

UDC 339

IDENTIFYING THE DWELLING TIME PROBLEMS FACED BY USERS OF SEAPORT SERVICES ON IMPORT ACTIVITIES: STUDY ON FREIGHT FORWARDERS IN EAST JAVA, INDONESIA

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ABSTRACT

Freight Forwarders as an intermediary between exporters and importers are also affected by dwelling time performance. This study aims to identify the problems faced by Freight Forwarders in East Java in the application of dwelling time at the port. The research method is qualitative with descriptive analysis, with in-depth interviews on some Freight Forwarders and Association on Logistics and Forwarder of Indonesia (ALFI). Respondents are chosen through purposive sampling. Here are the results of the study. The problems faced by the forwarders are the delay of NOA (Notice of Arrival) and DO (Delivery Order) bills from the shipping parties. Overlapping regulations related to the process of export and import documents due to differences of perception among ministries in charge. The next problem is the lack of knowledge of exporters and importers on export and import regulations. There are also problems related to interruption on INSW (Indonesia National Single Window) server and CEISA (Customs Excise Information System and Automation). The random system on imported goods after inspection at CEISA, limited importer warehouse, and no needs over imported goods are also the obstacles faced. The other problem is that importers tend to keep stockpile in containers in the depots because security assurance in the depots is much better than in the importer warehouse.

KEY WORDS

Dwelling time, freight forwarder, import.

Too long dwelling time makes consumers more disadvantaged, as owner of the goods must pay more cost of accumulating containers per day. In other words, the longer the containers stay in the depots, the more the owner of goods must pay either importers or exporters. For imported goods, the excess cost is charged to consumers; for exported goods, the profits of exporters will decrease. These additional costs will ultimately be charged to end customers (Bernas Daily, 2016).

The process of export and import activities involving sellers from outside the customs area of importers and exporters certainly require importers and exporters to make all deliveries with interference from other parties. There are many long procedures before shipping, making importers and exporters need assistance from transportation service agents or Freight Forwarders. Freight Forwarder is a company that regulates exported and imported goods (universalcargo.com, 2014). Importers and exporters no longer need to carry out all the handling of goods, as Freight Forwarders will manage all document and cargo of goods sent from overseas sellers' warehouse to importer warehouse or from exporter warehouse to buyer abroad (door to door). As a party to carry out all document handling and shipping, Freight Forwarders certainly feel the immediate impact of dwelling time, that is still too high, when compared to other countries in ASEAN such as in Singapore and Malaysia (Artakusuma, 2012).

LITERATURE REVIEW

The Definition of Dwelling Time. Dwelling time is the amount of time that an import container sits at a marine terminal (terminal dwell time) or rail terminal (rail dwell time) before commencing its inland journey (Nicoll, 2007). This means that dwelling time is the total time

required for imported containers during transit at container terminals (at the ports or train stations) before embarking on the land journey. The World Bank (2012) states that dwelling time is the time containers stay in the ports until they leave it. The BPS Pilot Team Study and the team from the Directorate of Customs and Excise Information, the Ministry of Finance, in the pilot study of dwelling time in 2014 explains that dwelling time is the time containers take while in port or customs area.

Import. According to Suryawan (2013:11), imports are activities of entering goods from customs areas. Import is a buying and selling activity by way of purchasing goods from outside the customs area into a country's customs territory (Ahsjar and Amirullah, 2002:43). There are 111 stages for importers to do (Hamdani and Arimbi, 2015: 36 -37) as follows:

- Finding suppliers either abroad or through their agents in the country in the form of export agent or trading house;
- Requesting suppliers to send samples of goods and invoice performance to know the goods, quality, price, way of delivery, way of payment, and so forth;
- Calculating import costs including the import duty to be paid, Value-Added Tax, Luxury Sales Tax (LST) if any, Income Tax, and some prices that can be offered in foreign market;
- Negotiating the prices and types of goods based on the performance of invoices and samples received by importers;
- If both parties agree to conduct sale and purchase transactions, the importer shall apply for the opening of Letter of Credit to the Foreign Exchange Bank by depositing a guarantee of 100% of the amount of Letter of Credit opened, and pay the opening fee of 0.5% of the total Letter of Credit. If the importer cannot provide cash for this deposit, but only able to provide installments in other forms, the Foreign Exchange Bank is authorized to determine whether or not the Letter of Credit submission of the importer has been received;
- Inform the supplier that the Letter of Credit has been opened so that the supplier can prepare the goods to be shipped;
- Waiting for delivery of goods from suppliers;
- Contacting the shipping party to request information on the arrival time ETA (Estimated Time Arrival);
- Contacting the Foreign Exchange Bank regarding the arrival of import documents from suppliers including Surveyor Report, Bill of Lading, invoice, packing list and others;
- Submitting the documents on Import Declaration of Goods and fill the Customs Clearance, Excise, and Tax to obtain original Surveyor Inspection Report and original Bill of Lading for process of expenditure of goods at seaport (the process of in-clearing) and debit account of importer's financing as stated in the Notifications for Import of Goods and Customs, Excise, and Taxes to the Foreign Exchange Bank; and
- Redeeming the original Bill of Lading with Delivering Order to the shipping company to issue containers in the first line warehouse and bring Notifications for Import of Goods and Customs, Excise, and Taxes to Customs to be able to remove goods from the seaport.

Freight Forwarder. According to Suyono (2005: 239-241), Freight Forwarder is a business entity providing services for all shipping, freight, and receipt of goods by land, sea, and/or air. Freight Forwarder also handles the completeness of procedures and documents with the existing provisions in the country of export, import, and transit country. All costs incurred due to the process of transportation activities such as, handling, loading, and unloading at the port and/or in the warehouse and the handling of documents related to the cargo will be completed and borne first by Freight Forwarder. The total cost incurred and paid by the Freight Forwarder will be paid by the order entrant and the additional service fee.

In conducting transportation services, freight forwarders work with third parties. Third parties are needed because in the world of freight transport there is a term multimodal

transport. Multimodal transport is the involvement of more than one kind of transportation mode in the transportation process, either in one or more countries. The third party is the carrier (land transport operator, rail service, ship owner, and air transport), non-carrier (container terminal, warehousing, container freight station or CFS), container and packing organization, customs document settlement, exports or imports, foreign exchange transactions and the processing of related documents) and other parties (banks, the insurers, seaports or air and Customs) (Suyono, 2005:242).

DISCUSSION OF RESULTS

The Problem of Dwelling Time Faced by Freight Forwarder. The regulation of dwelling time in Indonesia has been set up in the Regulation of the Ministry of Transportation of the Republic of Indonesia Number PM 116 of 2016 Regarding Removal of Goods Exceeding the Stockpiling Time Limit (Long Stay) at Belawan, Tanjung Priok, Tanjung Perak And Makassar Main Seaports. Regulations concerning the deadline for the accumulation of containers in the depots.

The time limit for the stockpile of containers at the seaport is three (3) days as described in Table 1. The seaport acts as a transit point and not as container stockpiling place. When the importer or the proxy, i.e. the Freight Forwarder gets the Release Order, then the container must be moved out of the seaport. Containers may be transferred to a warehouse near the customs area or usually called container depots or transported directly to the importer's warehouse if all administrative and tax payments are completed. If the importer or Freight Forwarder has not issued the container after the Release Order, the Customs and Excise will move the container to the container depots with all the transfer costs borne by the importer.

As explained earlier, dwelling time has three (3) causal indicators, namely Pre-Clearance, Custom Clearance, and Post Clearance. Pre-Clearance is the process of unloading and placing containers from ship to seaport warehouse (yard). Custom Clearance is the process of completion of customs obligations up to the issuance of Release Order. Especially for the red line, physical inspection of containers must be done. Post Clearance is the process of handling goods or containers up to the payment of stockpile costs to port operators and transporting containers out of the port area.

In every process of Pre-Clearance, Custom Clearance until Post Clearance, there are problems that cannot be avoided by Freight Forwarder, as follows:

- The delay of NOA (Notice of Arrival) and details of Delivery Order (DO) from the shipping party;
- Exported or imported goods requiring permit or approval from some related ministries are common to face delay as the ministries work rather slow—as for example are the Ministry of Commerce, Ministry of Industry, Ministry of Animal Husbandry, Ministry of Environment, Quarantine, and others;
- Exported or imported goods requiring permit or approval from some related ministries, there is usually overlapping of regulatory arrangements due to differences of perception between one ministry with other ministries, especially for Prohibited and Restricted Items; the number of requirements in getting the recommendation by each ministry makes the importer or Freight Forwarder do double work. For example, for import of Non B3 Plastic Waste, to be able to apply for Agreement on Import Licensing of Non Hazardous and Toxic Waste or Plastics from the Ministry of Trade, importers are required to have a recommendation from the Director General of Waste Management, Waste and Hazardous and Toxic Materials, the Ministry of Environment and Forestry, and the Director General Chemical Industry, Textile and Multifarious Industries, the Ministry of Industry;
- The lack of knowledge of exporters and importers on export and import regulations that documents are often submitted late and incomplete to Freight Forwarders making a delay in the process of filing Customs Declaration Form;

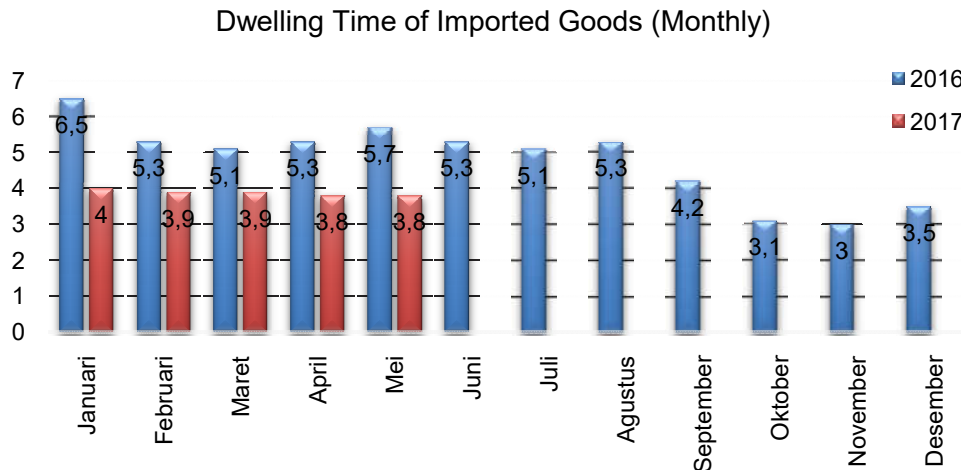
- The changes in export and import regulations by the Government or related parties, which are rare and do not occur within the immediate future. As for example is the regulatory change on Dwelling Time concerning the time limit of containers at seaports—prior to the Regulation of the Ministry of Transportation of the Republic of Indonesia Number PM 116 of 2016, importers have the freedom of time in transporting containers out of the port;
- INSW server (Indonesia National Single Window, single portal in Indonesia facilitating the acceleration of export and import process of both the flow of goods and documents) and CEISA (information system owned by the Directorate General of Customs and Excise which consists of many integrated applications used for service and administration) are slow or down. As explained on sindonews.com dated June 16, 2016, interruption occurred due to interference on the computer system of the Ministry of Finance and the disturbance resulted in INSW not being able to smoothly send import and export data to CEISA thus impeding the processing of export and import documents;
- Import documents are sometimes exposed to random systems after inspection at CEISA. The random system is an inspection order for goods that should not be checked (Green Line entry). The imposition of random is usually because the importers are new or have a bad reputation. Another reason is the existence of computer random commands or Intelligence Notes to change the Green Line into the Red Line where it is an effort of the Customs Authority to empower the public, especially importers to always obey the rules of document management, even in the Green Line.
- Delay in administration payments and state taxes on imported goods by importers. When imported goods receive the Release Order, then the importer or Freight Forwarder can directly pay the administrative costs of seaport and state taxes. However, some importers do not immediately make payments for various reasons such as the absence of company cash to pay the administrative fees and state taxes, or simply an ignorance from the importer on the payment of administrative fees and state taxes; and
- Limited trucks to move containers and limited importer warehouse space. Importers working on large quantities of goods, until several containers of FCL (Full Container Loading, a full container), usually do not directly transport all containers to the warehouse after the Release Order as the limited number of trucks hired by the importer. Importers tend to do the accumulation of containers at the seaport or depot of container.

The problem occurring in the Dwelling Time process, especially in Pre-Clearance, is the system that runs in accordance with the rules set by related parties, such as the Ministry of Transportation and the Directorate General of Customs and Excise. Therefore, some Freight Forwarders agree that during this time, the biggest problem and possibly the main cause of Dwelling Time is importer. Importers tend to stockpile for the following reasons:

- Limited warehouse, in which importers often claim that their warehouse is still in full condition, so imported goods just entering Indonesia cannot be moved due to unavailability of space. Some importers do not even have a warehouse that can accommodate their imports;
- Imported goods have not been in demand. Factories that buy raw materials from abroad import large quantities of goods for long-term production. These importers tend to release their goods little by little in accordance with the needs of production, while the remaining goods stay in the container depot;
- The container yards at the seaport and container depot have better safeguard standard system and tend to be safer than importer warehouse;
- The total cost incurred by importers to transport containers to their warehouses is not much different from the cost or penalty paid for stockpiling containers in container

depots. Moreover, container security assurance in the container depot is much better than in the importer warehouse.

The Effect Dwelling Time on Import and Export Activities by Freight Forwarder. In 2016, there was appeal and policy of the President of the Republic of Indonesia to reduce the Dwelling Time level applicable to Indonesian seaports. The appeal of the President of the Republic of Indonesia on the decrease of Dwelling Time up to three (3) days seems to make the seaport operators succeed in reducing the Dwelling Time. Tanjung Perak Surabaya is a port that can be said to be significantly successful to reduce the number of Dwelling Time. Dwelling Time in Tanjung Perak in January 2016 was 6.5 days to 3 days in November 2016. Currently, in May 2017, the Dwelling Time is still 3, exactly 3.8 days.



Source: Tanjung Perak Port, 2017

Figure 1 – The Dwelling Time of Imported Goods in Tanjung Perak Surabaya in 2016-2017

Dwelling Time decline will certainly have an impact on those engaging in export and import activities. The parties involved in export and import activities are government agencies, producers, exporters, importers, Chamber of Commerce and Associations, as well as supporting institutions (Freight Forwarders, EMKL, insurance, and container truck rental companies). In the conduct of export and import activities, exporters and importers usually choose to use the services of Freight Forwarder as an intermediary agent with buyers and sellers abroad.

The presence of Freight Forwarder is important for the smoothness of export and import activities because Freight Forwarders are considered capable and competent to conduct international trade with parties abroad. As a party that helps the delivery of goods between individuals or companies in different countries, Freight Forwarders have knowledge of export and import (McDowell and Gibbs, 1954). The news about Dwelling Time decline has affected some Freight Forwarders apparently, both positively and negatively. Other Freight Forwarders just do not feel any impact on the Dwelling Time decline. Here are some positive effects on the Dwelling Time decline for Freight Forwarders:

- More effective and efficient performance of Freight Forwarder because the importers who previously deliberately stockpile imported goods in the port have begun to obey the rules of Dwelling Time;
- Some document management can start to be done online-based. Freight Forwarders no longer need to take care of documents manually. For example, the management of Customs Declaration Form, which used to be done at the Customs office carrying original import documents, can now be done online simply by uploading a scan of the original import documents; and
- Some Freight Forwarders may experience an increase in export and import demand due to the decrease of Dwelling Time.

Here are some negative effects on the Dwelling Time decline for Freight Forwarders:

- The online system in import document management is troublesome as the portal used for online management has not yet had a strong system foundation, and the server often experiences down or error; and
- Lack of coordination between Ministries on different perceptions in the management of Prohibited and Restricted Items and socialization of new regulations, and this makes Freight Forwarders face problems in the processing of documents at different Ministries.

Some Freight Forwarders feel no impacts over the Dwelling Time decline for the following reasons:

- Freight Forwarder as a transportation service only runs demand from importers. If the importer wants the goods to arrive at their destination, the forwarder will also settle the import documents and dispatch the container immediately;
- If the importer does not want to immediately take the imported goods for some reasons, for example the importer warehouse is full, or the imported goods are still not needed by the importers, Freight Forwarder as a fixed provider will complete the import documents, but not immediately release the containers from the port or from a container depot even if the time limit of three (3) days at the port has been passed. The cost of stockpiling and Overbrengen will also be borne alone by the importer, so the Freight Forwarder do not feel the positive or negative impact of the Dwelling Time decline and the rising cost of stockpiling; and
- Some Freight Forwarders have customers from large companies that import their raw materials from abroad. Since these companies always needs raw materials in their production, the decrease in Dwelling Time and the increase in the cost of stockpiling do not affect the demand for Freight Forwarders.

The Effort of Freight Forwarders in Facing Dwelling Time. Freight Forwarders as an intermediary service between exporters and importers are basically business service of no power to decide on exported and imported goods. All decisions about the release of goods depend on the demand of the importers. When the importers do not want to immediately remove the goods from the port, the Freight Forwarders will not immediately remove the container and the accumulation of all costs is borne by the importers. Although all decisions are in the importers, the Freight Forwarders still remind importers to immediately complete the settlement, especially regarding the submission of documents and payment of administrative fees and state taxes.

CONCLUSION AND SUGGESTIONS

From the above description, it can be concluded that the problems of Dwelling Time faced by Freight Forwarders are as follows: the delay of NOA (Notice of Arrival) and DO (Delivery Order) from the shipping party; overlapping of regulations related to the processing of export and import documents due to differences in perception between one Ministry and other Ministries, especially on Prohibited and Restricted Items; the lack of knowledge of exporters and importers on export and import regulations; disturbance on INSW (Indonesia National Single Window) server and CEISA (Customs Excise Information System and Automation); imported goods subject to random system after inspection at CEISA; limited importer warehouse; imported goods are not yet needed by importers; and importers intend to stockpile containers in the depot because the container security assurance is much better than in the importer's warehouse.

Based on the results, several suggestions can be made as follows: Freight Forwarders must be faster and more responsive in handling either documentation or licensing of goods to be exported or imported; Freight Forwarders seek to minimize postponement of work, when all documents and payment fees of the importers are available; Freight Forwarders strive to remind both importers and exporters to prepare documents required for smooth transactions of imported and exported goods delivery or transactions.

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