



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;
 - 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;
- 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 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 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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