

Productivity Commission Draft Research Report “ Standards Setting and Laboratory Accreditation “
Comments By C.A.Baker AM

1. Introduction

My April submission to the Productivity Commission for the above study (Submission No. 87) dealt almost exclusively with NATA and Laboratory Accreditation matters, and with one exception, I welcome the findings as presented in the Draft Recommendations 12.1 to 13.3. Whilst the study largely endorses the “status quo”, adoption of its recommendations should lead to improvement in some areas including proficiency testing and the facilitation of trade through extension of MRAs and additional Government recognition of accredited test results. I also note that my only submission concerning Standards has been addressed in Draft Resolution No 8.1.

My concern with the draft report relates to the issues of Government funding for NATA (Draft Resolution 13.2) which states that only partial funding should be provided for costs associated with NATA’s involvement in ILAC, APLAC and relevant ISO/IEC Committees. 50% funding is proposed in the body of the report. I believe that this change to existing funding arrangements is not only unwise, but is not a logical conclusion from the data obtained in the study. Further, the proposals for alternative funding for these activities are not practical.

2. The Issues for Government Funding of MRA Activities

The Draft Report describes NATA’s MOU with Government as basically sound but lists some amendments which are considered warranted (I do not disagree with these amendments). However, it is stated that these amendments “will not affect the intent of the agreement” and it is clear that they do not relate to NATA’s involvement with ILAC, APLAC and ISO/IEC. This endorsement of the MOU clearly includes endorsement of the associated Deed of Agreement which requires NATA to “maintain a high level of participation in relevant ILAC” and “APLAC Committees, representation in relevant ISO/IEC Committees and to maintain MRAs.

The rationale stated for these requirements is to protect the interests of Australian laboratories and other national stakeholders, including government, accredited facilities and the end users of accredited facilities. In fact these requirements, in many circumstances, do not achieve the stated objectives, as is recognised by the Productivity Commission report. The outstanding example is that MRAs disadvantage Australian laboratories who lose potential business due to the acceptance of overseas test results

The Productivity Commission draft report (pp 235) states that “it should be made clear that acting innational interest requires accounting for impacts on all Australians.”

With respect to acceptance of overseas test reports via MRAs it follows from the Government requirements that the benefit of MRAs, (whilst not so stated), is not directed at benefiting laboratories, (in fact, the opposite) but at the public benefit of reduced costs

of imported goods ie. that NATA's involvement is a national/public interest which should be government funded.

The Productivity Commission draft report claims that the MRAs have a significant component with private interest and that the Government grant should not finance these beneficiaries. This comment can only apply to the exporter of accredited test reports, the benefit being financial competitiveness and increased national export income. In addition to the public benefit accruing from an improvement in the Trade Balance, it can be argued that this should also result in public benefit in reduced prices as a result of improved productivity. Further it is believed that a very small minority, probably less than 1% of NATA's members, are the actual exporters who benefit from the overseas acceptance of NATA accredited test reports.

Similarly the number of NATA accredited laboratories whose test reports are used by an exporter is a very small percentage of NATA members, and financial benefits, if any, are minimal. The majority of testing for compliance with domestic and overseas requirements is identical and will become more so as the Government moves further to international standards. Laboratories may not necessarily know that their report will be used for export. Where testing is to an international standards an independent laboratory is most unlikely to adopt a higher fee for an export report over the same report for domestic usage.

As an overall conclusion the data in the Draft report concerning MRA activities supports total Government funding of these activities which are essentially public interest activities.

3. The Issues for Government funding of other ILAC, APLAC, ISO/IEC activities

Whilst participation in ILAC and APLAC is fundamental in maintaining MRAs the Government Deed of Agreement also requires NATA to participate in the development of international standards. There is no suggestion that this is not an appropriate requirement. The Productivity Commission report (pp185) states that NATA has a private interest in these activities in that they affect the level of quality to which laboratories are accredited and consequently are not for public/national interest. It also acknowledges that NATA "may not be able to internalise the total benefit of some of its activities" The report does not note that NATA is not able to obtain financial benefit from these activities and that the benefits of the level of quality of laboratories in general is a domestic public benefit. ILAC activities lead to improved test methods, more accurate results, correct procedures and for example better health and safety outcomes etc, - again a public benefit.

I believe that the Draft Recommendation to the effect that Government should not fully fund NATA's international activities in ILAC, APLAC and ISO/IEC on the grounds that this activity does not demonstrate a clear public benefit is not a logical outcome from the extensive data assembled in the report. The report clearly endorses the importance of these activities in the public/national interest but provides no feasible/acceptable method of financing them.

4. Recommended funding level

The proposed 50% Government funding (pp228) does not appear to be based on any examination of private v. public benefit and provides no convincing evidence to prove that all NATA's international activities do not have public benefit.

5. Practicality of proposed funding of activities for which funding is removed.

The draft report suggests that NATA could fund the missing 50% of finance for its international activities by recouping it from those private organisations receiving benefit from their activity. This I suggest is totally impractical for the following reasons

- The importer who gains financial benefit by the acceptance of overseas test results is not identifiable by NATA. I hesitate to suggest that a bureaucratic organisation should be set up to recoup costs from this beneficiary of NATA's international activities.
- NATA does not necessarily currently know which of its some 3000 members issue test certificates which are used for export, or the number of such reports. The costs to set up a system to monitor and record such a system as the basis of an additional charge are surely not warranted.
- In most cases the end user and private beneficiary (the exporter) has no relationship with NATA and cannot be identified by NATA.
- It would be irresponsible, and contrary to the principle of user pays, for NATA to increase fees across the board to fund largely public/national activities. I believe that more than about 90% of NATA accredited facilities are not involved in export and should not be expected to pay for NATA's international activities which are detrimental to their business. However it will be the only option for NATA to finance its MOU commitments if Government funding is withdrawn.

6 Conclusion

I believe that the Recommendation 13.3 should be modified to recommend fully funding for NATA's ILAC, APLAC and ISO/IEC activities because these activities are essentially in the public interest. In the relatively few instances where spin off from NATA's international activity gives private interests a benefit NATA cannot recoup costs and should not be expected to do so.

C.A.Baker

7th September 2006