

IMPORT CUSTOM CLEARANCE AT TANJUNG PRIOK PORT (THE OBSTACLES AND THE SOLUTION)

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Abstract. Custom clearance process is one of the dimensions of the process of importing goods. Importers are obligated to fulfill necessary licenses to import the goods. Sometimes the process and fulfillment of customs procedures can be very complex, and if it is not handled properly, it will result in increasing logistics costs. The purpose of this study is to identify obstacles in the custom clearance activities that exist at Tanjung Priok Port, Jakarta, and find out the strategy to solve the problem. A qualitative approach was taken to answer the objectives of this study. Primary data collection techniques were done by triangulation of sources, namely conducting interviews with the actors, who are importers, custom broker, and customs authority. The process of data analysis used the model of Miles & Huberman (1984), where data was reduced, displayed and concluded. The results shows that the obstacle to clearance activity occurs due to the lack of importer's knowledge of custom clearance rules and conditions, and one single window system is not integrated in terms of import licensing to meet the import requirements of each relevant government institutions, causing a complicated and time-consuming licensing process. Periodic and continuous socialization of customs regulations increases importers and custom broker about customs knowledge, computerized network systems and technology rejuvenation need to be improved in order to improve the smoothness of the custom clearance process.

Keyword: *Custom Clearance, Procedure, Import, Tanjung Priok Port*

1. Introduction

All trade transactions leaving or entering countries have to be processed by the respective national customs and such a processing takes time. In an increasingly globalized world, where goods (and people) cross borders with more frequency, and where speed to market is of utmost importance for both supply chain participants and end consumers, customs administrations are now asked to both facilitate legitimate trade and protect borders. However, it is often difficult for customs administrations to strike a balance between these two functions, which can often undercut one another. (Jones, and Seghetti, 2015).

The Customs Performance Report 2019, showed 47.89% of Indonesia's total imports, sent through the Port of Tanjung Priok, Jakarta. This makes Tanjung Priok port the busiest port in Indonesia and the main gateway for activities related to the supervision of the traffic of goods entering and leaving the customs area and collecting customs taxes. This activity is known as custom clearance (Law Number 17 of 2006 concerning Amendment to Law Number 10 of 1995 Concerning Customs). Tanjung priok as the busiest port in Indonesia and as the main gate of custom clearance activities could be seen from Table 1 below:

Table 1: Total Import on 2019

No	Kantor	MITA	Hijau	Kuning	Merah	%
1	KPUBC Tg Priok	142.304	461.977	13.038	55.690	47,89%
2	KPPBC Belawan	2.750	25.794	723	10.019	2,80%
3	KPPBC Tg Emas	6.712	36.430	1.751	19.235	4,56%
4	KPPBC Tg Perak	18.502	112.499	3.449	19.541	10,96%
5	KPPBC Merak	1.169	2.877	135	194	0,31%
6	KPU BC Soekarno Hatta	98.088	272.387	13.357	28.117	29,31%
7	KPPBC Ngurah Rai	565	5.896	201.0	1.354	0,57%
8	KPPBC Juanda	4.569	24.400	405	1.653	2,21%
9	KPPBC Balikpapan	1.779	13.434	623	1.592	1,24%
10	KPPBC Makassar	396	1.147	81	433	0,15%
TOTAL		276.834	956.841	33.763	137.828	100%

Sumber data: Direktorat Informasi Kepabeanan dan Cukai

Sumber: Laporan Kinerja Bea Cukai, 2019

With this high activities, Tanjung Priok port must have strong network and well collaboration to provide the best completion service time. But in reality, based on observations results of complete participation by researchers, there were many inefficiencies in the process of cargo clearance at Tanjung Priok Port. Custom inefficiencies arose from complex custom declaration, procedures and clearance to lack of coordination among company as importer, port authorities and custom officer for procedures and permits. Whereas, the main element in the Logistics Performance Index was efficiency in customs activities. Where speed, process simplicity, and certainty of formality become important indicators in the process of custom clearance (Arvis, 2016). The study results by Akhwan, Rinitami, Hendro (2017) at the Panjang port, Bandar Lampung province showed that the obstacle related to custom clearance came from internal factor, namely human error from parties involved and external factor obtained from facilities and infrastructure at the port.

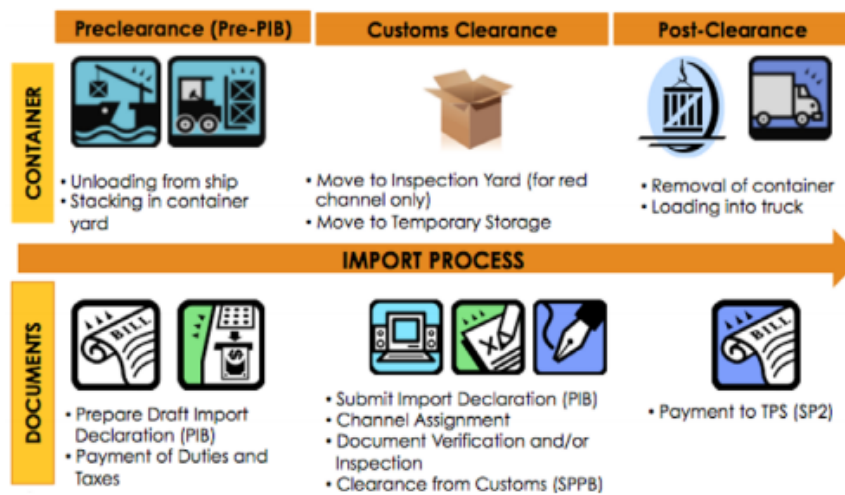


Figure 1. Clearance Process

Source: State Logistics of Indonesia 2015

Generally, there are three activity of clearance process: *pre clearance*, *clearance* dan *post clearance* (Figure 1). *Pre-Clearance* is the process which starts from arriving vessel until container loaded to temporary storage place; and submitting import declaration, *Clearance* is the period of time to settle up import declaration which is calculated based on average time from the process of determining the service lane until receiving Custom released letter (green lane), *Post-clearance* is the process of releasing imported cargoes after obtaining green lane respond.

This study is focused on pre-clearance and import clearance activities at the Port of Tanjung Priok, bearing in mind that these two processes obstacles were found in the smooth import process as explained at the beginning of this introductory paragraph.

Pre-Clearance Activity

The activities occur at this stage are discharging container from vessel, then stacking container at container yard, preparing of import declaration (PIB), fulfilling of import permit and paying the bills for import duty and tax, which percentage of duty are determined from the Harmonized System (HS) code of the cargo. *Harmonized System (HS) Code* is a global product classification system. The Harmonized System is a standardized numerical method of classifying traded products. It is used by custom authorities around the world to identify products when assessing duties and taxes and for gathering statistics (<https://www.trade.gov/harmonized-system-hs-codes> downloaded on 29th June, 2020).

Refer to the HS code, importer is able to know what import licenses are needed to import cargo. For example, for food and drug the importer should have import permit from BPOM (The National Agency of Drug and Food Control), or for iron and steel the importer should have import permit for Import Approval and Surveyor Report from Surveyor Indonesia. These types of licenses are referred to as Prohibitions and Restrictions (LARTAS). Lartas are items that are prohibited and/or restricted. For these items must be monitored while entering and leaving from Indonesia (<https://bctemas.beacukai.go.id/faq/tentang-lartas-kategori-dan-perijinannya/> downloaded on 28th June 2020).

Clearance Activity

Based on process flow in “Peraturan Direktur Jenderal Bea dan Cukai Nomor PER-16/BC/2016 about Petunjuk Pelaksanaan Pengeluaran Barang Import Untuk Dipakai” clearance process as per picture below:



Figure 2 : Import Clearance Process

Source: <http://bcmakassar.beacukai.go.id/index.php/pabean/impor> download on 30 June 2020.

Green lane or SPPB (Custom Release Letter) is the process of service and supervision of imported goods without physical inspection, documents are checked after get SPPB (Custom Release Letter). The green line is the fastest of the three lanes, only takes 1-2 working days since the pre-clearance requirements are completed. On the Green Line, importers are only required to submit document original for Certificate of Origin (COO) and import declaration, and payment proof for import duty and tax to treasury fund.

On Yellow lane or SPJK (Yellow Lane Notification Letter), custom officer informs to importer what kind of document need to be submitted. In general, kind of documents are invoice, packing list, bill of lading, insurance, certificate of origin, other import permits, import declaration, payment proof for import duty and tax to treasury fund, catalog or brochure, MSDS (Material Safety Data Sheet) if there is special request from custom officer. They will do document check roundly, such as HS code, completeness and suitability of import declaration, if all data matched, custom authority will send Custom Release Letter (SPPB) to release the cargo, the average time required to reach the Green Lane are about 3-5 days.

Red lane or SPJM (Red Lane Notification Letter), completion of red lane in clearance will have longer time than other lane, when importers (or can be represented by custom brokers) get red lane, they have to submit documents such as invoice, packing list, BL, import declaration, manifest to locket special for red lane, then submit Notification of Goods Inspection Readiness. Importer must prepare and submit imported goods for physical cargo inspection, opened packaging, taking sample process. Custom officer will issue inspection instruction and appoint custom officer whose responsibility to do physical cargo inspection. Custom officer will do physical cargo inspection once require document complete, after they do cargo inspection. The next step is issuing inspection report. Custom officer will record inspection report to service computer system. If all require data or document already match with actual and import declaration then custom officer will release Custom Release Letter (SPPB). The length of time required for completion of the red line can be 7 days to 1 month.

Post-clearance Activity

The processes are releasing container from CY (container yard), payment settlement to container yard for storage charges, then loading process to truck.

In the process of pre-clearance and clearance, there were complaints from importers about the long service time for processing and issuing permits to import prohibited and / or restricted goods. There is no online portal for submission of all documentation related to import licenses that are automatically connected to customs (One Single Window System). For example to process SKI (Import Certificate) by BPOM (Drug and Food Control Agency) must go through the official website of BPOM: <https://e-bpom.pom.go.id/>, to process permits related to PKRT must go through the official website in the form : <https://regalkes.kemkes.go.id/> , to process permits related to PI (Import Approval), SNI (Indonesian National Standards), and others requiring permission from the Ministry of Trade must go through the official website in the form of: <https://inatrade.kemendag.go.id/> and others. Another thing that is also a problem is the matter of transparency related to import, export and related licensing requirements which is lack of transparency; unclear and unspecified import, export and related licensing requirements. To find out in detail the information and requirements related to imports, exports, and permits related to frequent importers, they must carry out a face-to-face process or consult directly in advance with the relevant government institutions.

From the description above, the research questions compiled in this study:

- 1) What are the obstacles in the custom clearance activities in Tanjung Priok Port, Jakarta?
- 2) What solutions are offered to help reduce or overcome these obstacles?

2. Methodology

This study used a descriptive qualitative approach. Primary Data Collection techniques were done with the source triangulation which was made by a complete participatory observation, thorough interview to the actors in this activity namely importers, custom broker, and customs authority who carry out import goods in the port of Tanjung Priok, Jakarta. Data that refer to procedures, work procedures based on Customs legislation as well as observation and in-depth

interviews were analyzed using the Miles & Huberman (1984) model, where the data were reduced, displayed and concluded.

3. Discussion and Result

3.1 Obstacles that cause delays in Custom Clearance

Based on the results of in-depth interviews with importers, custom broker and customs authority, information was obtained that was able to identify obstacles that occurred in the three stages of clearance, are:

A. *Pre-clearance*

Obstacles on *pre-clearance* are affected by time management of importer in the import planning (prepare import documents required) and it is the demands of accuracy in preparing the declaration of imports from the importers and custom broker as representatives from the importer. These obstacles can be detailed as follows:

- a. Importers have not enough knowledge about regulation of prohibited and/or restricted goods, and not understand how to find suitable HS code for their imported goods. Lack knowledge a about regulation of prohibited and/or restricted goods is a common thing. It is not uncommon for importers not realize that their imported goods are prohibited and/or restricted goods, so that it impedes the clearance process.
- b. Redress, is the discrepancy between information on manifest and import documents, such as: discrepancy on consignee, shipper, quantity and goods description.
- c. BC 1.1 which already used, so import declaration submission should temporarily stop
- d. Complicated process to get import permits, caused by too many government institutions involved only to get one import permits. For example: to import iron and steel, importer should have import permits for SPI (Import Approval Letter), LS (Surveyor Report), SNI (National Standard Indonesia), and NPB (Goods Registration Number). To get SPI permit, importer should get recommendation letter first from Ministry of Industrial, then continue process to Ministry of Trade and generally it will take 3-4 months. And to get SNI and NPB permits take time 6 months.

B. *Clearance*

Clearance is the Core Stage of the custom process, all import licensing and supporting documents are reported in one Import declaration called PIB (Pemberitahuan Impor Barang). PIB is transferred via Electronic Data Interchange (EDI) to customs authority, soon after PIB transferred, Importers get one of response of SPJM, SPJK or SPPB. The constraints that occur after the importers get the response are as follow:

1. SPJM (Red Line notification letter)
 - a. The length of time waiting for an official to inspect goods is due to the lack of inspecting Customs and Excise employees compared to the number of containers that must be inspected.
 - b. Laboratory facilities for testing samples are inadequate, for laboratory laboratories that are available only in two places, namely in Tanjung Priok and Cempaka Putih. The lab test in Tanjung Priok comes out in 3 days, and the lab test in Cempaka Putih comes out in 1 week
 - c. After the lab test results are out and if the test results are found to contain *lartas* goods that are not declared in the PIB, the clearance process will stop temporarily while waiting for the importer to fulfill the import permit

- d. The issuance of SPTNP (Letter of Determination of Tariffs and Customs Value) due to several things, namely the difference in customs perception in assessing HS code so that there are differences in tax rates in the framework of imports, declaration of goods value (customs value) below market prices, differences in the number of goods between actual and PIB.
 - e. Other technical constraints such as, field conditions that do not support when the weather is rainy, lack of supporting workers to do the process of unloading.
2. SPJK (Yellow Lane notification letter)
Most Importers do not have a meaningful problem when receiving a yellow response, but based on the results of questionnaire, the time of checking the document can take up to 3-4 days only to check one document is considered ineffective, importer hopes that the standard document check time can be completed within one day.
 3. SPPB (Custom Release Letter)
SPPB is the final process of each lane, once Red and Yellow lane fulfilling the flow of each check point, in the end it gets a response of SPPB. Getting a response of SPPB means the goods are considered clean to get out of Customs supervision. The issues that occur explained in the post-clearance section.

C. Post-clearance

After receiving the green lane respond, the next process is withdrawing containers from the port to the importer warehouse. The technical problem that occurred was the down system for printing SP2 (Container Delivery Letter) at the port, which caused containers not to be allowed out of the port. SP2 is a letter stating that the importer has fulfilled payment obligations for the cost of accumulation at the port, but also contains information about the location of the container in the port (CY).

Table 2. Summary of Pattern

Parameter		Key Summary of Interview and Questionnaire Data		
		Custom Officer	Custom Broker	Importer
Problem	Pre-Clearance	- N/A	Fault to input manifest data from the shipping line so that it must repair the data in advance so that the data is equal to the declaration of import of goods that will be transferred to customs	1. Not understand HS Code well 2. Too many government authorities involved to get one licenses import permit. 3. Time management is less accurate in planning imports.

	Clearance	1. Customs authority in charge of conducting a physical examination of goods not comparable to the number of containers that are checked so that the queue occurs long enough for the importer to get the examination schedule 2. Technical constraints: Loading and unloading power depends on the inspection site, sometimes not enough 3. Awaiting the letter of readiness of goods from importer/Custom Broker to continue the physical check process	1. There is no definite standard service time of the customs office for long time of settlement of clearance 2. Between the customs officers of each other, often different perception in problem solving	1. The clearance time is very long if the lartas goods are exposed to the red line and require sampling for lab test, can take up to 2 months 2. Logistics Cost (storage, demurrage & detention) is swollen because the container is stuck in the port. 3. Lack of coordination between customs and other governmental agencies, there is no good synchronization to explain the import regulations. 4. Customs clearance is not communicative in informing the technical regulations of imports.
	Post Clearance	- N/A	System ports are often down so as not to print the container spending letter (SP2), consequently the delivery container is delayed.	- N/A

Solution	1. No solution for lack of physical examiner number 2. Educating importers by conducting socialization of importers and custom brokers 3. Repair the system periodically so that the system down does not occur	1. Training HR to be more cautious in inputting data 2. Create KPIS for service time standards SPJM, SPJK and SPPB	1. Trim convoluted bureaucracy, simplifying import procedures. 2. Create one portal to submit documents online, so the custom process is more efficient. 3. Conduct socialization/training for importers as often as possible about HS code
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Source: The results of data processing interviews and questionnaires

3.2 Strategy to Deal with the Delay in Custom Clearance Process at Tanjung Priok Custom Office

A. *Pre-clearance*

To avoid obstacles, the importer is required to have qualified customs knowledge, so as to be able to identify important points that must be carefully checked in order to avoid errors in documentation. By having sufficient customs capability, the importer can estimate the time needed to obtain an import permit before the goods arrive in Indonesia. In terms of the import licensing bureaucracy, it is necessary to streamline the bureaucracy so that the processing of import licenses need not take a long and convoluted time

B. *Clearance*

The customs and excise department are expected to be able to set a standard time for each service. So that each process occurs transparently and surely. To support this, a supporting facility is needed in the form of using an online portal for the process of submitting documents, so as to increase efficiency and eliminate paperwork. In addition, the customs and excise department are expected to be more communicative with importers and custom broker, by providing information of any new regulations.

C. *Post-clearance*

Related to technical problems that occur in the system at the port, it is necessary to do regular maintenance on the system, system updates, and also network strengthening so that the system performance is always stable.

4. Conclusion

The obstacle that occurs in the process of custom clearance at the port of Tanjung Priok, Jakarta lies in the problem of limited knowledge of importers in knowing and understanding customs rules that must be met, importers should further enhance their customs knowledge to avoid mistakes in identifying imported goods and customs requirements needed so as to avoid clearance process constraints. The unavailability of an online basis system that is automatically able to service the import permit issuance from all relevant agencies in submitting the completeness of import documents causes a bureaucracy that is not simple for handling one

import permit and requires a long time. The government should streamline the bureaucracy so that the processing of import licenses is simpler, does not take long and convoluted. The difference of opinion in terms of interpreting HS code between Customs and Importers, is another obstacle. To minimize this obstacle, regular and continuous socialization about the introduction of HS codes or new regulatory information will enrich customs knowledge especially for importers and custom broker to avoid repetitive mistakes. Furthermore, it can be concluded, the computerized network system and technology rejuvenation need to be improved in order to be able to increase the smoothness of the custom clearance process.

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