



MASTER BUILDERS
A U S T R A L I A

Submission

to the

Productivity Commission Reviewing Australian Government's Relationship with Standards Australia Limited and NATA

April 2006

Master Builders Australia Inc ABN 701 3422 100

building australia



1 Introduction

- 1.1 This submission is made by Master Builders Australia Inc (Master Builders). Master Builders represents the interests of all sectors of the building and construction industry. Master Builders consists of nine State and Territory builders' associations with approximately 28,000 members.
- 1.2 Building and construction contributes around 6.5 per cent of annual GDP and 8.5 per cent of Australia's total workforce. The industry provides a major underpinning of general economic activity and employment as a result of important and widespread linkages with the rest of the economy.

2 Terms of Reference

- 2.1 The Productivity Commission has been requested to undertake, in the context of Australia's need for an effective internationally recognised and harmonised standards and conformance infrastructure, a research study reviewing the Australian Government's relationship with Standards Australia Limited and the National Association of Testing Authorities, Australia (NATA).
- 2.2 In undertaking the study the Commission is to examine and make recommendations on:
- a the efficiency and effectiveness of standards setting and laboratory accreditation services in Australia;
 - b The appropriate role for the Australian Government in relation to standard setting and laboratory accreditation
 - c The appropriate terms for Memoranda of Understanding between the Australian Government and its agencies and Standards Australia Limited and the National Association of Testing Authorities, Australia; and
 - d The appropriate means of funding activities of Standards Australia Limited and the National Association of Testing Authorities, Australia, which are deemed to be in the national interest.
- 2.3 In preparing the report, the Commission is to have regard to:
- the history of the relationship between the Australian Government and bodies that prepare standards and accredit laboratories;

- the cost impact on and benefits to business and the wider community of standards, including in regulation; and
- models in operation overseas.

3 Opening Comment

3.1 Master Builders will only be commenting on issues in the Terms of Reference relating to Standards Australia and will not be making comment on NATA. Master Builders has had a long association with Standards Australia over many years and holds positions on the Standards Sector Board and is represented on approximately 95 different Standards Committees, giving Master Builders a good insight into the operations of the development of Australian Standards.

4 Efficiencies

- 4.1 Master Builders is strong of the view that huge efficiencies in the Australian building and construction industry are achieved with uniform standards and building codes. These ensure the development and continuation of an efficient and internationally competitive building industry. It is imperative to ensure the contemporary and evolving expectations of business and the community of the built environment are satisfied in a consistent and cost effective way.
- 4.2 Nationally consistent standards and codes have created significant economies of scale and benefits, providing certainty to industry stakeholders including manufacturers, builders, design professionals and engineers.
- 4.3 Master Builders supports the concept of Australian standards only being amended or drafted after a clearly demonstrated need has been determined by all stakeholders. There is a need to ensure that industry practitioners don't inadvertently breach standards because they have not been able to keep up with the rate of change.
- 4.4 It has been our experience that particular standards commonly used in the building industry are updated and amended regularly for little or no apparent reason. All amendments and new drafts need justification. When standards are amended constantly in an ad hoc way this affects the efficiencies within industry because keeping up with all amendments is a real problem for building practitioners.

- 4.5 Further efficiencies in our view could be made by carefully choosing the committee representatives. Master Builders understands there will always be divergent views and opinions amongst committee members, and we acknowledge this produces more practical standards. However, measures must be taken to reduce the number of committee representatives that express views and opinions that go further than the scope and the objective of the standard. This will allow the committee to focus on the objectives, providing further efficiencies in standards development and delivery.
- 4.6 Master Builders is concerned that Standards Australia does not operate in a public policy vacuum in the development and setting of standards. Master Builders believes serious consideration should be given to establishing a process whereby Government, in consultation with the community and industry, sets the policy context for standards. Standards Australia management should liaise with Government to establish and define the scope of the standard and to set the public policy and stringency levels. When this front end work is completed it should be given to a committee to develop the technical ('how to do it') content. This would reduce the debate at committee level about policy issues and allow the Committee to focus on the technical tasks. It is our view that the workload of the Committee would be reduced dramatically, saving participants' time at meetings, travel and accommodation expenses, and producing a more timely document for publication.
- 4.7 Taking the public policy issue away from the Standards committees and giving it to Government to liaise with the community and industry on public policy matters is Master Builders' preferred model.
- 4.8 Since the Australian Building Codes Board (ABCB) and Standards Australia have signed and agreed to an MOU, the efficiencies and the transparencies within that process delivers more cost effective standards, new and amended. The MOU and the process adopted by the ABCB only deals with construction standards that are called up by the Building Code of Australia (BCA). It is estimated that there are approximately 100 plus referenced Australian Standards in the BCA, however, there are approximately 2,500 construction standards in total. The majority of these have been developed without Government and overall industry representation, often without any cost benefit analysis. The extra compliance costs have a negative impact on industry efficiency.

5 Effectiveness

- 5.1 As mentioned above, referenced Australian Standards called up by the Building Code provide efficiencies for industry and are a very effective way of delivering national uniform regulation.
- 5.2 On recent occasions Master Builders has experienced issues where Standards committees have not designed the standards to meet the needs of the end user. Some standards are highly complex for use by qualified engineers within their various disciplines. However, where a standard is nominating particular construction practices or techniques, it should be written in such a way that the builder or the subcontractor can confidently interpret and use it. Diagrams and explanatory notes would be of assistance to particular end users. More focus needs to be applied to ensure that all standards are developed in 'plain English' style to be easily understood by relevant practitioners.

6 Reference Standards by Building Code of Australia

- 6.1 As mentioned previously in this submission, the current arrangements between the Australian Building Codes Board and Standards Australia have improved the development of referenced standards. The tests and measures applied to new and proposed amendments are more transparent and are delivering more effective standards. The ABCB has input into the Standards Committee and this assists in setting the stringency level and the public policy expectations which then allows the Committee to focus on the technical aspects of how the standard will meet the objective set. This is further backed up by a regulatory impact statement that reinforces the economic benefits of the amended or a newly created standard.

7 Non-reference Standards

- 7.1 However, the same rigor outlined above does not apply for non-referenced construction standards. These standards can in some cases be developed without reference to any public policy context. They also do not require a cost benefit analysis to be completed on the proposed draft standard. These standards become quasi regulation because they are considered by the courts in a dispute to be the latest measures that need to be applied by law. Because these standards are considered quasi regulation they too need Government

policy involvement to ensure the end product meets industry and community expectations.

- 7.2 A real concern to Master Builders is that the committees of some of these non-referenced obscure standards can specify current best practices rather than the minimum community and industry expectations. Master Builders supports and promotes best practice as an option, but regulations should only call for acceptable minimum levels. Australian standards specifying higher than reasonable requirements are being relied on by the courts. This is impacting dramatically on many building practitioners who operate businesses within the building and construction industry.

8 Production of Australian Standards

- 8.1 As noted above, Master Builders supports the aims and work of Standards Australia and the efficiencies and economies of scale that a well designed Australian standard can deliver to industry across Australia without State variations. However, an issue of concern to Master Builders is the business relationship between Standards Australia and Standards Australia International Global (SAI Global) which is a listed company.
- 8.2 Our concern is that there is an inherent conflict between the development and sales of Australian standards. As a listed company on the ASX, SAI Global has a duty to maximise returns to its shareholders and those shareholders are not the same shareholders that contribute to the development of an Australian standard. Master Builders is therefore concerned and would like to see appropriate steps put in place that minimise this conflict so that industry is not subjected to regularly increasing range of standards to boost sales.

9 The Role of Government

- 9.1 Relevant Government intervention is required in setting the stringency levels across all Standards in accordance with COAG principles. It is imperative that the Australian Government is more involved and takes on an overarching involvement in the production of all new and amended Australian Standards. As mentioned previously in this submission, it is the Government's responsibility through their consultative process to develop the public policy position and convey this to the Standards Committee to undertake the requisite technical work. Standards committees should not de facto, be setting public

policy. The MOU between the Australian Government and Standards Australia should require a cost benefit analysis to be completed on all new Australian Standards and on existing Australian Standards that include significant amendments.

- 9.2 Master Builders Australia supports the call by the Government's Regulation Taskforce for compulsory regulatory impact assessments before new or updated standards are released. The regulatory impact statements should include the compliance costs to business.

10 Funding

- 10.1 Master Builders believes that certain aspects of the current funding arrangements between the Australian Government and Standards Australia should be reviewed.

Master Builders believes there is a case for a funding model that allows an appropriate number of standards to be developed in the national interest. Where standards are determined to be in national interest and where sales will not cover production costs, then Government should assist with the funding of these standards. It is our view that the current blanket funding model is inadequate and a demonstrated case by case funding model would be appropriate in these circumstances.