

## KEYNOTE ADDRESS BY ACTING COMMISSIONER MARK KINGON

At the South African Association of Freight Forwarders (SAAFF) Congress

29 August 2018

Board of directors of the South African Association of Freight Forwarders,

The Chairman of SAAFF, Mr Basil Pietersen,

CEO of SAAFF, Mr David Logan,

Distinguished guests,

Esteemed colleagues,

Senior SARS Officials,

Representatives of the SAAFF,

Members of the media,

Ladies, gentlemen and friends,

The global Customs community celebrates International Customs Day every year on 26<sup>th</sup> January. The World Customs Organisation usually announces a theme around which customs officials across the globe rally and this informs their activities throughout the year. The theme for 2018 is **“A secure business environment for economic development.”** This theme enjoins customs authorities and various players in the supply chain, including SAAFF members, to collaborate in ensuring that governments are assured that the supply chain is secure and free of any threats related to both physical and economic security, while facilitating legitimate trade flows across borders to enhance competitiveness and economic development.

It is for this reason that I am grateful for the opportunity to say a few words at this important gathering and to share our perspective broadly as it relates to SARS and in particular, our customs operations. I am here with some of my Customs colleagues led by I'm sure a familiar face to many of you, Mr Beyers Theron, the Acting Chief Officer for Customs and Excise.

Meaningful and pragmatic engagements with various stakeholders impacted by our operations are a critical part of our stakeholder management strategy. I am therefore here not only to share a few thoughts but more importantly to listen to you and receive your frank

feedback on how we are facilitating a seamless flow of legitimate trade by your clients. I am also keen to understand some of your key concerns and areas where you think we can improve our performance.

I believe that both SARS and SAAFF share a common objective of contributing to economic development by making it as easy as possible for legitimate trade to flow through our ports of entry, while also rooting out unscrupulous players that pose a risk to the supply chain. Given the continuous engagements we have had with SAAFF throughout the years, I am convinced that you share my view that for us to achieve this objective, we need to see it as a joint responsibility between government and the private sector. I can assure you that the SARS leadership is committed to fulfilling this responsibility and we are grateful to have a willing partner in SAAFF and all its members.

We should be frank and open in our engagements with a view to identifying areas of concern on both sides and practically addressing them in a measurable manner. It is in this vein that I welcome your public submission made to Judge Robert Nugent's Commission of Inquiry into tax administration and governance at SARS. We have noted the various issues raised in your submission and I have requested the Customs leadership to take full account of its content and ensure that we address your concerns.

### **Economic Overview**

If I may reflect on the economic context within which we operate in South Africa, which is heavily influenced by global developments. The economy continues to grow at a rate that is not sufficient for the government to address the various challenges, chief amongst them being job creation. Government has announced a number of interventions to stimulate the economy and to cushion the poor from some of the negative impacts, such as the increased cost of living. Actions are also underway to address governance issues across government departments, agencies and State Owned Enterprises. All these efforts are aimed at ensuring that South Africa is viewed as an attractive and competitive market for trade and investment which will in turn translate to enhanced returns for South African companies in the local and global markets. This will have a direct impact on enhancing economic growth and improving prospects for millions of South Africans who yearn for a better future for themselves and their children.

In order to bring our fledgling economy to life, government, business, labour and civil society require a partnership where everyone plays their part in enhancing economic growth and protecting South Africa from any negative outcomes. In relation to the administration of

international trade across our borders and the collection of much-needed revenue, SARS is continuously enhancing its operations and these include:

- Providing a seamless and responsive service to all our clients;
- Enhancing our processes and leveraging technology to make it easier for compliant clients to discharge their fiscal responsibilities; and
- Comprehensively addressing non-compliance and illicit activities that pose a risk to South Africa's economic and physical security.

In the same vein and in partnership with SARS, we expect SAAFF and its members to play their part in ensuring that:

- Trade in and out of our country is compliant with relevant customs requirements;
- Any inefficiencies are brought to the attention of the SARS leadership at various levels; and
- Action is taken to ensure that SAAFF members continuously enhance their knowledge and skills in relation to customs requirements and SARS is informed of any blatant non-compliance and illicit activities.

It is only in this collaborative manner that we will be able to make a meaningful contribution to the growth of our country whilst protecting its people from the negative effects emanating from illicit activities.

### **SARS priorities**

I would like to share with you some of the initiatives that we are busy with at SARS in an effort to enhance our operations and to improve our service proposition. I will talk about initiatives across SARS and later on focus specifically on those that relate to our Customs and Excise operations.

- Given recent events around SARS, we realise that we have a huge task ahead of us to regain trust and confidence from the South African public. We are working hard in this regard and some of our initiatives include renewed engagements with various groups, from trade bodies to labour representatives, so that we can listen to their concerns and ensure that they are addressed. We are cognisant that the only way to gain your confidence is to ensure that when you raise concerns these are addressed efficiently and speedily with demonstrable results.
- In an effort to enhance efficiency and provide a better service to large businesses, we are considering reinstating the Large Business Center that will deal with tax affairs of all major companies. This has benefits for large, medium and small

business. Large businesses with complex tax affairs will receive dedicated focus and support, while the bulk of our officials are freed up to pay more attention to servicing medium and small businesses.

- You may be aware that the illicit economy, which includes the cross-border flow of various commodities and funds, poses a serious risk to South Africa both in terms of physical security but also in undermining the government's ability to protect South African and raise the necessary revenue to carry out its developmental mandate. SARS has recently adopted a comprehensive illicit economy strategy and we will be looking to SAAFF and its members to support us as we root out criminal syndicates taking advantage of our trade supply chain.
- Discussions on the establishment of Border Management Agency are ongoing and SARS together with other government departments has made contributions towards a solution that will enhance cross border movement of people and cargo whilst bolstering a whole-of-government capability in tackling illicit activities. We believe that we should all leverage information technology and process alignment to collectively increase efficiency at our borders.

### **Customs Priorities**

Allow me now to come to an area of our work that is most relevant to you, Customs. First and foremost we have done some introspection, also informed by your continuous feedback, which we appreciate. We are in no doubt that our operations are not as efficient as they can be and we believe there is room to enhance the way we do our work. This has to be done to limit disruptions to legitimate trade and reduce the cost of compliance whilst making it very difficult for unscrupulous operators in the trade supply chain. Some of the key shifts we want to make and that will inform our strategy in the long-term include the following:

- **Adapting our perception of the border:** We need to move from viewing the border as just a point of entry or exit to a supply-chain approach that views the border as a continuum. This means that we need to leverage partnerships with you and the various players in the supply chain in order to receive information about goods entering and exiting South Africa well in advance before they are presented at one of our ports of entry. We also need to leverage cooperation arrangements that we have with our fellow customs administrations across the globe to ensure that we have as much information as possible about cargo and their conveyances as early as possible to conduct effective risk assessment.

- This in turn means that the way we conduct **our interventions will change** over time. Instead of putting most of our efforts into the moment when goods reach our borders, we will enhance our focus on the various strands of 3<sup>rd</sup> party data from private sector and government sources, both locally and internationally, to intervene at the border only when the risk of non-compliance is high. In cases of compliant movement of goods, we intend to use Post Clearance controls as an assurance measure.
- We are going to focus on **enhancing the skills and knowledge** of our Customs officers. In addition to this, we will enhance recruitment and career progression for customs officers, with integrity being at the core of our on-boarding and continuous activities. We still maintain a zero tolerance for corruption and as you are aware this involves both customs officers and willing participants in the private sector. We are confident that we will continue to work in partnership with SAAFF and other role players in rooting out these criminal elements who impose a very high price to the development of our country.
- We are going to enhance the understanding our officers have of the impact of our interventions in the broader economy to ensure that we provide a **better service to you**. Our role is to facilitate and control trade, but we must do it in a way that recognises that legitimate trade contributes to the growth of the economy and any unwarranted delays and unnecessary intervention inflict a very high cost, not only to your members but to the economy as whole. We strive to work with you to inculcate a culture of service and resolution of complaints in an efficient manner. We recently published our new Service Charter which outlines standards we commit ourselves to, and I encourage you to hold us accountable to those standards. Our efforts in this regard will be greatly enhanced and complemented by your own efforts in ensuring that your members espouse high levels of compliance with customs regulations.

In order to achieve these objectives, we have started work in various areas including the following:

- Implementing the New Customs Acts Programme which includes ensuring electronic reporting of cargo and conveyances along the supply chain, enhanced registration processes and an enhanced declaration system that will address specific headaches for trade. Mr. Theron will provide a more comprehensive update on NCAP later on today.

- To enhance the resolution of operational concerns from our clients, we recently launched a National Operations Forum with regional representation from SARS and the private sector. Since its establishment the forum has proved very effective in highlighting inefficiencies and we are serious about addressing your concerns.
- Enhancement of the Customs risk engine to enable us to better use information to target non-compliant cargo with an added benefit that low risk cargo will be facilitated through our borders. We are also enhancing our Preferred Trader programme with a view of migrating to an Authorised Economic Operator (AEO) programme so that South African AEOs can also in future benefit from mutual recognition arrangements with key trading partners. Since the PT programme was officially launched in 2017, 63 clients have now been granted accredited Preferred Trader status.
- We are moving to a risk-based, supply-chain-wide enforcement approach which will tie in with our illicit economy strategy and we have identified economic sectors that require our urgent attention. We intend to get better at understanding the players and trends in particular sectors with a view of making it easy for those who are compliant, while disrupting and in some cases shutting down criminal syndicates. We will also be adopting both a SARS and government-wide approach to increase our chances of flushing out criminal elements from the economic system.
- At a very practical level we have started conducting a comprehensive review of our processes, starting with our Declaration and Inspection processes. You will agree with me that these are two processes that account for most of our complaints and inefficiencies. The aim is to identify gaps in these processes, which may be in the form of lack of skills, standard operating procedures that are not clear or adhered to, system enhancements that may be required or policies that may need to be changed. We will in a pragmatic manner and incrementally make the necessary changes to address inefficiencies and we hope that you will start to see a difference soon.

Your role as partners in the supply chain is critical to our success and to making positive changes. We rely on your input and compliance in order for our work to be effective. We ask you specifically to:

- Partner with us in identifying inefficiencies and proposing creative ways for us to still fulfil our legislative mandate but also facilitate legitimate trade. We would like you to continue supporting us as we roll out NCAP into the future so that you can experience immediate benefits.
- Partner with us in our quest to enhance skills and knowledge of our customs officers. Your clients are owners of the supply chain and they know more about the supply

chain and the business world. When Customs officers have a better understanding of the business world and different business models employed, this will positively influence how they conduct their work. We in turn would like to work with you in identifying and addressing specific needs amongst your members in terms of understanding Customs regulations because the more you understand our regulations the easier it will be for us to ensure compliance.

- Work with us to isolate blatant non-compliance and be our eyes and ears in the supply chain. The more we all take responsibility for ensuring a secure and compliant supply chain, the more seamless the movement of legitimate trade will be.
- Work with us to root out corruption amongst our ranks and within your membership. As a South African you will be aware that corruption is a cancer that is causing untold damage to the future of our country and its people. We should hold hands and display a zero tolerance attitude to this criminal behaviour so that those perpetuating such acts will have no place to hide both in government and in the private sector.

## **Conclusion**

As I conclude my remarks ladies and gentlemen, I am excited and have tremendous hope for the journey ahead and I am very happy to have SAAFF and its members as partners in this journey. Our country is endowed with tremendous prospects and opportunities with people who are passionate about making a difference. Our businesses and companies are world class and a number of them are venturing into the African Continent and further afield. Opportunities and markets are opening up through our contacts and efforts as a country, whether it's the Continental Free Trade Area, our membership of BRICS or strategic relations with developed countries.

We should be ready to seize these opportunities and to collaborate in putting our best foot forward as a country. Our collaboration should inspire investors from other countries and should encourage companies to continue using South Africa as gateway into the African Continent. Seamless, efficient and secure supply chains are a critical part of making this a reality.

The efficient flow of imports and exports also means that South African consumers are not burdened by additional costs as result of border inefficiencies. Businesses which are dependent on inputs from abroad in the manufacturing processes can also compete globally and therefore create much needed job opportunities.

I look forward to your feedback at this Congress and your continued cooperation going forward so that together we can move our country forward, register tangible progress and build a solid foundation for a seamless and secure trade supply chain.

Thank you