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BUREAU OF CUSTOMS ENTRY PROCESSING UNIT – FORMAL ENTRY DIVISION ASSESSMENT REPORT

FINAL

11 July 2016

This document was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting for the Trade-Related Assistance for Development Project, under Contract Number AID-492-C-13-00011

BUREAU OF CUSTOMS ENTRY PROCESSING UNIT – FORMAL ENTRY DIVISION ASSESSMENT REPORT

FINAL

USAID TRADE RELATED ASSISTANCE FOR DEVELOPMENT (TRADE)

CONTRACT NUMBER: AID-492-C-13-00011

DELOITTE CONSULTING LLP

USAID/PHILIPPINES

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ABBREVIATIONS

| | |
|--------------|--|
| BoC | Bureau of Customs |
| e2m | Electronic to Mobile |
| NSW | National Single Window |
| USAID | United States Agency for International Development |
| FED | Formal Entry Division |
| EPU | Entry Processing Unit |
| COO3 | Customs Operations Officer 3 |
| COO5 | Customs Operations Officer 5 |
| AEO | Authorized Economic Operator |
| CMTA | Customs Modernization and Tariff Act |
| IED | Informal Entry Division |
| MICP | Manila International Container Port |
| POM | Port of Manila |
| TRADE | Trade-Related Assistance for Development Project |
| TRGA | Trade Regulatory Government Agency |
| ACOS | Automated Customs Operations System |
| BIR | Bureau of Internal Revenue |
| NSO | National Statistics Office |
| IEIRD | Import Entry and Internal Revenue Declaration |
| SAD | Single Administrative Declaration |
| VASP | Value Added Service Provider |
| TTPA | Trade Transaction Process Analysis |

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EXECUTIVE SUMMARY

The Bureau of Customs (BoC) Commissioner requested that the USAID TRADE project conduct an in-depth study to rationalize the role and function of the Entry Processing Unit (EPU) in the overall import cargo clearance process. This request resulted from the initial findings of the Trade Transaction Process Analysis (TTPA) study which evaluates the end-to-end cargo clearance process. The TTPA study found duplication of tasks on import entry declarations between the EPU and the Formal Entry Division (FED), which contributes to the delayed clearance of goods.

TRADE selected the EPU and FED offices located at the Port of Manila (POM) and Manila International Container Port (MICP), as their customs examiners are still assigned goods/entry declarations according to the goods/commodity tariff classification or “sectioning.” This arrangement is not based on international best practices and limits familiarization of customs examiners to certain commodities only. Based on the methodology and analysis, the following are the major findings of the study which were presented to the BoC Commissioner:

- 1) There are duplicate actions being undertaken by EPU and FED, such as:
 - a) checking of the entry declaration and the completeness of its supporting documents, and
 - b) recording them in the logbook for monitoring purposes.Since these steps are performed by the FED as part of the assessment of the goods declaration, the earlier EPU entry processing actions become irrelevant and add to delays.
- 2) Based on interviews conducted with brokers and their representatives, it takes EPU about ½ to 1 day to complete the processing of each import entry document lodged, and at FED it takes about another ½ to 4 days to complete its process.
- 3) Based on the November 2014 data from BoC, the actual time to process goods declaration for Red entries at MICP is 7 days and 11 hours while for POM, 5 days and 6 hours.
 - a. MICP processes selected Yellow entries in 7 days and 11 hours while POM takes 4 days and 11 hours.
 - b. These actual times exceed the BoC’s Citizen’s Charter on cargo clearance process where the prescribed processing time is 2 hours and 35 mins for Red entries, and 1 hour and 5 minutes for Yellow entries.

- 4) The current grouping or “sectioning” of customs examiners at FED also contributed to delays and inefficient import entry declaration processing, and encouraged “rent seeking” by customs personnel.
 - a. The FED is divided into fourteen Sections or commodity groups (e.g. Section 1 covers Live Animals). Each entry declaration is assigned to a Customs Operations Officer 3 (COO3) from the appropriate section. In cases where one entry declaration contains multiple items, the section assignment is based on the highest value commodity.
 - b. The assigned COO3 checks the entry declaration and supporting documents and physically examines the goods if necessary. A COO3 can process at most 2 Red entries each day. The average number of daily Red entries is more than 8, and reached as high as 43 Red entries for MICP.
 - c. As a result, most of the Red entries are not physically checked and are only cleared through “table examination” by customs examiners.
- 5) Based on the data gathered, MICP-FED work force capacity is about 182 COO3s under capacity, while POM-FED is about 65 under capacity.
 - a. This means that the number of COO3 positions assigned per FED section is not equitable to the number of entries/workload as shown in the data indicated in the Data Analysis and Findings (Table 7).
 - b. MICP processes an average of 791 selected entries daily by 29 COO3s, while POM processes 570 selected entries by 73 COO3s.

On the review of the relevant laws, rules and regulations, Executive Orders (EOs) 39 and 47 grant power to the Commissioner of Customs, subject to the review and approval of the Secretary of Finance, in matters of appointment and discipline of Customs personnel. With these two laws, BoC has the authority to reorganize EPU and FED. On the basis of the above findings, the study recommends:

- (i) Rationalization of EPU by transferring its current personnel to FED. This would increase the number of customs examiners available to conduct physical examination of goods, avoiding “table examination.”
- (ii) Removal of FED customs examiner’s sectioning, transforming them into a pool of customs examiners and appraisers. This would optimize the use of available FED personnel to process more transactions.
- (iii) Assignment of entry transactions to FED staff should be automated to avoid “rent seeking”;
- (iv) All FED personnel should undergo continuous training to familiarize themselves with assessing all types of commodities; and
- (v) Review of the risk management parameters to facilitate an increase in the number of “green” cargoes (not subject to physical or documentary examination) without increasing risk.

The study further recommends the following as long-term measures:

- (i) Develop and fully implement an Authorized Economic Operator (AEO) program for trusted traders whose transactions with BoC would no longer require physical and documentary checks at the border, eventually resulting in a decrease in the number of Red entries;
- (ii) Upgrade the capability of the current customs computer system to process transactions 24x7 and develop a more comprehensive and sustainable BoC computerization program that will cope with the present and future demands of trade, as highlighted in the CMTA; and,
- (iii) Implement a competency-based human resource management system to ensure continuous availability of Customs personnel with the right knowledge and skills to address current and emerging work needs.

It is worth noting that the recommended measures are consistent with the Guidelines of the Revised Kyoto Convention that ***Customs formalities should be as simple as possible and should cause a minimum of inconvenience to international trade.***

1. BACKGROUND

Under the year three work plan of the TRADE Project, a Trade Transaction Process Analysis (TTPA) was conducted which involves documenting and analyzing actual border procedures, that includes time to clear import entries, documentation requirements, and costs (both formal and informal). The TTPA attempts to evaluate the end-to-end process of cargo clearance covering the documentary process within BoC that starts from the time the shipment gets off-loaded from the vessel, up to the time it gets removed from the port or warehouse operator. The study focuses on the **processes, documents, cost and time** involved from the arrival of the goods at the port until its release to the importer.

The TTPA study's ultimate goal is to assist the government and trading community to improve the operational efficiency of the trade clearance process, which in turn may result in a significant reduction in cargo clearance time, increased transparency, improved and simplified clearance procedures, reduced types and numbers of documents required to be submitted, as well as removal, or at least reduction in, "informal" payments.

The initial findings of the TTPA study were presented to the Commissioner of the Philippine Bureau of Customs. The results showed that certain procedures during import entry declaration are also being undertaken by the FED during the assessment/examination of the goods, thus contributing to delays in the clearance of goods. Based on this, the Commissioner requested the TRADE Project to conduct an in-depth study to rationalize the role and function of the Entry Processing Unit (EPU) in the overall import cargo clearance process, with the view of reducing time in processing and release of cargo, as well as reducing the costs for traders.

The only ports that use sectioning or grouping of commodities are POM and MICP. The FED is divided into fourteen (14) Sections, where each section is in charge of specific commodity group, e.g. Section 1, Live Animals. For multiple items in one entry declaration, the section determination or assignment is based on the classification of the commodity with the highest value. Each section has an assigned number of COO3s who are in charge of checking correctness and completeness of import entry declarations filed and its attached documents, as well as the goods examination. Most of the COO3s assigned in a section can process at most two (2) Red entries each day. The average number of Red entries to be processed daily is more than eight (8) entries. There are some sections, however, which may even have as high as forty-three (43) Red entries to process, which means that each customs examiner may have to process at least twenty (20) Red entries per day which (under the present situation) is impossible to accomplish. Since each examiner can process at most two (2) Red entries per day, most of the Red entries are merely "table examined" i.e., it does not undergo the required physical examination in order to clear all the goods covered by those Red entries.

For this purpose, the USAID TRADE Project engaged the services of a short-term technical expert to conduct the study with assistance from the internal staff of the TRADE project.

2.METHODOLOGY

The scope of the study was limited to the EPU and FEDs of the two (2) major ports, namely, the Port of Manila (POM) and Manila International Container Port (MICP). The reasons for choosing the above-mentioned ports are mainly because they are the only ports that use “sectioning schemes” and it is where the bulk of import transactions are processed and cleared. The sectioning scheme was introduced a long time ago when automation was not yet available to the BoC. The sectioning scheme was designed to achieve specialization among front-liners in the classification and valuation of imported merchandise and also to pinpoint responsibility in the processing and release of shipments by the FED.

In undertaking the study, TRADE utilized the following methodology:

- conducted research and reviewed relevant laws and implementing rules and regulations on the entry lodgment and cargo clearance process;
- gathered data on import entry transactions from EPU and FED, including statistics on the actual import transactions received by EPU and assessed by FED on a daily basis;
- conducted on-site observation that included interviews with relevant customs officers in the said offices/ports to validate the existing procedure and the necessary documents required by the BoC in the processing of cargo clearance; and
- conducted data analysis on work capacity based on data gathered and observations made on the current procedures.

3. SUMMARY OF FINDINGS

3.1. LEGAL BASIS ON THE EPU AND FED

Executive Order (EO) 127, otherwise known as “Reorganizing the Ministry of Finance,” believed in the necessity of reorganizing the Ministry of Finance to make it more capable and responsive, organizationally and functionally. As a consequence of this reorganization that included the Bureau of Customs, being a line agency of the Ministry of Finance, the Entry Processing Division was created with the following functions:

- *receive, check and verify entry declarations and documents of importation; ascertain that the required documents are attached to the entry, and examine said documents to ensure they are correct and authentic; prepare and issue Order of Payment (OP);*
- *match statements and declarations on the entry against the data indicated on the inward cargo manifest;*
- *assign entry numbers on all processed entries and maintain records thereof; process amendments to the inward cargo manifest, designate the specific number of cases, crates or packages for examination according to prescribed rules and regulations and transmit original entry declaration to the designated Examiner’s and Appraiser’s Section concerned;*
- *accept and process special permits for shipside discharge, transfer, transshipments, as well as the loadings of provision for the ship’s use; and*
- *submit periodic reports and other data that may be required, and perform other functions consistent with assigned tasks.*

With this mandate, EPU in general has been the responsible unit in the start of the import entry lodgment process. The reason for the creation of the EPU in the past was brought about by the requirement for an office (under a manual process system) to receive and check the completeness of the printed copies of the submitted import entry declaration and its attached supporting documents, as well as to assign an import entry declaration number using a manually operated perforating machine.

For several years, the EPU performed this task until the introduction of the Tax Reform Program under the World Bank funded project, where one of these reforms was the introduction of automation to streamline cargo clearance process. The computerization program of the BoC was envisioned to be relevant to the national leadership’s goals of trade liberalization and sound economic growth. The birth of the Automated Customs Operations System (ACOS) was necessary for national survival, was a definite step towards becoming a Customs service compliant with international standards. It also provided for the re-engineering of the total customs processes in order to free these from outdated manual procedures.

The BoC Computerization project - ACOS was funded by a foreign loan amounting to P422.5M with local appropriations of P88M. The total amount was used for the acquisition of hardware and software, training, and installation of the system.

3.2. FORMAL ENTRY DIVISION

The Formal Entry Division (FED) was created to perform the following functions as per plantilla pursuant to EO 127:

- *receive, check, and verify entry declarations, as well as required documents of importation to ensure they are correct and authentic;*
- *match declarations on the entry declaration against the Single Administrative Document (SAD) and the electronic Inward Foreign Manifest (eIFM);*
- *examine, classify and appraise imported articles covered by formal entry;*
- *assess customs duties and taxes and other charges, subject to existing customs laws and regulations;*
- *examine passengers' and crew members' baggage for the purpose of preventing entry of banned prohibited articles;*
- *recommend the institution for seizure and forfeiture proceedings against cargoes found to be misdeclared or undervalued, banned and regulated or prohibited merchandise in accordance with existing laws, rules and regulations*
- *submit periodic reports and other data that may be required; and*
- *perform functions consistent with the assigned tasks.*

In 1966, Customs Memorandum Order (CMO) Number 83-66 was issued and signed by the then BoC Commissioner with the instruction to all Collectors of Customs to “achieve specialization in classification and valuation of imported merchandise and to pinpoint responsibility in the processing and release of shipments.” Based on this CMO, the FED was divided into sections (according to commodity classification). This “sectioning scheme” became the basis for the assignment of customs examiners/appraisers to process a particular import entry declaration, even up to the time of this report.

In 1995, to facilitate the streamlining of the clearance procedure for all types of entries, CMO10-95 was issued to decentralize lodgment and verification of cargo manifest of import entries and other clearance documents at the Entry Processing Division (EPD) of the Port. This CMO removed the functions of the EPD and transferred them to the operating offices (e.g. FED) that are in charge of goods assessment.

However in 2009, when the e2m (electronic to manual) Customs System was implemented, the entry declaration and its attached documents such as the IEIRD or

SAD, commercial invoice, packing list, bill of lading, permits and licenses if regulated products and bond (if applicable), are again submitted to EPU as provided in CMO 27-2009. This CMO states that “The EPU shall stamp “Received” on the original working copy of the Import Entry and Internal Revenue Declaration (IEIRD), indicating the date and time of receipt, and then sign the same as evidence of receipt”, and that the same shall then be forwarded to the concerned section of the FED. This procedure can actually be done by the FED receiving clerks to streamline the procedure, instead of the same actions being handled by two separate units (EPU and FED). With the issuance of CMO 27-2009, the functions of the EPU had been restored, with both EPU and FED once again having redundant functions.

3.3. BOC CITIZEN’S CHARTER ON CARGO CLEARANCE PROCESS

As shown in **Table 1**, the BoC’s Citizen’s Charter provides that the EPU can process Red lane entries in 11 minutes, while Yellow lane entries can be processed in 3 minutes. In the same Citizen’s charter, the FED can process Red lane entries in 2 hours and 24 minutes, and process Yellow lane entries in 1 hour and 2 minutes.

Interviews with brokers and “personero” (staff of brokers), found that their entries usually stay at EPU for almost half a day. It was also noted that the 2 hours and 24 minutes indicated for processing Red lane entries at FED, does not include the transfer of containers, travel time from the yard to the examination area, or stripping of cargoes before examination. If these processes, such as the transfer of containers from the yard to the examination area, are included, the time indicated in the Citizen’s charter for the processing of Red and Yellow lane entries at the EPU and FED would not be accurate. These processes are inherent in the whole cargo clearance process but were not considered in determining the time noted in the Citizen’s Charter.

Table 1 –Processing Time as per Citizen’s Charter of BoC

| Office | Red lane Entries | Yellow lane Entries |
|------------|------------------|---------------------|
| EPU | 11 mins | 3 mins |
| FED | 2 hrs. 24 mins | 1 hr. 2 mins |

3.4. CURRENT CARGO CLEARANCE PROCEDURE

Tables 2 and 3 below describe the step-by-step procedures in cargo clearance particularly at EPU and FED. At EPU, there were five (5) steps identified starting from submission of declaration and its attached documents by the declarant/importer up to the transfer of declaration to FED.

At FED, there are eight (8) steps involved from the time the clerk receives the entry declaration and its attached documents from EPU, until the section releases the entry. Noticeably of the 8 steps, there were four (4) steps that FED COO3 performs which are the same as what the EPU does, namely: (1) checks the completeness of the

submitted documents; (2) compare declaration with the cargo manifest; (3) recording of entry details in the logbook, and (4) actual receiving and recording in the physical logbook.

Table 2 – Entry Processing Unit

| BUREAU OF CUSTOMS ENTRY PROCESSING UNIT (EPU) | | DOCUMENTS | Processing Time |
|---|---|--|-----------------|
| 2.1 | FED Section Clerk records this in FED Section logbook | - EIRD (Form 236); - Commercial Invoice; - Packing List; - Bill of Lading | 1/2 to 4 days |
| 2.2 | If GREEN, entry is directed to Assessment Stage | - Permits or clearances (if regulated) | |
| 2.3 | If RED or YELLOW, entry is forwarded to Section Chief | - Electronic lodgment of EIRD (thru ASP) | |
| 2.4 | Section Chief assigns entry document to COO3 | - Warehousing Bond or Re-Export Bond, if applicable | |
| | COO3 checks the completeness of submitted docs as well as the cargo details with the manifest | | |
| | If RED, COO3 schedules inspection of cargo | | |
| | If YELLOW, COO3 checks supporting documents | | |
| 2.5 | Asst COO5 (Principal Examiner) inspects/reviews COO3 report, and forwards to COO5 | | |
| 2.6 | COO5 (Principal Appraiser) inspects/reviews assessment, examination, report | | |
| 2.7 | COO5 tags entry as 'Assessed' | | |
| 2.8 | FED Clerk records assessed EID declaration in FED Section logbook and detaches the Blue copy for the declarant/personero. | | |

Table 3 – Formal Entry Division

| BUREAU OF CUSTOMS ENTRY PROCESSING UNIT (EPU) | | DOCUMENTS | Processing Time |
|---|--|--|-----------------|
| 1.1 | Importer submits manually the import entry declaration/document and its attached documents to EPU | - EIRD (Form 236)/SAD; - Commercial Invoice; - Packing List; - Bill of Lading | 1/2 to 1 day |
| 1.2 | EPU receiving clerk writes & records receipt of entry in the physical logbook. Each entry is recorded manually, and follows a queue. | - Permits or clearances (if regulated) | |
| 1.3 | EPU clerk segregates the seven (7) copies of the import entry declaration/document, for distribution to concerned agencies/offices (i.e., NSO, Tariff Comm, BIR, Declarant, Port Operator and Gatekeeper). | - Electronic lodgment of EIRD (thru ASP) | |
| 1.4 | EPU Document Processor verifies status of EID document on e2m, if the containerized cargo is subject to X-Ray Exam | - Warehousing Bond or Re-Export Bond, if applicable | |
| | - If entry declaration is subject to X-Ray Exam, stamp the white copy of the EIRD and return to importer | | |
| 1.5 | EPU Clerk forwards entry document to concerned Formal Entry Division (FED) Section, and records this in EPU logbook | | |

The initial findings of the study presented to the Commissioner of Customs in July 2015 revealed that there are redundant steps involved in the receipt and processing of entry declarations by the EPU and FED.

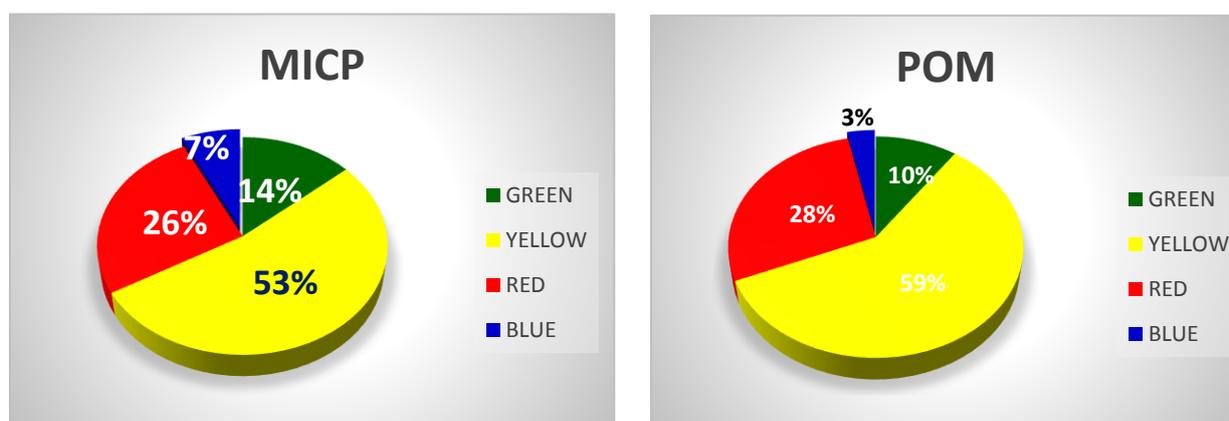
November 2014 data shows that most of the declarations were channeled to the Yellow lane, which requires permits or licenses from trade-regulatory government

agencies (TRGAs). There are four lanes under the risk management system, where each lane is assigned a color, namely: Green, Blue, Yellow and Red. Assignment of color is according to the level of compliance.

- Green lane goods are automatically assessed and release instructions are generated to allow the immediate release of goods at the port.
- Blue lane goods undergo documentary checks prior to release and a post clearance control and audit at a later date determined by the Post Entry Audit Group (PEAG).
- Yellow lane goods are subjected to a thorough documentary check, particularly the value, country of origin, classification, permits or licenses, among others.
- Red lane goods are subjected to thorough documentary checks followed by physical examination of the goods.

The percentages below were used to compute the total number of Red and Yellow selected declarations per port to determine the needed additional COO3s per sections.

Figure 1. Percentage of RED and YELLOW



4. DATA ANALYSIS & FINDINGS

The only ports that use sectioning or grouping of commodities are POM and MICP. The FED is divided into fourteen (14) Sections, where each section is in charge of a specific commodity group, e.g. Section 1, Live Animals. For multiple items in one entry declaration, the section determination or assignment is based on the classification of the commodity with the highest value. Each section has an assigned number of COO3s who are in charge of checking correctness and completeness of import entry declarations filed and its attached documents, as well as the goods examination. Most of the COO3s assigned in a section can process at most two (2) Red entries each day. The average number of Red entries to be processed daily is more than eight (8) entries. There are some sections, however, which may even have as high as forty-three (43) Red entries to process, which means that each customs examiner may have to process at least twenty (20) Red entries per day which (under the present situation) is impossible to accomplish. Since each examiner can process at most two (2) Red entries per day, most of the Red entries are merely “table examined” i.e. it does not undergo the required physical examination in order to clear all the goods covered by those Red entries.

Table 4 shows that on the average, the Port of Manila processes 600 to 650 entries per day. Based on the figures below, the number of entries processed is not evenly distributed among available FED personnel. There are sections that may have only two (2) assigned examiners but have, on average, fifteen (15) Yellow/Red entries to handle. While for other sections, there are only four (4) entries handled by six (6) customs examiners. In this particular situation, there was idle time equivalent to two (2) customs examiners' official times wasted per concerned FED section.

Table 4 – Port of Manila, computed workforce capacity per section

| Port of Manila | | | | | | | | | |
|----------------|---------------------|------------|-----------|-------------------------------|------------------------------------|---------------------------------------|-------------------------------------|---|----------------|
| | Chief/Section Chief | Asst Chief | COO III | Total Daily Processed Entries | Daily Processed Entries (Selected) | Daily Processed Red Entries (Average) | Total Transactions/ No of Examiners | Estimated No. of RED Entries (daily capacity) | Work Capacity |
| FED Office | 1 | 2 | 1 | | | | | | |
| Section 1A | 1 | 1 | 3 | 14 | 14 | 4 | 5 | 6 | 33 |
| Section 1B | 1 | 1 | 6 | 44 | 34 | 12 | 6 | 12 | - |
| Section 2 | 1 | 1 | 5 | 56 | 48 | 16 | 10 | 10 | (60) |
| Section 4 | 1 | 1 | 4 | 42 | 39 | 12 | 10 | 8 | (50) |
| Section 5 | 1 | 1 | 6 | 26 | 23 | 7 | 4 | 12 | 42 |
| Section 6 | 1 | 1 | 3 | 23 | 22 | 6 | 7 | 6 | - |
| Section 7 | 1 | 1 | 6 | 32 | 31 | 9 | 5 | 12 | 25 |
| Section 8 | 1 | 1 | 4 | 19 | 16 | 5 | 4 | 8 | 38 |
| Section 9 | 1 | 1 | 7 | 77 | 71 | 22 | 10 | 14 | (57) |
| Section 10 | 1 | 1 | 6 | 51 | 50 | 14 | 8 | 12 | (17) |
| Section 11 | 1 | 1 | 2 | 31 | 29 | 9 | 15 | 4 | (125) |
| Section 12 | 1 | 1 | 4 | 39 | 32 | 11 | 8 | 8 | (38) |
| Section 13 | 1 | 1 | 4 | 37 | 35 | 10 | 9 | 8 | (25) |
| Section 14 | 1 | 1 | 5 | 82 | 74 | 23 | 15 | 10 | (130) |
| Section 15 | 1 | 1 | 8 | 65 | 52 | 18 | 7 | 16 | (13) |
| EPU (18) | 1 | | 2 | | | | | | |
| | | | 73 | 638 | 570 | | 8 | | (25.09) |

Table 5 shows that the average daily number of processed entries at MICP is 1143, of which there are 791 Yellow/Red entries acted upon by 79 customs examiners. Based on interviews with selected brokers and personeros, for selected Red entry, a customs examiner can finish goods examination in ½ day to 1 day, where the goods examination entails the time it takes the examiner will to go to the Designated Examination Area (DEA) and open the container to be examined; extract the 10% of goods in the container to be examined; and if not satisfied, dig deeper inside the container, then afterwards put the examined goods back inside the container and seal it before he proceeds back to his office to encode his findings into the e2m system. Note that the time measured does not include the number of hours and days to schedule the transfer of container to the Designated Examination Area (DEA).

Table 5- MICP, computed work force capacity per section

| Manila International Container Port | | | | | | | | | |
|-------------------------------------|---------------------|------------|-----------|-------------------------------|------------------------------------|-----------------------------|-------------------------------------|---|-----------------|
| | Chief/Section Chief | Asst Chief | COO III | Total Daily Processed Entries | Daily Processed Entries (Selected) | Daily Processed Red Entries | Total Transactions/ No of Examiners | Estimated No. of RED Entries (daily capacity) | Work Capacity |
| FED Office | 1 | | | | | | | | |
| Section 1A | 1 | 1 | 3 | 164 | 115 | 43 | 38 | 6 | (616.67) |
| Section 1B | 1 | 1 | 3 | 95 | 67 | 25 | 22 | 6 | (311.67) |
| Section 2 | 1 | 1 | 2 | 99 | 69 | 26 | 35 | 4 | (543.50) |
| Section 4 | 1 | 1 | 2 | 70 | 49 | 18 | 25 | 4 | (355.00) |
| Section 5 | 1 | 1 | 2 | 37 | 26 | 10 | 13 | 4 | (140.50) |
| Section 6 | 1 | 1 | 2 | 63 | 44 | 16 | 22 | 4 | (309.50) |
| Section 7 | 1 | 1 | 1 | 32 | 13 | 8 | 13 | 2 | (316.00) |
| Section 8 | 1 | 1 | 1 | 30 | 21 | 8 | 21 | 2 | (290.00) |
| Section 9 | 1 | 1 | 2 | 55 | 39 | 14 | 20 | 4 | (257.50) |
| Section 10 | 1 | 1 | 2 | 70 | 49 | 18 | 25 | 4 | (355.00) |
| Section 11 | 1 | 1 | 1 | 33 | 23 | 9 | 23 | 2 | (329.00) |
| Section 12 | 1 | 1 | 2 | 128 | 90 | 33 | 45 | 4 | (732.00) |
| Section 13 | 1 | 1 | 2 | 72 | 50 | 19 | 25 | 4 | (368.00) |
| Section 14 | 1 | 1 | 2 | 72 | 50 | 19 | 25 | 4 | (368.00) |
| Section 15 | 1 | 1 | 2 | 123 | 86 | 32 | 43 | 4 | (699.50) |
| EPU (15) | 1 | | | | | | | | |
| | | | 29 | 1143 | 791 | | 27 | | (399.46) |

As shown in **Table 6**, the daily processed Red entries at POM per section would require the services of ninety-two (92) COO3s. For example, Section 1A has an average daily processed of four (4) Red entries, which means that it requires at least two (2) COO3s. The same section has an average of ten (10) Yellow entries and thus would require one (1) COO3 to process. Given the above, POM would need a total of additional sixty-five (65) COO3s.

Table 6 – POM, computed additional workforce

| Port of Manila | | | | | |
|-----------------------|---------------------------------------|--|--|---|--------------------------|
| | Daily Processed Red Entries (Average) | Estimated No. of COO3s to process the Red tagged entries (maximum of 2 entries per COO3) | Daily Processed Yellow Entries (Average) | Estimated No. of COO3s to process the yellow tagged entries (maximum of 8 entries per COO3) | Total No. of add'l COO3s |
| Section 1A | 4 | 2 | 10 | 1 | 0 |
| Section 1B | 12 | 6 | 22 | 3 | 3 |
| Section 2 | 16 | 8 | 32 | 4 | 7 |
| Section 4 | 12 | 6 | 27 | 3 | 5 |
| Section 5 | 7 | 4 | 16 | 2 | (1) |
| Section 6 | 6 | 3 | 16 | 2 | 2 |
| Section 7 | 9 | 5 | 22 | 3 | 1 |
| Section 8 | 5 | 3 | 11 | 1 | (0) |
| Section 9 | 22 | 11 | 49 | 6 | 10 |
| Section 10 | 14 | 7 | 36 | 5 | 6 |
| Section 11 | 9 | 5 | 20 | 3 | 5 |
| Section 12 | 11 | 6 | 21 | 3 | 4 |
| Section 13 | 10 | 5 | 25 | 3 | 4 |
| Section 14 | 23 | 12 | 51 | 6 | 13 |
| Section 15 | 18 | 9 | 34 | 4 | 5 |
| | | | | | 65 |

Table 7 shows that MICP-FED work force capacity is about one hundred eighty-two (182) personnel under capacity while POM-FED is about sixty-five (65) under capacity. The number of COO3 plantilla positions assigned per FED section is not equitable to the number of entries/workload as shown in the data indicated in the summary of findings (**Table 5**). At MICP, there were an average of 791 selected entries daily processed by twenty-nine (29) COO3s, while POM had 570 selected entries/day (lower than MICP) processed by seventy-three (73) COO3s (which is higher than the equivalent workforce at MICP).

Table 7 – MICP, computed workforce capacity

| Manila International Container Port | | | | | |
|-------------------------------------|---------------------------------------|--|--|---|--------------------------|
| | Daily Processed Red Entries (Average) | Estimated No. of COO3s to process the Red tagged entries (maximum of 2 entries per COO3) | Daily Processed Yellow Entries (Average) | Estimated No. of COO3s to process the yellow tagged entries (maximum of 8 entries per COO3) | Total No. of add'l COO3s |
| Section 1A | 43 | 22 | 72 | 9 | 28 |
| Section 1B | 25 | 13 | 42 | 5 | 15 |
| Section 2 | 26 | 13 | 43 | 5 | 16 |
| Section 4 | 18 | 9 | 31 | 4 | 11 |
| Section 5 | 10 | 5 | 16 | 2 | 5 |
| Section 6 | 16 | 8 | 28 | 4 | 10 |
| Section 7 | 8 | 4 | 5 | 1 | 4 |
| Section 8 | 8 | 4 | 13 | 2 | 5 |
| Section 9 | 14 | 7 | 25 | 3 | 8 |
| Section 10 | 18 | 9 | 31 | 4 | 11 |
| Section 11 | 9 | 5 | 14 | 2 | 5 |
| Section 12 | 33 | 17 | 57 | 7 | 22 |
| Section 13 | 19 | 10 | 31 | 4 | 11 |
| Section 14 | 19 | 10 | 31 | 4 | 11 |
| Section 15 | 32 | 16 | 54 | 7 | 21 |
| | | | | | 182 |

5. CONCLUSION

In response to BoC's request to conduct a study for possible merging of EPU with FED, USAID TRADE conducted an assessment to determine the possibility of transferring or reassigning EPU personnel to other offices. Based on the results of the research and discussions with some BoC officials, the following conclusions are made with regard to **enhancing BOC's organizational and functional structure**:

- The EPU personnel duplicate the processes being performed by the FED staff, such as the checking of entry declaration and its attached documents.
- Executive Order 127 did not specifically create the EPU, it was created through an Implementing Rule and Regulation for budget purposes.
- EPU takes about ½ to 1 day to complete its process for each import entry transaction.
- FED takes about another ½ to 4 days to complete its process (based on the November 2014 data).
- MICP-FED work force capacity is about 182 under capacity while POM-FED is about 65 under capacity.
- Number of COO3 plantilla positions assigned per FED section is not equitable to the number of entries/workload.
- The only ports that uses sectioning or grouping of commodities are POM and MICP.
- EO #39 grants autonomy to the Commissioner of Customs in matters of appointment and discipline of Customs personnel.
- Short-term solution could be to revisit and amend the existing and active rules and regulations for cargo release.
 - Remove redundant steps in the transaction process specifically the function of EPU that FED is currently doing.
 - Transfer all EPU personnel to FED to perform function of COO3/COO5.
 - Remove grouping by commodities or sectioning.
 - Assign additional COO3s to FED.
 - All FED personnel should undergo continuous training.
 - Auto assignment of entries to COO3 to COO5.
 - Upgrade the capability of the e2m Customs System to process all filed transactions 24x7.

- Long-term solution would be to totally re-draft all rules and regulations relative to the new Customs law and consistent with RKC.
 - Conduct a thorough study to rationalize the functions and responsibilities of BoC offices.
 - Fully implement the AEO program as this increases the number of trusted traders.
 - Come-up with the BoC Computerization program to cope with the present and future demands of trade.

6. RECOMMENDATIONS

On the basis of the above findings/conclusions and as part of the continuing effort to reduce the time and cost associated with the processing of documents and clearance of goods, the study recommends:

Immediate/Short Term

- (i) rationalization of EPU by transferring its current personnel to FED. The transfer of EPU personnel to FED will increase the number of customs examiners who will conduct physical examination of goods, hence avoiding “table examination.”
- (ii) removal of FED customs examiners grouping or sectioning and transforming them into a pool of customs examiners and appraisers. This would optimize the use of available FED personnel time to process more transactions. Assignment of entry transaction should be automated to avoid “rent seeking”;
- (iii) all FED personnel should undergo continuous training to familiarize themselves with assessing all types of commodities; and
- (iv) review of the risk management parameters that would facilitate the increase in the number of cargoes tagged as “green” (not subject to physical or documentary examination) creating a balance in work force capacity as there are less selected entries.

The study further recommends the following as long-term measures:

1. conduct a thorough study to rationalize the functions and responsibilities of all BoC offices – to effectively implement CMTA and other international trade facilitation and cargo security standards;
2. develop and fully implement an Authorized Economic Operator (AEO) program to provide a facility for trusted traders where transactions of these accredited AEOs would no longer require physical and documentary checks at the border. This will eventually result in a decrease in the number of selected/Red entries, hence providing more time for customs to focus on other equally important tasks;
3. upgrade the capability of the current customs computer system to process transactions 24x7 and come up with a more comprehensive and sustainable BoC computerization program that will cope with the present and future demands of trade, as also highlighted in the recently enacted CMTA; and,
4. implement a competency-based human resource management system to ensure continuous availability of Customs personnel with right knowledge and skills.

It is worth noting that the above-mentioned recommendations are also consistent with other similar studies done previously, as follows:

One of these studies was undertaken by Ernst and Young which was commissioned by the Department of Finance in the year of 2011. Part of the plan of the BoC is to introduce the no-contact policy and to minimize traffic at the Formal Entry Division -- a Broker's Lounge was introduced for this purpose. The specific objective is to limit brokers and personeros who go to the ports, and to pave the way to introduce the paperless transaction. The Consultant of Ernst and Young observed that if EPU will not be relocated, brokers would continue to flock to FED to submit hardcopy declarations and supporting documents to EPU. Thus, brokers may not be prevented from directly contacting and following up their lodgments with the customs examiners. The Study recommends the relocation of EPU and a study into the implementation of paperless declaration processing using the existing system of Customs. The Study also recommended to assess the need of EPU to query and stamp containers for x-ray/physical examination. It further recommended to eliminate the step as it has no value added since the same information is available to the examiners in e2m and likewise to the arrastre operator that receives the x-ray/physical examination hold messages from e2m. The broker representatives and truck drivers are also notified on containers for x-ray when they print the gate passes.

Finally, the Philippine Bureau of Customs at this point should start to think of fully automating the processes based on RKC and as mandated by the newly enacted CMTA (RA 10863). The CMTA underscores the need to optimize the use of automation in the cargo clearance process. Full automation and auto-assignment of entries is highly recommended to equalize the distribution of entry assignments to all COO3s and COO5s and maximize the use of available manpower.

The enactment of CMTA (RA10863) is also a good opportunity to revisit the structure of the Bureau as well as the functions and responsibilities of its offices. There may be offices and/or positions that may need to be rationalized to ensure that the BoC would be effectively and efficiently equipped and organized to implement the requirements of the new law.

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