



# **Time Release Study on Import Container Goods at Yantian Port of Shenzhen, China**

Presented by

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## **The Purpose and Importance of the Study**

The Time Release Study (TRS) proposed by the World Customs Organization in this century is playing a vital role in promoting trade facilitation.

The release of imported/exported goods involves importers, exporters, port & dock operators, carriers, shipping agents, customs brokers and other commercial participants in trade community. Chinese administrations of customs, commodity inspection and quarantine, and import/export control also join in the process of cargo release directly or indirectly. Through empirical analysis, this paper is attempting to accurately calculate the respective time spent in each step of cargo release at ports in order to scientifically study the reasonability and efficiency of operational process inside. Obviously, through the research, the service capacity of ports, the speed of goods clearance and the level of a country's trade facilitation obtain a tool to help self-assessing and improving.

Since the opening-up reform, the

Chinese government and enterprises have made great efforts and achieved a milestone in speeding up the process of goods release. However, due to the lack of a scientific, objective system of assessment, the real effects of reform cannot be evaluated accurately and the proportion of the time consumption in each phase of the whole process of goods release cannot be determined. As a consequence, problems seem uneasy to be discovered, researched, and resolved, which may, in turn, hinder the development of the country's trade facilitation.

Our research center launched this project in Yantian port in order to thoroughly and accurately dissect the process of goods release by means of sampling survey. In virtue of tracking, recording and compiling the data about the time of goods release at ports, this report would be a great reference to any stakeholders related to trade with the purpose of shortening the time of goods release.

## Object of Study, Sample Data and Methods of Operation

The concept of “Time Release” in the study is mainly defined as the time spent from the start of process of goods release to the end of it.

### ① The start of process

It is the time when all imported goods have been unloaded and warehoused, as well as the domestic consignees can exchange bills of lading for delivery orders.

### ② The end of the process

It is the time when customs has issued the order of goods release.

The unit of time is “minute”. If greater than or equal to 30 seconds, calculated in a minute; if less than 30 seconds calculated in 0.

### Object in the Study

The research unit is import custom-declaration. The object of study is the time consumption of containerized goods releases happened from March to May 2015 at Yantian port of Shenzhen.

### Data Collection and Sampling

The data collection was completed with aid of a customs broker in Shenzhen, complying with the rule of random sample.

The study incorporated 497 samples and each of them included these information: codes of commodities, serial number of commodities

declaration, credits of declarer and real importer, as well as time points in each phase of the trade process. For each of the selected samples, its information was recorded and finally formed a “timeline”.

### Tools of Research and Verification

Tools of research: in order to pave the way for the research, our center developed a new tool based on the platform of Access and Excel. After collecting information of each sample, it would automatically export standard data, then analyzed data within Excel pivot table.

Data verification: all the data involved in the research was able to be verified by Customs System, CIQ<sup>①</sup> System or any other related system.

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<sup>①</sup> CIQ: China Inspection and Quarantine, the administration of commodities inspection and quarantine in China.

# The Process of Imported Containerized Goods at Yantian Port

Before the analysis of time release, it is of importance to figure out the process of goods release at Yantian port.

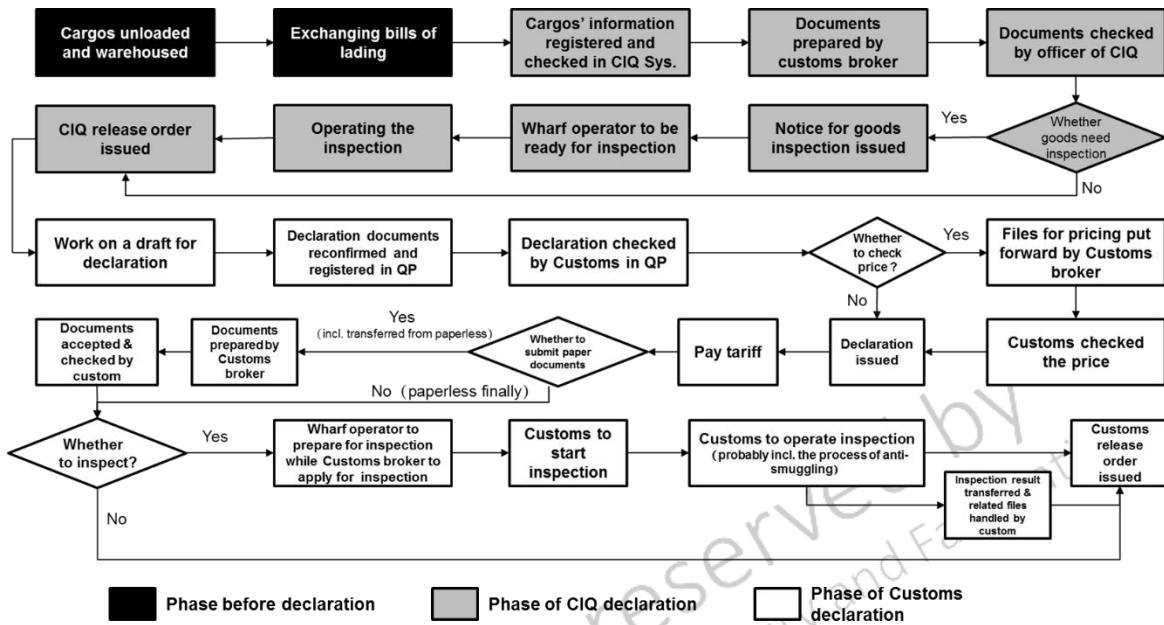


Figure 1: The Process of Goods Release in Yantian, Shenzhen

As the Figure 1 presents, the process of goods release in Yantian is generally divided into three phases: the phase before declaration, the phase of CIQ declaration and the phase of customs declaration. To be precise, the phase before declaration includes the operation of discharging and warehousing goods as well as the operation of exchanging bills of lading. However, in the study, the phase before declaration only contained the time consumption in exchanging bills of lading due to that the time when freighters arrived at port was unable to be acquired. During the phase of CIQ declaration,

customs broker needs to make the goods registered in order to get the code of declaration from CIQ system. Afterwards, declaration documents for commodities inspection and quarantine should be submitted to CIQ. After documents being checked by corresponding office in the CIQ, if the office decides to inspect the goods, it will offer customs broker a notice of inspection, for which customs broker should prepare thereafter. After inspection, the CIQ will issue the release order of CIQ. If goods are not to be inspected, the office will directly issue the release order of CIQ.

During the phase of customs declaration, customs broker needs to start work on a draft for customs declaration and register commodities via QP System<sup>①</sup> (hereon, customs broker can choose paperless declaration or paper declaration, but after customs checks the cargo information in QP System, it will decide if paper documents need to be submitted). After that, whether goods should be transferred (often due to checking price) depends on the order made by customs. On condition that goods need to be transferred, customs broker should offer paper documents for goods price reviewing and the customs declaration will be issued after price confirmed. If goods are not transferred, customs declaration will be issued directly. Then, customs broker should pay tariffs according to the examined customs declaration. Afterwards, if required to submit paper documents, customs broker need to submit and the clearance department of customs will check documents provided to decide whether to carry out the customs inspection. If documents don't need to be submitted, customs will release the order of inspection in the QP System. Following the order, wharf operator begins to move the containers for the

inspection. Meanwhile, customs broker needs to apply to the inspection office of customs for checking commodities and goods which passing customs inspection are permitted to be released. If customs inspection is not required, goods are usually released directly.

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<sup>①</sup> QP System: Quick Pass System, a computerization system for customs clearance in China.

## Preliminary Results of Study

### The Time Consumption in the Whole Goods Release Process

Uncertainty of the time consumption in goods unloading, generally the whole process of goods release is divided into three phases (the phase before declaration, the phase of CIQ declaration and the phase of customs declaration), which are explicated below.

①The phase before declaration spans from the time when domestic consignee/customs broker can start exchanging bills of lading to the time when customs broker acquires it. Herein, the consignee's capacity of international trade implement and the customs broker's timeliness of documents preparation can be tested.

②The phase of CIQ declaration starts from the moment when bills of lading is received by customs broker and ends at the time when CIQ issues its release order. Herein, the customs broker's capacity of files preparation, the efficiency of commercial cooperation among trade participants and the efficiency of CIQ can be measured.

③The phase of customs declaration begins with the time when customs broker receives the CIQ release order

and closes at the moment when the customs confirms the goods release. Herein, the customs broker's capacity of documents preparation and management, the trade-related cooperation efficiency, and the customs service level can be examined.

**Special Explanation:** the time consumption in the phase of CIQ declaration as well as the phase of customs declaration includes the time combined, which is costed by customs brokers, consignees, wharf operators, customs as well as offices of CIQ in each phase of trade operation.

As the Figure 2, 497 samples incorporated in the study showed that the time costed in the whole process of goods release arrived at 5 days 1 hour and 56 minutes on average, roughly 123 hours in total. To be precise, the average time consumption in the process before declaration (exchanging bills of lading) was 2 days 4 hours and 48 minutes; the average time consumed in the process of CIQ declaration reached 10 hours and 34 minutes; the average time used in the process of customs clearance approached 2 days 10 hours and 33 minutes.



Figure 2: Average Time Consumption in the Whole Process

Through the analysis on these samples, it was evident that 63.2% of them costed less than 5 days but 6.7% of them were released within more than 10 days.

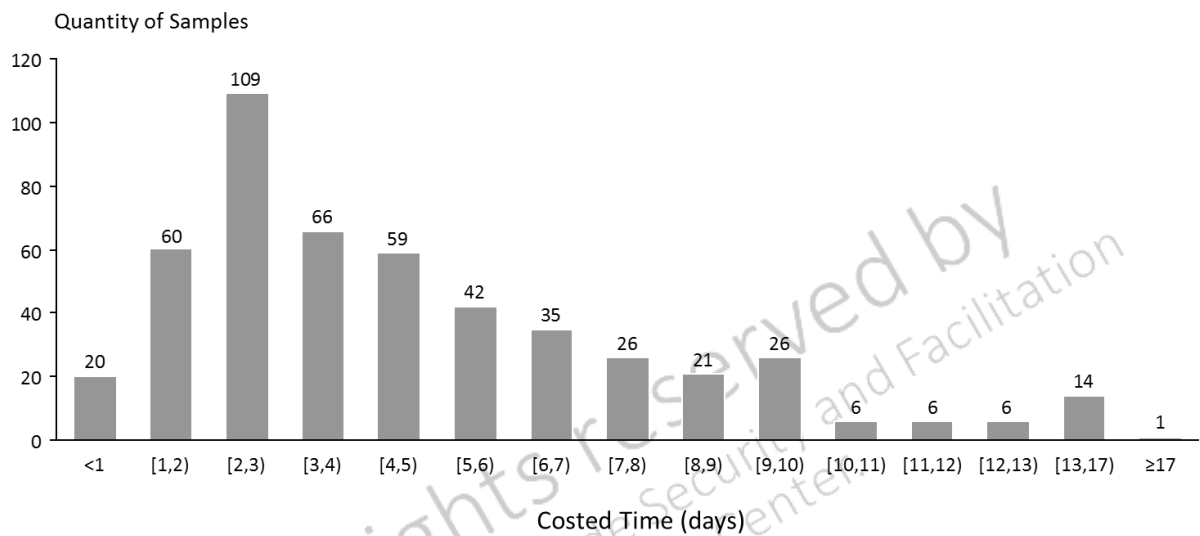


Figure 3: Samples Distribution of the Entire Process

### The Analysis of Time Consumption in the Phase of CIQ Declaration

The process of CIQ inspection starts from the time when the office of CIQ gives out notice to inspect goods and closes at the moment when it issues the goods release.

Generally, all the 497 samples were

divided into two items: one was for goods inspected by CIQ and the other was for goods not inspected by CIQ (the ratio of inspected goods was 10.26%). More conclusions are presented in Figure 4, Figure 5 and Figure 6.

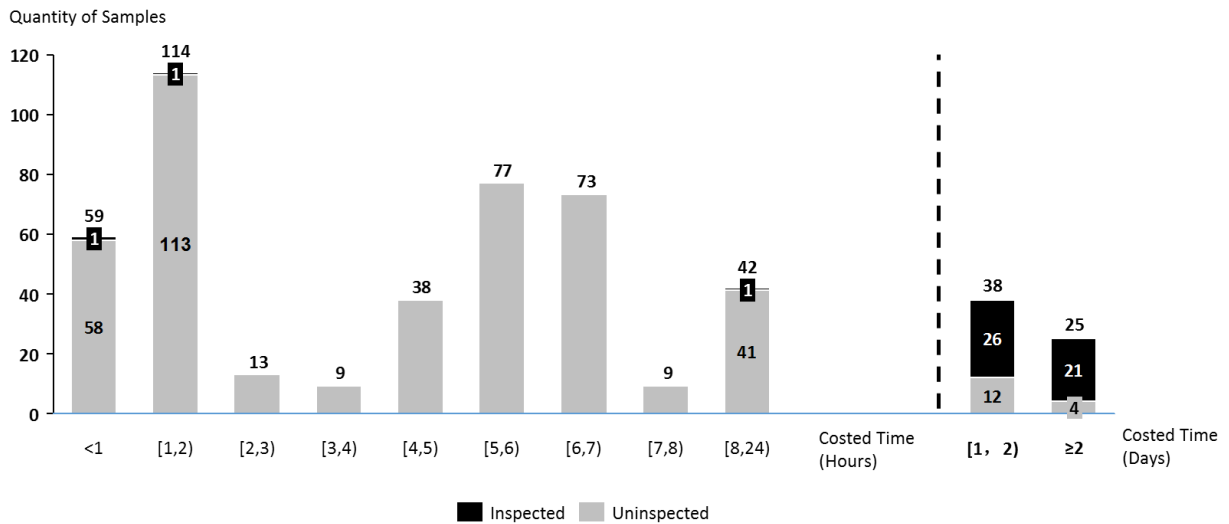


Figure 4: Samples Distribution of the Phase of CIQ Declaration

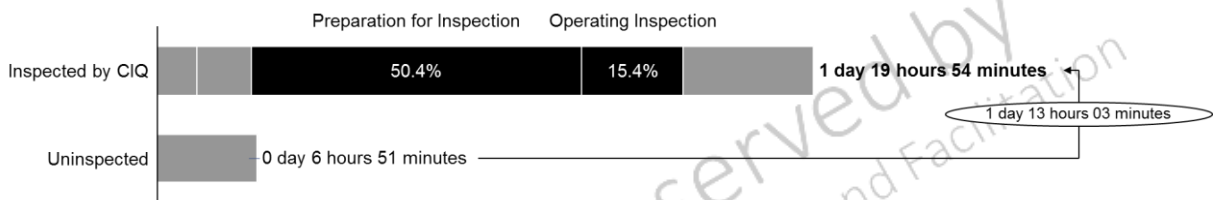


Figure 5: Average Time Consumption of the Phase of CIQ Declaration (Inspected & Uninspected)

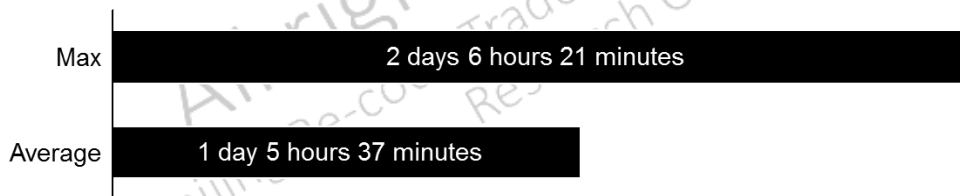


Figure 6: Max time and Average Time Consumed in the Phase of CIQ Inspection

It was evident that the samples of goods inspected by CIQ averagely consumed one day or even more. If goods needed CIQ inspection, the time consumption of CIQ declaration phase would increase enormously. Additionally, the process of CIQ inspection took up 65.8% in the time of the whole phase of CIQ declaration of goods inspected and in particular, roughly

50% time was consumed in the period of preparing for CIQ inspection. In other words, time was mostly costed in the preparation for inspection not in the real inspection operation. However, it still required further analysis on the details of time distribution on dealing information in different CIQ offices and cooperation between wharf and port operators and customs brokers.



## The Analysis on the Time Consumption in Customs Declaration

The phase of customs inspection begins with the time when customs releases the notice for inspecting goods and ends at the point when the inspection is completed. Equally, we'd

like to classify all 497 samples into two kinds of situations: inspected goods and uninspected goods accordingly (inspected goods occupied 4.23% of all.). Based on data analysis, we demonstrate the time consumption of each kind of situation in Figure 7, Figure 8 and Figure 9.

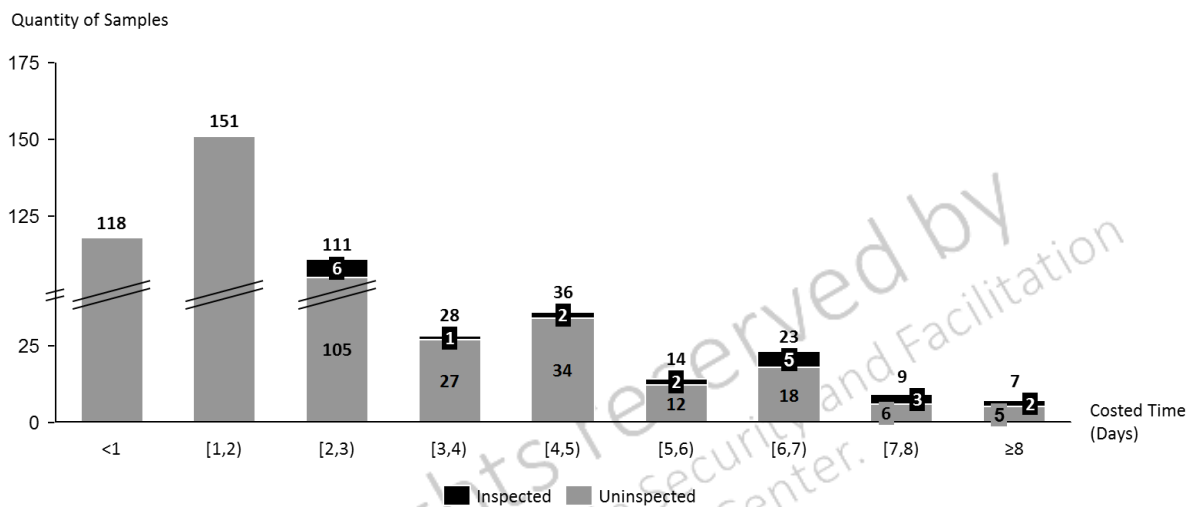


Figure 7: Samples Distribution of the Phase of Customs Declaration

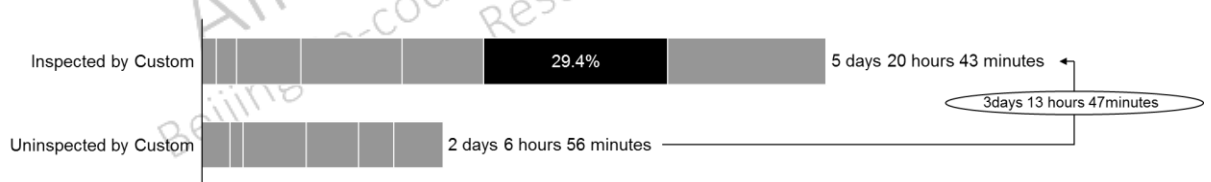


Figure 8: Average Time Consumption of the Phase of Customs Declaration (Inspected & Uninspected)



Figure 9: Max time, Average Time, and Minimum Time Consumed in the Phase of Customs Inspection

As it turns out, the conclusion generally complies with that of CIQ

inspection. Similarly, if goods needed to be inspected, the time consumption in the phase of customs declaration would rise evidently. Meanwhile, the confirmation and delivery of notice for inspection also shared a larger proportion of time consumption than

the real operation of inspection.

In addition, commodities declaration involves paper declaration and paperless declaration. 48.09% of 497 samples were paperless. Figure 10 demonstrates the comparison of two different types of declaration.

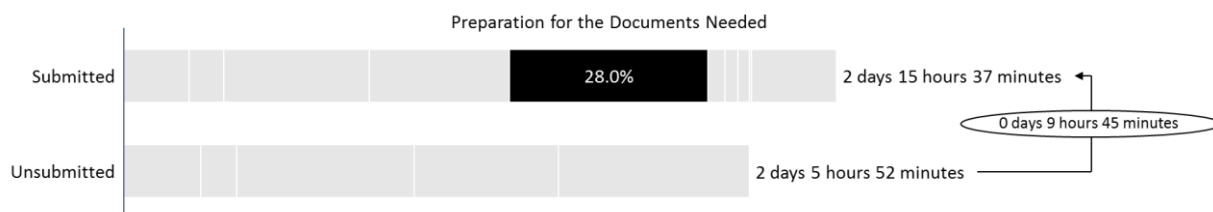


Figure 10: Average Time Consumption of the Phase of Customs Declaration (Submitted & Unsubmitted)

What's worth to mention, paper or paperless declaration ultimately depends on the order from customs. As statistics suggested, paper declaration contributed more to the time consumption in the process than paperless one did. Besides, time consumed in customs declaration outweighed that in CIQ declaration. Sometimes, disagreements would postpone the process of commodities clearance. Herein, to introduce an example (H.S. code: 161011300, commodity: garnet), it took 21 days 19 hours and 25 minutes, the longest time consumed of all 497

samples. Particularly, the phase of customs declaration shared 21 days and the process of issuing customs releases order alone costed 17 days and 5 hours. According to the customs' explanation, the goods classification and price in the customs broker's declaration were suspicious. Specifically, in general, the customs believed that garnet belonged to the category of diamond, so the goods needed to be rechecked because of the categorical mismatching. By the end of our study, the case has not been concluded yet and the goods affiliated was released after paying a deposit.

## Comparison of Time Consumption with Japan and Korea

Japan and Korea have reformed their goods release for many years and through empirical efforts, time release has become ace. Especially after the establishment of their single windows, the efficiency of commodities clearance has been boosted incredibly.

In 1987, Japan applied the single window abbreviated NACCS, which already appeared to be rather mature in 2009. Korea started the program of UNI-PASS in 2003 and completed in 2009.

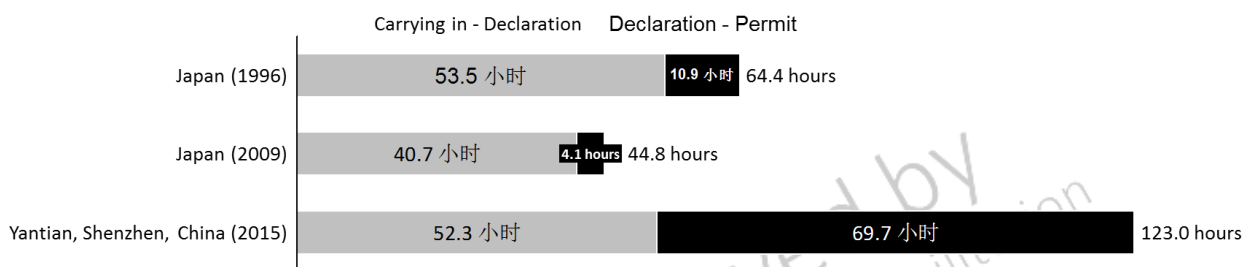


Figure 11: Comparison of Time Spent in Goods Release between China and Japan

Data sources: [www.wto.org/english/tratop\\_e/tradfa\\_e/symp\\_nov11\\_e/pre\\_arr\\_exam\\_jpn\\_e.doc](http://www.wto.org/english/tratop_e/tradfa_e/symp_nov11_e/pre_arr_exam_jpn_e.doc)

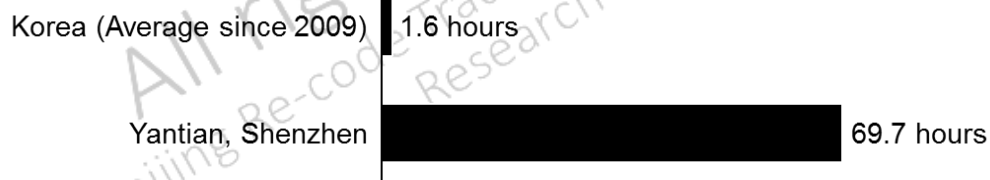


Figure 12: Comparison of Time Spent in the Phase of Declaration between China and Korea

Data sources: the customs of Korea, <http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=english>.

As the statistics, though the time spent in the phase before declaration in Yantian was longer than the time in Japan (2009), there was no very large gap. However, a tremendous gap existed between the time spent in the phase of declaration in China and that in Japan or Korea.

Through the comparison with Japan

and Korea, Yantian had a decent performance in the phase before declaration as enterprises often sought methods to improve their operation efficiency for more profits. Once coming into the phase of declaration, the time spent gap with Japan and Korea would be much larger.

## Preliminary Conclusions and Suggestions

The object in the study targets on the goods release time in Yantian, Shenzhen, and with regard to the overall harmonization of China declaration system, we are attempting to render several conclusions listed below.

Firstly, the unreasonable system of goods release directly gives rise to prolonging the time spent. Any nation in the world adopts analogous policies in controlling imports and exports. In history, there are two aspects: first of all, the regulatory system implemented by the customs includes goods security and tariff collection. Moreover, quarantine of animals and plants as well as goods quality management are also contained. With the rapid development of international trade and information technology, the incorporation of two administrations became a tide in the past several decades. Is it still necessary for the CIQ and the customs to completely wield controls on imports and exports independently and parallelly? Does another substitute resolution exist? Apparently, it remains crucial to review those questions in the reform of Chinese governmental institutes.

Secondly, in current process of goods release, the time consumed in the declarations to CIQ and customs leads

to sluggishness. As the study shows, the time companies spent on exchanging bills of lading generally almost equals to that used in developed countries, but due to governmental institutes' involvement, the time consumed in the phase of declaration tends to be more alarming than that in developed counterparts. Clearly, the irrational systems and the overlapping procedures are utilized in these two declaration phase. Instead, some procedures should be tremendously simplified, for example the goods eligible to be released should be issued automatically by computer, not manually by customs officer.

Thirdly, advanced and effective systems of goods release in developed countries should be introduced largely as well as positively, for instance the advance declaration system in Japan is worth to be referred. According to a report in 2009 about the advance declaration system of Japan, the time consumed in the phase of declaration can be cut down 11.5 hours on average. By the application of information technology, the construction and the implementation of a single window would work as a positive impetus to curtail the time consumption.

## Postscript

Our research center has completed the preliminary study and truly much work need to be refined in the next phase of study. Hopefully, we would raise more targeted projects by thoroughly exploring differences existing in phases of trade operation. We sincerely look forward to

attentions, participations and supports from import and export enterprises, transporters and transport agencies, port and wharf operators, customs and departments of CIQ as well as other stakeholders, etc., in order to promote the implementation of trade facilitation in China together.

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