



8 May 2006

Standards and Accreditation Study,  
Productivity Commission  
PO Box 80  
Belconnen, ACT 2616  
**AUSTRALIA**

Dear Sirs,

### **STANDARDS AND ACCREDITATION RESEARCH STUDY**

We refer to your Circular and Issues Paper on the above subject and dated 6 March 2006 and apologise for this late response.

We wish to make a submission in relation to the research study given the importance of the work between standards and accreditation bodies in Australia and New Zealand. This work supports government policy and industry with respect to trade between the two countries; in the Pacific region; and internationally through the World Trade Organisation (WTO) and in international standards setting at the International Organisation for Standardisation (ISO) and the International Electro-technical Commission (IEC).

As the National Standards Body in New Zealand the Standards Council and its trading arm, Standards New Zealand ("SNZ"), fulfils a similar role to Standards Australia. Background information on SNZ is provided in the Appendix to this submission.

SNZ has a close relationship with other organisations in the standards and conformance infrastructure in both countries, including the National Association of Testing Authorities (NATA). While the focus of our submission is on standards development we consider that it is important for there to be a continuation of the strong linkage that exists between NATA and its equivalent organisation in New Zealand, International Accreditation New Zealand (IANZ).

Standards Australia and SNZ have a formal arrangement that pre-dates the advent of Closer Economic Relations (CER) and the trans-Tasman Mutual Recognition Arrangement (TTMRA) for the development of standards applicable in both countries. Designated as joint, or AS/NZS standards, these documents ensure that:-

- Industry in both countries has the same standards to manufacture or develop services so that trade between the two countries is not constrained by different specifications or requirement
- The cost of the development of standards applicable in this part of the World is apportioned between the two standards bodies, avoiding duplication of effort, and reducing development costs in both countries

The focus of the Research paper is in four areas. We only wish to make comment on the standards setting part of the study and have therefore only included this aspect in our submission:

1. The efficiency and effectiveness of standards setting services in Australia
2. The appropriate role of the Australian government
3. Appropriate terms for Memoranda of Understanding (MoU) between the Australian Government and Standards Australia
4. Appropriate means of funding the activities of Standards Australia which are deemed to be in the national interest

## **1. The efficiency and effectiveness of standards setting in Australia**

A number of studies have been carried out in other countries to consider this question in relation to their national standards bodies.

We submit that efficiency and effectiveness needs to be viewed against: -

- Alternatives to Standards, such as legislation and regulation, and
- The relative efficiency and effectiveness of Standards Australia with other agencies developing similar products and services. This in turn needs to be considered in relation to the size of the market in which the organisation is operating, the extent to which the agency, or agencies are supported and resourced, and the degree to which standards are mandated in that market.

Standardisation processes in National Standards Bodies are by their nature robust, transparent and internationally recognised in that they follow directives set down by organisations such as ISO and IEC. Most importantly they depend on the development of a consensus position and this can take time, especially if the subject being considered is contentious.

When considered against the time and resources required to develop or amend regulation / legislation the alternative of developing or amending a standard is compelling. When the cost of compliance of regulation v standards is considered the development of a consensus-based document is not only likely to find a higher degree of acceptance than something that is imposed and therefore likely to have greater uptake, but the cost of voluntary compliance with a standard developed for and by industry is likely to be less than regulatory intervention.

We also note that the existence of strong linkage with other standards bodies, such as ISO and IEC, means that adoption of international standards is a very efficient method of standards development in use of resources and fostering international trade.

## **2. The appropriate role of the Australian government**

The use of voluntary standards is encouraged in the WTO TBT & SPS agreements. However the obligations of international agreements, such as these agreements, are not necessarily understood amongst regulators. This tends to be the case in many countries, including those, such as Australia, where there is a federal and state level of regulation.

We note that the United States of America has had in place legislation encouraging the use of voluntary standards at the federal level for 10 years and note that this has saved billions of dollars.

The legislation is the National Technology Transfer and Advancement Act of 1995 - Section 12(d) of which I reproduce below.

#### SEC. 12. STANDARDS CONFORMITY.

##### (d) UTILIZATION OF CONSENSUS TECHNICAL STANDARDS BY FEDERAL AGENCIES; REPORTS-

(1) IN GENERAL- Except as provided in paragraph (3) of this subsection, all Federal agencies and departments shall use technical standards that are developed or adopted by voluntary consensus standards bodies, using such technical standards as a means to carry out policy objectives or activities determined by the agencies and departments.

(2) CONSULTATION; PARTICIPATION- In carrying out paragraph (1) of this subsection, Federal agencies and departments shall consult with voluntary, private sector, consensus standards bodies and shall, when such participation is in the public interest and is compatible with agency and departmental missions, authorities, priorities, and budget resources, participate with such bodies in the development of technical standards.

(3) EXCEPTION- If compliance with paragraph (1) of this subsection is inconsistent with applicable law or otherwise impractical, a Federal agency or department may elect to use technical standards that are not developed or adopted by voluntary consensus standards bodies if the head of each such agency or department transmits to the Office of Management and Budget an explanation of the reasons for using such standards. Each year, beginning with fiscal year 1997, the Office of Management and Budget shall transmit to Congress and its committees a report summarizing all explanations received in the preceding year under this paragraph.

(4) DEFINITION OF TECHNICAL STANDARDS- As used in this subsection, the term 'technical standards' means performance-based or design-specific technical specifications and related management systems practices.

SNZ is encouraging similar legislation in New Zealand on the basis it reinforce that regulations or bylaws should refer to or incorporate standards to meet regulatory objectives and international treaty obligations. It is important to note that this would not give Standards New Zealand any exclusive rights in this regard.

We suggest that similar legislation in Australia would assist in the same way as has been demonstrated in the United States of America to benefit industry by lowering compliance costs and stimulating economic activity.

### **3. Appropriate terms for Memoranda of Understanding (MoU) between the Australian Government and Standards Australia and NATA**

We are not especially qualified to comment here but point out that in New Zealand we have the Standards Act which sets out the principals of standardisation and the linkage between the Standards Council and the New Zealand Government. In addition we are required to develop a Statement of Intent, under the Crown Entities Act and an agreement with the Ministry of Economic Development which also guides and formalises relationships between the Standards Council and the government.

We suggest that a review of these mechanisms may assist in this area, notwithstanding Standards Australia is a private organisation.

#### **4. Appropriate means of funding the activities of Standards Australia and NATA which are deemed to be in the national interest**

##### **General**

2.1 We also note a number of other actions underway that may assist the Productivity Commission in its research

2.1.1 The New Zealand Parliament has a Bill at Select Committee stage amending legislation governing SNZ and IANZ. Submissions to the Commerce Select Committee considering the Bill closed on 31 March and the Bill is to be reported back to Parliament by 30 June 2006. Submissions on the New Zealand legislation may be of interest to the Productivity Commission.

2.1.2 In New Zealand the Ministry of Economic Development ("MED") are undertaking a review of the standards and conformance infrastructure, including both the Standards Council and International Accreditation New Zealand ("IANZ"). We are informed the review will make recommendations to the Minister of Commerce by 30 June 2006. The Productivity Commission may be interested in this review.

2.1.3 In 2003 the UK government set up the National Standardization Strategic Framework (NSSF) as part of its commitment to innovation and technology. This is now in the last year of a three year initial programme and is due to be evaluated in late 2006. The framework is funded by the Department of Trade and Industry (DTI) and led jointly by the DTI, the British Standards Institution (BSI), the Confederation of British Industry (CBI) and the United Kingdom Accreditation Service (UKAS)

The aim of NSSF is to promote the use of standards and standardization in order to:

- Create competitive advantage for UK businesses
- Open international markets
- Increase market confidence
- Create a platform for innovation

The work of the NSSF illustrates the need for a mechanism that is appropriately resourced to achieve the above objectives. NSSF has a budget of £4.5 million over 3 years. Many of the issues to be considered in the research paper you are considering are covered under the objectives of the NSSF and we suggest that an update from NSSF would assist in the development of the Research paper

2.1.4 Canadian Bill C-68, the Pacific Gateway Act as an example of government assisting involvement in international and regional standards. This Bill, which is making its way through the Canadian parliament provides up to Cdn\$10 million toward developing deeper links with the Asia-Pacific region through Canadian involvement in international and regional standards

development and harmonization activities aimed at the Chinese and other emerging markets. This would facilitate market access for Canadian products and services in these markets and support two-way trade.

This initiative shows the value other countries place on such initiatives as a way of improving market access.

2.1.5 Linkage between standards, innovation and growth in GDP.

Prior to the review of the Standards and conformance infrastructure the Ministry of Economic Development (“MED”) commenced a project to consider the linkage between standards and innovation in the New Zealand economy. This links nationally to the government’s growth and innovation framework initiatives and to international studies which show a clear positive relationship between standards and innovation. These studies, conducted in Germany and more recently in the United Kingdom indicate that the standards and conformance infrastructure added USD1 billion to the German economy and £2.8 billion to the UK economy.

These studies also indicated that having recognised standards provided a solid base from which innovation could take place (i.e. new products and services could rely on existing materials and technologies) and allowed these innovations to be brought into commercial application through developing standards that recognised the innovation.

We hope that this submission assists the Productivity Commission and would be happy to answer any questions you may have.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rob Steele', with a stylized, cursive script.

Rob Steele  
Chief Executive

## Appendix

1. The Standards Council is a Crown Entity operating under the Standards Act 1988. The Council is responsible to the Minister of Commerce, the Hon. Lianne Dalziel.
2. The Council is governed by the Standards Act 1988 ("the Act"). The Council is an Associate Crown Entity (ACE) and is therefore subject to the Crown Entities Act 2004.
3. SNZ Standards present the views of a convened technical committee based on minimum or best industry practice, and is neutral in respect to any given product or material, system, or methodology. Our documents are cited in legislation or associated regulation. However the majority of documents are used as voluntary documents by practitioners from all parts of industry.
4. SNZ operates a recognized process for the development of documents that is independent of external commercial, industry, political or social influences. The Standards development process is based on the expert knowledge offered by the committees who write the Standard. All sides of a given argument can be aired and discussed in a neutral environment, with the aim of arriving at a consensus decision. Our processes are internationally recognised, rigorous and accepted, transparent, and used in many sectors of New Zealand and international business.
5. The value of Standards is well-recognised by industry, regulators and consumers and also accepted trans-Tasman as helping to underpin and to promote the aims of CER (Closer Economic Relations) and TTMRA (Trans-Tasman Mutual Recognition Arrangement). Recognition is also international, where SNZ is New Zealand's representative in the International Organisation for Standardisation ("ISO") and the International Electrotechnical Committee ("IEC").
6. SNZ evolved as a result of a major building disaster, the 1931 Napier earthquake. This prompted the Government to set up a Building Regulations Committee which recommended that a national uniform building code be prepared and applied. As a result, in 1932, the New Zealand Standards Institution, which later became Standards New Zealand, came in to being.
7. SNZ has a full-time staff of 54, and is supported by over 2,000 New Zealanders who volunteer their time to serve on the many and varied boards and committees. It is entirely self-funded, with revenues sourced from contracts with industry and the Government, seminars, membership fees and through the sales of Standards publications.
8. As the national standards body, Standards New Zealand is involved in the development and application of national, regional and international standards and is New Zealand's representative in the ISO (International Organization for Standardization) and its sister organisation, the IEC (International Electrotechnical Commission). SNZ communicates frequently with other national standards bodies, and thus we can call on the benefit of the combined international knowledge for particular situations that may have been experienced in other parts of the world.

9. The SNZ standards development process is also used to develop best practice documentation that covers administrative and commercial processes. Examples are model TA (Territorial Authority) bylaws, risk management and contract administration standards.