

SEAL REPORTING REQUIREMENTS FOR CONTAINERISED GOODS

PURPOSE

The purpose of this document is to illustrate the importance of SARS Customs receiving seal information from the Terminal Operator which has been ***physically verified and recorded*** in terms of ***each container*** discharged or loaded, or received in or removed from, the terminal.

HISTORIC ARRANGEMENTS

With the introduction of containerisation in South Africa in 1977 the customs requirements covering the importation and exportation of containerised cargo was set out in the “Containerisation Manual”.

Although not taken up, or incorporated, in Customs legislation at that time the measures contained therein was agreed between the then SA Harbours and Department of Customs and Excise.

The most pertinent requirements imposed on container operators were, in turn, contained as terms and conditions in the application for approved container operator status.

Seal verification procedures at the terminal of discharge

Paragraphs 51-64 of the Containerisation Manual sets out the following procedure relating to confirmation of seal status of containers discharged at a container terminal –

- Upon discharging containers off a vessel the terminal operator “will” complete a form T1392 – Container Inspection Report (CIR) in respect of “every container discharged”.
- As soon as the container is placed on the quay, the terminal operator “will check the physical condition” as well as the seal status thereof.
- The outward condition of the container will be noted on the CIR. Where the seal is intact that fact as well as the seal number will be noted thereon

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- Where the seal is broken or missing, the terminal operator will re-seal the container and endorse the CIR to the effect that the container was landed with a broken /missing seal and have been re-sealed stating the new seal number. Where the seal was intact but the number differed from that reflected on the manifest a CIR report was also required to be made.
- The terminal operator must make a copy of the CIR available to the approved container operator, the importer and the vessel's agent.
- The container operator must supply customs with copies of those CIR's in respect of containers landed –
 - with a broken seal,
 - without a seal (and re-sealed by the terminal operator) or
 - where the seal was intact but the number differed from that reflected on the manifest
- Damaged containers, or containers with a seal discrepancy that are destined for delivery to importers from a terminal may be delivered to a container depot for verification of contents at the importer's request following a tailboard exam and the re-sealing of the container. If this is not done and the container is delivered to the importer from the terminal no subsequent applications for a refund will be entertained when goods are found to be short on unpacking the container at the importer's premises.

Seal verification procedures at container depots

- On arrival of containers at a container depot, the depot operator "must verify the seal status and check whether or not the container is secure" – paragraph 113.
- Where a seal discrepancy (broken, missing or number which does not agree with that reflected on the manifest) is found, the container operator must complete a "Depot Seal Discrepancy / Damaged Container report", containing also the new seal number with which the depot operator has re-sealed the container and forward it to customs.

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- Upon opening any container in the depot for purposes of examination, unpack and delivery of its contents, etc the container operator must note the seal number and seal status on the container manifest used to tally the contents of the container.
- Provided the container seal remains intact from the point where it was first checked on discharge of the container to the point where the container was unpacked in the depot any packages found to be short against manifested quantities will be deemed not to have been imported into the Republic. If such packages were already cleared, customs will entertain a claim for a refund thereon and, if uncleared, customs will waive the container operator and depot operator's liability for duty on the missing goods – paragraph 122.

Sealing requirements imposed on container operators

- Paragraph 3.2 of the terms and conditions in respect of applications for “Approval to Operate Containers in South Africa” requires that “containers transported to the Republic will be sealed and the numbers of such seals shall be reflected on the relative container manifests.”
- Where a container is landed with a seal impediment (broken, missing or different) the container operator is obliged to have the container re-sealed under customs supervision, to remove it to a depot for the tallying of its contents and to submit a container seal discrepancy report to customs – paragraph 3.6
- Where, upon receipt at a container depot, the container is found to be insecure or have a seal impediment the container operator's liability for duty on the full manifested quantity in terms of the Act shall continue – paragraph 3.8.

Summary

From the above it is clear that –

- Strong emphasis was historically placed on the verification and reporting of the seal status in respect of all containers under customs control.
- The reasons for this were to –

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- discover any disturbance in the integrity of containerised cargo.
- determine the point at which any cargo discrepancy occurred.
- determine from whom the duty of any missing goods should be re-covered.
- determine whether any claim for a refund of duty on missing goods already paid will be considered.
- The above would not be possible without the **physical** verification and **recording** of **every container's** seal status whilst under customs control.

ARRANGEMENTS TO SECURE GLOBAL TRADE

Following the terrorists attacks of 9/11, the World Customs Organisation (WCO) developed a strategy to secure and facilitate global trade which became known as the WCO SAFE Framework of Standards.

The Framework rests on two pillars –

- A *Customs-to-Customs pillar* based on the need for customs administrations to develop common and accepted standards to maximise the security and facilitation of legitimate trade; and
- A *Customs-to-Business pillar* based on the development of Authorised Economic Operators (AEO's) to ensure that the international supply chain of such parties comprises acceptable safeguards against the compromise of their shipments and containers from origin until released from customs control at destination.

Seal integrity and the Revised Kyoto Convention

Minimum standards for customs seals used in the application of Customs transit are laid down in Standard 16 to Specific Annex E, Chapter 1. This section provides information to administrations on the various options of seals available and their use for security purposes.

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Security seals are an integral part of the chain of custody. Security seals should be inspected by the receiving party at each change of custody for a cargo-laden container. Inspecting a seal requires visual check for signs of tampering, comparison of the seal's identification number with the cargo documentation, and noting the inspection in the appropriate documentation.

Seal integrity an integral part of the SAFE Framework

Verified seal integrity is an integral requirement of both pillars of the Framework in order for it to achieve its stated goals.

- **Pillar 1**, Technical Specifications for Standards Implementation (3.2), Sealing (1.2.4) requires customs administrations, in the interest of supply chain security and an integrated Customs control chain, to “ensure a fully secure movement from stuffing of container to release from customs control at destination.” In this regard Customs should apply a seal integrity programme as detailed in the revised guidelines to Chapter 6 of the General Annex to the Revised Kyoto Convention
- Paragraph 3.3 “Seal Integrity for Secure Containers” states inter alia that –
 - each party in possession of a container has security responsibilities whilst cargo is entrusted to them.
 - security seals are an integral part of the chain of custody.
 - security seals should be inspected by the receiving party at each change of custody of a cargo-laden container.
 - inspecting a seal requires a visual check for signs of tampering , comparison of the seal's identification number with the cargo documentation and noting the inspection in the appropriate documentation
 - If a seal is missing, show signs of tampering or shows a different number than the cargo documentation then a number of actions are necessary.

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- Seal security requirements are imposed throughout the logistics chain
 - at the stuffing site, on intermediate travel, on loading at the ocean terminal, at the transshipment terminal, on off-loading at the ocean terminal, at the intermediate terminal and at the unloading site.
- **Pillar 2** prescribes a number of measures (standards) that must be complied with by any prospective AEO including record keeping, financial viability, training, information exchange, cargo security, conveyance security, premises security, personnel security trading partner security, etc. As regards cargo and conveyance security the AEO must ensure that both it and its trading partners in the supply chain have the required procedures in place to properly seal and maintain the integrity of the shipment or transport conveyance.

Summary

- It is clear that seal security measures initially instituted to secure cargo, to ensure the collection of duty and to regulate the payment of refund claims has been taken a step further by the SAFE Framework in order to also secure cargo against threats of terrorism and international crime.
- The securing of containerised cargo by means of seals and the visual inspection of those seals at various points in the supply chain is integral to the successful implementation of the SAFE Framework, both from a customs-to-customs and customs-to-business point of view. Indeed, the implementation of any AEO programme without such measures in place would be untenable.
- Some governments and private parties are exploring the suitability of new technologies that may provide enhanced container security capabilities. If such technologies are approved and deployed, then procedures and requirements based on checking traditional mechanical seals should also evolve to reflect those technologies, so as to avoid redundant seal verification requirements.