MEMORANDUM TO THE SOUTH AFRICAN REVENUE SERVICES (SARS)

We, part of the more than 100,000 clothing, textile, leather and footwear (CTFL) workers in South Africa, are gathered here to voice our concern about the continued customs fraud that is being perpetrated at South Africa’s harbours, border crossings and airports and that is destroying our jobs.

Customs fraud is continuing to cause significant damage to the local CTFL industry. These imports cause goods to come into the country undervalued and with a significant and illegal competitive edge on local manufactured clothing. They have contributed to thousands of jobs being lost and hundreds of factories closing their doors, over the years. We have seen many of the lowest paid and poorest workers losing their jobs as these under-invoiced, smuggled and transhipped goods are brought into our country, replacing decent South African jobs.

The industry has begun to stabilise, with significant government support. For this we are thankful. But we cannot now become complacent.

Customs fraud counteracts the assistance government is giving to the industry. It deprives the government of many billions of Rands in revenue which could be used for developmental purposes. For example, the foregone revenue on suspected customs fraud on clothing from China alone in 2011 could have paid the childcare grant to 850,000 people, the old age and disability grant to 190,000 people, or could have provided at least 400,000 poor households with free basic services (water and electricity) every month for a year.

As far back as September 2009, SACTWU wrote to the Commissioner of SARS, congratulating SARS on the work being done but emphasising the need to do much more. We still believe that SARS has done good work in the last few years to deal with this scourge, but much, much more needs to be done.

We recognise that SARS has, in the last few years:

- Focused more on illegality in the clothing, textile, leather and footwear sectors, including by setting up a team to deal with customs fraud in this sector
- Introduced reference prices on several products
- Conducted raids, especially in the year prior to the World Cup
- With Government, have agreed to some important amendments to the Customs Bills at Nedlac to strengthen the regime to deal with customs fraud

Our action here today is to further highlight our concerns, to inject more urgency.

We believe that the SARS' Customs Division needs to reach the same heights as the SARS Tax Division. Customs should not be seen as an additional function, but as important as Tax, and it must become as successful as Tax in the enforcement of its function.

We urge SARS to step up its customs fraud campaign. SARS cannot rest while goods are entering our country illegally. It needs to find innovative ways of reducing this problem to an absolute minimum, including identifying better regulatory enforcement space and opportunities that exist in our law and our international obligations.

We demand that SARS:

- Ensure that the worst customs fraud offenders especially high profile offenders, are prosecuted without delay. While some people are becoming rich from this fraud, they are making workers poorer and unemployed. Justice needs to be done, and an example needs to be made of these offenders to discourage others from doing the same. In this objective, SARS and Treasury need to work closely with the Department of Justice and the National Prosecuting Authority to prioritise customs fraud, including by using specialised prosecutors and courts.

- Target the worst offenders of customs fraud with raids, including in the distribution part of the value chain – such as warehouses and the many sprouting China malls

- Put in place measures and improved practical arrangements to designate specific ports of entry for the importation of clothing, textile, leather and footwear goods

- Increase the media campaign regarding the problems of customs fraud and the work being done by SARS to counteract this problem, so as to warn off other perpetrators and to instil confidence in local industry that SARS is dealing with the problem aggressively

- Introduce targets specifically in terms of jobs saved for its campaign and introduce a monitoring and evaluation campaign to ensure maximum impact

- Quarterly 100% inspection at our ports of entry

- Set up specialised units to deal with customs fraud in other sectors, such as tyres, auto components and food products

We need to win the fight against customs fraud (including illegal imports and under invoicing) and can only do it with a greater urgency from SARS's side.
We stand ready to partner in this relationship.

Competitive advantage cannot be based on illegality

Issued by the SA Clothing and Textile Workers' Union (SACTWU) on this 1st day of March 2013

Received by ___________________________  Designation: ___________________________

Date ___________________________