

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Sydney — 29 October 2009

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Mr C. Blair, Deputy Chief Executive Officer, Standards Australia.

The CHAIR — I welcome Mr Colin Blair, Deputy Chief Executive Officer of Standards Australia, to our all-party parliamentary inquiry into manufacturing. We are also taking evidence on taxation. We would value any comments you make in regard to either inquiry, but I understand that we will primarily be talking to you about manufacturing, if not exclusively. Evidence taken today is protected by parliamentary privilege, but anything you say outside this room is not protected by parliamentary privilege. A transcript of the hearing will be provided to you within about a fortnight.

Could you please give us your name, your position and your business address, because we understand that you are appearing in a business capacity and not a personal capacity.

Mr BLAIR — That is correct. My name is Colin Douglas Blair, Deputy Chief Executive of Standards Australia. The business address is 20 Bridge Street, Sydney.

We have put in a submission, and I thought I would speak briefly to some of the high points in that submission rather than taking you through the whole lot of the submission. I presume there will then be a series of questions and we will go from there.

By way of background, Standards Australia is recognised by the Commonwealth Government as the peak non-government standards body in Australia through a memorandum of understanding with the Commonwealth. We are a not-for-profit organisation that facilitates the development of Australian standards by working with government, industry and the community. We also promote excellence in design and innovation through the Australian International Design Awards. We respond to national needs for contemporary internationally aligned standards that deliver net benefit to Australia.

Standards Australia is the national member of a number of international and regional bodies; from a regional body perspective, the Pacific Area Standards Congress, internationally the international organisation for standardisation, the International Electrotechnical Commission and also the International Council of Societies of International Design. We also provide support to the government in relation to such for the APEC Sub-committee on Standards Conformance and to business through the APEC Business Advisory Council.

We have a catalogue of approximately 7000 Australian standards. Standards Australia has a policy to base Australian standards on international standards to the maximum extent feasible and to apply the requirements of the World Trade Organisation agreement on technical barriers to trade as a benchmark. We hold secretariats of a number of ISO and IEC committees. We hold the secretariats of four main committees, 17 subcommittees and 79 working groups. We also administer funding from the commonwealth Department of Innovation, Industry, Science and Research for the purpose of subsidising travel costs of Australian representatives to attend international committee meetings.

In 2006 Standards Australia commissioned the Centre for International Economics to prepare a report in relation to the impact of standards on the Australian economy, which is included in our submission. Very briefly, they looked at it from a macro point of view and also from a micro point of view. To look at a couple of examples from a micro point of view, when they looked at it for the water industry they said that standards increase in the GDP of \$230 million a year, and for the electricity industry an increase in GDP of \$430 million a year. That gives you a feel that it is important for us to make sure that standards do have an economic benefit to the community.

It is important to note that Standards Australia facilitates the development of Australian standards according to a consensus model, which requires rigorous, transparent and unbiased processes, ensuring that all competing interests are heard, that differing points of view are considered and that consensus outcome is reached. Many Australian standards are developed for the purposes of legislative adoption, and about one-third of those 7000 standards are referenced in legislation. Australian standards are also a valuable tool for regulators wishing to prescribe consumer protection requirements for goods or classes of goods which pose risks to consumers.

We also have a memorandum of understanding with Standards New Zealand. We develop joint Australian-New Zealand standards and we have joint committees to develop that work. About 35 per cent of our suite of 7000 standards are joint with New Zealand, and about 80 per cent of their catalogue of standards are joint with Australia.

From a Victorian Government point of view, just out of interest, you are represented on some 307 main committees, subcommittees and working groups, so the Victorian Government puts quite a substantial input into the development of Australian standards. That is a very quick summary for you.

The CHAIR — If Victoria is represented on 307 working groups — —

Mr DAVIS — Committees.

Mr BLAIR — Committees, subcommittees and working groups.

The CHAIR — As a ballpark figure, what would that cost taxpayers in Victoria?

Mr BLAIR — That I could not answer, to be quite frank, because they participate on the committees at no cost to us.

The CHAIR — I want to pursue this a bit. Let us say in round figures there are 300 with roughly one person per committee.

Mr BLAIR — Correct.

The CHAIR — They would meet two, three — —

Mr BLAIR — Maybe two or three times a year.

The CHAIR — That is a lot of money.

Mr BLAIR — It is, but if you look at the economic benefits — —

The CHAIR — If people come to my electorate office and say to me, ‘There is a standard being broken’ or ‘unmet’, what do I do?

Mr DAVIS — There is no standard.

The CHAIR — My electorate office has a very high standard. I am talking about where there is an Australian standard. We are top class. If it comes with nuts, bolts, steel, water — whatever — and it does not meet an Australian standard, what do I do to make sure my citizen has their concerns addressed?

Mr BLAIR — All right, there are two things.

The CHAIR — Because a lot of people go to a lot of committees and nothing ever changes in terms of the citizens who come into our electorate office.

Mr BLAIR — In terms of the standards that are developed, as I say, about one-third of them are referenced in legislation. So if the standard that is not being adhered to is referenced in legislation, then obviously the force of law will come to bear on the manufacturer or supplier who is not complying with the standard.

The CHAIR — Who does that?

Mr BLAIR — The legislator, I presume. If it is a building matter, the Building Commission of Victoria; if it is a plumbing matter, the plumbing people.

The CHAIR — Do not give me the Building Commission as an example; give me any other one. All right; I rest my case.

Mr DAVIS — No, but the real question surely is: what is the cost of not having the standards?

The CHAIR — That was my question. You gave me the example of the Building Commission; I will not go to builders warranty insurance.

Mr ATKINSON — What is your hierarchy of priorities in terms of setting standards? I heard you talk about economic benefit, and I understand that one clearly. But do you also have a particular priority in terms of safety, of health benefit to the community, of export opportunity, or of perhaps a particular industry opportunity?

Mr BLAIR — Yes, I know what you mean.

Mr ATKINSON — Do you just handle them as they come in in sort of file order? Or do you really prioritise in terms of the establishment of standards?

Mr BLAIR — What we do is that each standard that comes in has to meet a net benefit test, and within that net benefit test there are issues about environmental matters and safety matters. There is a range of criteria within the test. And then in terms of prioritisation of them, it is a matter of safety, reference in legislation, aligning with policy and consumer issues. There is that range of criteria that apply as well.

Mr ATKINSON — I am going to ask a couple of contradictory things.

Mr BLAIR — Sure.

Mr ATKINSON — I have some experience with a guy I know who did this. He had a refrigerant gas for air conditioners. It was environmentally friendly, in terms of the performance of the gas. But he came up against an enormous roadblock in terms of a competitor in the marketplace with a product that was already entrenched and who basically used every possible mechanism — including, not standards as such, but every other possible mechanism — to try to keep this bloke from getting his product to market. I am interested in the extent to which Standards Australia is attentive to a circumstance where the standard itself does not become a competitive block for new technology, new manufacturers and so forth.

Mr BLAIR — Yes; I think there are two issues there. First of all, the committee that develops the standard must be broadly based and balanced, so it is not just made up of, say, your one manufacturer and that is it, as an extreme case. Secondly, the standards should be written in performance terms so that it does not matter what material it is made of; as long as it meets the performance terms then it meets the need of the standard. I think it is a combination of having a broadly based, balanced committee to develop the document and going through our process, where it goes out to public comment — so if people feel they are disadvantaged, then that comes out in public comment — and then the other issue about the performance-based standard, which I believe is important in those situations.

Mr ATKINSON — Okay, and the contradiction is the stuff coming in from overseas that does not conform to the Australian standard. In some cases it might assert that it does or that it is of a higher standard. What is the process for auditing those claims, and what sort of adjudication is there in regard to international competitors who come in against Australian companies that are actually performing to our standards?

Mr BLAIR — Yes. So, as I say, one of our policies is to adopt international standards, where international standards exist, to the maximum extent feasible. That is important.

Mr DAVIS — And where they are adequate.

Mr BLAIR — And where they are adequate, yes. So if we have an international standard that we have adopted, then we overcome the issues, the technical barrier-to-trade issues. But if someone comes in with an inferior product, we as a standards body are not the auditor of compliance. We develop the standards, but we are not the auditor of compliance to the standards. That is a role, I suppose, for legislators, trade practices issues, consumer protection bodies to ensure that.

Mr ATKINSON — And courts.

Mr BLAIR — And courts as well.

Mr ATKINSON — Are your standards held in high regard in terms of evidence to those, particularly the courts?

Mr BLAIR — Yes, I believe they are. I believe they are held in high regard because at the end of the day people look and say if something is not working, is there a benchmark? Then you have to say that if there is a benchmark, how was that arrived at? Is the document a reasonable document to arrive at as a benchmark? To me that relates to the process behind how the document was developed.

Mr ATKINSON — In terms of the free trade agreements that we negotiate, do you have an input on those? Are you involved in any of the negotiations in terms of those trade agreements?

Mr BLAIR — Not directly, but DFAT would come to us, as the Commonwealth Government — the Department of Foreign Affairs and Trade — in terms of if there are any issues, and also through the department that we interact with, which is the Department of Innovation, Industry, Science and Research. Through those mechanisms, if they need advice on standards, they will come to us and seek our advice.

Mr ATKINSON — In terms of the performance of a product that has been registered under a standard in Australia, what would be your tolerance for that product not meeting the standard? In other words, what defect rate would be thought to be acceptable to Standards Australia?

Mr BLAIR — With those sorts of things, we are not responsible for registration. If people want to certify products, then they can have third-party certification and use independent certifiers. In terms of meeting it, I suppose you are talking about sampling, are you, if you are producing 10 000 bolts? Or are you saying, ‘Is there a minimum?’

Mr ATKINSON — Let me just put it into context. I guess the evidence that has come to us on quite a few occasions is that with a lot of products that come in from overseas, particularly from China, you will have one good batch and the next batch is hopeless. The rejection rate can be 30 per cent, or sometimes even more — a massive rejection rate in terms of the failure of the product to live up to specifications. I am wondering if you have a view as an organisation. Whilst I understand that your primary mandate is to develop the standard and not to police it, nevertheless you are not entirely divorced from how it is working out there. What I am really trying to establish is, against the other evidence we have heard about the defect rate of some products brought in against our manufacturers’ products — what is your tolerance? What would be the expectation?

Mr BLAIR — I understand your question there. You are really talking about conformity assessment, and at the moment we are actually in the process of amending our policy on conformity assessment so that we can have, where it is needed, what is called a normative appendix about conformity assessment, so you can talk about sampling requirements and minimum sampling requirements to ensure that when someone buys the product it is a reasonable product. A lot of this is particularly being driven through the building sector, which has concerns about, particularly, critical infrastructure, where you can get a high-tension bolt or something like that which is a critical part of the structure; they need to know that it is of high quality. We are in the process of building that sort of thing into an appendix in the standard so that people can meet it. Of course those levels can vary, depending on where the product goes, but that will be part of what the committee will do and what they see the standards used for.

The CHAIR — Sorry, have I missed the answer? Is there a percentage tolerance or is there zero tolerance?

Mr BLAIR — It is a number they sort of talk about, depending on the product and the batching and things like that. It is not a matter of saying that 1 in 10 have to satisfy, because it relates a lot to the quality of the process.

The CHAIR — Okay. Then that probably goes to what you picked up as my high level of frustration at the beginning with my original question. We have great Australian standards that have taken an inordinate number of people, a huge number of meetings to develop extensive volumes of papers. If you have a manufacturer that is absolutely conscientious about making sure those Australian standards are met and tests as they should — and in some cases we heard evidence of every component of, let us say, a gas cylinder having to be tested — the net result was that 20 per cent to 30 per cent had to be ditched. In the end that manufacturer is bringing the manufacturing back onshore because of all the problems with meeting Australian standards. That is one person who takes their responsibility really seriously.

Arguably, should there be somebody else who does not have the same commitment to quality and to human life and safe cars, the result could be quite different, and they are not ditching 20 per cent to 30 per cent of their imports. From a consumer perspective you would think somewhere someone along the way has to not only have standards but ensure that they are followed. Therefore when you are outlining conformity assessments, how long do you think it will take us to all agree on what they should be? Who do you think might be the one who will ensure they are followed?

Mr BLAIR — In terms of what they should be, I think the committee can do that and that can be part of the standard. But I think in terms of are they being adhered to, it is an issue of, I suppose, is it the regulator if it is a regulated product; is it the consumer? But then in a lot of cases the consumer is an uninformed consumer, so they just buy a product.

The CHAIR — Of course they are, and they do not have the equipment to check steel.

Mr BLAIR — So you then get back to confidence about whether the product is complying with the standard, and then it gets back to the issue, do you have third-party certification where you get an independent auditor to actually audit the whole manufacturing process to make sure that what is being produced complies with the standard. That is why you get a lot of issues where you get the certification marks on certain products. You will find the ACCC, for things like sunglasses and things like that, requires that there is a third-party certification mark on the product to be able to give confidence to the consumer that what they are buying complies with the Australian standard.

The CHAIR — How long do you think it will take before we get to finalisation of some or the majority of these conformity assessment attachments to the back of the standards?

Mr BLAIR — As I say, we have had them up to this point but there has been this issue about separating conformance from standards development and the issue about sampling. It has been this separation which has occurred internationally as well in ISO standards.

Mr DAVIS — I was going to say, what is your relationship with the International Standards Organisation?

The CHAIR — Can I get an answer? How long are we going to be waiting, acknowledging that needs to happen?

Mr BLAIR — I think it will be as fast as the committees can work through the revisions of the standards. They either work through them as a revision process or they work through them as an amendment process and say, 'These are the critical ones and thus we can do amendments to them to get this incorporated', or, 'How critical are they? Can they wait until the next revision cycle to occur?'. I am not trying to avoid the question; I just do not have a — —

The CHAIR — There is no sense of urgency from what I pick up.

Mr BLAIR — The sense of urgency has to be from the committees and the stakeholders as well. We can drive it so far, but they have to be party to it as well.

Mr DAVIS — How does the relationship with the International Standards Organisation operate?

Mr BLAIR — We are the Australian member of ISO and IEC. What happens is there is a series of international committees at both ISO and IEC. Where we see that it is important for us to be part of that work, then we will be a member of that international committee and we will also have what we call an 'Australian mirror committee'. In other words, for any work that we do sitting on the international committee we have to take our views forward from Australia, which have been put together from that national mirror committee. There is a strong relationship. In fact the president of ISO at the moment is an Australian for the first time in its history.

Mr DAVIS — What is the role of ISO in terms of organisations and processes? This is partly related to some of Christine's questions about standards of actual production, that organisations actually reach certain levels, I would presume, where individual organisations get themselves certified that their results and their processes are to a certain level.

Mr BLAIR — In regard to the ISO standard, ideally if you have a product and you were wanting to sell it internationally you would aim to say, 'My product complies with ISO X', whatever the number is, so that you can then sell it internationally. The question of, as you say, conformance comes into play as to whether you will go out and get third-party certification so that you can put a stamp on it to give people confidence or whether people say, 'You are reputable organisation. We will accept what is called first-party certification where you will attest that you have done all this work and you say it does comply'.

Mr DAVIS — I am interested in your submission, too, and some of the material that you have in it. I am particularly interested in the electric vehicles case study. It just struck me that here is one example of a set of standards being developed up. I am sure the answer to this question is different with every one that you might develop up. But what are some ballpark figures for the cost of developing up a set of standards? I know there is not one answer to that, but I am just looking at this as a case study. What has been expended on that, for example?

Mr BLAIR — In terms of the time that it takes to develop it from our perspective — I am taking a typical one — recently it was \$50 000 to do a revision of an existing standard.

Mr DAVIS — That is a revision.

Mr BLAIR — That is a revision, yes.

Mr DAVIS — Whereas something like this electric cars one is out into new territory, isn't it, to develop up something quite unique? Is that process complete?

Mr BLAIR — No, as I say, that is just a study.

Mr DAVIS — That is, a process in evolution.

Mr BLAIR — Yes, just a study being done at this stage, so its in its early days.

Mr DAVIS — Who would be on the reference group-committee — give me the right terminology — for that?

Mr ATKINSON — Evan Thornley.

Mr DAVIS — I will come there in a minute.

Mr BLAIR — Sorry, I did not hear that. I think if you were looking at that you would be looking at manufacturers. You obviously would be looking at consumers. I think you would be looking at the regulators and then there is the electrical distribution network you plug into, so you would most probably need some people coming from that area as well.

Mr DAVIS — In this case, is there some material we can look at to see actually who is on that?

Mr BLAIR — Yes, I can get some material to you on that.

Mr DAVIS — That would be helpful. So \$50 000 would be a typical amount?

Mr BLAIR — As I say, the standards range in complexity. So you can come from a 3-page test method to a 70-page, high-level, structural code.

Mr DAVIS — Is there a public document on it?

Mr ATKINSON — How is that paid for?

Mr BLAIR — At the moment what happens is that people who come to the committee provide their time, and historically we have provided the input; we have provided the secretariat services.

Mr ATKINSON — So they do not actually pay a fee for it?

Mr BLAIR — No, they have not to date. But we have what is known as a new business model at the moment and we are saying for sustainability going forward, then we are looking at a range of options for people to develop Australian standards. One is where we provide the secretariat; one is that they provide input in terms of cost or resource and then they can be accredited to be a standards body themselves using the same process. There is a range of pathways that people can go down. That is not brought out in the submission, but we can certainly provide additional information.

Mr DAVIS — So using your case study here, DIIRD in Victoria has written to Standards Australia — obviously there is a heap of issues about electric cars, manufacturing, processes in houses and buildings and so forth and the actual vehicles themselves — and they have said, ‘Please develop up some standards’. Have they paid for that?

Mr BLAIR — As I say, it is only early days. It has not even got to that stage at this time. It is basically a report, but I can certainly give you some — —

Mr DAVIS — A copy of that would be quite helpful, thank you.

The CHAIR — Could I ask why we would develop our own for an electric vehicle when, I would imagine, the European Union has its own that is perfectly adequate?

Mr DAVIS — There is not one standard; that is the point.

Mr BLAIR — Yes. That is one of the things we would most probably look to see, whether there are international standards. There might be a range of standards needed to cover the field, and we would certainly look to the international place first, and if there is nothing internationally the next thing we would look to is basically Europe, through the CEN.

Mr DAVIS — And the States.

Mr BLAIR — Then we would most probably look to the Americans if there is something there. It is not the norm that we will start with a fresh sheet of paper to develop an Australian standard in the field.

The CHAIR — Could this be manufactured in Australia to an international standard, not an Australian standard? Why would we need an additional one?

Mr DAVIS — There is not one internationally.

Mr BLAIR — That is right, so what we are saying is that we would look to see if there are international standards and we will then adopt those, so that is what we do.

Mr ATKINSON — I understand you have advisory standards as well as mandatory standards. Can I have a break-up of them?

Mr BLAIR — About a third of them are mandatory — about a third of them are referenced from legislation — so two-thirds of them are voluntary. When they are published they are voluntary, and then the regulator will choose to adopt them, but what generally happens is the regulator will make that sort of decision right up-front and they will become part of the process such that when the standard is finally published they will then adopt the standard in the legislation.

Mr ATKINSON — If I am a manufacturer and I am making a building product used in construction, and a product comes in from another country and it is deficient as far as I am concerned and does not meet the Australian standard, but it has got a badge on it that says that it does or it has some sort of paperwork that says that it does, who do I complain to, and do you take umbrage at that? Do you actually initiate complaints where somebody comes and says, ‘Look, I have done all this work, and I have set up a standard with you guys. This product is coming in and it is not fair dinkum’. Where is the first port of call for the complaints, or is there a series of them?

Mr BLAIR — Certainly. As I say, if we tried to look at all complaints I think we would have as many staff as we would have developing standards most probably policing them. There is the issue about whether a product is going into a building, or something like that, which is then regulated by the Building Code of Australia so that the state building commissions would be looking at that, or is it a product which is under consumer protection, in which case the ACCC would be looking at it.

The other thing in terms of what you say about the paperwork and the marks is that there is a whole infrastructure there to do with accreditation and certification where they have mutual recognition of marks around the world, so if you saw some mark, you would want to know that that mark is being recognised by the accreditation body in Australia as well and not just something that someone has dreamt up. Once again, on

compliance I would ask: is it a consumer product or is it a building product? I am just trying to think what other products there are. Electrical products would be covered by the electrical regulators, and gas products would be covered by gas regulators.

Mr ATKINSON — I am wondering if the policing side of it is as adequate as it should be. People continually talk about whether the policing side is adequate in terms of bringing things into the country which do not demonstrate adequate compliance to standards, be they Australian standards or standards developed by other bodies in Australia, and that is an issue.

The CHAIR — A good case in point is the Building Commission and medium-density fibreboard and the effect of it not meeting standards on the workers in the building industry, and whether they decide they are going to take complaints seriously. I will talk to you about that one after.

Mr ATKINSON — About how many applications do you get each year for a standard?

Mr BLAIR — We develop about 400 standards a year. Obviously we try to manage the number of projects we have going with what our output is, which we have not previously done particularly well. We have had more than that and we have tried to manage a bigger workload, so there have been complaints about timeliness and standards. That came out in the Productivity Commission of 2006, and that is why we have moved to tightening up our whole project management systems.

Mr ATKINSON — Is there a sunset process for standards?

Mr BLAIR — Back in 2006 we said that any standard published from that day forward had to be reviewed within five years of publication, and that review would either reconfirm it or the committee would agree to withdraw it or agree to revise it. If it was reconfirmed, it was reconfirmed for another five years. If they withdrew it, obviously they would get withdrawn. If it was revised, we would say, 'We will give you three years to do that'. Obviously we have got a whole lot of legacy standards out there in terms of not being caught — —

Mr ATKINSON — The grandfather ones?

Mr BLAIR — The grandfather ones. We are trying to work on those to have a reconfirm process, where you can have older standards which the technology has not moved on, and thus you can reconfirm them in, say, 2009. We are trying to work through a process now such that we can ideally get them all to within that five-year range and then pick them up under the new process.

Mr ATKINSON — Do you need legislation to do that?

Mr BLAIR — No.

Mr ATKINSON — To accelerate that process?

Mr BLAIR — Yes, I think we have just got to accelerate that process ourselves.

The CHAIR — Mr Blair, if you were writing our report and you were making one or two key recommendations from an all-party parliamentary report in Victoria on improving our manufacturing in Victoria, what would be the one or two recommendations you would write into this report?

Mr BLAIR — Certainly the adoption of international standards and participating in the international scene, because I think that is important for Australian manufacturing and exporting, and it is also important for Australian manufacturing. If you take that the one step further, there is the conformance issue to ensure that when people bring products into Australia they do comply. To me international standards have a very important role. On the matter of conformance to standards and how that is addressed in the broad sense of the word, at the end of the day it is all about giving the consumer confidence and, whether it is imported or manufactured locally, do they have the confidence that the product they are buying complies to the Australian standard. That is the other important thing as well. I think those would be the two points.

Mr ATKINSON — The last question I have is: how do you build awareness of the standards process amongst both Australian manufacturers and also international manufacturers or exporters? For instance, do you use our business offices around the world?

Mr BLAIR — Nationally we have got some 1200 nominating organisations that provide representatives to our committee. We work well in terms of interacting with them, so they are aware of what we are doing. We participate actively internationally in the international standards bodies for that as well, but I think you will find that a lot of the big manufacturers these days are internationally based. If we are dealing with them in Australia, that is flowing through to the international scene as well.

The CHAIR — Thank you very much. A transcript will be provided to you within about a fortnight. You are free to make typographical corrections, but obviously not change the substance.

Mr BLAIR — Thank you.

Committee adjourned.