

Ref	NRCS Turn-around Strategy
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Ms J Fubbs
Chairperson
Portfolio Committee - Trade and Industry

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NRCS LOA PERFORMANCE TURNAROUND PLAN: FY 2016/17

NRCS hereby respond to the request from the Portfolio Committee on Trade and Industry to submit a Turn-around Strategy.

Background:

The NRCS presented its second quarter report and Parliament Committee raised questions and requested a Turn-around Plan.

Questions and responses:

a) Does NRCS Conduct Exit Interviews:

The NRCS conducts exit interviews for all staff that resign from the organisation.

b) Why is Employee Compensation and Goods and Services going up when everything is going down:

The payroll and goods and services budget are prepared in line with operational needs and National Treasury guidelines for budgeting. The NRCS is currently implementing interventions to improve organizational efficiency such as systems improvement as well as a planned organizational review.

Turn-around Plan Summary

In order to meet the targets and achieve its mandate the NRCS will:

- Surveillance inspectors, will start assisting with evaluation of LOA applications for a period of two weeks every month from 1 December 2016.
- Management to incentivize inspectors to process more applications than the set targets and to defer taking leave during the festive period.
- Management has introduced pre-screening of applications before registration and assigning to evaluators. This is done to minimize the number of incomplete applications assigned to the evaluators.
- The LOA business unit will continue with the implementation the Risk Based Approach where Renewal and Low Risk applications are processed expeditiously.

This plan has been developed in consultation with the organised labour and affected staff and has support of all the stakeholders within the NRCS.

Yours Sincerely



Mr. Edward Mamadise
Acting CEO

STATUS OF THE NRCS ELECTROTECHNICAL BUSINESS UNIT AND BACKLOG INTERVENTIONS

1. NRCS Background

The National Regulator for Compulsory Specifications is an entity under the ambit of the dti established to administer and maintain technical regulations/compulsory specifications with the view to protect public health and safety, the environment and to ensure fair trade in accordance with government policies and guidelines. The primary legislative framework within which the National Regulator for Compulsory Specifications strives to achieve the aforementioned objects is the National Regulator for Compulsory Specifications Act no. 5 of 2008 the Legal Metrology Act no. 9 of 2014 and the National Building Regulations and Building Standards Act no. 103 of 1977. In this regard, the National Regulator for Compulsory Specifications may, amongst other things, issue Letters of Authority which authorizes commodities or products to be sold or services to be rendered in the Republic. Such regulated products are also known as "safety-critical" products.

Safety-critical products refer to those products that, if not manufactured in accordance with strict safety requirements, may harm the consumer or the environment. Such products include electronics, electrical appliances, paraffin stoves and other flame producing devices, chemical products such as cleaning agents, cement, tyres, motor vehicle replacement parts as well as food products.

In order to ensure that such products are safe for the consumer to purchase and utilise, compulsory specifications are set which prescribe minimum safety requirements for these products. Manufacturers, builders and importers (MIBs) of safety-critical products must ensure that regulated (safety-critical) products comply with at least these minimum safety prescripts.

However, prior to bringing these products into trade, MIBs must obtain the approval of the regulatory authorities by proving that such products comply with these compulsory specifications. The NRCS is one of the regulatory authorities that perform this role.

The NRCS manages several sets of compulsory specifications (VCs) that relate to specifically identified products. The NRCS therefore has to satisfy itself that products intended to be traded on the South African marketplace comply with the VCs. The responsibility for ensuring and proving compliance with VCs is that of the respective MIB.

In order to satisfy itself with regard to the safety of regulated products, the NRCS has adopted and implemented a system of pre-market approval to make an assessment of the compliance of products to VCs. This pre-market approval system is referred to as the Letter of Authority (LOA). Prior to bringing a product into trade, an MIB must make application to the NRCS for an LOA. The LOA must be accompanied by valid documentary evidence such as test reports from approved laboratories. A sample of the product may also be required to enable the NRCS to conduct its own tests. Only after the NRCS has satisfied itself that the product does comply with the safety requirements, will an LOA be issued.

2. Letter of Authority

The National Regulator for Compulsory Specification Act. 5 of 2008, defines LOA as a “letter of authority certificate” issued to manufacturer or importer in terms 5(2)(f). Section 5(2)(f), states that a letter of authority certificate permits commodities or products to be sold or services to be supplied. NRCS Electro-technical Business Unit scope covers 18 Compulsory Specifications (VCs) which broadly fall under the following sectors; **Electrical Transmission** (power transformers, power supplies, reactors etc.), **Electrical Distribution** (cables, circuit breakers etc.), **Domestic Appliances** (kettles, microwares, sockets, adaptors, refrigerators, washing

machines etc.), **Heavy Industry** (electric cables, extruded solid dielectric insulation etc.),

Electrical & Electronically Operated Devices (Electrical and audio-visual equipment, TV's, music systems, DVD players, radios), **Lighting Industry** (fixed luminaries, compact fluorescent, incandescent lamps), **Sundry Industry** (transportable motors, air conditioners, equipment measurement & laboratory etc.), **Energy Efficiency** (lighting products, hot water storage tanks, dishwashers, refrigerators etc.).

3. LOA Process, Current Resources and Workload

Electro-technical LOA's are valid for a period of 3 years. Should the approved products be required to be imported or manufactured for sale, a renewal application is required and is treated as a Low Risk Application.

3.1 LOA Process

NRCS procedure for processing applications includes the following steps:

- Company and Representative registration - Applicants
- Submission of applications through NRCS system - Applicants
- Review of applications for completeness - NRCS administrator
- Verification of application fees (non-refundable fee) - NRCS administrator
- Verification of previous levy payments - NRCS administrator
- Application evaluation (documents; test report, samples) - NRCS Inspectors
- Once inspector is happy with the application, recommendation is made to the manager or committee for approval - NRCS Inspectors
- If not recommended, findings are communicated to an applicant for correction within 30 working days period - NRCS Inspectors
- Manager's approval - LOA Manager
- Printing and issuing of LOAs - NRCS administrator

3.2 Factors Impacting on the LOA Applications

The NRCS experienced a significant increase in the number of applications for LOAs in the past number years. This increase can be attributed to a number of factors as explained hereunder.

Since 1994, the South African borders opened up to global trade. Consequently, it became attractive to import products that were produced at lower cost outside of the South African borders. South Africa thus experienced an influx of Products from various countries, which Products were subject to compliance with Compulsory Specifications and Technical Regulations.

During the market surveillance (enforcement) activities undertaken, the NRCS noted that massive quantities of non-compliant products are being traded in South Africa. It was also noted that the majority of these products were imported electro-technical products. In order to address this problem of huge quantities of non-compliant regulated products finding its way into the market, the then Board of the NRCS undertook a research exercise. After conducting the international benchmarking (research) exercise, the then Board of the NRCS approved the implementation of the Border Enforcement Approach to NRCS surveillance and enforcement work. The Border Enforcement Approach enabled the NRCS to profile consignments of products entering South Africa and to undertake targeted inspections, focusing mainly on regulated products.

The results indicated that massive quantities of regulated products were entering South Africa and entering trade without the NRCS pre-market approval process being complied with by MIBs. This means that importers were bringing in safety-critical products into the country, however, the safety of these products were not evaluated. The trade in such products could potentially have a devastating impact on the consumer, the environment and on fair trade. The NRCS Border Enforcement project also highlighted the following:

Information, especially LOAs, requested is not received from clearing agents/ importers timeously

- Importers bring products prior to obtaining LOAs
- No proof of compliance (NRCS approval) is provided
- False declarations from clearing agents/ importers
- Incorrect documentation is supplied

The NRCS then began embargoing consignments of regulated products until the NRCS pre-market approval process were complied with by MIBs. This stance had the effect of increasing the number of applications in the electro-technical sector from approximately 400 to approximately 1300 per month.

3.3 LOA Workload and Resources

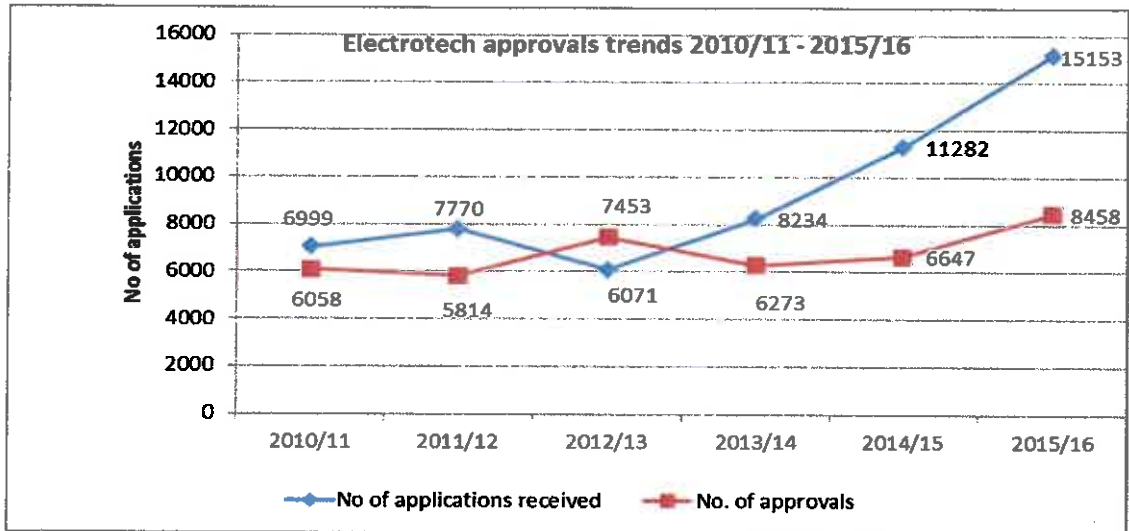
The LOA backlog accumulates over time due to insufficient number of inspectors dedicated to approvals. Table 1 below, indicates the average monthly workload against NRCS ability to process applications received even when there is no carry over (c/o) in month 1. From the 9th month backlog starts accumulating due to the amount of carry over applications which is more than the unit's ability to process applications within the next four months and these increases every month that passes.

Table 1 : ELECTROTECHNICAL LOA Workload and Productivity

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12
Applications C/O	0	460	920	1,380	1,840	2,300	2,760	3,220	3,680	4,140	4,600	5,060
Ave Appl per Month	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
TOTAL	1,300	1,760	2,220	2,680	3,140	3,600	4,060	4,520	4,980	5,440	5,900	6,360
Capacity (6x7x20)	840	840	840	840	840	840	840	840	840	840	840	840
Applications C/F	460	920	1,380	1,840	2,300	2,760	3,220	3,680	4,140	4,600	5,060	5,520

LOA turn round timeline is 120 days (4 months). From the 9th month Backlog starts accumulating as the unit can only process 3360 applications in 4 months.

3.4 Electro-technical Workload and Approval Trends



The number of applications received per year doubled between 2012/13 and 2015/16, from 7770 to 15 153. The number of applications are expected to increase by about 5% during the 2016/17 financial year as compared to 2015/16 financial year.

4. LOA Back-Log intervention to commence from 1st December 2016

By end October 2016, the total number of applications on the NRCS system was 5231 and 1615 on backlog. NRCS has implemented a plan to eradicate all backlog applications and process most of the applications currently at hand. The plan in place shall focus on all critical applications which includes; applications submitted more than 120 calendar days, applications for seasonal products and applications where corrective actions have been submitted to NRCS. The plan is as follows;

- Surveillance inspectors, whose main responsibilities are to conduct inspections, will start assisting with evaluation of LOA applications for a period of two weeks every month.
- Management to incentivize inspectors to process more applications than the set targets and to defer taking leave during the festive period.

- Management has introduced technical pre-screening of applications before registration and assigning to evaluators. This is done to minimize the number of incomplete applications assigned to the evaluators.

Risk Based Approach

One of the measures adopted by the NRCS to give effect to the shortened time-frame on a more permanent basis is the Risk-Based Approach to LOA's. A firm of attorneys was appointed to assist in developing this policy.

The NRCS risk based approach to approvals is meant to categorise applications received into high, medium and low risk categories based on an assessment of the risk of the product, applicant and country of origin. The risk based approach distinguishes three targeted turnaround times:

- Low risk applications – to be processed within 75 calendar days
- Medium risk applications – to be processed within 90 calendar days
- High risk applications – to be processed within 120 calendar days

The classifications depend on the risk classification process. The lower the risk rating, the lower will be the processing time and the higher the risk rating, the higher will be the turnaround time based on the evaluation effort. It is expected that for low risk only a few administrative checks will be done while for high risk the full technical and administrative evaluation will be done, as described in full detail in the policy document.

5. Impact of the Interventions

Management anticipates the following:

- Eradication of the backlog of 1615 applications
- Number of LOAs processed within Electro-technical Business Unit will increase from an average of 900 applications to an average of 2470 applications per month. This represents a 174% improvement in the number of applications finalised per month.
- Applications at the end of the financial year will be reduced from 3577 in the 2015/16 financial year to 1260 as at 31 March 2017. This represents a 65% decrease in the number of applications on hand. Furthermore from the 1st of April 2017 all applications will be handled within 120 days as per the risk classification.
- To allow for a sustainable solution in the long term the Human Resource Capacity shall be increased by 6 candidate inspectors such that it matches the incoming applications. The new candidate inspectors will be placed on a targeted and focused training to ensure that they are effective in processing some of the LOAs applications whilst still undergoing training. .
- The improved ICT system will also in the longer term allow for all incomplete applications to be rejected immediately.

	December	January	February	March
Opening Balance	6000	4830	3660	2460
Applications received	1300	1300	1300	1300
Total Applications	7300	6130	4960	3760
Applications Processed	2470	2470	2500	2500
Closing Balance	4830	3660	2460	1260

The 1260 closing balance is presented on the assumption that all applications are submitted with the required documentation and or acceptable test reports.