directorate of Systems), so that the accredited clients get the same facilitation no matter from which port, airport or ICD they import their goods. Thus the RMS will bring about a substantial reduction in the dwell time and transaction costs of accredited clients.

5. In respect of non-accredited clients' imports, the RMS will determine the treatment to be given to individual transactions, based on an assessment of risks associated with such transactions. The purpose is to ensure that the department's resources are focused on high risk areas so that the threats to revenue and restrictions/ prohibitions on imports are effectively tackled. A large number of low risk bills of entry are likely to be cleared in the self appraisal mode, without any assessment and examination by officers. This will bring down the work load on officers on the one hand and reduce the dwell time of cargo on the other.

6. The RMS also incorporates the use of random selection techniques which will enable the Department to measure compliance, the effectiveness of the risk evaluation by the system and will add to the degree of unpredictability. In addition, it also provides tools to support intelligence based interdictions as well as compliance monitoring and enforcement.

7. The existing process of concurrent audit would be dispensed with and replaced by a risk assessment based Post-clearance audit. The goal of the Post-clearance audit programme is to reduce pre-clearance intervention on the one hand and to monitor compliance in post-clearance environment on the other.

8. The two main customs component of dwell time of cargo are assessment and examination of goods. Implementation of

RMS is expected to bring about significant reduction in these components. For the accredited clients under the Risk Management System, who will be accorded assured facilitation, the time taken for assessment and examination will be virtually eliminated.

9. To implement and manage the Risk Management System on a national basis, a Risk Management Division has been established in the Directorate of Systems under CBEC.

**Circulars
issued by CBEC**

Circular No. 23/ 2006-Cus

F.No.450/96/2006-Cus. IV
Government of India
Ministry of Finance
Department of Revenue
{Central Board of Excise & Customs}

New Delhi, dated the 25th August,2006

To

All Chief Commissioners of Customs,
All Chief Commissioners of Customs & Central Excise,
All Chief Commissioner of Central Excise,
All Commissioners of Customs,
All Commissioners of Customs & Central Excise,
All Commissioner of Central Excise,
Director General of Systems & Data management,
Webmaster@cbec.gov.in

Sir,

Subject: Examination norms concerning import & export through courier mode-regarding-

The undersigned is directed to invite your kind attention towards the issues raised by Express Industry Council of India (EICI) on the difficulties being faced by them in clearances of courier consignments from export & import through courier mode. While the Board is considering suitable amendments in Courier Imports and Exports (Clearance) Regulations, 1998, EICI has informed about the divergent examination practices being followed at different Customs locations.

2. Board has examined the issue. The automation project for clearance of courier consignment is under progress. Under the automated process the consignments would be identified for examination on the basis of 'risk analysis'. However, till such time automated system is installed, manual examination norms are necessary. Following examination norms are provided for import and export of Courier consignments,-

(a) 100% screening of import/ export consignments (documents and all types of cargo) required to be done through X-ray or other NII techniques. Wherever possible the facility of X-ray machines available with Customs could be used; otherwise the airlines or AAI's screening facility may be resorted to for such screening. Further wherever feasible such screening by multi-agencies could be combined to reduce the time taken and avoid duplicity.

(b) Physical examination of export documents (covered by customs declarations CBEx-I and

CSB-I), gifts, samples and export goods (covered by customs declarations CBEx-II, CSB-II,) limited upto a maximum of 10%of the total courier consignments or specific intelligence. The consignments so selected to be examined 100%.

- (c) Physical examination of import documents (covered under customs declarations CBE-III, CBE-VIII), gifts, samples (covered under customs declarations CBE-IV, CBE-IX) and dutiable goods (covered under customs declarations CBE-V, CBE-X) limited upto a maximum of 10% of the total courier consignments. The consignments so selected to be examined 100%.
 - (d) Selection of consignments for (b) & (c) above would be based on the various parameters such as nature of goods, value, weight, status of importer etc.
 - (e) However the Commissioner of Customs in respective port can exercise the discretion of random examination of goods, on specific parameter such as country of import/ export, nature of goods as presently provided in the present EDI System.
- 3.** Notwithstanding anything contained above, any consignment can be examined by the Customs (even upto 100% examination), if there is any specific intelligence or there is doubt during X-ray in respect of the said consignment.
- 4.** These instructions may be brought to the notice of all concerned by way of issuance of suitable Standing Orders.
- 5.** Difficulties, if any in implementation of these instructions, may be brought to the notice of the Board. Kindly acknowledge receipt of this Circular.

Yours faithfully

Sd-
(Anupam Prakash)
Under Secretary to the Government of India
Ph.-23094182

Circular No. 24 / 2006-Cus

F.No.450/96/2006-Cus. IV
Government of India
Ministry of Finance
Department of Revenue
{Central Board of Excise & Customs}

New Delhi, dated the 25th August, 2006

To

All Chief Commissioners of Customs,
All Chief Commissioners of Customs & Central Excise,
All Chief Commissioner of Central Excise,
All Commissioners of Customs,
All Commissioners of Customs & Central Excise,
All Commissioner of Central Excise,
Director General of Systems & Data management,
Webmaster@cbec.gov.in

Sir,

Subject: Transshipment of import and export cargo through airports- waiver of bank guarantee - Reg.

I am directed to invite your attention that as per existing provisions of transshipment of cargo from one Customs location to another location, the transhipper has to execute a bond with bank guarantee in order to safeguard Customs duty in the transshipment operation. Kind attention is also invited to Board's Circular No. 45/2005-Customs, dated 24.11.2005. The Circular waives the requirement of the of bank guarantee to be taken in case of transshipment of cargo from the gateway port to feeder ports/ ICDs/ CFSs and vice versa, for all carriers of containerized cargo, who are handling more than 1000 TEUs as import containers in a financial year. The waiver is applicable not only to shipping lines but also to ICDs/ CFSs/ other carriers and for carriage in all modes of transshipment, irrespective of their movement by road, coastal shipping or rail. Further, jurisdictional Commissioners of Customs may in deserving cases give waiver of bank guarantee requirement for carriage of goods on transshipment.

2. The issue of waiver of bank guarantee in transshipment of air cargo between two Indian airports and transshipment of cargo from/ to airport from other Customs location was considered in Inter Ministerial Group on Simplification of Customs Procedures in Air cargo

and Airports. It was discussed to provide similar bank guarantee waiver requirement for air cargo transshipment.

3. It has been decided by the Board that airlines/ other carriers having annual transshipment volume above **2500 MT** to/ from any airport, the same would be exempt from Bank Guarantee for carriage of goods on transshipment. Further, the jurisdictional Commissioners of Customs in deserving cases may also consider giving waiver of bank guarantee.
4. The above instructions may be brought to the notice of the Trade immediately through appropriate Public Notice.
5. Receipt of this Circular may kindly be acknowledged.

Yours faithfully

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Ph.-23094182

Published by
The Secretariat for the Committee on Infrastructure
Planning Commission
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