

[Responses to some of the questions in PC Issues Paper]

QUESTIONS:

Broad Questions P. 8

Has **export activity and access to imports** been sufficiently supported by Australia's current standards and conformance infrastructure?

- **If not**, what reforms are required to facilitate trading opportunities?

Do the current standard setting and accreditation arrangements and processes best serve Australia's **public interest** and are they appropriate to meet future domestic and international challenges including the **increasing globalisation of markets**?

We recognise that China is a major trading partner and that China will impact on the Australian manufacturing market. The importation of manufactured goods from China is likely to increase in volume and variety well into the future.

BSA (Queensland Building Services Authority) is aware of an increasing trend of non-compliant or poor performing goods manufactured overseas for the Australian building industry. Examples include non-compliant; structural nuts and bolts, roof sheeting, window frames, plywood, floor tiles, finishing plaster, wall paint, etc.

It is noted that kitchen cabinets are being measured up in Australia and manufactured to a finished product in China – imported into Australia in boxes to be picked up by the consumer. Consumers are responsible for arranging cabinet delivery and assembly. It is not yet apparent if these kitchen cabinets are compliant with water resistant provisions or industry standards. For example, if using other than the proprietary termite protection, in Queensland, consideration will need to be given for whole of house protection including that kitchen cabinets should be termite resistant. Suppliers apparently advise consumers that imported products are compliant. It is not clear how consumers would identify or address issues of non-compliance, of their kitchen cupboards, with manufacturers, importers and suppliers responsible for the work.

The increasingly diverse range of imported building products will be subject to various compliance standards when installed as building work. Builders will rely on performance assurances from suppliers (manufacturers), and certifiers will rely on compliance assurances from builders. In Australia, the manufacturer is obliged to performance-test their product in relation to its intended use. Manufacturers' recommendations on installation system for their products form part of building standards. Manufacturers' of imported products may not offer adequate advice or recommendation on installation or performance.

The building certifier profession does not show significant growth in Queensland. Verification of performance is dependent on competent persons, reliable certification, manufacturers' recommendation, and Australian

Standards as specified by the Building Codes of Australia and the Integrated Planning Act. If provision for product importation fails to adequately manage the risk of non-compliant building products, prior to building work commencing, then building certifiers and builders may be burdened with an unnecessary risk of non-compliant imported products. This could adversely impact on the supply end of market forces and contribute to economic inflation.

Social expectation in relation to poor product performance inadvertently ends up in costly dispute. The burden of civil litigation that consumers or contractors may have to engage against suppliers and (offshore) manufacturers as a result of defective imported building products can have a significant impact on community resources.

The ABCB launched CodeMark last year as a voluntary compliance system offering a marketing label for manufacturers. The ability of CodeMark to attend to high volume applications is apparently very limited at this stage. CodeMark offers a pathway for best-practice organisations to demonstrate product compliance. We do not have a mandatory system for labelling minimum standard performance of (poor performing) imported building products.

A national advisory agency that can advise importers of relevant minimum Australian compliance specifications may clarify compliance obligations, and facilitate efficiency, of parties responsible for the order, manufacture, importation and supply of building products.

The advisory agency can maintain a register of manufacturers/importers and their products destined for (the building) industry. A reliable register of compliant imported goods (as stated by manufacturers) can be a guide for builders and certifiers regarding the product performance. If the product is reported to be defective in performance, that product (and responsible organisations) can be struck off the register.

This proposition offers a compromise to calling on a scheme that requires Australian testing of all imported products.

*In what way do the standards and conformance infrastructure **reduce** and/or **impose transactions costs** on businesses and consumers?*

*Is there sufficient **national uniformity** in standard setting and accreditation processes?*

*What **impacts** do current arrangements have on:*

- *Competition, innovation and international trade;*

See above: It should be noted that local supply industries competing with imported products must demonstrate compliance and afford a relatively lengthy and costly process as a disadvantage to imported competition that currently may not be so burdened.

- *The quality, safety and performance of products, materials and related services; and*

Imported products such as floor tiles may offer, for example, slip resistance performance. However, performance testing, in this example, is reported by experts to be inconsistent with some Australian compliance provisions.

- *Public health, safety and environmental protection?*

Various reports suggest that falls are the most common type of accident in Australia. Slips, trips and falls related to slippery surfaces are now considered in some detail with commercial applications, but further provision may be needed in multi-residential buildings.

How much progress has been made internationally with mutual recognition of standards and of conformance assessment across countries?

Efficiency P. 10

Participants may wish to nominate what they currently consider to be society's and industries' objectives for standards setting and laboratory accreditation services.

- Develop voluntary and mandatory **standards** for goods, services and systems (p. 5).
- Maintain **confidence** in compliance mechanisms through formal accreditation of appropriately competent testers or certifiers (p. 5).
- **Measurement** of processes and accreditation management systems related to physical, chemical and biological measurement and metrology (JAS-ANZ p. 5).
- **Ensure that public and national interests** are upheld while attending to market interests, maintaining a best practice **reputation** of compliance infrastructure (p. 7).
- **Consider future developments** and changes such as increasing globalisation of markets, environmental responsibility and sustainable societies (p. 7).

*Should these **objectives** be changed?*

*Is the **current mix** of public and private involvement in standard setting and laboratory accreditation efficient?*

*Are there **market failures** or weaknesses in standard setting and laboratory accreditation services that justify government involvement?*

- One example of a reported market failure was the Prime Ministers call, in 1997, for industry to voluntarily adopt energy efficient practices and provide for greenhouse gas reduction measures. In 2003 energy efficiency became mandatory in the building codes of Australia, by Government intervention.
- New issues that will challenge governance may include building sustainability and compliance of imported goods.

Effectiveness P. 11

Are **existing objectives** being met?

Are they being met cost effectively and are the best methods being used?

Participants are invited to comment on the **role** played by relevant bodies, in particular Standards Australia and NATA, in **delivering services and meeting these objectives**.

What changes to current arrangements might improve the **effectiveness** of the standards and conformance infrastructure?

- A study into suitable distance communication methods, as need be, providing expert participants with a means of participation.

Participants may wish to group their comments around the following considerations:

- Compliance with **international** obligations
- Interaction and collaboration with **other elements** of the standards and conformance infrastructure
- **Governance** and process ... (p. 11)
- Standards Australia sets standards of market and management performance. The cost of face-to-face technical meetings is significant enough to ensure that meetings are professionally facilitated recorded and promptly reported. Project managers of technical committees are often hospitable and competent. However, further professional development may improve efficiency and effectiveness of technical committee meetings.
- **Appropriateness** and quality of standards and accreditation... (p. 11)
- **Accessibility**... (p. 11)
- Standards and accreditation relies a great deal on resources offered through altruistic values and voluntary services of experts at technical committee meetings.
- A 'Sydney-central' arrangement relies on experts finding their way to Sydney for most technical meetings. To a large extent organisations and individuals offering their services are further burdened by having to afford transport and accommodation costs when attending technical meetings.
- If essential travel and accommodation costs can be significantly reduced or provided by other means, it is possible that more expertise will be attracted to participate and further enrich the review of Standards.
- For example: issues for discussion can be facilitated via electronic communication. Regional participants can be encouraged to form local focus groups offering mini reviews addressing terms of reference.
- When as much business as possible has been reached through distance-communication (it would vary from Standard to Standard), then a face-to-face meeting may be required to cover remaining issues.
- Technical reviews of Standards can be divided into stages of review such as: 1) purpose and scope of review, with additional matters for discussion, 2) Agenda for the review, 3) exploration of issues and implications, 4)

negotiation of changes and variations, 5) agreement in principle, 6) public consultation, 7) agreement of final draft.

- Face to face (synergies) may be necessary at stage 3 (exploration) and stage 4 (negotiation). Other stages could be conducted, in many cases, by distance communication methods.

*Participants may wish to comment on whether the **concerns** about standards processes noted above also **apply in other sectors** (p. 11).*

How much do practices and effectiveness vary between committees and sectors?

How do other standard-writing bodies or processes compare?

Government P. 12

What is the appropriate role of the Australian Government within current standard setting and accreditation processes?

An appropriate role of the Government (in this market) is to oversee the standard produced by the market in the national and public interest.

- The current relationship between government and the standards accreditation market provides;
 - a mechanism of checks and balances,
 - for maintaining confidence in the interest of the public,
 - for monitoring of not-for-profit market services and
 - by association, represents a level of public autonomy that can stimulate broad-based voluntary participation (both public and private).

For example: Building certification is an example of a public service provided by private agents.

- The advent of private building certification has introduced market-share forces to private authorities of building compliance.
 - Private certifiers, subject to increasing regulation, have to compete for revenue while objectively controlling performance outputs of their clients.
- One objective of private certification was to speed up approval practices to meet market growth.
 - However, the burden of professional conduct amidst market competition, increasing regulation, alternative approaches, physical inspection logistics and limitations, and increasing documentation, appear to have had an impact on a lack of growth of this profession amidst a relatively buoyant market.

What difference would it make if the Government had no influence on the work of Standards Australia and NATA?

- If the Government had no influence (in this market), evolving philosophies regarding national and public interests may be influenced more by revenue earning forces and public image than by genuine public consultation and public standards adoption.

- Proactive market contributions in standards development and accreditation systems can drive outcomes;
 - In terms of private objectives (optimise market share)
 - Away from public values

For example: **R rating** of thermal insulation that may represent research on one type of thermal insulation product (i.e. ceiling batts) can disadvantage recognition of performance of other products (i.e. reflective foils) when applied to computer simulation assessment tools.

*Should any of the **current functions** of standard setting and laboratory accreditation bodies be performed directly by government or solely by the private market?*

- Current functions of Standards Australia and Testing Authorities appear to provide a critical, broad and comprehensive contribution to market validity and reliability.
- Functions of this market (SAI and NATA) include the following:
 - Maintain national, public and market **interests**. Maintain best practice **reputation** of compliance infrastructure.
 - **Maintain** and review market standards for the public.
 - Optimise resources regarding **participation** of technical support. Managing **documentation** regarding prescriptive, performance and in-principle market standards **qualification**.
 - Facilitate competitive, efficient and affective **market trade**.
 - **Maintain a relationship** with levels of international standards. Facilitate **mutual** recognition of testing agreements.
 - Address relevant trade **barriers** or restrictions. Address possible **impact** on citizens and **management** quality.
 - Authorise **testing** and **alternative** compliance mechanisms. Provide laboratory accreditation **assessment, information** and training and promote **participation**.
- **Government influences** on public, economic and environmental quality are intrinsically linked to SAI and NATA functions. The government should **continue** to monitor the performance of the (SAI and NATA) market and offer guidance or direction when market failure is apparent. Productivity commission **reviews** offer an important contribution to this regard.

Funding P. 17

What criteria should be used for determining when or which of the activities of Standards Australia and NATA should be funded by government and alternatively by industry?

- Criteria for determining government funding may include where there is market failure to adopt new performance measures that are in the public and National interest that Government has highlighted as essential.

*Should government funding be restricted to national interest activities in international fora?
Should other public interest activities, such as writing standards to enable market failures to be regulated, also be funded?*

- If government moves to regulate for market failure it should be in the public and national interest – it may be, in the longer term, in the market interest – therefore funding for writing such standards should be afforded by the same source as other standards.

Cost benefits P. 19

Should voluntary standards be seen as industry self-regulation and beyond the interest of government?

- *Should there be criteria to determine when a voluntary standard should be developed or should this be solely a matter for the private sector?*
- *Is there a need for more rigorous cost benefit analysis prior to the development of standards – mandatory and/or voluntary?*
- *If so, how should this be facilitated?*

Does 'self-regulation' by NATA create conflicts of interest?

Does this jeopardise the pursuit of the public interest?

If adequate consultation and reporting procedures are in place to ensure that NATA operations are known and answerable to i.e. a panel of stakeholders then self-regulation (of a not-for-profit) organisation can be affective.

Is the current adoption of standards developed by Standards Australia in regulation appropriate?

Does the use of these standards place any special pressure on the standards development process?

If so, should this be the case?

Where possible, if regulatory provision can spell out where minimum standards are to be applied, Australian Standards can define how performance can be achieved. This maintains the qualitative and quantitative relationship between regulatory provision and standards that is culturally understood.