



관세청  
KOREA CUSTOMS  
SERVICE

# TRS in Korea Customs

*Service standard*

**Inception Workshop on Trade and Trade  
Facilitation Performance Monitoring**

**Sang-Hyup Lee  
Korea Customs**

# Problems in Korea (1997)

## ❑ Logistics cost

- Korea 15.7%, US 10.5%, Japan 8.8%

## ❑ Major reforms needed

## ❑ Improving logistics

- Building Social Overhead Cost (SOC)

⇒ Long-term Task

- System upgrade

⇒ Short-term Task



**Key to the competitiveness of national economy**

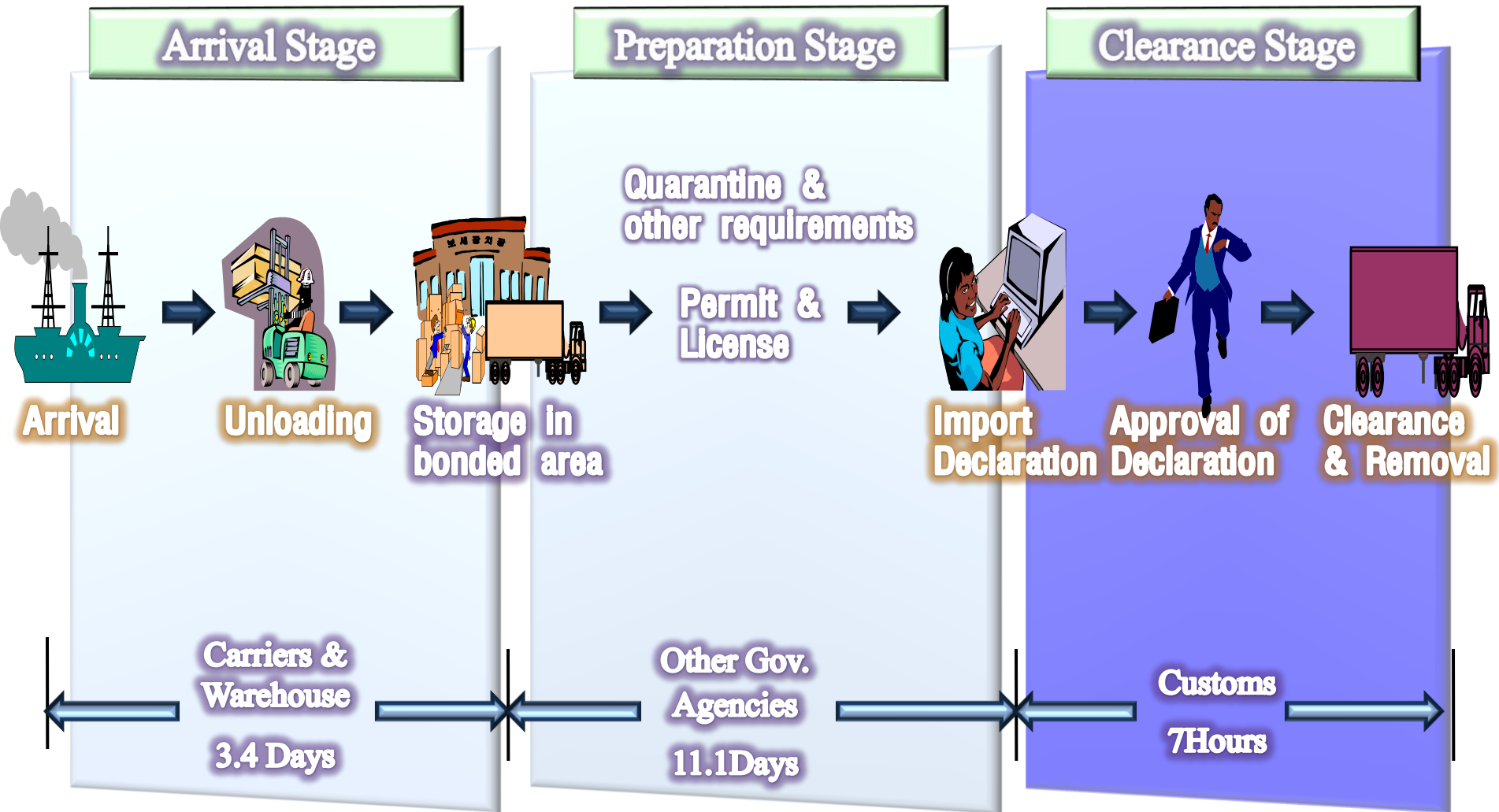
## **TRS reforms**

**I. First Phase(1997–2000) :  
Paperless Clearance**

**II. Second Phase(2003–2005) :  
Logistic Hub**

**III. Thlrd Phase (2006–) :  
Clilent– Oriented Service (CLIS)**

# First Time Release Survey (1997)





# Key Problems

**Arrival Stage**  
**(3.4days)**

- Declarations allowed only after the storage

**Preparation  
Stage**  
**(11.1 days)**

- OGA's complex requirement

**Clearance  
Stage**  
**(7 hour)**

- Paper-based checks and control

# Reforms for Improvement

## Flexible declaration system

### (1) IMPORT DECLARATION PRIOR TO ARRIVAL

- Declaration before arrival/storage was allowed  
(After departure, before arrival, before storage, etc)

### (2) ON-DOCK IMMEDIATE CLEARANCE

- Immediate clearance while goods are stored on-dock

### (3) IMMEDIATE RELEASE

- Release declarations before clearance declaration



# Reforms for Improvement

## Reducing Goods verified by Customs

- ◆ Excessive regulations totaling 41 OGA regulations
  - Regulated items : 46% in value, 52% in declarations

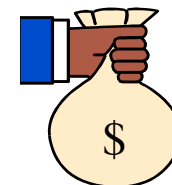
- Elimination of verification on items of little importance
  - Elimination of sixteen laws
  - Partial Elimination
- ◆ Tighten scrutiny on public health and safety items

# Reducing Goods verified by Customs

**Total Import (US\$144 billion; 2.6 million declarations)**

	Related Laws	Laws requiring Customs verification	
		Before	After
Number of laws	60	41	27
Import amount (billion)	67%(US\$97.1)	46%(US\$66.5)	23%(US\$33.9)
Number of declarations	62%(1,626,000)	52%(1,354,000)	25%(656,000)

※ based on 1997



# Reforms for Improvement

## Network Linkage with OGAs

### Paper based control

- Visiting Customs and OGAs
- Time Consuming and tedious procedures

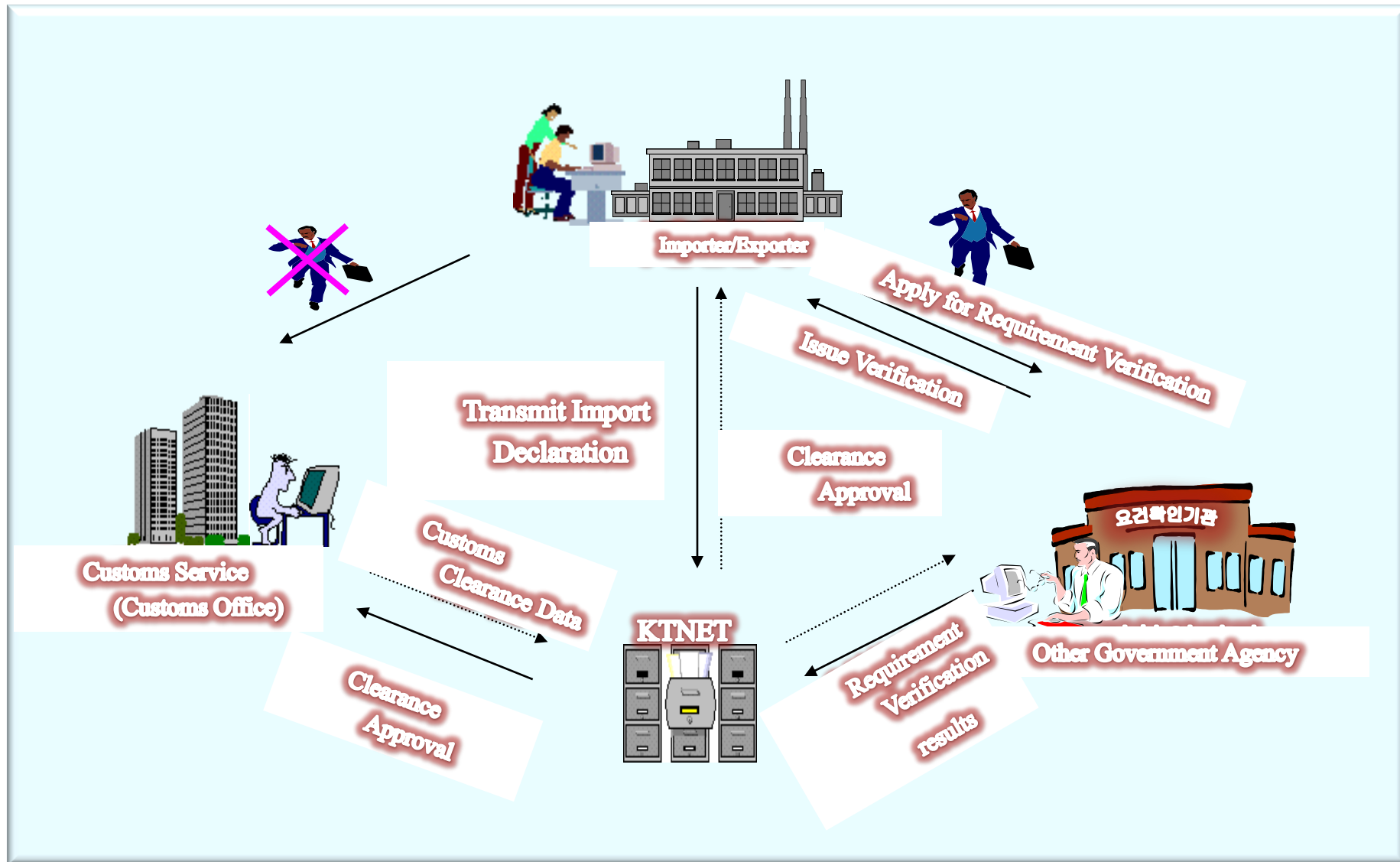
### Electronic networking with OGAs

- Visitation in person unnecessary
- Customs check the verification on-line

- Reduced clearance time (quarantine items : 22 days ⇒ 16days)
- Savings of KRW 100 billion logistics costs



# Network linkage with OGAs



# e-payment of Duties & Taxes

Importers needed to visit designated banks with duty bill and cash

- The bank issued receipts.
- The bank registered the receipt electrically and confirm via EDI

Taxpayers entrust the bank to pay the duty from their account, with computers in their office

- The bank automatically transfers Customs duties and taxes to Customs account



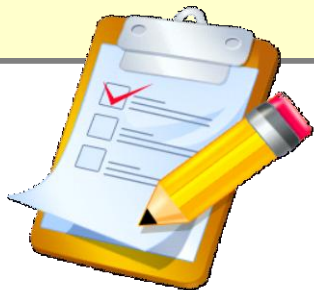
# Reforms for Improvement

## Paperless Customs Clearance

Import declaration only was processed electrically

Supporting paper documents after EDI declaration

※ Visit to Customs in person was needed to submit document and receive the certificate



Full automation of import declaration

Customs verifies OGA requirements by EDI networking

Elimination of supporting documents

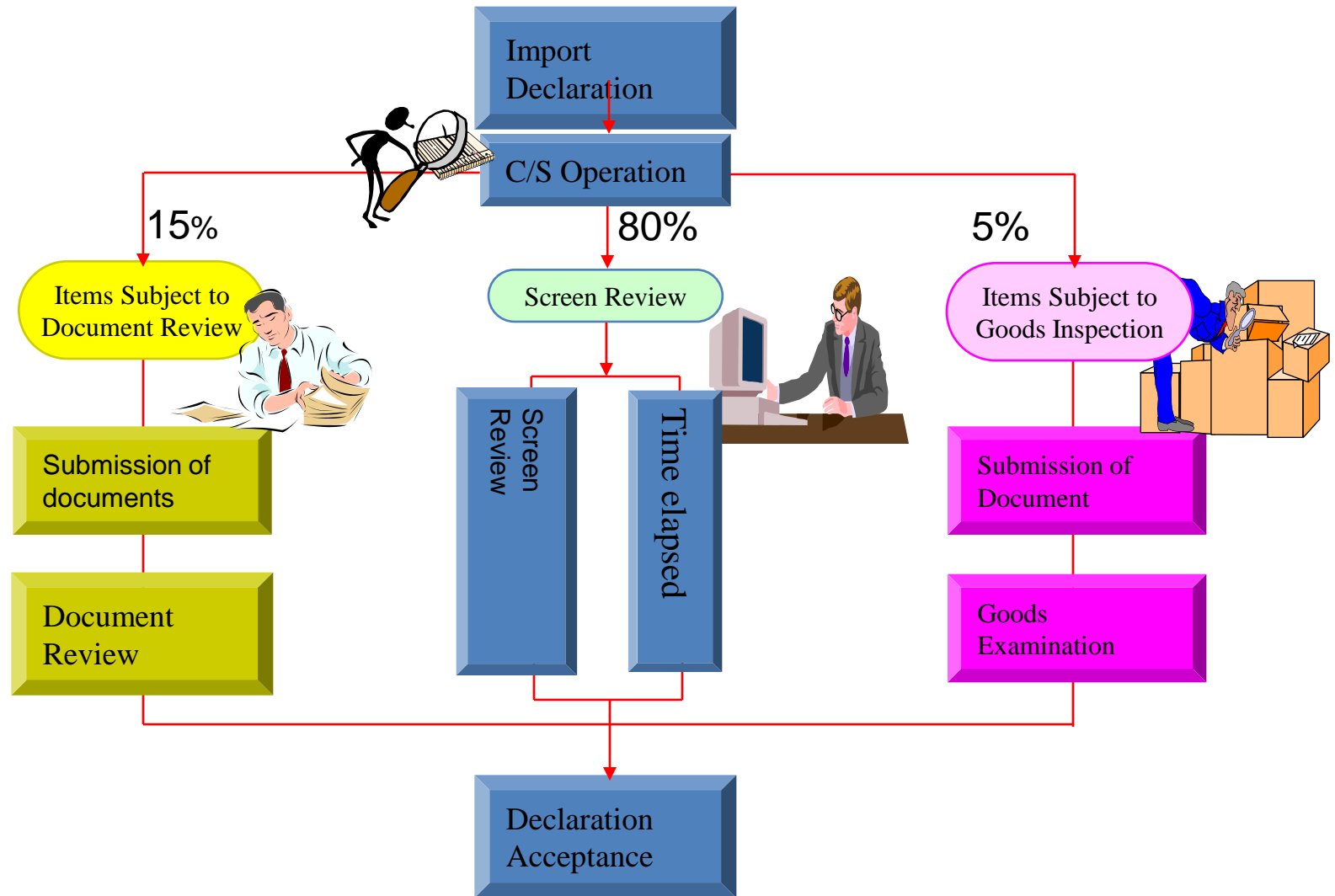
Documents kept by declarants

※ No visit to Customs in person

- Declarants can print the certificate of declaration on its printer



# Paperless clearance



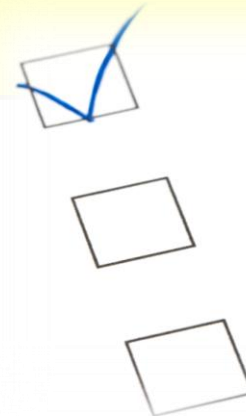
# Post Audit

Customs concerned only about right taxation

- Examination & control before clearance
- Time proven technology preferred by Customs

## Post Audit System

- Customs Clearance first, Post Audit later
- Complaints about the role of Customs





# **Increasing Transparency**

## **❑ Publication of "Goods Subject to Customs verification and verification method"**

- Using HSK code (10 digits)**
- Special task force lasting 3 years**

## **❑ 'Cargo Tracking System' through Internet**

- B/L number based internet tracking system like FedEx, DHL**
- Increased integrity and immediate processing of Customs clearance**



# **Increasing Transparency**

## **Open customs Policy**

**Cargo Tracking Service through Internet, Customs Audit**

**Opening Customs decision making process via Internet**

**Legal notice, cargo arrival notice via e-mail, mobile message**

## **Evaluation & Merit system**

**Continuous evaluation of Customs officials, Customs Houses**

**Performance based personal management (Merit system)**

# Achievements

## Time Release

Year	Arrival to warehouse (Days)	Preparing Customs Declaration (Days)	Declaration to Acceptance (Hours)	Arrival to Acceptance (Days)
1997	3.4	11.1	7:08	14.8
2000	2.3	6.6	2:44	9.0

**Time Saved for import clearance : 6 Days**

**Improved efficiency of Customs procedures : 4.5 Hours**

## **II. Second Phase(2003–2005) : TRS for Logistic Hub**

# Background

## Background

- New Trading environment
  - Global Production, E-commerce, Just-in-time System, and Intra-firm Trade, Express industry

## New Challenge

- Customs focused on Customs processing
  - Reduced the average clearance time to 1.5 hour
- Need to focus on overall TRS
  - From arrival of cargo at port to final release

**TRS Improvements were needed**



# Improvement Plan

## Goal

**To halve TRS from 9.6 to 5 days (arrival → acceptance)**

### Analysis

- ◆ **Measure time release on each stage**
- ◆ **Analyze cause of delay**

### Identifying Tasks

- ◆ **Identifying Improvements**
  - **Regulations and Procedural bottleneck**
  - **Automation System**

### Strategies

- ◆ **Improve each stage of cargo processing**
- ◆ **Customs-Business Joint Task Force**
- ◆ **Disclose survey results regularly**

# Challenges

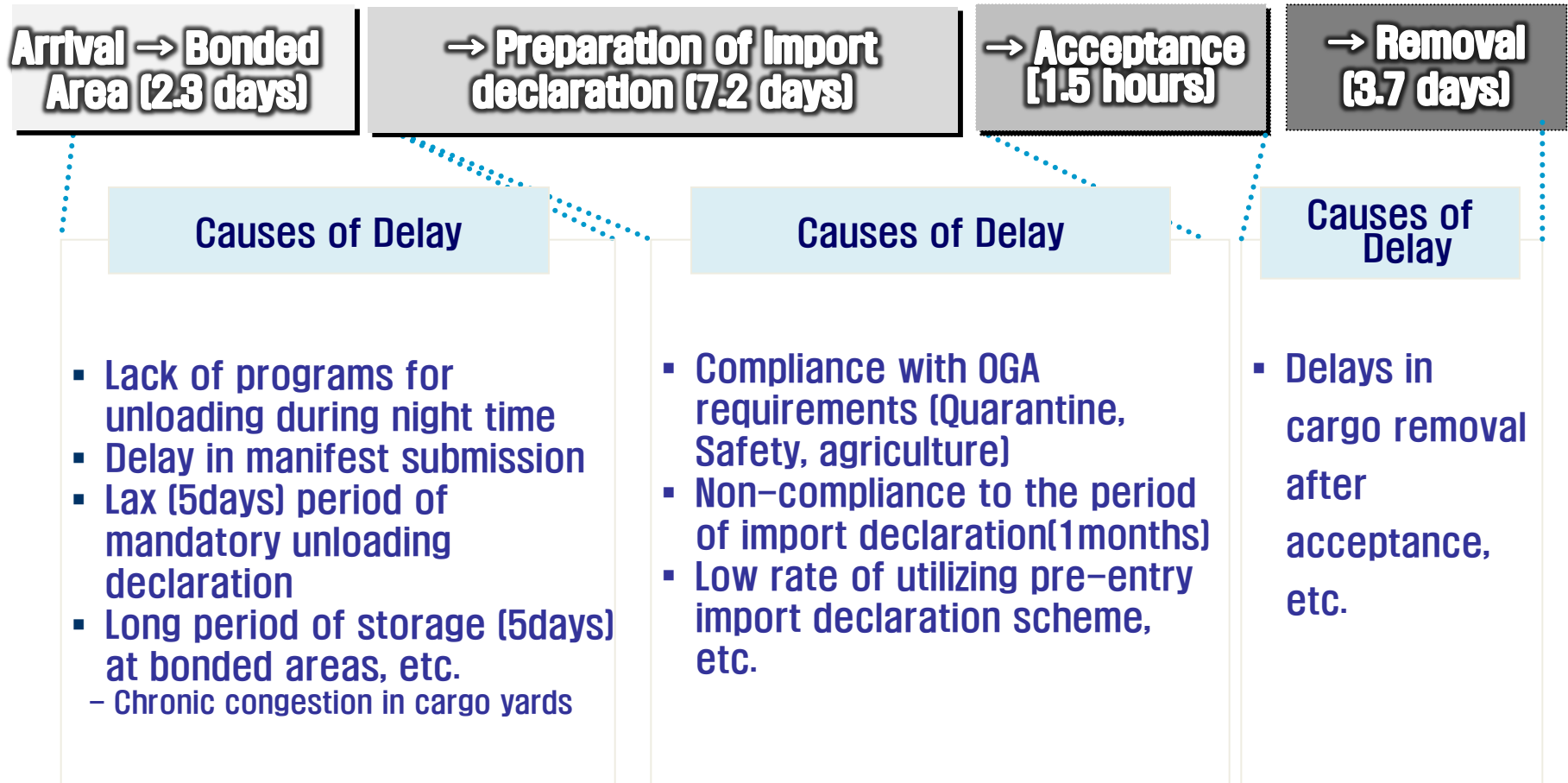
**Everybody loves change, except for themselves**

Customs	Warehouse	Shipping Agents
<p><b>It is not a good idea to give up key functions of Customs voluntarily</b></p> <p><b>Customs might lose its role as primary border protection agency</b></p>	<p><b>Reduced storage time means lost revenue for the warehouse</b></p>	<p><b>Simplified Customs procedures mean more competition and advantage for the big companies</b></p> <p><b>Small companies need to survive</b></p>

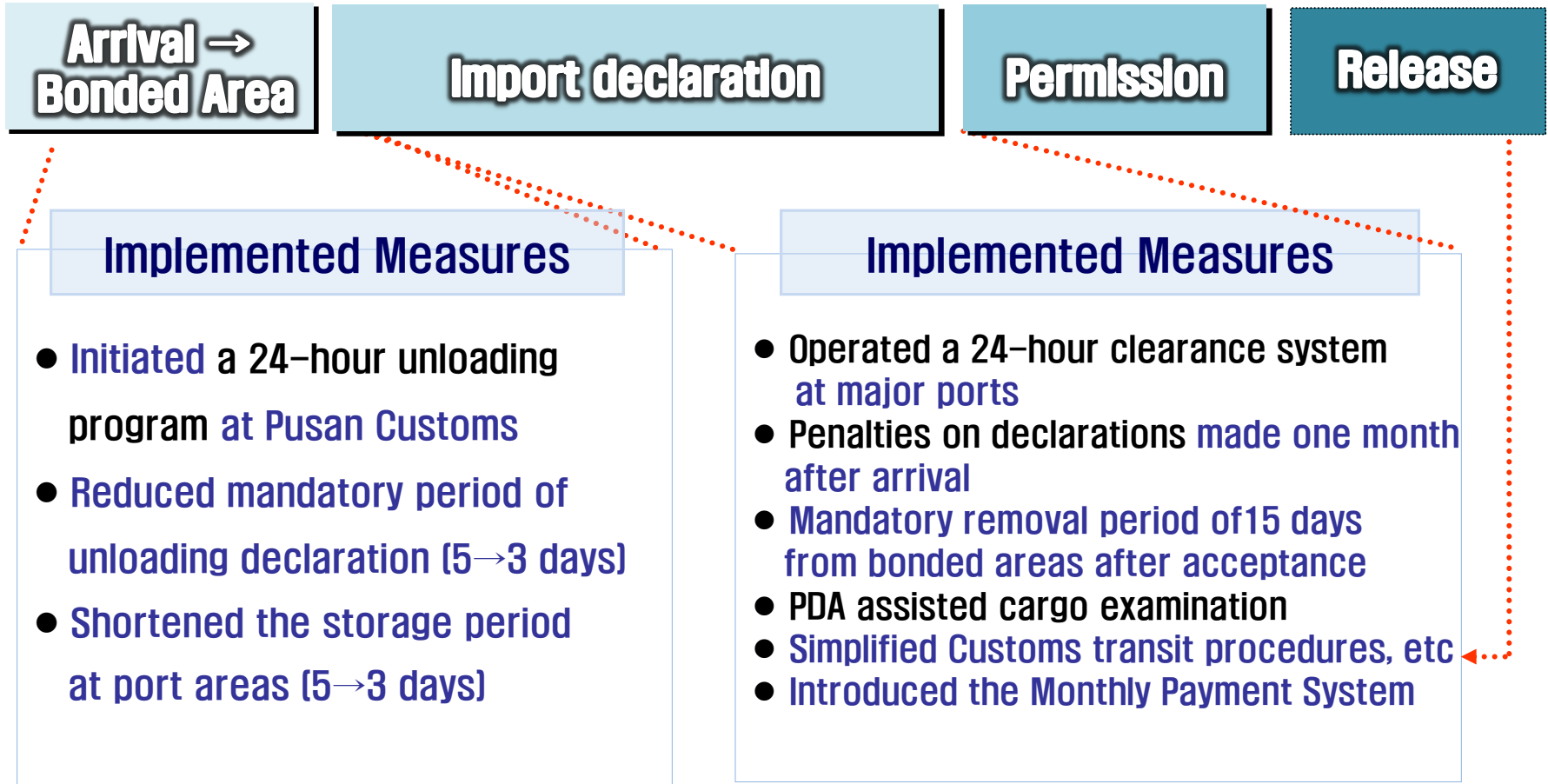
**Consultations, Task Force with the business, In building logistics hub**

# Problem Analysis

## Survey Results (TRS: January 2003)



# Reforms Implemented



# **Other Measures**

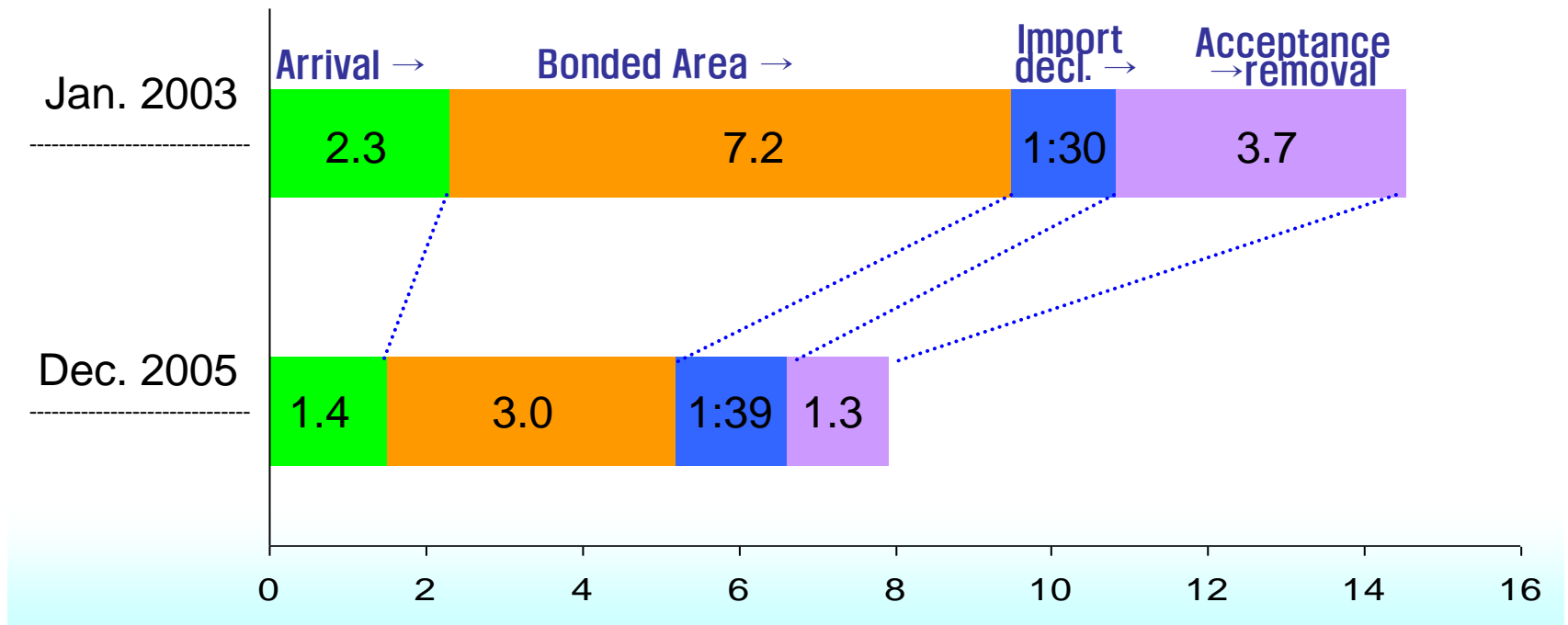
## **Structural reforms with Impact on TRS**

- ▶ **Internet Clearance Portal (Aug, 2006, 35%)**
  - \* **Currently 80%**
- ▶ **Single Window (Aug, 2006, with 8 OGAs)**
  - \* **Currently 75% declared using SW**



# Outcomes of the TRS

**TRS Reduction : 9.6 → 4.5 days (-53%)**



※ Time release could not subject to simple comparison between countries

# # TRS methodologies

**Scope and Design : Every step of cargo processing**  
**(Arrival→ Storage→ Declaration→ Acceptance→ Release)**

- Measuring all Import cargoes (Monthly average of 300,000 cases)**  
**(Except Express consignments, Bonded Factory, etc)**
- Measuring the monthly average time leading to release**
- Involving all the Customs Houses (31)**  
**(Airport vs. seaport Customs, Port Customs vs. Inland Customs, etc.)**

**Time and methodology: Every month with automated system**

**Achieving Trade Facilitation through TRS**

# # For your information

➤ Second Phase

## TRS by mode of transportation (June 2006)

Mode	Arrival Stage (Warehousing, Day)	OGA Stage (OGA approval, Day)	Customs Stage (C. Declaration, Hour)	Total
Air Cargo	0.6	1.91	1:02	2.53
Sea Cargo	2.17	4.4	2:00	6.69
Average	1.34	3.09	1:29	4.5

## TRS excluding.. holiday, long storage goods, own warehouse (Aug. 2006)/Average Dev.

Mode	Arrival Stage (Warehousing, Day)	OGA Stage (OGA approval, Day)	Customs Stage (C. Declaration, Hour)	Total
Air Cargo	0.13/0.46	0.96/2.72	0:57/2:44	1.11/2.8
Sea Cargo	0.52/2.03	3.29//6.89	1:55/5:58	3.94/7.26
Average	0.26/1.23	3.09/4.65	1:16/4:07	2.4/4.91

### **III. Third Phase (2006–)**

## **Client Oriented Logistics Information System (CLIS)**

# Background

## Customers have different opinions



## Requirement of Just-In-Time

- ❖ Business needs reliable & homogenous release for Just-In-Time production/delivery

Paradigm shift in clearance / logistics service : **Speed** ➡ **quality**

# Vision

vision

To provide predictable and homogeneous logistics service

Goal : Reducing average deviation by 10% (11.8 days in '06 from 13.2 days in '05)

distinction	'03	'04	'05	Average
A. deviation	19.7	14.1	13.2	14.3
reduction(%)	—	28 %	7%	10%

## Pilot Project

- ❖ Starting with the semiconductor industry to expand it to other sectors:

Deviation in semiconductor industry : ('05) 6.49days => ('06) 4.54days





# Situation Analysis

## Listening to voice of customers

### Adopting GOLF

❖ GOLF ( Go and see + Listen to field + Feel)

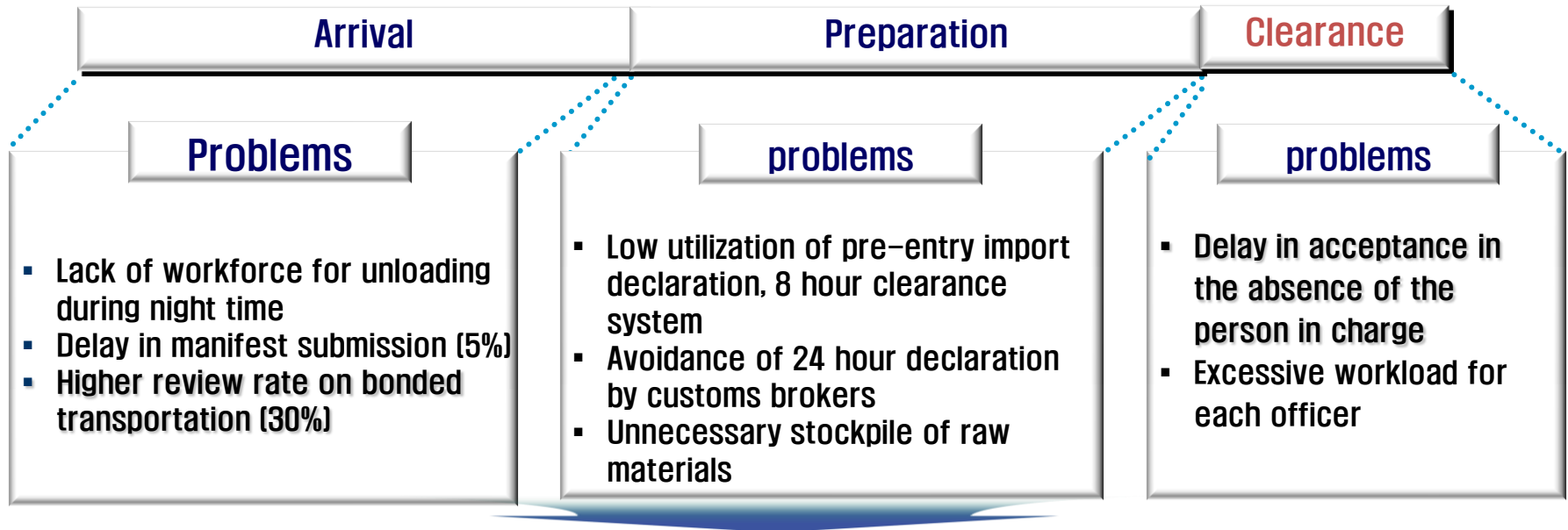
### Surveying semiconductor industry

- ❖ To identify bottlenecks and listen to the voice of customers in the field
  - survey : '06.3.6 ~ 3.10(5days) with 50 semiconductor manufacturers

TRS			Average deviation		
Industry average	Customer demand	Review result	Industry average	Customer demand	Review result; New goals
3.08	3.09	3.08 (as at present)	6.49	4.80 (26%reduction)	4.54 (30%reduction)

# Problems & Solutions

Identifying bottlenecks and finding solutions for S.C.I.



## Improvements

- Automatic acceptance of bonded transportation 70% → 80%
- Exemption of inspection for highly compliant businesses
- 24hour automatic acceptance of usage for bonded factories
- Special Consultation to semiconductor manufacturers with excessive average deviation

Solutions

# Outcome

## Reduction of average deviation

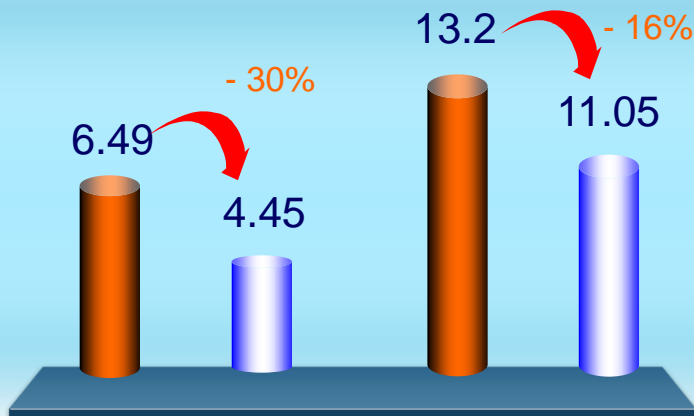
semicon  
ductor

6.49 days ('05) → 4.45 ('06.8) : decreased 30% year on year

overall

13.20 days ('05) → 11.05 ('06.8) : decreased 16% year on year

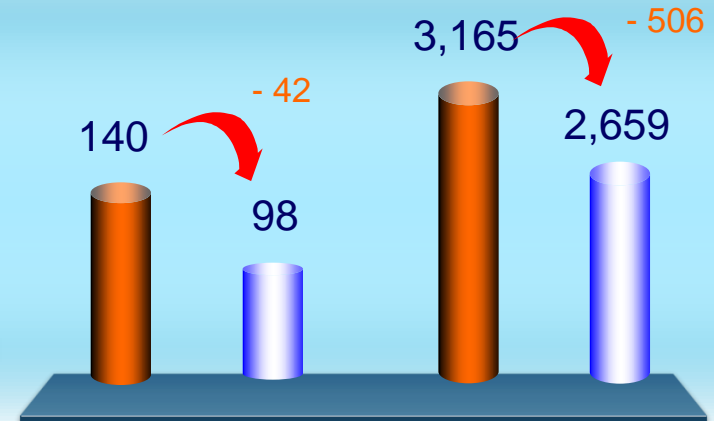
### Average Deviation Reduction (Days)



Semiconductor

Overall

### Reduced cost (billion won)



Semiconductor

Overall

## Cargo Movement



## Existing System

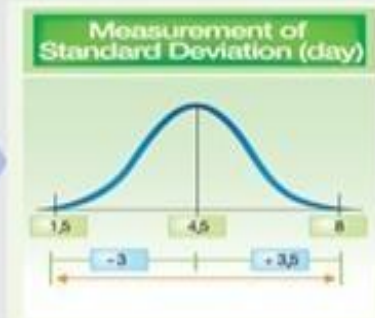
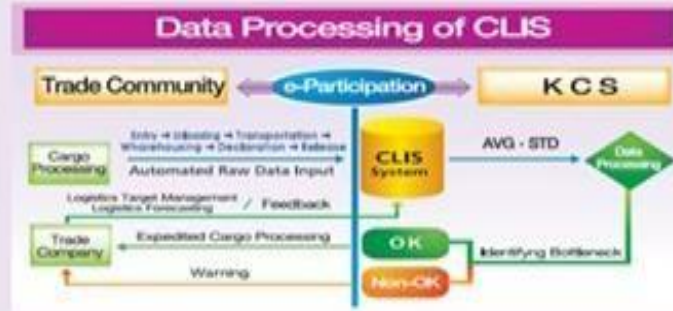


Automated Raw Data Input

**CLIS**

Automated Raw Data Input

Measurement of Average Time Release (day)	
Yr. 2003	Yr. 2005
18	8
8	4
2,8	1,5
<b>9,6</b>	<b>4,5</b>



## Information of CLIS



## Beneficiaries



## Access by Internet

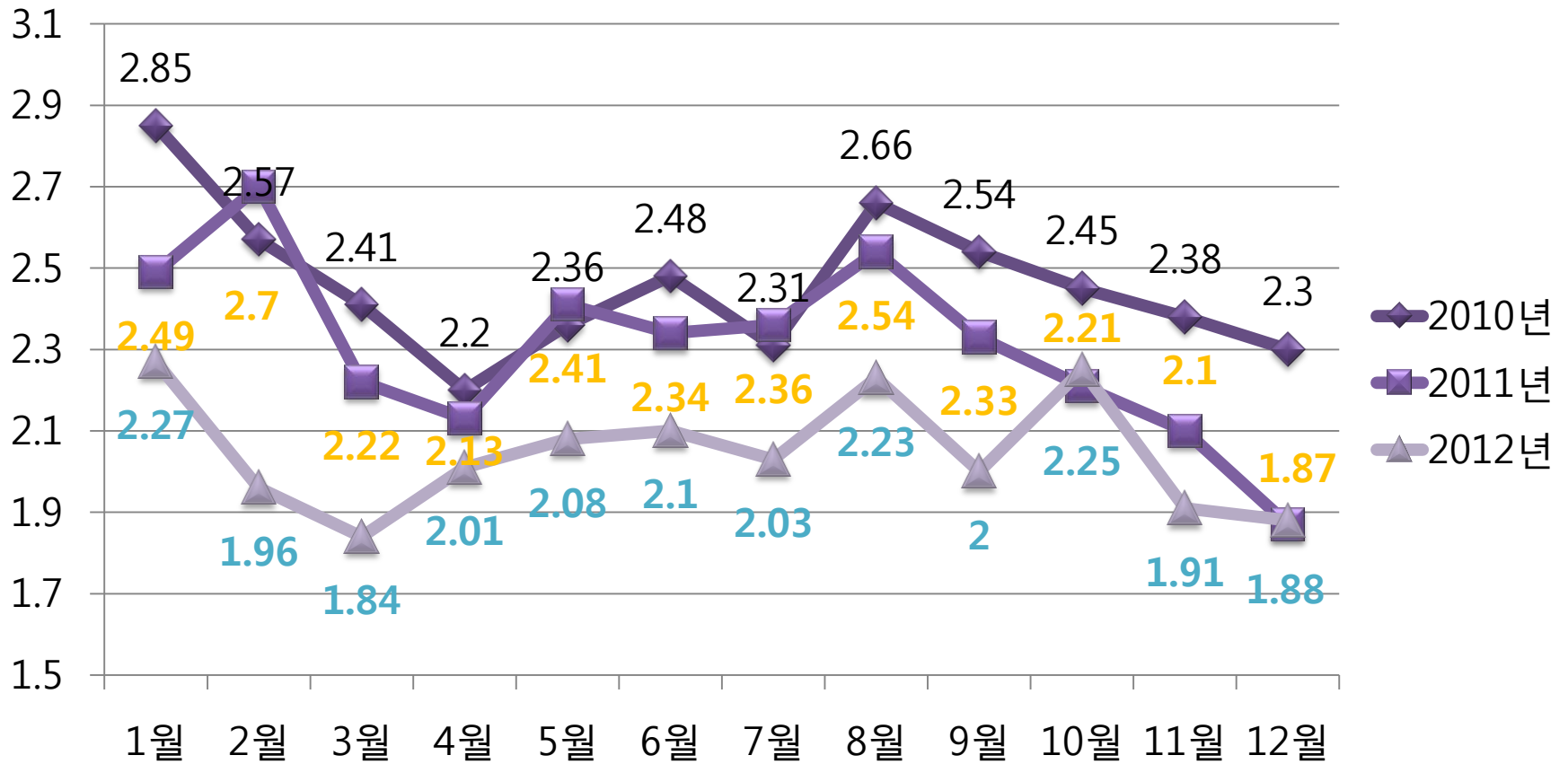
## Utilization of information







# TRS Monthly Trends





# Difficulties faced

- **No one wants to lose control – Old ways are better**
  - Customs; Elimination of hard copy, Adopting post audit system
- **Agency to agency competition**
  - OGAs; prefer control while goods are under Customs custody
- **Herculean Task to deregulate IER and making HS code based goods lists that need verification**
- **Lack of awareness among high level policy makers**
- **Lack of Infrastructure on EDI and automation**

# Success factors

## Legal Background

- Customs Law authorized Customs to decide items that need verification during clearance

## Leadership & Commitment

- Leadership from the CEO and committed Customs officials

## Understanding the project

- Continuous consultation with OGA and Business, and Training of its staffs

## Technical factor

- Technical assistance including development and distribution of the free S/W to OGAs

## Strategic Partnership

- Strategic partnership with Quarantine (Pilot Project)
- Demonstrating and Sharing data with OGA

**Sharing information, Customs law plus threatening**

# **Evaluation : What TRS had achieved in Korea**

# **Outcome**

## **❖ Reducing Logistics Cost**

- **TRS to 15 days(' 97), to 1.8 days( '12)**
- **Upgrading logistics competitiveness**
- **Annual cost saving more than US\$ 2.7 billion**

## **❖ Quality Service to the Trade Community**

- **Logistics information via internet**
- **Quality control by the standard deviation**

# **Outcome**

## **❖ Increasing Custom' s soft power**

- Rising Integrity, Transparency, Accountability and Responsiveness of KCS**
- Favorable Assessment from Trade Community**
- Favorable treatment from legislation (budget) & OGAs ' s cooperation**
  - Highly evaluated return on investment in Customs automation**

## **❖ Global Recognition**

# DBI\_Trading Across Borders

1	Singapore	11	Panama
2	Hong Kong SAR, China	12	Malaysia
3	Korea, Rep.	13	Netherlands
4	Denmark	14	Germany
5	United Arab Emirates	15	United Kingdom
6	Finland	16	Mauritius
7	Estonia	17	Latvia
8	Sweden	18	Portugal
9	Panama	19	Cyprus
10	Israel	20	Japan



# **Tools to contribute!**

## **Thanks very much!**

