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Mr. Yasin Tahir
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Federal Tax Ombudsman Secretariat
5-A, Constitution Avenue
Islamabad.

Subject: **Matters Relating to Investigation of Containers in Transit to Afghanistan**

Kindly refer to your letter no. 1/2010 dated 7th December 2010 on the above subject.

2. The following paper based documentation is maintained both at the originating as well as destination customs stations according to laid down customs procedures:

At originating customs station

- Submission of Goods Declaration Form
- Affixing of 'Out of Charge' Stamp after necessary verifications
- Affixing of seal and filling up of Form-A for each sealed container by customs staff
- Maintenance of Gate Out record for each container by customs staff

At destination customs station

- Inspection of seal and document the status (known as 'de-sealing') for each container
- If any tampering of seal is observed, filling up of Form-D and initiating necessary action against the responsible
- With respect to Commercial Afghan Cargo destined for Amangarh, City Transit Station Peshawar and Cantt Station Peshawar, goods are loaded on Afghan Trucks and movement of trucks in convoy is carried out under customs escort.
- As consignments cross the border, cross border stamp is affixed to mark the completion of procedure

3. A transaction or an event can be captured in a computerized system in any of the following manners:

a) In a complete automated manner without any human intervention, by integrating the computerized system with a reading, measuring, sensing, scanning or tracking device. Examples of this are:

i. Capturing of the weight of a container
ii. Scanning the contents of a container.
iii. Recording the movement of a container by any of the following methods: Container Number Recognition, RFID Sensing or Satellite Tracking.

This method of transaction recording is very accurate but is generally expensive and depends on high reliability, availability and security protection of the system. It cannot work where availability of the system is vulnerable to power outages, communication system breakdowns and tampering and sabotage of the equipment.

b) An interactive / online system in which a transaction is recorded through human input but the recording process is interwoven in to the business process in a manner that the business process stops if the transaction is not recorded on the system. Examples of this type are:

i. Filing of Goods Declaration
ii. Recording of appraisement decision
iii. Recording of examination report.

Such systems are also fairly expensive and require uninterrupted availability of the computerized system during the business hours, supported by reliable electric power and communication links. Preponderantly, transaction processing in Pakistan Customs, as in many or most other Customs Administrations, relies on this method. The reason is that most important customs transactions are inherently of interactive nature (like Goods Declaration filing, appraisement and examination) and do not lend themselves to the completely automated model.

c) The third method is to capture the transaction in a batch data entry environment after it has occurred (post-event) for statistical reporting or management control purposes. Such systems are used where due to cost, security or infrastructure issues, the interactive/on-line method is not feasible. In Pakistan Customs this method is still being used at a limited number of locations where any of the following issues are faced:

i. Unreliable infrastructure
ii. Security constraints which endanger equipment and personnel

iii. Workload is so low that the cost of an online/interactive system is not justifiable.

4. The third method is fraught with several data quality and reliability issues, as follows:

i. There is no guarantee that the data will be captured after the event has occurred.

ii. If at all the data is captured there are minimal data validation checks because the transaction is recorded in an isolated manner outside the business work flow. The cross-matching checks available in an on-line workflow environment are not practically enforceable in an off-line situation.

iii. If there are data transcription errors between the original event and the intermediate data recording paper documents then the accuracy of the data is permanently lost.

iv. If there are data punching errors between the intermediate data recording documents and the computerized system then an almost endless cleansing effort is needed.

5. The automation of the Afghan Transit system has to be seen in the context of the above three transaction processing methods. In the Karachi area, where most or all of the transit consignments originate, the processing conforms to the interactive/online model. But as the consignment moves out from Karachi the interactive/on-line gives way to the batch post-event recording model, with all the attendant ramifications discussed above. Pakistan Customs has come a very long way from the batch data capture model at most of its locations and we today have some of most sophisticated on-line/interactive systems available anywhere in the world. However, this is not true for locations like Torkham and Chaman where we have been bedeviled with security and infrastructure issues. This was certainly the case in the timeframe relating to your queries. The flip side of our rather impressive overall progress with automation is that it creates an unrealistic expectation that our systems are as sophisticated in Chaman and Torkham as they might be in Karachi and Lahore.

6. The analysis made in the reference letter is correct to the extent of what is available in the system, as constrained by the limitation of the data capturing mechanism, **it however does not reflect that so many containers have gone missing or are unaccounted for because of the reason discussed above**. Primary mode of reconciliation at Torkham and Chaman is still paper-based / manual.

7. More recently, strenuous efforts are being made to improve the physical infrastructure and security at the various locations dealing with the transit trade in order to progressively shift the load to the interactive/online model. Concurrently, the very challenging task of capturing past transactions, which were earlier not recorded due to lack of infrastructure, has been taken up. However, this task by its very nature can only

be accomplished using the batch/post-event data capture model, which has serious limitations of data quality. For example, under this model the system cannot practically enforce the validation check that a consignment that is stated to have arrived in Torkham should actually have left Karachi. Therefore, if there is a data entry or transcription error then it creates a double discrepancy - on the one hand a consignment supposedly has not reached Torkham and, on the other, a phantom consignment has supposedly arrived at Torkham from nowhere. One can continue to cleanse this data, but this process, invariably, runs in to the law of diminishing returns and beyond a certain percentage further improvement becomes virtually impossible. It is not for nothing that organizations, including Pakistan Customs whenever possible, opt for the more sophisticated data capture methods, otherwise the batch data entry model is the least costly.

8. I hope the above detailed explanation will answer the questions raised in your kind letter.

With best regards,

(NASIR UDDIN KHAN)
Chief Executive Officer