

Standards & Accreditation Research Study

Introduction

This is a personal submission and does not necessarily reflect the views of any organisation with which I am or have been associated. My employment background is manufacturing industry but I have been involved with NATA, on a voluntary basis for many years. I have represented the Australian Chamber of Commerce & Industry (ACCI) on the NATA Council for the last 20 years and was Chairman of the NATA Executive (now Board) from 1989 to 1995, the period of the Kean Inquiry. I was Chair of the NATA commercial subsidiary (NCSI) until October last year and, until I retire in June this year, am Chair of the NATA subsidiary Proficiency Testing Australia (PTA). I also served on the Executive of Standards Australia (SA) in the late 1980s and the early 1990s, and have recent experience of Standards Committee work.

I hope the following comments, which cover a selected few of the matters raised in the Issues Paper, will assist the Productivity Commission Research Study. If the Commission requires any elaboration or discussion I would be available for interview.

Specific Areas for Analysis

(a) Efficiency & Effectiveness of laboratory accreditation services in Australia.

1. NATA's Constitution, revised in 2004, now sets out Objectives for the Association which can be summarised as –

To promote and contribute to the quality of Australian laboratory services to meet the needs of science, industry, trade, commerce and government and matters related to the national interest, for the benefit of Australian trade and commerce.

To provide accreditation services to facilitate the acceptance of Australian products within Australia and, through Mutual Recognition Agreements (MRAs), internationally.

These objects, are, I submit, consistent with industry and society's and national interest objectives for laboratory accreditation services, and do not need further revision.

2. Using the definitions in Box 1 of the Issues Paper the current system the current system has *allocative efficiency* in that conformation with the national interest, trade and commerce objectives requires laboratory accreditation. Laboratory accreditation is growing internationally as many of Australia's trade partners are expanding their lab accreditation activities. Numbers of MRAs are increasing.
3. With respect to *productive efficiency* the Australian system represents a least cost method of achieving its outcomes, largely as a result of its use of voluntary resources.

4. The effectiveness definition requires an evaluation of how well services are delivering objectives and whether cost effective approaches are being used. It is submitted that there is strong evidence that NATA's services its objectives –
 - The ACCI is pleased with services provided by NATA –refer to the attached reports to the NATA Council.
 - Market Surveys show that NATA stakeholders have a high degree of satisfaction with services provided .
 - NATA meets all Government MOU requirements
 - The key performance indicator of NATA's performance is its laboratory surveillance record. Data shows continual improvement in this area over recent years, to the degree that it was recently assessed as more than satisfactory by international peer review.
5. With respect to cost effectiveness, it is noted that NATA's charges, relative to international practice are low. The basic reason for this low cost of accreditation lies with NATA's ability to harvest volunteer resources of high quality. The whole governance structure and technical resources are based on the commitment of volunteer resources to the national interest. NATA's Council, Board, Accreditation Advisory Committees (AACs) and Assessors, who collectively represent the cream of laboratory technology and management provide an essentially cost free resource. This multi million donation of resources by Australia's laboratory community is a major factor in any assessment of effectiveness.
6. Other positives in the NATA operations are the process transparency, the improvements in process productivity and the general responsiveness of NATA to community needs (the continuing growth in range of its operation). The demand for lab accreditation is illustrated by the growth of accredited facilities, numbers rising from 2404 in 1995, 2525 in 2000 and 2790 in 2005. This growth is noted and approved by the ACCI which represents a significant proportion of Australia's trade and commerce stakeholders.

7. Comment re Standards Australia.

My only recent experience with Standards Australia (SA) operations was with one Standards Committee and its preparation of a standard. I had some concerns with the selection of Committee Chair and members, the commercial bias of discussions, the adequacy of technical discussion, the concensus process and the timeliness. Whilst this may have been an isolated example of committee performance, the Committee process is the essence of SA's operations and needs constant management.

(b) The Appropriate Role of the Australian Government

It is, I submit, obvious that government must have a role in setting the overall policy in relation to national interest matters and the coordination of the conformity infrastructure to achieve these objectives. As a significant part of the activities of both SA and NATA are relevant to national interest, the government needs to ensure that their policies in this area are consistent with government objectives and that such policies are coordinated. This is currently achieved through a Memorandum of Understanding (MOU) between the government and the private organisations. As is discussed later, services provided by SA and NATA in achievement of national interest clearly earn government funding.

However I believe that it is equally obvious that government should not be directly performing any of the standards and accreditation functions currently provided by the private market. My reasons, using NATA as an example, include -

- NATA is an association of members and has a governance system providing access and input to its operations by the whole range of actual and potential stakeholders, including government.
- NATA has cost effective access to a wide range of technical and management expertise on a voluntary basis, a situation not likely with a government operation.
- Existing staff is experienced and is motivated by an ethic of technical excellence
- NATA has an excellent relationship and is highly respected by its international peers.

These essential factors could not be expected to be satisfactorily integrated into a government operation.

The current system of MOUs achieves an appropriate balance between Government and private operators. However it is essential that these documents are fluid and constantly reviewed and updated to reflect the rapid changes in technology and international relationships. Other State Governments should be encouraged to join Victoria and Tasmania in participating in MOU arrangements.

(c) Appropriate terms for MOUs

1. The MOU between the Commonwealth Government and NATA in Box 3 of the Issues paper is largely appropriate but may need some updating and expansion –for example there is no reference or recognition to NATA’s proficiency testing – such testing is certainly an item of national interest. The exclusion of therapeutic goods labs from NATA’s recognition appears as a fragmentation of the laboratory accreditation industry and it is suggested that rationalisation should be investigated.
2. The question as to the influence of business interests may be relevant to standards setting but does not appear to be a factor in lab accreditation.
3. To permit regulatory bodies to make greater use of non-NATA accredited bodies would lead to an undermining of the fundamental purpose of

accreditation in terms of quality service and international trade. It would be contrary to the objectives set out in the MOU under the heading of joint undertakings between the government and NATA.

4. I accept that the question of revoking the peak body recognition or “monopoly” status is a necessary part of the Productivity Commission’s review. In considering this matter it should be recalled that, whilst it does not specifically appear in the 1995 report of the Committee of Inquiry into Australian Stands and Conformance Infrastructure (the Kean Inquiry) a, if not the, major factor in the establishment of this inquiry was the rivalry between the two dominant players in the conformity industry – SA and NATA. Government and industry were disturbed by the competition between these organisations in the lab accreditation and ISO 9000 certification areas and the effect it was having on their national interest and trade activities.

In many respects this Productivity Committee Research Study has similar terms of reference to the Kean Inquiry. An outcome of the Kean inquiry was the recognition of SA and NATA as peak bodies, with virtual monopolies for their prime activities, and a requirement to divest or separate their commercial certification activities. These recommendations were adopted, with the formation of what are now SAI Global and NCSI as separate subsidiary companies. Relations between SA and NATA have, since these actions, returned to the normal necessary supportive and cooperative mutual respect situation.

To revisit and revoke the peak body arrangements must surely lead to a return to the chaos of the early 1990s.

(d) Appropriateness of Funding

1. The establishment of criteria for determining which SA and NATA activities should be funded is difficult but I suggest that there should be a general criterion that costs incurred in meeting the international requirements under a MOU should be met by the government. For national interest activities in Australia a similar ruling is not appropriate as industry may benefit and should provide funding. Funding then should be considered on a case by case basis. For example two theoretical extreme cases would be
Case 1 : A government operation in a remote area requires a service from NATA which will cost far more than standard fees generate.
Case 2 : A NATA member operating a commercial laboratory in a remote area requires special accreditation for a government contract the cost of which will not be covered by standard fees.

NATA obviously performs the requested services, covering the additional costs. Such cover must come either from government funding or by cross subsidisation from industry fees. Both cases clearly involve national interest. I suggest that Case 1 should be government funded as it is not a service which would routinely be provided whereas in Case 2, the client being an industry member, funding should be by cross subsidisation.

2. In consideration of funding in NATA's case it is important to consider the role of NCSI, the NATA subsidiary. NCSI activities currently contribute funding to NATA of the order of \$ 1.5 million per annum, in excess of the government funding. This is a major factor in making NATA's service cost effective and the Productivity Commission should endorse this relationship. (The NCSI contribution also allows cross subsidisation of activities without requiring a contribution from industry ie. keeps fees low).
3. The timing of notification of the government grant is unfortunate as budgets should be in place at the beginning of a financial year, at which stage details of government funding are usually not available.

Additional Issues

Other than noted above I have no comments on this section of the Issues paper.

C.A.Baker AM
April 24th 2006

YEAR 2004

REPORT TO NATA COUNCIL BY ACCI REPRESENTATIVES

The ACCI is pleased with NATA's continual improvements during the past year which serve to facilitate enhancement of business and lead to improvements in the performance capabilities of its industry members.

In particular, it is noted that the Memorandum of Understanding (MOU) signed with the Tasmanian Government will act as a driver for good industry practices in Tasmania via laboratory accreditation. It is pleasing that NATA is progressing discussions with other States and Territories to negotiate further MOU's.

Industry acknowledges NATA's sustained growth in accreditation, reflected by accreditation facilities passing 2,700 for the first time. Consistent with such growth, so also has the pool of assessors grown.

Industry also recognizes the contribution made by proficiency testing, with 30 programs having been conducted involving 1500 laboratories.

Business is also showing benefit from NATA's more active involvement with the media, through a wide range of articles embracing NATA being published in professional, trade and industry journals. It is also of benefit to Industry that NATA is publishing details of member facilities to which sanctions such as suspension or cancellation of accreditation have been applied. NATA's marketing program also is pleasing to ACCI, in that it has a focus on the promotion of effective representation of NATA's membership to all interested bodies.

We are also pleased that NATA is continuing its commitment to International activities and projects. NATA in being a signatory to the continually expanding global ILAC Arrangement will ensure the acceptance of technical data accompanying goods crossing national borders by eliminating the need for re-testing of goods in the importing country.

Brian LOUREY
Cliff BAKER
David GRAY

YEAR 2005

REPORT TO NATA COUNCIL BY ACCI REPRESENTATIVES

The ACCI is pleased with NATA's continual improvements during the past year which serve to facilitate enhancement of business and lead to improvements in the performance capabilities of its industry members. It is noted that there has been strong and consistent growth in membership which serves to reflect the value of accreditation in the marketplace. **The new logo represented a visual display of NATA's need to be seen to progressive. It is hoped that these changes are not superficial and real benefit to industry will be forthcoming.**

It is noted that the Memorandum of Understanding (MOU) signed with the **Victorian** Government may promote good industry practices in those states via laboratory accreditation. It is pleasing that NATA is progressing discussions with other States and Territories to negotiate further MOU's.

It is noted that NATA has upgraded its website during the year, and that a new site is being prepared for launch in 2006 to better serve members and the community at large. It is further noted that a tailored insurance package designed specifically for NATA facilities was launched in June 2005 which covers general liability, professional indemnity and directors' and officers' liability. ACCI is pleased with these initiatives.

ACCI has noted NATA's media activity, and is pleased that such have been directed primarily at marketing member services which are essential for ACCI members.

We are also pleased that NATA is continuing its commitment to International activities and projects. NATA in being a signatory to the continually expanding global ILAC. **We are hopeful the government to government Free Trade Agreements will underpin the progress of the mutual recognition agreements made between NATA and the ILAC Partners.**

Brian LOUREY
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