

Pros and Cons of Agency Consolidation in Hazardous Locations Certifications

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Abstract

The last several years have seen great changes in hazardous locations certifications. These changes have affected not only the hazardous locations standards themselves, but the agencies who grant hazardous locations certifications.

The History

In the recent past, agencies were (more or less) country-based. If you wanted United States certifications you worked with a United States-based agency. For Canada, a Canadian agency, a European agency for Europe, and so forth.

While simple, this system had many disadvantages. Approvals were fully independent from each other, so approval from one agency was no help in obtaining future approvals. Agency interpretations varied, so that a product that passed approval at one agency might not pass at the next. And it was necessary for the manufacturer to manage and co-ordinate multiple approvals from multiple agencies.

The Vision

The IEC scheme was designed, in part, to overcome all of this. Harmonization of the standards reduced variation in the requirements, while at the same time allowing participating agencies to exchange test results.

Unfortunately, only one-half of this grand scheme really happened. Agencies did adopt harmonized standards – albeit with national variations – but the grand scheme of having a level playing field for data and certifications has not fully materialized yet.

There are many reasons for this. One reason is that agencies have mostly moved from government-owned monopolies to for-profit, competitive companies, who are reluctant to give up market share.

They recognize the difficulties of breaking in to overseas markets – brand recognition, marketing, technical knowledge – and have tended to focus on their strong home markets instead.

The Reality

Despite this, these agencies recognize the need to expand. In the global market, an agency cannot be recognized as a world leader without servicing the world.

To achieve this, agencies used to enter into strategic partnerships with each other. This provided mutual benefit and allowed each agency to learn from each other. Thus, a North American NRTL would partner with a European Notified Body so that both sides could provide both North American and ATEX certifications. Each agency could legitimately claim to offer both sides.

[It must be noted that similar situations existed (and still exist) in many certification markets, not just North America and the European Union. This article describes only Americas-EU consolidations.] This sufficed for several years, and everyone was more or less happy. But recently a new trend has emerged – consolidation.

The Natural Progression

In a way, the strategic partnerships worked too well. Agencies recognized the value of having a reliable partner. So much so, in fact, that they decided to buy, rather than rent. This led to agencies purchasing other agencies, in order to bring alternative capabilities in-house.

Not all North American agencies have consolidated with their ATEX partners. Some are still developing their agency partnerships. Others are ATEX Notified Bodies in their own right and need no partner, but may be investigating acquisitions to boost their “on-the-ground” presence in key markets.

Some notable consolidations:

- Underwriters Laboratories (USA) purchased DEMKO (Denmark) in 1996 in order to acquire Notified Body capabilities.
- CSA (Canada) purchased SIRA (UK) in 2009, expanding both their ATEX capabilities and their presence in the UK market.
- The certifications division of KEMA (Netherlands) was sold to DEKRA Certification (Germany) in 2009.
- SGS Group (USA) purchased Baseefa Ltd. (UK) in late 2011.

The Consequences

This trend offers several advantages. Consolidated agencies can offer their customers more services. OEM overhead is reduced by dealing with only one agency, rather than several, and the risk of different interpretations is minimized.

There are also some negative effects to this trend. For example, it has often been the case that smaller agencies are faster, more responsive, and less expensive than the larger agencies. This made them a favorite choice for reducing time to market. As these “better” agencies are amalgamated, OEMs will have fewer such options available to them, reducing “a la carte” options.

The Relevance

By now, you’re saying: So what? Why should I care?

Well, these details matter. The relationship of NRTL to Notified Body can matter a great deal to the success of your project.

For example, certain agencies may claim to offer the “full meal deal” for certifications, but have weak relationships with their overseas partners. As a result, they may not be able to offer you the management support and interpretations consistency offered by a more tightly integrated agency. This leads to delays and discrepancies that affect your time to market.

Alternatively, you may find that agencies that have consolidated may not be as fast, responsive or reasonable as smaller agencies. If speed is of the essence, a smaller, more nimble certifications agency may be best (or cheapest).

Brand recognition may also matter. Although marks and standards have been decoupled for years, certain markets want (or demand) certain certification marks. Agencies that have acquired or partnered with lesser-known marks may not be able to offer the market presence required for your product to be successful.

Summary

Like it or not, consolidation is here to stay. Don’t leave yourself open to problems. Be aware of the pros and pitfalls and avoid headaches down the road.