

PEP-SBF AWARDS 2023

PRO-ENTERPRISE TRANSFORMATION (PET) AWARD - BRONZE

Name of Initiative

Supporting Vehicle Manufacturing Operations in Singapore

Agency

Singapore Customs (Customs)



Summary of Initiative

On 13 Oct 2020, Hyundai Motor Group Innovation Centre in Singapore (HMGICS) announced the setting up of HMGICS' new facility in Jurong Innovation District (JID) for the development of new automotive technologies, including the production of electric vehicles (EVs). HMGICS' operations brought to the table issues that are unique to vehicle manufacturers and locally manufactured vehicles. Most importantly, HMGICS' unique operating model in which they set up a warehouse in the Free Trade Zone (FTZ) to support the JID manufacturing facility resulted in cumbersome Customs procedures that impeded business efficiency and productivity.

To support HMGICS' operations, and by extension, the operations of future potential vehicle manufacturers, Customs Trade Division enacted/reviewed Customs legislation to cater for vehicle manufacturing operations and the associated processes. The Division also worked closely with HMGICS and relevant stakeholders, i.e., ICA, IRAS and PSA (operator of HMGICS' warehouse in FTZ) to put in place a facilitation to simplify the Customs procedures for the outbound movement of GST-paid goods from HMGICS' warehouse in FTZ to their JID manufacturing facility. The facilitation granted to HMGICS took effect from 19 Jan 2023 and is expected to result in a potential time savings of about 1,600 man-hours per month for HMGICS and PSA. The facilitation granted to HMGICS would also serve as a model to minimise Customs requirements and to encourage vehicle manufacturing in Singapore. Customs Trade Division recognised that by employing a risk-management approach, Customs can empower compliant companies by allowing certain facilitation to reduce their regulatory burden. This would encourage companies to adopt new technologies to increase their level of voluntary compliance and in turn, allow Customs to facilitate more businesses by streamlining Customs procedures and reducing compliance costs.

What was the impetus behind this project/initiative?

As there had been no vehicle manufacturer in Singapore since 1980s, Customs procedures and legislation then logically did not cater for vehicle manufacturing operations and the associated processes. HMGICS' operations were also unique in other aspects. They had set up their warehouse in a Free Trade Zone (FTZ) to support their manufacturing operations in JID and after-sales services, when the FTZ is not typically meant for such warehousing operations. This led to particularly cumbersome Customs procedures which stood in the way of business efficiency and productivity.

The presence of a local EV manufacturer also provided partnership opportunities to local research and educational institutions. HMGICS had donated several locally manufactured duty-unpaid EVs to various institutions for the purposes of training, research and development, and participation in an international competition. While for a good cause, the donated locally manufactured EVs would attract excise duty which is payable by either HMGICS or the respective institutions as there is currently no legislation to exempt excise duty for locally manufactured vehicles. There is, however, existing legislation that allows duty exemption for imported vehicles for various purposes. The imparity in treatment for imported and locally manufactured vehicles posed an additional challenge for HMGICS and local institutions to nurture innovation in Singapore.

Customs recognised the need to support Singapore's development in automotive engineering and therefore worked closely with HMGICS to understand the unique requirements of vehicle manufacturers so as to implement revised Customs procedures that could benefit HMGICS, academic and research institutions, and future potential vehicle manufacturers in a risk-controlled manner.

What challenges did you/your team encounter, how did you/your team overcome them?

While the lack of relevant legislation to support manufacturing operations was an issue, the greatest challenge was to address the cumbersome Customs procedures for the outwards movements of goods from HMGICS's warehouse in FTZ to JID. If HMGICS adhered to the usual Customs procedures, the warehouse in FTZ would face difficulty in meeting the operational demands from the manufacturing facility in JID, and the accounting of GST to IRAS could potentially be an equally cumbersome affair. With HMGICS' unique operational model in mind, Customs aimed to provide a facilitation that could simplify Customs procedures without compromising regulatory agencies' priorities, i.e., to ensure cargo integrity and to safeguard revenue risk. Most importantly, to ensure parity to the trading community, Customs had to ensure that the facilitation provided could be extended to other vehicle manufacturers in Singapore should they meet the same requirements as HMGICS.

To achieve this objective, Customs Trade Division worked closely with HMGICS and relevant stakeholders, i.e., IRAS, ICA and PSA (operator of HMGICS' warehouse in FTZ), to explore the feasibility of various facilitation models. All stakeholders were actively involved in the co-creation process through open sharing on stakeholders' priorities and constraints, and HMGICS were given ample opportunities to suggest alternatives that could better meet all stakeholders' requirements. Eventually, Customs and HMGICS, together with all relevant stakeholders, were able to work out a win-win solution that would maintain a high level of voluntary compliance within HMGICS and facilitate the outwards movement of goods from the warehouse in FTZ.

The facilitation granted to HMGICS would serve as a model to minimise Customs requirements and to encourage vehicle manufacturing in Singapore.