

NRCS levy consultation meeting, 2010

Flame-producing devices

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POINTS OF DISCUSSION

- Performance: 2009 – 2010 financial year
- Operational plan: 2010 – 2011 financial year
- Operational plan: 2011 – 2012 financial year
- Previous fee increases
- Levy calculation model
- Revenue
- Recovery of costs
- Annual fee increase
- Annual levy increase

PERFORMANCE

	Target 2009 - 2010	Actual 2009 - 2010
Surveillance inspections	1 220	1 371
Sampling	As required	87
Sanctions	100% on non-compliances	Directives: 134 Confiscations: 90 Legal prosecutions: 3 cases opened but all thrown out by the NPA.
Homologation	-	41
Turn-around time Homologation	21 days	21 days

OPERATIONAL PLAN

	Target 2010 - 2011	Target 2011 - 2012
Surveillance inspections	1 440	1 440
Sampling	As required	In accordance with inspection procedures
Sanctions	100% on non-compliances	100% on non-compliances
Turn-around time Homologation	21 days	21 days

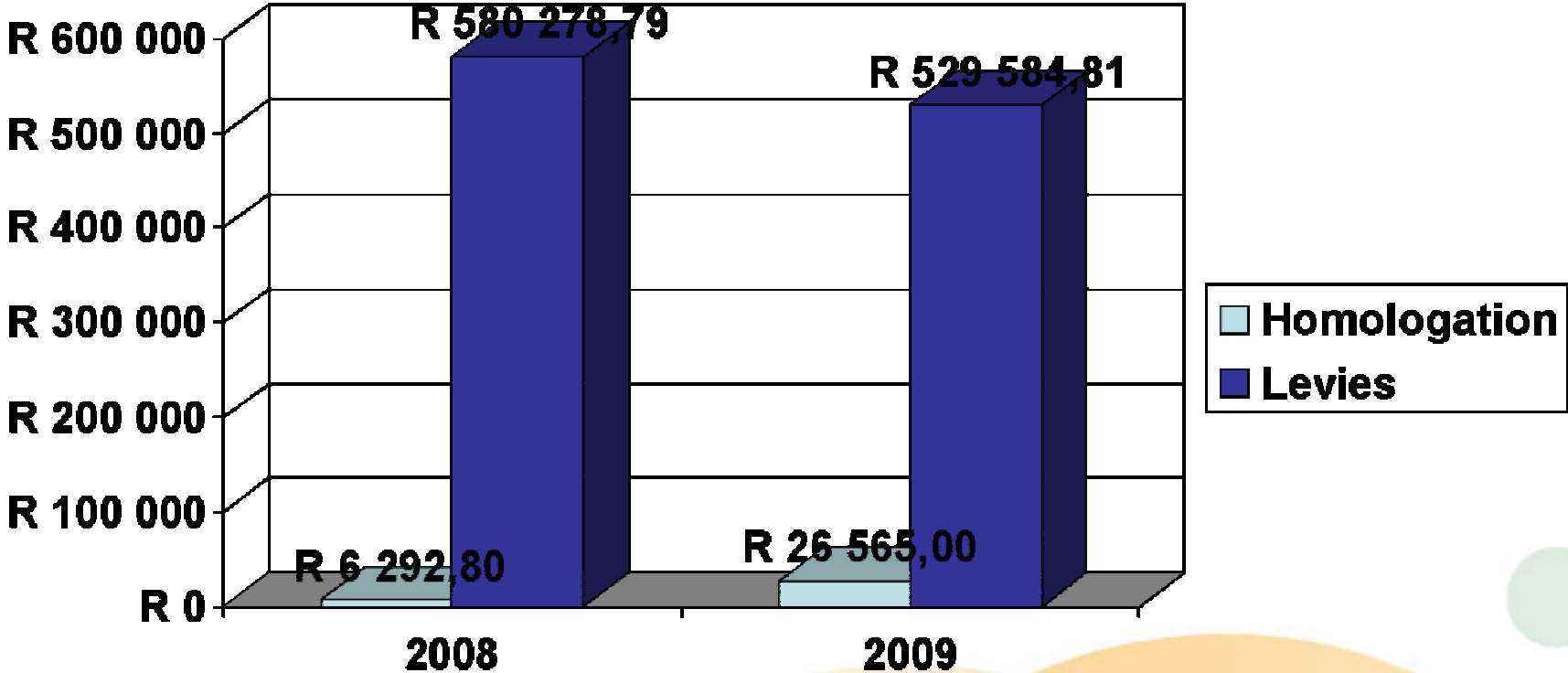
PREVIOUS FEE INCREASES

Consultation	Gazetted	Effective	Payable
November 2008	8 December 2009	1 January 2010	1 July 2010
September 2009	August 2010	1 September	January 2011
September 2010	May 2011	July 2011	January 2012

LEVY CALCULATION MODEL

1. Total costs per industry, including direct and support cost
2. Total number of current inspectors included on cost mentioned in 1 above
3. $1 / 2 =$ cost per inspector
4. Number of inspectors needed for a specific product
5. $3 \times 4 =$ Total cost needed to recover for a product to be regulated
6. Total number of products in the industry
7. $5 / 6 =$ Levy per product regulated

REVENUE



RECOVERY OF COSTS

- CTC based on 3 fulltime inspectors for flame-producing devices.
- Total CTC to administrate VCs = R2 806 902,71
- Total income = R571 360,70
- Under-recovery of costs = -391%

Total CTC to administrate VCs	R 2 806 902,71
Revenue	
Average income from approvals/annum	R 16 428,90
Average income from levies/annum	R 554 931,80
Total income	R 571 360,70
Net surplus/(defecit)	(R 2 235 542,01)
% over-recovery/(under-recovery)	-391%

FEE INCREASE

- Average CPI July 2009 – June 2010 5,7%
- Adjustment for salary and rental cost 0,5%
- Suggested increase 6,2%

DESCRIPTION	CURRENT FEE	INCREASED FEE
Homologation	R902,00	R958,00
Extension of homologation	R379,00	R402,00
LOA for importation of lighters	R823,00	R874,00
Application for Sales Permits	R2 000,00	R2 124,00

LEVY INCREASE

- Proposed levy increase = 80%

Description of commodity	Levy unit	Existing tariff	Increased tariff	Existing tariff with Type 5 Product Certification	Increased tariff with Type 5 Product Certification
Disposable lighters	100 lighters	R1,30	R2,34	R1,17	R2,11
Refillable lighters	100 lighters	R1,30	R2,34	R1,17	R2,11
Non-pressure paraffin stoves and heaters	Item	R1,12	R2,02	R1,01	R1,82

FUTURE FEE INCREASES

- New fees will be gazetted in May 2011, effective from 1 July 2011 and payable January 2012.
- 2011 will mark a total review of all costs as some:
 - Under-recovery
 - Over-recovery
- All levies need to be recalculated based on the model to ensure cost recovery. This will ensure that one industry does not subsidize another product.
- SABS and NRCS became 2 entities:
 - Different cost allocations.
 - NRCS allocation more in detail.
 - 3A vs. 3B: attracts different costs.
- Costs, volume and allocation of inspectors have changed since previous calculation of levies and therefore need to be addressed.
- Implication:
 - New model to be introduced for all levies.
 - Some costs might increase and some might decrease.
 - Ultimate goal to have break even.

Thank you