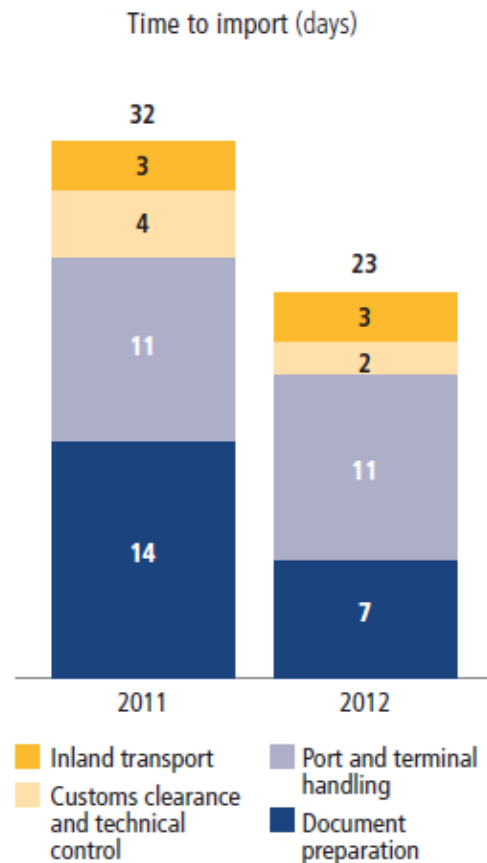


Customs

WHAT WAS ACHIEVED 2011-2015

Halved the time it takes to clear customs



Source: Doing Business database.

- Improved world ranking by 29 points
- Reduced the time, cost and documents required for international trade - 9 days reduction in time to import/export
- Improved the most in all countries in the world in the ease of trading across borders
- Improvements have effects throughout southern Africa since overseas goods to and from Botswana, Lesotho, Swaziland and Zimbabwe transit through South Africa, traders in these economies are also enjoying the benefits

Customs Modernisation

- Processing Systems
 - Replacement of the SARS Customs legacy system and legacy CCA system at land borders
 - **Cut response time from 2 hours to 7 seconds**
- Inspection Process
 - E release
 - Automated arrival and exit at gates with 2D bar code
 - Container and baggage X-ray scanners
 - Mobile inspection capability with WiFi for wireless integration
 - Sterile control areas at borders
 - New passenger processing system and automated traveller card system
 - Enhanced detector dog capability and marine units
 - Price referencing tool for undervalued imports for textiles and other industries
 - **Cut inspection time from 8 hours to 2 hours**

Customs Modernisation

- Declaration Processing:
 - E declaration with 2D bar code release instructions
 - Electronic submission of supporting documents
 - Electronic case management system
 - Improved automated risk engine with analytics and a national view
 - Centralised scarce skills for enhanced assessment
 - EDI manifest submission and manifest process system
 - SAP payment and account management and E account
 - Electronic communication with traders
 - Centralised single trader registration and bond control
 - New tariff management system
 - New electronic case management system
 - Single registrations system for tax and customs to consolidate profiles for taxpayers and traders
 - **Improved efficiency from 35 cases per person per day to 75 cases per person per day**

Dramatic Changes and Seizures

- Customs Control Act, 2014 and the Customs Duty Act, 2014 promulgated in July 2014
- Increased detector dog unit by 87 and Voted best detector dog capability in Southern Africa
- Model port project at Beit bridge border post
- Customs Preferred Trader Modernisation Programme formalised
- Introduced Marine units in Durban and Cape Town ports
- Detention of 2906 vehicles worth approximately R40, 8 million
- Detained 56 shipping containers containing clothing suspected of being illegal imports

Substantial Compliance Improvement Illicit Cigarettes

- 74.23% decrease in the use of "Warehouse for Export" from 2 billion sticks to 528 million sticks
- 57.49% decrease in "Warehousing for home consumption" from 647 million sticks to 275 million sticks
- Increase in Duty paid declarations submitted increased from 582 million sticks to 1.2 billion sticks
- Over 1 billion cigarette sticks were prevented from illegal diversion from customs warehouses as a result
- Destroyed illicit and counterfeit cigarettes, estimated to be worth R100-million
- Seized around R3 million in smuggled cigarettes which had been concealed in a fuel tanker crossing the border

Substantial Compliance Improvement

Illicit Clothing Interventions resulted in

- 16% increase in average declared unit prices of specific items imported (2012/13)
- 34.6% increase in average declared unit price of imported textiles, 30.2% increase in curtains, 23.2% increase in clothing, 19.9% increase in bed linen, 19.4% increase in toilet and kitchen linen, and 7.5% increase in blankets (2013/14)
- 23.9% increase in declared unit price of imported bed linen, 22% increase in baby clothing, 9.1% increase in curtains, 8% increase in clothing and 7.6% increase in toilet and kitchen linen

Snapshot of Compliance Improvement Narcotics

- In 8 days, 3kg of cocaine valued at around R1.5 million concealed in a lap top and 11kg of cocaine, valued at R5.5 million, concealed in three jackets, the soles of 2 pairs of sandals, and a duvet
- Crystal Meth (“Tik”) weighing a total of 200kg with a value of over R59 million 10kg of Methamphetamine / Crystal Meth (street value of R3.7M) concealed in shoes, rolls of ribbon and lever arch files
- 7kg concealed as “body wraps” under clothes, in the soles of shoes and in false bottoms in luggage, and as “bullets” which were concealed anally. More bullets were found discarded in the sewage system of one of the aircraft
- In 72 hours over 54kg of drugs were seized:
 - 28kg of “Crystal Meth”, valued at around R8.4 million concealed in a number of ladies handbags
 - Towels which had been soaked in liquid cocaine, estimated at around 9kg, and valued at just under R2.5 million
 - 80 bullets of cocaine swallowed valued at around R216 000
- 80kg cocaine, valued at over R23 million, was concealed in an “empty” truck attempting to enter South Africa from Zimbabwe – having started its trip in Malawi
- 1 to 30 April 2013 prevented just over 63 kilos of narcotics (nearly 29kg cocaine, 35kg “tik” and ephedrine, and 1.5kg heroin) valued at over R19 million from entering the country
- 1 to 31 May 2013 prevented just over 84 kilos of narcotics (nearly 81kg cocaine, 3kg “tik” and ephedrine) valued at almost R24 million from entering the country

BAIN & COMPANY DIAGNOSTIC

Inaccurate and Misleading Statements

Diagnostic Asserts

1. Customs efficiency ranked 61st out of 143 countries by World Bank
2. Transparency International rated SARS Corruption **HIGH**
3. Lack of goods control

Corresponding Fact

1. Customs was ranked at its best ever at 18th out of 160 countries in 2015 & on par with developed countries
2. Incidents of bribery of SARS **VERY LOW** compared to countries surveyed and report is outdated (2010)
3. International conventions and current legislation allow transshipment and in-transit movement of goods

Inaccurate and Misleading Statements

Diagnostic Asserts

1. Customs and Excise revenue gap is R70 Billion. Collections can be increased by R20-45 Billion pa
2. Revenue gap due to undeclared imports is R24 Billion
3. Data quoted are “self reported by staff” or “management estimations”

Corresponding Fact

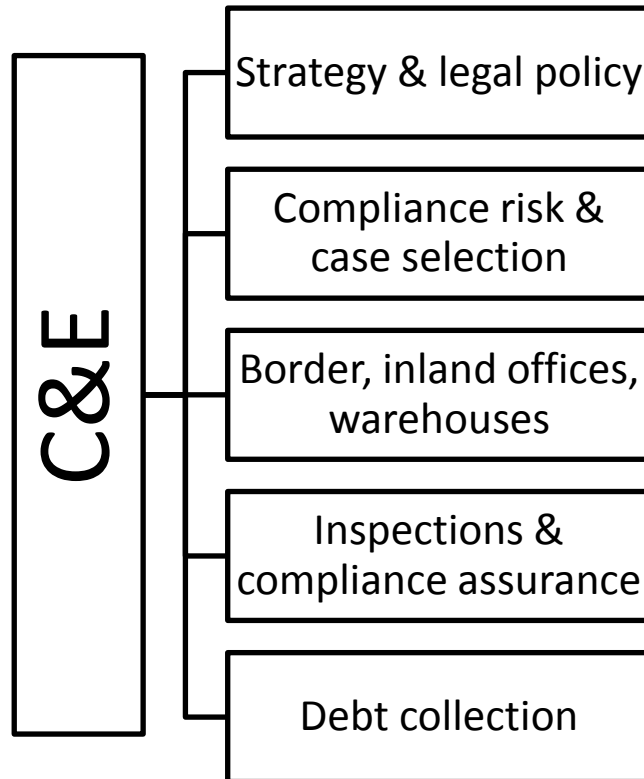
1. Revenue collections have been declining since 2015 & ended at its highest ever deficit in FY2016/17
2. Only R20 million collected over two years through the goods control project advocated by consultants & illicit goods seizures are declining
3. Data are not the same as automated production data

Limited consultation in defining customs scope

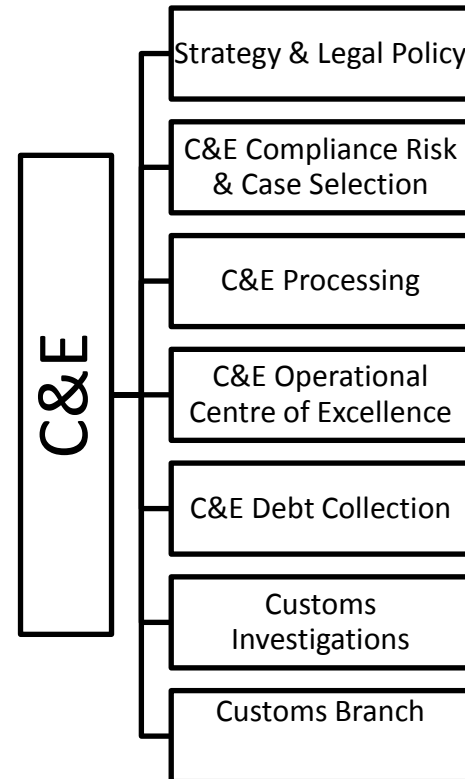
- Only one person was consulted in defining the customs scope
- International best practice, standards, frameworks, guidelines and recommendations not consulted
- 2006 WCO Diagnostic of Customs systems, procedures and structures not consulted
- Customs stakeholders not consulted
- Customs leadership team, head of modernisation and NCAP not consulted

Operating Model adopted differs substantively from proposed

Proposed



Adopted



CURRENT STATE 2018

Declining Trading Across Borders Rank

World	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Rank	147	148	149	144	115	106	100	130	139	147

Declining Revenue Collections

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Revised Estimate	R134 370	R150 170	R174 346	R175 804	R198 535	R197 998
Actual	R136 013	R151 057	R175 795	R177 981	R197 612	R194 844
Difference on Revised	+R1 643	+R888	+R1 450	+R2 177	-R924	- R3 154

Declining Illicit Trade Interventions

		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Illicit Cigarette Seizures	No million sticks	755	54	-	204	134	-
	Value Millions	R278.4m	R37.8m	-	R110m	-	-
Narcotic Seizures	No	2,937	-	-	-	-	788
	Value Millions	R200.9m	R128.4m	-	-	-	R450.7m
Clothing Seizures	No items	7,348,937	254,000	274 cases	630 cases	495,436	-
	Value Millions	R1,100m	R178.2m	R28.3m	R68.8m	R8.7m	-