



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA 1099

MAR 26 2002

CUSTOMS MEMORANDUM ORDER

NO. 18-2002

SUBJECT: Customs Control and Clearance of United Parcel Service, Inc. (UPS) at Clark, Angeles, Pampanga

Pursuant to Sec. 608 of the Tariff and Customs Code as amended and the exercise of the powers of the Bureau of Customs under Sec. 602 of the same Code, the following procedures and guidelines governing Customs Control and Clearance of UPS International Cargo are hereby prescribed:

I. OBJECTIVES:

1. To establish operational procedures for the clearance of all express consignments by UPS in consonance with the World Customs Organization (WCO) Guidelines for immediate release of consignments in conjunction with other international agreement or covenants.
2. To give the Bureau of Customs full responsibility in formulating procedures in order to set a uniform standard and operational guidelines in the documentation of all express consignments to ensure transparency in the collection of lawful revenues by adopting guidelines in e-commerce and port clearance for all export express consignment.
3. To create a one stop shop Customs Composite Unit for the purpose of handling all shipments of UPS and to adopt strict measures through Risk Assessment Systems develop by UPS in profiling clients to deter the entry of illegal drugs.

II. ADMINISTRATIVE PROVISION:

1. **Definition** – as used in this Order, unless the context provides otherwise, the following terms/acronyms shall mean.
 - a. **Customs** – means the Bureau of Customs and its duly authorized officials and employees.
 - b. **Express Consignment** – consolidated air shipments of articles/goods which are time sensitive in character shipped under a Master Airwaybill (MAWB) consigned to UPS and categorized into the following: *amb*

- b.1 **Import Consignments** – refers to all inbound express shipments, both documents and non-documents, from different origin countries consolidated under a master air waybill carried by UPS or other carrier used by UPS.
 - b.2 **Export Consignments** – refers to all outbound shipments, both documents and non-documents, picked up within the Republic of the Philippines consolidated under a master air waybill carried by UPS or other carriers used by UPS destined to foreign countries.
 - b.3 **Import Cargo Consignments** – refers to all inbound express air cargo shipments coming from different countries covered by an Air Waybill (AWB) or consolidated under a MAWB carried by UPS or other carrier used by UPS.
 - b.4 **Export Cargo Consignments** – refers to all express air cargo shipments tendered to UPS either as a single shipment or consolidated under a MAWB by UPS destined outside the Philippines.
 - c. **Transit Shipments** – refers to all shipments whose final destinations are outside the Philippines. Includes documents or non-documents or general cargo shipments that will be unloaded from UPS or other aircraft used by UPS, re-sorted and then exported to its final destinations outside of the Philippines.
 - d. **UPS** – refers to United Parcel Service Inc. and any of its subsidiaries, affiliates or nominated third parties.
 - e. **Hub** – means the area in the CESZ where the regional distribution of UPS for the Asia Pacific region is established.
 - f. **Customs Bonded 124** – refers to Public Customs Bonded Warehouse license issued to Delbros, Inc. and operated by UPS Delbros Transport, Inc.
2. **Hub Facilities** – International express cargo of UPS shall be handled and undergo Customs Processing at the following facilities:
- a. **Local Hub** – refers to an area, occupied by UPS that will handle the import and export activities such as customs clearance facilities scanning packages and sorting for local delivery centers. *AMM*

b. **Inter Asia Hub** – refers to an area that will handle the unloading of packages/cargoes segregation, containerization, bagging and sortation for final loading to destination countries outside the Philippines.

3. **Cargo Categories** – for customs purposes UPS International Express Consignment shall be generally categorized as follows:

a. **DOCS or Documents Shipments** – Shipments of documents generally considered as business, interoffice or personal (BIP) in character of no commercial value, to include diplomatic shipments in pouches or bags officially sealed containing official documents. It may include printed matter consisting of not more than ten (10) copies per shipment which have no appreciable commercial value.

b. **NON-DOCS or Non Documents Shipments** – Shipments which do not fall under the DOCS category. For customs clearance purposes, the shipments shall be sub-categorized as follows:

b.1 **Low Value Non Dutiable Import Consignments** – This category comprises consignments excluding prohibited or restricted items, where duties and taxes are remitted or waived as the amount of duties and taxes applicable would be negligible (e.g. unsolicited gifts below a defined value, trade samples, etc.) or below the minimum waivable duty under the Tariff and Customs Code of the Philippines, as amended. This category covers low value goods which are not dutiable in their own right. The filing of which can be consolidated in one Consolidated Manifest Entry. Prohibited or restricted items are excluded.

b.2 **Low Value Dutiable Import Consignments** – This category comprises consignments excluding prohibited or restricted items, which are above the value and/or duty/tax limits of b.1. consignments or do not qualify for duty and tax remission or waiver and the filing of which can be made under one Consolidated Manifest Entry..

b.3 **High Value Import Consignment** – refers to shipments whose declared value ranges from USD 500.00 and above. This is subject to ACOS.

c. Each express consignment shall weigh not more than 70 kgs. and shall not exceed 1.50 meters in length, however Customs may

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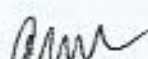
consider a universally acceptable standards on the size and weight of consignment packages.

- d. DOCS and NON DOCS shall not be co-mingled in one bag, container or sack and each must be clearly identifiable by a reference MAWB.

4. **Cargo Classification** – UPS International express cargo shall be generally classified as follows:

- a. **International Transshipment Cargo (ITC)** – Cargo with both origin and destination outside the Philippines and handled at the Hub solely for transshipment onward to their destination outside of the Philippines.
- b. **Philippine Import Cargo (PIC)** – Cargo originating from outside of the Philippines destined for consignees located in the Clark Special Economic Zone (CSEZ) or in the Customs Territory. For customs clearance purposes, these cargo shall be further sub-classified as follows:
 - b.1 **PIC-DMIA Shipments** – NON-DOCS shipments for final customs clearance at the HUB, and shall include DOCS shipments regardless of destination.
 - b.2 **PIC MNL Shipments** – NON-DOCS shipments for final customs clearance at NAIA.
 - b.3 **PIC-OPD Shipments** – NON-DOCS shipments for local transshipments and final customs clearance at other Ports of Destination indicated on the covering AWB.
- c. **Philippine Export Cargo (PEC)** – Shipments originating from the Clark Special Economic Zone (CSEZ), Special Economic Zones (SEZs) or the Customs Territory for export to consignees overseas.

5. **Import Consignment Manifest Requirement**

- a. In lieu of the standard cargo manifest, UPS shall maintain electronic records of its international express cargo discharged and processed at the HUB, which contains the following data:
 - a.1 MAWB No.
 - a.2 HAWB No. of the consignment 

- a.3 Name of Shipper and address
- a.4 Name of consignee and address
- a.5 No. of packages
- a.6 Detailed description of commodity
- a.7 Shipment weight in kilograms
- a.8 Declared value of the goods

- b. Customs shall at any time have full and unrestricted access to scan these records which shall be kept in the database of UPS for thirty (30) days from date of shipment. For verification and audit trail purposes, UPS shall keep hard copies of these records for at least three (3) years from date of shipment.
- c. For purposes of abandonment proceedings, UPS shall regularly submit to Customs a list of shipments not claimed after thirty (30) days.
- d. Upon request of Customs, UPS shall submit hard copies of the inward cargo manifest of PIC shipments, provided the request is made within the following period from arrival of the shipment:
 - c.1 Within seven (7) days with respect to the hard copy of inward cargo manifest
 - c.2 Within fifteen (15) days with respect to information relating to specific shipments.

6. Commercial Invoice Requirement

- a. Commercial invoice will not be required for all documents express shipments.
- b. Commercial invoice will not be required for low value non-dutiable shipments subject to customs authority to require the production of the commercial invoice in cases where the customs examiner or customs appraiser deems it necessary to correctly assess the shipment.
- c. Commercial invoice invoices will be required for both low value dutiable and high value shipment. The commercial invoice may be a copy of the electronically generated commercial invoice.

7. Overtime Pay and Allowance

Commencement and termination of overtime service and the rates for such service including meal and transportation allowances shall be



based on rates prescribed in CAO 7-92 or on whatever existing effective rates. UPS may request extension of the prescribed overtime period for Customs personnel to service its international express cargo operational requirements. The Special Deputy Collector shall be responsible for assigning customs appraisers that will render overtime services.

8. Air Operations Schedule

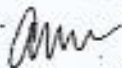
- a. UPS shall furnish Customs a copy of its air operations schedule and advise Customs at least one (1) week in advance of any change therein. If a particular flight is delayed or cancelled, UPS shall advise Customs, if such information is available, at least six (6) hours in advance of its estimated time of arrival.
- b. In case of diversion of a flight to NAIA or other international airport with little or no advance warning, UPS shall coordinate and work out a fast track notification system with Customs at NAIA or other international airport to ensure that sufficient personnel are available to service UPS international express cargo operational requirements.

9. Tarmac Customs Operations

The CSEZ tarmac is a restricted area. Customs Officers are to refrain from conducting operations in the tarmac except when the situation warrants or when a violation of Customs laws and regulations is about to be committed, is being committed, or just has been committed.

10. Operational Time Parameters

Customs shall staff the Hub with sufficient personnel on a 24-hour basis in order for UPS to complete its international cargo transshipment operations subject to the time parameters reasonably determined by UPS. Assignment of Customs personnel to staff the Hub shall be made in advance, copy furnished UPS not less than twenty-four (24) hours prior to an air operation schedule.



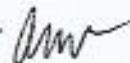
III. GENERAL PROVISIONS

1. This Customs Memorandum Order shall apply to express consignments, general air cargo and baggage crew of UPS arriving or departing at Clark Airport.
2. Treatment of aircraft and crew formalities as well as cargo control and clearance procedures of international Express Cargo will be governed by par. III of CMO 28-96.
3. Two or more express consignments appearing on the same consolidated manifest bearing the same shipper and consignee and AWB shall be treated as a single consignment for customs purposes and can be cleared either under consolidated informal entry, single entry or final entry depending on the categorization of the shipment.
4. Payment of duties and taxes and other payables due on express consignment may be charged to and debited from a cash deposit made by UPS in Customs nominated bank under a special account opened for this purpose which privilege may be availed upon the written report and submission of an undertaking under oath by UPS addressed to the District Collector of Customs, favorably endorsed by the nominated bank.

IV. IMPORT CLEARANCE PROCEDURE:

1. *Import Consignment (Documents):*

- 1.1 A Consolidated Manifest Entry will be submitted to Customs for evaluation.
- 1.2 Documents and letters may be subject to x-ray.
- 1.3 Customs officers may randomly select any shipment for physical examination, if there are any.
- 1.4 All selected express consignments (documents) for physical examination will be pulled out and presented to Customs for actual physical examination.
- 1.5 After x-ray or physical examinations have been completed on selected consignments, all express consignments may be released.



2. *Import Consignments (Low value non-dutiable):*

- 2.1 A Consolidated Manifest Entry will be submitted to Customs electronically. In case that electronic submission is not available said consolidated manifest can be submitted manually.
- 2.2 Customs Officers may electronically or manually select shipment for physical examination.
- 2.3 All Express Consignment may be subjected to x-ray or actual physical examination.
- 2.4 All selected express consignment for physical examination will be pulled out and presented to Customs x-ray or actual physical examination.
- 2.5 After x-ray or physical examinations have been completed on selected consignments, all express consignments can be released.
- 2.6 Any shipment that may be segregated from the consolidated manifest shall be cleared only upon filing of either informal entry or formal entry as may be required.

3. *Import Consignment (Low value dutiable):*

- 3.1 A Consolidated Manifest Entry will be submitted to Customs Officer electronically. In case that electronic submission is not available said Consolidate Manifest Entry can be submitted manually.
- 3.2 Customs Officers will electronically select shipment for physical examination. In case on non-availability of the electronic selection, manual selection can be done. Customs Officers will also review the pre-assessed Customs duty and tax.
- 3.3 Customs Officers may re-assess the shipment only when there is disputed valuation. Customs Officers will have to update any change/s in the UPS Brokerage System. In case of manual selection, Customs Officer will identify the shipment and then inform UPS for re-assessment.
- 3.4 As soon as the shipments arrive, all selected express consignments for inspection will be segregated and presented to Customs Officer for actual or x-ray examination
- 3.5 After x-ray or physical examinations have been completed, and payment of duties and taxes are confirmed, express consignments may be released.

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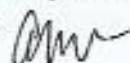
- 3.6 Any shipment segregated from the consolidated manifest shall be cleared only upon filing or either informal entry or formal entry as may be required.

4. Import Consignment (High Value):

- 4.1 UPS representative enters the information to ASYCUDA/ACOS System.
- 4.2 UPS representative transmits the information entered to ASYCUDA/ACOS.
- 4.3 UPS Customs Representative waits for the Temporary Assessment.
- 4.4 Formal Entries of all shipment tagged as Green Lane will be forwarded to Entry Processing Division and then to Cash Division.
- 4.5 Formal Entries of all shipment tagged as Selected will be forwarded to Entry Processing Division. Then, it will be forwarded to Assessment Division. Assessment Division will verify the selection whether Yellow Lane or Red Lane.
- 4.6 If Yellow Lane, Customs Officer will immediately verify the documents. If document is in order, Formal Entry will be forwarded to Cash Division. Copy of the Formal Entry will be given to Warehouseman for location of the actual package. If Customs Officer requires other documents to be submitted consignee will be contacted to provide the import document.
- 4.7 If Red Lane, Customs Representative will forward a copy of the Formal Entry to Warehouseman for location. After location, Customs Officer will immediately conduct either x-ray or physical examination as the case maybe. If after examination, Customs Officer finds everything is in order, Customs Officer will allow the release of the package. If Customs Officer requires other documents to be submitted consignee will be contacted to provide import documents. If Customs Officer finds under valuation of declared value, Customs Officers will have to exercise his/her authority to re-evaluate the value in consultation with the Collector of Customs or his/her duly authorized representative.

5. Transit Shipment:

- 5.1 UPS will electronically submit the incoming Transit Shipment manifests before flight arrival.
- 5.2 UPS will maintain an electronic database of all incoming Transit Shipment manifest for future customs reference.
- 5.3 Customs Officer will not make any checking or inspection of these incoming transit shipments in the interest of time.



- 5.4 UPS will electronically submit to customs the outgoing Transit Shipment manifest, which shall serve as the basic export document to support the Export Declaration, after all incoming Transit Shipment has been re-sorted to their final destination outside the Philippines.
- 5.5 UPS will maintain an electronic database of all outgoing Transit Shipment manifest for future customs reference.
- 5.6 Customs may request UPS the production of hard copies of both the incoming and outgoing Transit Manifest.

6. Transshipment and Warehousing Entry:

- 6.1 Clark Special Economic Zone (CSEZ) to Customs Bonded Warehouse
 - 6.1.1 Shipment consigned to consignee operating a customs bonded warehouse outside CSEZ shall be cleared using ACOS and a Local Transfer and Delivery Request (LTDR).
- 6.2 Clark Special Economic Zone (CSEZ) to Export Processing Zone, Special Economic Zone or Free Trade Zone.
 - 6.2.1 UPS Applies Import Permit for consignee Registered and Active locator of different Export Processing Zone, Special Economic Zone or Free Trade Zone.
 - 6.2.2 PEZA be responsible to issue Import Permit for all active and registered consignees.
 - 6.2.3 UPS prepares Import Entry & Internal Revenue Declaration (IEIRD)
 - 6.2.4 UPS enter the data in ACOS and UPS will wait for the Temporary Assessment.
 - 6.2.5 If Green, entry will be forwarded to Cash Division.
 - 6.2.6 If Yellow Lane, Customs Officer will immediately verify the documents. If documents are in order, Formal Entry will be forwarded to Cash Division, Copy of the Formal Entry will be given to Warehouseman for location of the actual package. If Customs Officer requires other documents to be submitted consignee will be contacted to provide the import document.
 - 6.2.7 If Red Lane, Customs Representative will forward a copy of the Formal Entry to Warehouseman for location. After location, Customs Officer will immediately conduct either X-ray or physical examination as the case maybe. If after

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examination, Customs Officer will allow the release of the package. If Customs Officers will have to exercise her/his authority to re-evaluate the value in consultation with the Collector of Customs of his/her duly authorized representative.

V. SPECIAL PROVISIONS:

1. *Mis-routed Shipment.*

Any shipment mis-routed or whose final destination is a foreign country but mistakenly sent to the Philippines, must immediately be re-sorted to the final or correct destination country and loaded on the next available flight. A Separate log will be maintained for monitoring purposes.

2. *Request for Return to Shipper (RTS)*

In the event the shipper decides to have the shipment returned, the shipment may be Return To Shipper without having to undergo any other customs formalities. Shipment subjected to this provision shall only be allowed under the following circumstances:

- 2.1 If the address indicated in the air waybill is not for the Philippines.
- 2.2 If the articles does not conform with the order or shipper made an error in the consignment wherein the consignee is not really intended for consignee in the Philippines.
- 2.3 If the consignee refused to accept and/or cancelled the order for whatever reason.
- 2.4 In no case shall RTS be allowed after filing of either informal or formal import entry.

3. *Export Declaration*

All export declaration shall be filed after the export consignment have been exported subject however to the following:

- 3.1 All export manifests must be submitted to customs before the actual departure of the flights. *am*

- 3.2 All other export licenses at the destination country shall be completed before export except shipments with declared value of USD 1,000.00 and below.

4. *Final Customs Clearance*

All Import Consignment will be cleared in One Stop Clearing Center. However, all shipments whose consignee request that their shipments be cleared in Port of NAIA shall be transferred to Customs Bonded Warehouse 124. All shipments to be transferred to CBW 124 shall be covered by customs boatnote, properly received by assigned customs warehouseman at CBW 124. The security and accountability for the goods shall be the sole responsibility of the UPS.

5. *Assessment of Duties and Taxes.*

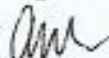
Duties and taxes to be assessed, if any, shall be based on the value stated on the commercial invoices furnished by UPS. Freight charges will be based on whichever may be higher of the following:

- 5.1 The schedule of freight charges furnished by UPS to BOC from time to time.
- 5.2 IATA rate less thirty percent (30%) or
- 5.3 Such order rates as may be agreed upon between BOC and UPS.

UPS shall make a cash bond deposit with the collection division in the amount of Five Hundred Thousand Pesos (Php 500,000.00) for payment of customs duty and tax to be assessed on Import Consignments. The Cash Bond Deposit shall be replenished when the running balance reaches two hundred thousand Pesos (Php 200,000.00).

6. *Key Entry Error*

An amendment to declared value may be allowed if it is evident that there is clear key entry error on either the commercial invoice or the manifest. A letter request will be submitted either by shipper, consignee or UPS stating therein the nature of key entry error to the Special Deputy Collector. Advance examination may be done to determine the contents of the shipment. The final approval will be made by the Special Deputy Collector or by his/her authorized representative. A separate log sheet will be maintained for this purpose.



7. Consolidated Manifest Entry.

Consolidated Manifest Entry will be on a per master Air Waybill Number. In no case shall the individual AWBs exceed ten per MAWB.

8. Transfer from CSEZ to CBW 124 or Final Delivery to consignee within the Export Processing Zone, Free Trade Zone or Customs Bonded Warehouse, or Covered by Alert/Hold Order.

UPS will be fully responsible for the immediate transfer of Import Consignments and General Air Cargo consignment not cleared or otherwise covered by an Alert/Hold Order to CBW 124 for temporary storage until the consignee or the consignee nominated customs broker cleared the shipments. All shipments to be transferred to CBW 124 shall be covered by customs boatnote, properly received by assigned customs warehouseman at CBW 124. The security and accountability for the goods shall be the sole responsibility of the UPS.

9. X-Ray

A X-ray machine must be provided by UPS. Consignments subjected to X-ray examination may no longer be physically inspected by customs officers except in justifiable or unusual circumstances or when there poses a real threat to government revenue or there exists violations to pertinent customs or other laws, rules and regulations. All Transit Shipment will not be required to undergo x-ray.

10. Customs Examination

The Bureau of Customs will use cargo profiling and targeting in applying risk management to customs processing.

11. Contingency of UPS Over-fly to NAIA

- 11.1 UPS will be allowed to immediately transfer all Import Shipments to Customs Bonded Warehouse 124 upon arrival. Request for Transfer Under Guard (TUG) will be made by UPS prior to arrival of flight.
- 11.2 Customs must be able to access the UPS Brokerage Systems either in CSEZ or NAIA.
- 11.3 In cases where UPS over-fly to NAIA, Customs Officers currently assigned during the over-fly will be required to assess all the shipments pre alerted to arrived for the day.

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- 11.4 UPS nominated bank should be able to receive payment instructions even if the pre-clearance is made in NAIA.
- 11.5 UPS scanners will trigger all released shipments and shipments for physical examination.

VI. FINAL PROVISION:

1. Implementing Guidelines.

The District Collector of CSEZ and NAIA as well as other port where UPS operations extends may, subject to the approval of the Commissioner of Customs, issue supplemental orders to implement specific provisions of the CMO which shall not be inconsistent or in conflict with any of its provisions.

2. Sanction against violations.

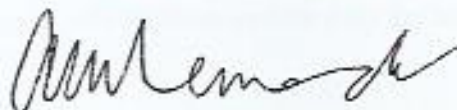
Pre clearance procedures may be discontinued if UPS is found to repeatedly violate or fail to comply with any provisions of this order unless it demonstrates willingness to address them immediately so as to preclude such violations or non-compliance, without prejudice to whatever administrative or criminal action which customs may take for violations of the customs laws and regulations.

3. Repealing Clause

All Customs Memorandum Orders or any other issuance's of the Bureau of Customs, which are in conflict, or inconsistent with this CMO or any provision thereof are hereby revoked, superseded or amended accordingly.

4. Effectivity.

This Order shall take effect on 01 APRIL 2002.



ANTONIO M. BERNARDO
Commissioner