

The Advantages of Applying the Bonded Logistic Center (BLC) to Streamline the Logistics Process in The Company at PT. Agility

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Abstract. The logistics costs in Indonesia, which reach 24% of the total GDP or 1,820 trillion Rupiah per year, are the highest in the world. Logistics costs in Indonesia are far higher than Malaysia, which is only 15%, and the US and Japan are 10% respectively. One of the causes of the high logistics costs in Indonesia today is the number of costs incurred since the raw material, and auxiliary materials arrived at the port until the goods arrived in the hands of consumers. Dwelling time for imported goods reaches 5.5 days at the port, while in Singapore it does not reach a 1-day pause. This study is a qualitative descriptive study. This research was conducted using a qualitative approach. The results of the study are that BLC eliminates costs that often occur in port such as demurrage, detention, etc., shortening the flow of goods distribution that enters or exits Indonesia, and can carry out various activities of high economic value inside BLC.

Keywords: bonded logistic center, advantages, logistics cost, dwelling time

1. Introduction

Logistics has a crucial and needed role for developing countries, and logistics has a driving force to help increase a country's economic growth coupled with global economic growth making logistics a crucial sector [1]. Even in a study of the impact of logistical development on economic growth carried out by (1), it states that logistics is one of the most important factors in determining a country's economic growth. Especially for Indonesia, which has more than 18,000 islands that require integrated logistics infrastructure. [2]

Indonesia's current logistics conditions can be measured using the Performance Logistics Index (LPI) published by the World Bank in 2018 and is in position 46 of 160 countries in the world. This Indonesian ranking has managed to raise 17 levels from the previous LPI ranking in 2016, from position 63 in the world. But Indonesia's LPI ranking still lags behind other ASEAN countries such as Malaysia, Thailand, and Singapore [3]

According to the World Bank, LPI is based on six aspects, namely, the efficiency of customs & border management clearance (customs), quality of trade and transportation infrastructure, ease of regulation of international shipping, competency, and quality of logistics services, ability to track & trace, and frequency of on-time deliveries. [4]

One of the causes of Indonesia's LPI ranking lagging behind other ASEAN countries' LPIs is the ease of international shipping that can provide benefits in the form of obtaining goods and services, reducing production costs, increasing revenue, transferring technology, and obtaining raw goods [5]. Most items that will be exported and imported must go through the port of a country. The port becomes the gateway for goods entering and leaving the Indonesian customs area. The port is also one of the points in the overall flow of goods in general to reach the consumers.

Other aspects are customs & border management clearance (customs), and logistics costs that affect aspects of the LPI. The logistics costs in Indonesia, which reach 24% of the total

GDP or 1,820 trillion Rupiah per year, are the highest in the world. Indonesia's logistics costs are much higher compared to Malaysia, which is only 15%, as well as the US and Japan, at 10% [6].

Up to 2016, export and import activities in Indonesia were constrained by the distribution of goods going into and out of Indonesia and other Southeast Asian regions, having to go through Malaysia or Singapore because only Malaysia and Singapore in the Southeast Asian Region had duty-free import warehouses and not for Import purposes but only as an international transit warehouse.

It coupled with logistical costs that arise from the arrival of goods in the port until the goods arrive at the consumer in the form of finished goods. Dwelling time that needed for imported goods to out from port is 5.5 days in the port, compared to Singapore, dwelling time does not reach a 1-day pause and the complexity of other licensing processes that must be passed to get out of the port [7], [8].

The following is the flow of goods in general from the port to the customer's warehouse before implementing the Bonded Logistic Center (BLC):

From the picture above, we can explain the flow of goods in general from the port to the customer's warehouse before implementing the Bonded Logistic Center (BLC):



The flow of goods movement before using Bonded Logistic Center (BLC)

- The ship docked on the Indonesian water dock, and container unloading is carried out.
- Disassembled containers are then piled up in container stacking fields. Importers prepare a BC 2.0 notification Form Import Goods (PIB) if the importer wants to import goods for use. If imported goods are not used, the penalty will be 150% per day and multiplied. Some expensive cost sources in this area:
 - Detention is the cost that must be paid by the recipient of goods because it is too late to return the shipping container and the position of the container is still outside the port, which is due to the length of loading of the container in the warehouse [9].
 - Demurrage is the cost that must be paid by the recipient of the goods because it is too late to return the shipping container, and the position of the container is still in port [9].
 - The container will be transferred to landfill location (container moved from ring 1 to ring 2) which is done unilaterally.
- Payment of import duties after the complete expenditure of documents. Money interest/bank interest, money that should be used to pay other fees but this is used to pay import duties.
- The stage of completion of customs obligations includes verification of documents by customs, an inspection of import requirements (prohibitions and restrictions), a physical inspection of containers (specifically red lane/items detained) and issuance of Goods Expenditure Approval (SPPB).
- The container exits from the Temporary Stockpiling Site (TPS) to a conventional warehouse (owned by the customer or owned by 3 PLs) using the shipping container.
- The goods stored in a conventional warehouse, and then the goods are sent to the factory under the Purchase Order (PO) using a company-owned container or 3 PL.

- Delivery of goods from BLC to the customer or warehouse, the warehouse is a temporary stockpile (the goods can be raw goods, semi-finished goods, and finished goods), become warehouses as a buffer in the supply chain. The warehouse has the main function of facilitating the transfer of goods from supplier to customer, to fulfill the request effectively and efficiently [10]–[13].
- Goods ready to be processed into other items.
- In general, these processes are one of the potential causes of swelling in logistics costs in Indonesia. Seeing these conditions, the Indonesian government designed a solution to overcome this problem through the Economic Policy Phase II September 2015 package by issuing a policy that regulates the establishment of Bonded Logistics Center (BLC) which aims to cut down the process that requires Malaysia and Singapore to do import of goods (President Jokowi's Phase II economic policy). BLC that built was expected to be able to be a solution in reducing costs, time and logistics processes, and supporting economic growth in Indonesia (9). The application of BLC has existed in other countries for a long time, for example, the China state located northwest of Tianjin which has an area of 900,000 square meters consisting of 220,000 square meters of which designated for warehouse location. [14]

Definition of Bonded Logistics Center (BLC) is an area that meets certain requirements that are used to stockpile goods with a specific purpose by obtaining import duty suspension (10). In addition to facilities for postponing import duties and taxes, the BLC is also given flexibility in terms of goods entry and expenditure. Goods that will be stockpiled at the BLC can not only come from imports or Outside the Customs Area (LDP but can also come from other Bonded Stockpiles (TPB), BLC in other locations (one permit), free area, Special Economic Zone (SEZ) and from within the country or elsewhere in the Customs Area (TLDDP). [15]–[17]

Requirements for establishing a BLC listed in the Regulation of the Minister of Finance of the Republic of Indonesia No. 272/PMK.04/2015 [18]:

- Has a minimum area of 10,000 M2
- There is a reliable IT inventory
- Has CCTV that operates for 24 hours
- Using e-seals (electronic seals) in containers originating from the port
- Have an orderly SPI audit
- Has a certified logistics team

Since the first time the BLC was launched by the government on March 10, 2016, the BLC has successfully increased logistics efficiency and reduced logistics costs in Indonesia, especially in companies that use the BLC scheme. Next is the efficiency that occurs with the use of BLC [19]:

- Savings of rental of the landfill by heavy equipment importers reaching the US \$ 5.1 million per year.
- Cutting freight costs from one BLC user (from 2-3 vessels to only one vessel).
- Savings of goods storage costs of 7.18 million Rupiah/container per three months and the transfer of three warehouses from Singapore to Indonesia covering an area of 12,736 meters by heavy equipment importers.

Of the 80 BLC companies in Indonesia today, one of them is PT. Agility International has been operating in Indonesia since 1992 and is engaged in logistics and forwarding services. With nine branches, PT. Agility International has operated 11 BLC locations in Indonesia with several companies using the BLC pattern of more than 50 companies.

Because of the success of PT. Agility International in using the BLC as one of the logistical cost efficiency factors, we as the authors want to analyze the logistical cost efficiency

factors caused by the BLC user companies and any strategies implemented by PT. Agility International to BLC user companies.

2. Research Methodology

This research uses qualitative methods conducted in one place, namely PT. Agility International. The researcher obtained data using in-depth interviews and discussions with an informant who already had experience in applying the BLC.

The data processing technique used in this study uses a technique developed by Miles and Huberman, which divides data processing steps into several parts, namely data collection, data reduction, classifying data from important data to discarding unnecessary data. Presentation of data presents data from research results that are useful for the process of concluding. Drawing conclusions is the last process of a study that contains conclusions from researchers [20].

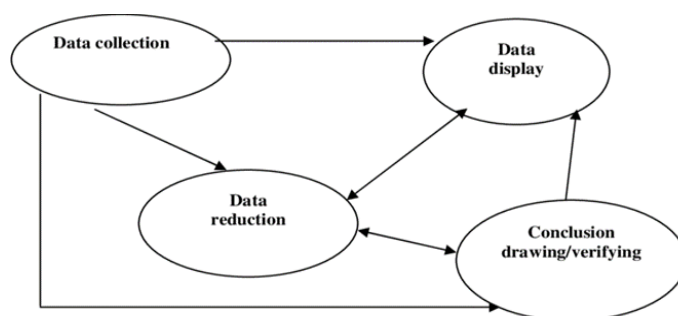


Figure 2. Qualitative data analysis model

3. Discussion and Result

This research uses qualitative methods, data obtained by interviewing informant, Mr. Widiyanto as Secretary-General of Bonded logistics center association, who are experienced in handling and developing bonded logistics centers. The researcher conducted a case study research and looked directly at the BLC processes in several BLC of PT. Agility International, which has operated a bonded logistics center since 2016. In this study, researchers limited the scope of the study to only the logistics process from the arriving goods at ports until the goods arrived at the customer.

From the results of field research supported by interviews with informants, it can be seen that the processes in the BLC are as follows.

3.1. BLC conditions PT. Agility International

- PT. Agility International prepares BLC warehouses to accommodate goods owners who only have goods store volumes below the warehouse area of 10,000 m². By carrying out the concept of preparing a warehouse of at least 10,000 m², PT. Agility International can consolidate goods owners to gather at the BLC.
- PT. Agility International cooperates with goods owners who owned a warehouse with a minimum area of 10,000 m² to make the warehouse as BLC and PT. Agility International as an operator and BLC license owner. According to the informant, this strategy is more efficient because the owner of the goods still uses the warehouse as BLC and PT. Agility International does not charge warehouse rent. PT. Agility International is authorized to manage the assets of its business partners to become a BLC. Such cooperation is carried out with the concept of profit sharing.

With the above strategy, until now, PT. Agility International became the BLC operator with the most BLC areas in Indonesia with 11 Bonded Logistic Center in Indonesia.

3.2. Logistics Processes at BLC



Figure 3. The flow of arrival of goods starting when arriving at the port until the goods arrive at the customer or warehouse after implementation of BLC.

3.2.1. Withdrawal of goods from Port to BLC (Process C to D)

After getting information from BLC users that there will be goods entering the port, PT. Agility International will prepare the document for withdrawal of goods from the port in the form of BC 1.6 issued from the BLC system. At the port, the E-seal will be attached to the container which functions as a seal that can be monitored in real-time, the withdrawal of goods from the port can be carried out after the existence of BL (Bill of Loading) documents, Packing List, COO (if any).

3.2.2. Warehousing processes at BLC (Process E)

When the goods have arrived in the BLC, several warehousing management processes will be carried out.

3.2.3. Expenditure of goods from BLC to warehouse destination (Process E to F)

When a BLC user submits a request to issue goods from the BLC, PT. Agility International will prepare the goods according to the request through a picking process. After the goods have been collected, customs will be processed immediately.

3.3. Benefits obtained by BLC users

From our observations in understanding the logistical process using BLC at PT. Agility International, so the benefits obtained by BLC users are:

3.3.1. Suspension of payment of import duties on imported goods

Suspension of Import Duty Payment for Imported Goods (the process in "C" activity) when goods will be released from the port. Goods are issued from the port using BC 1.6 (Customs documents for importing imported goods at the BLC), and no import duty payment is required as usual if the goods are released from the port without using the BLC. Payment of this import duty will be made from the BLC when the goods will be issued using BC 2.8 (PIB BLC/Customs Notification for the release of goods from the BLC to be imported to be used/imported temporarily following the number of goods issued). In other words, import duty is not 100% paid as when the goods are released from the port if they do not use the BLC.

3.3.2. Accelerating expenditure of goods from the port

BLC can accelerate the expenditure of goods from the port. This acceleration will eliminate the costs currently in ports such as port storage in port, container penalties, detention, demurrage, and transfer of goods to another terminal.

3.3.3. Container security gets better

Goods arriving at the port will be sent directly using a sealed container with an e-seal seal that keeps the items safely stored up to the BLC location. e-Seal can be monitored in real-time.

3.3.4. Paperless transaction

PT. Agility International will then conduct a customs process at the BLC to process the entry of goods (BC 1.6) which begins with the receipt of the container through the opening of the e-Seal and calculation and physical checking with documentation. All the process of approving goods and spending uses online media and does not use paper documents.

3.3.5. 24 hours monitored CCTV

CCTV will provide a sense of security and transparency in all activities that occur in the BLC. Customs oversees all activities in the BLC via CCTV.

3.3.6. Other activities on BLC

In the BLC, as a support for businesses supporting logistical efficiency, various processes that have high-efficiency values can be carried out:

- Quality control, which is checking the physical condition of the goods to ensure that the goods sent are appropriate to the PO document. In the normal logistics process, the owner of the goods may not check before the item is received at the customer's warehouse.
- Re-export, which is sending back goods overseas due to something. For non-BLC processes, re-export will cause a long and complicated process because financially, the goods have been paid off the entry tax.
- Prohibition and Restrictions checks, which are checks by surveyors to ensure that goods imported have met certain criteria and can be used in Indonesia.
- Simple activities, namely activities carried out as added value to goods without changing the code of customs goods (HS Code). This simple activity is not permitted for all customs facilities (Bonded/GB Warehouse, Bonded Zone/KB or Dry Port).
- Transshipment is the activity of importing goods from a country that requires a transition period in the BLC and can be sent back to the next country.
- Incoming goods tax, namely payment of the tax imposed on goods, only applies to goods that will be taken by the importer of goods only. Before the BLC, the owner of the goods must pay for all goods entered at the port. In this way, cost efficiency can be created from existing bank interest due to tax payments only on goods used.

4. Conclusion

Based on research information data that has been researched, it can be concluded that PT. Agility International gets the benefits after using BLC, while the advantages of using BLC are as follows:

- Reduce dwelling time from 5.5 days up to less than 2 days.
- Reduce shipping process from 7 days to 5 days.
- Reduce logistics cost:
 - Consumer Goods Industry up to 10%
 - Textile Industry up to 15%
 - Tire and steel Industry up to 5%
- Streamline the costs to be paid (such as taxes) because the goods to be taxed are items that will be used in the next process.
- Eliminating Prohibition and Restrictions checks that should be done overseas, which are quite costly, with the establishment of BLC facilities in Indonesia, the Prohibition and Restrictions are checked domestically.
- Simplify the process at the port by eliminating the demurrage process, detention, transfer of goods to another terminal because the items arriving at the port are sent directly to BLC.

- Improve the inventory control function by being able to do a quality control process (checking items) in the BLC and a simple re-export process to the vendor of the goods to other countries.
- It is creating greater logistical business opportunities for BLC players because it is possible to carry out the transshipment process.
- Inventory Management System & Online Report, all related systems in the BLC use an online system and are monitored by all parties.
- Eliminate an exposure Customs Audit, minimizes the risk of violations during a Customs audit because the BLC executor is a company that already has a good reputation in the field of logistics and compliance with customs rules through AEO certification.
- Improve Customs Compliance, with online data, 24-hour CCTV, BLC compliance through AEO certification and Customs authority to conduct an audit at the BLC at any time will guarantee that the BLC becomes compliance with all Customs regulations.

4.1. Before After Analysis

Table 1. Before After Analysis Using BLC

No	Activities	Before	After
1	Cost port storage	Paid to the port at a high cost	There is no port storage fee because the goods go directly to the BLC
2	Import tax	Paid 100% according to imported goods when the goods will be issued	Paid according to what will be used only
3	Prohibition and Restrictions checks	Done abroad	Performed at BLC
4	Customs value	To calculate import duties, a customs value is imposed when entering	To calculate import duty, customs value is imposed when spending
5	Check items	Cannot be done at the port	Can be done at BLC
6	Value-added activities	Cannot be done at the port	Can be done at BLC
7	Transshipment	Can not	Can be done at BLC
8	The period of item load	A maximum of 1 year in a stockpile	Can be up to 3 years in the BLC
9	Ownership of goods	Own ownership	Own ownership, consignment, or deposit.
10	Letter Information Origin	Received and one-time spending	Received and can partial expenditure
11	The scheme in and out	Only for goods owners (one for one)	One for many, many for one and many for many
12	Permission period	For operator up to 5 years, businessman up to 3 years	Lifetime, until revoked

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