

IMO Compendium on Facilitation and Electronic Business

2001 Edition

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IMO COMPENDIUM ON FACILITATION AND ELECTRONIC BUSINESS

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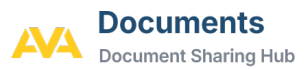
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Foreword

The IMO Compendium on Facilitation and Electronic Business was approved by the International Maritime Organization's Facilitation Committee at its 28th session (30 October to 3 November 2000) and was then circulated to IMO's Member States as FAL.5/Circ. 15 (19 February 2001).



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IMO Compendium on Facilitation and Electronic Business

1 Information flows

1.1 Formalities, procedures and paperwork in international trade and transport are generated by the need for both governments and the maritime industry to monitor and control the movement of goods and the transfer of services and by the necessity of safeguarding every party's legitimate interests. Closely related to this are the diverse requirements for information concerning cargo and goods by all involved parties in the value chain. Over the years, facilitation efforts conducted by IMO and international or national bodies in various countries or sectors have introduced improvements in the information flows, by analysing the processes, simplifying the requirements, harmonizing procedures and documentation, standardizing practices and introducing agreed codes for the representation of information elements.

However, quite a number of countries still maintain requirements which run contrary to these facilitation efforts, because of historical precedents, commercial inertia, difficulty in adjusting the methods of their control bodies or ignorance of solutions that have been developed elsewhere.

1.2 The processes and systems developed to link ships, carriers, port authorities, customs, terminals, consignees and other parties in the chain are constantly being adapted to meet the changing needs.

This is in particular associated with the speed of modern transport, the use of containers and modern equipment but also to take advantage of the possibilities that information and communication technology offer to improve information processing and transmission.

1.3 Today information flows are at a point midway between signed and authorized paper documents, still often painfully filled in by hand, and the computerized handling of information. Most documents produced by computers are still sent manually to the other involved party (and often re-entered manually into another computer). But the world of Internet, e-mail or automatic data transmission where data is sent from computer to computer with minimal human intervention is rapidly developing.

1.4 The timely arrival of information is a vital component in international transport. However, it still happens too frequently that the goods arrive at the destination before the necessary essential information is available to enable the respective operators to perform their function.

Delays in information production and transfer can be reduced if agreement is reached to make the maximum use of modern information and

communication technology – e.g., the use of computers to prepare the required documents, sending copies over the Internet, by e-mail or through electronic data interchange (EDI) – and whenever this is deemed impossible the use of fax and standard aligned documents can provide a solution for simplifying and expediting document handling. However, more needs to be done to facilitate the information flows (i.e., how the data are collected, transferred and dealt with). While part of the answer may lie in the simplification of the official and commercial procedures themselves, there should in addition be some systematic way of handling information relevant to the technology available. The advent of electronic trade tools like Internet and the worldwide web and the availability of cheap and reliable computers even in the least advanced countries do offer huge opportunities.

1.5 The problems created by maritime transport documents and procedures fall into two categories: the supply of data and the complexity of some of the procedures.

1.6 As stated above, goods often arrive before the information which should precede them and which is essential if they are to be dealt with expeditiously. Some companies take expensive solutions (e.g., the use of courier services) to avoid delays due to missing documents at critical points in the total transport chain.

Due to the complexity of some of the procedures, efficiency is lost if steps are not taken to minimize the amount of information required – for instance for cargo in transit. More generally, procedural requirements should be re-examined, manual systems tidied up and processes redefined before information technology can be safely, systematically and economically applied.

1.7 In theory, there should be nothing inherently too complicated in the systems and procedures for the information to be exchanged in a simple and coherent manner. But apart from the official requirements caused by the protection of national interests, difficulties arise in part from the sheer scale of the operations and in part from the vast number of people, interests, nations and languages involved. What may appear as a facilitation solution in one part of the world can, and often does, create difficulties in another. To take an example, quarantine measures and the information needed for this purpose are for obvious reasons entirely different in Australia than they are in Europe or in the USA.

1.8 Carriers and other parties involved in the transport chain want to be able to receive and deliver the goods on behalf of their customers with the minimum of complication. They also seek to fulfil this function in ways and under conditions conforming as closely as possible to their own requirements for the effective operation of their transport and cargo handling/equipment resources.

1.9 The banks want to finance and facilitate payment for their customers' transactions, taking prudent precautions against loss or misunderstanding. In this the need for the prompt presentation of documents which comply with the terms of the instructions issued is obvious. Any variation in the respective documentation, particularly when payment is made in the framework of a Documentary Credit, will result in delays for correction or verification.

1.10 As mentioned above, the requirements of both governments and commercial operators to monitor and control the movement of goods and payment thereof drive the procedures and paperwork generated in international trade. The commercial parties, to meet their own needs, devise commercial requirements, whilst official requirements are enforced and controlled by governments and have diverse aims, such as fiscal, protective, trade control and health requirements. The facilitation and simplification of procedures and processes may often not be the primary purpose of all the involved parties so the possibility of change can be limited or at best be very slow.

1.11 Those asking for and those providing information each have certain responsibilities. The essence of the technical task is to move minimum information with maximum efficiency. The criterion should be the minimum information necessary to service the process and not the minimum that people would like to obtain for other purposes. This puts a special responsibility on those interests, especially governments, governmental agencies and other involved parties, which are in a position to enforce their data requirements.

1.12 Regardless of the end use of the data, the timely arrival of information, certainly before the arrival of the cargo, is a vital component in international transport. As world distances "shrink" and travel times are reduced, it is essential that information is transmitted using the quickest, most effective method available to the parties involved. If it arrives after the cargo, the best information in the world will still cause acute problems, especially in the port community. Whilst it is appreciated that the technology available in different parts of the world may differ, the use of modern technology should be encouraged, and suitable conditions for such use (including the necessary legal or regulatory framework) should be established in the countries concerned.

2 Documentary requirements

2.1 One of the arguments commonly stated against the paperwork and procedures in maritime transport is that they may give rise to avoidable costs – e.g., those concerning duplication and reproduction of data – a problem which is greatly accentuated when documents contain errors or are not in line with other information.

2.2 Given that massive information is required in international maritime transport, which can result in a mass of paperwork, there are attractions in any method simplifying the production of the numbers and copies of documents. Many of the difficulties associated with information flows can be eliminated by the use of the standardized documentation system which the FAL Convention provides through the FAL forms – i.e., the document layout and information content in compliance with the Convention.

2.3 Although the range of documents aligned to the FAL forms is now fairly extensive, many governments still do not avail themselves of this facility. The benefits that could be derived from using the aligned FAL documents should be clear in that the respective formalities, documentary requirements and procedures are simplified and minimized.

2.4 In considering reforms in documentation and procedures, commercial interests will be much influenced by likely effective reductions in the overall cost of financing, handling and moving goods from exporter to importer, seller to buyer. It should be realized in this respect that the direct costs of documents and procedures are only one part of the story. Indirect costs, such as fines, demurrage and loss of business because of inadequate documentation, can be far more significant and are often difficult if not impossible to quantify. Documentation and procedural costs in a particular transaction may be minimal yet any one of the many minor errors, which are endemic throughout present systems, may result, for example, in demurrage costs of thousands of dollars.

2.5 In this context, those asking for information – e.g., Customs, port authorities, Immigration, etc. – should ask for the minimum of information at the best possible time and, if asking others to complete their documents (e.g., goods declarations), provide these in a standard format. Those providing information have a responsibility to provide accurate data at the right time in the agreed format. When these conditions are fulfilled, each party – both the provider and receiver of information – can operate efficient documentation systems and carry out their own processes in the minimum time.

3 Electronic business

3.1 Electronic business (doing business transactions electronically) includes the sharing of unstructured or structured business information by any electronic means among carriers, forwarding companies, governmental bodies, terminals, service providers and other parties in order to conduct and execute business transactions and administrative or other activities. It is a development of the most rapid advancing technology in present times, namely information and communication technology (ICT). This technology has made it possible to use EDI together with Internet solutions for data to be exchanged between business applications with minimal human intervention. ICT revolutionizes business communications by removing a

complete layer in business practices – the use and processing of paper documents. The rationalization of data flows within governments and companies enhances the integration of business functions and hence facilitates the decision-making process. In addition, it enables Customs to forge closer and more effective risk-assessment and control measures.

3.2 EDI stands for the transfer of structured data by agreed standards from computer application to computer application through electronic means. EDI is not a new concept or a new practice. Various industries, governments and financial institutes use it to exchange high-volume and changing information such as purchase orders, container stowage and financial data.

3.3 Paperless trading is growing fast in many countries, in particular because Internet technologies do make it possible to exchange information in an easy way world-wide, introducing other concepts such as “just in time” and consolidation of consignments. This usually means more and other maybe smaller shipments with very tight delivery schedules that paper documents cannot cope with. EDI and electronic business should be seen as a natural evolution in the international trade cycle. Indeed, one of the principal reasons for starting to use EDI is the mountain of paper documents produced, moved, handled, corrected, transcribed and copied for normal business and administrative transactions. EDI and in general electronic business has none of the disadvantages of paper documents and brings substantial benefits and savings to companies which implement it. Accuracy (data are received directly from computer files and are not re-entered manually), speed and savings (it saves on the cost of mailing, copying, filing, distributing and capturing data) are some of the advantages.

3.4 EDI and electronic business as a whole cannot function without standards. Various EDI standards have been developed to meet sectoral and national requirements for speedy and successful implementation within closed groups, but implementation across national and sectoral boundaries is difficult, as partners have to be able to support, maintain and interpret several EDI standards at great expense and inconvenience. To remedy this, UN/CEFACT (United Nations Centre for Trade Facilitation and Electronic Business) and its predecessor UNECE WP4 has been developing for more than 15 years essential standards covering data elements, codes, segments and syntax rules for EDI application. The result of this development provides the world market with the necessary ingredients for using complete standard message types (UNSMs) for business data interchange. These standards together with the other UN/CEFACT recommendations represent the business knowledge necessary to exchange data in whatever format through the Internet, Inmarsat, value-adding networks, port community systems or other means. Electronic business uses these building blocks to ensure that the right information is available at the right time.

3.5 It is obvious that replacing paper documents with EDI messages does not change the basic business and governmental requirements in international trade transactions. The same fundamental functions should be fulfilled, and the parties will still be, through EDI and other solutions such as e-mail, sending and receiving the General Declaration, Cargo Declaration, Crew List, Passenger List, Ship's Stores Declaration, Crew's Effects Declaration and Dangerous Goods Manifest. However, the implementation of electronic business solutions will undoubtedly lead to different processes and further simplification, standardization and harmonization.

3.6 For international information flows used in trade and transport, the electronic transfer of data will permit substantial procedural rationalization and more efficient transport operations, as is already the case – e.g., in the framework of community systems largely based on the use of information technology including EDI. In some countries, this may necessitate changes in laws and regulations – e.g., for permitting the replacement of traditional paper documents, Customs declarations, etc., by electronic messages, or for giving such messages the same legal value as that of a paper document.

3.7 For EDI it is quite important that for all information the appropriate standard codes are used. These codes can be found in the directories of UN EDIFACT. In this document, under the heading “FAL Forms in Electronic Format”, all applicable code values have been mentioned to ensure unambiguous usage and clarity. In a number of cases the codes from the UN/CEFACT recommendations are indicated for the same reason.

3.8 The worldwide web offers opportunities which are available to any party having access to the Internet. Possibilities such as web form arrangements making it possible for instance for agents to fill in and file so called e-forms in advance with the appropriate authorities in the relevant port would already mean a great step forward for quite a few medium-sized and small enterprises. Obviously again, the best way forward is to harmonize and standardize the electronic form and align these with the paper FAL Forms as contained in the FAL Convention.

3.9 Internet technology such as XML (Extensible Mark-up Language) will facilitate the exchange of structured documents over the Internet but it is of the utmost importance that the layout and contents of these documents remain clear and in line with the IMO FAL recommendations. XML offers possibilities for the exchange of data from computer application to computer application or to persons. XML offers more capabilities than its sister HTML, but standards must be agreed and used for the DTD (document type definition) and the required tags to make it into the easy tool that can be used by, for instance, ships, ports in countries in transition and SMEs.

4 Electronic data-interchange techniques and the FAL Convention

The following standards and recommendations from the Convention on Facilitation of International Maritime Traffic (FAL), 1965, and its amendments apply to this compendium.

4.1 IMO FAL Recommended Practice 1.4 – When introducing EDI techniques to facilitate clearance processes, Contracting Governments shall encourage public authorities and other parties concerned (shipowners, handling companies, seaports, and/or cargo agents, etc.) to exchange data in conformity with the relevant UN/ISO standards and recommendations, including UN Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) standards.

4.2 IMO FAL Standard 1.5 – Public Authorities shall accept any of the documents required for clearance processes in paper form, when produced by data-processing techniques on plain paper, provided that they are legible, conform to the layout of the documents in the FAL Convention and contain the required information.

4.3 IMO FAL Standard 1.6 – Public authorities, when introducing EDI techniques for clearance processes, shall limit the information they require from shipowners and other parties concerned to that required by the FAL Convention.

4.4 IMO FAL Recommended Practice 1.7 – When planning for, introducing, or modifying EDI techniques for clearance processes, public authorities should:

- Afford all interested parties, from the outset, the opportunity for consultation.
- Evaluate existing procedures and eliminate those which are unnecessary.
- Determine those procedures which are to be computerized.
- Use United Nations recommendations and relevant ISO standards to the maximum extent practicable.
- Adapt these techniques for multimodal applications.
- Take appropriate steps to minimize the cost of implementing these techniques to operators and other private parties.

4.5 IMO FAL Standard 1.8 – Public authorities, when introducing EDI techniques to assist clearance processes, shall encourage their use by maritime operators and other parties concerned but shall not reduce the levels of service available to operators who do not use such techniques.

4.6 IMO FAL Recommended Practice 4.12 – Public authorities should use EDI techniques for the purpose of obtaining information in order to accelerate and simplify clearance processes.

Recommendation on FAL Forms in electronic format

General

IMO FAL Standard 2.1 – Public authorities shall not require for their retention, on arrival or departure of ships to which the convention applies, any documents other than those covered by the present section.

- General Declaration
- Cargo Declaration
- Ship's Stores Declaration
- Crew's Effects Declaration
- Crew List
- Passenger List
- Dangerous Goods Manifest

Moreover: The document required under the Universal Postal Convention for mail.

- Maritime Declaration of Health

Note: On the following pages an outline will be given concerning the layout of the seven FAL Forms and their electronic equivalents.

IMO GENERAL DECLARATION

IMO GENERAL DECLARATION

IMO Convention on Facilitation of International Maritime Traffic

☐ Arrival		☐ Departure
1. Name and description of ship		2. Port of arrival/departure
		3. Date - time of arrival/departure
4. Nationality of ship	5. Name of master	6. Port arrived from/Port of destination
7. Certificate of registry (Port: date: number)		8. Name and address of ship's agent
9. Gross tonnage	10. Net tonnage	
11. Position of the ship in the port (berth and station)		
12. Brief particulars of voyage (previous and subsequent ports of call; underline where remaining cargo will be discharged)		
13. Brief description of the cargo		
14. Number of crew (incl. master)	15. Number of passengers	16. Remarks
Attached documents (indicate number of copies)		
17. Cargo Declaration	18. Ship's Stores Declaration	
19. Crew List	20. Passenger List	21. Date and signature by master, authorized agent or officer
22. Crew's Effects Declaration*	23. Maritime Declaration of Health*	
For official use		

IMO FAL
Form 1

* Only on arrival.