Committed to Australia's ICT, electronics and electrical manufacturing industries

AEEMA

REVIEW OF THE AUSTRALIAN GOVERNMENT'S RELATIONSHIP WITH STANDARDS AUSTRALIA LTD AND THE NATIONAL ASSOCIATION OF TESTING AUTHORITIES, AUSTRALIA

AEEMA RESPONSE TO THE PRODUCTIVITY COMMISSION'S DISCUSSION PAPER 21 APRIL 2006

INTRODUCTION

The Australian Electrical and Electronic Manufacturers' Association Ltd (AEEMA) is the premier national, industry body in Australia representing some 400 infrastructure providers for Australia's ICT, electronics, and electrical manufacturing industries. AEEMA's is a broad church covering as it does suppliers and manufacturers in the digital television and products sector, digital broadcasting, communications and standards, all aspects of electronics and electrical products, home appliances, consumer electronics, defence electronics, smart cards and IT security, ICT, lighting and electrical capital equipment.

AEEMA has had a long and fruitful working relationship with Standards Australia – we are a major nominating body to Standards Australia and this facility is marketed as a key membership benefit. Members have been almost unanimous in stating that Standards Australia must be retained as the peak standards setting body in Australia. However, there are some crucial operational and strategic matters that concern members and the industry generally.

AEEMA currently holds 290 positions on Standards Australia committees (see Attachment 1). These positions are exclusively for AEEMA members and cover the three divisions of AEEMA: Electrical, Electronics and ICT Australia®. Participation on these committees allows industry the opportunity to be involved in the development of effective standards in their product arena. It ensures that AEEMA members are able to contribute, along with other stakeholders, to the establishment of Australian standards. Having this opportunity also allows industry to promote the development of, and alignment with, international standards. Many AEEMA representatives are also representatives on International Electrotechnical Commission (IEC) committees. AEEMA is also represented on the Council and several sectoral Boards of Standards Australia.

AEEMA representatives on Standards committees must represent the views of AEEMA members and provide feedback and reports to members and the relevant Forum. This ensures that all members have equal access to information relating to the standards determination process.

GENERAL CONCERNS EXPRESSED BY AEEMA MEMBERS

As an opening statement, it should be noted that members are concerned with the inadequate levels of resourcing at the Technical Committee level by Standards Australia. Because of the diversion of resources to fee-paying agencies, the ongoing development and voluntary work undertaken by industry representatives including AEEMA members on Technical Committees is suffering.[1] Members query whether this type of relationship with another government agency, at the expense of continuing to work with industry to develop standards, is appropriate. AEEMA members are very concerned that this type of "fee for service" in the development of standards will become the norm.

AEEMA acknowledges that Standards Australia have introduced a new strategic direction, philosophy and cultural change in the recent past. They consulted widely with industry in this endeavour. This activity is laudable and welcome. However, members do not yet fully appreciate the impact of these changes and this could be remedied by enhanced communications by Standards Australia to the industry. In addition, many of the more operational issues mentioned herein as member concerns cannot be remedied through such changes, such as the funding of industry representation at international fora. Such changes must be made by government. Members have expressed concern that Standards Australia seems to be "losing its way". The levels of skills at certain areas of the organisation appear to industry to be in decline, and perhaps most importantly there is widespread concern, mentioned above, at the poor support in regard to delegate travel and costs, provided by Standards Australia to industry members wishing to represent Australia on international forums.

The sale and float of Standards Australia's former subsidiary, SAI Global Limited, in December 2003 is also seen by many in industry as an inappropriate and poorly-consulted move.

AEEMA members further note that the Australian Design Awards programme promoted by Standards Australia tend to promote "product winners", namely handsome industrial design of domestic product rather than non-descript product with good safety and

[1] We understand that Standards Australia is receiving fees from the AGO for specific standards setting work.

performance. Products seen by industry as beneficial with perhaps unique features have been passed over and awards given to a relatively standard item of similar character. Winning an Australian Design Award does benefit a products market acceptance and hence development, cost and life cycle. Its role could be expanded to assist innovative products to market.

Executive Summary

Standards Australia has traditionally provided the majority of Australia's voluntary and consensus standards. Australia's Standards and conformance infrastructure needs to change and grow if it is to support a knowledge based economy. Standardisation processes need to anticipate the changes that are necessary rather than simply evolve. No longer is there any excess industry and government expertise that can be drawn upon to provide Standards Australia with its mandatory and voluntary standards development. A Standards development body that can facilitate Australia's access to world markets is essential as the demand for standards is escalating at a rapid rate. In this regard, AEEMA does not support a "tender" principle for the provision of standards development.

Within industry a consistent criticism of standards Australia is the time-frame taken to develop standards, with the intellectual property signed over to Standards Australia but the document generated then sold through a private company. This alone will drive some groups to develop standards where the funding received will be used to the benefit of the member organisation. In other jurisdictions this has already occurred. The USA is an example. Well known and major groups such as NEMA - National Electrical Manufacturers Association or the relatively obscure IESNA - Illuminating Engineering Society of North America generate and publish their own standards. The IES in Australia, known as "ies The Lighting Society" and AEEMA "Lighting Council Australia" members provide the primary specialist intellectual property and expertise to develop lighting standards. These are then sold via a standalone profit making company. AEEMA members (and any other associations) could use this model to develop standards by industry for industry. (We suggest this is an unacceptably narrow outcome).

AEEMA wishes to reinforce the importance of the Memorandum of Understanding between the Commonwealth and Standards Australia. We see this as underpinning Standards Australia as the national peak non-government standards body. It also allows Australia to be a member of key international standards organisations such as the

International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

Membership of these and other international standards organisations allows Australian business, government and other interests to be considered during the development of standards by these various international bodies. AEEMA acknowledges the Australian Government's long-standing interest and provision for participation in international standardisation. Industry is being subjected to rapid change in this global environment and is responding with increasingly innovative, complex products and systems. Standards are critical for safety, performance and international inter-operability. Often critical decisions are made overseas in ISO and IEC meetings, and in this regard we maintain the level of funding for international standardisation is **totally inadequate**, and in this regard we urge maintenance or increase of current funding levels with more focussed application to international representation.

The Australian Industry Group recently reported while companies were investing in skills and innovation, moving offshore was proving irresistible in terms of lowering production costs and improving productivity. A new survey of 800 manufacturers and 200 corporate chiefs has found the amount of activity conducted by Australian businesses offshore is set to rise from 15 per cent to 25 per cent over the next year. The result is often that expertise essential to preparing standards is also is being transferred offshore.

A new national manufacturing strategy could ease pressure on industry and limit this trend. Reforms should include cutting company tax to 25 per cent, while cutting personal tax rates, reducing business regulation, boosting skilled training and education spending, improving research and development incentives and removing trade barriers.

The survey showed two-thirds of manufacturers were seeking to introduce new products, 60 per cent proposed to boost spending on skills and half expected to increase spending on research and development.

AEEMA supports the above and wishes to emphasise that standards underline the performance of many of these companies and their products. We add that spending on skills and R&D are necessary as these also support standards development. This will then flow through to product testing at NATA and other laboratories and in some cases (especially mandatory standards), it goes hand in hand with product certification.

REVIEW THEMES

In responding to the Commission's Discussion paper AEEMA has not addressed all the issues raised therein, but instead has focussed on matters of longstanding concern to our members in their interface with the operational levels of Standards Australia through the Technical Committees and other working groups. That said, we have themed our responses based on input from members along the following lines and generally in accordance with the themes of the Discussion Paper:

1. **Does the standards setting process impose or reduce transaction costs on business?**

AEEMA members note that initially these processes do in fact impose additional costs on business, but as the standards develop they reduce costs because they then permit a more efficient handling of requirements covered by the relevant standard. In general members believe that any additional costs imposed are a longer term reasonable investment for the certainty of achieving a good standard.

Standards can inhibit product development and acceptance, especially in the area of mandatory compliance standards such as safety. There is no infrastructure or review process for new concepts to be accepted other than via compliance with Australian or similar international or European Standards. Regulators are no longer prepared to make engineering judgments on products suitability for an application (especially relating to safety). Items under voluntary compliance regimes are not so inhibited. These can be sold even if no standard exists.

However what happens when a new concept is developed that may not fit with the existing standards? The inventor must not only develop his product but must get it recognised via the existing time consuming standards process. A positive assistance to industry with respect to innovation would be a process that recognises and fast tracks these types of unique developments through the multifaceted process that involves at least standards, regulators, laboratories (NATA) and certifiers.

An example of this concerns one of our members. It developed a unique technology that did not fit an existing standard. The approval process so far (it is not complete) has taken 3 years, which from a commercial point of view is far too long, especially when trying to protect IP at the same time. Speed to market can be critical were innovation is concerned. This experience highlighted to the AEEMA member that there is no support network in the standards process that can guide new developers through the maze of

processes and committees. Valuable time is wasted finding the right person in the right position to make a decision. In this particular situation, Standards Australia and the Department of Fair Trading caused the developer significant lost time and large costs by constantly referring the company back and forth between agencies. Because there are no clear boundaries, the unnecessary red tape acts as a real disincentive to small business.

2. **Are there concerns with the mutual recognition processes with other jurisdictions?**

Several members have noted significant issues of failure in the mutual recognition processes, specifically in relation to the recognition of NATA's mutual recognition partners. This sometimes causes obstacles in exporting to other jurisdictions without considerable additional certification or clarification activities having to be undertaken. The key originating focus of these problems appears to be China.

There are also concerns where a laboratory can test and certify product. If test laboratories have a MoU status and there are failures in the mutual recognition process, then the product certification itself (as distinct from testing) should also be of concern.

3. **Do the organisations under review obtain any competitive advantage because of their special status?**

Some members are concerned that the fees raised by Standards Australia for the sale of standards should be re-invested into the further development of better standards, whereas there is a perception that this revenue is merely applied to the share holders of SAI-Global.

4. **Should government intervene more in the standards setting process?**

Generally industry believes governments should be less involved rather than more. If the market believes there is a need for a new standard, it is preferable to allow Standards Australia and the industry to work together to develop an appropriate approach, but if market failure is evident, only then should governments step in.

5. **Are there any concerns with service delivery by either organisation?**

Most members' experience would indicate that Standards Australia is on the whole responsive to industry needs, but poor resources at times result in gaps in service delivery. The increasingly evident lack of participation in the process due to reducing levels of available people, expertise, interest etc is a significant concern, especially if SA increasingly rely on a fee for service funding model.

AEEMA members rely heavily on NATA approved testing laboratories for the testing and compliance certification of products. NATA have been experiencing a general dwindling of skilled staff and resources. This has been observed over the past few years. Some of the resource issue is attributable to a lack of NATA assessors who are from industry rather than being NATA employees. NATA auditors are in a similar position to many of the members on standards committees. Their companies support them in the specialist auditor role to assist the test & certification industry.

When new standards are developed for instance, minimum energy performance, new or refined test methods, equipment and laboratories may be required. Ie Energy efficiency tests for refrigerators were refined, a test facility was required for three phase electric motors and electronic lighting ballasts required equipment that was not previously available in Australia.

NATA will be involved with the assessment & certification of these facilities; this can take some time. Delays have caused companies to have products tested in a NATA accredited laboratory owned by a competitor in order to meet compliance deadlines. Also the location of the few available facilities can add transport costs for some industries. Ie a motor manufacturer based in Sydney will need to send a large motor to Melbourne or Adelaide for testing. This is can represent an additional cost and lost time.

Delays in accreditation of laboratories will effectively increase compliance costs to industry and further reduce competition.

Test laboratories must also be concerned. They will have invested time and resources establishing or developing a facility. The delay in accreditation must also be limiting their ability to generate a return on that investment

6. Should the private market undertake any of the current standards setting processes?

Members believe that the better approach is to allow industry to influence the development of standards through industry associations that are nominating bodies such as AEEMA. Bodies can presently use the SOC approach to publish their own standards. In general AEEMA members appear to consider the nationally recognised body approach as a better model than diversified association based groups.

7. Are there any concerns with Australia's representation at international standards forums?

This is perhaps the issue of most prominent concern to industry. Put at its best, industry believes the situation is "not ideal". Specifically, there is concern that delegation travel costs and general assistance to industry representatives is inadequate given the level of funding the Government provides to Standards Australia.

In addition, it is almost a unanimous industry view that the number of delegates is insufficient – currently representation is limited to only one person and this means that either specialist input or a wide range of expert input to cover the broad issues at the international level, is not available. Even if a number of experts is required at an international forum, the funding formula adopted by Standards Australia is inflexible and cannot support multiple representation at the same funding level as an individual delegate would receive.

AEEMA members consistently lament the level of funding for international standardisation is inadequate. During 2003/04 only 135 delegates attended ISO & IEC meetings on behalf of all Standards Australia activities. In 2005/06 a similar number of delegate (experts) received A$195,000 to attend meetings. This level of support at the "grass roots" technical expert level seems a very long way short of the A$2.1M funding provided to standards for international standardisation.

ISO and IEC technical meetings are very broad in content and context. Rarely can one expert cover all the issues properly. Many overseas countries provide multiple experts for meetings (as an example, 4 Japanese experts attend IEC TC34 "Lighting"). Often critical decisions are made in these international meetings. There may be no Australian delegate (and frequently only one delegate) because of insufficient Standards and/ or industry support to provide for two or more experts in the area of work. If associations, companies and in some cases individuals did not "top up" the funding provided by Standards Australia – few or perhaps none of the delegates could afford to attend international meetings. The scale of the international activities can be seen from the following analysis and table:

In 2004 there were 135 delegates attending both ISO & IEC meetings.

In 2005, IEC alone had 505 working groups.

The IEC organization

- **Members** — **67 National Committees**
- **Technical committees / Subcommittees** — **169**

Working groups	505
Project teams	255
Maintenance teams	374

Publications

Total publications as of 2005-12-31	**5 454**
International Standards	4 941
Technical Specifications	160
Technical Reports	296
IEC-PAS	57
Publications issued in 2005	**444 + 1 Guide**
International Standards	372
Technical Specifications	17
Technical Reports	32
IEC-PAS	23
FDISs issued in 2005	**451**
In CENELEC parallel vote	325
CDVs issued in 2005	**398**
In CENELEC parallel enquiry	315
Total active projects as of 2005-12-31	**1 484**
Average development time for IEC publications in 2005	**38 months**

For decisions to be carried at ISO & IEC, not only must the Australian delegate attend the key meeting, the decisions must be consistently reinforced with regular attendance to support the work as it progresses through the various development stages. In 2005 the **average development time for IEC publications was 38 months.** Standardisation is a longer term commitment. If adequate and consistent funding (independent of industry) is not available many delegates cannot continue to represent Australia or industry for long periods. Significant support is provided by their companies and this is lost as individuals move jobs, become consultants, retire or are retrenched as organisations restructure.

8. Should any functions be funded by industry?

In effect all functions are ultimately funded through the purchase of standards and services, as well as co-sponsoring by industry doing voluntary committee work.

9. Does either organisation cross-subsidise through their pricing?

AEEMA members do not have any evidence of this.

10. Is lack of competition causing high pricing for service delivery?

Members believe that any lack of competition will cause prices to rise, but to balance that, it is felt that Standards Australia pricing is lower than that of other standardisation bodies.

ATTACHMENT A

AEEMA RESPONSE TO PRODUCTIVITY COMMISSION REVIEW OF STANDARDS AUSTRALIA AND NATA

AV-007*	Acoustics - noise from office and household
BD-088	Meter Boxes
CH-007*	Vitreous Enamel Finishes
CH-030*	Temperature Measurement
CH-034	Materials In Contact With Drinking Water
CS-007*	Guards for Heating Appliances
CT-001	Communications Cabling
CT-002	Broadcasting and Related Services
EL-001	Wiring Rules
EL-001-08*	High Voltage Installations Subcommittee
EL-001-10*	Cables And Current Ratings Subcommittee
EL-001-11	Relocatable Premises and Connectable Installations
EL-001-17	Construction and Demolition Sites Installation
EL-001-18*	Telecommunications Network Elv Installation
	Safety of Household and Similar Elect Appliances and Small Power
EL-002	Transformers and Power Supplies
EL-003*	Electric Wires And Cables
EL-004*	Electrical Accessories
EL-005*	Secondary Batteries
EL-006	Industrial Switchgear And Control gear
EL-007*	Power Switchgear
EL-008*	Power Transformers
EL-009*	Rotating Electrical Machinery
EL-010*	Overhead Lines
EL-011	Electricity Metering Equipment
EL-011-02	In-Service Compliance of Electricity
EL-013*	Measurement And Protection Transformers
EL-014	Electrical Equipment In Hazardous Areas
EL-015	Quality and Performance of Household Electrical Appliances
EL-015-04*	Performance of household dishwashers, clothes washers and dryers
EL-015-16*	Room Air Conditioners
EL-015-23	Household Refrigerating Appliances
EL-017*	Electrical Equipment of Industrial Machinery
EL-020*	Electric Water Heating Appliances
EL-021*	Installation of Electric Fences
EL-022	Primary Cells And Batteries
EL-023*	Electrical Equipment In Coal Mines
EL-024*	Protection Against Lighting
EL-025*	Control Of Undesirable Static Charges
	Protective Enclosures and Environmental Testing for Electrical/
EL-026	Electronic Equipment
EL-027*	Power Electronics
EL-028	Electrical Relays
EL-031*	Intruder Alarm Equipment And Installation
EL-033	Elec Inst Outdoor Sites Under Heavy Conditions
EL-034*	Power Quality

EL-035*	Power Capacitors
EL-036*	In-service Testing Of Electrical Equipment
EL-037*	Special Wiring Systems
EL-039	Electrical Safety - Film and Television
EL-040	Standard Voltages (Now handled by EL-034)
EL-041*	Lamps and Related Equipment
EL-041-08*	Lighting Equipment - Energy Performance
EL-042*	Renewable Energy Power Supply Systems & Equipment
EL-043*	High Voltage Installations
EL-046*	Rotating Electrical Machinery - Efficiency
EL-047*	Electrical Installations- Emergency Services
EL-048*	Wind Turbine Systems
EL-049*	Safety of Electrical Equipment for Measurement and Laboratory Use
EL-050*	Power System Control and Communication
EN-003*	Energy Efficiency in Buildings
ET-006	Australian IEC Conformity Assessment Committee
FP-002	Fire Detection, Warning, Control and Intercom systems
HT-021*	Wiring Of Medical Treatment Areas In Hospitals
IT-005*	Financial Transaction Systems
IT-006	Information Technology for Industrial Automation and Integration
IT-012	Information Systems, Security and Identification Technology
IT-015*	Software and Systems Engineering
IT-016	Private Telecommunications Networking
IT-020	Text Communications Equipment for use by People with Disabilities
IT-022	Interactive Voice Response Systems User
IT-023*	Transport Information and Control System
IT-024	Supervisory Control and Data Acquisition
IT-027*	Personal and Corporate Data
IT-028	Electronic Animal Identification and Data Capture Systems
IT-029*	Coded Representation of Picture, Audio and Multimedia/Hypermedia +B178 Information
IT-030	IT Governance and Management
IT-031	Computer Modelling and Simulation
IT-032	Biometrics and Identification
IT-034*	Automatic Identification and Data Capture Techniques
LG-001	Interior Lighting
LG-002	Road Lighting
LG-006	Road Traffic Signals
LG-007	Emergency Lighting In Buildings
LG-008*	Warning Lamps for Roadwork Purposes
LG-009	Sports Lighting
LG-010*	Obtrusive Effects Of Outdoor Lighting
LG-012	Specification and Assessment of Lighting
MB-011	Business Management Systems
ME-026	Industrial Trucks
ME-066*	Fixed Guideway People Movers
MS-011*	Classification for Hazardous Areas
P-008	Ex Mark Management Committee
P-012	EEHA Competency Standards Advisory Panel
QR-003*	Software Quality Systems
QR-005*	Dependability
QR-006	Quality Assessments And Audits
QR-007*	Quality Terminology
QR-008*	Quality Systems

QR-012	Conformance Marking to Regulatory Requirements
QR-012-02	Electrical Safety Regulation
QR-012-03*	Electromagnetic Compatibility
QR-012-04*	Telecommunications Equipment and Radio Apparatus
QR-012-05*	Water Products
RCC-004	Radio communications Equipment - Maritime
RCC-006	Radio communications Equipment - General
SF-001	Occupational Health & Safety Management
SF-012*	Abrasive Wheel Safety
SF-032	Industrial Robots Safety
SF-038*	Screen Based Workstations
SF-041*	General Principles for the Guarding of Machinery+B244
TE-001	Safety Of Electronic Equipment
TE-003	Electromagnetic Interference
TE-007	Human Exposure to Electromagnetic Fields
TE-013	Symbols, Units and Quantities for Electrotechnology
TE-016	Personal Alarm Systems
TE-020	Telecommunications Overvoltage Protection
WS-016	Cast-iron Pressure Pipes and Fittings
WS-022	Valves for Water Supply Purposes
WS-024*	Meters For Cold Potable Water
WS-031	Technical Procedure for Plumbing and Drainage Products Authorisation
WS-032	Water Efficient Appliances