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Publications on
Client-oriented Logistics Information System

Feb. 2007

Korea Customs Service
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Challenge
Just-in-time delivery and IT-based processes have accelerated the pace of doing business. But inefficient customs processes and port handling can cause bottlenecks in even the most efficient supply chain. Port handling and customs clearance times represent real costs, not only in port charges but in longer and less predictable delivery schedules. In the case of perishable goods such delays can directly affect the quality and value of the shipped goods.

Solution
As one example of the measures and enhancements customs services within APEC are taking, the Korea Customs Service (KCS) recently conducted a comprehensive Time Release Survey. The survey identified processing bottlenecks, which KCS quickly took steps to address. Building a 24-hour unloading support system in Busan, KCS reduced the mandatory unloading period from five to three days, shortened the bonded storage period from five to three days, and now operates a 24-hour clearance system at Incheon International Airport. KCS also introduced a monthly post-payment system and took other measures to speed up processing. Modeled after the Korea Customs Service’s successful Time Release Survey, capacity building workshops in this area have been undertaken in other APEC Member Economies.

Value to Business
As a result of these reforms, KCS reduced overall port processing time from 9.6 days to 5.3 days, resulting in an estimated economic benefit of US$1.5 billion. In addition to lower port costs for shippers and higher processing capacity for the port, the savings will allow tighter delivery schedules for manufacturers, and significant added value for traders of perishable goods. Such savings are but one small contribution to APEC’s ambitious Shanghai Accord goal of reducing transaction costs across the region by 5 percent by 2006.

APEC Resources for Business
APEC has a variety of resources that provide useful trade facilitation information to the business community. Resources for everyday use are downloadable from the Committee on Trade and Investment’s publication webpage.

APEC Investment Regime Guidebook, 5th Edition
The guide provides information on:
• the regulatory framework and investment facilitation;
• investment protection;
• investment promotion and incentives;
• a summary of international investment agreements or codes to which the APEC Member is a party; and
• an assessment of recent trends in foreign investment.

APEC Customs Blueprint
The Blueprint, an annual publication, promotes transparency and informs the private sector about the Sub-Committee on Customs Procedures and how it can benefit from these activities.

APEC Customs and Trade Facilitation Handbook: A Guide for the APEC Trading Community
This handbook contains information about the various APEC Economies’ customs agencies, laws and regulations, and procedures to procure advance customs rulings. It also provides a checklist of various provisions that businesses have at their disposal when planning to trade with a particular APEC Economy.

You can find these resources at http://www.apec.org/apec/publications/all_publications/committee_on_trade.html
First SCCP Meeting Report 2007

Purpose: Information
Submitted by: SCCP Chair
implementation. It is likely that the SCCP will play an important role in implementing any WTO agreement on trade facilitation. Customs administrations are likely to have primary responsibility for implementing any trade facilitation agreement and it is important that customs administrations work with their country’s relevant department and are involved in negotiations in Geneva.

**Time-Release Survey**

56. PNG briefed the SCCP on the time-release survey (TRS) workshop that it hosted in October 2006. Since the workshop PNG has built TRS into its modernisation program and made plans to conduct the surveys. A summary appears as document 2007/SOM1/SCCP/020

57. Japan noted that Ministers have acknowledged TRS as a useful self-assessment tool to identify bottlenecks in customs related processes and offered to provide more assistance to economies. An update from Japan on progress of the TRS CAP item appears as document 2007/SOM1/SCCP/012

58. Australia noted that it will be adopting the TRS model and is interested to learn from the experiences of other members, especially in relation to engaging with other government agencies and industry. Japan is also interested to hear feedback from those SCCP members that have already implemented TRS to enhance and measure progress of trade facilitation outcomes. The Chair offered to put this on the agenda for the next SCCP meeting.

59. China called for more economies to adopt TRS. China informed the meeting of a TRS workshop that was conducted in southern China, and noted that the TRS process also points to the impact of other government agencies on cargo release. China indicated that this issue should be raised with the CTI to improve the understanding of the role of other agencies in the overall cargo release process. The Chair encouraged members to report the benefits of TRS to their own governments and undertook to report these issues to CTI.

60. Korea made a presentation on its Client-oriented Logistics Information System (CLIS) to reduce cargo release times. CLIS is based on the WCO’s guide to measure the time required for the release of goods and provides customs and importers with real-time logistics information and cargo processing status.

**Single Window Initiative**

61. Australia, as lead member of the Single Window Working Group (SWWG), made a presentation on progress of the Single Window Initiative. A summary of progress is at document 2007/SOM1/SCCP/008

62. The SWWG met in Singapore in November 2006 and agreed on UN/CEFACT Recommendation 33 as the definition of single window:

- “A facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export and transit related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.”
Dear Mr. Seong Yun-kap,

This is in response to your letter of 5 December 2006 in which you indicated the use by Korea Customs Service (KCS) of a TRS internet system and to your proposal to present the KCS experience at the 178th Session of the Permanent Technical Committee in March 2007.

I would like to congratulate the KCS for their high-level performance and its winning of the grand prize in the public sector field of the national best practice competition. I believe a presentation on your TRS system to the PTC would be appropriate.

Mr. Robert Struthers (Tel.: 32 2 209 93 45; Fax: 32 2 209 94 93), Technical Officer, Procedures Sub-Directorate, is the officer responsible for TRS in my organization. He would be most interested in meeting with your experts to discuss your internet application. Also I would also appreciate if you would send him an outline of your presentation, preferably by e-mail (robert.struthers@wcoomd.org), to reach him by 15 February 2007.

I wish you all the best in the New Year.

Yours sincerely,

Michel Danet.

Mr. Seong Yun-kap,
Commissioner Korea Customs Service;
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Dunsan-dong 920, Seo-gu, Daejeon,
République de Corée.
Challenges to innovate the regulatory administration

Customs had been long regarded as a representative regulatory administration, imposing a financial burden of tariff on traders and also requiring from them a wide range of documents and procedures for customs clearance. As Customs authorities in other countries, the Korean Customs had been supporting protectionism by requiring various permits and licenses and applying complicated clearance procedures on the pretext of nurturing domestic infant industries. A large number of officials believed that it actually contributed to the economic growth of Korea, which was a quite different view from that of the trade community.

Innovation in logistics system into gear

In Feb. 2004, KCS developed "Road-map for Innovation in Trade Logistics System". An official participated in the preparation of the Road-map said about the atmosphere at the time, “I was not alone in opposing the Road map. Most of the officials there did. Because we thought that it would not only excessively undermine the Customs unique authority of border control, but ultimately benefit only importers with less control over imported goods, dealing a big blow to many Korean manufacturers.”

As such, the Road map for logistics innovation had to face lots of resistance first. However, that kind of prudentialism and moral hazard of public officials are not just confined to Korea. According to my research, the bureaucratic practices are still prevalent in most of countries regardless of their development level. It raises uncertainty and financial burden to businesses, undermining corporate competitiveness and economic development of the world.

At this point, I was curious about how KCS got over the objection from the inside. An officer who had played a leading role in implementing the Road map said, “We knew that most of people would be against the Road map. But, we had the strong confidence and logic to overcome the opposition. By 2004, Korea had been an OECD member for 8 years and was among fully developed countries, aiming to be one of the top 10 economies in the world. We realized that with the existing regulatory administration system, Korea wouldn’t be able to have competitive edge not just in public sector but in private sector, which meant a demise in this overly competitive world. Therefore, we concluded that we would never compromise concerning the Road map since..."
Innovation in Trade Logistics System

Two new tools introduced under "the Road-map for Innovation in Trade Logistics System," were Cargo Release Investigation Technique and Client-oriented Logistics Information System.

Cargo Release Investigation Technique is to measure the time spent from the arrival of imported cargo at a port to its complete release from the customs control with the approval of import declaration. In other words, it indicates the facilitation degree of the trade.

Utilizing this technique, KCS measured the time required for the processing of imported cargo and was stunned by the fact that it took as long as 9.6 days. It was surely a worry because excessive clearance time would not only increase logistics cost burden to clients but lead to the disruption in production resulting from delays in delivery of imported materials. What's more, it was one of the main culprits that would make foreign companies wanting to do business in Korea hesitate to make investment in the country out of uncertainty in the just-in-time delivery of goods. It was from the self-reflection and resolution to get rid of the wrong practices and unnecessary practices and simplify complicated customs procedures.

Cargos that arrive at a port are now within the customs network. Thereafter, all the procedures carried out along the logistics flow and KCS reflects them on its policies.

First, CLIS is a real-time cargo information system that provides clients with cargo-related information anytime anywhere through the Internet. When I logged onto the System and entered the unique number given to the individual client, I could check the exact time when each of the logistics stage including port arrival, warehousing, import declaration, etc. started and finished for the cargo concerned.

Then, I raised a question. Clients cannot always stay in front of the computer to check the information. Then, what? To my question, a KCS officer asked me to register my mobile phone number for a certain cargo and whenever the cargo moved to the next processing stage, a text message showing when and how the cargo was being handled was sent to my mobile phone. He said that wherever a client was, the logistics information would be sent to the client's registered mobile phone in real time. The system was, indeed, providing real-time information service beyond the limit of time and space.

Second, CLIS enables clients to forecast the clearance time. When the unique customs number of a client was entered, the system provided the average time required for the clearance along with the information on the cargo movement. According to KCS, based on the information, clients can present, through an open channel, their opinions on the cause and remedy of chronic bottlenecks in the logistics flow and KCS reflects them on its policies.

Third, CLIS is a new concept of information system which manages the standard deviation in logistics processing time. If the average time required is 10 hours and the standard deviation is 2 hours, the client can expect within 8 hours in minimum to 12 hours in maximum. Therefore, the standard deviation is one-step upgraded information provided to clients. Not only that, KCS has been constantly working to reduce the standard deviation itself. For instance, between Apr. and Sep. 2006, through joint study with a world's leading semiconductor manufacturer, KCS reduced the standard deviation by about 30%, greatly enhancing the credibility of its data.

Then, how does the Client-oriented Logistics Information System(CLIS) serve clients?

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Outstanding Performance of CLIS

Although the Customs had advocated deregulation before, no substantial and concrete actions had been actually taken. However, with the introduction of the System, all the procedures carried out along the border are now within the customs network. Therefore, the customs can identify factors causing delays in cargo processing, eliminate excessive regulations and unnecessary practices and simplify complicated customs procedures.

By utilizing CLIS, the Korea Customs Service already reduced the average processing time of all imported cargo from arrival at port to final release by 70% from 14.8 days in 1998 to 4.4 days in Sep. 2006, saving the trade community US$ 2.47billion in logistics cost, according to the research by the National Computerization Agency.

Recently, the client satisfaction with KCS increased from around 70 to some 80, which I thought was possible thanks to the remarkable performance of CLIS. In a sense, it is not a surprise at all that CLIS won the presidential prize in the government innovation assessment in public sector. I expect that KCS will continue to lead the global standard in customs administration through ceaseless efforts.
Logistics waiting time, drastically cut for semiconductor manufacturers from 6.49 days to 4.45 days in 1 year, according to KCS

Logistics waiting time for semiconductor manufacturing companies reduced sharply.

The Korea Customs Service (KCS) said on Sep. 8 that its drive from to cut logistics processing time started to bear fruits, slashing the standard deviation in processing time from 6.49 days in 2005 to 4.45 days as of Aug. 2006. Cargo processing time is the period of time spent from arrival of imported cargo at a port to approval of its import declaration. Standard deviation is the difference in cargo processing time by import declaration based on the average processing time, and the smaller the deviation is, the less you wait.

KCS set up 'the Logistics Delay Reporting Center' in 10 more Customs, from the previous 5, to reduce the waiting time of raw materials in manufacturing process by measuring and managing the processing time and standard deviation for semiconductor companies, highly sensitive to the waiting time. In late June, KCS introduced systems of 'Use declaration prior to entry' and 'Automatic approval of use declaration' as part of institution overhauling.

According to KCS, manufacturers of semiconductor, Korea's No. 1 export goods, with its export reaching US$ 30 billion in 2005 alone, had difficulties in securing raw materials due to delays and irregularities in cargo processing, excessive inventories and consequential enormous storage fee and financial cost. KCS expects reduced logistics time to save companies about 42 billion won annually in inventory cost.

"Cutting waiting time is important, but reducing the big deviation is all the more important.\" said Mr. Kim Gi Yoeng, Director General of Clearance Facilitation Bureau of KCS. "We will support just-in-time production in other industries as well by further expanding our efforts to cut waiting time." KCS plans to shorten the overall imported cargo processing time from an average of 13.2 days last year to 11.8 days by the end of this year by expanding its endeavors to reduce logistics waiting time into other industries.
KBS NEWS

September 22, 2006

KCS to Provide Information on Logistics Processing

Information on imported goods including total time required for clearance, current location and remaining time will be provided to importers.

The Korea Customs Service(KCS) announced that it has developed tailored logistics information system on imported goods and will launch the service on September 25.

Importers can access the statistics and information on logistics procedure of individual imported goods through authentication number and password provided by the KCS.

MBC NEWS

September 21, 2006

Information Service on Imported Goods under Clearance

Information on individual imported goods including total time required for clearance, current location and remaining time will be provided to importers.

The Korea Customs Service(KCS) announced that it has developed Client-oriented Logistics Information System on imported goods and will provide the service through the internet starting September 25.

Importers will be able to log onto the web site with authentication number and password provided by the KCS and access the statistics and information on logistics procedure of individual imported goods.

** MBC : Munhwa Broadcasting Center. Korea's representation private broadcaster.
NOTARIAL CERTIFICATE

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I swear that the attached translation is true to the original.

FEB. 15, 2007

Signature Seung-Jeong Yoo

Registered No. 2007 - 272

Notarial Certificate

Seung-Jeong Yoo personally appeared before me, confirmed that the attached translation is true to the original and subscribed his (her) name. This is hereby attested on this 15th day of FEB 2007 at this office.

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(Signature of the Notary Public)

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