

## CHAPTER III

### RESULTS OF THE SURVEY

The discussion on the results of time measurement will proceed from general to detailed. Comparison of average release times is first made across ports, then for subgroups (*i.e.*, formal and warehousing) within each port. Next, the comparative results are refined using variance analysis. This is followed by a separate analysis of processes that have only manual time stamps, specifically intervention of other agencies and physical examination.

#### III.1 COMPARATIVE PERFORMANCE OF PORTS

##### III.1.1 Profile of Sample Imports

The survey results are based on randomly selected 16,770 import entries in 3 ports, POM, MICP and NAIA, that were assessed and released during the period March 1 to 29, 2003. A profile of these entries is presented in Table 3.1. Some of the characteristics are noted below:

- Formal or consumption entries comprise 84% of the total; warehousing, 16%. That warehousing entries comprise a much smaller proportion of the total sample compared to formal entries is due to the relative sizes of their strata (cf. Table 2.8) and standard deviations (cf. Table 2.9).
- By selectivity status, entries that are free of physical examination or document check, *i.e.*, super green and green lane entries, make up 14% and 4%, respectively, of the total; those subject to further document scrutiny, or yellow lane entries, 21%; and those subject to physical examination, or red lane entries, 61%.
- The distribution of entries according to commodity class is more or less even. The biggest grouping is that of importations of electrical machinery, which makes up 12% of total sample size; followed by food, 11%; textile, 10%; chemicals, 8%; and tobacco and spirit, 7%.

- By country of origin, 22% of imports come from East Asia (*i.e.*, Hong Kong, Korea and Taiwan); 20% from ASEAN; 18% from China; 12% from Europe; 11% from US, and 6% from Japan.
- Only 4% of import entries are lodged before the cargoes arrived; the usual mode is to lodge after arrival of cargoes.
- The most number of lodgments is made on Tuesdays, 24%, followed by Wednesdays and Mondays, 20% each. The least number of lodgments is on Fridays, 17.5%. Weekend lodgments are a minority, 6.9%, and only in airport.
- Interestingly, 64% of lodgments is in the afternoons.
- A minority of entries, 6% of total, is lodged through electronic data interchange (EDI) and Direct Traders Input (DTI). The rest is lodged at the Entry Encoding Centers (EEC).
- Exemption from customs duties and taxes applies to 17% of import entries; 8% has VAT exemption. These duties and taxes are settled mostly by cash payment, *i.e.*, 69% of all entries.
- At seaports, about 83% of cargoes is containerized

**Table III.1 Profiles of Sample Import Entries**

	Airport		Seaport		All Ports	
	N	%	N	%	N	%
Number of Entries	3,023		13,747		16,770	
<b><i>Type of Imports</i></b>						
Formal	2,216	73.3	11,841	86.1	14,057	83.8
Warehousing	807	26.7	1,906	13.9	2,713	16.2
<b><i>Selectivity Status</i></b>						
Super Green	834	27.6	1,497	10.9	2,331	13.9
Green	10	0.3	611	4.4	621	3.7
Yellow	386	12.8	3,212	23.4	3,598	21.5
Red	1,793	59.3	8,427	61.3	10,220	60.9
<b><i>Type of Commodity</i></b>						
Food	66	1.4	2,967	12.2	3,033	10.5
Textile	104	2.2	2,648	10.9	2,752	9.5
Electrical Machinery	1,237	26.7	2,092	8.6	3,329	11.5
Motor Vehicle	160	3.4	1,474	6.1	1,634	5.7
Machinery (Non-Electrical)	280	6.0	1,200	5.0	1,480	5.1
Machinery (Heavy Equipment)	153	3.3	521	2.1	674	2.3
Machinery (Computers)	705	15.2	693	2.9	1,398	4.8
Iron and Steel	288	4.9	1,267	5.2	1,495	5.2
Hardware	167	3.6	1,850	7.6	2,017	7.0
Fuel and Oil	181	3.9	940	3.9	1,121	3.9
Chemicals	249	5.4	2,120	8.7	2,369	8.2
Tobacco and Spirit	420	9.1	1,719	7.1	2,139	7.4
Paper and Paper Board	138	3.0	1,976	8.2	2,114	7.3
Miscellaneous	550	11.9	2,773	11.4	3,323	11.5
<b><i>Country of Origin</i></b>						
ASEAN	426	14.1	2,899	21.1	3,325	19.8
China	50	1.7	3,032	22.1	3,082	18.4
East Asia	311	10.3	3,422	24.9	3,733	22.3
Europe	892	29.5	1,102	8.0	1,994	11.9
Japan	216	7.1	813	5.9	1,029	6.1
US	930	30.8	993	7.2	1,923	11.5
Others	198	6.5	1,486	10.8	1,684	10.0
<b><i>Value of Commodity</i></b>						
Less than PhP100,000	1,087	36.0	1,408	10.2	2,495	14.9
PhP100,001 to PhP500,000	1,055	34.9	4,359	31.7	5,414	32.3
PhP500,001 to PhP1,000,000	319	10.6	2,549	18.5	2,868	17.1
PhP1,000,001 to PhP5,000,00	403	13.3	4,538	33.0	4,941	29.5
More than PhP5,000,000	159	5.3	893	6.5	1,052	6.3

	Airport		Seaport		All Ports	
	N	%	N	%	N	%
<b><i>Period of Lodgment</i></b>						
Pre-arrival Lodgment	182	6.0	517	3.8	699	4.2
Post-arrival Lodgment	2,841	94.0	13,230	96.2	16,071	95.8
<b><i>Day of Lodgment</i></b>						
Monday	512	16.9	2,797	20.3	3,309	19.7
Tuesday	640	21.2	3,372	24.5	4,012	23.9
Wednesday	599	19.8	2,736	19.9	3,335	19.9
Thursday	503	16.6	2,472	18.0	2,975	17.7
Friday	562	18.6	2,370	17.2	2,932	17.5
Weekend	207	6.8	0	0	207	1.2
<b><i>Time of Lodgment</i></b>						
AM	833	27.6	5,235	38.1	6,068	36.2
PM	2,190	72.4	8,512	61.9	10,702	63.8
<b><i>Processing Period</i></b>						
Inclusive of Weekends	2,013	66.6	9,638	70.1	11,651	69.5
Otherwise	1,010	33.4	4,109	29.9	5,119	30.5
<b><i>Mode of Lodgment</i></b>						
EEC	2,936	97.1	12,814	93.2	15,750	93.9
Non-EEC	87	2.9	933	6.8	1,022	6.1
<b><i>Period of Clearance</i></b>						
Pre-arrival Clearance	0	0	206	1.5	206	1.2
Post-arrival Clearance	2,867	94.8	13,541	98.5	16,408	97.8
Not Specified	156	5.2	0	0	156	0.9
<b><i>Custom Duties Status</i></b>						
Exempt	870	28.8	1,979	14.4	2,849	17.0
Non-Exempt	2,153	71.2	11,768	85.6	13,921	83.0
<b><i>VAT Status</i></b>						
Exempt	66	2.2	1,315	9.6	1,381	8.2
Non-exempt	2,957	97.8	12,432	90.4	15,389	91.8
<b><i>Mode of Payment</i></b>						
Cash	1,921	63.1	10,694	77.8	12,615	75.2
Non-cash	232	7.7	1,074	7.8	1,306	7.8
Exempt from Custom Duties	870	28.8	1,979	14.4	2,849	17.0
<b><i>Type of Manifest</i></b>						
Consolidated	0	0	3,734	27.2	3,734	22.3
Non-Consolidated	2,194	72.6	7,700	56.0	9,894	59.0
Not Specified	829	27.4	2,313	16.8	3,142	18.7

	<b>Airport</b>		<b>Seaport</b>		<b>All Ports</b>	
	N	%	N	%	N	%
<b><i>Type of Cargo</i></b>						
Containerized			11,407	83.0	11,407	83.0
Non-Containerized			6	0	6	0
Not Specified			2,334	17.0	2,334	17.0
<b><i>Alert Status</i></b>						
Alerted			3,039	42.8	3,039	42.8
Otherwise			4,068	57.2	4,068	57.2
<b><i>Agency Intervention</i></b>						
With Intervention	1	0	510	3.7	511	3.0
No Intervention	3,022	100.0	13,237	96.3	16,259	97.0
<b><i>Broker Mediation</i></b>						
Broker-Mediated	2,956	97.8	12,829	93.3	15,785	94.1
Direct	67	2.2	918	6.7	985	5.9

### III.1.2 General Findings

Table 3.2 summarizes the time differences between arrival and release of goods and between intervening processes for the entire sample. Across all ports, the mean release time is **120 hours or 5 days**. It is slightly longer at the seaport, 121 hours, and relatively shorter at the airport, 112 hours.

Of the total average processing time of 120 hours, an average of 74 hours are used up in the interval between arrival of goods and lodgment of import entry. This long pre-lodgment period is more than twice the average time it takes Customs to process the entries. Lodgment to assessment consumes an average of 22 hours. After assessment, it takes an average of 6 hours before the goods are cleared by Customs. The mean time difference between lodgment and customs clearance is 29 hours (1.2 days).

The release time however ranges from 32 minutes to 5,085 hours (7 months). This wide variation in release times, also shown by the large standard deviations, suggests caution in interpreting the means. Indeed, a few import entries with very long release times are actually influencing the mean statistics. Thus, the median, which indicates the middlemost release time among the sample entries, may be considered a better representation of the release times for the given data set.

The median release time for all ports indicates that half of the sample import entries have release times shorter than **99 hours (4.1 days)**, the other half exceeding this time. The corresponding statistics at the seaports and airport are 104 hours (4.3 days) and 74 hours (3.1 days), respectively.

In general, the distribution of release times is more asymmetrical at the seaport than at the airport as indicated by the degrees of skewness. Among the periods noted in Table 3.2, the most skewed is the time difference between arrival of goods and lodgment for seaport import entries, while it is the segment between assessment and Customs clearance for airport entries.

**Table III.2 Descriptive Statistics on Time Between Processes**  
(hh:mm)

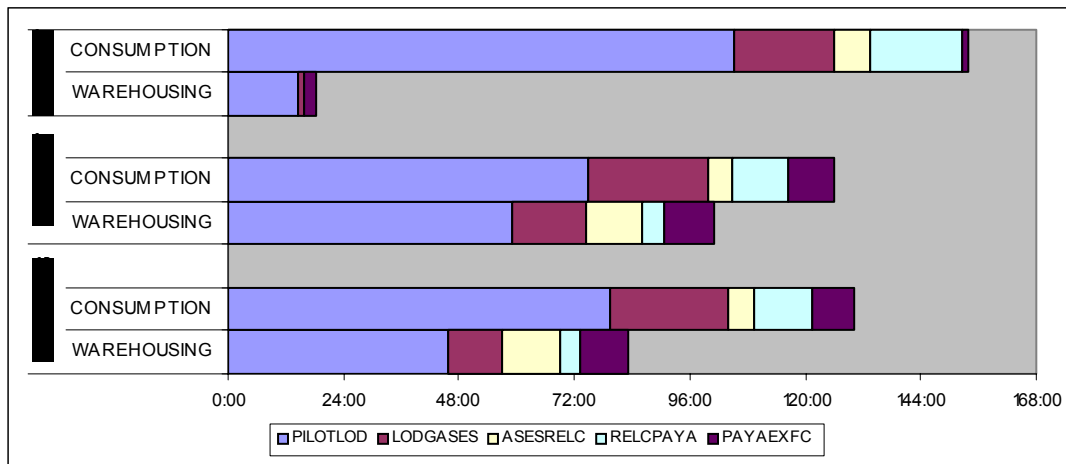
	N	Min	Max	Mean	Median	Mode	Std. Dev.	Skewness
<b>Airport</b>								
Landing of Aircraft to Lodgment	3,023	0:00	2615:25	81:01	49:11	0:00	111:47	6.19
Lodgment to Assessment/Prepayment of IPF	3,023	0:00	845:03	15:38	1:51	0:00	39:11	7.40
Assessment/Prepayment of IPF to Customs Clearance	2,194	0:13	551:43	7:24	0:40	0:33	31:43	12.10
Customs Clearance to Payment of Cargo Handling Fees	320	0:07	239:40	18:59	1:35	0:34	37:18	3.18
Payment of Cargo Handling Fees to Release of Goods	432	0:01	27:16	1:42	1:01	0:22	2:29	6.04
Landing of Aircraft to Release of Goods	3,023	0:32	2788:33	112:18	74:15	4:59	138:52	4.93
<b>Seaport</b>								
Arrival of Vessel at Pilot Station to Lodgment	13,747	0:00	3897:57	72:34	56:07	0:00	101:11	18.01
Lodgment to Assessment/Prepayment of IPF	13,747	0:00	1152:29	23:37	4:57	0:00	41:24	7.99
Assessment/Prepayment of IPF to Customs Release	13,291	0:01	568:26	6:11	0:28	0:13	19:52	10.69
Customs Release to Payment of Arrastre Fees	13,239	0:00 <sup>a</sup>	503:12	10:41	1:10	0:07	25:24	6.14
Payment of Arrastre Fees to Release of Goods	13,747	0:19	507:53	9:22	4:11	2:14	17:47	8.30
Arrival of Vessel at Pilot Station to Release of Goods	13,747	2:27	5085:49	121:11	104:12	36:16	126:40	18.52
<b>All Ports</b>								
Arrival of Goods to Lodgment	16,770	0:00	3898:17	74:05	54:52	0:00	103:13	15.33
Lodgment to Assessment/Prepayment of IPF	16,770	0:00	1152:29	22:10	4:13	0:00	41:08	7.85
Assessment/Prepayment of IPF to Customs Release	15,485	0:01	568:26	6:22	0:33	0:13	21:57	12.01
Customs Release to Payment of Arrastre/Cargo Handling Fees	13,559	0:00 <sup>a</sup>	503:04	10:52	1:10	0:07	25:46	5.99
Payment of Arrastre/Cargo Handling Fees to Release of Goods	14,179	0:01	507:53	9:08	4:02	2:00	17:34	8.39
Arrival of Goods to Release of Goods	16,770	0:32	5085:49	119:35	99:47	30:22	128:59	15.48

<sup>a</sup> Less than 1 minute.

### III.1.3 Analysis based on Import Characteristics

How much of release time is affected by the characteristics of imports? In the following, the release times are compared for transactions at seaports and airport, grouped according to the parameters enumerated in Section II.7.

**Fig. III.1 Release Time by Type of Import**



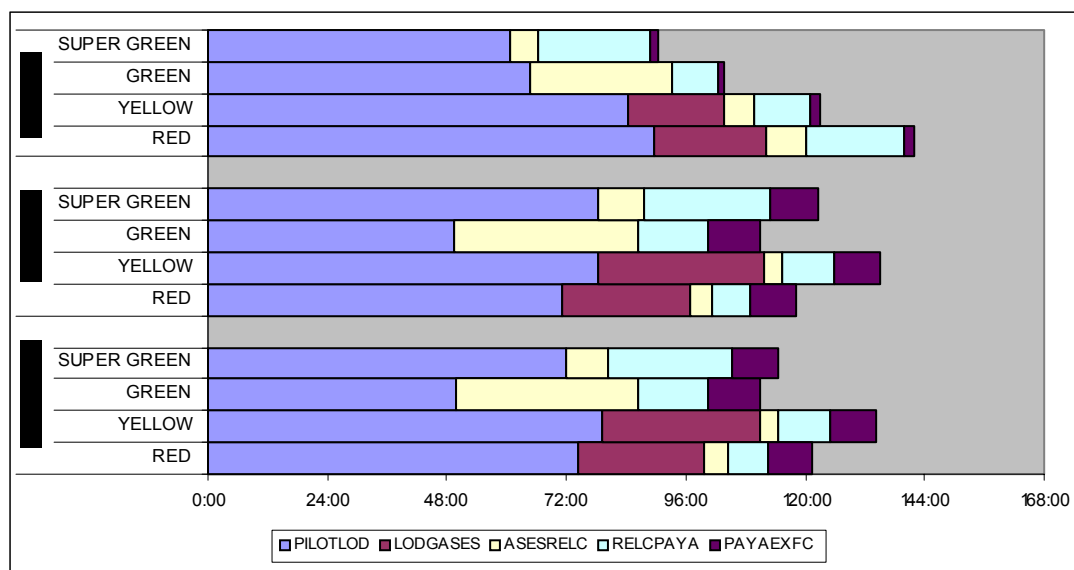
The average release time for all ports indicated by the above figure is 128 hours (5.3 days) for formal or consumption entries and 76 hours (3.2 days) for warehousing entries. There is however marked difference between entries lodged at different ports. For shipments by air, formal entries require 146 hours (6 days) to release, while warehousing shipments, only 19 hours. Formal cargoes at the seaports, on the other hand, are released in 125 hours compared to 100 hours for warehousing shipments.

Why formal entries take longer by 52 hours to release than warehousing entries cannot be ascribed solely to Customs procedures. In fact, the time required for consumption entries to clear Customs, *i.e.*, from lodgment to Customs clearance, is longer only by 3 hours compared to warehousing entries. The explanation may be traced to the time lag between arrival of goods and lodgment. Whereas formal entries are lodged 82 hours after arrival of goods, warehousing entries are lodged 50 hours after. In addition, the mean time between Customs clearance and payment of arrastre/cargo handling fees is about 11 hours for consumption, but only 4 hours for warehousing.



That formal entries at the airport take longer to release than those lodged at the seaport contradicts usual expectations. In contrast, the difference in release times of warehousing entries between ports is consistent with expectations, *i.e.*, longer at seaports. Both trends however can be explained by the difference in lodgment time. Formal entries at the seaport are lodged sooner by 28 hours than those at the airport, while for warehousing entries, lodgment at the seaport is 43 hours behind than those at the airport. Besides the time differences in these crucial process segments, not much can be said on why the lodgment pattern is different between ports.

**Fig. III.2 Release Time by Selectivity Status**



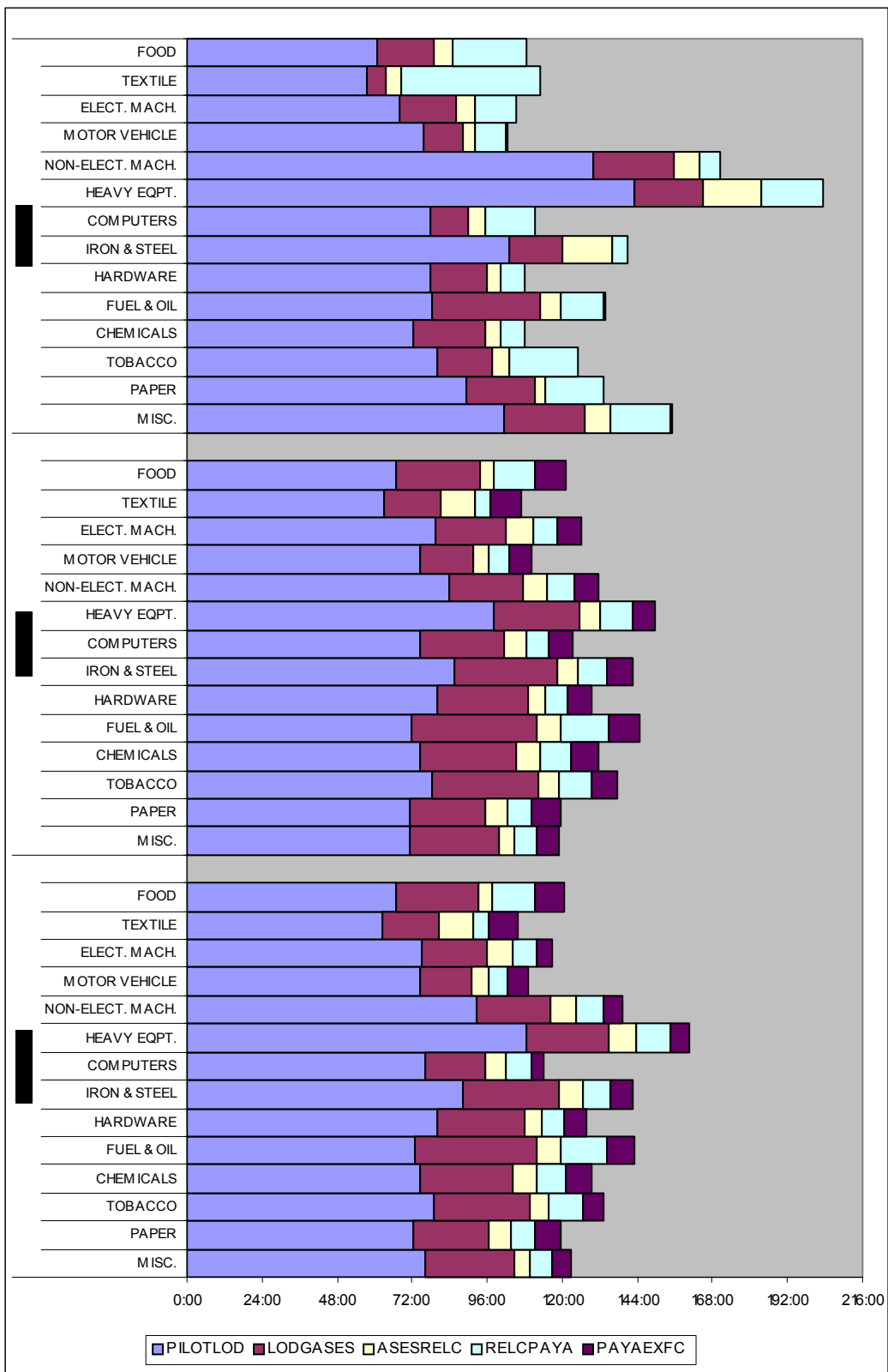
The color selectivity scheme is meant to indicate which goods may be allowed to clear Customs almost immediately after they have arrived. It is expected that the mean time differences between green and non-green entries on one hand, and between super green and green on the other hand, are significant. Moreover, those requiring physical examination (red entries) is expected to take longer time to clear than those subject only to document evaluation (yellow entries).

As shown in Figure 3.2, the survey results do not collaborate these expectations. The average release times for all entries suggest that although green entries are released faster than non-green, the difference between super green (106 hours) and green (109 hours) is not material, and red (119 hours) is released faster than yellow (132 hours). At the seaport, the color scheme is turned upside down even more: apart from red

being faster than yellow, green is faster than super green. The trend at the airport is, however, what the color scheme should be: super green comes out fastest, followed by green, yellow and red.

What accounts for these results? Green entries are expected to have shorter release times than non-green entries because the former are assessed immediately after lodgment. Thus, there is no time gap between lodgment and assessment for green entries. But while yellow and red entries require about 31 and 25 hours respectively to get pass through Customs examiners and appraisers, matching of payment of duties and taxes, and subsequently Customs clearance are delayed for green entries. The average time gaps between assessment and Customs clearance for super green and green are 8 and 36 hours, respectively, while only 3 and 4 hours for yellow and red, respectively.

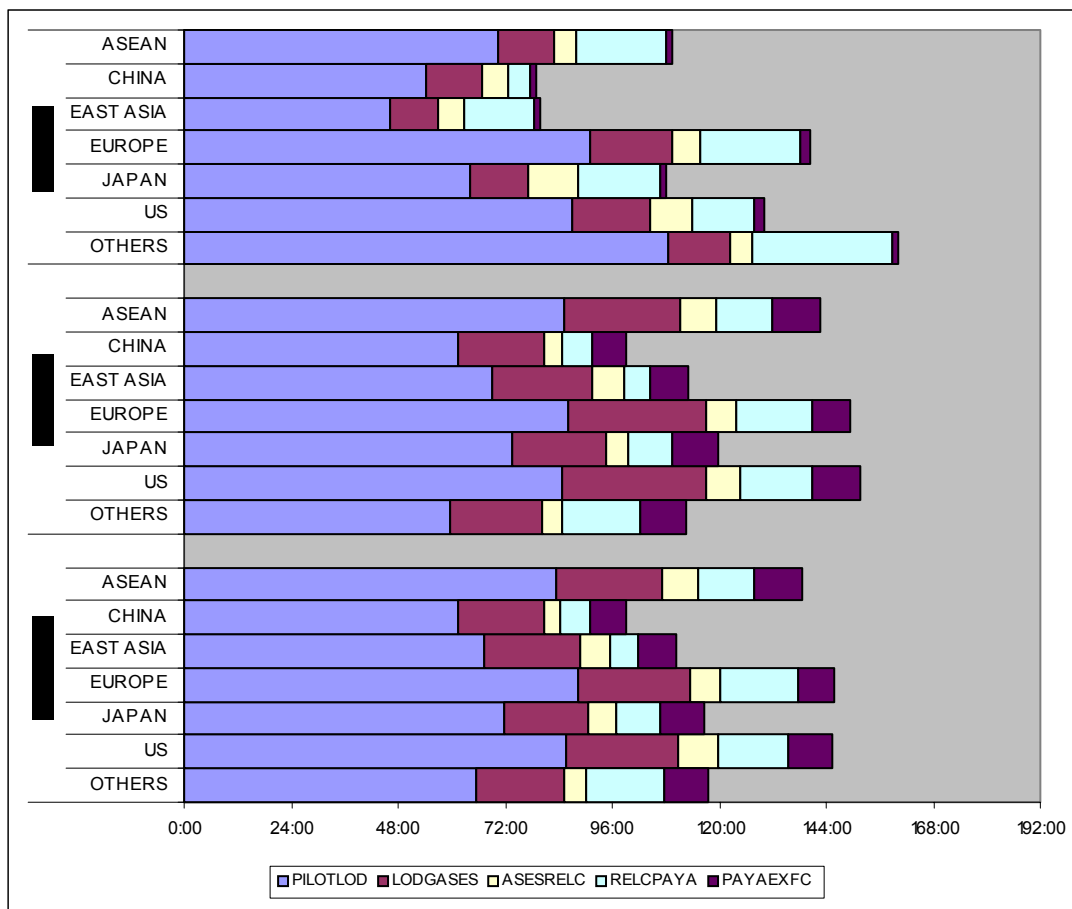
**Fig. III.3 Release Time by Type of Commodity**



Just like the pattern by color selectivity, the pattern of release times of different commodity groups is also not readily explainable. At the seaports, textile and motor

vehicles have the shortest processing time, while at the airport, the shortest release times are for textile and food. Overall, the commodity groups with the shortest release times are textile (102 hours), motor vehicles (109 hours), computers (113 hours), electrical machinery (113 hours), paper products (118 hours) and food (119 hours). Product groups that have longer than average release times are heavy equipment (159 hours), iron and steel (141 hours), fuel and oil (141 hours) and non-electrical machineries (138 hours). There is no easy explanation on why fungibles such as food take longer to release than nonfungibles like textile and computer products. But the periods between arrival of goods and lodgment and between lodgment and assessment tend to be shorter for fast-moving products, *e.g.*, 63 hours and 19 hours, respectively, for textile, compared to 108 hours and 34 hours, respectively, for heavy equipment.

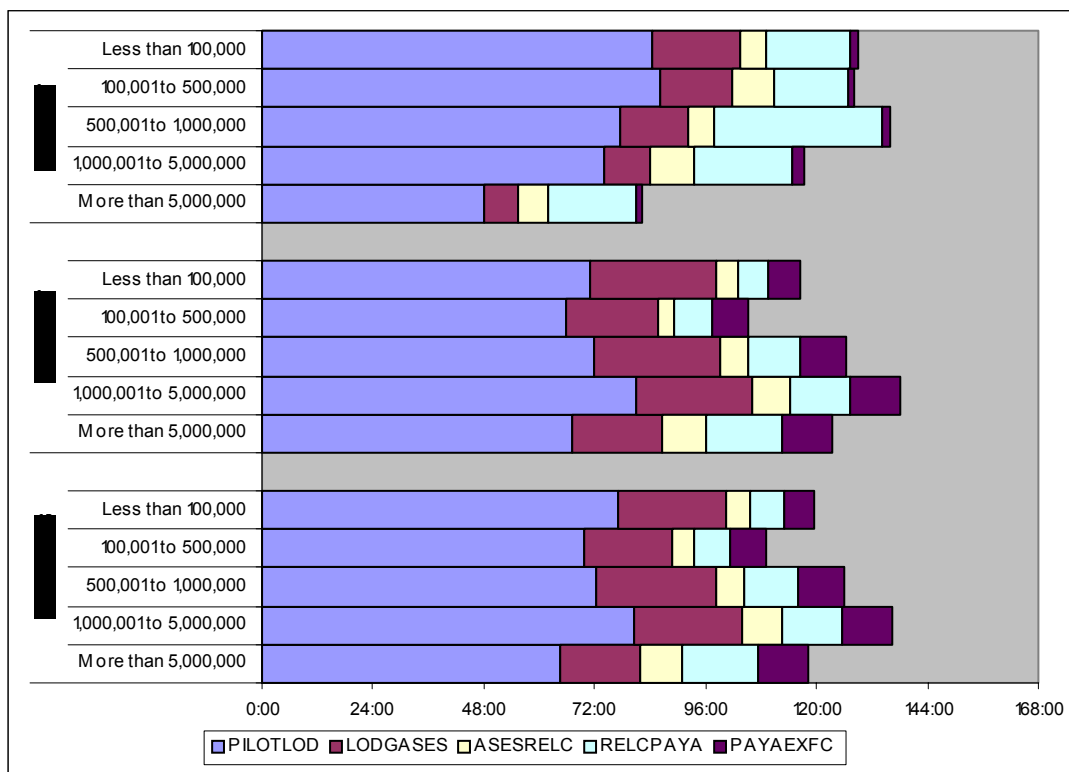
**Fig. III.4 Release Time by Country of Origin**



By country of origin, shipments coming from China are released much faster (98 hours) compared to all other cargoes. ASEAN shipments are among the slowest, at 136 hours, despite the preferential treatment that should have been accorded to cargoes originating from these countries on account of AFTA. After China, the next group of imports with shorter than average processing time comes from East Asia (107 hours) and Japan (113 hours). There is again no ready explanation for this observation except that although China cargoes are selected red, hence subject to physical examination, the time between lodgment and assessment is surprisingly smallest for these goods compared to others.

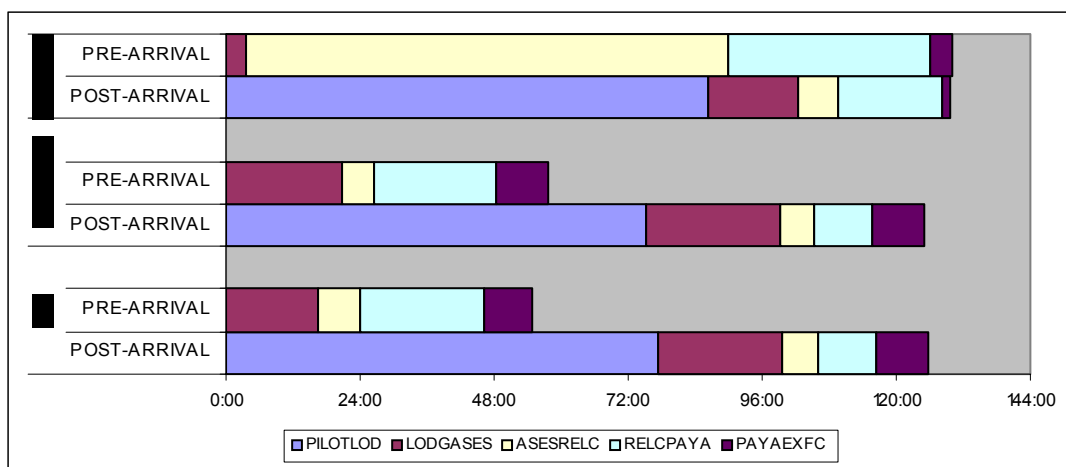
At the airport, though, cargoes from East Asia move faster than those from China by about 13 hours. Still, the release time for cargoes from China is much better than those for other countries, e.g., Japan (91 hours) and ASEAN (96 hours). It should be noted however that there are few imports from China that enter through the airport and that 60% of import entries from East Asia that are lodged at the airport is warehousing.

**Fig. III.5 Release Time by Value of Commodity**



There is no clear pattern of association between the value of commodity and release time. Commodities valued between P100,000 and P500,000 have the shortest processing time (107 hours), followed by commodities whose value is more than P5,000,000 (115 hours). The mean release time of goods with value less than P100,000 (116 hours) is not significantly different from those with value more than P5,000,000. But the period between lodgment and assessment tends to be shorter for high-valued commodities, while the opposite is true for the period between assessment and Customs clearance.

**Fig. III.6 Release Time by Period of Lodgment**



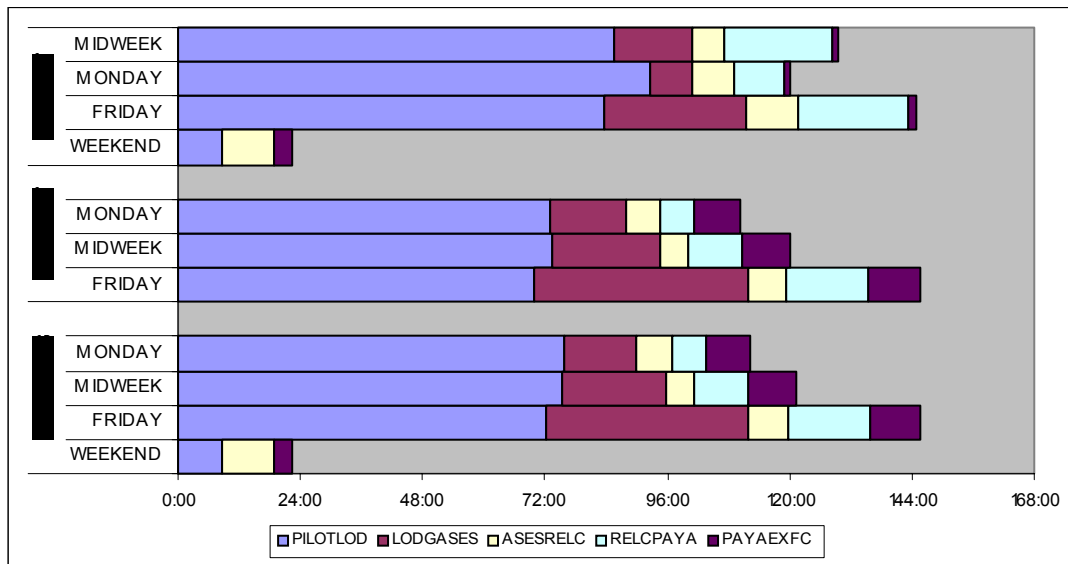
In general, import entries lodged before the arrival of goods are processed more than twice faster than those lodged after arrival, *i.e.*, 47 hours versus 123 hours for pre-arrival and post-arrival lodgments, respectively. Although this follows expectations, one notes that despite the quicker pace, only 4% of entries in the sample is lodged before arrival of goods. In the sample, there are 511 entries from seaport and 182 entries from airport that were lodged before arrival of goods. All except 12 entries prelodged at the airport are warehousing, while 88% of entries prelodged at the seaport is consumption. Despite this difference, the proportion by which the release time of pre-arrival is smaller than post-arrival lodgments is the same for both ports.

One cannot conclude on the basis of release time that pre-arrival lodgments have shorter processing period since release time is measured from arrival of goods and excludes Customs procedures prior to arrival. Consequently, when comparing pre- and post-arrival lodged imports, there is bias in favor of the former if the basis is

simply release times. It is thus relevant to inquire if the difference in release time between pre- and post-arrival lodgments reflects difference in Customs clearance time or simply difference in reference period. If the former were true, then there is indeed some time savings when imports are lodged before arrival. If the latter however were true, then it would not be accurate to conclude that lodgments before arrival is more efficient.

This survey shows that the time between lodgment and Customs clearance is not significantly different for pre- as with post-arrival lodgments.<sup>1</sup> Thus, while pre-arrival lodgment advances the release of goods, it does not reduce the actual processing time.

**Fig. III.7 Release Time by Day of Lodgment**



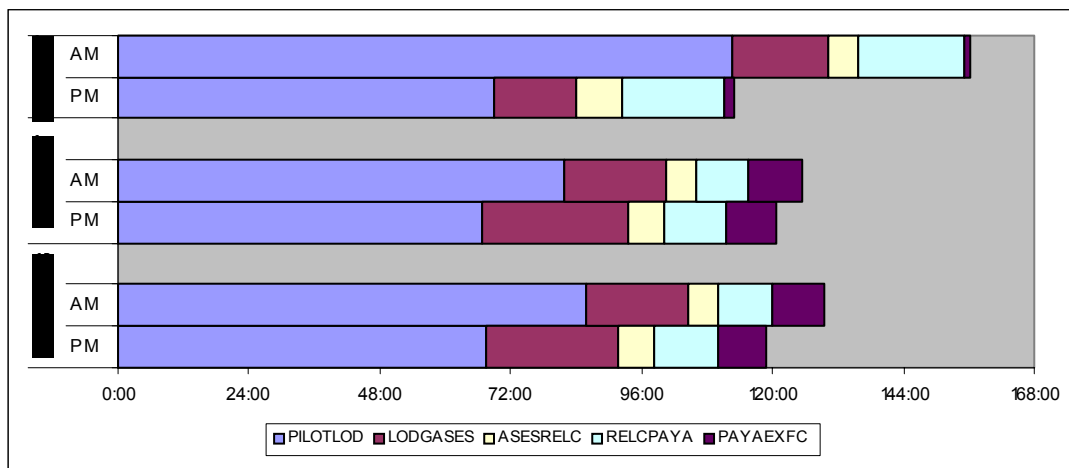
*Note: ASESRELC for weekend lodgment in airport includes time between assessment and payment of arrastre fees.*

The day of the week when entries are lodged seem to have some influence on the release time. In general, Monday lodgments are released faster (110 hours) than those of any other weekdays. Release time is slowest for Friday lodgments (142 hours). However the release times are much shorter for lodgments on weekends (10 hours for Saturdays and 19 hours for Sundays). But weekend lodgments are allowed only at the airport. In the sample, there are only 207 entries (1.2% of total) that are lodged on weekends -- all are warehousing entries.

<sup>1</sup> See discussion on Section 3.7.

What causes an earlier release of Monday lodgments is the abbreviated time of lodgment to assessment (for formal entries) or prepayment of import processing fee (for warehousing) that is only 14 hours, compared to those of Friday lodgments, 39 hours. Lodgment to prepayment of import processing fee is even shorter for weekend lodgments, lasting only for 21 minutes. This is unusually short since the mean time of all entries for this process segment is more than 1 hour.

**Fig. III.8 Release Time by Time of Lodgment**

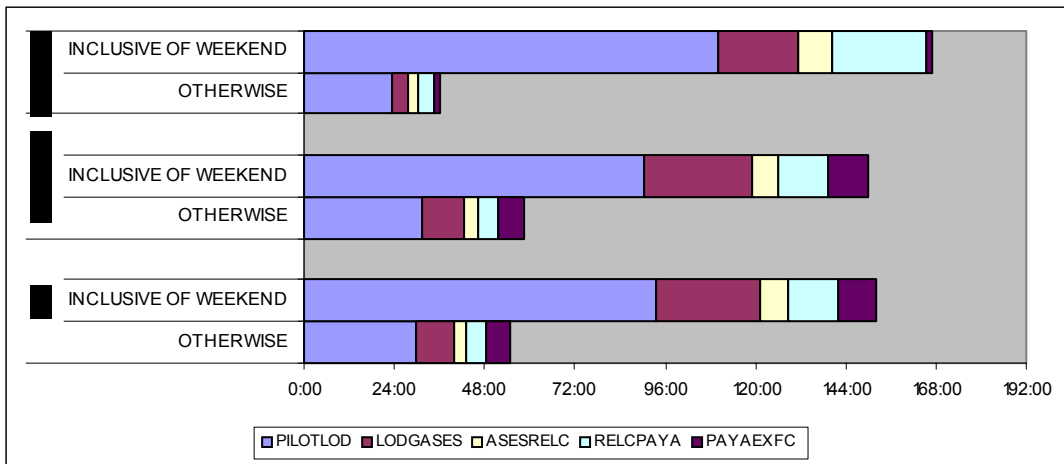


The time of lodgment has also influence on release times. Entries lodged in the afternoons take 115 hours from arrival to release, shorter than entries lodged in the mornings which take 127 hours. The difference in release times between the two is significantly larger at the airport, where PM lodged entries are released 46 hours (1.9 days) earlier, than at the seaport where the time difference is only 5 hours.

However, the shorter release time of PM entries owes not to shorter processing time in Customs since the periods between lodgment and assessment and between assessment and Customs clearance are actually longer for PM entries than AM entries. What causes PM entries to have shorter release time is the shorter time gap between arrival of goods and lodgment, *i.e.*, 83 hours for AM versus 69 hours PM entries.

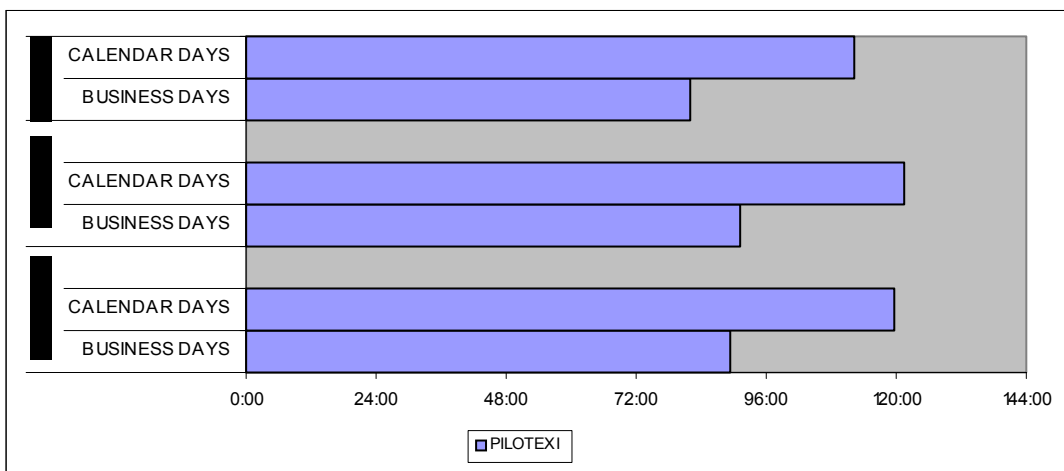


**Fig. III.9 Release Time by Processing Period**



Import entries with processing period that does not include weekends have shorter release time than those with weekends, 52 hours (2.2 days) versus 149 hours (6.2 days). The average times between arrival of goods and lodgment, between lodgment and assessment, and between assessment and Custom clearance are expectedly longer for weekend-inclusive entries than those exclusive of weekends because Customs offices operate only on weekdays, albeit with limited operations during weekends at the airport. However, the time gap from Customs clearance to release is also twice longer for weekend-inclusive, notwithstanding round-the-clock operations of the arrastre. Thus, the difference in the release times between these two groups of imports could not have been avoided by Customs operations during weekends.

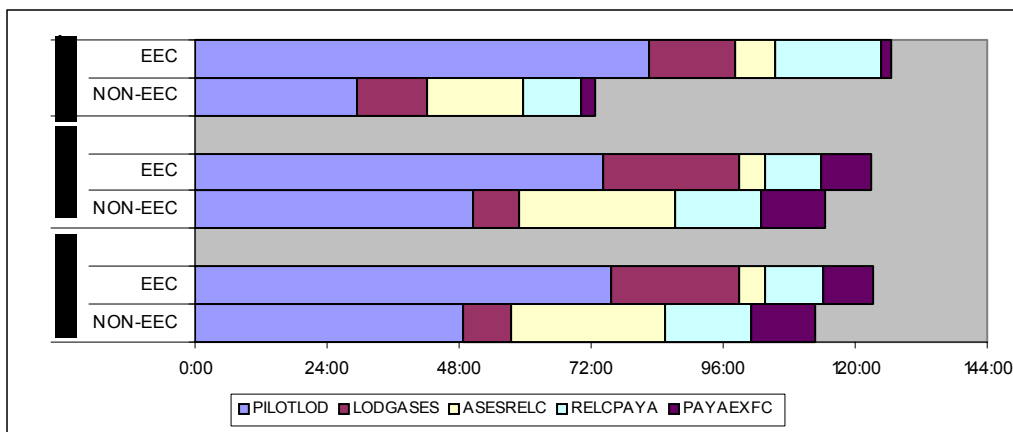
**Fig. III.10 Release Time, Calendar vs. Business Days**



Shown in the preceding figure are comparative release times of weekend-inclusive entries if all calendar days are counted and when only business days are counted. To obtain the latter, the weekends in between the time of berth and Customs clearance were removed from the total processing period. Weekends after Customs clearance were ignored because the succeeding processes involve the arrastre/cargo handler that maintains 24-hour 7-day operations.

The results show that the average release time for the total sample would have been shorter by 30 hours if only business days are counted. Specifically, the average release times using calendar and business days are 119 hours and 89 hours, respectively. For seaport entries, the comparative release times are 121 and 91 hours; for airport entries, 112 and 81 hours.

**Fig. III.11 Release Time by Mode of Lodgment**



In the sample, only 6% (1,022 entries) is lodged through EDI or DTI. Such mode of lodgment is also referred to as “electronic” lodgment. Lodgment through the EEC, referred to as “manual” lodgment, remains the predominant mode at both ports. The profile of those lodging electronically is however different at the two ports. Non-EEC lodgments at the seaports are 83% consumption, while those at the airport are 75% warehousing.

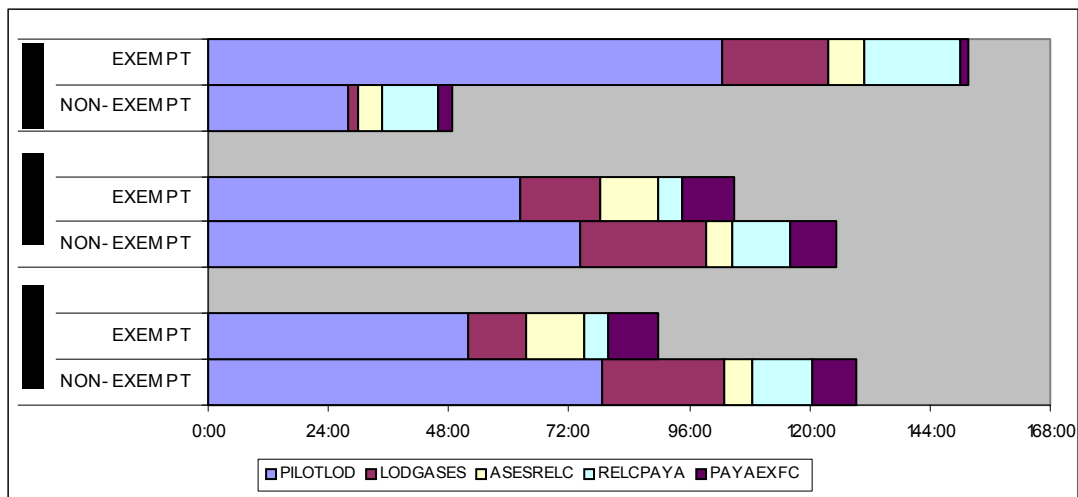
It is expected that electronic lodgment will shorten the time between arrival of goods and lodgment. Indeed, the time for this process segment is 48 hours (2 days) if lodged through the EDI or DTI, while 76 hours (3.2 days) if lodged through EEC. On

average, the release time is 107 hours (4.4 days) for electronic lodgments, while 120 hours (5 days) for manually lodged entries. Although the time savings of using electronic lodgments seem equivalent only to half-a-day, one must also consider that the release times of manually lodged entries are more widely dispersed than those lodged electronically. In addition, advantage of electronic lodgments is more apparent at the airport where the release time is shortened by more than 50%, *i.e.*, 54 hours for electronic versus 114 hours for manual lodgments.

Apart from facilitating lodgments, the VANs are currently expanding their services to facilitate electronic payment of duties and taxes. This appears important as the average time between assessment and Customs clearance for manually lodged entries is only 5 hours, compared to 28 hours for electronically lodged.

It is not clear however why electronically lodged entries have shorter mean time between lodgment and assessment, *i.e.*, 8 hours against 23 hours for manual lodgments. At the seaport, this finding may be explained by the fact that 681 of 935 electronically lodged entries are super green and green tagged imports. For these types of imports, lodgment and assessment coincide, thus the mean time is small. But at the airport where the release time of electronic lodgments is less than half of manual lodgments, 71 of 87 electronic lodgments have been tagged “red.” Nonetheless, the period between lodgment and assessment averages only 13 hours for electronic lodgments, compared to 15 hours for manual lodgments.

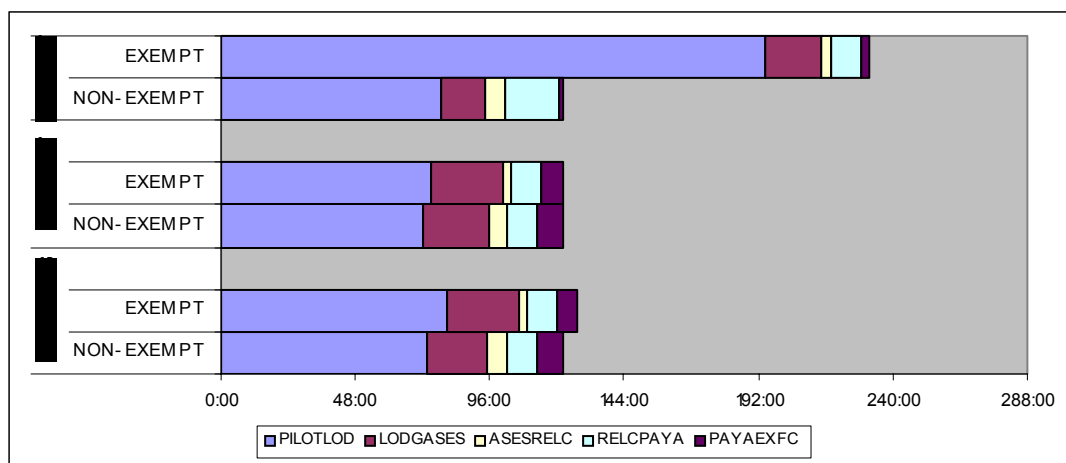
**Fig. III.12 Release Time by Customs Duties Status**



Duties-exempt imports can have shorter or longer release time compared to non-exempt imports depending on the relative ease of obtaining tax-exempt certification and paying applicable duties. This survey suggests the former to be less burdensome given the shorter gap between arrival and lodgment for duties-exempt imports, *i.e.*, 50 hours for duties-exempt against 70 hours for non-exempt. Tax-exempt certification is secured before lodgment, so is payment of applicable duties. In addition, duties-exempt imports obtain their assessment faster than non-exempt, *i.e.*, 11 hours for the former against 24 hours for the latter. But surprisingly, it takes about 11 hours from assessment before duties-exempt imports are cleared by Customs, while only 5 hours for non-exempt. A possible explanation for this is that for tax-exempt imports, without the matching of payment that precedes the electronic clearance, *i.e.*, OLRs, duty stop has to be manually lifted, hence the delay.

Despite this, the average release time on duties-exempt imports is 46 hours or about 2 days less than that of non-exempt imports. At the airport, the difference in release times is much larger, 34 hours for exempt against 143 hours for non-exempt.

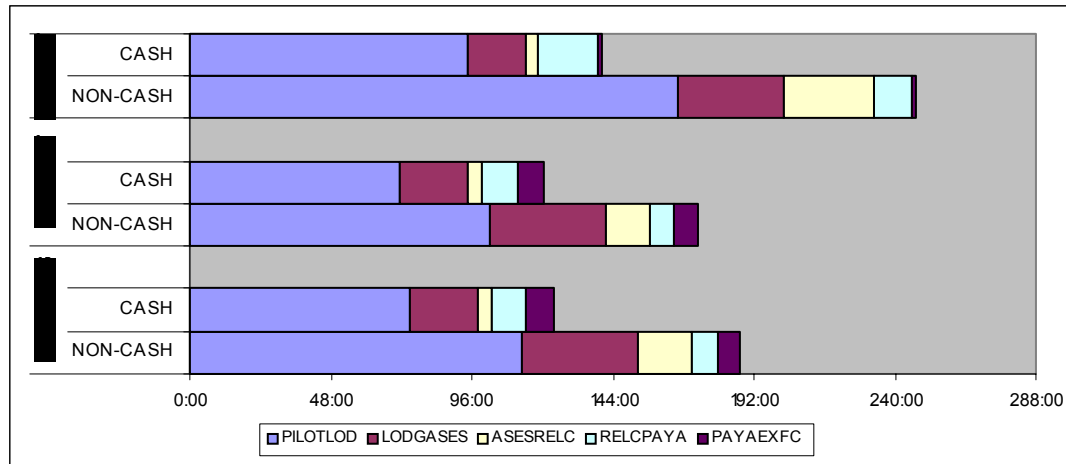
**Fig. Iii.13 Release Time by VAT Status**



In contrast to the findings on duties exemption, VAT-exempt imports tend to have longer release time than non-exempt, *i.e.*, 125 hours for exempt against 119 hours for non-exempt. At the airport, the difference in release times is more glaring, 226 hours vs. 109 hours. The delay may be due to the need to secure proof of VAT exemption

from the Department of Finance before the import can be lodged. Thus exempt goods take longer to lodge, 81 hours after arrival, compared to only 74 hours for non-exempt.

**Fig. III.14 Release Time by Mode of Payment**



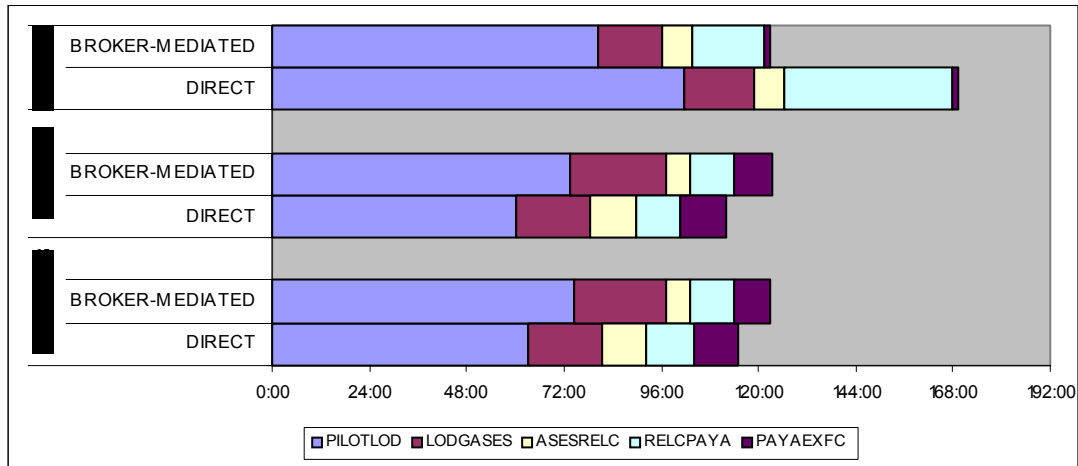
Cash payment refers to remittance of final payment to the authorized agent bank (AAB), advance payment made to facilitate the opening of letter of credits and additional payment of less than P5,000 to the Collection Division. Non-cash payment, on the other hand, includes tax credit issued by the Department of Finance, deferred payment that applies only to government importations, tax exemption issued the Mabuhay Lane and Revenue Office of the Department of Finance, and cash bonds issued for goods that tentatively released because of valuation issues.

All things the same, entries with duties and taxes paid in cash should have shorter release time. The average release time of cash-paid imports is 123 hours against 156 hours for non-cash. What makes the release time of non-cash imports longer is the delay in lodgment by about 30 hours. Such time may have been spent on securing documents required for non-cash payment of duties. Hitherto the verification and issuance of permission for non-cash payment are manual processes involving other government agencies.

Adding to this delay is the longer time it takes non-cash imports to obtain Customs clearance after assessment. Between assessment and Customs clearance, the interval for non-cash is 8 hours, compared to 6 hours for cash-paid imports. This 2-hour difference may be due to the limitations in the current Payment System that can only

accommodate cash payments. The details of the non-cash payment has to be manually encoded and uploaded to the ACOS system before the release message can be generated for the particular import, hence the delay. If the Payment System is upgraded, then it may cut down this difference but may not help in reducing the delay in lodgment.

**Fig. III.15 Release Time by Broker Mediation**



Another finding that runs against expectation is shown above where broker-mediated entries are released slower than those applied without broker’s assistance. This emerges for broker-mediated entries at the seaport that have average release time of 122 hours against 109 hours for those entries lodged directly the importer. Moreover, lodgment is sooner for entries that are not broker-mediated, as indicated by the shorter time between arrival and lodgment. However, the importer may have made the decision not to use the importer because a particular import transaction has few clearance requirements that it can be released without much delay despite the absence of broker’s assistance. Thus, there may be selection bias reflected in this result: the import entries that are facilitated by brokers, are by their nature, require longer time to release while the opposite applies to nonbroker-mediated entries. Nonetheless, the trend at the airport follows expectations. Broker-mediated entries are lodged earlier and released faster by about 36 hours (1.5 days).

In summary, all the parameters considered appear to have some degree of influence on the release time, albeit the directions of influence are not all consistent with

expectations. Some observations apply to both types of ports; others highlight the difference in the import processing environment at the two ports. The succeeding sections examine more closely each of the ports.

## **III.2 RELEASE TIME AT THE AIRPORT**

### **III.2.1 Profile of the Sample**

The airport is represented by 3,023 imports, of which 2,216 entries are consumption, the remaining entries are warehousing. Table 3.3 describes these entries based on the same set of parameters used in the previous section. A few observations are of interest.

- The proportion of red entries is higher in formal, 63%, than in warehousing, 50%. There are no green entries in warehousing and only 10 entries are tagged green in formal. Because of the small number of green entries, no conclusion can be drawn on the basis of the statistics for this set of imports.
- Electrical machinery comprises 67% of warehousing entries. This and computers represent one-third of formal entries.
- Most formal imports come from US and Europe; warehousing imports are mainly from East Asia, Europe and US.
- More than half of formal and warehousing entries has value less than P200,000 -- below the median value for all ports combined which is P561,114. One would have expected that imports entering the airport are higher-valued than those entering other ports. It may be case however that imports at the airport are parcelled because of higher transportation costs.
- Pre-arrival lodgment is more common in warehousing than in formal entries. Indeed the number of formal entries lodged before arrival is insufficient to be the basis of statistical analysis.

- There are more lodgments of formal entries during Tuesdays than any other day of the week. For warehousing, however, 25% is lodged on weekends.
- The proportion of afternoon lodgment is higher in warehousing (97%) than in formal entries (64%).

**Table III.3 Profiles of Sample Import Declaration at the Airport**

	<b>Formal</b>		<b>Warehousing</b>	
	N	%	N	%
Number of Entries	2216		807	
<b><i>Selectivity Status</i></b>				
Super Green	574	25.9	260	32.2
Green	10	0.5	0	0
Yellow	245	11.1	141	17.5
Red	1,387	62.6	406	50.3
<b><i>Type of Commodity</i></b>				
Food	66	1.8	0	0
Textile	47	1.3	57	6.0
Electrical Machinery	601	16.3	636	67.2
Motor Vehicle	160	4.3	0	0
Machinery (Non-Electrical)	273	7.4	7	0.7
Machinery (Heavy Equipment)	150	4.1	3	0.3
Machinery (Computers)	635	17.2	70	7.4
Iron and Steel	215	5.8	13	1.4
Hardware	140	3.8	27	2.8
Fuel and Oil	180	4.9	1	0.1
Chemicals	198	5.4	51	5.4
Tobacco and Spirit	403	10.9	17	1.8
Paper and Paper Board	127	3.4	11	1.2
Miscellaneous	496	13.4	54	5.7
<b><i>Country of Origin</i></b>				
ASEAN	226	12.0	160	19.8
China	23	1.0	27	3.3
East Asia	122	5.5	189	23.4
Europe	722	32.6	170	21.1
Japan	104	4.7	112	13.9
US	790	35.6	140	17.3
Others	189	8.5	9	1.1



	<b>Formal</b>		<b>Warehousing</b>	
	N	%	N	%
<b><i>Value of Commodity</i></b>				
Less than PhP100,000	855	38.6	232	28.7
PhP100,001 to PhP500,000	780	35.2	275	34.1
PhP500.001 to PhP1,000,000	200	9.0	119	14.7
PhP1,000,001 to PhP5,000,00	278	12.5	125	15.5
More than PhP5,000,000	103	4.6	56	6.9
<b><i>Period of Lodgment</i></b>				
Pre-Arrival Lodgment	12	0.5	170	21.1
Post-Arrival Lodgment	2,204	99.5	637	78.9
<b><i>Day of Lodgment</i></b>				
Monday	390	17.6	122	15.1
Tuesday	526	23.7	114	14.1
Wednesday	482	21.8	117	14.5
Thursday	397	17.9	106	13.1
Friday	421	19.0	141	17.5
Weekend	0	0	207	25.7
<b><i>Time of Lodgment</i></b>				
AM	805	36.3	28	3.5
PM	1,411	63.7	779	96.5
<b><i>Processing Period</i></b>				
Inclusive of Weekends	1,643	74.1	370	45.8
Otherwise	573	25.9	437	54.2
<b><i>Mode of Lodgment</i></b>				
EEC	2,194	99.0	742	91.9
Non-EEC	22	1.0	65	8.1
<b><i>Period of Clearance</i></b>				
Post-Arrival Clearance	2,216	100.0	651	80.7
Not Specified	0	0	156	19.3
<b><i>Customs Duties Status</i></b>				
Exempt	63	2.8	807	100.0
Non-exempt	2,153	97.2	0	0
<b><i>VAT Status</i></b>				
Exempt	66	3.0	0	0
Non-exempt	2,150	97.0	807	100.0
<b><i>Mode of Payment</i></b>				
Cash	1,921	86.7	0	0
Non-Cash	232	10.5	0	0
Exempt from Custom Duties	63	2.8	807	100.0

	<b>Formal</b>		<b>Warehousing</b>	
	N	%	N	%
<b><i>Agency Intervention</i></b>				
With Intervention	1	0	0	0
Without Intervention	2,215	100.0	807	100.0
<b><i>Broker Mediation</i></b>				
Broker-Mediated	2,158	97.4	798	98.9
Direct	58	2.6	9	1.1

### III.2.2 General Findings

Tables 3.4 and 3.5 present not only the release times for consumption and warehousing entries at the airport, respectively, but also the time segments between arrival and physical release of goods. As noted in the comparison across ports, the release times are widely dispersed such that the mean statistics provide an inferior representation of the sample than the median. Thus while the mean release time for formal is 146 hours (6.1 days), about half of the entries are actually released earlier, *i.e.*, 103 hours (4.3 days) or less. For warehousing, the mean release time is 19 hours but the median, 9 hours, is less than half of this time.

Both for formal and warehousing, the time segments between unloading of goods from the aircraft and lodgment, and between lodgment and modification of registration for selected entries, display the largest mean and variance. Consider the pre-lodgment time ranging from 5 minutes to 888 hours (37 days) for consumption entries, and from 0 to 338 hours (14 days) for warehousing.

One also notes with interest that while assessment is expected to follow immediately after the entry has been rerouted to green lane, this process can take as much as 291 hours (12 days) for some consumption entries. The wide gap between matching of payment and Customs clearance is also surprising since the interface between the Payment server and ACOS (which generates the clearance message) should only require a few seconds unless there are problems in the servers or with the interface of ACOS and cargo handlers.

If the median were used as guide, all procedures after lodgment can be completed within less than 12-hour period. For consumption, the median time from lodgment to modification of registration is 6 hours, but the processes that follow take only a few minutes. For warehousing, the processing period is much shorter since the median time from lodgment to modification of registration is only 27 minutes. This short Customs processing period at the airport can be held to explain why majority of the lodgments are in the afternoons. Given that payment of cargo handling fees is allowed up to 10 pm by some handlers, then an importer/broker has at least 50% chance of having the shipment released within the day it was lodged.

**Table III.4 Descriptive Statistics on Time between Processes in Airport, Formal Entry**  
(hh:mm)

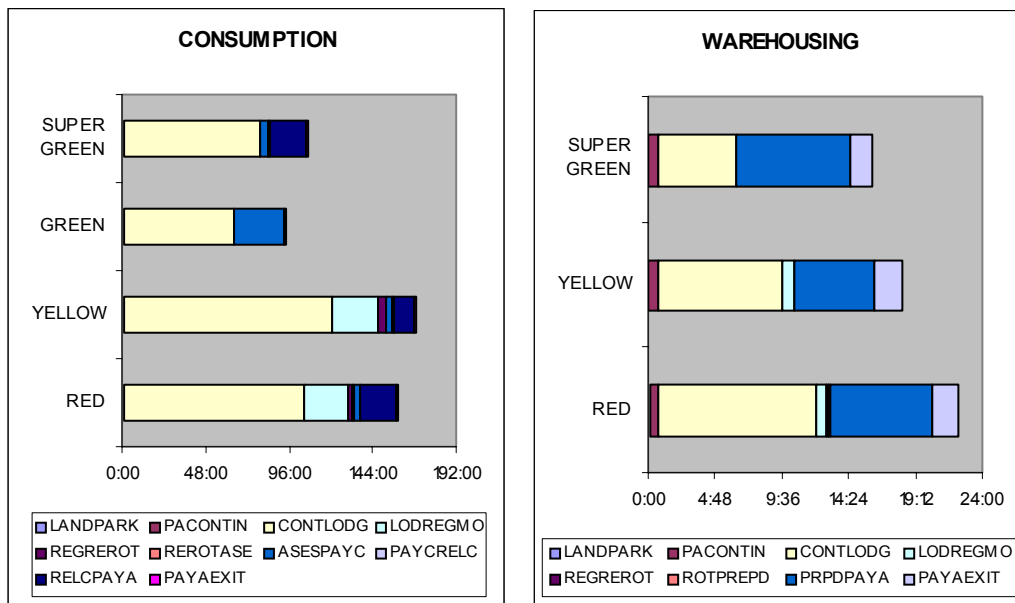
<b>From</b>	<b>To</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Median</b>	<b>Mode</b>	<b>Std. Dev.</b>	<b>Skewness</b>
Landing of Aircraft	Parking of Aircraft	2,216	0:02	0:19	0:06	0:06	0:06	0:02	1.81
Parking of Aircraft	Discharge of Goods	2,169	0:02	13:43	1:09	0:58	1:05	1:04	7.25
Discharge of Goods	Lodgment	2,216	0:00	2614:23	98:49	68:45	0:00	114:30	6.57
Lodgment	Modification of Registration	1,602	0:23	842:09	25:11	6:10	0:55	45:19	6.49
Modification of Registration	Rerouting to Green Lane	2,162	0:00 <sup>a</sup>	330:24	2:14	0:08	0:00	14:15	15.18
Rerouting to Green Lane	Assessment	1,632	0:00 <sup>a</sup>	291:13	0:43	0:00	0:00	10:11	20.26
Assessment	Matching of Payments	1,967	0:12	165:46	4:01	0:18	0:15	13:05	5.66
Matching of Payments	Customs Clearance	1,911	0:00 <sup>a</sup>	68:07	0:33	0:15	0:14	3:21	16.48
Customs Clearance	Payment of Cargo Handling Fees	320	0:07	239:40	18:59	2:02	0:34	37:18	3.18
Payment of Cargo Handling Fees	Release of Goods	316	0:01	16:32	1:20	0:52	0:22	1:38	5.07
Physical Exam by Customs, beg.	Physical Exam by Customs, end	582	0:01	359:11	11:29	0:35	0:05	33:25	5.89
Lodgment	Physical Exam by Customs, beg.	541	0:00 <sup>a</sup>	674:47	19:55	3:19	1:22	54:52	8.31
Physical Exam by Customs, end	Rerouting to Green Lane	321	0:00 <sup>a</sup>	168:53	4:27	0:29	0:06	14:24	7.25
Arrival of Goods	Release of Goods	2,216	3:14	2614:23	146:05	103:55	97:58	147:15	5.04

<sup>a</sup> Less than 1 minute.

### III.2.3 Analysis based on Import Characteristics

By how fast can the importer/broker accelerate the processing time would depend on the characteristics of the import entry. This is explored below.

Fig. III.16 Release Time by Selectivity Status, Airport

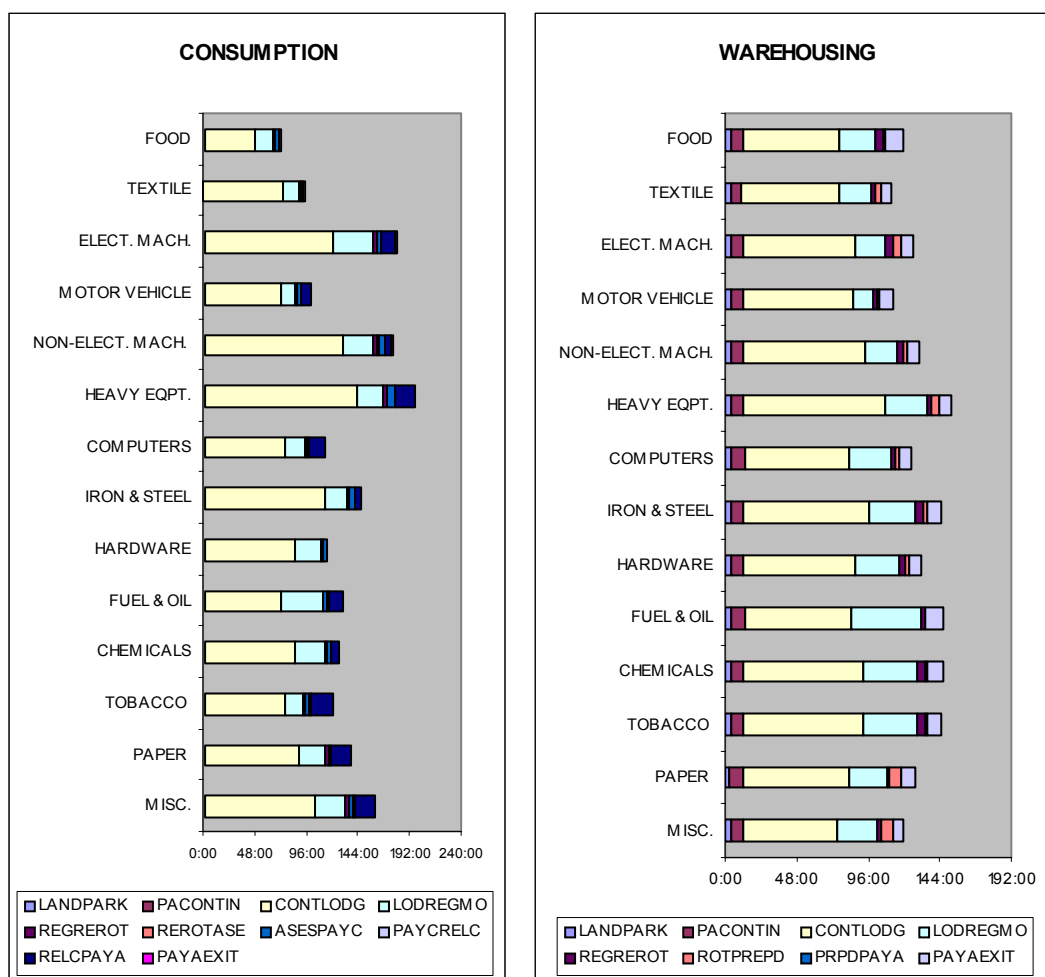


At the airport, the color scheme is to some degree, a good indicator of the speed of release of imports. For consumption entries, super green move faster with 107 hours release time, compared to red, 158 hours, and yellow, 169 hours. Green entries move the fastest with 103 hours release time, but since there are only 10 entries in this subgroup, it will not be accurate to compare them with other subgroupings.

The quick turnaround of super green entries can be traced to shorter gap between arrival of goods and lodgment, *i.e.*, 82 hours compared to 120 hours for yellow, and 106 hours for red. Moreover, there is no time gap between lodgment and assessment for super green entries, while yellow and red entries require some time for physical inspection and document scrutiny before a final assessment of duties on these imports can be issued. Curiously, however, super green entries take longer time to obtain Customs clearance after assessment than red and yellow entries. While it takes 5 hours for super green entries to clear Customs, yellow and red entries take only 2 to 3 hours for the same process.

Majority of warehousing entries at the airport are bound to export processing zones. The government accords them special privileges, one of which is quick release of imported raw materials and supplies. Accordingly, super green entries are out in 16 hours, yellow in 18 hours and red in 22 hours. Similar to consumption group, the time segment from unloading of cargo to lodgment is the longest for all colors, ranging from 13 to 22 hours.

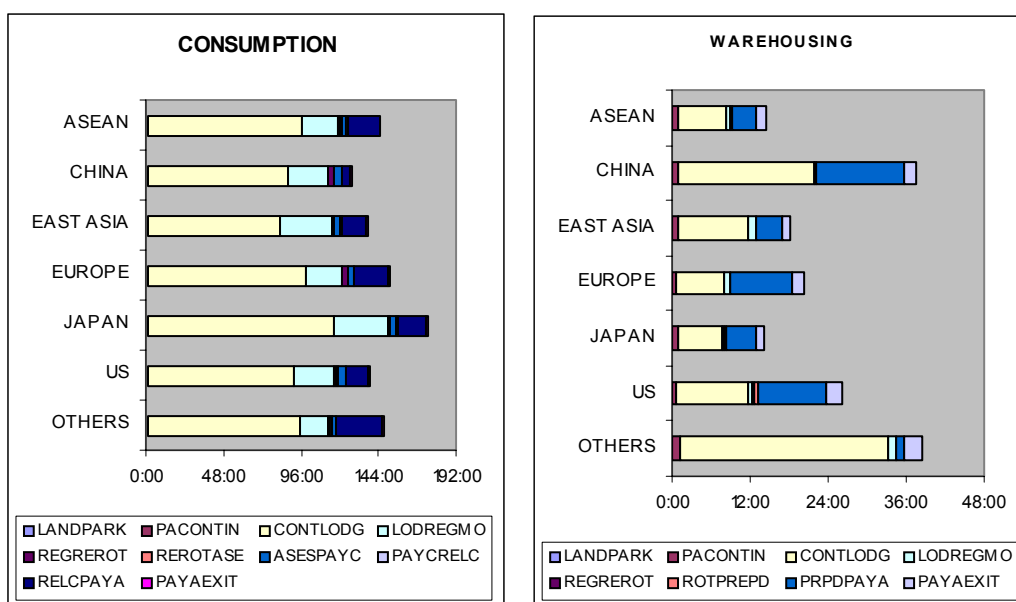
**Fig. III.17 Release Time by Type of Commodity, Airport**



The commodity groupings have their own pattern of release times. In consumption, food has the shortest (93 hours), followed by motor vehicle parts (101 hours). In warehousing, computers are the quickest to release, averaging only 15 hours. Imports under the heavy equipment group have the longest release time, whether the entry is consumption, 198 hours, or warehousing, 46 hours.

As in the color coding scheme, the differences in release times is driven by differences in the time segment between unloading of cargo and lodgment. The shorter this time segment, the faster is the release. Thus, import entries on food products are lodged the earliest, *i.e.*, 56 hours after arrival, whereas lodgment of imports of heavy equipment averages 127 hours after the goods have arrived.

**Fig. III.18 Release Time by Country of Origin, Airport**

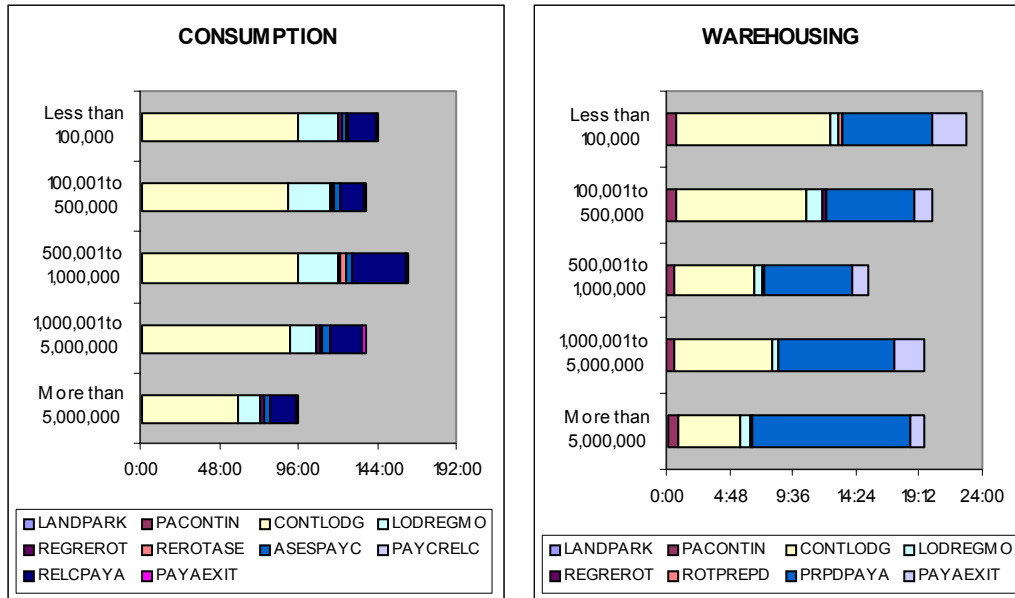


The release times appear to be also correlated to the country of origin. For consumption entries, those from China are released the fastest, within 127 hours or 5.3 days. Imports from Japan are released in 175 hours or 7.3 days, the slowest in the cohort. Imports from ASEAN are released in 145 hours, or about 18 hours behind China's.

A completely opposite trend is observed in warehousing. Imports from ASEAN and Japan have the shortest release time (14 hours), while those from China are among the slowest to release (37 hours). This finding may be explained by the presence of many of these Japanese firms in the export processing zones, thus they are entitled to some special privileges in their importation of component materials and parts for their manufacturing operations. On the other hand, under the ASEAN Industrial

Complementation Scheme (AICO), parts and components are supposed to be exchanged within ASEAN unfettered.

**Fig. III.19 Release Time by Value of Commodity, Airport**

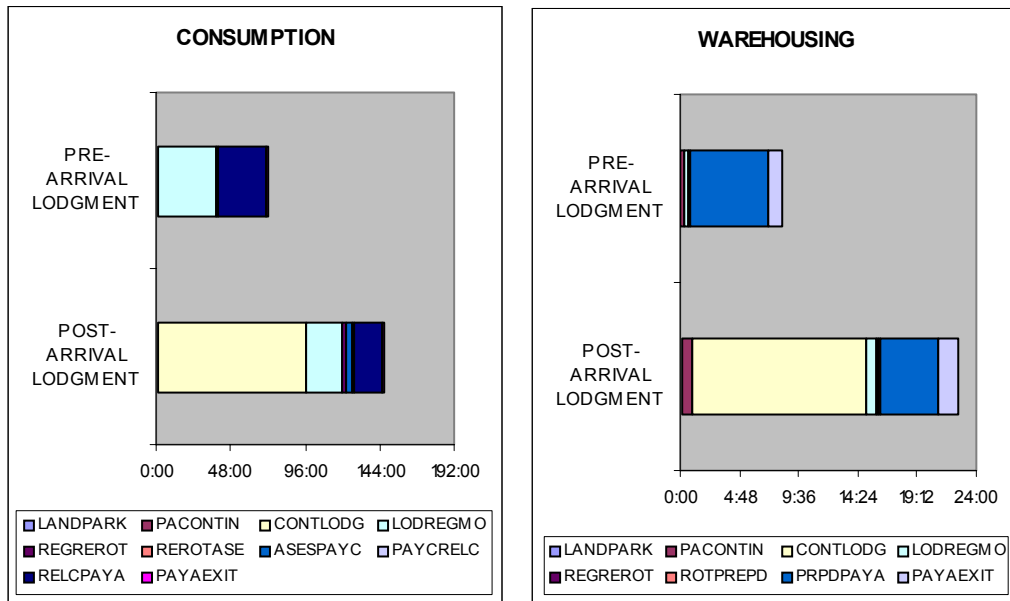


The release time appears to be negatively correlated to the value of shipments, *i.e.*, the higher-valued imports are released faster than lower-valued imports. In formal and warehousing import groups, those with dutiable value exceeding P5 million have the shortest release time, 96 and 12 hours, respectively. In contrast, shipments valued between P500,000 and P1 million are the slowest to move, requiring 153 hours if consumption, and 20 hours if warehousing.

As with the other import groupings, high-valued shipments are released more promptly than others because of their shorter pre-lodgment period. For consumption entries, the time interval between arrival and lodgment is about 70 hours for high-valued goods, but between 100 and 116 hours for other groupings. For warehousing entries, the pre-lodgment interval is 8 hours for high-valued imports, while between 14 and 22 hours for others. Modification of registration also comes sooner for high-valued shipments, 17 hours after lodgment compared to 24 to 28 hours for shipments whose value is below P500,000.



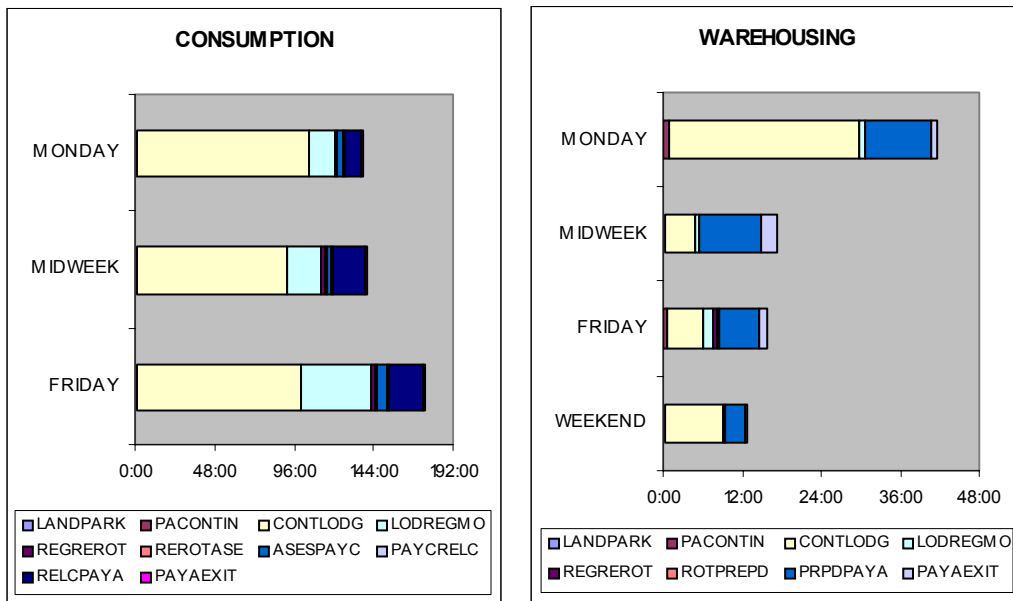
**Fig. III.20 Release Time by Period of Lodgment, Airport**



The advantage of lodging prior to arrival of goods is clearly shown in this survey. For consumption, the release time of post -arrival lodged imports (146 hours) is twice longer than those lodged pre-arrival (72 hours). For warehousing, the former is about thrice longer than the latter, *i.e.*, 22 against 8 hours.

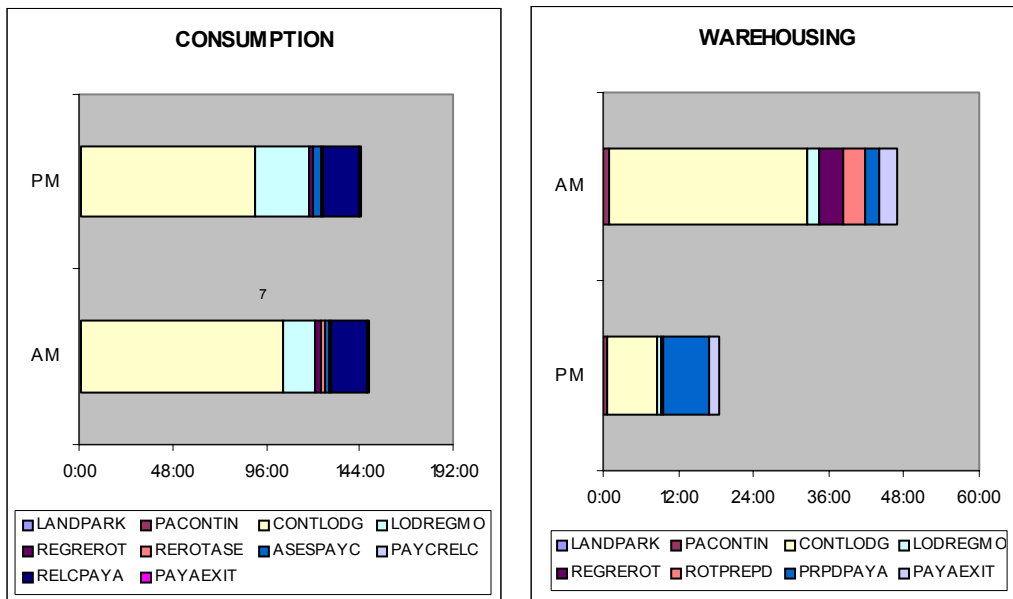
The large differential between the release times of pre- and post-arrival lodged imports is due to the long spell between arrival of goods and lodgment (101 hours) that is avoided with pre-arrival lodgment. But the period between lodgment and modification of registration is twice longer for pre-arrival lodged imports in both consumption and warehousing groups. This delay, however, is much smaller than the time savings obtained from early lodgment.

**Fig. III.21 Release Time by Day of Lodgment, Airport**



Another factor significantly affecting release time is the day of lodgment. The reason for this is not clear. But formal entries lodged on a Tuesday are released the fastest, 126 hours, among the days of the week. In warehousing, the release time is shortest on Saturdays (10 hours), which perhaps explains why there are more lodgments on this day than any other day of the week. A skeletal force of Customs personnel operates during weekends to expedite release of shipments bound for the export processing zones. Thus weekend lodgments are available only at the airport and only for warehousing entries.

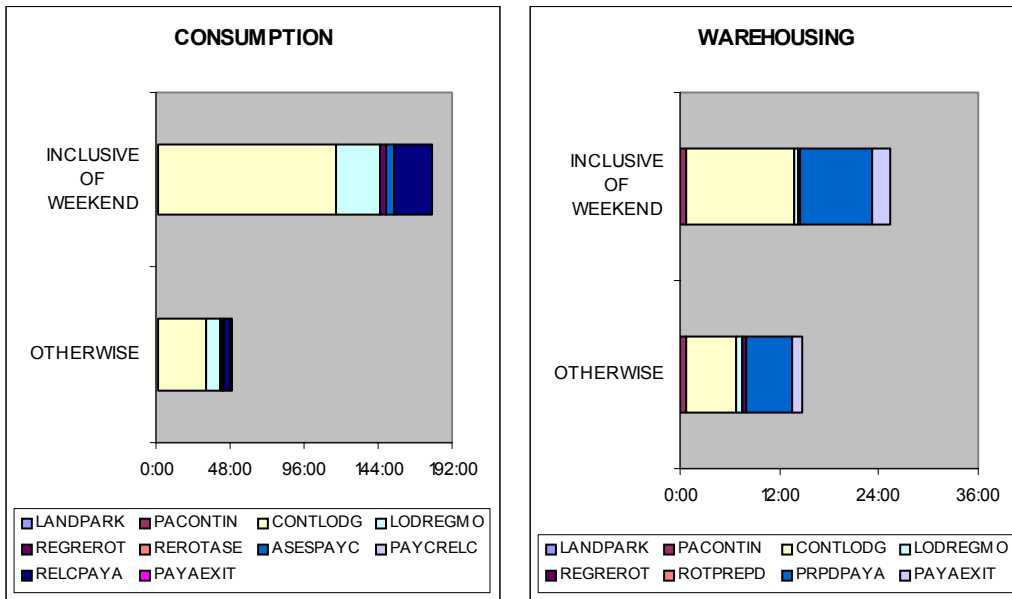
**Fig. III.22 Release Time by Time of Lodgment, Airport**



As most lodgments in the airport are in the afternoons, there must be some basis for this behavioral pattern. Indeed formal entries lodged in the afternoon are released 4 hours earlier than those lodged in the morning (144 hours vs. 148 hours). Customs processing seems also more expeditious for afternoon lodgments. But it is not intuitively clear why some process intervals are shorter for PM lodgments, for example, from discharge of goods to lodgment and from Customs clearance to payment of cargo handling fees.

For warehousing entries, the time differential in overall release between PM and AM lodgment is about 2.6 times. Here, the speed of PM entries can be ascribed to earlier lodgment (17 hours vs. 48 hours after arrival), faster modification of registration (1 hour vs. 2 hours from lodgment), and quicker rerouting to green lane (5 mins. vs. 5 hours from modification of registration).

**Fig. III.23 Release Time by Processing Period, Airport**



The length of the processing period can vary if the weekends for which there is no normal processing done by Customs are considered. At the airport, weekend processing applies only on warehousing entries and on limited scale. Thus, it remains valid to remove weekends from the processing period if the intent is to measure only the business working days.

Formal entries whose processing period includes weekends have average release time of 179 hours, more than thrice the length of the processing period for entries exclusive of weekends, 49 hours. The comparative figures for warehousing entries are 25 and 14 hours, respectively.

What prolongs the release time for weekend-inclusive entries is the delay from discharge of goods to lodgment -- 125 hours against 33 hours for weekend-exclusive in consumption, and 25 hours against 12 hours in warehousing. Moreover, the time period between lodgment and modification of registration for consumption entries is also longer for weekend-inclusive, 29 hours versus 9 hours.

**Fig. III.24 Release Time, Calendar vs. Business Days, Airport**

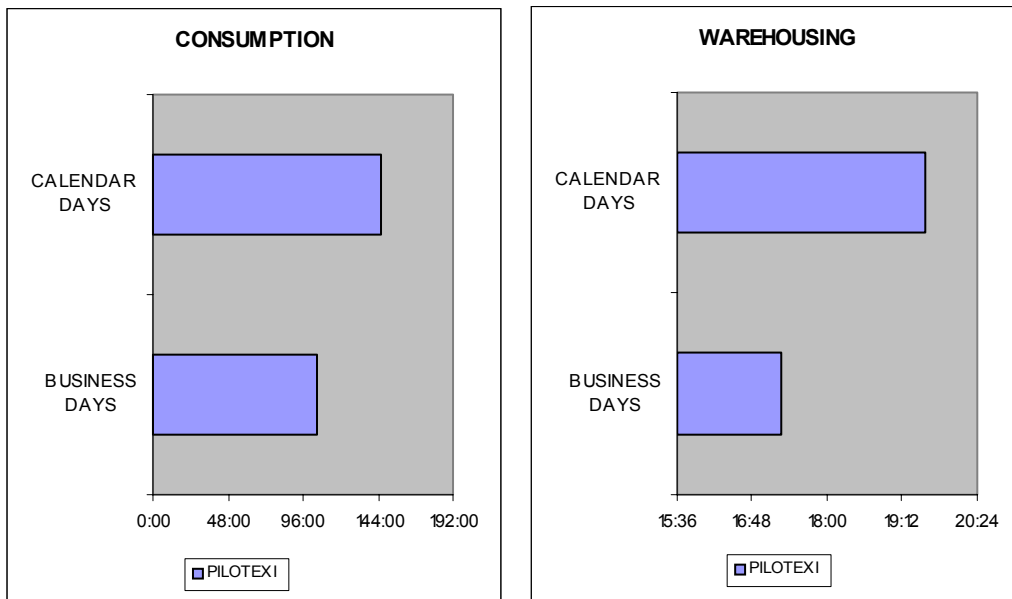
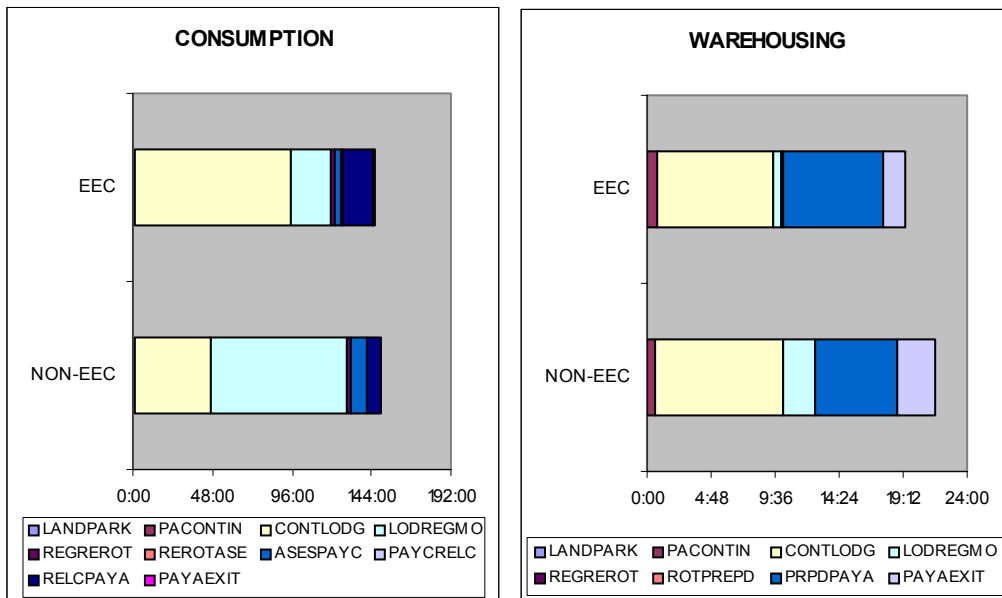


Figure 3.24 shows what would have been the release times of weekend-inclusive entries if only business days are counted. The average release times of weekend-inclusive entries will be reduced by 25% or 33 hours for consumption and by 24% or 18 hours for warehousing.

**Fig. III.25 Release Time by Mode of Lodgment, Airport**

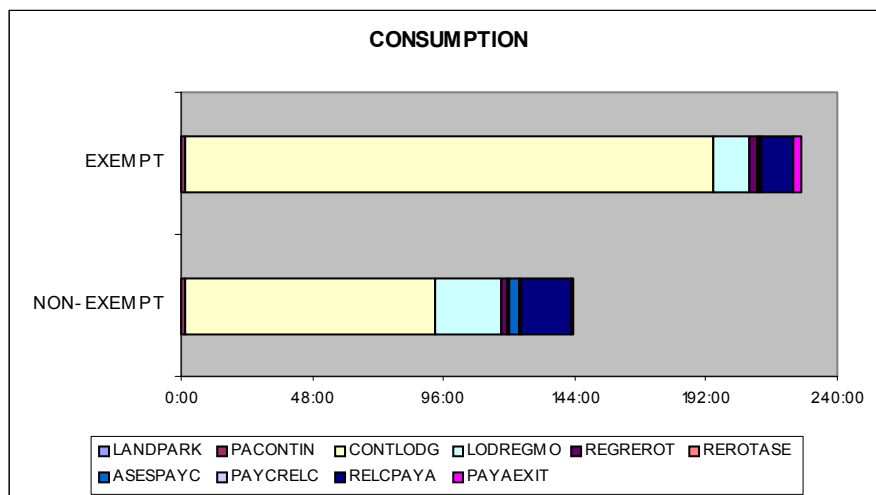


In consumption entries, manual lodgments have longer average release time than electronic lodgments but the difference is only 4 hours. In warehousing, by contrast,

manual lodgments have release time shorter by 2 hours than electronic lodgments. Where lies the difference? For consumption entries, the time savings from electronic lodgment comes from shorter interval between discharge of goods and lodgment, *i.e.*, 102 hours for EEC lodged compared to 68 for DTI/EDI lodged imports. This time savings does not apply to warehousing, since lodgment time through DTI/EDI averages 33 hours after arrival, against 17 hours if lodgment were through EEC.

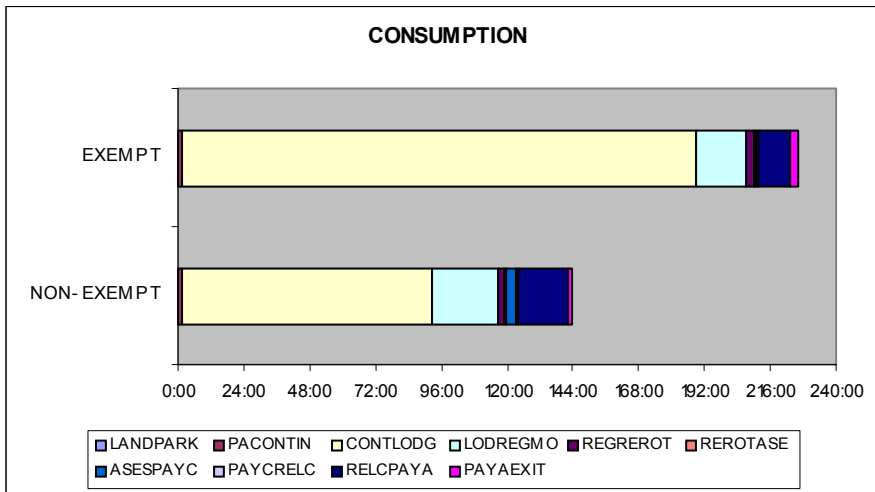
Nonetheless, the modification of registration of EEC entries takes only 24 hours counted from lodgment, against 114 hours for DTI/EDI lodged entries. The relatively longer processing time of DTI/EDI lodgments may be attributed to the lack of broker's monitoring of the transaction that is usually accorded on entries lodged manually.

**Fig. III.26 Release Time by Customs Duties Status, Airport**



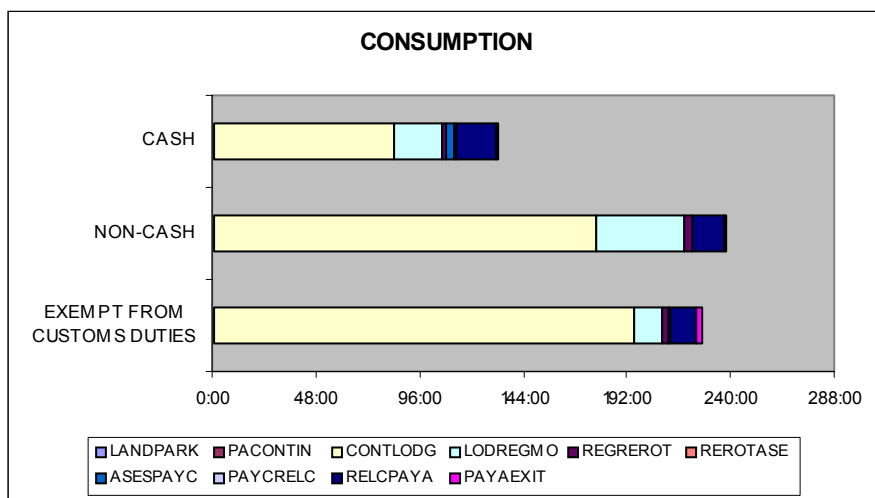
Since all warehousing entries are exempted from payment of duties and taxes, the figure above pertains only to formal entries. Those that are exempt from payment of duties and taxes require an average of 227 hours (9.5 days) to release compared to 143 hours (6 days) for non-exempt. The difference in release times can again be traced to the pre-lodgment phase that is 198 hours (8 days) in the former and only 98 hours (4 days) for the latter. The relatively longer period before lodgment of duties-exempt entries may represent the time spent in securing tax-exempt certification from other government agencies.

**Fig. III.27 Release Time by VAT Status, Airport**



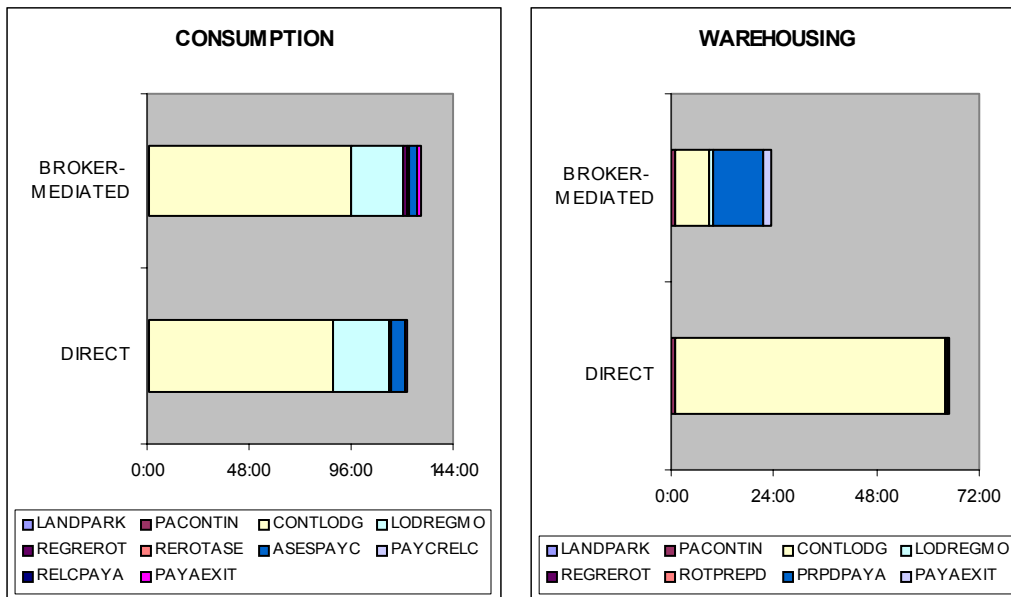
VAT exemption applies only to about 3% of formal entries in the sample. All warehousing entries are subject to VAT. Thus the figure above showing comparative release times of VAT-subject and VAT-exempt entries refers only formal. The average release time of VAT-exempt imports is 226 hours or 9.4 days, while 143 hours or 6 days for VAT-subject imports. These release times are very close to those obtained for duties exemption. Their difference can also be explained by the time segment between unloading of goods and lodgment that takes 194 hours (8 days) for VAT exempt against 98 hours (4 days) for VAT-subject. As in duties exemption, the delay may also be traced to the time required to secure VAT exemption from the Department of Finance.

**Fig. III.28 Release Time by Mode of Payment, Airport**



Where duties and taxes are paid in cash, the release time tends to be less than half of the time that applies to non-cash entries. In consumption, 141 hours (5.8 days) against 283 hours (11.8 days); in warehousing, 20 hours (0.8 day) against 71 hours (3 days). The source of delay, as in VAT- and duties exemption, is the longer pre-lodgment period that is likely spent in securing the required documents.

**Fig. III.29 Release Time by Broker Mediation, Airport**



Formal entries lodged and processed with the assistance of brokers are released faster than those without, *i.e.*, 145 hours against 158 hours. The value of brokers' services is evident in faster lodgment time (101 hours vs. 106 hours), shorter gap between assessment and payment of customs duties and taxes (4 hours vs. 6 hours) and in supplying required documents needed for modification of registration (25 hours vs. 31 hours). But the broker's value seems even more apparent in warehousing where the mean release time is 19 hours if broker-assisted against 74 hours if self-processed.



### **III.3 ANALYSIS OF RELEASE TIME AT THE SEAPORT**

#### **III.3.1 Profile of Sample Entries**

The sample import entries drawn at the two seaports, MICP and POM, sum up to 13,747 or 82% of total sample. These entries have been combined to avoid attribution to a particular arrastre. Table 3.6 breaks down these entries according to the same set of parameters used in the two previous sections. Some observations are noted below.

- Formal entries comprise 86% of total sample at the seaports; warehousing entries make up the rest. The proportion of selected entries is 84% in consumption and 91% in warehousing. These are higher than the corresponding figures at the airport.
- Textile imports comprise more than two-fifths of warehousing entries.
- More than 60% of formal import transactions originates from countries in the Asian region, specifically ASEAN, China, and East Asia (Hong Kong, Taiwan and Korea).
- Close to half of warehousing imports is within the value range of P1,000,000 to P5,000,000.
- Pre-arrival lodgments are a minority, less than 4%.
- Similar to the airport, the most number of lodgments is on Tuesdays, but unlike the airport, there are more lodgments on Mondays than on Fridays. Also, weekend lodgment is not allowed.
- Majority of lodgments are in the afternoons, but the proportion is not as high as in the airport. Specifically, only 62% of warehousing lodgments is in the afternoons, whereas the proportion in the airport is 97%.

- Fewer than 7% of consumption and warehousing entries combined is lodged electronically (*i.e.*, through DTI or EDI).
- An insignificant number of sea cargo (only 6 in the sample) is non-containerized.

**Table. III.6 Profiles of Sample Import Declaration, Seaport**

	Formal		Warehousing	
	N	%	N	%
Number of Entries	11,841		1,906	
<b><i>Selectivity Status</i></b>				
Super Green	1,322	11.2	175	9.2
Green	611	5.2	0	0
Yellow	3,045	25.7	167	8.8
Red	6,863	58.0	1,564	82.1
<b><i>Type of Commodity</i></b>				
Food	2,881	14.2	86	2.2
Textile	891	4.4	1,757	44.2
Electrical Machinery	2,033	10.0	59	1.5
Motor Vehicle	1,356	6.7	118	3.0
Machinery (Non-Electrical)	1,190	5.9	10	0.3
Machinery (Heavy Equipment)	507	2.5	14	0.4
Machinery (Computers)	667	3.3	26	0.7
Iron and Steel	1,191	5.9	76	1.9
Hardware	1,650	8.1	200	5.0
Fuel and Oil	899	4.4	41	1.0
Chemicals	1,527	7.5	593	14.9
Tobacco and Spirit	1,490	7.4	229	5.8
Paper and Paper Board	1,363	6.7	613	15.4
Miscellaneous	2,620	12.9	153	3.8
<b><i>Country of Origin</i></b>				
ASEAN	2,597	21.9	302	15.8
China	2,604	22.0	428	22.5
East Asia	2,391	20.0	1,031	54.1
Europe	1,089	9.2	13	0.7
Japan	778	6.6	35	1.8
US	969	8.2	24	1.3
Others	1,412	11.9	73	3.8
<b><i>Value of Commodity</i></b>				
Less than PhP100,000	1,211	10.2	197	10.3
PhP100,001 to PhP500,000	3,955	33.4	404	21.2

	<b>Formal</b>		<b>Warehousing</b>	
	N	%	N	%
PhP500,001 to PhP1,000,000	2,233	18.9	316	16.6
PhP1,000,001 to PhP5,000,00	3,660	30.9	878	46.1
More than PhP5,000,000	782	6.6	111	5.8
<b><i>Period of Lodgment</i></b>				
Pre-Arrival Lodgment	452	3.8	65	3.4
Post-Arrival Lodgment	11,389	96.2	1,841	96.6
<b><i>Day of Lodgment Recoded</i></b>				
Monday	2,366	20.0	431	22.6
Tuesday	2,897	24.5	475	24.9
Wednesday	2,420	20.4	316	16.6
Thursday	2,118	17.9	354	18.6
Friday	2,040	17.2	330	17.3
<b><i>Time of Lodgment</i></b>				
AM	4,504	38.0	731	38.4
PM	7,337	62.0	1,175	61.6
<b><i>Processing Period</i></b>				
Inclusive of Weekends	8,395	70.9	1,243	65.2
Otherwise	3,446	29.1	663	34.8
<b><i>Mode of Lodgment</i></b>				
EEC	11,067	93.5	1,747	91.7
Non-EEC	774	6.5	159	8.3
<b><i>Period of Clearance</i></b>				
Pre-Arrival Clearance	187	1.6	19	1.0
Post-Arrival Clearance	11,654	98.4	1,887	99.0
<b><i>Customs Duties Status</i></b>				
Exempt	73	0.6	1,906	100.0
Non-exempt	11,768	99.4	0	0
<b><i>VAT Status</i></b>				
Exempt	1,314	11.1	1	0.1
Non-exempt	10,527	88.9	1,905	99.9
<b><i>Mode of Payment</i></b>				
Cash	10,694	90.3	0	0
Non-Cash	1,074	9.1	0	0
Exempt from Custom Duties	73	0.6	1,906	100.0
<b><i>Type of Manifest</i></b>				
Consolidated	3,734	31.5	0	0
Non-Consolidated	7,700	65.0	0	0

	<b>Formal</b>		<b>Warehousing</b>	
	N	%	N	%
Not Specified	407	3.4	1,906	100.0
<b><i>Type of Cargo</i></b>				
Containerized	11,407	96.3	0	0
Non-Containerized	6	0.1	0	0
Not Specified	428	3.6	1,906	100.0
<b><i>Alert Status</i></b>				
Alerted	3,039	42.8		
Otherwise	4,068	57.2		
<b><i>Agency Intervention</i></b>				
With Intervention	510	4.3	0	0
Without Intervention	11,331	95.7	1,906	100.0
<b><i>Broker Mediation</i></b>				
Broker-Mediated	11,250	95.0	1,579	82.8
Direct	591	5.0	327	17.2

### III.3.2 General Findings

The time measured between arrival and release of goods and intervening events for consumption and warehousing entries are presented in Tables 3.7 and 3.8. The mean release time for consumption is 125 hours (5.2 days), while for warehousing, 100 hours (4.2 days). These values are however influenced by a few entries with extremely long release period. In consumption, 5 entries in the sample have release times exceeding 2,160 hours (3 months). One such entry was lodged 162 days (5.4 months) after the arrival of cargo and was released 1.7 months later. In warehousing, 6 entries have release times exceeding 720 hours (1 month).

In view of the large standard deviations, a better measure of central tendency is the median. The results indicate that the release times of 50% of formal import entries at the seaport are less than 107 hours (4.5 days). In warehousing, the median is 82 hours (3.4 days).

The variations in release times are mainly caused by the wide range of time intervals between discharge of goods and lodgment, and between lodgment and modification of registration. Among the consumption entries, the interval between discharge of goods and lodgment ranges from 0 to 3,883 hours (162 days), while the interval between lodgment and modification of registration is from 3 minutes to 1,152 hours (48 days). In the warehousing stratum, the range is from 3 minutes to 2,532 hours (106 days) for discharge to lodgment, and from 12 minutes to 192 hours (8 days) from lodgment to modification of registration.

The causes for extended release time are not explored in this time measurement survey, but there are some indications from the measured time between intervening events.<sup>2</sup> The time from arrival to release is found to be strongly and positively correlated with the time from arrival to lodgment. The Pearson's correlation coefficient, 0.918, is significant at the 0.01 level. This implies that imports with long release times tend to be also late in lodging.

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<sup>2</sup> A separate interview survey was conducted to determine the causes of delays in some critical processes. The results of this survey are reported in Chapter IV.

**Table III.5 Descriptive Statistics on Time between Processes in Airport, Warehousing**  
(hh:mm)

<b>From</b>	<b>To</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Median</b>	<b>Mode</b>	<b>Std. Dev.</b>	<b>Skewness</b>
Landing of Aircraft	Parking of Aircraft	807	0:01	0:19	0:06	0:06	0:05	0:02	1.50
Parking of Aircraft	Discharge of Goods	807	0:02	12:06	1:00	0:56	0:53	0:34	9.86
Discharge of Goods	Lodgment	807	0:00	338:38	13:45	4:40	0:00	37:49	5.85
Lodgment	Modification of Registration	547	0:00 <sup>a</sup>	110:59	1:08	0:27	0:30	5:10	18.18
Modification of Registration	Rerouting to Green Lane	535	0:00 <sup>a</sup>	69:18	0:14	0:03	0:01	3:00	22.74
Rerouting to Green Lane	Prepayment of Import Fees	547	0:00 <sup>a</sup>	68:12	0:09	0:01	0:00	2:55	23.33
Prepayment of Import Fees	Payment of Cargo Handling Fees	109	0:01	218:04	11:30	2:37	0:01	24:15	6.07
Payment of Cargo Handling Fees	Release of Goods	116	0:01	27:16	2:43	1:42	0:39	3:47	4.66
Physical Exam by Customs, beg.	Physical Exam by Customs, end	331	0:00 <sup>a</sup>	7:43	0:40	0:31	0:01	0:50	5.69
Lodgment	Physical Exam by Customs, beg.	13	0:00 <sup>a</sup>	3:39	0:26	0:01	0:00	1:01	3.02
Physical Exam by Customs, end	Rerouting to Green Lane	21	0:04	71:58	20:37	23:59	23:59	18:20	1.01
Arrival of Goods	Release of Goods	807	0:32	344:44	19:34	9:58	4:59	31:06	6.03

<sup>a</sup> Less than 1 minute.

**Table III.7. Descriptive Statistics on Time between Processes in Seaport, Formal Entry (hh:mm)**

<b>From</b>	<b>To</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Median</b>	<b>Mode</b>	<b>Std. Dev.</b>	<b>Skewness</b>
Arrival of Vessel at Pilot Station	Arrival of Vessel at Berth	11,841	0:30	313:53	3:42	1:25	0:50	10:01	25.23
Arrival of Vessel at Berth	Discharge of First Container	11,808	0:00 <sup>a</sup>	62:04	7:21	4:46	5:20	7:58	2.38
Discharge of First Container	Discharge of Last Container	3,371	0:00 <sup>a</sup>	302:29	3:22	0:58	0:02	10:04	20.00
Discharge of Last Container	Lodgment	11,841	0:00	3883:20	63:46	46:20	0:00	102:06	18.18
Lodgment	Modification of Registration	9,629	0:03	1152:25	25:30	16:15	0:06	43:34	9.00
Modification of Registration	Rerouting to Green Lane	8,075	0:00 <sup>a</sup>	260:50	4:20	0:20	0:06	14:02	6.10
Rerouting to Green Lane	Assessment	9,908	0:00 <sup>a</sup>	363:50	2:49	0:01	0:00	14:30	9.57
Assessment	Matching of Payments	7,013	0:00 <sup>a</sup>	240:40	5:22	0:05	0:04	15:31	4.62
Matching of Payments	Customs Clearance	10,730	0:00 <sup>a</sup>	499:50	15:32	0:08	0:04	34:12	3.59
Customs Clearance	Payment of Arrastre Fees	11,401	0:00 <sup>a</sup>	503:12	11:41	1:35	0:23	26:44	5.93
Payment of Arrastre Fees	Release of First Container	11,841	0:19	507:53	9:11	3:56	2:00	18:14	8.43
Release of First Container	Release of Last Container	3,761	0:00 <sup>a</sup>	532:06	17:11	4:20	0:01	33:15	4.81
Doc. Acceptance by Agency	Clearance of Agency	408	0:01	119:30	3:21	0:30	0:05	11:04	6.25
Inspection by Agency, beg.	Inspection by Agency, end	273	0:01	4:35	0:21	0:11	0:10	0:27	5.18
Doc. Acceptance by Agency	Lodgment	179	0:00 <sup>a</sup>	485:35	69:38	24:11	0:00	100:46	1.98
Clearance of Agency	Customs Clearance	243	0:01	361:04	37:48	20:32	0:07	61:17	2.91
Physical Exam by Customs, beg.	Physical Exam by Customs, end	161	0:03	288:15	18:13	1:28	0:20	36:31	3.79
Lodgment	Physical Exam by Customs, beg.	146	0:04	148:30	16:32	3:20	0:05	25:53	2.41
Physical Exam by Customs, end	Rerouting to Green Lane	78	0:02	168:27	16:05	1:07	0:10	30:33	2.67
Arrival of Goods	Release of Goods	11,841	2:27	5085:49	125:02	107:05	36:16	130:24	18.91

<sup>a</sup> Less than 1 minute.

**Table III.8. Descriptive Statistics on Time between Processes in Seaport, Warehousing**  
(hh:mm)

<b>From</b>	<b>To</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Median</b>	<b>Mode</b>	<b>Std. Dev.</b>	<b>Skewness</b>
Arrival of Vessel at Pilot Station	Arrival of Vessel at Berth	1,906	0:40	313:53	5:03	2:15	0:50	11:16	21.73
Arrival of Vessel at Berth	Discharge of First Container	1,879	0:10	619:59	9:40	5:54	2:30	33:09	15.09
Discharge of First Container	Discharge of Last Container	501	0:01	31:51	4:12	1:22	0:02	5:49	1.72
Discharge of Last Container	Lodgment	1,906	0:00	2532:34	45:26	27:27	0:00	80:04	17.41
Lodgment	Modification of Registration	1,709	0:12	192:43	13:28	3:01	1:33	23:17	3.38
Modification of Registration	Rerouting to Green Lane	1,701	0:00 <sup>a</sup>	121:27	3:02	0:33	0:09	9:15	6.27
Rerouting to Green Lane	Prepayment of Import Fees	1,731	0:00 <sup>a</sup>	69:25	0:11	0:01	0:01	2:00	26.49
Prepayment of Import Fees	Customs Clearance	1,857	0:00 <sup>a</sup>	405:46	11:58	2:51	0:41	25:43	5.81
Customs Clearance	Payment of Arrastre Fees	1,838	0:00 <sup>a</sup>	141:51	4:23	0:24	0:07	12:50	5.13
Payment of Arrastre Fees	Release of First Container	1,906	0:39	287:57	10:27	6:00	1:44	14:38	6.20
Release of First Container	Release of Last Container	495	0:01	140:28	11:25	5:08	0:08	16:57	3.18
Arrival of Goods	Release of Goods	1,906	2:50	2557:54	97:16	79:47	16:08	95:38	10.87

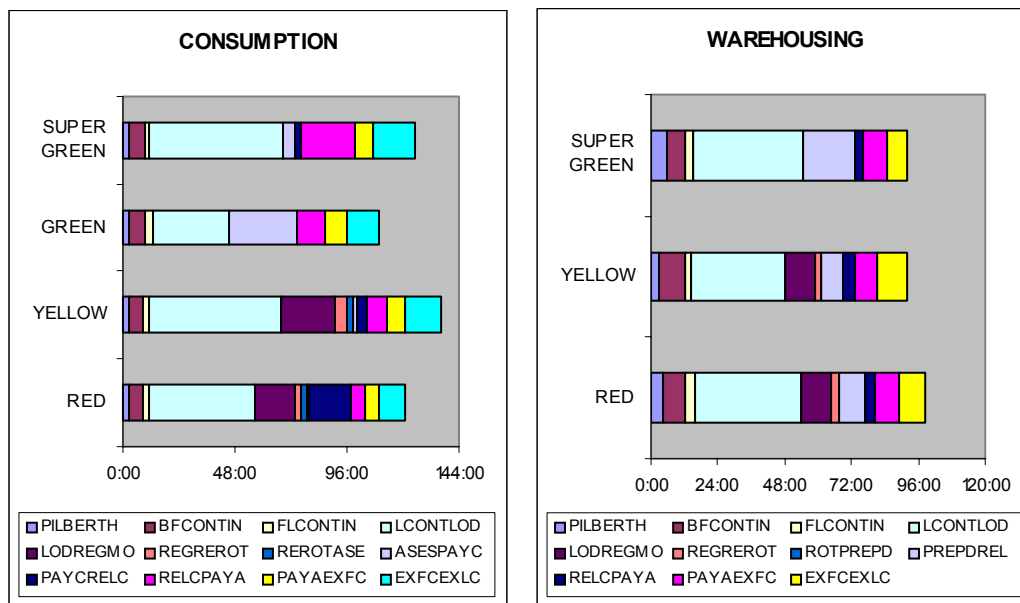
<sup>a</sup> Less than 1 minute.



### III.3.3 Analysis based on Import Characteristics

The import entries at the seaports are analyzed below based on the same set of parameters used for airport entries.

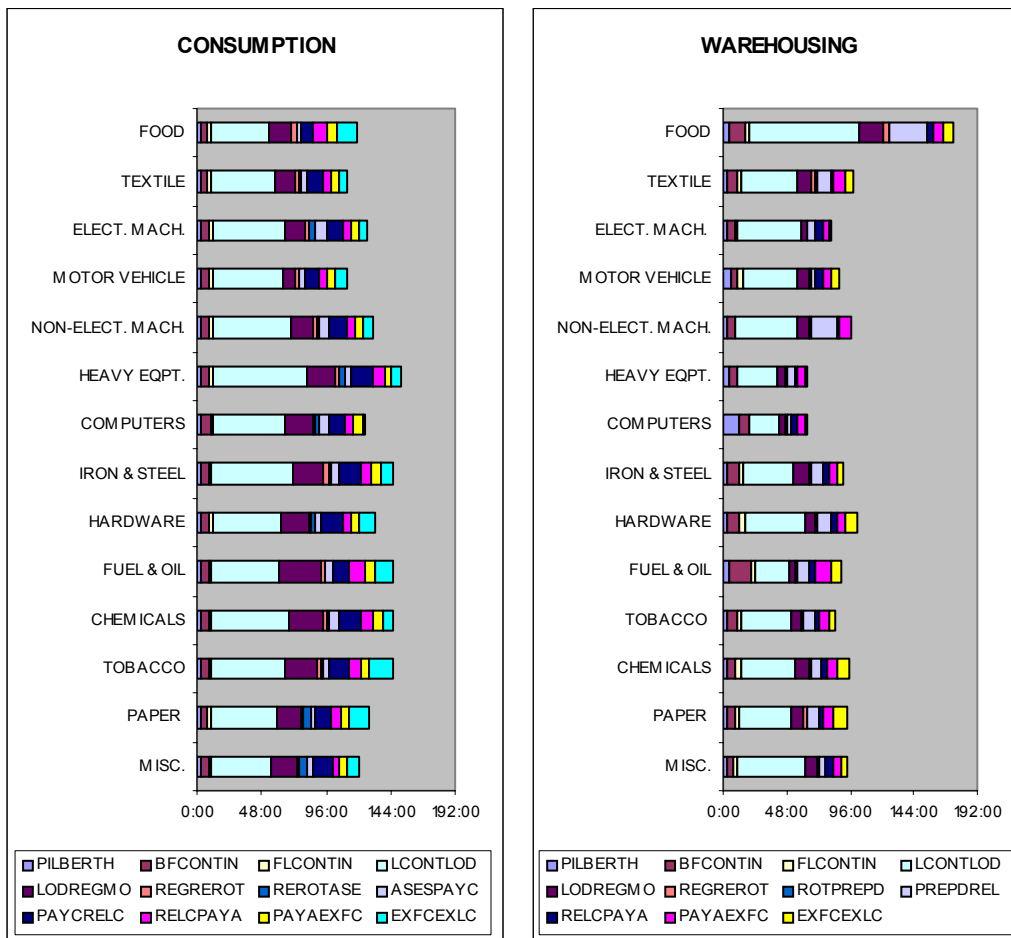
**Fig. III.30 Release Time by Selectivity Status, Seaport**



Although green entries comprise only 5% of consumption sample, unlike in the airport, their number here is sufficient to draw conclusion. The figure above shows a pattern of release times that are not consistent with expectations: green entries are processed faster (109 hours or 4.5 days) than super green (125 hours); red entries (121 hours) are released faster than super green; and yellow entries (136 hours) have longer release time than red. By the design of the selectivity system, super green entries are expected to have the least release time, followed by green, yellow and red, in that order.

Among warehousing entries, there is not much variation in average release times across colors: super green entries spent 93 hours; yellow, 95 hours; and red entries, 101 hours. The order is consistent with the selectivity system but the differences between colors, particularly between super green and yellow, do not augur with expectations because of the premium paid by importers to avail of the super green lane.

**Fig. III.31 Release Time by Type of Commodity, Seaport**

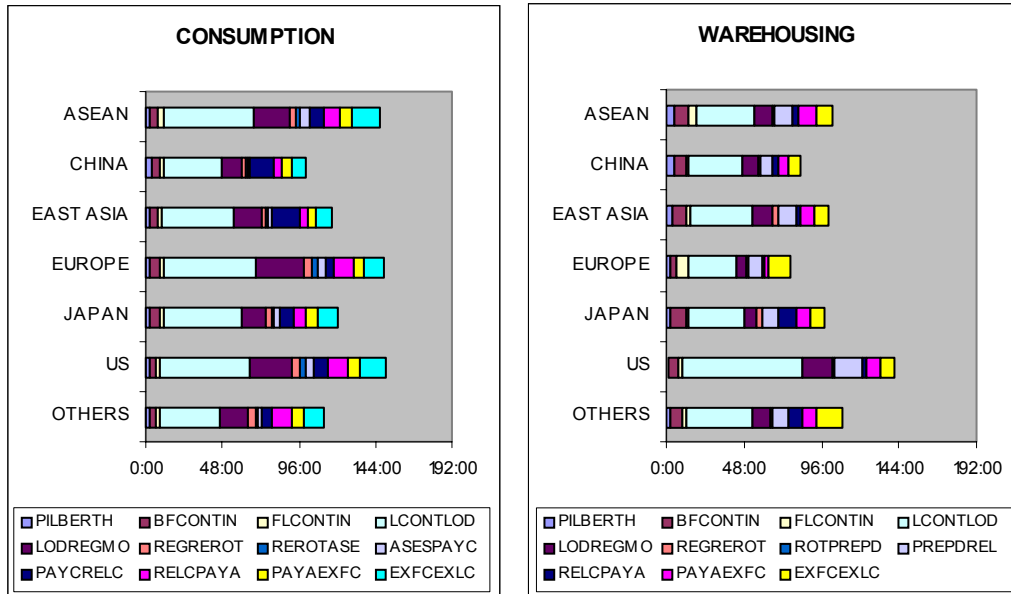


The order by which commodity groups are released at the seaport is different from that in the airport, suggesting that the release time may not be dictated by the nature of commodity. Here, textiles are released the fastest among consumption entries, *i.e.*, 111 hours (4.6 days), closely followed by motor vehicles, 112 hours. There is no easy explanation for this observation. Among warehousing entries, the fastest to release are heavy equipment and computers, both with release time of 63 hours (2.6 days). One explanation for this finding is that these are mostly imports of firms at the export processing zones and their fast release is consistent with the special privileges that are supposed to be accorded to these firms. Nonetheless, it is surprising to note that food imports are slower to release than nonfungible imports such as motor vehicle.

Consumption imports from China have the shortest mean release time, 100 hours (4 days); US imports have the longest, 150 hours (6 days). The preference that should be

accorded to ASEAN imports in view of AFTA is not supported by the results. It takes 146 hours for ASEAN entries to be released, or fifth of seven country groups.

**Fig. III.32 Release Time by Country of Origin, Seaport**

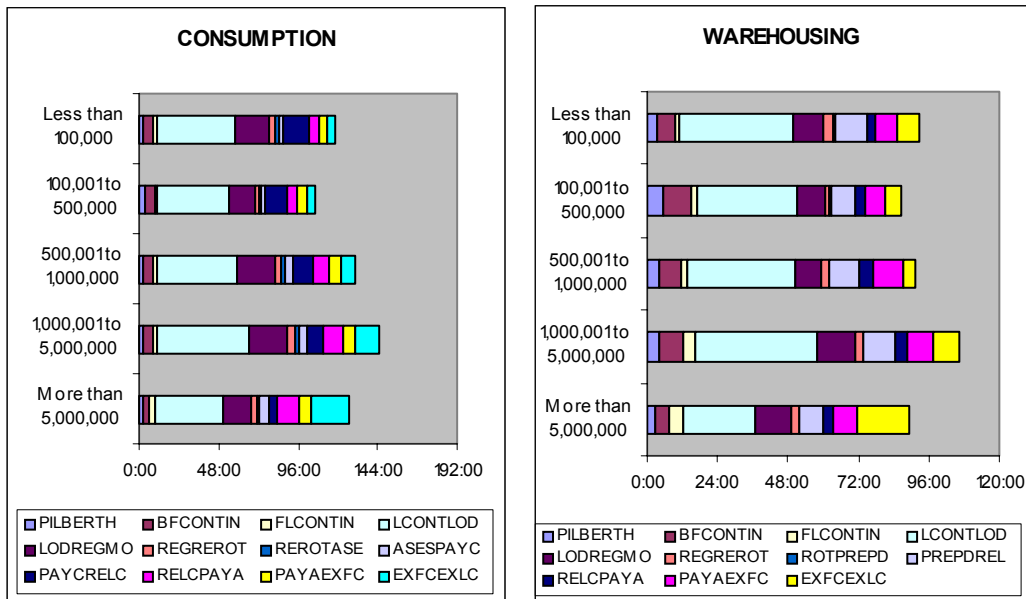


One reason why imports from China have short release time is the early lodgment of these entries. Imports from China are lodged 63 hours after arrival against 82 hours for imports from ASEAN, and 85 hours for imports from US. One also notes that the time between lodgment to modification of registration is shorter for imports from China, 18 hours, against 33 hours for US imports. Since imports from China are often suspect, an opposite trend is expected.

Some quarters explained that brokers give priority attention to imported goods from China since they elicit more questions on account of relatively lower prices. Since questions mean delays, brokers shield these goods to preempt questions and delays.

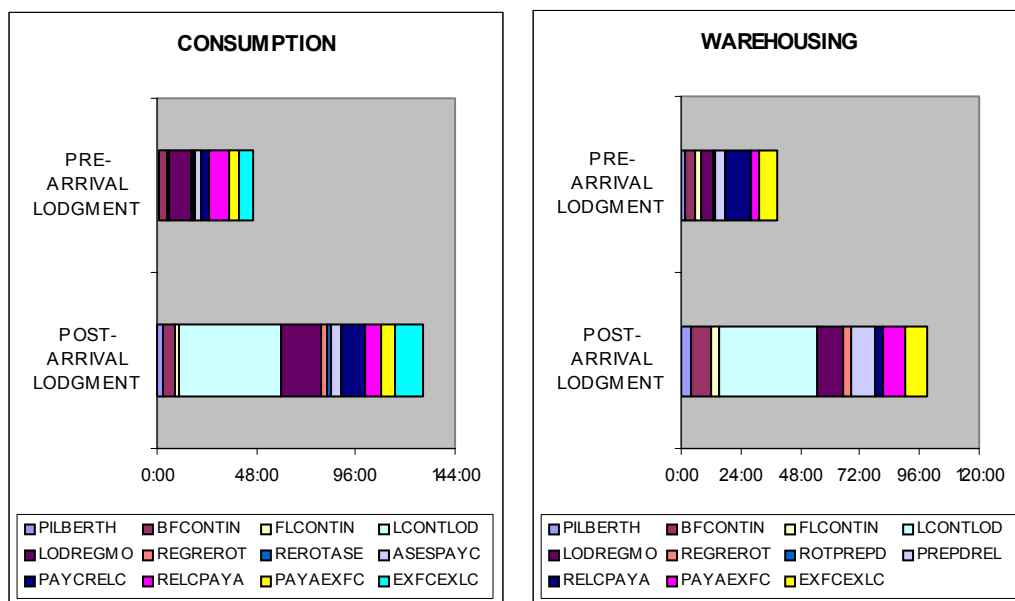
The bars for warehousing entries suggest that shipments from Europe have the least release time. However, since the mean release time for European imports is obtained from only 13 sample entries, it is prudent not to make inference on the basis of this mean. Setting aside European imports, China imports will again emerge to have the shortest release time, 85 hours, followed by ASEAN imports 109 hours, and US imports, 143 hours.

**Fig. III.33 Release Time by Value of Commodity, Seaport**



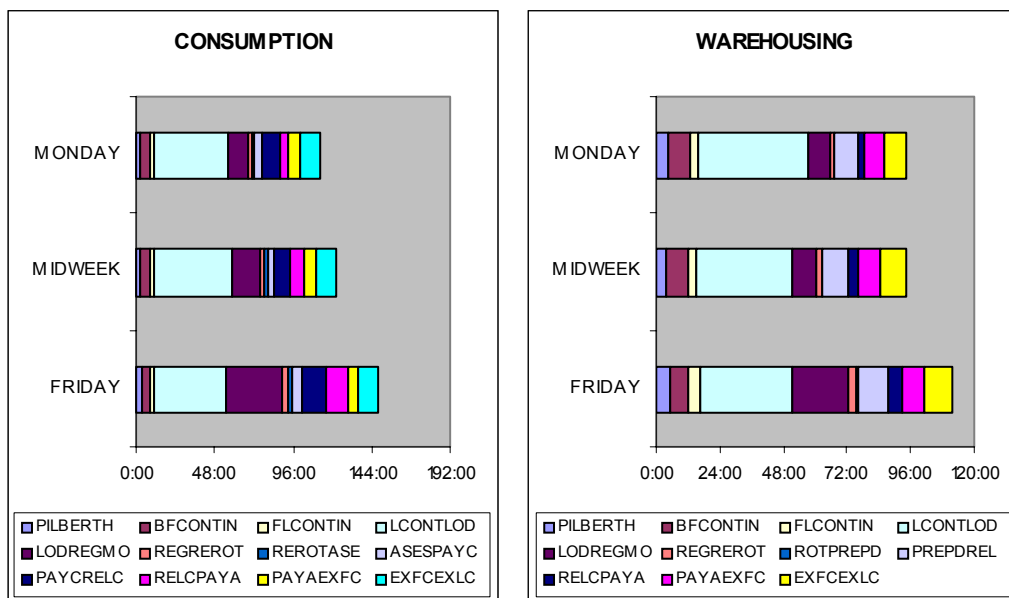
The relationship between release and value of commodity does not appear to be linear. For both consumption and warehousing entries, those in the value range of P100,001-P500,000 take the shortest time to release while those in the P1million to P5 million bracket are the slowest. But imports whose value exceeds P5 million are processed faster than others of lesser value.

**Fig. III.34 Release Time by Period of Lodgment, Seaport**



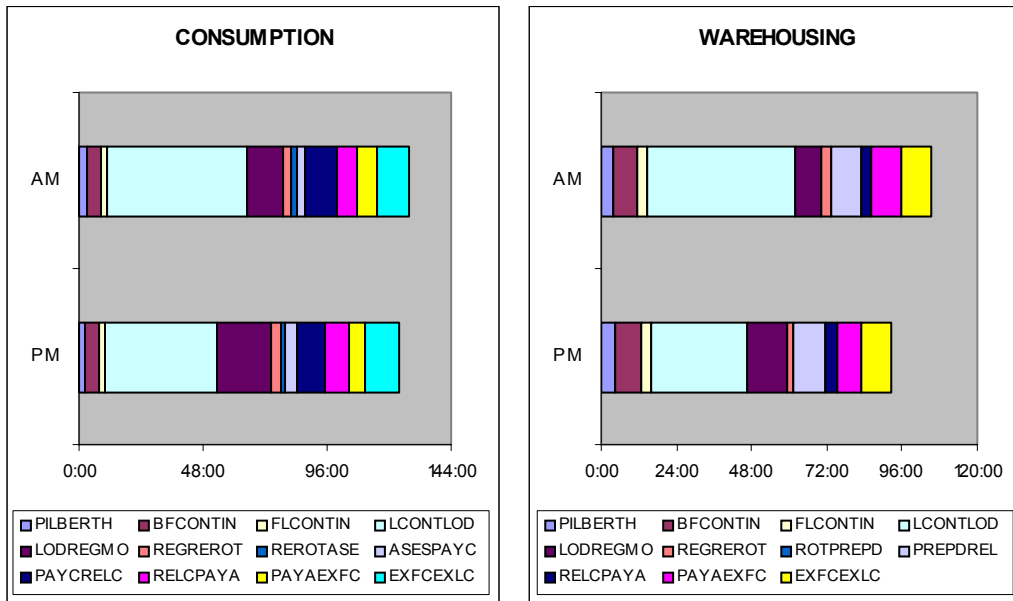
The advantage of lodging entries before cargoes arrive is again demonstrated in the seaport. In consumption, pre-arrival lodged imports take 46 hours to release, against 128 hours for post-arrival lodgments. Similarly, in warehousing, pre-arrival lodgments have mean release time of 38 hours, against 99 hours of post-arrival lodgments. That the former have shorter release time is to be expected since as was pointed out in the previous sections, the release time is being measured from the arrival of goods. Thus other processes necessary for release that have been done in advance of arrival are not included in the release time. Despite shorter release time, pre-arrival lodgments constitute only 4% of entries.

**Fig. III.35 Release Time by Day of Lodgment, Seaport**



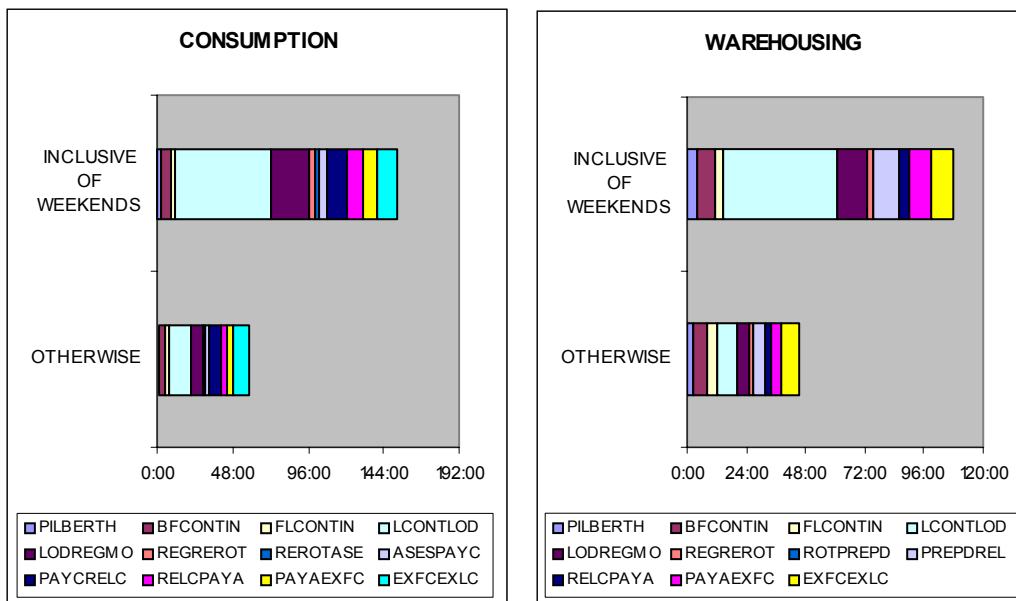
Formal entries lodged on Mondays are released 8 to 36 hours earlier than those lodged in other days of the week. Friday lodgments have the longest processing time (148 hours). For some reasons, modification of registration is also faster on Mondays (16 hours) compared to Fridays (47 hours). Perhaps employees have more energy at the beginning of the week but wanes toward the weekend. Transactions at the arrastre side appear slower on Fridays compared to Mondays, as suggested by the time difference between (43 hours vs. 22 hours, respectively). However, warehousing entries do not exhibit the same characteristic as formal entries. Thursday lodgments have the shortest release time, 81 hours; Fridays are still the slowest, 112 hours.

**Fig. III.36 Release Time by Time of Lodgment, Seaport**



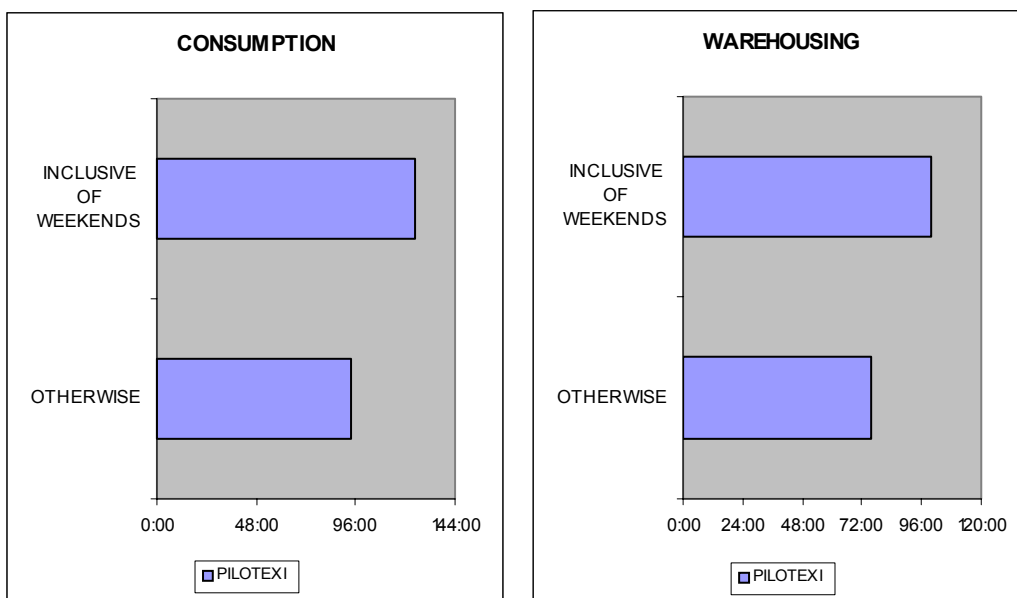
The mean release times of seaport entries, differentiated by time lodgment, display the same pattern as that of airport entries. Formal entries lodged in the afternoon have shorter processing time than those lodged in the morning, a difference of 4 hours overall. Ditto for warehousing entries; PM lodgments are released faster than AM lodgments by about 12 hours.

**Fig. III.37 Release Time by Processing Period, Seaport**



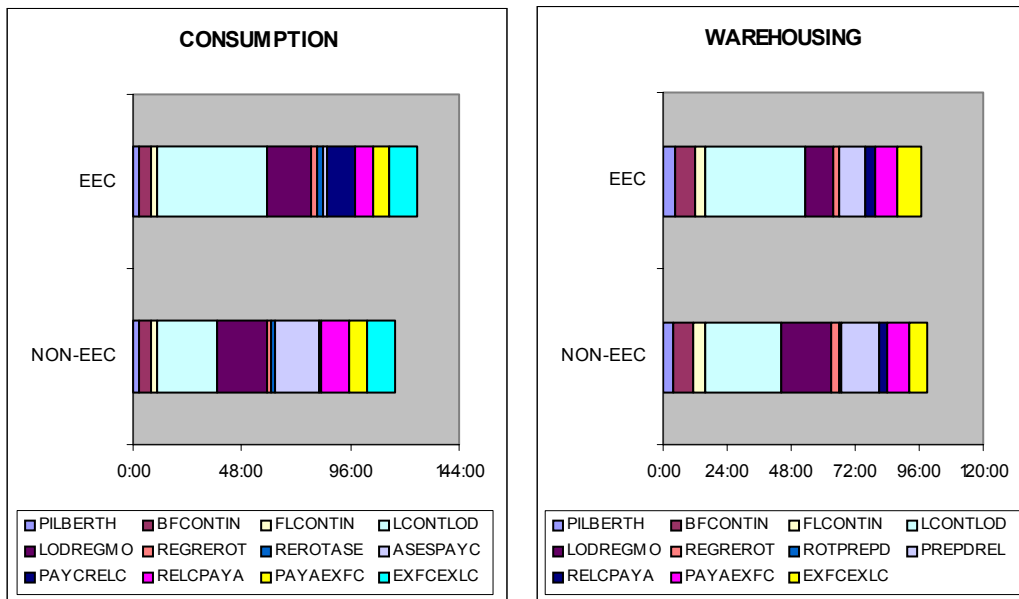
The inclusion of weekends in the processing period matters in the reckoning of release time. The mean release time of formal entries whose processing period includes weekends is 152 hours, while those that do not include weekends is only 59 hours. For warehousing entries, the former have mean release time of 124 hours, the latter, 45 hours. Given the size of the difference in mean times, it is clear that the issue is not simply whether or not weekends should be included in calculating release time. Rather, the group of entries with weekends in their processing time consists of imports that actually require longer time to release compared to imports in the other group.

**Fig. III.38 Release Time, Calendar vs. Business Days, Seaport**



Thus, even when weekends are excluded in their processing period and only business days are counted, the recalculated mean release times are still longer compared to those of the other group. In particular, the new means are 95 hours for consumption and 58 hours for warehousing entries.

**Fig. III.39 Release Time by Mode of Lodgment, Seaport**

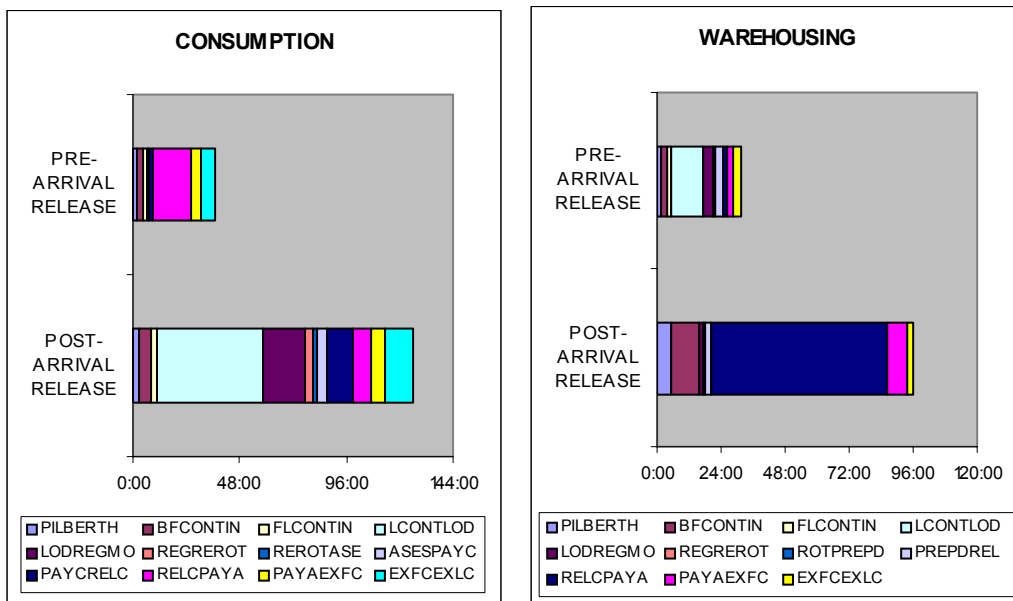


Consumption entries lodged through EEC are slower to release by some 12 hours compared to electronically lodged entries. This result is partly because there is shorter time gap between arrival of goods and lodgment if lodgment is done electronically. The mean time between unloading of goods from the vessel and lodgment is 47 hours for electronically lodged imports, against 74 hours for manually lodged. However, it is interesting to note that just like in the case of airport entries, electronically lodged entries have longer time interval between lodgment and modification of registration and between assessment and matching of payment. One can only conjecture that the reason for this difference is that when entries are lodged electronically, the importer/broker is not physically present in the Customs office to know immediately if there are documentary requirements that have to be presented to the examiner to effect the modification. In addition, without a broker physically monitoring the paper trail, information regarding payment mismatches is not immediately known, hence the delay.

For warehousing entries, there is not much difference in release times between electronically lodged and manually lodged entries, 99 hours against 97 hours. Although there is some time savings on lodgment, this is offset by the longer time it takes before the registration is modified.

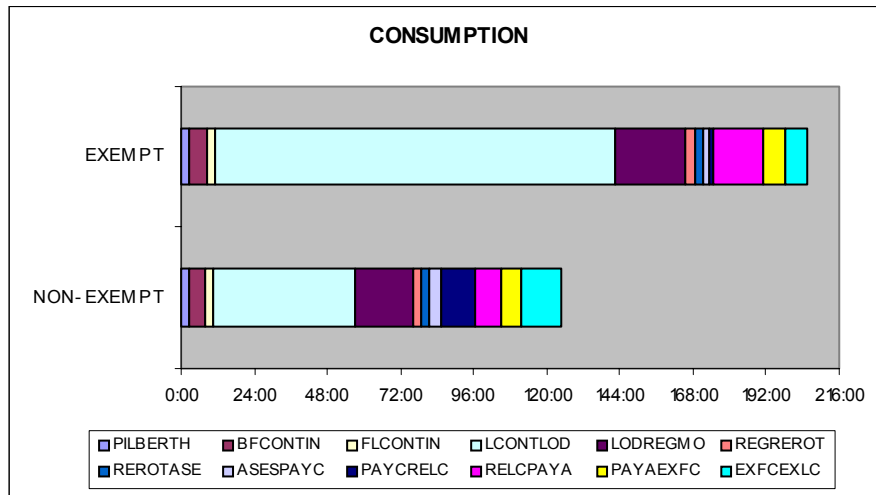


**Fig. III.40 Release Time by Period of Clearance, Seaport**



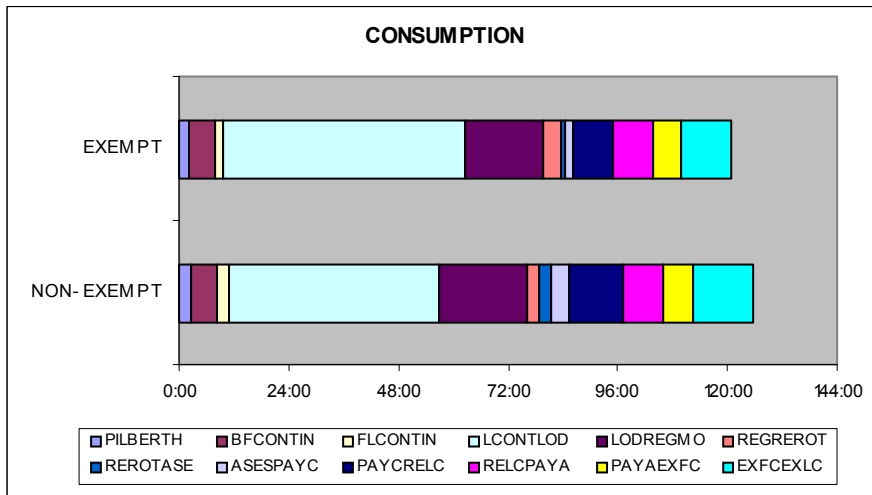
There are 187 consumption and 19 warehousing entries in the sample that have been cleared by Customs before arrival of cargo. In both cases, pre-arrival cleared entries have much shorter release time than post-arrival cleared entries. In consumption, the comparative release times are 36 hours against 126 hours; in warehousing, 32 hours against 98 hours. The quicker release of pre-arrival cleared entries can be traced to process segments within Customs that took shorter time than usual. For example, lodgment to modification of registration for pre-arrival cleared entries took only 1.4 hours against 26 hours for post-arrival cleared entries. Ditto from modification of registration to rerouting to green lane, 21 minutes against the usual 4 hours. Thus, the release time is shorter not only because Customs processes were completed in advance, but also because they were completed faster.

**Fig. III.41 Release Time by Customs Duties Status, Seaport**



Formal entries subject to tax take almost 127 hours to release compared to 215 hours for tax-exempt. The delay in the release of tax-exempt imports could be traced to the delay in lodgment. For tax-exempt imports, the mean time between discharge of goods and lodgment is 162 hours against 76 hours for non-exempt. One plausible explanation for this delay is that prior to lodgment, the importer would need to secure proof of tax exemption that is manually processed by other government agencies. However, most of the Customs processes are completed in shorter time for tax-exempt, perhaps because valuation and payment of duties are no longer issues for this type of imports. The time saved on Customs processing is however insufficient to compensate for the lateness in lodgment.

**Fig. III.42 Release Time by VAT Status, Seaport**

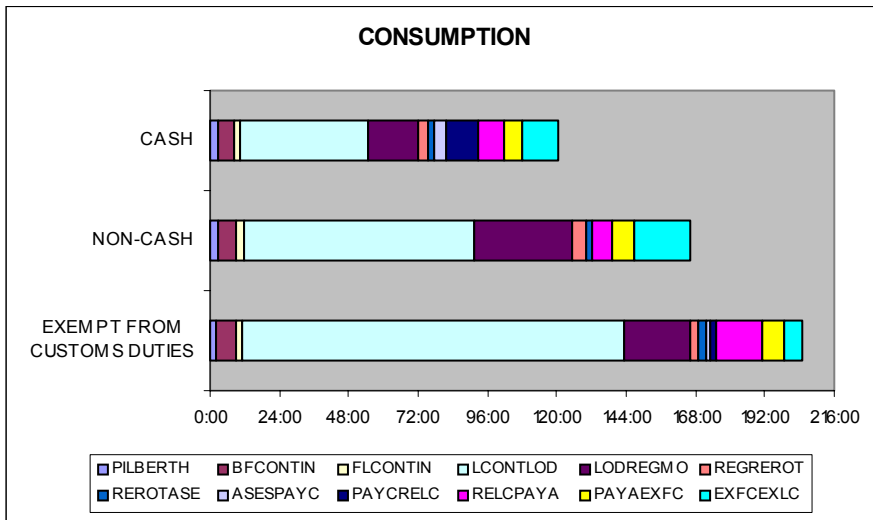


In the sample, there are 1,380 consumption entries and only 1 warehousing entry that are exempted from payment of value-added tax. As there is only a single VAT-exempt warehousing sample, no mean time is computed for this group. The figure above compares VAT-exempt and VAT-subject consumption entries.

Unlike the pattern observed in duties exemption, VAT-exempt imports have slightly shorter release time, 126 hours against 129 hours for VAT-subject imports. This emerges despite the delay in lodgment of VAT-exempt imports. The mean time between discharge and lodgment for VAT-exempt is almost 90 hours compared to only 76.5 hours for non-exempt. Part of the delay could be traced on the processing of VAT exemption application with the Department of Finance. The duration of this phase varies depending on the type of import commodity, magnitude of exemption being applied for, and the extent of verification undertaken by the DOF.

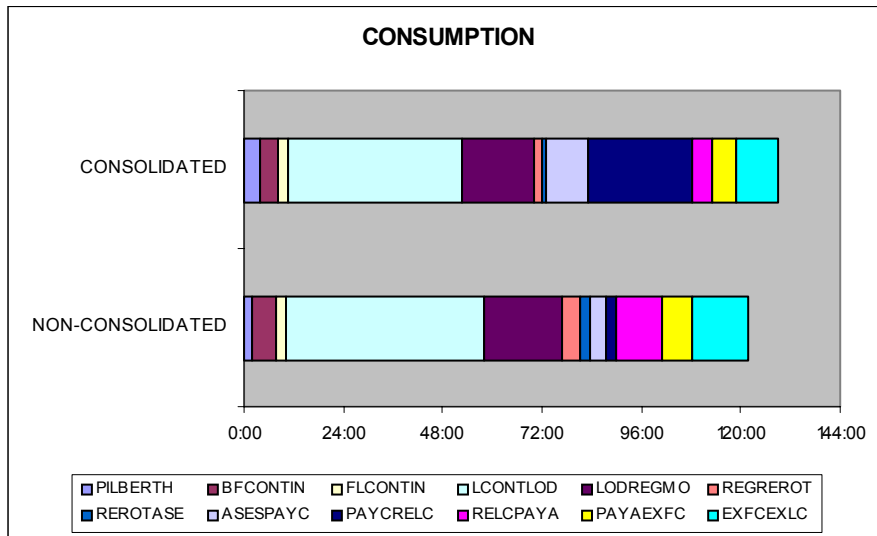
As in the case of duties exemption, Customs processes tend to be completed in less time for VAT-exempt goods. For example, while it takes more than 5 hours for non-exempt from lodgment to modification of registration, the same process is completed in only 2 hours for VAT-exempt. The shorter Customs processing makes up for the lateness in lodgment.

**Fig. III.43 Release Time by Mode of Payment, Seaport**



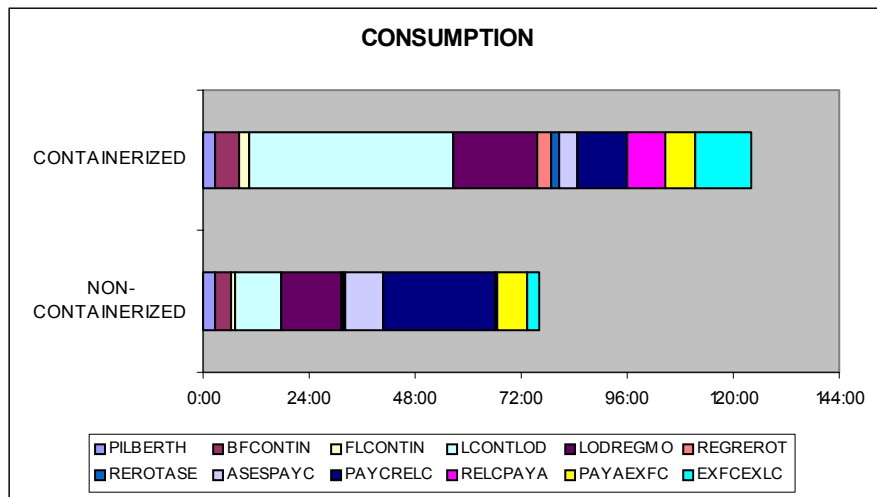
As there are no duties imposed on warehousing entries, the above figure compares consumption entries differentiated by the mode of payment of Customs duties. The fastest to release are entries whose duties are paid in cash. This is the same trend observed in the airport. As mentioned in the discussion on airport entries, at least two explanations can be offered for this trend. One is the delay in lodgment of noncash and tax-exempt entries because of the need to secure required document (*e.g.*, tax exemption certificate) from other government agencies prior to lodgment. Another is the inability of the current Payment System in BOC to handle noncash payment. These explanations are consistent with the longer time interval between discharge and lodgment for noncash and tax-exempted entries compared to those of cash-paid entries.

**Fig. III.44 Release Time by Type of Manifest, Seaport**



In comparing the release times of import entries with consolidated manifest and those without, the intent is to find some indication on the efficiency of using a consolidator/forwarder. This survey however did not find significant difference in their release times, *i.e.*, 127 hours for nonconsolidated against 129 hours for consolidated.

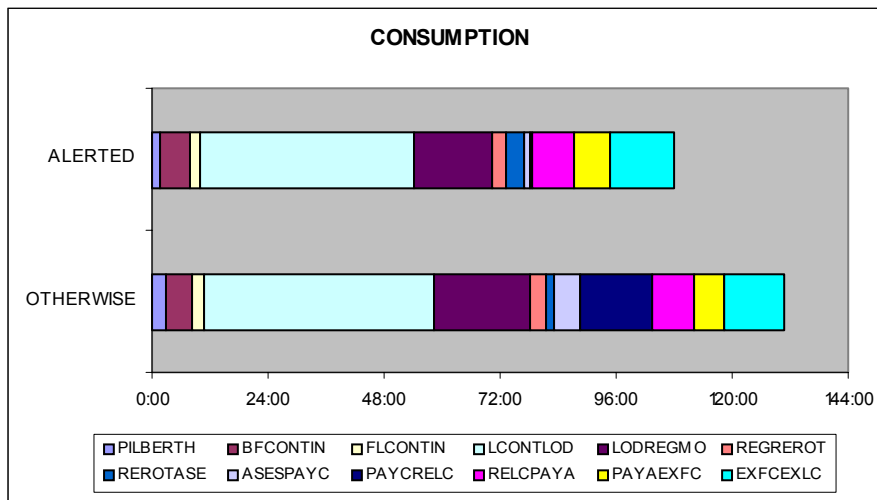
**Fig. III.45 Release Time by Type of Cargo, Seaport**



The purpose of comparing the release times of containerized and non-containerized shipments is to obtain some sense on the efficiency of containerization. The figure above shows the opposite: non-containerized cargoes have shorter release time, 76 hours, compared to 124 hours for containerized. What drives this result is the 42-hour

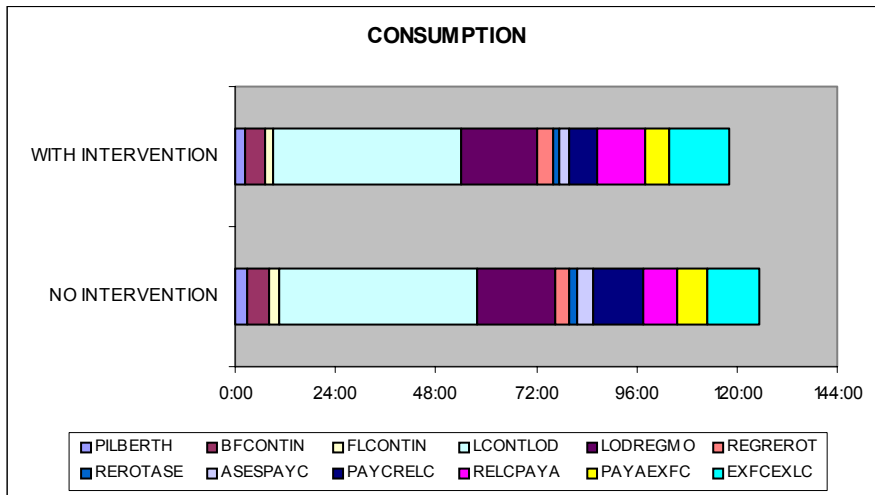
difference in time gap between discharging of goods and lodgment of containerized and non-containerized cargoes. But one plausible explanation for this finding is that most loose cargoes or non-containerized shipments come in small crates or packages that are usually declared as personal effects. The consignees usually keep closer monitoring of their shipments, thus the shorter release time. However, given that there only 6 sample entries under the non-containerized import group, then the result may not be statistically rigorous.

**Fig. III.46 Release Time by Alert Status, Seaport**



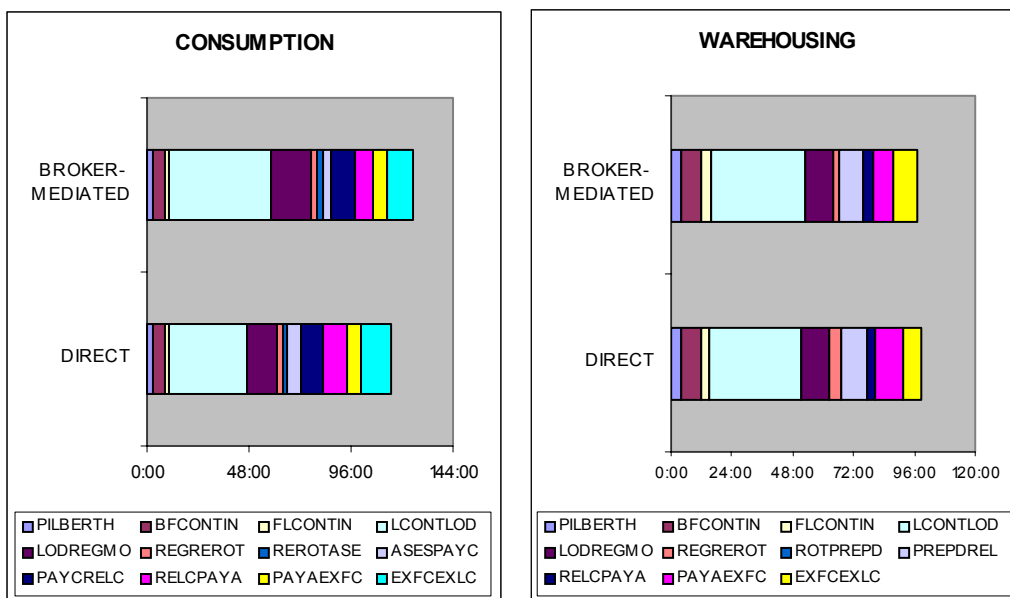
The data on which the above bar chart is based, comes only from one seaport. The pertinent information on the other seaport is not available. Imports placed on alert status are expected to have longer release time as these shipments have to undergo more rigorous physical examination and document scrutiny than usual. However, the survey results show the opposite. Alerted shipments have shorter release time, 107 hours, compared to non-alerted imports, 131 hours. It is also surprising to note that the time between lodgment and modification is shorter for alerted shipments by more than 10 hours. It is in this process interval where physical examination or document check is conducted. Moreover, alerted imports tend to be lodged earlier than non-alerted as indicated by the shorter time gap between discharging of goods and lodgment.

**Fig. III.47 Release Time by Agency Intervention, Seaport**



The relationship between release time and agency intervention, as revealed by the above figure, is also not expected. Here, entries requiring other government intervention are shown to have shorter release time, 118 hours, compared to those without intervention, 125 hours. This contradicts expectation because the intervention is expected to cause some delays in lodgment as most of the documents issued by other agencies are required before the entry can be lodged. Yet one may interpret this result as indication that the intervention of other government agencies is not the source of delay.

**Fig. III.48 Release Time by Broker Mediation, Seaport**



The influence of broker mediation on release time of entries at the seaport does not follow the pattern observed at the airport. On the contrary, formal entries not assisted by brokers take shorter time to be released than broker-assisted entries. The mean difference is about 10 hours (115 vs. 125 hours). One probable explanation for this is that in the case of self-processed entries, the person handling the processing could give more attention to it since brokers normally handle several entries at the same time. This is evident in lodgment phase; it takes 64 hours for self-processed entries to be lodged as against 73 hours for broker-mediated entries. The time savings are also reflected in rerouting to assessment, registration modification and customs clearance.

For warehousing entries, however, the release times seem invariant to broker mediation. The release time of broker-assisted entries is smaller, but the difference is only about 1.5 hours.

#### **III.4 ANALYSIS OF VARIANCE**

The previous sections compare the mean times across ports and between import types within each port using a set of import characteristics. One important characteristic of Philippine import transactions, however, is the wide variations in the processing times. The large standard deviations of processing times suggest that the time differences across strata in the sample have to be evaluated for their statistical significance. It is possible that the calculated differences do not represent real differences between strata given the wide variation of observations within each stratum. Thus it is important to consider the impact of variances on the calculated mean and to consider only those differences that are statistically significant.

Table 3.9 compares the mean release times across different groups of import entries. It shows two mean times for each import group, namely, from arrival to release (release time), and from lodgment to Customs clearance (clearance time). The differences in these mean times are tested for their statistical significance using One-Way Analysis of Variance (ANOVA). The results of this procedure are presented in the Appendix. Some of the important and statistically significant relationships revealed by the combined data from all ports are noted below:



- Formal entries have longer release and clearance times than warehousing entries. This observation is true in general, as well as in the individual ports.
- Across ports, green and super green cargoes are released faster than those tagged with red and yellow colors. But although super green entries appear to have shorter release time than green entries, the difference is not statistically significant. This implies that importers who are paying premium for the super green privilege may not be getting much in return in terms of faster release of their cargo.
- On average, red entries are released faster than yellow entries. This does not seem to follow intuitive expectation since document evaluation should be less time-consuming than actual examination of cargoes. At the airport, however, yellow entries are faster than red.
- Customs processing time does not also seem to conform to expectations. On average, green entries take longer time to clear than red. The clearance times of green and yellow entries are not statistically different. The opposite is expected because green entries, unlike red, are not subject to physical examination. Nonetheless, super green entries have the least clearance time as is expected.
- The country of origin of the imports matters in the determination of release time. Shipments from China are cleared and released the fastest, followed by East Asia and Japan. The differences in release and clearance times of ASEAN, US and European shipments are not statistically significant.
- Clearance and release times tend to increase with the value of commodity if the value is in the range of P500,000 and P5,000,000. That is, the higher the value of commodity, the longer is the clearance and release times when the value of commodity is within this range. However, the differences in release and clearance times of high-valued cargoes (over P5,000,000) and low-valued cargoes (less than P100,000) are not statistically significant.

- Pre-arrival lodged imports are released faster than post-arrival lodged imports, but they require the same time to clear Customs. This implies that pre-arrival lodged imports are faster to release because some Customs procedures are done in advance. Pre-arrival lodgment, therefore, does not shorten the processing time, but only advances some processes. This may explain why only 4% of entries opt to lodge in advance.
- The analysis of variance confirms the inferences on electronic and manual lodgments drawn on the basis of means. Electronic lodgments, *i.e.*, those lodged through EDI and DTI, have release times shorter than those lodged manually, *i.e.*, through EEC, but they require longer time to clear Customs.
- The difference in release times between afternoon and morning lodgments is statistically significant in favor of the former. However, afternoon lodgments are slower to clear at Customs.
- Weekend-lodged imports are released faster than weekday-lodgments. Among the weekdays, Monday lodgments are the fastest to release.
- Cargoes exempted from payment of duties and taxes have shorter release time but longer clearance time than non-exempt. Several points are suggested by this finding. First, the longer release time for non-exempt shipments may be due to the need for the importer to prepay duties before lodgment. Second, securing the requisite documents for duties exemption from other government agencies is not a source of delay. Finally, the longer clearance time of exempt cargoes may be due to the deficiencies in the current Payment System that is unable to handle non-cash transactions.
- There is no statistically significant difference between the clearance and release times of VAT-exempt and VAT-subject imports.
- Entries paying their duties in cash have shorter release and clearance times than those using non-cash forms of payment. Non-cash paid entries, on the

other hand, have longer release and clearance times than duties-exempt imports.

- Comparing the release times across commodity types, textile has shortest clearance and release times, followed by motor vehicle. Food has longer release time than textile but the clearance time between the two is statistically the same.

**Table III.9 Average Release Time by Type of Imports**  
(*hh:mm*)

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
Arrival to release	119:35	128:59		112:18	138:52		121:11	126:40	
Lodgment to Customs clearance	29:30	47:06		28:19	56:33		29:42	45:21	
<b>By Type of Entry</b>									
Formal entry									
Arrival to release	128:21	133:33		146:05	147:15		125:02	130:34	
Lodgment to Customs clearance	29:53	48:24		28:19	56:33		30:11	46:40	
Warehousing entry									
Arrival to release	74:09	89:18		19:34	31:06		97:16	95:38	
Lodgment to Customs clearance	26:49	36:21					26:49	36:21	
<b>By Selectivity results</b>									
Super green									
Arrival to release	106:14	87:17		78:43	91:51		121:34	80:41	
Lodgment to Customs clearance	8:20	18:09		5:49	15:44		9:18	18:55	
Green									
Arrival to release	109:21	67:39		103:40	67:33		109:27	67:42	
Lodgment to Customs clearance	36:48	34:51		28:48	37:42		36:56	34:49	
Yellow									
Arrival to release	132:04	105:10		114:02	149:17		134:14	98:21	
Lodgment to Customs clearance	36:51	46:55		35:12	58:36		36:59	45:54	
Red									
Arrival to release	118:51	145:55		127:37	151:44		116:59	144:35	
Lodgment to Customs clearance	30:58	50:45		36:28	64:09		30:03	48:03	
<b>By Country of Origin</b>									
Japan									

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
Arrival to release	113:41	100:00		91:33	129:29		119:34	89:44	
Lodgment to Customs clearance United States	27:12	42:23		37:45	72:19		25:49	36:35	
Arrival to release	136:36	130:48		121:58	143:08		150:18	116:30	
Lodgment to Customs clearance East Asia	35:41	58:19		29:41	66:25		40:31	50:24	
Arrival to release	107:27	90:21		65:02	108:46		111:19	87:29	
Lodgment to Customs clearance ASEAN	29:16	42:55		31:18	64:34		29:12	41:56	
Arrival to release	136:07	100:12		96:08	114:34		142:00	96:33	
Lodgment to Customs clearance China	33:07	42:48		24:38	44:55		33:54	42:31	
Arrival to release	97:41	89:08		78:51	91:05		98:00	89:05	
Lodgment to Customs clearance Europe	23:00	35:12		32:14	38:58		22:56	35:10	
Arrival to release	138:56	247:53		126:38	153:38		148:54	303:09	
Lodgment to Customs clearance <b>By Mode of Lodgment</b>	34:00	68:55		28:29	49:26		37:36	78:53	
EEC									
Arrival to release	120:20	131:45		114:02	139:39		121:47	129:49	
Lodgment to Customs clearance Non-EEC	29:02	47:36		28:02	55:41		29:12	46:03	
Arrival to release	107:50	73:28		54:05	92:04		112:50	69:27	
Lodgment to Customs clearance <b>By Timing of Clearance</b>	36:53	37:35		56:56	111:26		36:24	33:55	
Pre-arrival Clearance									
Arrival to release	36:02	46:13					36:02	46:13	

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
Lodgment to Customs clearance	2:33	5:30					2:33		5:30
Post-arrival Clearance									
Arrival to release	121:41	129:29					122:28		127:03
Lodgment to Customs clearance	29:52	47:18					30:07		45:35
<b>By Timing of Lodgment</b>									
Pre-arrival Lodgment									
Arrival to release	37:07	41:18		12:31	25:43		45:46		42:17
Lodgment to Customs clearance	28:17	47:51		123:59	204:23		26:01		34:50
Post-arrival Lodgment									
Arrival to release	123:10	130:18		118:42	140:42		124:08		127:56
Lodgment to Customs clearance	29:33	47:04		27:48	54:21		29:50		45:43
<b>DUTIES/TAX EXEMPTION</b>									
Exempt									
Arrival to release	80:54	98:45		34:36	75:55		101:15		100:46
Lodgment to Customs clearance	26:50	37:46		19:39	25:35		27:03		38:04
Non-Exempt									
Arrival to release	127:30	132:58		143:43	146:02		124:32		130:13
Lodgment to Customs clearance	29:54	48:20		28:34	57:11		30:09		46:29
<b>VAT Exemption</b>									
Exempt									
Arrival to release	125:50	285:41		226:04	176:24		120:48		289:13
Lodgment to Customs clearance	28:12	71:55		23:27	31:09		28:26		73:23
Non-Exempt									
Arrival to release	119:01	103:58		109:46	136:52		121:13		94:20
Lodgment to Customs clearance	29:38	44:02		28:28	57:08		29:50		41:17
<b>Type of Commodity</b>									
Food									

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
Arrival to release	119:34	199:25		93:30	66:56		120:09	201:20	
Lodgment to Customs clearance Textile	30:48	59:50		23:52	29:45		30:58	60:20	
Arrival to release	101:39	101:00		79:14	88:50		102:32	101:22	
Lodgment to Customs clearance Electrical machinery	27:38	38:42		17:01	31:38		27:50	38:47	
Arrival to release	113:56	116:58		95:19	148:00		124:57	92:12	
Lodgment to Customs clearance Motor vehicle	33:45	53:58		42:08	74:41		31:18	45:53	
Arrival to release	109:05	89:58		101:07	105:27		109:57	88:07	
Lodgment to Customs clearance Non-electrical machinery	21:33	33:32		16:19	22:18		22:08	34:30	
Arrival to release	138:16	106:08		172:02	150:09		130:24	91:12	
Lodgment to Customs clearance Heavy Equipment	32:16	53:19		35:23	57:05		31:33	52:25	
Arrival to release	159:33	165:32		195:06	267:42		149:06	118:27	
Lodgment to Customs clearance Computers	35:44	62:17		41:05	88:05		34:08	52:15	
Arrival to release	113:19	100:07		103:37	111:13		123:12	86:21	
Lodgment to Customs clearance Iron and steel	26:31	44:52		18:29	39:33		33:59	48:09	
Arrival to release	141:45	114:43		140:31	129:04		141:58	112:00	
Lodgment to Customs clearance Hardware	38:43	54:25		34:00	77:33		39:32	49:17	
Arrival to release	126:49	94:35		108:35	88:45		128:28	94:57	
Lodgment to Customs clearance Fuel and Oil	33:52	44:19		25:38	29:08		34:31	45:14	

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
Arrival to release	141:05	93:11		129:17	107:34		143:21	90:03	
Lodgment to Customs clearance	46:30	56:40		41:29	72:41		47:29	52:59	
Chemicals									
Arrival to release	128:03	95:26		107:47	108:48		130:26	93:28	
Lodgment to Customs clearance	38:04	46:34		31:44	47:19		38:41	46:28	
Tobacco									
Arrival to release	133:01	90:37		116:41	81:31		137:00	92:17	
Lodgment to Customs clearance	37:26	46:49		24:03	29:30		40:35	49:30	
Paper products									
Arrival to release	117:48	87:49		129:20	112:28		117:00	85:48	
Lodgment to Customs clearance	30:42	38:05		27:09	46:06		30:56	37:31	
Miscellaneous									
Arrival to release	122:37	103:47		146:22	133:48		117:54	96:03	
Lodgment to Customs clearance	33:51	50:56		36:37	67:03		33:21	47:22	
<b>Value of Commodity</b>									
Less than 100,000									
Arrival to release	116:11	110:24		118:22	132:16		114:30	89:59	
Lodgment to Customs clearance	30:56	51:13		29:36	55:53		31:45	48:06	
100,001 to 500,000									
Arrival to release	107:01	107:58		118:53	154:57		104:09	92:54	
Lodgment to Customs clearance	24:35	43:00		30:07	60:27		23:34	38:54	
500,001 to 1,000,000									
Arrival to release	123:12	94:54		107:31	137:36		125:09	87:57	
Lodgment to Customs clearance	32:57	45:31		28:33	63:53		33:18	43:42	
1,000,001 to 5,000,000									
Arrival to release	134:13	174:09		100:30	122:34		137:13	177:42	
Lodgment to Customs clearance	32:30	51:47		23:21	49:37		33:04	51:52	



Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
More than 5,000,000									
Arrival to release	113:38	86:22		66:46	95:07		121:59	82:01	
Lodgment to Customs clearance	27:38	34:03		17:05	22:25		28:53	34:58	
<b>Day of Lodgment</b>									
Midweek									
Arrival to release	118:31	100:49		116:07	132:40		119:00	93:02	
Lodgment to Customs clearance	26:39	41:49		25:28	54:17		26:51	39:21	
Monday									
Arrival to release	110:10	90:33		114:28	122:04		109:23	83:30	
Lodgment to Customs clearance	21:17	31:47		18:49	48:25		21:39	28:39	
Friday									
Arrival to release	141:31	220:43		135:14	176:49		143:00	229:54	
Lodgment to Customs clearance	49:05	69:15		46:32	66:13		49:32	69:48	
Weekend									
Arrival to release	12:38	21:24		12:38	21:24				
Lodgment to Customs clearance									
<b>Time of Lodgment</b>									
AM									
Arrival to release	127:07	166:44		145:12	167:01		124:15	166:32	
Lodgment to Customs clearance	24:14	50:37		23:26	57:55		24:22	49:23	
PM									
Arrival to release	115:18	101:17		99:48	124:18		119:17	94:03	
Lodgment to Customs clearance	32:43	44:31		31:06	55:35		32:59	42:21	
<b>Processing Period</b>									
Inclusive of Weekend									
Arrival to release	149:05	143:13		151:17	155:00		148:37	140:39	
Lodgment to Customs clearance	35:48	53:06		34:51	64:05		35:58	50:57	

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
Otherwise									
Arrival to release	52:27	36:29		34:38	27:55		56:49	37:00	
Lodgment to Customs clearance	14:19	21:06		9:45	12:11		14:58	22:00	
<b>Mode of Payment</b>									
Cash									
Arrival to release	122:41	94:00		133:25	118:51		120:43	88:34	
Lodgment to Customs clearance	27:25	39:01		23:45	42:51		28:06	38:15	
Non-Cash									
Arrival to release	178:59	318:16		238:15	268:44		166:10	326:42	
Lodgment to Customs clearance	62:53	110:13		67:08	115:29		61:29	108:29	
Exempt from Customs Duties									
Arrival to release	77:03	94:54		26:20	62:03		98:41	98:12	
Lodgment to Customs clearance	27:08	38:14		32:51	38:39		27:05	38:14	
<b>Type of Manifest</b>									
Consolidated									
Arrival to release	128:58	171:08					128:58	171:08	
Lodgment to Customs clearance	32:32	51:13					32:32	51:13	
Non-Consolidated									
Arrival to release	127:19	115:48					121:54	104:19	
Lodgment to Customs clearance	28:53	47:16					29:02	44:16	
<b>Type of Cargo</b>									
Containerized									
Arrival to release	124:08	128:57					124:08	128:57	
Lodgment to Customs clearance	29:54	45:03					29:54	45:03	
Non-Containerized									
Arrival to release	76:00	47:01					76:00	47:01	
Lodgment to Customs clearance	30:56	31:37					30:56	31:37	

Particulars	All Ports			Airport			Seaport		
	Mean	Std. Deviation		Mean	Std. Deviation		Mean	Std. Deviation	
<b>Alert Status</b>									
Alerted									
Arrival to release	107:52	82:23					107:52	82:23	
Lodgment to Customs clearance	25:53	38:32					25:53	38:32	
Otherwise									
Arrival to release	131:24	83:48					131:24	83:48	
Lodgment to Customs clearance	30:23	40:32					30:23	40:32	
<b>Agency Intervention</b>									
With Intervention									
Arrival to release	118:19	105:31					118:19	105:31	
Lodgment to Customs clearance	30:01	41:40					30:04	41:42	
Without Intervention									
Arrival to release	119:37	129:39					121:17	127:24	
Lodgment to Customs clearance	29:29	47:16					29:41	45:30	
<b>Broker Mediation</b>									
Broker-Mediated									
Arrival to release	120:04	131:23					122:02	129:28	
Lodgment to Customs clearance	29:32	47:39					29:44	45:54	
Direct									
Arrival to release	111:45	81:08					109:11	76:38	
Lodgment to Customs clearance	28:59	37:50					29:04	37:00	

### **III.5 INTERVENTION OF OTHER AGENCIES**

Table III.10 shows summary statistics on the time spent on clearance and inspection of cargoes by other government agencies. Clearance time is measured from the submission of complete documents by the importer to the issuance of permit or other documents required by the importer in processing the import entry. Inspection time pertains to the actual time spent by these agencies on physically examining the cargo.

This survey covers 7 government agencies that are considered to be the most heavily involved in the import process outside of the Bureau of Customs. These are: Bureau of Animal Industry (BAI), Bureau of Plant Industry (BPI), Bureau of Fisheries and Aquatic Resources (BFAR), Bureau of Internal Revenue, Mabuhay Lane and Revenue Office under the Department of Finance, and Bureau of Import Services. The first 3 agencies are under the Department of Agriculture. They issue release clearance for imports (and exports) involving animals, plants and other agricultural products. The two agencies under the Department of Finance issue tax exemption certificates. One unit at the Bureau of Internal Revenue issues release authority for imports that are subject to VAT and excise tax. Finally, the Bureau of Import Services issues import permit on selected commodities.

The usual procedure is that the processing starts only when the importer/broker has submitted all the required documents to the concerned government agency and the imports are cleared only after physical examination. In practice, however, the agency may conduct physical examination as soon as the cargo arrives and even before the requisite documents are received. This is usually done to speed up the release of imports, particularly highly perishable or live plants and animals. Since the actual process may not follow the prescribed flow, the clearance process should be seen as separate from inspection. Thus, the clearance time may be shorter than the inspection time. The usual case is the clearance period encompasses the examination time, thus the former should be longer.

**Table III.10 Average Time of Intervention by Other Government Agencies in the Import Process**

Agency	Total Entries		Document(s) Issued	Clearance Time		Inspection Time	
	Received	Inspected		Mean	Std. Deviation	Mean	Std. Deviation
BAI							
POM	147	80	Veterinary Quarantine Inspection Certificate; Release Order	0:25	0:45	0:39	0:47
MICP	266	114	-do-	0:09	1:02	0:22	1:37
NAIA	69	69	-do-	1:16	0:35	0:34	0:17
BPI							
POM	67	67	Import Permit	5:50	8:25	0:44	0:35
MICP	149	149	-do-	0:46	1:03	0:22	0:45
NAIA	79	76	-do-	1:32	2:59	0:29	0:24
BFAR							
POM	15	15	SPS Certificate	0:40	0:19	0:17	0:09
MICP	86	86	-do-	4:37	13:11	0:12	0:06
NAIA	170	168	-do-	1:27	1:08	0:26	0:57
Mabuhay Lane, DOF			Endorsement to BOC for tax exemption				
POM	100			16:16	24:42	-	-
MICP	216			18:15	29:32	-	-
NAIA	429			20:51	108:41	-	-
RO, DOF			Endorsement to BOC for tax exemption				
POM	484			67:30	76:49	-	-
MICP	527			65:18	72:31	-	-
NAIA	535			66:55	73:12	-	-
BIR	425		ATRIG	76:23	86:06	-	-
BIS	73		Certificate of Authority to Import; Release Clearance	81:08	79:39	-	-

### **III.5.1 Bureau of Animal Industry**

BAI maintains its presence in all 3 ports covered in this study. The physical examination lasts about half an hour. It usually takes longer if the goods require laboratory analysis, At the airport, the temporary laboratory is located some distance away, thus the inspection time can be longer.

A significant finding of this survey is the wide difference in clearance times between ports involving the same agency. While it takes more than one hour (1.16 hours) to clear documents at the airport, it only requires 25 minutes at the piers. One explanation for the longer clearance time at the airport is that most shipments at the airport are live animals whose owners are not aware of specific regulations that apply to their shipment. For first-time shippers, delay is inevitable. Another explanation is that advance inspection is allowed at the seaport (*i.e.*, cargoes are inspected even before the importer submits the required documents), while this practice is not usually done at the airport.

Delay in processing is sometimes due to inadequate cash of brokers to pay for the inspection fee. In other instances, it is caused by limited number of personnel of the agency particularly on days when several containers have to be inspected. But the usual source of delay is the failure of importer to present the required documents, *e.g.*, phytosanitary certificates from country of origin, import permits, bill of lading and the like, often due to ignorance on the applicable rules.

### **III.5.2 Bureau of Plant Industry**

Physical examination of plants and plant products ranges from 22 to 44 minutes for BPI offices in the three ports. At MICP, the clearance of document is relatively faster than at POM and NAIA. It is not easy to trace the reasons for the differences in clearance times, but a plausible reason is that the kinds of plant materials may be different in each port. Some plants have to be brought to the laboratory for fumigation and therefore can be released only after 24 hours. Others have to be contained for about a week. Part of the time discrepancies may also be due to delays in serving notice of inspection to the importer. BPI cannot just proceed to inspect the

cargo but must wait for the notice before proceeding to the inspection area. Absence or tardiness of members of the inspection team also causes delay. Thus, clearance may take from less than one hour (at MICP) to about 6 hours or the whole day (at POM).

### **III.5.3 Bureau of Fisheries & Aquatic Resources**

The average inspection time of fisheries or aquatic products is relatively fast in all three ports, averaging from 12 to 26 minutes. This is expected given the nature of fish and aquatic animals that are very sensitive to changes in the environment. Documents can therefore be cleared within a day.

A number of reasons have been cited for the delay in processing. The most often cited cause of delay is the absence of service trucks for inspection. In some cases, the storage facilities for the aquatic animals are not ready. When there are delays in the processing of entries at the BOC, it can also delay the processing at the agency because the documents are held up at the former.

### **III.5.4 Mabuhay Lane, Department of Finance**

Mabuhay Lane, also known as Express Lane, does not normally conduct physical inspections of imports similar to those conducted by the three agencies cited above. Its main task is to examine the veracity of information contained in the documents submitted by the importer and to evaluate the claims for exemptions against specific laws that define exemption cases.

The cases handled by Mabuhay Lane are limited, thus the clearance period averages 18 hours. The rule-of-thumb observed by the agency is that documents submitted to their office in the morning should already be cleared by the afternoon of the same day. The usual cause of delay is that the documents submitted by the importer are incomplete.

### **III.5.5 Revenue Office, Department of Finance**

Applications for tax exemption submitted to the Revenue Office (RO) are more varied and numerous than those processed by the Mabuhay Lane. By the nature of tax exemptions, documents have to be processed thoroughly. A Research and Monitoring Division at the RO conducts investigation to validate claims for tax exemption. The tax exemption application must state the particular law being invoked for the duty exemption. The validation of transaction or shipment usually takes a few days but may stretch to weeks if the goods/transaction is new, or the Research team doubts the veracity of importer/broker's claims. The average clearance time is 66 hours (2.75 days).

### **III.5.6 Bureau of Internal Revenue**

Before the cargoes can be released, the BIR should issue an Authority to Release Imported Goods (ATRIG). BIR clearance process takes about 76 hours or 3 days. There is no prescribed period on when the importer should file the application but it is assumed that the shipment is already in the port when the application is filed. The assessment and evaluation of required documents usually take a full day since processing is done in batches. Documents are collated at the end of the day for transmittal to the BOC the following day. Inspection of cargo follows. After inspection, the BIR office prepares the ATRIG for transmittal to the BOC the next day. In practice, therefore, at least three days are needed for the issuance of ATRIG.

The processing however can be delayed if there are legal and technical issues that need to be resolved by the lawyers of BIR and importers. Such issues involve proper classification and valuation of goods that have bearing on duties and taxes. There can be arguments on the applicable tariff since the Tariff and Customs Code itself is not updated. In these cases, processing can take weeks or even months.

### **III.5.7 Bureau of Import Services**

The BIS claims that it takes about 3 days to process an application for import permit. Statistics generated in this study place this more accurately at 3.4 days. The usual



causes of delays are incomplete documents submitted by the importer and failure of the importer to comply with import rules and regulations. In motor vehicle importation, for example, some of the usual causes of delay are: (i) failure of the importer to include a photocopy of his passport; (ii) non-registration of the vehicle within the prescribed period of at least 5 months prior to importation; and (iii) failure of the importer to secure an Emission Certificate from the Land Transportation Office.

### **III.5.8 Impact of Other Government Intervention in Release Time**

Of the total 3,837 import transactions monitored from the agencies' worksheets for this survey, only 408 (11%) have been traced to the sample of import entries. There are several possible explanations why there are only few transactions included in the sample. Foremost, the sample includes only import entries that are released during the survey period. Some of the import transactions that have passed these agencies may not have been cleared by Customs or released by arrastre or cargo handlers. Moreover the sample includes only formal and warehousing import entries; informal entries are excluded. Some of the import transaction in the agencies' worksheets may have been informal.

How much of the release time can be attributed to agency intervention? There is no easy answer for this as in most cases, the processes in the agencies and Customs can be concurrent.

However, the following can be considered. Referring to Table III.7, agency clearance time ranges between 1 minute to 119 hours. The average clearance time is 3 hours, but because of the wide variation in the data, it would be more accurate to consider the median, 30 minutes, as representative of time required for agency clearance. Whether 3 hours or 30 minutes, this time interval is insignificant to the average release time of 125 hours. It should also be considered that 44% (179 of 408) of agency intervention begins before lodgment, thus majority begins after lodgment. This implies that in majority cases, the agency intervention could not have derailed the lodgment of entry. Nor did agency intervention delayed Customs clearance. In fact, in 40% of cases (165 of 408), agency clearance succeeds Customs clearance. Where Customs clearance precedes agency clearance, there is a huge time difference

of 37 hours (1.5 days). Thus, agency clearance could not have delayed Customs clearance. In sum, therefore, the data suggests that agency intervention could not have prolonged the release time.

### III.6 PHYSICAL EXAMINATION BY CUSTOMS

The time when the Customs examiner receives the entry documents and writes his evaluation of the cargo in the IEIRD was traced for 2,968 import entries. Of this number 1,074 (36%) are in the sample. Table III.11 shows the mean statistics for all entries obtained with time data on physical examination.

**Table III.11 Average Time of Physical Examination**

	N	Min	Max	Mean	Median	Std. Dev
Airport						
Consumption	1,356	0:01	359:11	8:11	0:46	25:11
Warehousing	1,327	0:00 <sup>a</sup>	23:21	0:43	0:31	1:18
Seaport						
Consumption	285	0:02	288:15	24:26	2:55	40:39
All ports	2,968	0:00 <sup>a</sup>	359:11	6:24	0:36	22:16

<sup>a</sup> less than 1 minute.

It must be underscored that the time captured in this survey more accurately represents the evaluation period of the examiner/appraiser than the actual inspection of cargo. It cannot be ascertained whether a physical inspection actually took place.

In any case, the indication from Tables III.4, III.5 and III.7 is that the period captured comprise a significant proportion of the time between lodgment and modification of registration. At the seaport, the mean time of physical examination is 18 hours which is 71% of time between lodgment and modification of registration. At the airport, the physical examination time is only 44% of the time between lodgment and modification for formal entries, and 59%. Considering that the time interval between lodgment and modification of registration constitutes the second largest segment in the release time, after time between discharge and lodgment, finding means to reduce this physical examination period will do much in reducing the release time.

## CHAPTER IV

### RESULTS OF THE INTERVIEW SURVEY

#### IV.1 BASIS FOR DETERMINATION OF CRITICAL PROCESSES

The test run results, which measured the mean time between the time points identified for the different strata, were the basis for identifying and analyzing the critical processes. The length of time for each of the processes by port was then ranked and a common set of these processes identified for all ports and entry strata. For all formal entries, the MICP showed that the longest mean time among time points in descending order were (1) lodgment to modification of registration, (2) release of first container to release of last container, (3) customs clearance to payment of arrastre fees, and (4) discharge of container to lodgment. The POM showed the processes with longest mean time among time points in descending order as (1) discharge of last container to lodgment, (2) arrival at berth to discharge of first container, (3) release of first container to last container, and (4) lodgment to modification of registration. For the airport, the ranking of mean time among time points were (1) discharge of last container to lodgment (at the airport this was more accurately the time between delivery to temporary storage to lodgment), (2) lodgment to modification of registration, (3) customs clearance to payment of arrastre fees, and (4) assessment to matching of payments. For warehousing entries, the ranking of processes in terms of length of time at both seaport and airport was (1) discharge of last container to lodgment, (2) payment of import fees to clearance, and (3) lodgment to modification of registration. In all, and combining the ranking of the processes across all ports, the identified critical processes consisted of (1) discharge of last container to lodgment, (2) lodgment to modification of registration, (3) customs clearance to payment of arrastre fees, (4) arrival at berth to discharge of first container, and (5) payment of import fees to clearance by BOC. This seemed to be the critical processes (measured as the most time consuming procedures) for which explanations could be explored through interviews with different actors involved in the processes.

Table IV.1 shows the share of total mean release time by various critical processes for formal and warehousing entries in all ports based on the results reported in Chapter III

above. Two processes for the two types of goods are where delays are longest - from discharge (of last container) to lodgment, and lodgment to modification of registration.

**Table IV.1 Share of Critical Processes in Total Release Time**

	<b>Formal Entry</b>	<b>Warehousing Entry</b>
Discharge to Lodgment	40.64% (69:17)	35.40% (36:00)
Lodgment to Modification of Registration	14.93% (25:27)	10.30% (10:29)
Clearance to Payment of Arrastre/Cargo Handling Fees	6.98% (11:53)	4.32% (4:23)*
Payment of IPF to Clearance		11.78% (11:58)
Arrival of Vessel at Berth / Parking of Aircraft to Discharge of Goods	3.75% (6:23)	6.96% (7:04)

While the Research Team had some possible reasons for the length of the critical processes, these were considered mere hypotheses which needed to be validated through actual interviews among those involved in the import procedure chain. The possible reasons were considered to be associated with computer system problems, inadequacy of infrastructure, organizational weaknesses, and institutional flaws. Some approaches to improve and increase the efficiency of the critical processes were also identified by the Research Team but considered as hypotheses as well.

Once these critical processes were identified, ranked, and consolidated across ports, and entry, interviewees were identified in terms of offices or institutions. An initial list of 15 interviewees was drawn up distributed evenly across the five critical processes. While many of them were in the BOC there were some from the private sector especially from the arrastre and cargo handlers, and designated VANs. The questions that were asked from these interviewees were deliberately limited and meant to extract views about the reasons for the time consuming processes and what suggestions arise from the observed reasons. The interview questions were:

1. What is the prescribed procedure?

2. Is the actual procedure consistent with the prescribed?
3. What are the factors causing delay in the procedure?
4. What are your suggestions to improve the process flow?

Although these questions appear they have been open-ended, the focus was based on the interviewee and the associated work, and the critical process. There was a one-to-one correspondence between the interviewee and the process. Thus the questions were really aimed at only a specific process in the entire procedural chain that has been followed. The answers to these questions could then be compared with some of the hypotheses that have been advanced by the Research Team.

#### **IV.2 FACTORS CAUSING DELAYS (FROM THE INTERVIEW SURVEY)**

The following discussion is based purely on the responses from the interviewees on the critical processes that have earlier been identified. There is no attribution made in these responses to the specific individuals who have been interviewed.

##### *Discharge to Lodgment*

One of the requirements for lodgment to take place is the availability of the shipping manifest to the BOC at least 24 hours before the arrival of the vessel. This would allow validation and reference of the lodgment to actual physical location of the cargo. But more often shipping lines submit inbound manifest one day after the arrival of the vessel and thus importers cannot lodge until the manifest has been uploaded to the BOC.

There is also the refusal by BOC to eliminate the “check-writing” requirement of a single administrative document effectively discouraging the use of EDI and web-based lodgment facilities VANs offer.

At the NAIA, brokers/importers delay the filing of declaration until the afternoon of the day. This way goods are released late in the afternoon or evening. Two reasons were advanced to explain this behavior: (a) truck ban from major roads during the day, and (b) goods are released faster using “backdoor release” facilities.

The ACOS servers have process limitations due to hardware problems. Moreover, entry of declaration through EDI lodgment limits ACOS processes in batches while the lodgment by EEC is processed in real time. There is also queuing in the EEC lodgment which usually averages between 30 minutes and one hour.

On the part of the brokers and importers delays in the arrival of original copies of invoices, packing lists and bill of lading could cause delays in lodgment since the original copies are required for lodgment. And even the original bill of lading has to be stamped by the shipping line before it can be used for the declaration.

Goods that are eligible for tax exemption are processed by the Revenue Office of the Department of Finance and a special group, the Mabuhay Lane, that caters to select sectors. Delays are usually caused by the failure of the importer or his representative to secure an endorsement from the government agency that regulates and monitors such importations. These are endorsements from the National Telecommunications Commission, Department of Foreign Affairs (imports of international organizations like the Red Cross or UNDP), Department of Education (imports of non-stock non-profit educational institutions), Department of Energy (firms with energy contracts), Board of Investments (BOI-registered firms), among others. In addition to the failure to secure these endorsements, is negligence in completing the information required, e.g. return addresses, whereupon applications are delayed for a month. Obtaining accurate information on importation rules and procedures is a major reason for delay especially for first-timers who rely solely on their brokers. There are also companies whose documents do not satisfy the Revenue Office, in which case an investigation about the activities of these companies is conducted by its Research and Monitoring Section. The lack of manpower to conduct the investigation delays applications further. Ocular inspection of the site of proposed use of capital equipment imports is also required before clearance is granted.

The Certificate of Authority to Import (CAI) issued by the Bureau of Import Services is needed in the case of no-dollar imports, namely used cars of returning citizens, foreign service personnel, or foreign diplomats assigned in the Philippines. BIS inspectors conduct physical inspection of the imported vehicle at the container yard to determine if additional taxes are still due. Delays take place when importers or brokers fail to comply with BIS importation rules, including: a) failure to attach photocopy of passport; b) registration of vehicle is not within the five-month requirement prior to importation; c) failure to secure Emission Certificate from the Land Transportation Office; d) failure to file application at correct time, e.g. filing when shipment is already in the custody of the BOC. These stem from the lack of information on the documentary requirements.

The Bureau of Fisheries and Aquatic Resources (BFAR) has its field offices at the three main ports of entry – MICP, POM, and NAIA - to conduct quarantine inspection of imported (as well as to be exported) fishery and other aquatic products before they can be released by BOC.

At the MICP, upon arrival of the vessel at the pilot station where the boarding team meets the vessel for pre-inspection, delays result when the vessel does not have enough space to position itself. During the filing of the application, the importer/broker fails to provide the necessary documents. In particular, the import permit is overlooked because the importer does not clearly understand the implementing rules of BFAR in terms of what species are prohibited and what are allowed. During the physical examination of the cargo, the stripping of the contents, which is done only once, is delayed when not all concerned agencies are present before the container is opened. As a matter of procedure, the agency must conduct random sampling for laboratory analysis of the shipment. In practice however, lab tests are no longer done, unless there are obvious reasons like foul smell, due to the lack of facilities for immediate lab analysis. Only shipments of those firms involved in processing, canning, and restaurants undergo lab examinations for accreditation purposes.

At the Port of Manila, the common cause of delay is the failure of the importer/broker to submit documentary requirements, particularly the import permit issued by the

BFAR central office. Goods that do not have a health certificate from the country of origin, are either confiscated or sent back. From BFAR's viewpoint, there seems to be an information gap between the broker and importer and between the importer and BFAR regarding importation rules and procedures. During the inspection proper, not all involved agencies are present. Importers/brokers also sometimes do not carry sufficient money for immediate payment of fees.

At NAIA, there is no time wasted in waiting before inspection commences since BFAR quarantine officers can examine the cargo even without the other agencies, nor in travelling to the containment area since it is located beside the quarantine office. Delays take place when the importer fails to present complete documents when filing an application, particularly import permits issued by the central office and the health certificate issued by country of origin. Some importers do not have correct information about the procedures and take time to comply with the requirements. Others reason out that their cargoes are samples hence lack import permits, specially when the good in question is not prohibited, behavior that BFAR perceives to be an attempt to outsmart them.

Likewise, the Bureau of Animal Industry (BAI) at MICP cites the lack of appropriate documentary attachments and inconsistencies in the supporting documents as a reason for delays. There is also the absence of a health certificate issued by the country of origin or inconsistency in the date in the import permit with the date of departure. Most first time applicants do not know the right information about items that are subject to quarantine. At the POM, malfunctioning equipment used to unload the containers, absence or tardiness of other agencies, or are late for inspection, delay the process. But the major cause is inconsistencies between the date of issue in the import permit and the date of departure from origin, due to importers' ignorance of exact procedures. Shipments entering NAIA are mostly live animals and a small volume of frozen meat products, which are usually passed off as samples. Delays happen when the consignee has no import permit from the BAI central office, again a result of the lack of information.

For the Bureau of Plant Industry at MICP, one of the major sources of delay is the failure to submit a phytosanitary certificate from the country of origin. There are also



cases of misdeclared items being mixed with legally declared ones. Importers have incorrect information that some plant species no longer require phytosanitary or import permits. BPI is puzzled by this ignorance of procedures when there are brokers whose job is to know them. Perhaps the problem lies in the level of transparency between importers and the brokers. The lack of a laboratory facility within the MICP compound for BPI to conduct plant analysis causes further delays.

At POM, the absence of inspecting agencies is another cause. Importers also lack import permits from the central office, while some difficulties arise in the interpretation of the rules. For instance, there are plant products that are not governed by any plant quarantine prohibition such as fresh flowers, bouquets, and other floral arrangements as long as they are free from sand, soil, or other prohibited materials - this prohibition clause is sometimes overlooked by the importer/broker. Travel of the inspector from office to the container yard and back again for payment also takes time.

Within NAIA, failure to secure the import permit from the BPI Central office is one cause, due to the lack of information on the required documents for some specific plant species like orchids and other ornamental plants, which according to importers, is not governed by any plant quarantine prohibition.

#### *Lodgment to Modification of Registration*

Shipping lines do not provide complete description of the goods preventing the advance clearance of cargoes. Where description of the goods is ambiguous, BOC often may verify the veracity of the cargoes which may often length and take days. This is more so if the import is “hit” by the valuation screen requiring a reference value of the commodity which if not available in the database can cause further delays.

For products requiring clearance from other agencies of government, there is often delay in presenting them prior to inspection. This is compounded by an increasing number of requests from other agencies for selected entries e.g., the Office of the President ordering all refrigerated cargoes to be selected “red”, DENR requesting selection for all hazardous cargoes, and DOF for all shipments from China.

A number of products declared can not be matched in the Tariff and Customs Code either because of ambiguity or the Code has not been updated. For example, computerized equipment is not in the Code and is often declared as “computer” which has no tariff duty when in fact it is a computerized equipment. In case of doubt by the BOC, a proof of purchase is required causing further delay. When freight and insurance charges are not clearly indicated or containers are without proper markings and labels, delays further take place.

The number of computers is limited and these often break down. This limits the ability of examiners and appraisers from quickly verifying the value of commodities from the database. In one division, only two computers are available for the verification of commodity valuation. The two computers are shared by 75 examiners and appraisers.

There are physical limitations imposed by arrastre conditions which give priority to discharging vessels over physical examination when deploying their facilities. Only 30 containers per day can be examined. Inspecting cargoes can also be difficult if containers are mounted in trucks when brought to the designated examination area of the arrastre yard. In the NAIA, examiners have to commute from the BOC office to the warehouse (about 1-2 kilometers) to conduct the examination. This often causes delays as transport is not readily available, scheduling may be difficult, and commute time adds to the delay in the inspection process.

The risk management system can not regularly improve as the Risk Management Group is understaffed and lacks funding. The system itself gets no regular feedback from examiners/appraisers as basis for review.

For goods requiring an Authority to Release Imported Goods (ATRIG) from the Bureau of Internal Revenue, an application is submitted after their arrival. Most delays are usually due to the lack of documentary requirements. Importers or brokers leave their papers without first checking if they are complete or leaving their contact numbers. As a result, the action officer does not process the documents. Other causes of delay are legal and technical issues that need to be settled between the BIR and

importer before the ATRIG is given, which lead to grey areas in determining the amount of taxes due for payment by the importer. For example, the basis of taxation of chemical additives is not clearly specified in the revenue code. Such are referred to the legal and technical office for an expert opinion on the matter before the ATRIG office can act on the papers. Another instance is oil companies that do not want to execute an Affidavit of Undertaking that the BIR requires. This affidavit is similar to a waiver authorizing the BIR to conduct further inquiries even if the shipment have been released from BOC custody, for purposes of determining the actual usage of the product being imported. In these cases, papers are held pending for release, taking up to two months before the issues are resolved. In addition to these delays, travel time from BIR to the place where shipments are contained (i.e. MICP, POM, NAIA) is also considerable since BIR does not hold office at the ports of entry. Overseeing the physical release of goods from BOC is also difficult due to the lack of personnel so that some goods do not undergo physical inspection. Automobile importations are the only exception since the BIR is strict when it comes to exemption applications on these goods.

#### *Customs Clearance to Payment of Arrastre Fees*

There are prescribed procedures or geographic locations which are naturally time-consuming. All rolling cargoes have to be fully stripped for inspection purposes increasing the time between the clearance from BOC and payment of arrastre fees. The cargo warehouse may not be located in the same building as the BOC.

The clearance from BOC itself may be long in coming caused by a number of IT-related factors. Frequent and long computer down time may delay the issuance of customs clearance. The current OLRs at the BOC has an 8-minute cycle time. Production servers often experience “long wait” which happens when there are more than 75 users in any one port at any one time. There are limitations in hardware and software of payment and clearance system. There are multiple platforms in the ACOS which would naturally add some down time to the system creating the clearance. Finally, the present requirement can not eliminate the submission of a hard copy of the bill of lading because the current system has limited data warehousing and data mining capabilities.

### *Berth to Discharge of First Container*

Discharging of containers from the vessel upon berth can only start after the BOC has given permission. Sometimes a number of formalities can not be completed even if the vessel is already docked or at berth (e.g., quarantine and immigration inspection). This means discharge equipment will have to await completion. In some cases a second party from the BOC boards the vessel and therefore discharging will have to wait for another 15 to 30 minutes.

Some manual activities have to be undertaken to prepare the vessel at berth for automatic discharge. For example, lashings around the containers have to be manually removed which would occupy some significant time depending on the complexity of the lashings that have been installed.

Improper placement of containers from the previous berth of the vessel may also contribute to the delay in discharge of cargo. This happens when containers are “inverted” i.e., they are not properly stacked in the vessel.

Some self-containing vessels may elect to use their own equipment for the discharge of containers. Since these are normally slower in performance than those from the arrastre yards, allowing their use often contribute to some delay in the process from berth to discharge. One of the arrastre services at the seaport prohibits the use of vessel equipment for discharging of containers.

Inclement weather sometimes slows down discharging at berth especially in conditions associated with strong winds.

Arrastre equipment themselves may suffer breakdown or the systems handling them are down. The down time because of system failure often averages 3 hours which clogs up the process of discharge.

Lack of coordination with the tasks of the Import Specialist Team (IST) which is authorized to conduct inspection at discharge sometimes contribute to delay in the process from berth to discharge.

#### *Payment of Import Fees to Clearance: Warehousing Entry*

For the warehousing entries the time-consuming process that is common with the formal entries from discharge (of last container) to lodgment of declaration. A time-consuming process that is not in common with formal entries is the payment of import fees to the clearance from customs. This invariably holds true (with minimal exceptions) whether the goods are selected red or green, and across most of the kinds of goods that are imported, and where these come from. The exception is the longer time from the lodgment to the payment of import fees.

Since payment of import fees for warehousing entries involve bonds charging one reason for the delay in the process may be the insufficiency of bonds that the importer posts. In order to raise the bonds for the payment of import fees, the broker will need to go back to the importer/client to have the bonds charge slip changed especially since only one authorized signatory per company is allowed for bonds charging.

If the import was initially lodged as a transshipment, the importer/broker does not have the incentive to accelerate the completion of the import process since the goods are already with the consignee. Since a significant portion of the warehousing entries is transshipment this contributes to the lengthy process recorded next to the process from discharge to the lodgment.

### **IV.3 SUGGESTIONS FOR THE IMPROVEMENT OF PROCESSES (FROM THE INTERVIEW SURVEY)**

From the responses of interviewees regarding the factors causing the delay in the identified critical processes, they were asked about their suggestions to improve the processes. These are reported below.

### *Discharge to Lodgment*

The Bureau of Customs should streamline its procedures and fees to encourage the greater use of electronic processing of import documents. One of these may be the elimination of the requirement of “check-writing” of the Single Administrative Document (SAD) since this discourages the use of on-line payment services offered by VANs. Similarly, there is a need to eliminate the requirement for importers to present hard copies of the manifest as this also discourages the use of web-based lodgment. Consider also an alternative to the ASYCUDA since upgrading in the current system is constrained by proprietary rights.

There must be transparency about regulations and procedures and fees. Detailed information must be easily accessible to both importers and brokers through the Internet, manuals and pamphlets. Communication lines between agencies and clients (importers and brokers) must be open.

There is a need to review and streamline procedures to reduce red tape due to the many agencies involved that have overlapping functions.

There must be a computer link between BOC and agencies so that records of arrival will be transmitted immediately and incoming cargo can be monitored. This will allow advance identification of items that are subject to quarantine regulations. MOAs must be implemented already. The existing data express delivery system, the Electronic Tax and Duty Exemption System, linking the Mabuhay Lane to the main customs districts needs to be restored and upgraded regularly.

Closer coordination and exchange of information between BOC and agencies is needed – the agencies provide BOC with a list of quarantineable products while BOC gives copies of the inward cargo manifests of all incoming vessels to them.

For certain types of (and frequent) violations of regulations that result in delays, monetary fines must be imposed.

A list of species subject to quarantine should be posted in all ports of entry, in the internet, and in travel guides. Airlines must cooperate in passing information to importers.

Larger quarantine office space and a laboratory within the compound are needed.

It may be useful to increase the frequency of transmission of payment files by banks. In the same vein, upgrading the payment server could improve the speed of transmission of transaction information.

Improvement in the CIIS accreditation to allow for greater reliance on post clearance audit system should reduce the time-consuming process from the discharge (of last container) to lodgment.

It may be useful to consider reforming the current system using the Express Cargo Clearance Facility (ECCF) as a model.

#### *Lodgment to Modification of Registration*

Risk assessment parameters have to be regularly reviewed and updated to take into account new information. The Risk Management Group (RMG) needs to given control over the risk assessment screen. In the current setup all modifications in the screen have to be approved by the Intelligence Enforcement Group and implemented by the MISTG. RMG can only recommend changes in the screen. This compromises the confidentiality of the risk management system. Improvement in the risk management system eventually reduces the number of hits (“red”). There is an observation that whereas before the number of hits were a small fraction of total cargoes, now they constitute a larger fraction of the total.

The description of commodities in the cargo should be as specific as possible to reduce ambiguity and reference to other validation processes. In addition, these should be contained in the Tariff and Customs Code which itself needs to be regularly updated in view of the appearance of new products.

The use of pre-arrival inspection system should allow for pre-arrival clearance of cargoes reducing the time-consuming process from lodgment to modification of registration. Along with the pre-arrival inspection, the use of home consumption value would reduce disputes over the true value of the commodities imported.

Fewer import controls should reduce the process of from lodgment to modification of registration since most cargoes would be selected green. This is consistent with the global trend towards liberalization and reduction of tariffs and import restrictions. Along with this would be a need to change the mindset of the BOC from control to trade facilitation.

Implementation of a Single Administrative Document (SAD) to reduce the documentary requirements should help in the reduction of time between lodgment to the modification of registration.

A Joint Memorandum of Agreement between BIR and BOC seeking gradual phase-out of the ATRIG exists but was put on hold because of issues such as the need for checks and balances. This must be reviewed in the context of simplification of procedures.



### *Customs Clearance to Payment of Arrastre Fees*

Electronic payment of arrastre fees. There is a move towards the use of electronic payment for arrastre fees with the cooperation of banks. The mode of payment through electronic means remains cash basis or manager's check. The reason given for this suggestion is that one cause of delay is the queue in the payment of fees which is usually around 2 hours during peak hours from 3:00 to 5:00 PM although on average it would only take 4 minutes to process the payment for one container.

The presence of customs personnel in the warehouse would help reduce the time between customs clearance and the payment of arrastre fees.

In IT-related suggestions for the improvement of the process, upgrade of computer hardware and software would be essential given the rate of obsolescence and the volume of transactions that the BOC is handling which is expected to increase as trade expands and the economy grows. There is also a need to consider the entire customs procedure as one end-to-end operating system requiring a shift from the present ACOS that takes into account only BOC operations. It may also be useful to consider shifting from client-server environment to an internet-based environment.

### *Berth to Discharge of First Container*

Procedures could be further streamlined since some steps may be unnecessary and only contribute to further delays. This would include the import specialist assessment, and the step from entry encoding to the entry processing division. Improvements in the selectivity process may also be helpful in eventually reducing the time it takes for goods from berth to discharge.

### *Payment of Import Fees to Clearance: Warehouse Entry*

Upgrading the computer hardware would improve the processing from the payment of import fees to clearance.