



JUN 22 2010

CUSTOMS MEMORANDUM ORDER
NO. 24 - 2010

RE: Rules and Regulations to implement CAO No. ___ on Establishing an Enhanced Customs Transit System with the Use of Global Positioning (GPS) Technology

1. Objectives

To promulgate the detailed regulations to effectively implement the **Enhanced Customs Transit System** as directed under CAO ___, requiring the use of a GPS-equipped Customs Electronic Barrier Seal for containerized cargo and a Customs Bar-Coded seal for break bulk cargo so as to:

- 1.1. To enhance the capability of BOC to effectively seal, track, monitor and audit the transit cargo as it is transferred from the port of discharge to its final destination;
- 1.2. To establish the appropriate supporting organizational structure and functions for the implementation of the enhanced customs transit system;
- 1.3. To strengthen the security of the transit cargo during the transit process;
- 1.4. To reduce the cost to industry of complying with BOC requirements on transit cargo;
- 1.5. To facilitate the customs processing of transit cargo via the use of affordable and reliable technology and other best practices;
- 1.6. To increase the level of compliance with the provisions of the Revised Kyoto Convention (RKC) on the treatment of transit cargo in line with the government's efforts to pursue accession to RKC;
- 1.7. To align with the objectives of Asia-Pacific Economic Cooperation (APEC) and Association of Southeast Asian Nations (ASEAN) thereby enhancing the nation's standing as a member of APEC, ASEAN and the World Trade Organization (WTO);
- 1.8. To adopt the RKC definition of customs transit and rectify the current definition of transshipment.

2. The Customs Electronic GPS-Equipped Barrier/ Bar-Coded Seal

To strengthen the security of transit cargo and more effectively secure the duties and taxes due on them, all transit cargo shall be securely sealed with the following prescribed Customs Electronic GPS-Equipped Barrier Seal (EGBS) or a Customs Bar-Coded Seal before clearance is given to depart the port of discharge for the transit voyage to the port of destination:

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- 2.1. For **Containerized Cargo** the Customs EGBS shall be a reusable GPS-equipped barrier seal that would be affixed on to the container door to ensure that the cargo is not tampered with while in transit. It shall have the following features:
 - 2.1.1. It shall be strong and durable material with sufficient strength to prevent accidental breakage, early deterioration (due to weather conditions, chemical action, etc.) or undetectable tampering;
 - 2.1.2. It shall be securely equipped with a tamper proof portable GPS unit with at least a 5-day battery life;
 - 2.1.3. It shall be capable of being affixed easily and quickly as well as being checked and identified;
 - 2.1.4. It should transmit a signal to alert the Customs monitor whenever the seal has been tampered and the container door opened;
 - 2.1.5. To enhance seal monitoring and accounting, each seal shall be registered with the CCAO and marked with a unique, tamper-proof number; and,
 - 2.1.6. It shall bear visible marks "Tampering of this Customs Seal is punishable under Customs Laws".
- 2.2. For **Break Bulk Cargo** the Customs seal shall be a barcoded adhesive tape applied on selected packages. The bar code on the tape shall be identical to the bar code on the Transit Permit.

3. **The Tracking and Monitoring System**

The voyage of the transit cargo that is sealed with a GPS-equipped Customs Clamping Seal shall be tracked and monitored by BOC. The tracking and monitoring system shall have the following features:

- 3.1. It should allow real time tracking by BOC of the transit cargo through GPS;
 - 3.2. The system should be sufficiently secure to prevent unauthorized access to the tracking and monitoring process and the data that the system generates;
 - 3.3. The system should be capable of alerting BOC monitors of any deviations from predetermined routes; and,
 - 3.4. The system should be able to generate and store historical data of the transit voyage from the port of discharge to its final destination and should indicate incidents that are deemed unusual according to predetermined criteria.
4. **Accreditation of Customs Electronic GPS-Equipped Barrier Seal Service Provider (CEGBSSP)**

The Accreditation Committee to be created by BOC and headed by the Deputy Commissioner for AOCG shall accredit qualified private sector providers that would be allowed to supply the required CEGBS and the accompanying monitoring system.

4.1. The Accreditation Committee shall be composed of the following:

4.1.1. Chairman - Deputy Commissioner for AOCC

4.1.2. Members - Representatives from:

4.1.2.1. The Legal Service

4.1.2.2. The Intelligence Service

4.1.2.3. Port Operations Service

4.1.2.4. Administration Office

4.1.2.5. MISTG

4.1.2.6. Deputy Collector for Operations from 3 major ports (POM, MICP, NAIA)

4.2. Accreditation Process

4.2.1. Through the Accreditation Committee (henceforth referred to as the Committee), the BOC shall publish an invitation for the accreditation of CEGBSSPs. This invitation shall include the Eligibility Requirements.

4.2.2. A non-refundable processing fee in the amount of Fifty Thousand Pesos (P50,000.00) shall be imposed.

4.2.3. The Committee shall organize a Quality Assurance Team (QAT), composed of technical experts from both the field and central office, charged with determining the compliance of the candidate company's services to the GPS equipped customs transit system requirements. These requirements shall also include, among others, the user-friendliness of system.

4.2.4. After the conduct of test and site visits, the Committee shall pre-qualify not more than three (3) candidates for accreditation.

4.2.5. The Committee shall review and evaluate the documents submitted by the pre-qualified candidate companies.

4.2.6. The Committee shall release to pre-qualified CEGBSSPs the Terms of Reference (TOR) and the Non-Disclosure Understanding which will be signed by their authorized officials.

4.2.7. The Committee shall allow a reasonable time for the crafting and submission of technical and financial proposals by pre-qualified candidates.

4.2.8. The Committee shall develop and adopt a scoring system for judging the proposals.

4.2.9. The Committee shall select and accredit not more than three (3) CEGBSSPs.

4.3. Conditions for Accreditation

4.3.1. The Service Level Agreement

The accredited CEGBSSP shall enter into a Service Level Agreement (SLA) with BOC. The SLA should expressly provide among others, that the CEGBSSP is responsible for ensuring that:

- 4.3.1.1. Only authorized and registered CEGBS are used to seal transit cargo;
- 4.3.1.2. Each port has a sufficient number of CEGBS;
- 4.3.1.3. CEGBS are properly maintained and are fully charged before being deployed;
- 4.3.1.4. All CEGBS are always properly accounted for and are properly secured when not in use;
- 4.3.1.5. The required hardware and software are completely tested and properly deployed/installed;
- 4.3.1.6. Sufficient number of personnel in each port where the system is implemented are deployed;
- 4.3.1.7. Training on sealing, tracking monitoring and audit skills including user manuals are provided;
- 4.3.1.8. Preparation and deployment of software and hardware is conducted; and,
- 4.3.1.9. The system is sufficiently secure to prevent unauthorized access to the tracking and monitoring process and the data that the system generates.

The SLA should also spell out basic technical features of the GPS service (e.g. speed, frequency, power effectiveness, etc.) including a disaster recovery plan/business continuity plan which provides measures to avoid unnecessary delays in the transfer of cargo due to unavailability of GPS service.

4.3.2. Performance Bond

The accredited CEGBSSP shall post a Performance Bond, issued by a BOC-accredited surety company, amounting to Five Million Pesos (PhP 5,000,000), which shall be made to answer for any actual pecuniary damage resulting from any breach of undertaking by the accredited CEGBSSP after the same has been established in an appropriate proceedings.

4.3.3. Technical Acceptance Tests and Evaluation

The pre-qualified candidate CEGBSSP must successfully pass the technical acceptance tests (including data security and integrity, clamp inventory system, disaster recovery plan) and evaluation that shall be conducted by the QAT for accreditation. The QAT shall also conduct a yearly technical evaluation and validation to determine whether the CEGBSSP qualifies for continuous accreditation.

4.3.4. Period and Renewal of Accreditation

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The selected CEGBSSP shall be given an accreditation status for a period of three (3) consecutive years, inclusive of the six-month probationary period, and will be renewable yearly thereafter subject to the evaluation of the quality of its performance as measured by the Service Level Agreement (SLA), and compliance with Eligibility requirements.

5. Establishment of Tracking and Monitoring Offices

5.1. Customs Coordinating and Audit Office (CCAO)

To be headed by the Deputy Commissioner for Assessment and Operations Coordinating Group (AOCG), there is hereby created the Customs Coordinating and Audit Office (CCAO) under the Office of the Commissioner that shall develop a scheme for accounting for and monitoring the use and deployment of the above Customs seals. The responsibilities of the CCAO are as follows:

- 5.1.1. Coordinating with Customs Transit Monitoring and Tracking Unit (CTMTU) as described below;
 - 5.1.2. The Audit of historical data on transit cargo generated by the GPS units incorporated into the CEGBS, focusing on those that are the subject of exception reports;
 - 5.1.3. Developing an aging scheme for transit cargo to determine those that have not been covered by the appropriate entry and may therefore be the subject of abandonment proceedings;
 - 5.1.4. Tracking the deployment of CEGBS and to ensure that each port maintains a sufficient number; and,
 - 5.1.5. Constantly reviewing the performance of the Enhanced Customs Transit System and crafting needed policy recommendations to ensure that the system remains responsive to evolving needs of industry and the international trade community.
- 5.2. A Customs Transit Monitoring and Tracking Unit (CTMTU) headed by the Deputy Collector for Operations shall be established at each major port of entry. Each CTMTU shall be staffed with sufficient personnel and be equipped with the capability to monitor transit cargo leaving or destined for the port. The CTMTU shall be responsible for:
- 5.2.1. Ensuring the collection of:
 - 5.2.1.1. Transit Processing Fee for containerized cargo - P1,100
 - 5.2.1.2. Transit Processing Fee for breakbulk cargo - P400
 - 5.2.1.3. Container Security Fee - \$5 per TEU
 - 5.2.2. Uploading the transit cargo information onto the transit system;
 - 5.2.3. Proper sealing of the transit cargo;

- 5.2.4. Informing the receiving port of destination of the pending arrival of the transit cargo as well as its estimated date and time of arrival;
- 5.2.5. Tracking and monitoring the transit cargo while in transit;
- 5.2.6. Informing the PNP immediately of any unauthorized diversion from designated transit route;
- 5.2.7. Checking for any breach in the integrity of the seal; and;
- 5.2.8. Supervising the removal of the seal and opening of the container door to see if there is no breach in the integrity of the transit cargo; and,
- 5.2.9. Reporting any discrepancy found in the contents of the transit cargo arising from the unauthorized removal of the seal or opening of the container door.

6. The Transit Permit

The Transit Permit (sample is attached as Annex A) shall be filled up with the required information as indicated below:

FIELD NAME	BOX NUMBER	STATUS		DEFINITION & VALUE
		M-Mandatory	O-Optional	
Q1- Trade Operators				
Exporter	2	M		Manually Encoded
Consignee	8	M		TIN number of the importer must be accredited by the Bureau (CAS and CPRS)
Q2- General Data				
Office (of clearance) code, top right hand corner		M		Port Code where the entry is filed (ex. P02B -MICP P02A-POM P04-BATANGAS)
Declaration type, box 1 (code is transit)	1	M		8 8 For Transhipment
Number of pages	3			System Generated
Number of items	5			System Generated
Total packages	6	M		Total No. of Packages (as indicated in the Airway/Bill Of Lading No.)
Declarants reference no.	7		system generated	ACOS assigned
Importer/Consignee	8	M		TIN number of the consignee

FIELD NAME	BOX NUMBER	STATUS		DEFINITION & VALUE
		M-Mandatory	O-Optional	
Freight, Insurance and Other Dutiable Charges	9			manually encoded the value
Broker/Attorney-In-Fact	14	M		TIN number of the broker accredited by the Bureau (CAS and CPRS)
Country of export & code.	15	M		coded on ACOS (ex. CN=china, SG=singapore)
Country of Origin	16	M		coded on ACOS (ex. CN= china, SG= singapore)
Q3- Transportation				
Vessel, Aircraft and Registry Number	18	M		vessel or aircraft name with corresponding assigned registry number
Local carrier, if any	21	O		name of local vessel or aircraft
Transshipment Port	27	O		
Port of Destination	29	M		final destination port code (ex. P02B -MICP P02A-POM P04-BATANGAS)
Q4- Goods Description				
Marks and Numbers, Number of packages, Package type, Container numbers	31			Package Type Code (ex. Ct=cartons, bx=box, dr=drums, etc.), number of package per item (or just blank provided that the total number is indicated in box 6) and container number (if containerized)
Description of goods by commodity code			system generated	description of goods based on the tariff that they use
Q5- Procedure				
Item No., box 32	32			system generated
Commodity code, box 33	33	M		HS code or the tariff heading basis for rate of duty
Country of Origin code	34			coded on ACOS (ex. CN=china, SG= singapore)
Item Gross and Net weight, boxes 35 & 38 respectively	35 & 38	M		should be in kilograms
Preference code	36	O		consist of 4 alpha code (ex. AFTA, AICO, AFMA)

FIELD NAME	BOX NUMBER	STATUS	DEFINITION & VALUE
		M-Mandatory O-Optional	
Procedure code	37	M	consist of 4 numeric and a 3 numeric extended procedure
Air Waybill/Bill of Lading No., box 40a	40a	M	Airway/Bill of Lading Number
Previous document no., box 40b	40b		Master Airway/Bill of Lading Number (if any)
Q6- Additional Information			
Additional information, certifications, authorizations, box 44	44		
Q7- Accounting			
Receipt No., Total fees and Total assessment	47b		automatically computed by the system
Q8- Certifications			
Broker/Importer/Attorney-In-Fact, box 50	50		Printed Name and Signature of Broker
Oath portion, box 50 part II			Notarized oath by the Broker

7. Procedural Flow

7.1. At The Port of Discharge

The following is the process flow for the approval of the Transit Permit covering cargo destined for an outport as well as the sealing of the transit cargo:

7.1.1. CEGBSSP provides the Deputy Collector for Operations a list of serial numbers of CEGBS available for the day;

7.1.2. Importer applies for Transit Permit by filling up the Form downloaded from the BOC website and attaches a declaration of the designated route;

7.1.3. Office of the Deputy Collector for Operations:

7.1.3.1. Indicates the Transit Permit number;

7.1.3.2. Checks completeness of documents;

7.1.3.3. Matches information on the Transit Permit with the ship's electronic manifest.

7.1.4. CTMTU encodes transit information and the designated route;

7.1.5. Deputy Collector for Operations approves the Transit Permit and signs the Transit Delivery Permit (sample copy is attached as Annex B);

- 7.1.6. The designated officer of the Deputy Collector for Operations encodes required data in the Manual Discharge Screen of the e-Manifest System in accordance with the provisions of CMO 40-2009;
- 7.1.7. CEGBSSP provides the appropriate Customs clamping seal upon submission of proof of payment for the sealing fee and other Customs fees;
- 7.1.8. PID/CTMTU supervises the sealing of the shipment and activation of the GPS unit;
- 7.1.9. CTMTU sends email and SMS notification to the port of destination.

Upon approval of the Transit Delivery Permit, an online instruction is transmitted to the computerized On Line Release System (OLRS) which, in turn, triggers the authority to release the cargo. The cargo is then released and transported to the Destination Port.

7.2. Transit cargo to and from Freeport Zones

Transit cargo for transport to and from Freeport Zones in Clark Special Economic Zone (CSEZ) and Subic Bay Freeport Zone (SBFZ) shall be processed pursuant to the rules prescribed in Joint Memorandum Order (JMO) 01-2008, JMO 02-2008, CMO 36-2008 and CMO 36A-2008 subject to the following amendments:

- 7.2.1. The CEGBSSP shall provide the Deputy Collector for Operations a list of serial numbers of clamps available for the day.
- 7.2.2. After clearance is given by the Head of the Customs Freeport Zone Office (CFZO) for the release of the transit cargo, the authorized representative of the Freeport Zone locator shall present the Transit and Admission Permit (T/AP), together with the transit route, to the CEGBSSP for the issuance of the CEGBS.
- 7.2.3. The designated officer of the Deputy Collector for Operations encodes the required data in the Manual Discharge Screen of the e-Manifest System in accordance with the provisions of CMO 40-2009.
- 7.2.4. The CEGBSSP shall receive the appropriate Monitoring and Sealing Fee from the Freeport Zone locator representative and accompany the representative to the cargo sealing area for the application of the Customs seal on the transit cargo.
- 7.2.5. The CEGBSSP, under the supervision of CTMTU, shall apply the CEGBS onto the container door and activate the GPS unit. In case of breakbulk cargo, CTMTU shall apply the Customs Bar-Coded Seal to selected packages.
- 7.2.6. The CTMTU shall authorize release of the transit cargo after it has been properly sealed and subsequently issue the Transit Delivery Permit.
- 7.2.7. The CTMTU shall track the transit voyage and monitor the condition of the transit cargo using the GPS tracking system. The CTMTU shall immediately

report any unauthorized deviation from the predetermined transit route to the Philippine National Police (PNP) and the Freeport Zone Authorities.

7.3. Transit cargo destined to Economic Zones

Transit cargo destined to Economic Zones under Philippine Economic Zone Authority (PEZA) shall be processed pursuant to the rules prescribed in CAO 02-2005, CMO 08-2005 and CMO 29-2005 subject to the following amendments:

- 7.3.1. The CEGBSSP shall provide the Deputy Collector for Operations a list of serial numbers of clamps available for the day.
- 7.3.2. After clearance is given by the Head of the Customs-PEZA Clearance Office (CPZO) for the release of the transit cargo, the authorized representative of the PEZA locator shall present the Transit Permit together with the transit route to the CEGBSSP for the issuance of the CEGBS.
- 7.3.3. The designated officer of the Deputy Collector for Operations encodes required data in the Manual Discharge Screen of e-Manifest System in accordance with the provisions of CMO 40-2009.
- 7.3.4. The CEGBSSP shall receive the appropriate Monitoring and Sealing Fee from the PEZA locator representative and accompany the representative to the cargo sealing area for the application of the Customs seal on the transit cargo.
- 7.3.5. The CEGBSSP, under the supervision of CTMTU, shall apply the CEGBS onto the container door and activate the GPS unit. In case of breakbulk cargo, CTMTU shall apply the Customs Bar-Coded Seal to selected packages.
- 7.3.6. The CTMTU shall authorize release of the transit cargo after it has been properly sealed and subsequently issue the Transit Delivery Permit.
- 7.3.7. The CTMTU shall track the transit voyage and monitor the condition of the transit cargo using the GPS tracking system. The CTMTU shall immediately report any unauthorized deviation from the predetermined transit route to the Philippine National Police (PNP) and the PEZA.

7.4. At the Port of Destination

- 7.4.1. The authorized representative of the District Collector of the Port of Destination receives the transit cargo and inspects it for any breach of sealing integrity.
- 7.4.2. The CEGBSSP under the supervision of CTMTU of the port of destination and the Freeport Zone Authority (for cargoes destined to and from Freeport zones) or PEZA (for cargoes destined to PEZA) removes and deactivates the CEGBS at the designated area.
- 7.4.3. The CTMTU then notifies the port of discharge of the arrival of the transit cargo through email or SMS.
- 7.4.4. The CTMTU shall Supervise the removal of the seal and opening of the container door to see if there is no breach in the integrity of the transit cargo

and report any discrepancy found in the contents of the transit cargo arising from the unauthorized removal of the seal or opening of the container door.

The process flowcharts for the procedures described above are attached as Annex C.

8. Reporting System

Each CTMTU shall submit to CCAO the following computerized transit reports, generated from the Tracking and Monitoring System on a daily basis:

- 8.1. Shipment released (no. of containers, declarant, permit number, date);
- 8.2. Shipment received (no. of containers, declarant, permit number, date, content discrepancy if any); and,
- 8.3. Matching report.

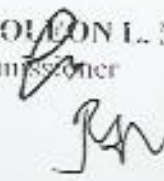
9. Repealing Clause

All other orders, memoranda and other issuances inconsistent with this Order are hereby deemed repealed/modified accordingly.

10. Effectivity Clause

This Order shall take effect immediately upon signing hereof.

NAPOLION L. MORALES
Commissioner



Handwritten signature of Napoleon L. Morales.

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