



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

STANDARDS AND ACCREDITATION

*ACCI SUBMISSION
TO THE
PRODUCTIVITY COMMISSION*

APRIL 2006

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Background

ACCI has been the peak council of Australian business associations for 105 years and traces its heritage back to Australia's first chamber of commerce in 1826.

Our motto is "Leading Australian Business."

We are also the ongoing amalgamation of the nation's leading federal business organisations – Australian Chamber of Commerce, the Associated Chamber of Manufacturers of Australia, the Australian Council of Employers Federations and the Confederation of Australian Industry.

Membership of ACCI is made up of the State and Territory Chambers of Commerce and Industry together with the major national industry associations.

Through our membership, ACCI represents over 350,000 businesses nation-wide, including over 280,000 enterprises employing less than 20 people, over 55,000 enterprises employing between 20-100 people and the top 100 companies.

Our employer network employs over 4 million people which makes ACCI the largest and most representative business organisation in Australia.

Introduction

Treasurer the Hon Peter Costello MP has requested that the Productivity Commission undertake a research study ("the study") reviewing the Australian Government's relationship with Standards Australia Limited and the National Association of Testing Authorities. The study is to review the relationships in the context of Australia's need for an effective and internationally recognised and harmonised standards and conformance infrastructure.

ACCI addresses issues pertaining to Standards Australia in this submission. ACCI will not be addressing issues pertaining to the National Association of Testing Authorities in great detail but notes the following links between our organisations.

ACCI nominates three representatives to the NATA Council each of which serve a three-year term. The nominated council members have in the past two calendar years reported overall satisfaction with the operations of NATA and noted the performance improvement of its industry members. They have particularly noted greater emphasis in the marketing of services which is important in

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informing ACCI members of the type and scope of the activities undertaken by NATA members.

Turning to Standards Australia, ACCI has had a long relationship with the organisation and is a major organisational stakeholder. ACCI's current Chief Executive Officer holds an elected position as a Director on the Standards Australia Board. ACCI's immediate past Chief Executive Officer also held an elected position as a Director on the Standards Australia Board. Under the Standards Australia Constitution ACCI is eligible to elect five councillors to the Council. Presently ACCI members nominate some 738 representatives on a range of Standards Australia's 1576 technical committees.

As recorded in the list of ACCI members at the end of this submission, Standards Australia is also a member of ACCI.

ACCI has a dedicated Standards policy. The policy is provided for information at Attachment A and is also available from our website www.acci.asn.au.

Regulation and Standards

ACCI released a Position Paper entitled *Holding Back the Red Tape Avalanche A Regulatory Reform Agenda For Australia* in November 2005. A copy of ACCI's Position Paper, which elaborates on our suggestions to improve regulation, is available from www.acci.asn.au. Specific reference is also made in this document to the role of standards and Standards Australia in regulation setting.

Based on international economic research, ACCI estimates regulation costs the Australian economy approximately \$86.0 billion per year or 10.2 per cent of GDP. Amongst the biggest losers from anti-business regulation are consumers who are inevitably forced to pay higher prices as compliance costs get passed through to end products and services.

ACCI considers that in most cases regulation is the least appropriate way in which to address issues of concern to the Government. It should be the last resort after all other options (education, publicity, moral persuasion, industry self-regulation and other approaches) have been fully assessed and judged to be ineffective.

Standards form an important voluntary self-regulatory tool for business and ACCI strongly supports the role of Standards Australia and the current process of standards development.

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Standards are mostly motivated by industry for industry, therefore, provided the process is working efficiently, the industry compliance burden should be lower than that from regulation developed by a government agency.

However, it is vital that standards are developed for the primary objective of facilitating trade. Both voluntary and mandatory standards must be carefully developed within this objective.

ACCI's Principles of Standards Policy

ACCI believes that the competitive provision of high quality international standards plays a vital role in facilitating trade domestically and internationally. In order to achieve this trade facilitating role the following criteria need to be met:

- there needs to be a transparent distinction between organisations that develop standards and those that seek a commercial return from certifying products to be compliant with standards. Without this distinction there is an incentive to develop non-essential standards;
- standards should only be developed on a “demonstrated need approach” rather than a commercially oriented basis. This requires a rigorous assessment process which shows that:
 - there is no duplication of existing international or domestic standards;
 - there is genuine community support for a new standard;
 - the standard will improve economic efficiency; and
 - the standard is in the national interest (i.e. will facilitate trade).
- there must be competition in the delivery of product standard certifications to ensure the service is delivered efficiently. Failure to provide this competition will result in increased costs to consumers of product standards;
- standards writers should be diligent and responsible for ensuring that standards do not restrict competition. Standards should be written so that they prescribe minimum performance criteria which the product must meet. Standards that restrict production methods, inhibit innovation and restrict new entrants into a market, are unacceptable;

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- international standards should be adopted wherever practical. Inconsistent international standards increase costs to Australian exporters through the need to certify the same product and/or to alter the product in each jurisdiction where the product is sold; and
- standards should be, wherever possible, stand-alone documents. Cross referencing of standards adds layers of complexity and cost to business in certifying products and should be avoided wherever possible.

a. The efficiency and effectiveness of standards setting and laboratory accreditation services in Australia

Efficiency

Objectives

Standards setting could be rendered more efficient by closer adherence to ACCI's 'demonstrated need approach' as outlined above with the core objective of facilitating trade. Standards Australia outlines its approach to assessing new projects on pages 9-10 of its submission to the Productivity Commission.

Whilst ACCI's principles of genuine community support and the national interest are covered in aspects of the assessment process, more emphasis should be provided on the facilitation of trade and non-duplication of existing domestic or international standards.

It is vital that standards are not developed unnecessarily.

ACCI considers that it is important that a proper cost benefit analysis is done when preparing mandatory regulations. This must be an important ingredient of Regulatory Impact Assessment. ACCI considers that this area needs careful consideration by Standards Australia in terms of voluntary standards. Voluntary standards are developed by industry, for industry and have to meet Standards Australia assessment requirements prior to development. It is acknowledged that cost benefits analysis can be, at times, expensive. Adopting ACCI's 'demonstrated need approach' would further strengthen the standards process, while keeping costs down.

However, ACCI would support some form of review mechanism during the standards development process to enable the process to cease if it was demonstrated that the issue would no longer achieve the objective of facilitating trade. Again this would need to be done

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at a minimum cost to Standards Australia and not cause delays in the standards development process.

Where government requires the development of a mandatory standard, a complete RIS should be conducted and funded by the government and should cover not only the standard but also the accompanying legislation to underpin the mandatory standard. ACCI's preferred RIS process is outlined in *Holding Back the Red Tape Avalanche A Regulatory Reform Agenda For Australia* available from www.acci.asn.au.

The work Standards Australia has done to increase the efficiency of its processes must be recognised and commended. The separation of standards selling from standards development was an important part of this and ACCI considers it has led, and will continue to lead, to improved outcomes for business.

Public and private involvement

As with many areas of society that rely on volunteers, Standards Australia is suffering from a degree of 'volunteerism fatigue'. Committee volunteers are not as readily forthcoming as they have been in the past. The privatisation of government companies and increased market place competition and cost pressures that impact on individual companies has greatly reduced the pool of individuals available to volunteer time to standards development.

Increasingly calls have been made for committee positions to be funded to remedy this problem. However, ACCI supports the ongoing use of the volunteer model and believes that ways can be found to increase participation. The greater use of technology and promotion of the Standards brand are several options. It is vital that a mix of public and private sectors representatives continue to be involved in standards development.

ACCI notes that Standards Australia is actively addressing these issues by investigating the use of technology to facilitate 'virtual committees' and are also addressing ways to improve consultation and access to documentation. These actions are documented on page 18 of Standards Australia's submission.

Market failures or weaknesses justifying government involvement

Aside from government involvement highlighted above, ACCI does not consider that other government involvement is warranted.

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Effectiveness

Subject to other comments in this submission, overwhelmingly ACCI considers that Standards Australia is meeting its existing objectives in a cost effective manner using optimal methods.

Changes to current arrangements:

Governance and process

Standards Australia must be commended for its governance and processes that have resulted in the continual assessment and improvement of the organisation. Such assessment and review has seen the implementation of recommendations from a number of government reviews, including the separation of standards selling from standards development and the commissioning of further reviews, like for example, the study into the benefits of Australian Standards® to the Australian economy. Standards Australia also engages in extensive stakeholder consultation.

Details of the changes to the organisation can be found in *Engine of Change Standards Australia Since 1922*¹ and a list of recent activities on pages 17-18 of Standards Australia's submission.

Appropriateness and quality of standards

Reiterating our earlier points it is vital that standards are developed with the core objective of facilitating trade and on a 'demonstrated need approach'. The number of standards has increased significantly over recent years, which impacts upon business through the cost of developing and then purchasing standards. Standards that do not specifically relate to technical issues, such as OH&S, must demonstrate that they will facilitate trade and will not incur an anti-competitive impact upon business and importantly, do not overlap or duplicate standards and regulations set by other bodies.

Accessibility

ACCI considers that access to standards should be on a user pays basis. ACCI does not consider that the cost of standards is excessive. However, great care must be taken to ensure that wherever possible standards are stand alone documents. Cross referencing of standards adds layers of complexity and cost to business. Further, unnecessary segmentation of standards into sale categories must be guarded against.

¹ W. Higgins, *Engine of Change Standards Australia Since 1922*, Brandl & Scheslinger, Blackheath, 2005.

ACCI is concerned by the increasing tendency of individuals or companies to purchase standards and then post them on websites free of charge. Such actions undermine the user pays system and may lead to others receiving out of date or incorrect information if the standards are later renewed or revised. ACCI is also concerned that governments are requesting that mandatory standards be provided for free, which again undermines the user pays system, especially as mandatory standards are developed by volunteers.

b. Appropriate role for the Australian Government

ACCI concurs with Standards Australia's assessment that the current role and involvement of the federal government in relation to standards setting is appropriate and does not need to be amended, aside from in relation to mandatory standards or standards funded by the government.

Where government requires the development of a mandatory standard a complete RIS should be funded by the government and should cover not only the standard but also the accompanying legislation that will underpin the mandatory standard.

c. Appropriate terms for Memoranda of Understanding (MoU) between the Australian Government and Standards Australia

ACCI considers that the current terms of the MoU between the Government and Standards Australia are appropriate. However, ACCI notes that aspects of the MoU require updating as highlighted on page 21 of Standards Australia's submission.

Recognition of Standards Australia as the peak non-government standards development body in Australia and as the Australian member of the International Organisation for Standardisation, the International Electrotechnical Commission and the Pacific Area Standards Congress should be continued for several reasons.

Firstly, standards need to be coordinated at a national level. Standards Australia has executed this role since 1922 and is best placed to continue to do so. Standards Australia's oversight of other bodies who have standards making ability is an important aspect of this role.

Secondly, it is vital to have coordinated international representation of Australia's interests and Standards Australia has the expertise to provide such international representation. Prosecution of Australian interests to counteract other interests who freely over-

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regulate is invaluable to Australian businesses. For example, there are currently 20,590 International Organisation for Standardisation and International Electrotechnical Commission standards. According to Standards Australia's submission (page 16), Australia has adopted only 2666 of these. The existence of the 20,590 international standards has trade ramifications for Australian business and thus it is imperative that Australian interests are represented internationally.

Additionally, international representation allows a thorough investigation of international standards that are relevant to Australia, potentially lessening the workload of local standards development committees.

As stated, ACCI considers that it is vital that standards are developed with the aim of facilitating trade. Where standards are developed that result in their cost exceeding their benefits, impacts on international trade can be particularly serious, restricting the types of products that can be supplied.

Consideration should be afforded to include an additional term in the MoU to provide that where government requires the development of a mandatory standard, a complete RIS should be conducted and funded by the government and should cover not only the standard but also the accompanying legislation that will underpin the mandatory standard.

d. Appropriate means of funding the activities of Standards Australia which are deemed to be in the national interest

ACCI considers that funding of Standards Australia should be limited to those matters in the existing MoU, particularly international matters that are in the public interest, unless exceptional circumstances can be demonstrated.

Representation of Australian interests on international bodies is in the national interest. Given that Standards Australia is the peak standards body in Australia it is appropriate that they provide Australian representation internationally. Were such positions open to nomination or tender it is likely that the current representatives would continue to be nominated given that they possess expertise in these areas.

ACCI would be concerned by funding directed at producing specific standards for government or industry where a full RIS was not undertaken to ensure the integrity of the proposed standard. A significant risk would exist that standards would be produced for

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commercially oriented reasons or regulatory reasons both of which would disadvantage the majority of businesses.

If such funding were considered to be necessary, full and frank disclosure must occur from the beginning of the standards development process so that all stakeholders are informed of the arrangements in place.

Summary

ACCI:

- Considers standards setting could be rendered more efficient by closer adherence to ACCI's 'demonstrated need approach' with the core objective of facilitating trade;
- Would support the introduction of a review mechanism on voluntary standards, however, this would need to be done at a minimum cost to Standards Australia and not cause delays in the standards development process;
- Considers that where government requires the development of a mandatory standard a complete Regulatory Impact Statement (RIS) should be conducted and funded by the government and should cover not only the standard but also the accompanying legislation that will underpin the mandatory standard.
- Supports the ongoing use of the volunteer model for standards development;
- Considers that access to standards should be on a user pays basis and great care must be taken to ensure that wherever possible standards are stand alone documents;
- Concurs with Standards Australia's assessment that current role and involvement of the federal government in relation to standards setting is appropriate and does not need to be amended, aside from in relation to mandatory standards or standards funded by the government;
- Considers that the current terms of the MoU between the Government and Standards Australia are appropriate, however, notes that aspects of the MoU require updating and should include a reference to the preparation of a RIS for mandatory standards development;
- ACCI considers that funding of Standards Australia should be limited to those matters in the existing MoU, particularly

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international matters that are in the public interest, unless exceptional circumstances can be demonstrated;

- ACCI would be concerned by funding directed at producing specific standards for government or industry where a full RIS was not undertaken to ensure the integrity of the proposed standard.

**AUSTRALIAN CHAMBER OF COMMERCE AND
INDUSTRY MEMBERS**

ACT & Region Chamber of Commerce and Industry
Australian Business Limited
Business SA
Chamber of Commerce and Industry of Western Australia (Inc)
Chamber of Commerce Northern Territory
Commerce Queensland
Employers First™
State Chamber of Commerce (NSW)
Tasmanian Chamber of Commerce and Industry Ltd
Victorian Employers' Chamber of Commerce and Industry
Agribusiness Employers' Federation
Association of Consulting Engineers Australia
Australian Beverages Council Ltd
Australian Consumer and Specialty Products Association
Australian Entertainment Industry Association
Australian Hotels Association
Australian International Airlines Operations Group
Australian Made Campaign Limited
Australian Mines and Metals Association
Australian Paint Manufacturers' Federation Inc
Australian Retailers' Association
Housing Industry Association
Insurance Council of Australia
Investment and Financial Services Association Ltd
Master Builders Australia Inc
Master Plumbers' and Mechanical Services Association of Australia
National Electrical and Communications Association
National Retail Association Ltd
NSW Farmers Industrial Association
Oil Industry Industrial Association
Pharmacy Guild of Australia
Plastics and Chemicals Industries Association Inc
Printing Industries Association of Australia
Restaurant & Catering Australia
Standards Australia
Victorian Automobile Chamber of Commerce

Attachment A:

AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

STANDARDS POLICY

A standard is an accepted or approved example against which other things may be judged or measured. Standards facilitate a vital role in ensuring product safety, compatibility and quality. They also serve as benchmarks for technological capability or network compatibility, or as tools to ensure environment protection. However the scope of product standards has expanded beyond these basic roles of providing information that facilitates market transactions.

Product standards are established to achieve certain desired purposes, however, they may create unjustifiable distortions if their costs exceed their benefits, either at national or international levels. Impacts on international trade and competition can be particularly serious. Standards can be unjustifiably restrictive and limit the types of products that may be marketed. There is also evidence that divergent standards as well as duplication of conformity assessment procedures across countries impose considerable costs for firms in the global marketplace. Such costs fall particularly heavily on SMEs.

PRINCIPLES OF STANDARDS POLICY

ACCI believes that the competitive provision of high quality international standards plays a vital role in facilitating trade domestically and internationally. In order to achieve this trade facilitating role the following criteria need to be met:

- there needs to be a transparent distinction between organisations that develop standards and those that seek a commercial return from certifying products to be compliant with standards. Without this distinction there is an incentive to develop non-essential standards;
- standards should only be developed on a “demonstrated need approach” rather than a commercially oriented basis. This requires a rigorous assessment process which shows that:
 - there is no duplication of existing international or domestic standards;
 - there is genuine community support for a new standard;
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- there must be competition in the delivery of product standard certifications to ensure the service is delivered efficiently. Failure to provide this competition will result in increased costs to consumers of product standards;
- standards writers should be diligent and responsible for ensuring that standards do not restrict competition. Standards should be written so that they prescribe minimum performance criteria which the product must meet. Standards that restrict production methods, inhibit innovation and restrict new entrants into a market, are unacceptable;
- international standards should be adopted wherever practical. Inconsistent international standards increase costs to Australian exporters through the need to certify the same product and/or to alter the product in each jurisdiction where the product is sold; and
- standards should be, wherever possible, stand-alone documents. Cross referencing of standards adds layers of complexity and cost to business in certifying products and should be avoided wherever possible.

POLICY OBJECTIVES

ACCI's primary objective is to ensure that standards are developed with the aim of facilitating trade. Standards that are developed with the aim of providing safety and consumer protection are in essence developed to facilitate trade. Moreover, standards that are developed in non-technical areas such as occupational health and safety, should not be developed unless it can be clearly demonstrated that there will be a trade and commerce benefit and no anti-competitive impact from the implementation of that standard.

Without a demonstrated need for a standard to be developed the cost of the standard may exceed its benefits. Furthermore, in developing standards it needs to be recognised that there are a number of consequences from standards which increase the costs of conducting business. These costs fall particularly heavily on small business that do not have the resources to be involved, or seek compliance, with standards.

The Costs of Standards

In recent years the number of technical regulations and standards has grown significantly. The cost of this proliferation is borne directly by industry and can, in effect, act to restrict rather than facilitate trade. The cost of producing standards is often borne twice by an industry. First, industry bears the direct cost of the writing of a standard and then is required to pay to be certified to that standard. This cost is amplified when there is a lack of competition in the delivery of the certification process.

Furthermore, it is difficult to give a precise estimate of the impact on international trade of the need to comply with different foreign technical regulations and standards. However, it involves significant costs for producers and exporters. In general, these costs arise from the translation of foreign regulations, hiring of technical experts to explain foreign regulations and adjustment of production facilities to comply with the requirements. In addition, there is

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the need to prove that the exported product meets the foreign regulations. The high costs involved may discourage manufacturers from trying to sell abroad. In the absence of international disciplines, a risk exists that technical regulations and standards could be adopted and applied solely to protect domestic industries.

The harmonisation of international standards efforts should be more explicitly directed to help avoid possible trade friction. The quality of international standards should be reviewed with the aim to improve existing standards and the standards development process. Mutual Recognition Agreements can be effective for overcoming duplicative costs arising from harmonisation of standards. This includes advancing bilateral and regional initiatives, however, such a process would need to be transparent and requires extensive industry consultation.

Standards as Regulation

Many standards are, for safety or trade reasons, immediately enshrined in legislation. The standardisation of electricity voltage provides a case in point where it is essential to legislate a specific standard in order to ensure economic efficiency, consumer safety and ultimately facilitate trade.

Many standards, however, are developed with the aim of providing information to consumers of the minimum standard to which the product complies. This useful tool may unnecessarily increase costs to business if the consumer is not fully aware of the nature of the standard. This is a particular problem when standards become requirements in government procurement decisions.

This pseudo-regulation creates costs to industry in seeking compliance with the standard without there necessarily being a benefit to the government if suppliers comply with the standard. This acts to restrict trade and increase costs of production. The lack of understanding of this type of standard needs to be addressed by procuring agencies to ensure that standards are able to achieve their trade facilitating objective.

Competition

Competition policy authorities should be vigilant about private anti-competitive actions arising in relation to product standards and conformity assessment procedures. Standards should not be used by individual businesses to seek a competitive advantage and nor should businesses which certify standards be given protection from competing firms.

Policies relating to restriction of competition in standards should be reviewed on a case by case basis and should be consistent with competition law unless it can be shown that there is a national benefit from the exemption.

THE POLICY FRAMEWORK

National standards are prepared in Australia by Standards Australia, which is also the Australian member of the International Organisation for Standardization (ISO) and the International Electromechanical Commission (IEC), which are the peak bodies for

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international voluntary standardisation. In representing Australia, Standards Australia coordinates the attendance of Australian experts at international meetings. Standards Australia holds strong links with Standards New Zealand including a formal agreement for preparing and publishing joint standards. Standards Australia has developed relationships with standard-writing organisations in Vietnam and Fiji. Through these links Australian standards are often extended as regional standards.

The mission of the ISO is to promote the development of standardisation and related activities in the world with a view to facilitating the international exchange of goods and services, and to develop cooperation in the spheres of intellectual, scientific, technological and economic activity. ISO's work results in international agreements which are published as International Standards. Currently 30 per cent of Australian Standards are fully or substantially aligned with International Standards. In certain sectors of industry this figure can be as high as 50 per cent.

Reform of standards development and conformity assessment procedures can create economic benefits through efficiency gains and economies of scale while allowing the full pursuit of safety, health, environment or other public policy objectives. Trade opportunities can be expanded by eliminating unnecessarily divergent and duplicative standards-related measures. Furthermore, international standardisation provides opportunities to streamline regulatory procedures as well as to use resources more efficiently through division of labour between regulators across borders.

Some measures such as Mutual Recognition Agreements (MRAs) and harmonisation of standards have raised concerns about the possible costs of reform. The former is sometimes feared to lead to reduced levels of safety or consumer protection if imported products are not adequately checked by foreign bodies - the latter raises similar concerns if the quality of international standards is not high enough for policy purposes. In order to address these concerns, policy makers should maintain transparency throughout the reform process and make sure in particular that MRAs establish and sustain the competence of foreign assessment bodies and that the adoption of harmonised standards be based on careful considerations on their quality.

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