

SPEECH BY MRS LIM HWEE HUA, MINISTER OF STATE FOR FINANCE AND TRANSPORT, AT THE ZERO-GST WAREHOUSE LICENCES PRESENTATION CEREMONY, 17 JANUARY 2006, 9.30 AM AT CRIMSONLOGIC, SCIENCE PARK II

Distinguished Guests

Ladies and Gentlemen

Good morning,

1. I am glad to be here today to present the licences to the pioneer batch of 11 successful applicants of the Zero-GST Warehouse Scheme or ZGS in short. This scheme replaced the Bonded Warehouse Scheme with effect from 1 January 2006. This is a major milestone in trade facilitation.

2. The Bonded Warehouse scheme was introduced in 1994 to help traders, namely the re-exporters and the commodity traders to alleviate the impact of GST. Under the scheme, no GST was charged on goods imported into, and traded within, designated bonded warehouses. Licensees must export at least 80% of its imports subsequently and this was meant to contain revenue risks to the government.

3. Improvements were made along the way to better meet the needs of the trading community. In 2002, the requirement for physical demarcation of bonded areas was waived for companies with good trace and track capability. This was to allow companies to optimise warehouse space. In the same year, the requirement for lodgment of a security with Customs was also lifted to reduce business compliance cost. In 2005, Singapore Customs took over as a single processing agency to provide a one-stop service to applicants of the scheme.

4. With advancement in technology and more emphasis on internal control systems, some companies have become more sophisticated and competent in the accountability of goods. There is therefore room now to allow such companies to suspend the GST on their imports and to accord them greater flexibility in their inventory management. Hence, the Bonded Warehouse Scheme was expanded to form the Zero GST Warehouse Scheme or ZGS.

5. Under the ZGS, there are three licence types – Type I, Type II and Type III – to cater to companies with different needs and different levels of internal controls.

6. The ZGS Type I licensees will enjoy the same benefits and need to fulfill the same conditions as those under the Bonded Warehouse Scheme. All existing BWS licensees have automatically become ZGS Type I licensees. The ZGS Type II licensees will be allowed to sell all its imports locally. In return, such licensees must have good record-keeping and strong internal controls. The ZGS Type III licensees will not only have their export ratio requirements lifted, they can also register multiple locations under a single licence. More stringent internal controls are therefore expected of the Type III licensees.

7. Since the ZGS concept was first announced in July last year, Singapore Customs has consulted companies extensively to better understand users' requirements and to work out the operational and control procedures for the new Scheme.

8. Today, I am pleased to announce that we have decided to add a new feature to make the Scheme even more attractive. Customs will grant qualifying Type III

operators the option of making consolidated permit declaration and GST payment to Customs on a weekly basis instead of requiring them to make individual declaration and GST payment for each consignment of goods released from the warehouse into the local market. This option of weekly declaration and payment would help to reduce the administrative costs of Type III operators in taking up permits for their goods and was decided after balancing the feedback of operators with the additional revenue risks involved. Customs will review the scope and availability of the concession further as it gains experience with the Scheme.

9. Overall, the new ZGS will allow all Type I, Type II and Type III companies to enjoy GST suspension on imports, while having greater flexibility in the management of their goods.

Launch of TradeXchange™

10. Another major initiative that we are implementing to facilitate trade is the TradeXchange™ project.

11. As you all know, the trade and logistics chain is a complex one. A typical transaction would involve multiple parties logging on to a number of different systems to exchange information and documents to meet both commercial and regulatory needs. The process requires multiple accesses to the various systems and very often, repetitive data entries for the movement of the same consignment of goods. The lack of seamless inter-connectivity among the regulatory, propriety and community systems has been the most common complaint among industry players. Many have been lobbying for the Government to take the lead to build a trade infrastructure that would provide a single common access to all these systems.

12. The TradeXchange™ has been designed precisely with this objective in mind. It will be a neutral and secure platform that will provide seamless connectivity to TradeNet®, the four critical systems, namely, Cargo Community Network, Jurong Port Online, MPA's Marinet and PortNet, as well as other commercial systems. TradeXchange™ will also be developing a network of international alliances. Once this is done, users will be able to link up to overseas systems through a single access as well. VAS providers can also leverage on these connectivities to develop and market their innovative solutions more efficiently to the end-users.

13. One of the core applications of TradeXchange™ will be the TradeNet® system, which is the electronic trade declaration system that companies use today. As we implement the TradeXchange™, we will also further streamline and simplify the TradeNet® system. We believe that the trade declaration costs will be reduced by about one-third as a result of this. This will translate to a savings of about \$75 million for the entire industry over 10 years.

14. The TradeXchange™ infrastructure is a first in Singapore. Due to the scale of this project, its development and adoption will be managed by an inter-agency team comprising Singapore Customs, Info-Com Development Authority of Singapore (IDA) and the Economic Development Board (EDB). The Government has also brought the four Critical System Owners on board as partners. Together, we will work towards the successful launch of TradeXchange™ scheduled for October 2007. I am confident that TradeXchange™ will serve as a major booster to the competitiveness of our trade and logistics industry and put Singapore another big step ahead of our competition as the logistics hub for the region.

Conclusion

15. In closing, I would like to thank the industry for their feedback and inputs for the two major trade facilitation initiatives. I commend Singapore Customs for your efforts and I am confident that with your new vision to be "An Active and Valuable Partner to

the Trading Community", businesses can look forward to greater levels of trade facilitation from Singapore Customs in future.

16. Thank you.