

TONGA

TIME RELEASE STUDY

Port of Nuku'alofa



MINISTRY OF REVENUE & CUSTOMS
GOVERNMENT OF TONGA



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

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1.0 Introduction

The Tongan economy's base is agriculture, which contributes 30% to GDP. Squash, coconuts, bananas, and vanilla beans are the main crops, and agricultural exports make up two-thirds of total exports. The country must import a high proportion of its food, mainly from New Zealand. The industrial sector accounts for 10% of GDP and tourism is the primary source of hard currency earnings. The country remains dependent on sizable external aid and remittances to offset its trade deficit. The impact of Cyclone Gita in February 2018 means that imports will be higher than expected for the coming years as food, aid and construction materials are imported both commercially and privately.

The majority of goods arrive and depart by sea. Shipping services in the region include the core trade lanes from New Zealand and Australia to the island nations of Tonga, Fiji, Samoa, American Samoa, Cook Islands, Niue, Nauru, and the Solomon Islands. In addition, Matson offers services from the U.S. West Coast and Hawaii to American Samoa, Samoa, and Tahiti. Both Matson and PFL offer feeder services to and from Asia. International import trade in the region is carried in containers, although there is significant movement of bulk (dry and liquid) and break-bulk cargoes.

The government is emphasizing the development of the private sector, especially the encouragement of investment and trade promotion. Tonga is a member of the Pacific Island Countries Trade Agreement (PICTA), the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), and the World Trade Organisation (WTO).

The government is in the process of implementing the mandatory WTO Agreement on Trade Facilitation (TFA). The TFA states in Article 7 (paragraph 6) that “Members are encouraged to measure and publish their average release time of goods periodically and in a consistent manner, using tools such as, inter alia, the Time Release Study of the World Customs Organization (WCO)”. This report is Tonga’s first TRS using the WCO’s TRS methodology. The TRS measures the key elements of trade flows with accuracy so that current performance can be benchmarked, and related decisions aimed at reducing bottlenecks and improving supply chain performance can be properly conceived and implemented.

2.0 Acknowledgements

The Customs Administration of Tonga, with the support of the World Customs Organization (WCO) and World Bank Group (WBG), has successfully undertaken its first Time Release Study - a project on time measurement of release and clearance of goods according to The World Customs Organisation’s TRS methodology.

We would like to express our gratitude to the WCO - Stephen Muller and WBG – Theresa Morrissey and Allen Bruford for providing a comprehensive consultancy and technical support in the implementation of the Study, as well as for working jointly with us to ensure better efficacy of the cross border procedures and environment for cross border trade.

We would like to thank the TRS Working Group team members for their engagement and commitment to undertaking this study. We also recognize the excellent cooperation by all major

stakeholders in the study locations, including of the Customs Administration, Ministry of Ministry of Agriculture and Food, Forests and Fisheries Inspectorates, Port of Nukualofa Authority, Stevedores, Shipping Agents, Brokers, Freight Forwarders an Importers.

Finally, we extend our thanks to each and every one who in one way or the other participated in the study.

Special Note: The final production of this Study was delayed due to the international response to the COVID-19 pandemic, the closure of non-essential offices and the short term redeployed of front-line officials to high priority health risk areas.

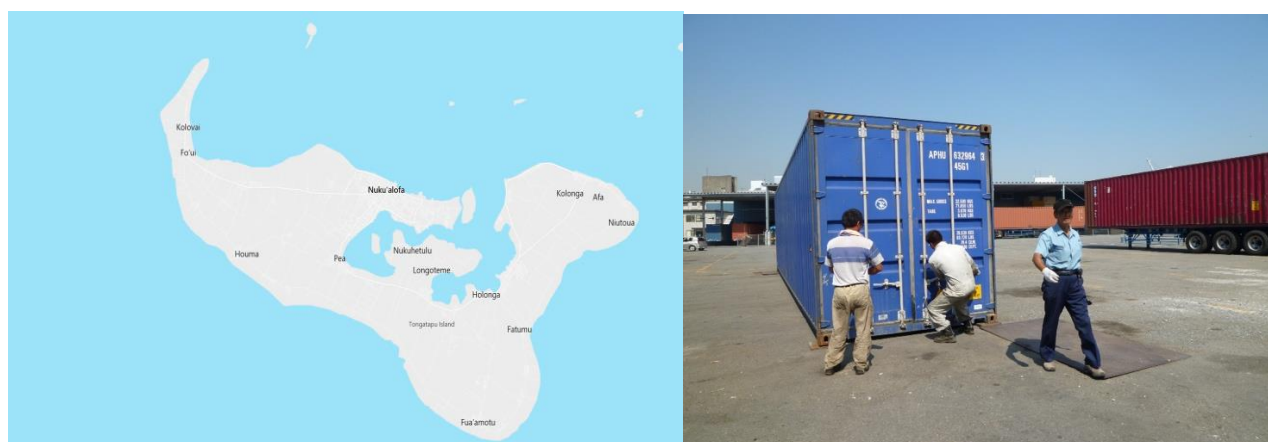
3.0 Executive Summary

The Time Release Study conducted in Tongatapu measured the average time for the importation of goods arriving by sea taking into account the total time needed for completing all clearance formalities. The study measured the discrete activities of all stakeholders, public and private, involved in the release and clearance process.

In addition to measuring clearance times, the TRS contains recommendations to improve performance and lays a foundation that enables future decisions to improve trade facilitation to be well conceived and executed.

The primary outcome of this first ever TRS was to establish a benchmark for the time taken to execute border clearance procedures, and to identify potential barriers in cross-border trade in order to propose corrective measures in areas where improvement and efficiency is needed.

The TRS was conducted at the Port of Nukualofa between 4 -11 February 2020 (for 7 consecutive days).



The average release time is: **SEA CARGO – 8 days 4 hours and 53 minutes (8.20 days)**

This time includes - the average time from vessel alongside until the final release for free circulation in the domestic marketplace. The study does not count the time taken to request licenses or permits prior to importation. It does include dwell time associated with traders (almost universally) making use of the 10 days free storage offered by the Port Authority after cargo discharge before initiating clearance procedures. **The actual physical regulatory clearance processes, for commercial goods take on average - 1 day 16 hours 35 minutes.**

This average release time can be further broken down to show;

Commercial Cargo average release time is: **6 days 3 hours 12 minutes**

Private Importations Cargo average release time is: **9 days 10 hours 59 minutes**

Note: all personal effects consignments are subject to 100% document screening and physical examination

4.0 Main Findings of the Study

The major findings were:

- Port of Nukualofa receives around 12 foreign cargo vessels per month in times of average traffic. The port handles approximately 2000 TEU (twenty-foot equivalent unit) in the same period. Container TEU figures advised to the TRSWG were Imports: 15% Full Containers (FCL), 85% Less than Container Load (LCL). Export container figures given were 5% Full Container Load (FCL), 20% Less than Container Load (LCL) and 75% Empty containers.¹
- The TRS average release time data provides a sound baseline for the measurement of current clearance performance. Although the sample snapshot was conducted at the time of low to medium traffic volumes, the trends and patterns associated with the cargo clearance procedures are indicative of current business practice;
- Nukualofa Port Authority records (studied in conjunction with the TRS) show the average dwell time for import TEU remaining on wharf after discharge before clearance for year 2019 was between 7-9 days;
- The adoption of risk management is in its infancy. High cargo inspection rates (+ repeated examinations) across the regulatory authorities reflect the relatively static nature of risk profiling and targeting, limited adoption of international standards and guidelines for pre-border and post border risk assurance and sub-optimal use of yellow, red and green channel selectivity;
- As a result of the profound damage by the tropical Cyclone Gita inadequate all-weather examination facilities affect productivity as de-vanning cannot be conducted during periods of inclement weather. The lack of technologies such as non-intrusive x-ray scanners and trace detection equipment to support non-invasive cargo inspection is also a constraint on inspection efficiency and effectiveness;
- Traders granted simplified procedures (Heilala) by the Customs enjoy greater benefits in regulatory release time and cost than traders that are not part of these procedures; Customs regulatory release for simplified procedures on average 20 hours and 53 minutes, compared with other commercial traders with the average being 1 day 16 hours and 35 minutes.²
- Border regulatory authorities are largely operating in silos (with the exception of joint inspection at the Nukualofa port terminal which is in line with international best practice). A more coordinated policy approach is essential to reduce the many overlaps in documentary requirements, business processes and operational practices i.e. introduce an integrated 'one stop shop' concept, simplify cargo accounting practices, and introduce a whole of government trusted trader programme;
- Duplicated paper and electronic clearance processes, including the impacts of computer (CMS) outages add significant time and cost for Tongan businesses and are imposing a drain

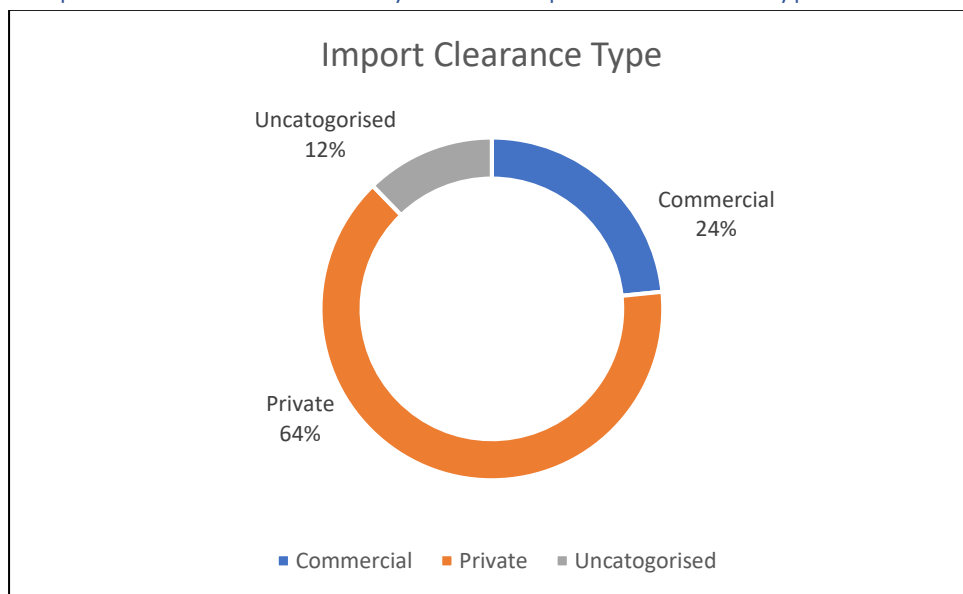
¹ The container figures provide an indicative snapshot of seas cargo with the majority being small consignments (LCL) and import volumes by sea being greater than export volumes. Not represented in these figures is the breakdown of empty containers by type (dry and refrigerated).

² Regulatory release time (see Graph 3) and for Customs Commercial Processing Time (see Graph 6)

on government resources that could be more productively redeployed. The proposed adoption of ASYCUDA World by the Customs may offer opportunities to further integrate, simplify and automate cargo clearance procedures, risk assessment and cargo inspection activities across front line border agencies.

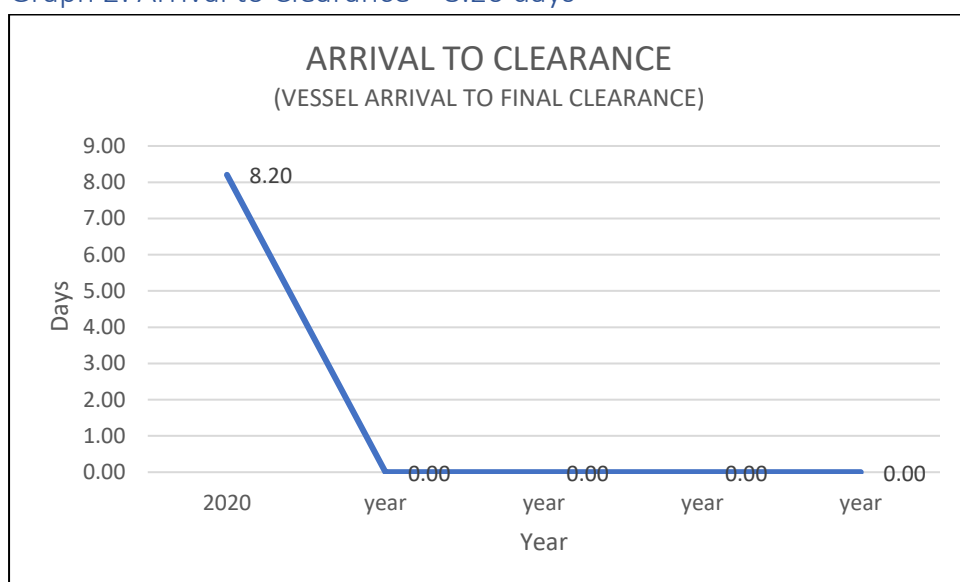
5.0 Snapshot

Graph 1: Time Release Study 2020 - Import Clearance Type



TRS2020 surveyed both private and commercial consignments imported by seas during the survey period and the survey findings confirm the most significant import clearance type (by volume of consignments) is private imports. Although 23 survey forms did not record whether the consignment was either Private or Commercial it is considered likely there would be a similar split amongst the uncategorised population.

Graph 2: Arrival to Clearance – 8.20 days

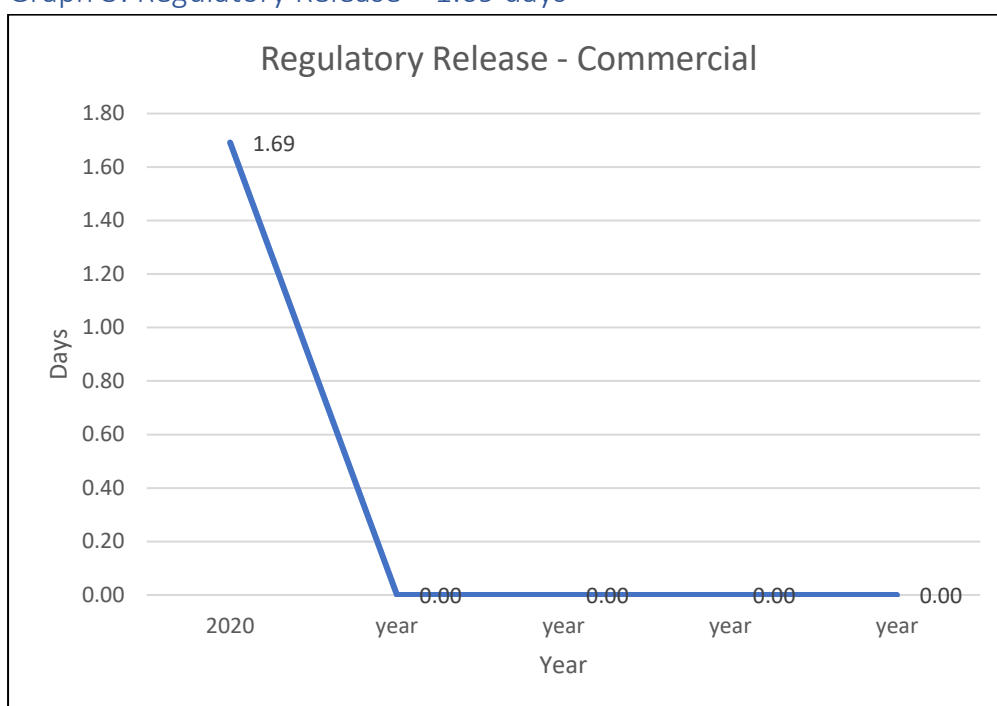


The average release time from the arrival of the vessel to final clearance of goods is **8 days 4 hours and 53 minutes (8.20 days)** and is further broken down in the following table

Sub Group	Average Release Time
All Surveys	8 days 4 hours 53 minutes
Commercial Clearances	6 days 3 hours 12 minutes
Private Consignment Clearances	9 days 10 hours 59 minutes

Sub Group	Average Release Time
All Surveys including Quarantine clearance	8 days 6 hours 7 minutes

Graph 3: Regulatory Release – 1.69 days



The **average regulatory release time (commercial)** for Tonga has been defined as the time from the receipt of the documents by Customs until payment of Customs charges. This is an elapsed time, in that it includes not only Customs and Quarantine time – it also includes some dwell time when documents or decisions are with the trader for decision making, arranging transport to the inspection site (for FCL) and arranging funds for payment of Customs and Quarantine fees and charges.

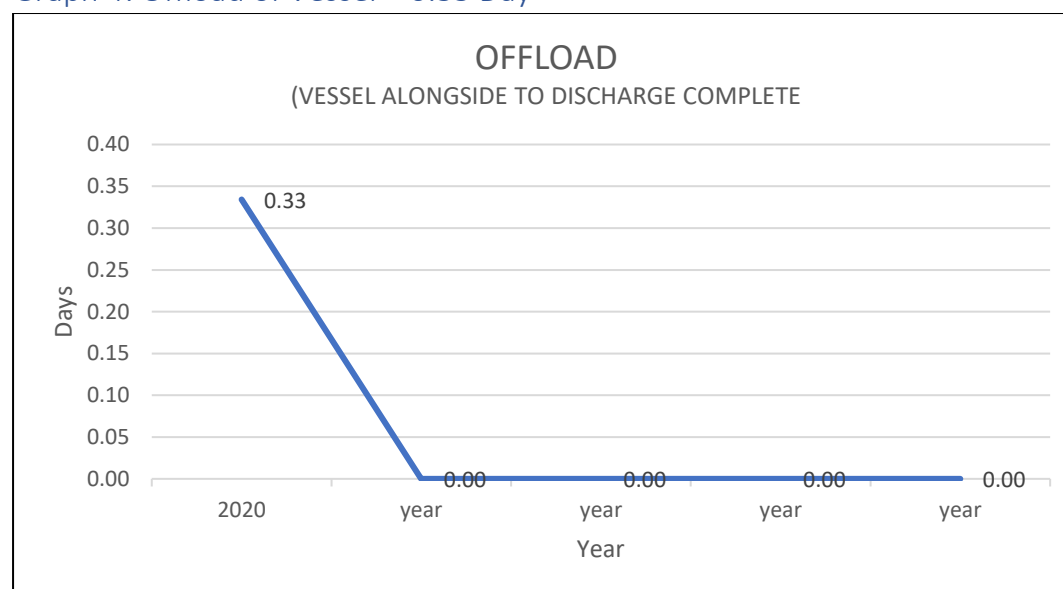
The **average regulatory release time (commercial)** from the receipt of the documents by Customs until payment of Customs charges is **1 day 16 hours and 35 minutes (1.69 days)**

The **average regulatory release time (private)** for Tonga has been defined as the time from the Vetting Officer completing the Inspection Form until payment of Customs charges. This change in definition reflects the different process followed for private consignments, namely inspection before submission of a declaration.

The **average regulatory release time (private)** from the receipt of the documents by Customs until payment of Customs charges is **2 days 3 hours and 11 minutes (2.13 days)**.

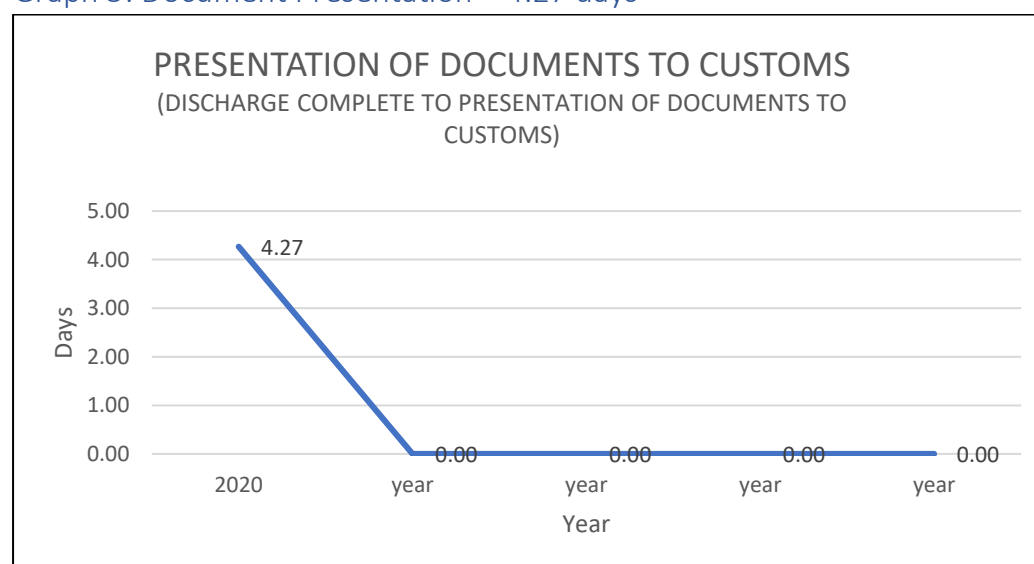
Sub Group	Average Release Time
Commercial regulatory release	1 days 16 hours 35 minutes
Heilala regulatory release	20 hours 53 minutes
Private consignment regulatory release	2 days 3 hours 11 minutes

Graph 4: Offload of Vessel – 0.33 Day



The average time from the time the vessel is alongside until the discharge is complete is **8 hours and 1 minute (0.33 day)**. On completion of the offload this represents the time that cargo is available for final clearance (or regulatory agency inspection).

Graph 5: Document Presentation – 4.27 days

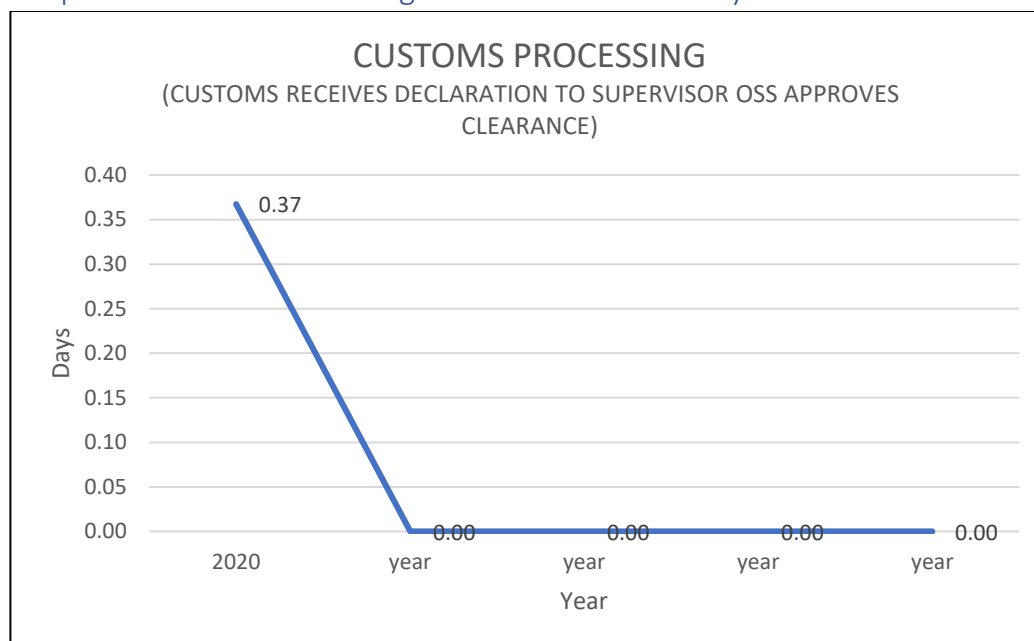


The average time from completion of the discharge of cargo from the vessel until the documents are presented to Customs to initiate clearance is **4 days 6 hours and 25minutes (4.27 days)** and is further broken down in the following table

Sub Group	Average Time
All Surveys	4 days 6 hours and 25minutes
Commercial Clearances	4 days 9 hours 46 minutes
Private Consignment Clearances	3 days 18 hours 19 minutes
Commercial Clearances prior to discharge ³	5 instances in the survey period 0 days 22 hours 17 minutes

³ Note: the 5 instances of pre-discharge lodgement of documents to Customs are excluded from the Average Time calculated by the WCO TRS Online System.

Graph 6: Customs Processing Commercial – 0.37 Day



The average time from the receipt of the import request/declaration by the Vetting Officer at the One Stop Shop (OSS) until OSS Supervisor gives final clearance is **8 hours and 49 minutes (0.37 day)** and is further broken down in the following table

Sub Group	Average Time
All Surveys	8 hours and 49 minutes
Commercial Clearances Heilala	1 hour and 25 minutes
Commercial Clearances Green (AMENDED)	1 hour and 27 minutes
Commercial Clearances Green	13 hours and 20minutes**
Commercial Clearances Yellow	8 hours and 22 minutes
Commercial Clearances Red	1 day 2 hours and 58 minutes

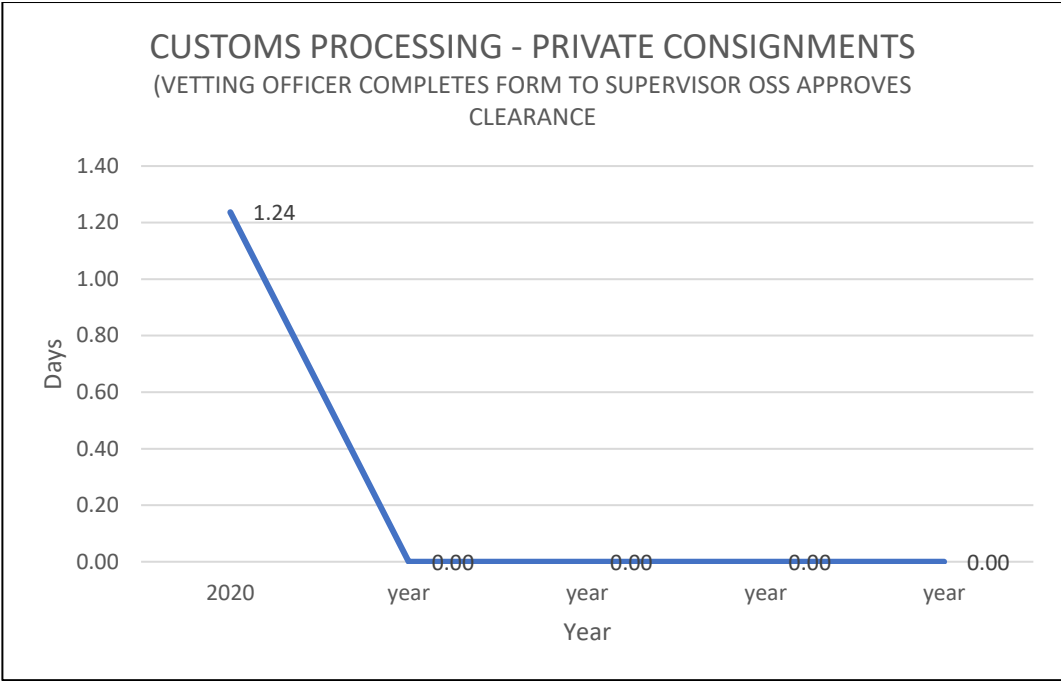
**** Note:** Of the 6 surveys received indicating Commercial + Green channel one survey (ref. 183368) was an outlier with the time recorded as **3 days 0 hours and 45minutes**. When this time was discounted and the average time recalculated on 5 surveys for the Average Time Commercial Clearances Green (AMENDED) was calculated as **1 hour 27 minutes**.

Out of the total surveys collected, 49 (26%) recorded the time when the Vetting Officer received the declaration. To gauge the likelihood that these results are representative of the full survey the following figures were reviewed from the survey results.

Sub Group	Average Time
Commercial Yellow From Examining Officer to OSS Supervisor Clearance	8 hours and 29 minutes
Commercial Red From Inspection Commences to OSS Supervisor Clearance	6 hours 7 minutes

It seems reasonable that the 49 surveys are a likely to be a fair representation of the whole.

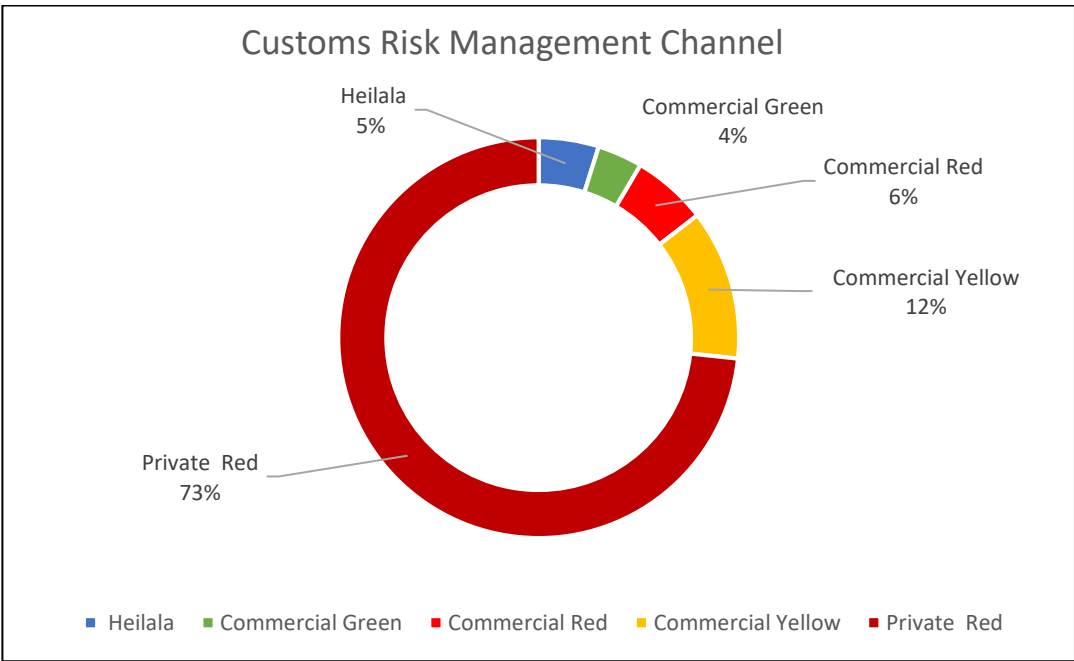
Graph 7: Customs Processing - Private Consignments – 1.24 Days



The Average Time from the Vetting Officer completing the Inspection Form to the Supervisor OSS approving clearance for private consignments was **1 day 10 hours and 44 minutes (1.24 days)**.

Out of the total surveys collected, 20 recorded the time when the Vetting Officer completed the form for inspection.

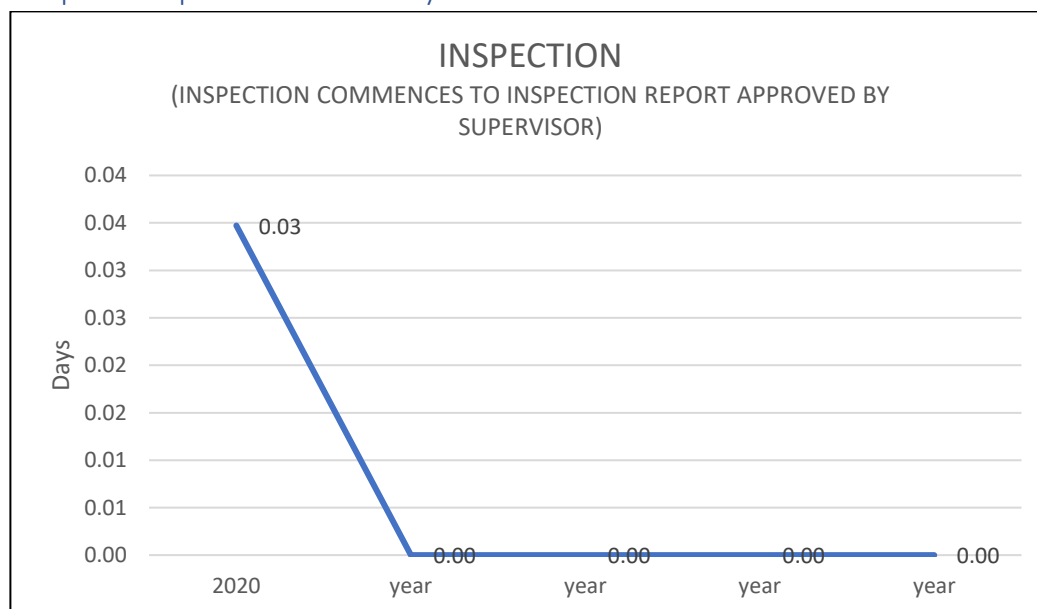
Graph 8: Customs Risk Management Channel



The survey recorded for the majority of consignments the Customs risk management (selectivity) channel. The graph and the table follow depicts the split between the numbers of inspections undertaken for Commercial Goods as compared to the inspection effort required for private consignments.

Risk Management Channel	No. for 2020
Heilala	8
Commercial Green	6
Commercial Red	10
Commercial Yellow	20
Private Red	121

Graph 9: Inspection – 0.03 Day



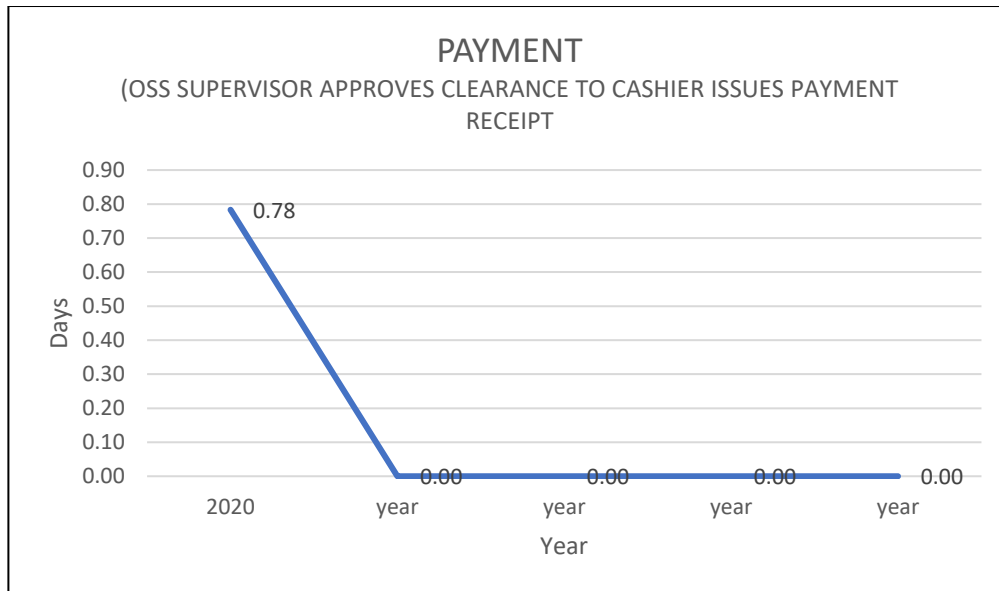
The Average Time from an inspection commencing until the Inspections Supervisor approves the inspections report is **50 minutes (0.03 day)**.

Sub Group	Average Time
From Customs Inspection Commences to Quarantine Inspection Commences	90% surveys at the same time
Quarantine inspection after Customs Clearance	No surveys
From Customs Inspection Supervisor approving the inspection report to Inspection report and documents received at OSS	3 hours and 57 minutes

A comparison between the time a Customs inspection commences and a Quarantine inspection commences found the times were the same for 133 surveys and minutes before for 11 surveys. The survey confirms the joint inspection is undertaken between the agencies for Customs red channel cargo.

During the survey period traders advised Quarantine inspections are undertaken at premises after Customs clearance of the cargo. The survey **did not receive** any survey forms for Quarantine inspections undertaken after Customs clearance.

Graph 10: Payment – 0.78 Day

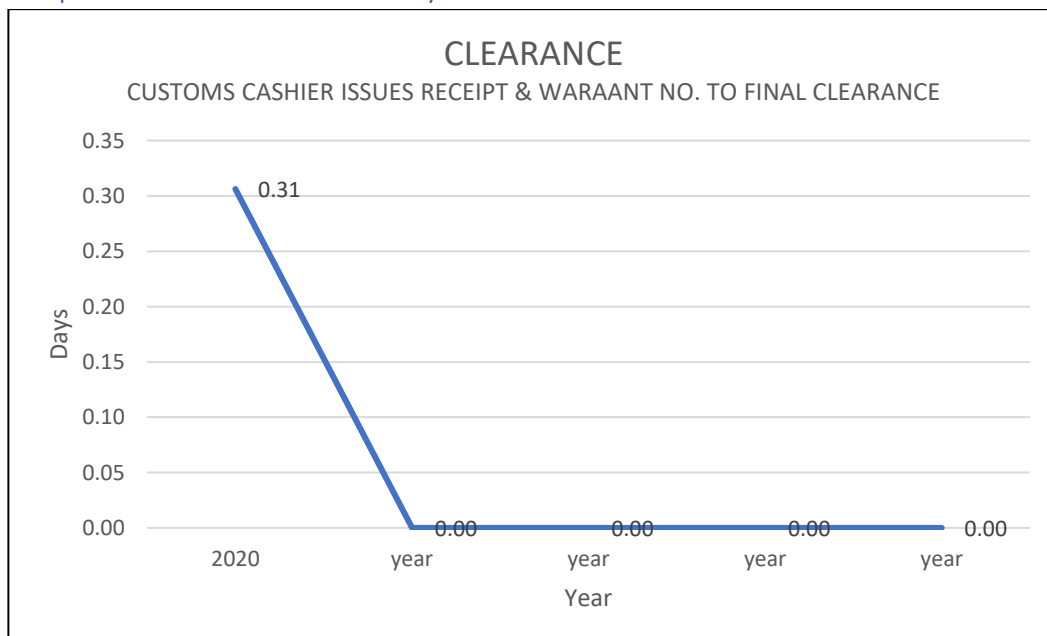


The Average Time from the OSS Supervisor approving final clearance until the cashier issues the payment receipt is **18 hours and 48 minutes (0.78 day)**.

Within this period there is an average of **15 hours and 10 minutes** between the Customs Broker/Importer receiving the approved declaration for payment and the Cashier receiving the payment.

This survey result is consistent with the observed manual practice of documents being retrieved on one day and payment being made on another day.

Graph 11: Clearance - 0.31 Day



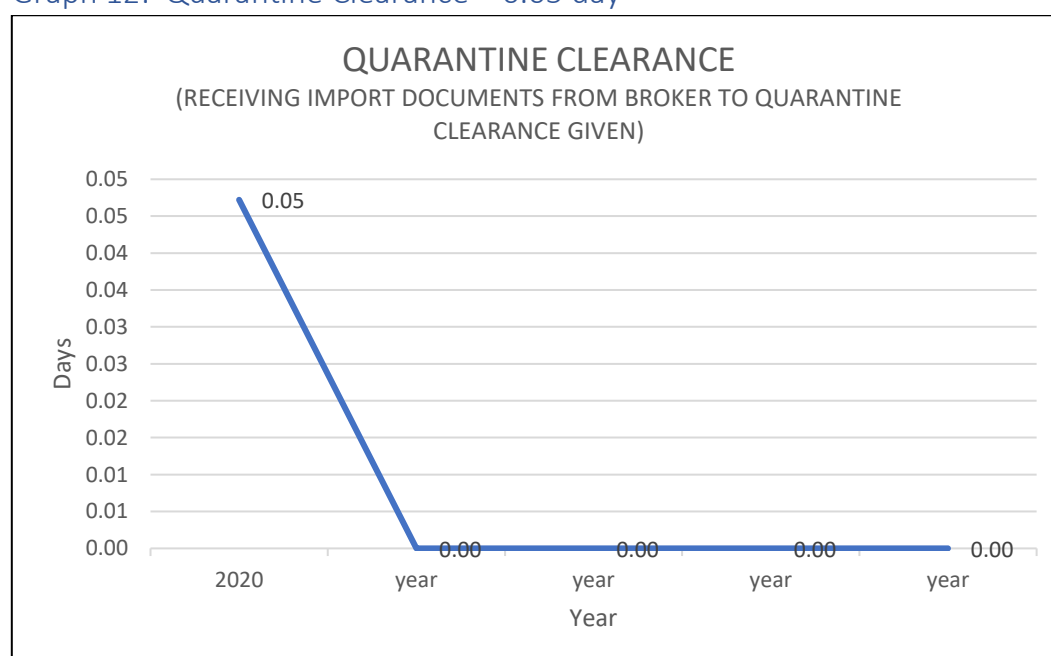
The Average Time from the Customs cashier issuing the receipt and warrant number (to effect clearance) and final clearance of the goods to the importer/trader at the port or approved warehouse was **7 hours and 21 minutes (0.31 day)**.

Further analysis was undertaken to identify whether there was any difference between commercial imports and private consignments. These results are presented below.

Sub Group	Average Time
Commercial consignments	13 hours and 2 minutes
Private consignments	6 hours and 4 minutes

In regard to surveys marked as commercial 90% of those surveyed (44 total surveyed) were released from the port or approved warehouse within **1 day** whereas 90% of private consignments surveyed (123 total surveyed) were released from the port/approved warehouse within 3 hours.

Graph 12: Quarantine Clearance – 0.05 day



The Average Time from the Quarantine Inspector receiving the import documents from the Broker or Trader to Quarantine Clearance being given is **1 hour and 8 minutes (0.05 day)**.

The breakdown of major activity in this process are included in the table below

Sub Group	Average Time
Commercial consignments (14 surveys)	2 hours and 42 minutes
Private consignments (40 surveys)	41 minutes
Receiving the import documents until the Quarantine inspection begins	19 minutes

As mentioned above, during the survey period traders advised Quarantine inspections are undertaken at premises after Customs clearance of the cargo. The survey **did not receive** any survey forms for Quarantine inspections undertaken after Customs clearance.

Quarantine confirmed in the TRS Working Group meeting inspection of cargo occurs after Customs release at the premises of the importer. The time for this process will ideally be captured in future TRS.

Other Survey Insight - Graph 13: Risk Management Opportunity



Managing risk at the border is assisted when information enabling early identification of risk is available to facilitate further action e.g. further research to confirm the risk, or planning the response. For border authorities the starting point for targeting in the cargo manifest followed at a later time with the declaration.

The survey identified points of both risk management opportunity and risk and these are set out in the following table

Category	Measurement Point	Average Time
Risk Opportunity	Receipt of the manifest to the receipt of the declaration by Customs	6 days 2 hours and 6 minutes (6.09 days)
Cargo Dwell Time	Discharge complete to receipt of the declaration by Customs	4 days 6 hours and 25 minutes (4.27 days)

6.0 Recommendations

Short Term Recommendations

- Introduce a 'one stop shop concept' to include all border regulatory authorities at one common counter and conduct a review of import and export procedures in a manner that aims at reducing the number of documents routinely required to clear goods, and the number of steps (visits) required by brokers, private persons or traders to obtain clearance and release of their consignments
- Undertake a (commercially independent) joint client satisfaction survey to identify stakeholder expectations in terms of future clearance and release times and possible ways of working with the planned computer upgrade (ASYCUDA) such as, client direct connect for Customs Brokers & businesses;
- Task the TRS working group participants to reduce the time taken to clear and release cargo at Port Nukualofa by 15% within 15 months. The potential for time and cost savings exists

within both public and private sectors in relation to current business processes. However, realizing these potential improvements will require domestic political will, and coordinated collective action by all involved public and private sector stakeholders;

- Develop a joint border regulatory authority policy framework that ensures regulators work across portfolio boundaries to achieve coordinated regulatory responses to streamlining and harmonising policy, procedures and operational practices across the government sector focused on optimising the use of government resources and reduce duplicated processes such as, cargo accounting – particularly outside of normal working hours and repetitive inspections at off wharf licenced warehouses;

Medium to Long Term recommendations

- Implement the new Customs Law and Regulations currently before the parliament as soon as possible;
- Expand the use of simplified clearance procedures, such as Heilala and at-premises clearance for both FCL and LCL cargo, for jointly approved businesses as a progressive step towards the full introduction of a comprehensive Authorised Operator (AO) programme;
- Continue the progressive adoption of risk management as the strategic enabler of a whole government risk-based border management strategy. Increase dialogue and information sharing between Customs and other regulatory authorities in Tonga and offshore to develop a 'single view' of individual trader / cargo risk and agree appropriate on and offshore regulatory responses on a whole of government basis;
- Implement ASYCUDA World, including pre arrival manifest and inspection act modules;
- Strengthen the risk management resource as a human resources priority. Introduce pre-arrival reporting and risk assessment as far down the supply-chain as feasible and develop risk management policies and procedures for the introduction of fixed site X-Ray scanning to strike an appropriate balance between border control and trade facilitation;
- Ensure all trade transactions are subjected to [automated] risk-based controls by Customs, Quarantine, Health and other regulatory authorities that strike a proper balance between facilitating legitimate trade, and the need to ensure public health & safety and combat smuggling, crime and commercial fraud;
- Fully implement an AO programme endorsed by all border regulatory authorities with a transparent AO application and authorisation process with clearly defined benefits for traders;

7.0 Next Steps

- Customs Authority to report the draft findings and recommendations of this TRS to the TRS working group to solicit feedback and comments, with an aim of finalising the report.
- Customs Authority to report the TRS findings to the CEO and Minister
- Customs Authority to publish the average release time

- Customs Authority in conjunction with TRS working group members establish new targets for performance benchmarking and develop an action plan for implementing recommendations and reform actions by June 2021
- If required, conduct sampling exercises in relation to specific activities to capture short-term improvements between the TRS studies to align with the government authorities annual plan reporting.

8.0 Background

In 2020 the Customs Authority of Tonga, with the support of the WCO and WBG, has undertaken its first Time Release Study (TRS) - a project on time measurement of release and clearance of goods according to The World Customs Organisation's (WCO) TRS methodology.

The WCO TRS is an internationally recognized tool for measuring the actual time taken in the performance of customs and other agreed activities carried out in the clearance of goods. The TRS measures relevant aspects of operational procedures carried out by customs, port authority, Quarantine and other border regulatory and business actors, involved with the standard processing of imports and export shipments. The TRS was conducted in Tongatapu for 7 consecutive days at Port Nukualofa between the 4th-11th of February 2020.

9.0 Methodology

The TRS methodology, developed by the WCO, was used at all stages of preparation and execution of the Study. During the first stage, the methodology was adapted to the national needs, within the allowed flexibility of methodology.

The study was developed in three phases:

Preparation of the Study (March 2019). This phase involved the establishment of the TRS study-working group. The Working groups first meeting agreed on the following elements: (i) the scope of the study; (ii) duration and time of the study; (iii) the activities to be measured (iv) the data mapping of the activities to be measured.

A second workshop (February 2020) was held to disseminate information among stakeholders and brainstorm the required information to be included in the questionnaire.

The WCO and WBG provided training to customs staff, staff of other government authorities, port authority and private sector stakeholders involved in the release process, on the objectives of the study, the guidelines, and the completion of the study questionnaires.

Once the planning and methodology, (including the content of the questionnaire), were completed, personnel were briefed and assigned to collect and record the data. The test measurement lasted for seven days and was carried out during the period February 4-11, 2020. Each questionnaire was attached to the Customs Declaration selected for the study to gather information from point of arrival of the goods at the border until final release of goods from Customs control (import).

In the third phase February 21-28, 2020 data was input into the WCO TRS software used for the study. The software created a format for entering data for analysis. Based on available databases and field experience, verification of their accuracy was initiated. Verification resulted in the

rejection if questionnaires containing inaccurate and/or inconsistent data. After verification, data was entered into the World Customs Organization software. The software was used to carry out data analysis and prepare a report on the average time of goods clearance based on data obtained from the questionnaire.

Interim results were presented at TRS working group forums and feedback sought on their clarity and relevance.

10.0 Scope

The WCO TRS methodology is primarily intended to measure the average time of customs clearance. In defining the scope of this study, the Working group decided that it was better and more cost effective if a comprehensive TRS was conducted – i.e. with other border agencies and private sector included as well. This decision was based on the view that a comprehensive TRS would provide more useful findings affecting the entire supply chain and goods clearance procedures. A comprehensive approach would assist identify the bottlenecks in current sea cargo practices that are performed by all supply chain actors in addition to Customs controls.

Scope Item	Inclusion	Exclusion
Geographical	Port Nukualofa	All other Ports of Entry
Mode of Transport	Sea	Air, Post, Express
Customs Regime	Import	Export, Transit, Warehousing
Type of Cargo	FCL, LCL, Breakbulk,	Air, Post, Express
Category of traders	Commercial & Private	Commercial & Private

11.0 Limitations

Scope Limitations

It is recommended that the Study be carried out during periods of normal traffic. This study was conducted in a period of low to moderate volume of trade.

The Study is a snapshot of particular trade routes, given the number of vessels calls and their routing during the study period, and is not a fully comprehensive study of all trade corridors.

Data Limitations

The study covers both manual and automated procedures. Given that a large number of clearance procedures are conducted manually the accuracy, reliability, and completeness of the data depended on the good will of all involved stakeholders.

End