



Submission to Productivity Commission

Review of Standards
and Accreditation

April 2006

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Australia: a world leader in Standards development

Australia has recognized the key role Standards play in forging a healthy, vital society and economy. Since 1922 Australia has actively developed a system of standardization that has contributed to our efficiency and effectiveness.

Standards and conformity assessment regimes form the backbone of global society. They make our world safer, facilitate trade between states, industries and nations, and provide the world with a common platform for growth and development.

Australia has been at the forefront of developing this global framework of Standards and working with the international technical community. Its renowned for its groundbreaking contributions such as the world-first *AS/NZS 4360 Risk Management Standard* and *HB 90.1 Quality systems for small business*.

Australia can be proud of its leadership position in the global technical industry. Bodies like Standards Australia should be incentivized and funded adequately to support the national interest.



Ross Wraight
Chief Executive
SAI Global Limited

1. SAI Global – A brief overview

SAI Global Limited is an Australian based company listed on the Australian Stock Exchange (ASX) and ranked in the S&P/ASX 300 index. It is one of the world's leading business publishing, compliance, training and assurance organizations. With offices in Australia, New Zealand, Asia, Europe and North America, its revenues for the 2005/6 financial year will be more than \$150m with approximately 40% generated from its international operations. SAI Global delivers its services through four operating divisions. These are Publishing Services, Compliance Services, Professional Services and Assurance Services.

1.1 Publishing Services

SAI Global is a leader in the use of web-based technologies for the production, distribution and licensing of intellectual property. Its Publishing Services division delivers national and international Standards, legislation, technical and regulatory up-date and news services. These products are delivered in hard copy and via on-line subscription and other web-based services. Through a publishing licensing agreement with Standards Australia, it holds the rights to distribute Australian Standards®, and other Standards developed by international standardization bodies. SAI Global, through its subsidiary Anstat, also has the rights to publish Victorian Government legislation and the Australian New Zealand Food Standards Code.

1.2 Compliance Services

SAI Global's Compliance Services division provides learning and awareness solutions in the areas of compliance, regulation and risk management. Its solutions are designed to help organizations meet their regulatory compliance requirements. Its products support several million users based in more than 100 countries, with major clients including; General Electric, the US Department of Defence, Airbus, Diageo, Eli Lilly, ING, Saudi Telecom, Roche, Standard & Poor's, TD Bank, PepsiCo and Daimler Chrysler.

1.3 Professional Services

SAI Global offers a wide range of training, seminars, workshops and in-house courses. These services around Standards and business improvement cover topics such as Six Sigma, quality, environment, OH&S, food safety, information security and auditor training. It is a leader in knowledge management and risk management consulting and owns the Australian Business Excellence Framework and the associated Awards program.

1.4 Assurance Services

SAI Global provides independent assessment and certification services, in areas such as product certification and management systems certification covering environment, OH&S, information security, food safety, aerospace and automotive. Its audit approach, experienced auditors, network of audit bases and product brandings through EFSIS and

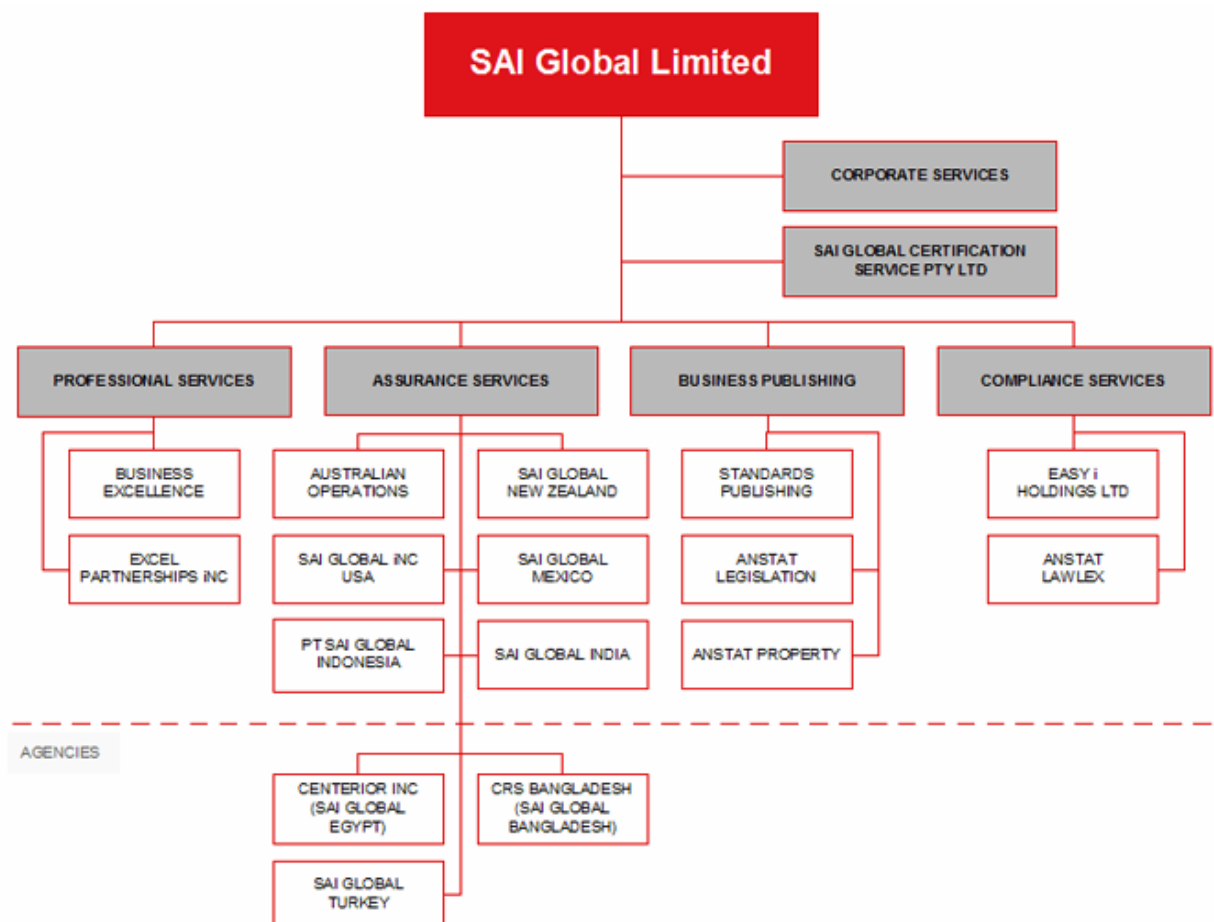
the StandardsMarks offer confidence in business transactions and to consumers and others. Further information can be found at www.saiglobal.com

1.5 Company history

SAI Global is an Australian success story. It was formed by Standards Australia as a proprietary tax-paying company in 1990 in response to increasing competitive pressure in the Australian market place and declining funding from traditional sources such as government. Its establishment separated the not-for-profit Standards Australia from the commercial, Standards-based activities - primarily certification - that it had developed.

Through an Initial Public Offering (IPO) and listing on the Australian Stock Exchange (ASX), SAI Global acquired from Standards Australia's commercial operations and certification trademarks. As part of the sale it acquired the rights to publish and distribute Australian and International Standards for 15 years with an option to renew for a further 5 years.

Today, SAI Global has a market capitalization of \$350m and more than 2000 shareholders ranging from large financial institutions to retail investors.



2. General Comments

2.1 Standards development process

The international Standards development process is a vital for facilitating trade around the world. Its global network of technical experts and committees work to:

- Improve economic efficiency
- Facilitate business transactions
- Reduce the potential for technical barriers to trade
- Improve safety and the standard of living in all countries.

SAI Global is a key partner in the delivery of these economic and social benefits and its customers are highly dependent upon the efficiency and effectiveness of the national and international Standards development process.

SAI Global fully supports Standards Australia's commitment to the principles within the World Trade Organization (WTO) Technical Barriers to Trade (TBT) Agreement and its Annex 3, which includes the Code of Good Practice for Standards Development. It believes that being responsible in all that it does is not only good for its business, it is the right thing to do. SAI Global embraces this not to impress with platitudes but to make a real difference to the life and prosperity of all our communities.

2.2 SAI Global's relationship with Standards Australia

SAI Global is a strong supporter of Standards Australia and other national Standards bodies. While it has a business relationship with Standards Australia, SAI Global has no influence over Standards development in Australia or any other country. The business relationship with Standards Australia is defined by the following.

In December 2003, and in exchange for valuable and equitable consideration, Standards Australia granted to SAI Global an exclusive worldwide licence to publish, distribute, market and sell Australian Standards. These rights extend for a 15-year period from December 2003 with an option to renew for a further 5-year term.¹ It is important to recognize that the content and intellectual property embedded in the Standards is retained by Standards Australia. As part of this agreement:

- Standards Australia has warranted to SAI Global that it has full rights to the intellectual property in Australian Standards and has agreed to fully indemnify SAI Global against any breach of this warranty
- Standards Australia may not, without SAI Global's consent, allow any other party to publish, distribute, market and sell Australian Standards. It is however worth noting that while these rights are exclusive to SAI Global:
 - SAI Global has appointed more than 100 resellers of Australian Standards to help ensure stakeholder needs are satisfied.

¹ SAI Global Prospectus, 2003, p40.

- SAI Global has and is willing to enter into reasonable commercial arrangements with accredited Standards development organizations in respect of the publishing, marketing and sale of the Australian Standards that are developed by them.
- Approximately 42% of all Australian Standards are adoptions of International Standards developed by ISO (International Organization for Standardization) and IEC (International Electrotechnical Commission).

It is important to note that the ISO and IEC Standards are available in the global market through most national Standards bodies, and commercial publishing companies.

2.3 Accessibility and coherence

Australia leads the world in providing access to Standards. Australian organizations benefit from a framework that effectively raises awareness of new, existing and updated Australian Standards. Under licence from Standards Australia, SAI Global supports the accessibility of Australian Standards and International Standards by providing cost-effective:

- Instant online delivery
- fast print on demand service for hard copy
- sophisticated search engines
- electronic watching services
- marketing and information services
- a comprehensive single collection of Standards

As a value-added service to Standards users, SAI Global continues to work to build a comprehensive collection of national, international and industry Standards. Currently this collection includes publications from ASTM in USA, British Standards Institution (BSI) in the UK, Deutsches Institut Fur Normung e. V. (DIN) in Germany), American National Standards Institution (ANSI) and Japan Industrial Standards (JIS). The collection provides a single reference point for Australian users of Standards.

SAI Global supports the current system of Standards development that allows many organizations to draft documents that are then subject to a consensus approval process before attaining Standards status. In line with this a key strength of the Australian system is that all approved Standards can be sourced through a single comprehensive collection. This is in stark contrast to the situation in the USA where there are in excess of 400 organizations developing Standards, even competing in industry sectors.

While the Australian economy is 1/20th of the US economy, its Standards and laboratory accreditation systems are by comparison models of coherence and cooperation.

Under the current system industry has access to national and International Standards sourced from a central point but accessed by many means. Increasingly this is delivered via subscription to an online database of Standards. The Standards system is complemented by a laboratory accreditation system operated by NATA that is highly regarded internationally and relied upon by all sectors of industry.

“With increasing focus on information security, physical security and business continuity planning in case of unforeseen disaster, certification has given us a means to benchmark our ISMS. It also fosters a security culture with our business partners and staff through heightening security awareness within the organization, and improving credibility and customer confidence.”

Simon Soon, Chief Information Officer at Yarra Valley Water.

“ISMS strategy a winner for water retailer”, *The Global Standard*, February 2005, p13

2.4 Separation between the development and ‘commercial’ use of Standards

By nature, the Standards development process encourages the courting of diverse interests including commercial. Standards development organizations must be kept separate from the commercial publishing and conformity assessment activities that are vital in a Standard’s life cycle. In separating a Standard’s creation from its commercial application, a development body can maintain a sole focus on meeting its national interest obligation of achieving consensus among all stakeholders.

Standards development organizations should not be:

- dependent on the taking of commercial risks to fund their existence
- governed by single vested interests
- reliant on publication sales as a determinant of whether a Standard be produced
- put under pressure to undertake work on Standards by a certification body or other providers of services based upon Standards

In Australia, this has largely been achieved by separating Standards Australia from its commercial operations. A key benefit of this divestment has been the successful creation of a very significant endowment fund to service Standards development activities in Australia. It is estimated that the fund currently boasts net assets of approximately \$200m. No other national or international Standards development organization is in such an enviable financial position.

2.5 Economic benefits of standardization

Standards must be developed when there is a demonstrated need and where there is an underlying objective of facilitating commerce. There are numerous economic benefits of standardization. These include:

- Trade facilitation
- The elimination of duplication
- Confidence
- Interoperability
- Supply chain efficiency
- Lower transaction costs
- Increased consistency
- Safety
- Efficiency
- Effectiveness
- Enhanced quality
- Environmental protection

- Risk management
- Business process improvement
-

In a bid to measure these benefits of standardization to an economy a number of studies have been undertaken. In April 2000 the German Institute for Standardization DIN published a study titled, *Economic benefits of standardization* (http://www.normung.din.de/sixcms_upload/media/1350/engl_zusammenfassung.pdf). The survey conducted across Germany, Austria and Switzerland confirmed the strategic value to companies of contributing to International Standards work through the national Standards body, and the competitive advantage that brings.

“The need to manage organizational risk has become a priority across all industries including our own. Having effective and workable systems already in place provides a highly effective and rigorous way of doing this.”

Ally Daley, Manager Human Resources & Management Systems at Flinders Port

“Management systems underpin our vital sea links”, *The Global Standard*, February 2004, p33

In the United Kingdom the Department of Trade and Industry (DTI) published a study in June 2005 that concluded that standardization contributed 2.5 billion pounds Sterling annually to the UK economy.²

In the United States, the Government has instructed its agencies to use where possible the voluntary Standards developed by private Standards development organizations, in lieu of developing separate regulations or Standards.

Ten years after he chaired the Federal Government Inquiry into the Standards and Conformance Infrastructure of Australia, Mr Bruce R Kean AM wrote that *the Fair Trade Agreement (FTA) with the USA is a great opportunity for Australia but at the same time introduces many new challenges. Foremost is the ability of Australian exporters to conform to the Standards of the USA.* He added that SAI Global’s agreement with ASTM to publish US Standards is *an important step in assisting Australian manufacturers to maximize the benefits of the Fair Trade Agreement.*³

“Implementation of, and certification to the Standard will provide significant benefits to members of our industry. In addition to environmental and often bottom line benefits such as reduced waste and increased efficiency, there is the higher positive recognition factor... I believe the industry’s leading members, the people who are looking ahead, will see it as a competitive advantage.”

Hal Morris, Executive Director at the Australian Logistics Council

“The chain gang”, *The Global Standard*, August 2005, p28

² DTI Economics Paper No.12 The Empirical Economics of Standards June 2005

³ Linking Trade Globally... *The Global Standard* May 2004, p5

2.6 Other considerations

*One Standard, one test - accepted everywhere*⁴

Export activity and access to imports is enhanced by the current Standards and conformance infrastructure. However, the failure of countries to recognize the equivalence of the processes and practices can hinder trade and increase costs. It is important that when multi-lateral agreements are reached local regulatory authorities recognize jurisdictional technical approvals. Where there are difficulties, dialogue between authorities and the infrastructure bodies can assist in dispelling misunderstandings by ensuring that multilateral agreements (MLAs) are understood.

Providing the understanding is maintained between the regulatory authorities, and the Standards setting and accreditation arrangements and processes are maintained, public interest will continue to be served. With the increased globalization of markets, the aim must be *one standard, one test - accepted everywhere*.

The Standards and conformance infrastructure is vitally important in improving levels of safety and reducing technical barriers to trade. These benefits far outweigh any transaction costs in meeting Standards and conformance infrastructure requirements, which can also be seen to add value by assisting the manufacturer or importer in demonstrating compliance with contractual, customer or regulatory requirements. Where the Standards and conformance infrastructure fails to provide a common Standard, test and certification costs are increased through multiple testing and certification requirements. A failure to provide this standardized system can result in costs ultimately being passed on to the consumer.

“What some people don’t realize is that the systems themselves if effectively crafted and implemented in fact constitute good management practice. We don’t adopt them per se, but because we benefit hugely from them.”

Kerry Sanderson, Chief Executive at Fremantle Port

“Management systems underpin our vital sea links”, *The Global Standard*, February 2004, p32

⁴ ISO World Standards Day 2002 slogan

3. Issues paper – Areas for analysis

3.1 The efficiency and effectiveness of Standards setting and laboratory accreditation services in Australia

3.1.1 Efficiency

SAI Global believes the Standards setting process, operated in a large part by Standards Australia, is one of the most efficient, effective and well funded in the world, and is internationally recognized as such.

Through its activities, Standards Australia continues to encourage growth in exports of Australian products and services and the efficiency and effectiveness of the Australian economy.

SAI Global believes that Standards Australia's processes and practices are highly responsive to its vast array of stakeholders. These include: its members, nominating organizations, governments, industry bodies, trade associations, academia, companies, consumer and community groups, and its more than 8000 experts that form its technical committees.

Standards Australia's capacity to routinely build consensus among this vast array of stakeholders is a remarkable achievement. For example, in an average year Standards Australia revises and develops more than 500 Standards. Even more remarkably, where relevant, these Standards are internationally aligned.

SAI Global believes that the development of Australian Standards is a transparent activity with public input sought at every step: from proposal, through review of the draft, to approval and publication of the Standard.

To reach the status of Australian Standard, any industry specification or guideline developed by single sectors must be subjected to the same broad scrutiny by the balance of interested parties.

Following the Federal Government Inquiry into the Standards and Conformance Infrastructure of Australia in 1994, a process of accrediting other private or public bodies to develop Australian Standards was established. To date a small number have been accredited.

SAI Global believes these accredited bodies must reflect the principles used for the development of Australian Standards and International Standards. They must not convey singular sector interests, but demonstrate consensus, openness, transparency and a balance of all the interests contributing to the process.

Standards Australia adheres to international best practice in Standards development, aligning itself with the International Organization for Standardization (ISO), the International Electrotechnical Commission and major National Standards Bodies. An

effective process takes time to achieve consensus, review new technologies and gather usable research to support an acceptable solution. To rush the process can result in unsatisfactory outcomes, constant amendments and ultimately a Standard that is not used by the stakeholder community.

Australia must remain committed to ensuring effective participation by the national technical community in order to create consensus-based Standards. Effective communications technologies such as Internet and email, and incentives are vital to maintain the current level of committee representation.

3.1.2 Effectiveness

It is vital for Australia to develop and maintain an effective suite of Australian Standards that are relevant, coherent and internationally aligned.

SAI Global believes the current system of Standards development and distribution is highly effective. Australian Standards are readily available in many formats, including:

- Hard copy ('print-on-demand')
- Subscription hard copy
- Through on-selling agents
- Electronic download (PDF)
- Electronic subscription

Currently Australian Standards are supplied at a low cost to the community. The table below shows a national retail price comparison of the same International Standards, notably the Australian version of ISO 9000 is at least \$35 less expensive through SAI Global than the international equivalents shown. This sample is reflective of the total collection and clearly demonstrates the value-for-money that Australian Standards users enjoy.

RETAIL PRICE IN AUSTRALIAN \$						
Pages	Ref	SAI Global	ISO	ANSI (USA)	BSI (UK)	DIN (Germany)
23	9001	77	112	116	185	161
23	14001	77	112	88	240	161
32	22000	91	132	139	265	154
59	15050	110	170	N/a	300	176
3	7740	33	45	47	130	49

With the formation in 1947 of the General Agreements for Tariffs and Trade (GATT) and the subsequent publication of the Code of Good Practice for Preparation, Adoption and Application of Standards (Annex 3 to the TBT Agreement) the international Standards community has been given a framework in which to operate. This continues under the World Trade Organization today, and Standards Australia remains effective in helping to ensure Australian Standards are not prepared, adopted or applied in a way that would create an unnecessary obstacle to international trade.

In November 1995, Standards Australia made a declaration to the Department of Foreign Affairs and Trade of its voluntary adherence to the Code. Australia's policy is to adopt International Standards where they exist, rather than develop national Standards.

3.1.3 Governance structures

Australia leads the world in reforming the governance processes and procedures that support national Standards development. Following the Federal Government Inquiry into the Standards and Conformance Infrastructure of Australia in 1994, Standards Australia has restructured a number of times to remain an efficient and effective Standards service.

The following timeline details the evolving governance structure of Standards Australia since 1922.

- 1922 Standards Australia, originally called the Australian Commonwealth Engineering Standards Association, is founded**
- 1929 Renamed the Standards Association of Australia (SAA) to recognize wider role in society**
- 1950 SAA receives a Royal Charter to develop Standards in the national interest**
- 1951 SAA is incorporated under a Royal Charter**
- 1988 SAA changes its name to Standards Australia. Signs a MOU with the Federal Government that recognizes Standards Australia as the peak non-government Standards development organization**
- 1990 Standards Australia establishes Quality Assurance Services Pty Ltd (QAS) as a wholly owned subsidiary business**
- 1999 Standards Australia International Limited (SAI Limited) revokes its Royal Charter and becomes incorporated as an Australian public company limited by guarantee, thereby clarifying the fiduciary responsibilities of directors under Australian Corporation Law**
- 1999 Reduces its board from an unwieldy 22 to 11, and then to nine by natural attrition**
- 1999 Establishes the Standards Accreditation Board to allow the development of Australian Standards to be contestable, making the process open and transparent**
- 2002 Standards Australia signs revised MOU with the Federal Government**
- 2003 Standards Australia lists its commercial businesses on the Australian Stock Exchange under the name SAI Global Ltd**
- 2005 Standards Australia sells 75 per cent of its shareholding in SAI Global**
- 2006 Standards Australia sells its remaining 10 million shares in SAI Global**

3.1.4 Independence from conformity assessment

Today Australia boasts one of the world's most financially secure Standards development bodies.

Standards Australia's strong financial position is a result of the successful corporate restructure, which culminated in the 2003 Initial Public Offering (IPO) of SAI Global shares on the Australian Stock Exchange.

Prior to 2003, Standards Australia's funding of an effective operation relied heavily on commercial activities such as publication sales, Standards-based training and Standards-based certification, undertaken by its wholly owned tax paying subsidiary company established in 1991.

Today Standards Australia is completely independent from commercial conformity assessment activities. In converting this proprietary company to a public company and listing it on the ASX, Standards Australia has removed itself from any equity holding in the entity that commercially exploits the Standards it develops.

At the same time, by selling the certification trademarks and its controlling share in the listed company, it has provided a fund to support the development of (national and public interest) Standards. This fund makes Standards Australia one of the most independent and securely funded Standards development organizations in the world.

Extract – “Linking Trade Globally...” by Mr Bruce R Kean AM:

The separation of Standards setting from the supply of services to monitor compliance with them is both timely and efficient. In terms of corporate governance alone the implied conflict of interest between Standards setting and certification of compliance is inappropriate and was the reason that the 1995 report recommended their separation. Today the increased responsibility of Standards Australia for ensuring international conformity of Standards makes it imperative. The distraction of a separate commercial operation with incompatible values is no longer sustainable. Standards Australia is to be congratulated on its action to divest the conformance, publishing and training arms whilst retaining a minority interest that ensures a reliable income stream.

“Linking Trade Globally...” *The Global Standard*, May 2004, p5

3.2 The appropriate role of the Australian Government

The Australian Government plays a vital role in Australia's technical infrastructure, which includes its participation in the development of Australian Standards.

As a key stakeholder in the consensus process the Australian Government should continue its active involvement in the work of technical committees and in Standards sector boards. Where necessary, funding may be required.

The Australian Government should encourage State-based agencies and governments to participate in Standards development. It should also support the Standards and conformance infrastructure bodies in representing Australia at the regional and

international Standards level. This would include ensuring that the Australian Government position with respect to Standards is well understood.

There are a variety of funding models among the 156 national Standards bodies that comprise the ISO membership. ISO's governance structures are specifically designed to control processes of Standards development and conformity assessment, and cater for a range of members from government bodies to non-government organizations.

Funding models for non-government organizations range from those supported and funded to some degree, to private organizations such as ANSI in the United States that receive no government funding.

Direct government management of the Standards development process stands to compromise the integrity of the consensus-based approach. It would effectively hinder a government representative's capability to express an independent government view on a national or international Standards committee.

Australia is a world leader in balancing the rights of government to influence national interest work without compromising the Standards development process.

3.3 Appropriate terms for MOU with the Australian Government

Australia has an enviable position in the international Standards community, and has been a key driver in setting the global agenda on Standards development since becoming a foundation member of ISO in 1947, and the Pacific Area Standards Congress (PASC) in 1973.

An MOU with the Australian Government serves to recognize Standards Australia's status as this nation's peak Standards body, thus legitimizing its leadership position on the world stage. It also affirms Standards Australia's peak status, a right it has earned over more than 80 years of developing Standards in the national interest.

In proposing any changes to the current MOU, it is important to consider the success Standards Australia has had in its long history as Australia's peak Standards development body, and as Australia's representative on international bodies such as IEC since 1947, ISO and PASC.

Australian business continues to benefit from the ability to compete efficiently and effectively in the global economy as a result of Standards Australia's success in linking and aligning national and international standardization.

“Certifications are essential for doing business. But at a far deeper level we make it work because our philosophy comes back to risk management. It is the common thread to run through all the Standards and has enabled us to develop our own effective methodology for living out that philosophy. Successful companies adjust and adapt to different requirements, and when they are supported by a management framework that offers consistency at times of growth or change, and enables a continued focus on quality, then a foundation for continued growth and success is there.”

Jim Northey, Management Systems Manager at Hardy Wine Company.

“Hardy shines in Constellation’s global wine market”, *The Global Standard*, May 2005, pp5-6

Australia must continue to match international peer Standards organizations by retaining Standards Australia’s independence from major stakeholders in standardization such as government, industry, companies, consumers, professional bodies, trade unions, and academia. It is this independence that allows it to act as an effective peak body.

Standards Australia’s continued innovation in creating funding models to support independent consensus based Standards development should be recognized and remain a cornerstone of the governance process. The commercialization of a Standards’ development process must be avoided if independence and ultimately peak status is to be maintained.

Australia is in an enviable position in which organizations do not have to bear the direct cost of Standards development. Participation by committee members with a wide array of interests remains the most efficient and effective way to resource Standards committees. Standards Australia’s strong financial position affords the Australian community the luxury of a non-fee paying participation for committee members. A fee-for-participation model, which has been implemented in other countries such as the United States and several European nations, stands to compromise consensus outcomes.

The Australian Government must also recognize Standards Australia’s commitment to funding participation in international Standards activities, much of which has been met without government assistance for the past 20 years. The only remaining Australian Government funding is for Standards Australia’s activities with ISO and IEC, which should be maintained and subject to the appropriate surveillance, increased to fund specific participation by Australian business.

An MOU assists in providing an effective framework to align Standards Australia’s independent activities, and those of its committees, with the views and policies of the Australian Government.

Standards Australia’s work in the international bodies was a key factor in gaining recognition in the form of an MOU with the Australian Government. This MOU was first signed in 1989 in accordance with the Foley Committee recommendations. Recognition of Standards Australia’s ‘peak’ status and role in the international bodies was balanced by the Australian Government’s rights to indicate what standardization activity was considered to be in the ‘national interest’.

In the absence of an MOU SAI Global believes that Standards Australia would retain its status as the “peak” non-government Standards body by the fact that no other

organization in Australia could provide a collection of more than 6000 interconnected Australian Standards.

While there are organizations developing Standards in niche areas in Australia, Standards Australia remains the only organization with the depth of knowledge, systems, capability, experience and relationships to offer such a coherent consensus-based Standards development service and remarkable connectivity with the international Standards family.

SAI Global believes that while some minor wording changes are required to the MOU to take into consideration the December 2003 restructure of Standards Australia, the terms of the current MOU between Standards Australia and the Australian Government remain effective.

All steps must be taken by the Australian Government to ensure the position of an extremely successful private sector technical infrastructure body.

“This Standard has the potential to turn the onerous task of meeting, often duplicated or even contradictory requirements from various different safety and quality guidelines into one meaningful system. I believe that in terms of its international recognition, its rigor and its capacity to improve safety along the entire food chain, the ISO 22000 Standard is exactly that – something that will offer benefits for everyone concerned.”

Ben Bowering, Quality, Health, Safety and Environmental Manager at Vinpac International

“Good enough to eat”, *Thinking Business*, March/April 2006, p42

3.3 Appropriate means of funding activities deemed to be in the national interest

As one of the most financially secure national Standards bodies following its restructure in 2003, Standards Australia enjoys an enviable position in the international Standards community. Funding of activities that are deemed to be in the national interest should continue to be resourced from Standards Australia and ongoing revenues, supplemented through government support.

The MOU provides an effective framework for supplementary funding of Australia’s participation in international Standards development. However, further clarity around the term ‘national interest’ activities is needed.

Standards development should not be subject to a benefit versus cost analysis given the implicit benefits a Standard brings to the community, such as:

- Safety of persons, products and the environment
- Compatibility of equipment and systems
- Health
- Security
- Business improvement

Standards Australia should never need to consider the commercial value of their efforts and continue to develop thousands of Standards that are vital to public safety such as:

- AS 3533.1:1997 Amusement rides and devices - Design and construction
- AS/NZS 1698:2006 Protective helmets for vehicle users
- AS 3786-1993 Smoke alarms
- AS/NZS 1249:2003 Children's nightwear and limited daywear having reduced fire hazard
- AS 4040.3-1992 Methods of testing sheet roof and wall cladding - Resistance to wind pressures for cyclone regions
- AS/NZS 2604:1998 Sunscreen products - Evaluation and classification
- AS/NZS 2596:2003 Seat belt assemblies for motor vehicles
- AS/NZS 4422:1996 Playground surfacing
- AS/NZS 2172:2003 Cots for household use – Safety requirements

It is vital that Standards Australia continues to receive funding to Australia's national interest in the international Standards development community. It has developed a reputation for often groundbreaking contributions.

Australia – leading the world in Standards development

Australia has been in the forefront of work in the area of Standards for risk management, culminating in the publication of AS/NZS 4360, *Risk management*, that provides a generic framework for managing risk. The standard is now among the SAI's top sellers.

ISO Bulletin, November 2001, p19

Australia's competitive position has been enhanced by Standards Australia's strong voice in the international Standards development process and active participation in the work of international technical committees. This voice has enabled Standards Australia to ensure Australia's national interest is taken into account in the drafting of Standards that provide the framework for international business and trade. As an affirmation of its influence, international peers have elected several Standards Australia members to prominent governance positions within the international Standards bodies including, in recent years, the prestigious role of Vice-President Strategy.

Participation needs to be appropriate, forceful and constant, with the Australian Government continuing to support Standards Australia's leadership role in the international Standards development community.

Australian Government funding for Standards Australia should be directed to those activities that are likely to have a positive effect on competitiveness, services, industry, trade and public welfare, particularly for those which have no national industry sector to support the development.

The Australian Government should consider providing specific fee-for-service funding for public interest activities of Standards development to enable regulation of market failures. Such funding could be contestable and subject to tender by appropriately accredited Standards development organizations. Standards developed through this process should be developed under equivalent processes of transparency and openness that govern Australian Standards.

Levels of Australian Government funding were halved in the 1996 Federal budget and have not altered significantly for a number of years. State Government funding has not been received for Standards development for more than 10 years.

Victory for Australian farmers and exporters over ISO lavender definition

To the uneducated, the lavender plant is a small, pale purple flower that smells like the pillows at Gran's house. But to those in the know, there is more to lavender than meets the eye.

...For years the French have had the right to grow and sell 'French lavender', a flower recognized by the International Standards Organization as one that can only be grown in the south of France. This week at an ISO conference on essential oils in Sydney, it will be recommended the definition of lavender be changed by removing the geographical reference so Australian growers can produce internationally recognized product...

Secretary of the Essential Oils Producers of Australia, Dr Erich Lassak, said the change would be a great victory for local growers and exporters. 'It means they recognize us as legitimate,' Dr Lassak told *The Australian*...

...Australian lavender farmer Bill McCartney, who runs the Bridestowe Estate in Tasmania, which produces about two tonnes of lavender a year, said the change would be positive for exporting products such as soaps, skincare products, medical products, laundry detergents and shampoos, and mark an increase in lavender production.

'What it does is it means that it is recognized officially,' Mr McCartney said. 'If somebody in England wants to buy our product they can see the ISO Standard and check what they are buying.'

"Scent of victory in the air at lavender farms" by Sophie Tedmanson, *The Australian*, 4 December 2000, p6

The Australian Government should consider a more effective funding model to encourage consumer and community group participation in Standards development. Support to such bodies to assist representatives to participate in the work of technical committees would contribute to the process and the acceptance of the Standards.

The value to the Australian economy that is derived from the process of standardization, far outweighs the small sum currently delivered to Standards Australia and NATA in the form of Australian Government grants.

Australia has one of the most financially secure Standards bodies in the world and Standards Australia is better placed than any other organization to continue to conduct national interest Standards development activities. However, in the current environment, where potential committee members find the economic cost of participation increasingly burdensome additional funding mechanisms by the Australian Government should be considered.

"On a business level, today's increasingly competitive and regulated environment means that comprehensive and effective systems to manage environment, health and safety risks are a must for any organization. SAI Global certification of the Sinclair Knight Merz EHS management system provides our employees, shareholders and business and trading partners an assurance of our commitment to protecting the well-being of those we interact with."

Paul Douglas, Chief Executive at Sinclair Knight Merz

"Corporate well-being", *The Global Standard*, June 2005, p15

4. Conclusion

The review of the Australian Government's relationship with Standards Australia Limited and the National Association of Testing Authorities Australia is timely. The Standards and conformance infrastructure of which these organizations form a vital part, is essential in improving levels of safety and reducing technical barriers to trade.

Standards Australia is integral to the international Standards development process that provides an efficient and effective business system for facilitating trade around the world. This global network of technical experts and committees serve to improve economic efficiency, facilitate business transactions, reduce the potential for technical barriers to trade and improve safety and the standard of living in all countries. The benefits of this system far outweigh any transaction costs in meeting Standards and conformance infrastructure requirements.

SAI Global believes the Standards setting process, operated in a large part by Standards Australia, is one of the most efficient, effective and financially secure in the world, and is internationally recognized as such. Through its activities, Standards Australia continues to encourage growth in exports of Australian products and services and the efficiency and effectiveness of the Australian economy.

Standards Australia's capacity to build consensus amongst this vast array of stakeholders routinely is a remarkable achievement. Australia provides the most cost effective access to a single comprehensive collection of Australian Standards and international Standards through the strong commercial relationship between SAI Global and Standards Australia.

Australia leads the world in reforming the governance processes and procedures that support national Standards development. Today Standards Australia is completely independent from commercial conformity assessment activities. This allows it to maintain a sole focus on meeting its national interest obligation of achieving consensus among all stakeholders. Funding of activities that are deemed to be in the national interest should continue to be resourced from Standards Australia's revenues and be supplemented through government support.

Should additional bodies be accredited to develop Australian Standards they must uphold the principles of consensus, openness and transparency that currently govern the process.

The Australian Government should continue its active involvement in the work of technical committees and in Standards sector boards. However, direct government management of the Standards development process should not be entertained as it would only stand to compromise the integrity of the consensus-based approach.

The MOU must continue to recognize Standards Australia's status as this nation's peak Standards body, thus legitimizing its leadership position on the world stage.