

# Presentation to the Portfolio Committee on Trade and Industry on NRCS LOA process

02 September 2015

# In attendance from NRCS

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# Purpose

**To present to the Portfolio Committee on Trade and Industry  
on:**

- **The NRCS Letter of Authority (LOA)**

# Scope

- Strategic Overview of the NRCS
- Legislative Mandate
- Policy Mandate
- Background
- Impact of non-compliant products
- Benchmark with other countries
- Need for 120 days LOA processing
- Wayforward
- Closure

# Strategic Overview Mission and Vision

## NRCS Vision

**A credible and respected regulator for compulsory specifications and fair trade.**

## NRCS Mission

**Dedicated to protect South Africans by developing compulsory specifications and technical regulations, and maximizing compliance of regulated products and services**

# Legislative Mandate

**The legislative mandate of the NRCS is derived from the NRCS Act, No.5 of 2008.**

- The NRCS's mandate includes promoting public health and safety, environmental protection and ensuring fair trade.
- This mandate is achieved through the development and administration of technical regulations and compulsory specifications and the enforcement to ensure compliance with the requirements is adhered to.
- Administrative process: include processing LOA, Type approval and homologation.
- Enforcement includes: inspection at source and retailer, sampling, sanction, confiscation and destruction process.
- In terms of section 14 of the NRCS Act No. 5, no person may import, sell or supply a commodity, product or service to which a compulsory specification applies, except in accordance with that specification.

# Policy Mandate

- The mandate of the NRCS will be achieved by executing its mandate and delivering on IPAP priorities
- The NRCS Strategy is aligned to the following strategic objectives of the dti :
  - Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation
  - Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner
  - In line with the IPAP our mandate must be realized through the locking out of sub-standard and non-compliant products from entering out markets.

# Background

- Over the past five years, the NRCS has uncovered non-compliant products valued at over R1 billion.
- During 2014/15 alone, non-compliant and unsafe products valued at R548 million were removed from trade with the effective implementation of source inspections.
- In 2013/14 Legal Metrology inspected 1361 imported products at the border of which 441 were non-compliant with regards to short measure, a non-compliance rate of 32.4% recorded with a financial impact of R28 962 000. These include the household basics such as sugar, cooking oil, soaps and such..
- Huge quantities of non-complaint paraffin stoves traded resulted in the loss of lives by shack fires.

# Background continued

- The NRCS unit, Foods and Associated Industries destroyed fishery products valued at R40,060 million that did not meet the compulsory safety requirements most of which are imports. These included mostly imported products such as hake, pilchards, shark and salmon products that failed due to defective cans, microbiological shortcomings, high levels of parasites and high mercury content.
- The non-compliant products removed from trade would have caused immeasurable adverse impact on the health and safety of the consumer.
- South Africa has mandatory technical specifications that importers must abide with in order to trade in the country. It is the responsibility of the importers to acquire the required approval prior to shipping the containers into the country.

# Impact of non-compliant products

- Recent reports by HESASA indicate that up to two million households in South Africa still rely on paraffin apparatus for lighting the homes, heating and cooking. A majority of these vulnerable consumers are found in the informal settlements across the country. It is unfortunate that paraffin comes with some risks and these risks increase with the use of illegal devices that do not meet the specifications as set out by the NRCS.
- The pictures below indicate the recent fires in Kya Sands that emanated from the use of non-compliant paraffin stoves by consumers that left dozens of people homeless.
- NRCS has collaborated with NCC to ensure consumer safety and to take action against traders in non-compliant products.



- 38% of containers stopped for tyres were found to be non-compliant, similarly 27% of containers with brake-pads were found to be non-compliant”. These are amongst the highest contributors of road accidents in South Africa”.
- During 2013/14 sub-standard construction material such as cement that cause structural failure were detained. NRCS detained 5000 non-compliant bags of imported cement that did not meet the requirements.

# Impact continued...

- The importation of unsafe and non compliant products not only constitutes a risk to the safety and welfare of South African citizens, it gives an unfair advantage to manufacturers in other jurisdictions who are able to penetrate the domestic market with inferior products.
- The environment will benefit significantly if non-compliant products do not gain entry into the country. There is negative impact for our environment caused by the destruction of non-compliant products that gain illegal entry into the country. Our soil and sewage systems get contaminated through the destruction processes.

# Benchmark with other countries on LOA timelines

PRODUCT	COUNTRY AND (APPROVAL AUTHORITY)	TURNAROUND TIME	SOURCE OF INFORMATION	COMMENTS
Circuit breakers and earth leakage protection units	China	6-72 months	RSA based manufacturer who export to China	1. Factory audits required    2. National certification mark required ✓ CCM Mark – China ✓ UL Mark – USA ✓ CSA Mark - Canada 3. Fees (includes certification requirements) ✓ China ~ US\$6,500 ✓ USA/Canada ~ US\$7,200/19,000 ✓ Europe ~ € 21,000 4. Samples – numerous samples, up to 1800 in China
	USA	4-6 weeks		
	CANADA	4-6 weeks		
	Europe	3-12 months		
Prescribed electrical products	Australia/New Zealand (SAA)	5 days 1 day(Express service)	<a href="http://www.saaapprovals.com.au">www.saaapprovals.com.au</a>	Accredited Third party conformity assessment body. Approval valid for 5 years.
Medical devices	USA (FDA)	5 months	<a href="http://www.emergogroup.com">www.emergogroup.com</a>	2/3 of all submissions cleared in 6 months
	Brazil	- 6-10 months (low risk) - up to 48 months for high risk	<a href="http://www.emergogroup.com">www.emergogroup.com</a>	Certain medical device manufacturers must be audited to <a href="#">Brazil Good Manufacturing Practice (GMP)</a> before approval
Electrotechnical	South Africa	120 days	NRCS	R1,530 per application, 3 years validity of LOA
Electrotechnical	India(BIS)	- depends on workload	<a href="http://www.bis.org.in">www.bis.org.in</a>	2 years validity of registration No fee

# Need for the 120 days LOA processing

- In terms of section 5(2)(f) of the NRCS Act, The NRCS shall issue a Letter of Authority which permits commodities or products to be sold or service to be supplied.
- Section 13(6)(c); It may be required that importers and manufacturers be in possession of an LOA certificate issued by the NRCS in terms of section 5 (2)(f).
- NRCS re-strategized its operations to source inspections with port of entry inspections attributed to the increase of non-compliant products detained.
- With the implementation of source (Port of entry) inspections the outcome has revealed that millions of products entering our ports do not have the pre-approval (LOA) required, which led to NRCS receiving an influx on applications for LOA, increasing from 400 applications per month to 1200 currently in the Electrotech environment only.
- Prior to NRCS operating at the port of entry, non-compliant products entered our ports easily without proof of compliance being ascertained by the Regulator.
- The mandatory requirements have remained unchanged, suddenly there was an increase in LOA applications submitted to NRCS which can be attributed to the source inspections at the port of entry.

# Need for the 120 days LOA processing

- Processing of LOA requires detailed attention especially on imports as the products are imported as finished goods, the complexity of the test reports coupled with incorrect and misrepresented information submitted has necessitated NRCS to become considerably more rigorous in assessing the applications before approval is granted.
- In order for NRCS to be effective it must assure itself that all products entering the country comply with the administrative and technical requirements of the specifications.
- The role of intermediaries

# Way Forward: To maximize compliance with all specifications and technical regulations using the Risk based approach

NRCS has had numerous interactions with parliament and stakeholders to engage on the LOA process.

Consequently the NRCS is now developing a risk-based approach to LOAs. It aims to maximize resource utilisation by calculating the risk of an application. The risk-based approach will be used to determine risk levels based on:

- Product
- Company and
- Country of origin

NRCS is targeting to have the risk based approach which is currently under development by approximately mid-2016. The reason for this length of time is that, it is essential that due process be followed since additional regulations must be approved. Once the draft regulations have been prepared, they will be submitted to **the dti** for review; the draft regulations published will need to be published for comment for a period of two months. Comments will then be reviewed and the regulations prepared for final gazetting.

- NRCS has appointed a firm of attorneys to assist with the preparation of regulations.



**THANK YOU**

