

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:629

ANSWERED ON:03.12.2004

IMPORT OF SCRAP METALS

Chowdhury Shri Adhir Ranjan;Jha Shri Raghunath;Nedurumalli Janardhana Reddy Shri ;Nikhil Kumar Shri ;Owaisi Shri Asaduddin;Singh Baba Shri K.C.;Singh Shri Prabhunath;Singh Shri Uday

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether a large quantity of ammunition came to India in the form of scrap from Iran and Gulf Countries and landed at Kandla Port;
- (b) Whether the government has inquired into the whole case of importing live ammunition in the form of scrap in the country;
- (c) If so, the outcome thereof and the remedial steps taken or being taken by government in this regard;
- (d) Whether the government has revised the procedure in customs clearance in regard to scrap; \*
- (e) If so, the details thereof;
- (f) Whether any involvement of customs officials was found in this episode; and
- (g) If so, the details thereof and remedial steps taken or being taken by government?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Six consignments of metal scrap were reported to contain suspected war related explosive materials, had been imported from Iran, Jordan and Kuwait through Kandla Port.

(b) Yes Sir, Jurisdictional customs authorities have also conducted detailed examination of the imported scrap with the help of local Police authorities.

(c) Government have taken immediate corrective measures to prevent recurrence of such incidents by 100% physical examination of metal scrap already landed in Indian ports and further restrictions on such imports have been prescribed in the Foreign Trade Policy by the Director General of Foreign Trade.

(d)& (e) Comprehensive instructions have been issued for the clearance of metal scrap by issue of Circulars No.56/2004-Customs dated 18th October, 2004 and No.60/2004-Customs dated 26th October, 2004.

(copy enclosed as Annexure-I and II respectively).

(f)& (g) No involvement of Customs officers has been found in such imports. However, a Superintendent and an Inspector of Customs who examined and cleared the consignment of metal scrap at Inland Container Depot, Tughlakabad, relating to an explosion that took place at a steel manufacturing factory in Ghaziabad on 30.09.2004, have been suspended.

CIRCULAR NO. 56004-Cas  
F.NO.45G/108/2004-CUS-IV  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Excise & Customs

New Delhi, dated the 18 October, 2004

To,  
All Chief Commissioner of Customs,  
All Chief Commissioner of Central Excise,  
All Chief Commissioner of Customs & Central Excise,  
Director General > Directorate of Revenue Intelligence  
webmasterfolcbe.gov.in  
editor@foxinriiflonline.com  
elt.ce3atax1@spectarnet.com

Sir,

Subject:- Clearance of imported metal scraps - Procedure regarding.

I am directed to say that till date following Circulars/instructions have been issued relating to the procedure for clearance of imported metal scrap, namely:-

(i) 43/95-Cus.dated 26.4.1995

(ii) 46/97-Cus. dated 6.10.1997

(iii) Chairman`s letter D.O.F. No. L-6390/CH(EC)/2004 dated 11.10.2004,

2.The whole issue has since been reviewed in the background of the recent explosion at the premises of a scrap importer at Ghaziabad resulting in the death of ten persons. Consultations have been held with the concerned Ministries, name],;.Commerce & Industry, Home, Shipping, Steel and External Affairs Discussions have also taken place between the concerned Trade Associations and the Government of India. Keeping all these aspects in mind, and in supersession of all existing instructions on the subject, it has been decided to follow the following procedure for clearance of imported metal scrap(both ferrous and non-ferrous).

3. The metal scrap may be divided in two categories, namely:-

(1) Category-1;- Scrap which has already landed in India and that which has left its port- of origin on or before 25.10.2004, and which has not yet been cleared from a customs port, ICD/CFS or LCS,

(ii) Category-2:- Scrap which is to be loaded for shipment to India after 25.10.2004.

4. In respect of Category-1 the following procedure will be followed:-

(i) Metal scrap would be cleared after 100% physical examination. Depending upon the congestion at the Port/ICD, the availability of manpower and the antecedents of the importer, the concerned Commissioner of Customs or Commissioner of Central Excise, as the case may be, may permit the importer to remove the sealed container at his own risk and cost to his factory premises under re-warehousing procedure. The Central excise officer having jurisdiction over the manufacturer-importer would ensure 100% physical examination of the consignment. Thereafter, the re-warehousing certificate will be sent back to the port/ICD of clearance for reconciliation. The local Central Excise Officer may requisition the services of the local police for their advice/guidance or presence during the physical examination of the scrap. The cost, if any for requisitioning the services of the police or para-military forces would be borne by the importer-manufacturer. The Ministry of Home Affairs have already written to the Chief Secretaries/Home Secretaries of all States and UTs vide their fax message No, L11034/318/04-ISJV dated 15.10.2004

(copy enclosed), to provide necessary police assistance to Customs as and when requested. This facility of examination at the importer's premises will not be available to traders.

(ii) Similar procedure will be followed for examination of metal scrap consignments at the ports/ICDs/CFSS/LCSs where it is decided to do Hie examination at the port/ICD/CFSS/LCS itself instead of allowing it to be done at the manufacturer-importer's premises.

5. As regards Category-2, i.e. future imports of metal scrap, the following procedure will be followed, namely;-

(i) Import of metal scrap in shredded form will be permitted through all ports/ICDs/CFSS/LCSs without any pre-shipment inspection certificate.

(ii) Import and clearance of metal scrap in unshredded, compressed or loose form would be permitted only at the following customs stations. Such consignments need not be shifted to the premises of the importer (except for EOU and SEZ units). Efforts should be made, with the help of port authorities/custodians, to identify and segregate an open area for storage and examination of metal scraps at these customs stations.:-

1. Chennai,
2. Cochin,
3. Ennore,
4. MPT,
5. Kandla,
6. Mormugap,
7. Mumbai,
8. New Mangalore,
9. Paradips
10. Tutirocin
11. Vishakhapatnam,
12. ICD, Tughlakabad, New Delhi,
13. Pipava,
14. Mundra, and
15. Kolkatta.

(iii) In all future cases, metal scraps in unshredded, compressed or loose form will have to be accompanied with a pre-shipment inspection certificate as per format in Annexure-1 to Appendix- 8 from any of the Inspection and Certification Agencies given in Appendix-28 of the Handbook of Procedures (Vol.11). It may be noted that for such scrap in unshredded, compressed or loose form, this pre-shipment certificate will be required irrespective of the fact whether or not the consignment has originated from a country affected by war or rebellion.

(iv) In respect of metal scrap in unshredded, compressed or loose form accompanied by a pre-shipment inspection certificate as detailed in clause

(iii) above, examination will be 25% of the containers in respect of manufacturer-importers and 50% in respect of traders, for each import consignment, subject to examination of a minimum of one container. The container selected will be examined 100%. Where EDI is operational with Risk Management Module (RMM), the percentage of examination will be determined by the RMM.

(v) For metal scrap in unshredded, compressed or loose form imported in future if not accompanied by the prescribed pre-shipment inspection certificate, will be subject to 100% examination apart from stringent penal action for violation of provisions of the Foreign Trade Policy. The examination may be done in the presence of police authorities, if considered necessary by the Commissioner, at the risk & cost of the importer.

(vi) For scrap imported in shredded form examination may be limited to 10% of the consignment subject to examination of minimum one container. The container so identified should be examined 100%.

6. In respect of metal scrap consignments meant for EOUs and SEZ units the existing procedure may continue subject to 100% examination at the premises of the EOU or the SEZ unit, in the presence of police authorities, if considered necessary by the proper officer. Imports of scrap in unshredded, compressed or loose form (after 25.10.2004) will, however, be allowed for EOU/SEZ units only through the above 15 customs stations .

7. It will also be the responsibility of the shipping line to henceforth ensure that every consignment of metal scrap in unshredded, compressed or loose form is accompanied by such a pre-shipment inspection certificate before it is loaded on the ship. Failure to observe this precaution would invite penal action for abetment regarding irregular import of metal scrap.

8. The DGFT has since amended para 2,32 of the Handbook of Procedure

(Volume-I) vide, their Public Notice No.16/2004-09 dated 15.10.2004.

9. It may be noted that under the Home Ministry's fax message dated 15.10.2004 the State Governments have also been advised to give 15 days grace period to the importers and factory owners to voluntarily declare the existence/discovery of any shells/explosives in the metal scrap lying in their premises.

10. These instructions may be implemented forthwith to ensure quick evacuation/clearance of consignments of metal scrap lying at various customs stations.

11. The difficulties, if any, in implementing these procedures, should immediately be brought to the notice of the Board.

12. The above guidelines may be brought to the notice of the Trade immediately through appropriate Public Notice/Trade Notice.

13. Receipt of this Circular may kindly be acknowledged.

14. Hindi version will follow.

Yours faithfully

(D.S. CFarbyal)  
Under Secretary to the Government of India  
Phone No.23094182

End: As above

To:

1. PS to Chairman (E&C),
2. Ail Members, CBEC
3. CDR,CESTAT , .
4. All Directorates, CBEC
5. All Commissioners, CBEC
6. All Joint Secretaries/Directors/Deputy Secretaries, CBEC
- 7 All Under Secretaries/STOs/TossCBEC
8. Guard file.

(D.S. Garbyal)  
Under Secretary to the Government of India  
Phone No.23094182

MOST IMMEDIATE  
FAX MESSAGE

FROM : HOME, NEW DELHI

TO : CHIEF SECRETARIES/HOME SECRETARIES OF ALL STATES AND UTs

REPEAT; DsGP OF ALL STATES AND UTs  
PRINCIPAL SECRETARY (HOME), GOVT. OF NCT OF DELHI/COMMISSIONER OF POLICE, DELHI (THROUGH SPL MESSENGER)

NO.1.11034/18/04-IS.IV DATED 15-10-2004

THIS IS IN CONTINUATION OF THE EARLIER FAX MESSAGE OF EVEN NUMBER DATED 13-10-2004(.) IN AN INTER-MINISTERIAL MEETING CHAIRED BY THE UNION MINISTER FOR COMMERCE TODAY, IT WAS DECIDED THAT THE STATE GOVERNMENTS SHOULD BE ADVISED TO GIVE 15 DAYS GRACE PERIOD TO THE STEEL AND IRON FACTORIES TO CARRY OUT INSPECTIONS AND VOLUNTARILY DECLARE EXISTENCE/DISCOVERY OF SHELLS/EXPLOSIVES IN THE METAL SCRAP LYING IN THEIR PREMISES (.) IN CASE, THIS IS NOT DONE BY THEM AND SUBSEQUENTLY THE EXPLOSIVES ARE DETECTED IN THE METAL SCRAP LYING WITH THEM, PENAL ACTION UNDER THE RELEVANT LAWS SHOULD BE TAKEN AGAINST THEM (.) THIS HAS BEEN CONSIDERED NECESSARY TO ENSURE PUBLIC SAFETY IN VIEW OF THE FACT THAT SUCH SHELLS/EXPLOSIVES1 HAVE BEEN FOUND IN PUBLIC PLACES LIKE ROADS, RIVER BEDS ETC. (.)

2. THE STATE GOVERNMENTS ARE ALSO REQUESTED TO INSTRUCT THE DISTRICT POLICE AUTHORITIES TO RENDER ASSISTANCE TO THE CUSTOMS AUTHORITIES AS AND WHEN THEIR SERVICES ARE SOLICITED BY THE LATTER FOR CARRYING OUT CHECKS FOR SHELLS/EXPLOSIVES IN THE METAL SCRAP AT THE PREMISES OF STEEL AND IRON FACTORIES. OR AT CERTAIN IDENTIFIED PLACES//

(LC GOYAL)  
JOINT SECRETARY (IS)

NOO

Copy for information to:

1. Shri K T Chacko, DGFT, Ministry of Commerce and industry.
2. Shri Siddharth Kak, Member (Customs), CBEC, North Block, New Delhi.

CIRCULAR NO. 60/2004-Cus  
F.No.450/108/2004-CUS-IV  
Government of India  
Ministry of Finance  
department of Revenue  
Central Board of Excise & Customs

New Delhi, dated the 26th October, 2004

To,

All Chief Commissioner of Customs,  
All Chief Commissioner of Central Excise,  
All Chief Commissioner of Customs & Central Excise,  
Director General, Directorate of Revenue Intelligence  
webmaster@cbec.gov.in  
editor@taxindiaonline.com  
elt.centax@spectarnet.com

Sir,

Subject : Clearance of imported metal scraps-Procednre regarding.

I am directed to invite your attention to the Board's Circular No.`5672004-Cus, dated 18th October, 2004 on the above mentioned subject and to say that the Directorate General of Foreign Trade vide Public Notice No. 18/2004-09, dated 21.10.2004 have further amended the Para 2.32

(i)(I) of Handbook of Procedure (Vol.1).

As per this the requirement of pre-shipment inspection certificate to be accompanied with the imported metal scrap in unshredded, compressed or loose form should be as per the format in Annexure-I to Appendix-28 and not Annexure to Appendix-8 as notified by DGFT's vide Public Notice No. 16/2004-09, dated 15.10.2004- Accordingly, the Board hereby makes following amendment in the Circular No.56/2004-Cus, dated 18,10.2004.

In para 5

(iii), for the portion beginning with the word and number `Annexure-1` and ending with the words, brackets and number ` Handbook of Procedure (Vol.II)`, the following shall be substituted,

namely:-

` Annexure-1 to Appendix-28 from any of the Inspection and Certification Agencies given in Appendix-28 of the Handbook of Procedures (Vol. I) ?.

2. Further, the field formations have also expressed doubts regarding para4

(i) of the Board's Circular No.56/2004-Cus, dated 18,10.2004 as to whether in such cases the containers should be allowed to be removed after payment of Customs duty or in bond. It is clarified that such facility has been provided to manufacturer importers of metals scrap which have landed on or before 25.10.2004, keeping in mind the congestion at port/ICD. The containers may be allowed to be removed to premises of manufacturer importer only for examination purpose whereas the Customs duty has to be pre-deposited by the importer before removing the containers from Port/ICD.

3. The above instructions may be brought to the notice of the Trade immediately through appropriate Public Notice.

4. Receipt of this Circular may kindly be acknowledged.

5. Hindi version will follow.

Yours faithfully  
(D.S.garbyal)  
Under Secretary to the Government of India  
Phone No.23094182

To:

1. PS to Chairman (E&C),
2. All Members, CBEC
3. CDR, CESTAT
4. All Directorates, CBEC .
5. All Commissioners, CBEC
6. All Joint Secretaries/Directors/Deputy Secretaries, CBEC
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