

**Submission to the
Productivity Commission**

Standards & Accreditation

**The Australian
Institute of Building**

April 2006



Abbreviations used in this submission

ABCB	Australian Building Codes Board
AIB	The Australian Institute of Building
ANS	American National Standard
ANSI	American National Standards Institute
BCA	Building Code of Australia
CER	Closer Economic Relationship (between Australia & New Zealand)
DIN	German National Standards Institute
DSO	Standards Development Organisation
DTI	Department of Trade & Industry (United Kingdom)
ISO	International Standardization Organisation
MoU	Memorandum of Understanding
NATA	National Association of Testing Authorities
NSB	National Standards Board
QAS	Quality Assurance Services
SAB	Standards Accreditation Board
TTMRA	Trans-Tasman Mutual Recognition Agreement

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Introduction

The Australian Institute of Building (AIB) presents this paper in response to the Productivity Commission's call for submissions to support its research project reviewing the relationship between the Australian Government, Standards Australia and the National Association of Testing Laboratories (NATA). In preparing this response, AIB has only reviewed the relationship between the Australian Government and Standards Australia as it feels there are other organisations better positioned to tender advice concerning NATA.

This report is broadly supportive of the work of Standards Australia in its role developing Australian Standards and participating in international standardisation activities, most notably through the International Standardization Organisation (ISO).

The work of Standards Australia has been reviewed considerably in recent years. The Foley Review in 1986-1987 was followed by the Kean Inquiry in 1993-1995 which provided several radical recommendations affecting Standards Australia. The Cameron Ralph Report of 2005 reviewed the standards development governance framework and was commissioned by Standards Australia itself. AIB believes that Standards Australia has responded well to the recommendations of these reviews. The separation of Standards Australia's commercial to a separate entity, SAI Global, and the subsequent floating of this organisation on the Australian Stock Exchange is a good example insofar as these actions have allowed Standards Australia to refocus on its core activities of developing Australian Standards and promoting international standardisation.

When preparing this submission AIB considered the experience of its own members and staff with the Australian codes and standards infrastructure, and similar systems overseas. AIB also considered reports of overseas organisations and recommends three for review, these being:

The Empirical Economics of Standardization
DTI Economics Paper Number 12

Department of Trade & Industry (UK), 2005

The Economics of Standardization

Final report for the Standards & Technical Regulations Directorate, DTI (UK)

GM Peter Swann, Manchester Business School, University of Manchester, 2000

Economic Benefits of Standardisation

Final Report and practical examples

Beuth Verlag, DIN German Institute for Standardization, 2000

These papers review the benefits of standardisation, the role of industry and government in standards development, and issues associated with the use of standards in legislation. Given the increasing international harmonisation of standards, many of the conclusions contained in these reports are relevant to Australia's standards and conformance infrastructure.

Should the Productivity Commission wish to clarify any of the issues raised in our submission or requires additional information, naturally AIB is willing to provide this further assistance.

Troy R Williams
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Executive Summary

For a middle-sized economy Australia has well-developed, robust and internationally accepted standards infrastructure. Its technical specifications, primarily Australian Standards, are accepted as being technically complete and developed in a transparent, consensus driven manner. Similarly, Australia is seen to play an important and influential role in the development of International Standards, often taking the lead in both creating and adopting international standards. These achievements can largely be attributed to the work of Standards Australia, supported as it is by the public, business and Government.

AIB does not believe that wholesale reformation of Australia's standards infrastructure is necessary. Nor does it believe that there is an expanded role for the Australian Government. When considering the framework for a Memorandum of Understanding (MoU) between the Australian Government and Standards Australia, AIB recommends the following be included:

- That the agreement acknowledge Standards Australia as the peak National Standards Body (NSB);
- That the agreement acknowledge the Standards Accreditation Board (SAB) as the accrediting body for Standards Developing Organisations (DSO) within Australia, and if necessary the Australian Government provide funding to assist this work;
- That the agreement provide a mechanism to fund, either whole or in-part, participation by Standards Australia in international standardisation activities.
- To provide certainty to Standards Australia concerning the level of funding provided to it by the Australian Government, the funding be provided on a triennial basis;
- That the agreement provides a mechanism to fund, either in whole or in-part, the publication of standards that are deemed to be in the national interest; and
- The importance of committee member participation is acknowledged and that the MoU support arrangement necessary to allow individuals participating in standards development to claim the costs associated with this participation and an income tax deduction.

There will, of course, be other aspects to the MoU however those above are seen of vital importance to AIB. The last recommendation, concerning the tax-deductibility of the costs of standards committee participation, requires legislative support.

AIB also believes that further investigation needs to be given to an earlier Productivity Commission recommendation to free access to any standards referenced in the BCA.

Australia, and its standards infrastructure, has been well served by Standards Australia. The organisation has shown itself able to accept criticism and be sufficiently flexible to change its structure to meet the needs of industry and Government. This is best demonstrated by Standards Australia's response to the Kean Report and other reviews that lead, in part, to the divestiture of its publishing arm, SAI Global, and its certification body, QAS Services. Any recommendation by the Productivity Commission to significantly reduce the role of Standards Australia would, in AIB's opinion, be counterproductive to Australia's national interest.

Participation in standards development activities

AIB is a member of Standards Australia, thus represented on the Standards Council. AIB also nominates members to numerous technical committees responsible for the development of approximately fifty Australian Standards that primarily relate to building products or construction practice. The task of a committee member is not easy and the time commitment can be considerable. The responsibilities of committee members include:

- To attend meetings whenever possible. The frequency of meetings varies, so members should check with Standards Australia / Standards New Zealand to establish potential commitments.
- To advise the nominating organization and the committee's project manager if unable to attend meetings of the technical committee. This will provide the nominating organization with the opportunity to arrange for a deputy to ensure continuity of representation of the nominating body's interests.
- To participate fully in all committee work and, based on the member's knowledge and experience in the subject, provide technical input to the standards being prepared.
- To pursue the objectives of the member's nominating organization and the area of interest represented (not just self or company interest).
- To consult with their nominating organization and the range of interested parties directly represented. A member is responsible to the organization that nominated them.
- To clearly and effectively present the views of their nominating organization, and its members.
- To ensure that relevant interests in the subject matter, not readily apparent, be made known to the committee.
- To fully and impartially consider public comment on drafts.
- To actively contribute to reaching committee consensus.
- To submit a vote at the ballot stage and, if negative, with the technical reasons clearly presented.
- To follow internationally recognized principles of transparency and consensus.
- To work within the policies outlined in this and other Standardization Guides.¹

There are benefits for an individual participating in standards development which justifies the time and financial cost to the individual and their employer. These include the opportunity to meet their professional peers, share ideas and concepts, enhance their knowledge in a particular area and the opportunity to make a contribution to Australia's wellbeing. This is reflected in the experience of Standards New Zealand which observed:

Research shows committee members value the opportunity to influence the content of a Standard, which is beneficial for their sector, employer, and ultimately for consumers. They believe that helping to develop Standards is an important professional responsibility.²

It would be naive to believe that individuals participate in the development of standards completely out of a sense of contributing to the community. A report reviewing the experience in the United Kingdom observed:

¹ SG-003: *Committee Members Roles and Responsibilities* — Standards Australia, Sydney (2005)

² 2005 *Standards Council Annual Report* — Standards New Zealand, Wellington, New Zealand (2005)

Companies that make the most of standardization opportunities enjoy a head-start over their rivals. They can reduce costs and increase quality. They can reduce the risks they face - both technological risks and market risks. Standards can help to develop the market for products and services based on the newest technologies. Moreover, there are benefits from participating in the standardization process as well as in using the end results. Companies that participate actively in standards work have a head start on their competitors in adapting to market demands and new technologies, and may enjoy reduced research risks and development costs. Participants can learn much from their fellow participants. However it is unlikely that the 'Olympian ideal' holds here: while it is good to participate, it is even more important for participants to 'win' by steering the process in a way that favours their own particular competencies.³

However, AIB like many organisations that nominates individuals to standards committees is finding it increasingly difficult to locate people with either the time or financial capacity to participate in standards development activities. This may, in part, be due to the diminishing level of employer support. Once it was commonplace for a company to fund the travel and accommodation associated with attending Standards Australia technical committee meetings but increasingly this is less common.

One factor that may be contributing to difficulties in finding individuals willing to serve on Standards Australia committees is the changing nature of Australia's workforce. It was once common for both the public and private sector to have technical or engineering staff (a group constituting the typical Standards Australia committee member) on the payroll. However such expertise is now used on a consultancy basis. Thus the individuals employed today may not have the available time or financial means to fund committee participation that were available to their predecessors as recently as a decade ago.

Tax deductions for standards committee members

In preparing its response AIB was approached by a retired member who highlighted a particular difficulty. They were a self-funded retiree completely removed from the workforce but with the skills, interest and financial means to participate in standards development. This member informed AIB that, on the financial advice available to them, it was not possible to claim the cost of standards committee participation as a tax deduction as the source of their income (superannuation and / or investment return) was unrelated to the task of standards development. If the Productivity Commission confirms this interpretation of tax legislation, it merits a recommendation to the Australian Government to make the direct costs (travel, accommodation, etcetera) associated with Standards Australia committee participation tax-deductible, thus providing a modest benefit to those not otherwise able to off-set the cost of participation against business or employer costs.

The costs to the Australian Government associated with allowing a tax deduction for the costs incurred with participation in a standards committee should not be great, based upon the following assumptions:

.../cont.

³ *The Economics of Standardization – Report for the Standards & Technical Regulations Directorate, Dept. of Trade & Industry*
— G M Peter Swann, Manchester Business School, University of Manchester, UK (2000)

- In 2004 / 2005 there were 935 meetings of Standards Australia;⁴
- According to advice AIB has received from Standards Australia, the average committee from the building sector has 13.6 members;
- The average committee meets over two days, thus accommodation is required;
- Two-thirds of the committee members travel interstate to committee meetings;
- One in five members meet their own costs of participation (and can not off-set this against their business income / professional fees); and
- The costs associated with attending a meeting would be about \$750 including travel airfare, taxi charges and accommodation.

On this basis the costs associated with committee participation is approximately \$9.54million which of which twenty-percent (\$1.91million) is funded by those meeting their own costs of participation. If a tax deduction is claimed at the current top marginal tax rate of 48.5% the costs are approximately \$0.93million per year in tax revenue lost to the Australian Government. Importantly, on 1 July 2006 the top marginal tax rate only applies to income over \$125,000pa, and most self-funded retirees would not pay tax at this rate. Therefore it is reasonable to expect that the deduction would be claimed at lesser rates, thus reducing the tax revenue lost as a result of this initiative. These figures are only preliminary estimates, for it does not include other items that may be claimed as a deduction such as telephone or postal charges, however the estimate provides a basis from which to consider the matter further.

Allowing a tax deduction for the costs associated with participating in standards committees may encourage self-funded retirees to participate, an important issue given the aging nature of Australia's workforce.

The relatively small amount of lost revenue, around \$1million per year, is arguably in the national benefit as it contributes to the integrity of Australians standards and conformance infrastructure.

⁴ Annual Report 2003 / 2004 — Standards Australia, Sydney (2004)

Cost impact and benefits to the community of standards

From the building profession's viewpoint the availability of a suite of technical documents, mandated by regulation, provides certainty in the tendering and construction process. That building processes are generally consistent (an outcome of standardisation) provides a level framework from which tenders can be prepared. There are, of course, benefits to the wider community from the availability of standards:

Standards are key components in the glue, which holds together a modern, technologically based society. They are an essential part of a complex technical infrastructure, which ensures that economic efficiency and quality of life are maintained and enhanced. The benefits of standardisation are all around us and, most of the time, taken for granted. Imagine a mobile phone network that won't talk to other networks? Or an internet which is only accessible with one type of computer and/or browser? ⁵

An Australian Standard may have many origins including a request from a trade association, a professional institute (such as AIB), a consumer organisation or an individual / company. However this does not automatically result in the development of a standard. There must be a case demonstrating both the need for a new / amended standard and the costs to the community, the second being a prominent feature of a decision to develop a new standard:

Where it is likely that major costs will outweigh the discernible benefits then the scope of the project may be modified or the project not proceeded with. Where major benefits are identified (including national interest benefits) then the project may be accelerated and more resources provided for its development. ⁶

It is important to note that standards set out minimum design and performance criteria. In the case of many standards used by building professionals, this provides a sufficient level of safety (or guarantees other performance outcomes such as inhabitant ingress / egress) without inhibiting innovation. AIB argues that standards play an important role in sustaining a commercially viable building and construction industry that produces a product that is both safe and fit for purpose.

Economic benefits of standardisation

The impact that standards have on the Australian economy is a prominent feature of this Productivity Commission research project. AIB believes that the availability of standards and the judicious referencing of these standards in Regulations actually make a positive economic contribution. This is further enhanced by the international harmonisation of standards, perhaps best exemplified by the use of ISO Standards as the reference document when developing a new, or amending an existing, Australian Standard. The extent to which standardisation increases competition was reviewed in for the U.K. Department of Trade and Industry which found:

⁵ *Standardisation of public works engineering, benefits for all* (article) — Public Works Engineering Journal, August / September 2005 (2005)

⁶ *SG-001: Preparing Standards* — Standards Australia, Sydney (2005)

Standardization increases competition and that does not necessarily increase profitability of all companies. However it is in the interests of the economy as a whole.

To assess the full benefit of standards we need to look at their macroeconomic effects (on companies, consumers and government) and not just their effects on individual companies. By opening up markets and enabling competition, standards do not necessarily increase the profitability of all companies. On the contrary, open standards may actually reduce profitability. But there is a strong presumption that the customer benefits from this increased competition. Standardization increases the volume of trade, increasing imports as well as exports, and makes an important contribution to macroeconomic growth.⁷

In 2005 the U.K. Department of Trade and Industry (DTI) published a research paper that quantified, for the first time, the value of standards to the U.K. economy. It estimated that standards make an annual contribution of £2.5billion.⁸ There are many similarities between the U.K. economy (as a developed, open market, western economy) and the Australian economy. There are also similarities in the two nation's standards and conformance infrastructure. On this basis if the results of the U.K. research were applied on a per-capita basis to Australia, the value of standards to the Australian economy is approximately \$1.990Billion annually (based upon the exchange rate as at April 2006).

In considering the impact of the use of standards, it is important that the issue be looked at in the context of both economic benefits of the entire standards framework and also the measurable benefit derived from any particular standard.

Standards referenced by regulation

The Productivity Commission has been tasked with reviewing the impact on and benefits to business and the wider community of standards, including referencing in Regulation. The importance of this aspect of the Commission's work is reflected in the following statement:

The Australian Building Codes Board (ABCB) has been established to further develop the Building Code of Australia (BCA), and all State and Territory building regulatory authorities have adopted the BCA as the technical requirements for building work.

The BCA provides for the adoption of Australian Standards, Joint Australian / New Zealand Standards and other codes, specifications, rules and the like. Legislative drafting constraints generally prevent regulations from adopting contractual and administrative provisions contained in referenced standards and specific rules are included in the BCA identifying the types of provision that cannot be adopted.⁹

In a modern building, most components comply with a product standard (windows, doors, concrete, etcetera) with the structure and building systems constructed and / or installed in a manner designated by other standards (framing, electrical, plumbing, etcetera). These standards are often referenced, directly or indirectly in the BCA. In its 2004 review into Building Regulation the Productivity Commission recommended:

⁷ *The Economics of Standardization – Report for the Standards & Technical Regulations Directorate, Dept. of Trade & Industry* — G M Peter Swann, Manchester Business School, University of Manchester, UK (2000)

⁸ *The Empirical Economics of Standards (DTI Economics Paper No.12)* — Department of Trade & Industry, UK (2005)

⁹ *SG-009-1: Preparation of Standards Reference in the Building Code of Australia* — Standards Australia, Sydney (1999)

The ABCB should continue to work towards minimising the number of referenced standards in the BCA. The Australian Government could review the broader issue of access to standards referenced in legislation/regulation. As part of this review, consideration could be given to the possibility of free access to any standards retained in the BCA.¹⁰

AIB recommends caution in progressing the recommendation to reduce the number of standards referenced in the BCA. Indeed, AIB has trouble supporting it. Although some industry stakeholders may believe that the current arrangements leading to the development of Australian Standards are less than ideal, AIB believes that the current arrangements provide certainty for the building and construction industry. The current framework removes any ambiguity as to the design and performance expectations of a building. Reform that has the potential to increase confusion should be approached with caution.

AIB recommends that the current arrangements the permit Australian Standards to be referenced in the BCA continue without change.

Dangers of referencing standards not sanctioned by the NSB

This submission argues for recognition of Standards Australia as the NSB and its SAB as the sanctioning body to allow approved SDOs to publish Australian Standards. AIB advises that only Australian Standards be referenced in Regulations, such as the BCA, and that standards published by bodies which are not a NSB not be referenced in Regulation. In the United States of America there are a plethora of private organisations that publish technical specifications that are referenced in Regulations and the perils of this are highlighted by the following case heard by the U.S. Supreme Court:

... *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492 (1988), involved the abuse of a private standard-setting process. In that case, a manufacturer of plastic electrical conduits, named Indian Head, asked a major standard setting association -- the [National] Fire Protection Association -- to certify its product in the National Electrical Code as a safe and approved electrical wiring product. The standard-setting Association was a private entity. But its National Electrical Code was a well-respected and widely-followed guide that many states had adopted into law. At that time, the only approved electrical conduit was made of steel. The members of the steel industry, as well as manufacturers of steel conduit and their sales representatives, decided to defeat Indian Head's application. They heavily recruited new association members, whose only function was to vote against Indian Head's application. The conspiracy ultimately recruited 230 new members and defeated Indian Head's application by 4 votes, 394 to 390. The Court's opinion centered on whether the association-packing effort was a constitutionally-protected effort to influence government. Rest assured, it was not. But, the Court's discussion of the standard-setting process is instructive for our purposes here on several grounds.

The Court first described the risks and benefits associated with the standard-setting process, and how courts analyze these pros and cons. It observed that private standard-setting associations often have economic incentives to restrain competition. After all, an agreement on a product standard is implicitly an agreement not to manufacture, distribute, or purchase other types of products. But the Court also noted that private associations often promulgate

¹⁰ *Reform of Building Regulation* — Productivity Commission, Canberra (2004)

perfectly legitimate safety standards based on objective criteria and likewise employ transparent procedures to prevent members with parochial economic interests from biasing the standard-setting process.¹¹

This case also highlights the importance of the SAB's preference for a consensus-driven approach to approve standards for publication. It has been argued that a majority decision would expedite the standards development process, however research undertaken by DIN suggests that stakeholders do not support this approach:

A majority of the interviewees supported the idea of consensus rather than majority votes. According to them, anything other than the consensus principle would mean that minority interest groups would have only limited influence and could ultimately be overruled by majority votes.¹²

The framework in which Australian Standards are developed, either by Standards Australia itself or an SDO approved by the SAB, is robust and less likely to be hijacked by sectional interests. The SAB's emphasis on transparency and consensus recommends itself as the preferred, and in AIB's view only, body to accredit SDOs that produced standards referenced by Regulation.

Standardisation as a facilitator of innovation

In preparing this submission AIB considered the question of whether standards worked against the introduction of new technologies, effectively inhibiting innovation. Following the circulation of the first draft of this submission to the AIB membership, the comments suggested that the technical and regulatory framework provided by Australian Standards and their referencing in Regulations actually facilitated the adoption of new technologies and methodology. A study undertaken for the U.K. Department of Trade and Industry in 2000 drew a similar conclusion insofar as standards provide a stable framework that facilitates innovation:

One important aim of standardization ... is to help create a strong, open, and well-organised technological infrastructure that will serve as a foundation for innovation-led growth. It is often asked whether, on balance, standardization acts more to constrain innovation or to enable innovation. From our perspective these two activities are inextricably linked. Standardization does constrain activities but in doing so creates an infrastructure for subsequent innovation. Well-designed standards should be able to reduce undesirable outcomes. Moreover, standardization is not just about producing norms for given technologies in given markets. Standardization helps to credibility, focus and critical mass in markets for new technologies.¹³

Effectively standards provide a framework which does limit the introduction of untried and untested products and systems of perhaps undefined or indefinable quality. However, the existence of standards provides a benchmark against which those advocating new products or systems can work towards. AIB therefore advises caution if the dismantling of

¹¹ *Industry Self-Regulation and Antitrust Enforcement* — Speech by DA Valentine, General Counsel - US Federal Trade Commission to the Israeli Antitrust Authority, Israel (24 May 1998)

¹² *Economic Benefits of Standardization* — DIN German Institute for Standardization (2000)

¹³ *The Economics of Standardization – Report for the Standards & Technical Regulations Directorate, Dept. of Trade & Industry* — G M Peter Swann, Manchester Business School, University of Manchester, UK (2000)

Australia's standards infrastructure or radical reform proposals are proposed on the premise that it inhibits innovation.

Benefits of performance-based standards

There is always concern that the cost of referencing an Australian Standard in regulation, such as the BCA, will increase the costs to the community of particular goods or services. There was once a time where it was thought that both the BCA and the referenced standards were overly-prescriptive and an inhibitor to innovation, thus leading to costs being higher than they need be. In 1991 the Industry Commission noted:

At present, most Australian standards prescribe the way in which particular goals should be met. This leaves no freedom for industry to meet the objectives in other, possibly less costly, ways. Such difficulties could be overcome if greater use were made of performance-based standards - that is, standards that specify the objective and allow industry to comply in the most cost effective manner.¹⁴

Standards Australia has moved towards the development of performance-based standards. This work should continue as in facilitating innovation it will reduce costs.

Cost of amending standards referenced in regulation

The cost to the community of amending a standard referenced in regulation is a concern. Such costs may include retooling of manufacturing plant, a change in organisational processes or retraining of staff on design or installation requirements. However, AIB is encouraged that Standards Australia acknowledges the cost impost of changing reference standards:

The frequent or spasmodic issue of Amendments to standards should be avoided. Where possible, Amendments to a standard should be consolidated and preferably issued not more frequently than at 6-monthly intervals in order that they may be presented for approval by regulatory authorities in an orderly manner.

The need to change legislation to adopt each Amendment of a referenced standard may impose further constraints on the implementation of amended requirements.¹⁵

AIB suggests that it is prudent that Standards Australia work with its committee members and stakeholders to ensure that changes to a standard referenced in Regulation are kept to a minimum so as to avoid unnecessary costs. That said, AIB does not believe that there is a problem at this point in time.

Standards providing a benchmark

What is often overlooked is the important role that Australian Standards play in harmonisation of regulatory requirements within Australia. Less than two decades ago Australia lacked a national building code and had an incoherent standards framework.

¹⁴ *Construction Codes of Major Projects* — Industry Commission, Canberra (1991)

¹⁵ *SG-009-1: Preparation of Standards Reference in the Building Code of Australia* — Standards Australia, Sydney (1999)

This lack of harmonisation between different states and territories was found to add to the cost of construction projects:

Differences in standards and regulations among governments complicate construction and increase costs, without any apparent offsetting benefits. It is not clear, for example, why equipment certified as satisfactory for work in one state needs to be re-examined when shifted to another.¹⁶

Submissions to the 1991 Industry Commission study that reviewed the construction costs of major projects suggested that Australian design requirements may have raised local design costs by up to five percent.¹⁷

AIB believes that the development of the BCA, and the subsequent publication of the performance-based BCA, has only been made possible due to the availability of a suite of Australian Standards that underpin BCA specifications. This contribution should be recognised in the assessment of the benefits that standards provide to the economy.

Knowledge of changes to standards

One of the challenges that business and consumers face is maintaining an awareness of changes to standards, an issue particularly important when the standard is referenced in Regulation. AIB believes that the task publicising changes to standards properly rests with trade associations, professional institutes and the Government agency / department responsible for the regulation where the standard has been referenced.

It is noted that Standards Australia, and more recently SAI Global, have provided a free on-line subscription service that allows subscribers to monitor the status of a particular standard and whether an amendment or new edition has been issued. Although primarily a marketing vehicle for SAI Global, this subscription service can be used as tool to maintain and awareness of changes to standards. It would therefore be inappropriate to draw conclusions that users of standards are 'left in the dark' insofar as changes to standards are concerned.

However, the problems associated with keeping abreast of changes to Australian Standards are a recurring theme amongst the AIB membership thus merits raising in the context of this review.

The cost of maintaining an up-to-date library of Australian Standards is a commonplace concern. Whether or not this cost leads to compliance issues if an organisation or individual failing to maintain an accurate library of standards merits investigation.

¹⁶ *Construction Codes of Major Projects* — Industry Commission, Canberra (1991)

¹⁷ *ibid*

Public support for funding Standards development & international participation

AIB believes that there will always be a role for the Australian Government to fund, in part, some activities of Standards Australia. Such funding should be directed to supporting Standards Australia's collaboration on the international harmonisation of standards, the work of the SAB and also the publication of standards that are deemed to be in the national interest.

Funding international harmonisation activities

AIB supports the current commitment by the Australian Government to fund Standards Australia's membership and / or participation in various international standardisation bodies and quasi-Government forum, the latter including the APEC Sub-committee on Standards and Conformation. This funding is currently \$2.1million for the 2005 / 2006 financial year. Although it is difficult to quantify the commercial benefit to the Australian economy of this participation, AIB supports this funding by the Australian Government and recommends that it be continued and indexed annually. Further, AIB recommends against any proposal for such funding to be open to competitive tender, preferring that it be provided to Standards Australia given the organisation's status as the NSB. Naturally, it is proper that the funding should be subject to a performance review to ensure the outcomes sought by the Australian Government are delivered in a cost-effective manner.

Funding standards deemed to be in the national interest

The separation of Standards Australia from its publishing arm, SAI Global, will eventually change the factors that influence the decision to produce and maintain standards. Although there is an exclusive license for SAI Global to distribute Australian Standards until 2018, it is not unrealistic to expect that at some point in the future SAI Global will base its decision to publish a standard purely on commercial grounds, as is proper for a company responsible to its shareholders. This may lead to a circumstance where SAI Global may decide against publishing a document that is of little commercial value but which has deemed to be in the national interest. AIB seeks an assurance that, notwithstanding Standards Australia's own commercial arrangements with SAI Global, the NSB will ensure that all Australian Standards, whether developed by Standards Australia or another SDO, are published and made available, irrespective of the commercial value of such a standard. With respects to standards that are deemed to be in the national interest, the Australian Government should provide a subsidy to secure this outcome where warranted.

The level of financial support (subsidy) by the Australian Government for publishing standards that are in the national interest, but which are commercially unviable, should not be great. SAI Global is a global model for e-publishing and there is no doubt that the cost of publishing and distributing a standard has been reduced over the years through its on-line purchasing and distribution facility. However, a cost remains and if this may need to be off-set by the Australian Government if necessary.

.../cont.

Free access to standards referenced in regulation

A recurring theme is the cost to business of maintaining a standards library, something particularly important when a standard is referenced in regulation. Insofar as the building profession is concerned, this issue was addressed in the recent review of building regulation by the Productivity Commission, producing the recommendation that consideration be given to the possibility of free access to any standards reference in the BCA.¹⁸

AIB, supporting the viewpoint of its members, supports this recommendation. It is acknowledged that Standards Australia should receive some funding for the cost of developing the standards and if SAI Global was to publish the document presumably there is a cost associated with providing the standards free of charge, either as a reimbursement for the publishing costs or in the form of compensation for lost revenue. These costs should be off-set by the Australian Government. If serious consideration is to be given to providing free access to any standards retained in the BCA, AIB welcomes the opportunity to progress this initiative with the Australian Government.

The New Zealand experience

Standards Australia has sufficient income that it is able to develop standards without the need to source income, from either the public or private sector, to underpin the development costs. AIB believes that it is important to remind the Australian Government of the public benefit derived from such an approach and the benefits to Australia derived by Standards Australia's commitment in this area.

The development of standards in New Zealand was long subsidised by the Government, a practice that ended in the mid-late 1990s. Faced with reduced government funding Standards New Zealand adopted a policy where in most instances a decision to write a new, or amend an existing, standards is based upon securing a sponsor to underwrite the development costs. Standards New Zealand now uses a two stage process that balances need for the standard with available financial support, as Standards New Zealand explains:

We work with industry, consumers and government to identify where there is a need to develop new or revise existing Standards. Funding arrangements with 'sponsor' organisations may then be put in place, before expert committees are established.¹⁹

The second part of the process, highlighted above, is the need to secure funding from sponsor organisations to underpin the development process. The importance of this revenue source is highlighted by the following statement by Standards New Zealand:

The Standards development process relies primarily on contracting revenue from specific sectors, and from sales of the resulting documents. Government agencies currently provide a high proportion of the contract funding to develop certain Standards. This is specific funding used to develop documents to be cited in regulation.²⁰

¹⁸ *Reform of Building Regulation* — Productivity Commission, Canberra (2004)

¹⁹ *Standards Council Annual Report 2005* — Standards New Zealand, Wellington, New Zealand (2005)

²⁰ *ibid*

Although this process may be necessary in New Zealand where the economy is not sufficiently large to support the development of a large number of standards, in no way does AIB advocate it as a model for Australia. For this reason a degree of caution is warranted when considering the funding mix used to finance Standards Australia's work developing standards and also in meeting international standardisation commitments.

Standards Australia has shown itself to be adept at working with a reducing level of Government funding. Not only has it survived with reduced Government funding, it has arguably prospered, an argument supported in evidence tendered to Parliament nearly a decade ago:

The government contribution towards income for the total corporation [Standards Australia] has diminished from 50 per cent in the mid-1970s to less than three per cent, if you include our subsidiary [Quality Assurance Services] today and that subsidiary activity was previously within the organisation. So we have gone from 50 per cent to three per cent. Actually, the irony is that the organisation is more financially viable today when it is three per cent government funded than it was when we were 50 per cent funded.²¹

AIB supports the continued funding, by the Australian Government, for Standards Australia's participation in various international harmonisation activities, and also to support the SAB. Further, AIB argues that it is important that Standards Australia be given some certainty in both the availability and quantum of the funding, the need for which is highlighted in the statement below:

... Standards Australia contracts with DIST [Department of Science, Industry & Tourism] to undertake certain international and regional activities. One significant issue we have with this arrangement is the uncertainty of this contract from year to year. We do not know the quantum of the contract until after the release of the budget papers. To a large extent it is in the hands of DIST as to its allocation. That is an issue with us. For example, such grants of aid probably would be much better as a contracted thing. For example, in 1996-97 the payment was reduced from \$3.94 million to \$2.11 million. We did not know until well after the budget that that was the change and it is very difficult to financially plan when you do not have any idea how much is going to be provided.²²

AIB recommends that funding to Standards Australia by the Commonwealth Government be on a triennial basis, with the level set by an independent panel resourced to assess the amount required to adequately support Standards Australia's international standardization obligations and, if necessary, to support the SAB.

²¹ *Senate Hansard — 20 May 1997, Page 414*

Senate Finance & Public Administration Reference Committee: Contracting out of government services (1997)

²² *ibid*

International benchmarking Standards development & overseas models

The issues paper produced by the Productivity Commission has asked “how much progress has been made internationally with mutual recognition of standards and conformance assessment across countries”. From AIB’s perspective Australia is a ‘good global citizen’ and diligently adopting international standards unless there is a bona-fide reason not to do so. The leadership of Standards Australia in securing this outcome should be acknowledged. Indeed, in most cases when agreement has been reached that a new standard is required, the first reference is the published International standard (where available).

DSO Accreditation benchmarking

The robust nature of Australia’s standards infrastructure is largely due to the fact that Standards Australia operated as the main publisher of Australian Standards. Other countries, such as the United States of America, have a very different experience.

The American National Standards Institute (ANSI) operates an accreditation program somewhat similar to that of the SAB. Its scope is considerably larger as it accredits some two hundred standards bodies.²³ However it would be unfair to assess Standards Australia’s performance in this area against its counterparts such as ANSI. Standards Australia’s work in this area is comparatively new and it is approaching the issue in a mature fashion. AIB staff has found the senior staff at Standards Australia remarkably accessible to discuss the work of the SAB and the opportunities that exist for prospective SDOs. It should be stated that AIB has no current ambitions in this area.

AIB raises no concerns with Standards Australia’s performance in the area of accrediting SDOs when viewed against international benchmarks.

International harmonisation

Australia, as a signatory to the World Trade Organisation’s Technical Barriers to Trade Agreement, has committed itself to aligning its national standards with international standards to the greatest extent possible. This commitment is reflected in the approach taken by Standards Australia to develop standards:

The policy of Standards Australia is to base Australian Standards on International Standards to the maximum extent feasible and to use the World Trade Organization (WTO) Agreement on Technical Barriers to Trade (commonly referred to as the TBT Agreement) as a benchmark.

Notwithstanding the fact that the WTO TBT Agreement is addressed to national governments and is only binding for technical regulations for tradable goods, the policy extends to ensuring that all Australian Standards meet the provisions of Articles 2.2 and 2.4 of the WTO TBT Agreement, 1994. The immediate consequence is that Australian Standards should be adoptions of International Standards, unless there are good reasons to the contrary.²⁴

²³ *ANSI Accredited Developers* — American National Standards Institute, Washington DC, USA (23 March 2006)

²⁴ *SG-007: Adoption of International Standards* — Standards Australia, Sydney (2005)

AIB supports Standards Australia's procedures that first consider adoption of a relevant international Standard and, after discussion with the Institute's representatives on various Standards Australia technical committees, can confirm that this is indeed the approach taken. This is reflected in the experience of the United Kingdom which has seen a significant move towards Standardisation since 1990:

The period since 1990 has been marked by a considerable change in the nature of standardisation activity. The emphasis in the last decade or so has been on internationalisation and harmonisation of standards. We estimate that in 1990, 64% of the BSI [British Standards Institute] catalogue was accounted for by purely 'national' standards; today this is less than 26%.²⁵

It is also noted that Standards Australia and Standards New Zealand have agreed to cooperate in the harmonisation of standards, consistent with both the Australia – New Zealand Closer Economic Relationship (CER) and the Trans-Tasman Mutual Recognition Agreement (TTMRA). Of the 2,808 approved New Zealand Standards some 2,254 (80.3%) are aligned with Australian Standards.²⁶

AIB supports Standards Australia's work in actively developing International Standards, reflected in its Secretariat provision for nineteen International Standards Organization (ISO) committees. In addition to providing Australia with the ability to influence the nature of the standards, it is a demonstrable sign of the nation's commitment to international harmonisation. If Australian Government funding is necessary to allow this work to continue, AIB supports the provision of such funding.

²⁵ *The Empirical Economics of Standards (DTI Economics Paper No. 12)* — Department of Trade & Industry, UK (2005)

²⁶ *Standards Council Annual Report 2005* — Standards New Zealand - Wellington, New Zealand (2005)

Terms of reference for a MOU between The Australian Government & Standards Australia

The Productivity Commission has been tasked with making recommendations on the appropriate terms for a Memoranda of Understanding (MoU) between the Australian Government and Standards Australia. AIB believes that this is an appropriate instrument to establish a relationship between these two entities. It should contain a number of provisions that include the following:

Recognition of a National Standards Body

From the outset AIB endorses recognition by the Australian Government for Standards Australia to be the peak National Standards Body (NSB). The nation has been well-served by Standards Australia in the past although there is always scope for improvement. Standards Australia is recognised internationally for its experience in standards development, demonstrated commitment to international harmonisation, and more recently its flexibility to accredit third-party Standards Development Organisations (SDOs)

There has been some suggestion that, in the past, Standards Australia published standards that were designed to provide commercial benefit for its publication and certification business, and that such an outcome is not consistent with a NSB working in the national interest. AIB argues that such a proposition is without merit, particularly since the separation from Standards Australia of both SAI Global and its certification body, Quality Assurance Services (QAS). The floating of SAI Global on the Australian Stock Exchange and subsequent divestiture of its shareholdings in SAI Global has provided Standards Australia with a source of income (investment returns) independent of publishing interests. Similarly, the sale of Standards Australia's certification business, Quality Assurance Services (QAS) to SAI Global removes any suggestion, however flawed, that Standards Australia publishes standards that are designed to provide commercial benefit for its certification business. This is reflected in the Chairman's report within Standards Australia's annual report for 2004 / 2005 which noted:

In last year's Annual Report the sale of the commercial activities of Standards Australia into a separate company, SAI Global, and the floating of that company on the Australian Stock Exchange was reported.

This year, I am pleased to report that move has allowed us to focus on our role as Australia's peak non-government, standards organisation.²⁷

Being a long-standard participant in the development of Australian Standards, AIB is well positioned to reflect upon the operation of Standards Australia in the past and present. We confirm that there is, indeed, a renewed focus by Standards Australia on their "role as Australia's peak non-government, standards organisation". There is, of course, periodic concern with the work of a particular committee but once brought to the attention of Standards Australia's management such concerns are generally rectified in a timely and satisfactory manner. AIB therefore has no hesitation in endorsing recognition of Standards

²⁷ Annual Report 2004 / 2005 — Standards Australia, Sydney (2005)

Australia as the Government-endorsed NSB in any MoU between the Australian Government and Standards Australia.

Accreditation of other standardisation bodies

A MoU between the Australian Government and Standards Australia should recognise, and give authority to, the work of the Standards Accreditation Board (SAB) in its work accrediting Standards Development Organisations (SDOs). From AIB's perspective Standards Australia, through the SAB, should be the sole sanctioning body for SDOs. We do not believe it necessary for the Australian Government to establish a new, or recognise another, organisation to fulfill the role of the SAB.

The SAB provides a vehicle for organisations other than Standards Australia to develop standards where Standards Australia has recognised that it is not always in a position to produce such documents, or where an organisation has made an application to become an accredited SDO. Such applications can be expected from trade associations working in a specific industry sector. Significantly Standards Australia is actively cultivating this alternate route:

The Standards Accreditation Board (SAB) has been in place since 1996; but for much of that time, its role was seen as somewhat outside the mainstream development activities. As part of the review of the business model, the activities of external standards development organizations accredited by the SAB were given more prominence, offering an equally valid alternative path for those proposing the development of new standards. This is anticipated to lead to a wider role for the SAB in coming years. ²⁸

Amongst the benchmarks used by the SAB in accrediting SDOs is that standards are developed in a manner consistent with the transparent and consensus-driven methodology used by Standards Australia. In this Standards Australia is following internationally accepted practice, as reflected in the similarities with the approach of the American National Standards Institute (ANSI), which accredits SDOs in the United States of America. ANSI says it:

Approves standards as American National Standards (ANS) and safeguards the integrity and value of the ANS designation by requiring openness, balance, due process, consensus and transparency to all directly and materially affected interests in the private and public sectors.²⁹

Standards Australia, in actively supporting the work of SDOs, is following an international model for NSBs, this being to provide an internationally accepted framework for the accreditation of SDOs. This should be supported by the Australian Government.

The SAB has worked well and enjoys widespread acceptance as it operates independently within Standards Australia. It enjoys a degree of autonomy with its own Board that reports directly the Council of Standards Australia, and is funded not by Standards Australia but from its own fee revenue and, AIB understands, partly from Commonwealth Government funding. This funding should continue.

²⁸ *Annual Report 2004 / 2005* — Standards Australia, Sydney (2005)

²⁹ *Annual Report 2004 / 2005* — American National Standards Institute, Washington DC, USA (2005)

Rather than allow a plethora of standardisation bodies to develop in an open framework, many perhaps operating in a less than transparent fashion, endorsement by the Australian Government for the SAB operated by Standards Australia will provide a framework that secures the integrity of Australia's standards infrastructure.



End of submission

The Australian Institute of Building
21 April 2006 — Canberra, Australia

The Australian Institute of Building — An overview

The Australian Institute of Building (AIB), founded in 1951 and granted a Royal Charter in 1969, is an association of building professionals and senior technicians engaged in building practice, teaching or research throughout Australia and overseas.

The mission of AIB is to be the leading professional institute for individuals in the building and construction industry, valued for its services to members, reflecting its ideals for higher education, standards and ethics. AIB aims to be the source of authoritative and visionary comment on behalf of professionals in the industry. Broadly, the objectives of AIB are:

- To promote excellence in the construction of buildings and honourable practices in the conduct of business;
- To advance the study of building and all kindred matters, arts and sciences;
- To encourage the friendly exchange between members of knowledge in the practical, technical and ethical aspects of building and construction;
- To uphold the dignity of the profession of building and the status of the Institute; and
- To increase the education and professionalism of individuals in the building and construction industry.

AIB serves as the qualifying body for professionals in Australia and, as such, membership of AIB represents attainment of a high level of qualifications and skills. Through various initiatives, AIB is committed to ensuring that the graduates of tomorrow have the competency required to enter the building industry. The Institute is actively involved in promotion, development and accreditation of university courses in building and construction management disciplines. Further, AIB encourages secondary school students to pursue a career in the building profession.

Initiatives such as these guarantee that future professionals in the building and construction industry maintain a high and fair standard of conducting business.

Finally, AIB acts on behalf of its member to provide consolidated representation to various building and construction associations and businesses, the Commonwealth and State Governments and also within the industry. With respect to this submission, it should be noted that AIB's General Manager, Troy Williams, has an in-depth knowledge of Australia's codes and standards infrastructure and, in 1998, spent six months in the United States of America on an industry-funded project to review the American standards development system.

For more information on AIB visit the website at www.aib.org.au