



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

Media Statement by the Minister of Finance

Implementation of the new Customs Systems Modernisation Programme

22 August 2013 —The National Development Plan (NDP) provides the strategic framework to put our economy onto a new growth trajectory with a strong emphasis on lowering the cost of doing business in South Africa, improving our competitiveness and exports, and linking our products with other emerging markets.

1. Objectives of the NDP

Some priorities the NDP emphasises to improve economic performance and competitiveness include—

- Raising exports while taking steps to prevent excessive overvaluation of the currency
- Taking measures to increase competition in regulated sectors or broadening price regulation in sectors that are natural monopolies
- Lowering the costs of transport and logistics and investing in remedies to address spatial divides

In particular, fast-growing African economies represent strong growth opportunities and new markets for South African goods. The NDP targets an increase in intra-regional trade in Southern Africa from 7 per cent to 25 per cent of trade by 2030 and that South Africa's trade with regional neighbours should increase from 15 per cent of total trade to 30 per cent. To achieve these targets, South Africa will, among other measures, have to reduce delays at border posts.

A number of reports, including a 2010 study by the World Bank, identify inefficient customs procedures at border posts, which raise the cost of moving goods, as a key barrier to greater regional integration. The need to capture and verify large quantities of data at border posts and poor border post infrastructure give rise to costly delays for business.

Over the past weekend, starting on Friday 17 August 2013, the South African Revenue Service (SARS) implemented a major component of an ambitious Customs management system which converted some 26 older legacy and paper-based systems into a fully automated and centralised processing system for all commercial trade across our borders.

2. Reducing Red Tape—

The new Customs management system centralises the clearing of all import and exports declarations using a single processing engine. The new automated management system replaces a variety of older systems and paper-based, manual administrative processes. By managing Customs declarations and supporting documents in electronic format, the processing of cargo movements by land, sea and air will now be much quicker and more accurate.

It was successfully implemented and became fully operational by 6pm on Saturday 18 August 2013, some 24 hours ahead of SARS’s own scheduled deadline. Despite the many complexities of the conversion process, the switch-over caused no disruption to the flow of commercial trade at border posts.

The new Customs manage system will have significant benefits for importers, exporters, clearing agents and trade facilitators and will make our economy and commercial trade more competitive globally.

During the 2012/13 fiscal year more than 4.3 million containers moved across South Africa’s borders, representing R2.5 trillion worth of trade. Previously SARS Customs would have utilised around 16 million pieces of paper to process the 5.5 million declarations it would have received from commercial operators over this period.

3. The Benefits to Business and the Impact on Trade—

All of these administrative processes are now replaced by a single processing engine and a new automated management system for all commercial cargo which will:

- Reduce the use of paper – end-to-end paper reduction of up to 95%
- Automation – the introduction of electronic declarations and mobile inspections (iPods)
- Simplification – reduce the administrative burden for traders as no supporting documents are required from traders unless requested because of risk identification
- Better Security and Risk detection – Customs now receives advance information about consignments from traders and can assess risk in advance using third party data verification (similar to the income tax system)

In 2010, the Durban Citrus Growers’ Association estimated that border delays in the region cost growers US\$10 million each season.

According to one international academic study the benefits to business move to automation and from a paper-based to paperless customs administration can range from 1.5% to 15% depending on the type of trade — www.nottingham.ac.uk/credit/documents/papers//08-05.pdf

The SARS customs management system offers the following benefits to businesses—

Parameter	Before	After
Paper	16 M pieces of paper used in end to end declaration processing	Approximately 800 K pieces of paper used, mainly for manifest processing

Inspection Processing	Between 4 and 8 hours to process a physical inspection	Physical inspections completed on average within 2 hours
Supporting Document Process	Supporting documents were driven to Customs offices and handed in for processing which could take hours	Electronic submission of supporting documents is instantaneous, from the desk of the trader to the desk of the Customs officer.

4. Improving Competitiveness—

In its global report on the ease of doing business, The World Bank ranked South Africa in 39th amongst 185 economies in 2013. The ranking takes into account factors like the administrative obstacles to start a business, getting electricity, registering property, paying taxes and trading across borders.

“Through its customs modernisation programme it implemented measures that reduced the time, cost and documents required for international trade. Improvements in South Africa have effects throughout Southern Africa,” the World Bank stated in its global report *Doing Business 2013*.

The new Customs management system is the beginning of a new process to create a better interface with customs authorities in neighbouring countries. We have implemented an interface system with Mozambique and discussions are underway with Zimbabwe. The improved interface of customs systems will reduce the time it takes to clear the flow of goods across borders.

5. Better Risk Detection and Border Security—

The improved information flow combined with sophisticated risk engines allow for more accurate targeting of illegitimate goods from dishonest traders while at the same time facilitating the movement of legitimate products from honest traders. The Customs risk engines have been enhanced with collaboration with NEDLAC to look for goods that have been declared at very low value. This has been particularly successful as we have seen the declared value of specified commodities increasing by about 25%.

6. Engaging Industry Stakeholders—

SARS followed an extensive process of engagement with industry stakeholders before implementing the new system. Trade stakeholders and their service providers were involved in the development and testing of the new system over the past year. Since implementing the new systems changes, the response from industry stakeholders have been overwhelmingly positive—

“When SARS embarked on the modernisation journey, it was clear that there would be baby steps and some giant leaps... The planning, inclusion and the intensive testing with key supply chain industry members can only be commended. The results speak for themselves, minimum interruption to the supply chain and a couple of blinks later, success...” – Mr Currie Pisapia, Customs Portfolio Manager, Bidvest Panalpinia Logistics, a Clearing and Freight-forwarding company.

“Congratulation to you and your team on the successful implementation of Project Interfront over the weekend...” – Mr Dave Logan, CEO of the South African Association of Freight Forwarders.

7. Post-Implementation Statistics—

Since implementation the new Customs management system entered a stabilisation process which is expected to last three to six months to cater for the cyclical nature of import and export declarations. Customs will then look to use the new management system as a platform for further enhancements to its operations.

The following trade activities have proceeded without interruption—

- **Import Declarations Processed:** close to 39 000 since the introduction of the new system
- **Export Declarations Processed:** more than 55 000 since the introduction of the new system on Saturday 17 August 2013.
- Both import and export declarations represent more than 500 000 consignments that were declared and processed
- Goods with a total trade of R40 billion moved through South Africa's borders since implementation
- More than R2.5 billion have been collected in duties – R1.9 billion in VAT and R600 million in customs duties

ENDS.

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