

## National Competition Policy Analysis

### International standards

***Are there examples of Commonwealth, state, territory or local government regulation where there should be greater harmonisation with international or overseas standards and related conformity assessments or approvals? What sectors should be prioritised for reform?***

Regulations that are not suitably harmonised with international standards can result in a form of protectionism or barrier to trade. It is AIRAH's view that international standards should be adopted without amendment wherever possible, unless there is a very strong reason to add Australian amendments. The only exception to this is to make international standards less prescriptive, by the addition of a "performance clause" saying in effect that "an alternative design to the prescriptive requirements of the standard is acceptable provided that the alternative non-complying design is no less safe." Clause 1A in Appendix ZZ of AS/NZS 5149.2:2016 is a good example of such a clause.

For the HVAC industry, the minimum energy performance standards (MEPS) use different testing to that adopted in larger markets such as Europe or North America. There may be additional associated with testing to Australian requirements, with no discernible benefit to establishing the relative energy performance of equipment. It can also result in reverse trade barriers where Australian manufacturers face additional testing costs to export product.

Another example is the range of gas or other appliances and plumbing fixtures subject to specific Australian approvals and an associated supporting testing and authority infrastructure overlay. This introduces a consumer cost burden and restricts the introduction of innovative products to the Australian market, where, it could be reasonably expected, appropriate international approvals could have otherwise been automatically accepted.

A significant issue is the difference in conformity assessment for equipment designed for use in flammable gas atmospheres, or using flammable refrigerants. The European ATEX system accepts self-certification by manufacturers, whereas Australia requires IEC Ex approval, based on testing by an independent and accredited third-party testing body. AIRAH does not suggest that the ATEX self-certification system should be adopted, but Australian amendments to international standards create special testing requirements, at additional time and expense.

Sometimes, previous or remnant manufacturing in Australia appears to result in local standards that are different to international standards. Australia is a relatively small population, and the maintenance of local standards can exclude us from best international products, practice and knowledge, restrict access to leading methods and materials, and introduce a "short run" cost premium.

For the HVAC&R industry, there are also inconsistencies across jurisdictions for the design, installation and servicing of installations. The same applies to the registration and oversight of competencies.

AIRAH supports the harmonisation of state and territory legislation and regulations for both trade and professional qualifications, and for certification of equipment. A person licensed in one state should be able to practise in any other state without additional registration procedures or fees. A national register of qualified persons would be a logical way to implement this. For more details, please see AIRAH's Productivity Commission submission on national occupational licensing.

***What is the impact of a lack of harmonisation (e.g. on compliance costs for export, import or multinational businesses, product range, prices, quality, competition, innovation and international trade and investment)?***

In the area of HVAC&R, where AIRAH's members predominantly operate, AS/NZS 5149 is an example of a standard that is almost identical to the international standard ISO 5149. The local variations, contained in appendices, complicate the certification of HVAC&R equipment, most of all of which is imported into Australia. This adds cost to products, limits access to the full range of equipment available and in some cases prevents more environmentally effective equipment being made available to end-users in Australia.

***What are the barriers to greater harmonisation? – For sectors where regulators can mandate standards by incorporating international standards as in force from time to time or accept overseas conformity assessments and approvals (e.g. road vehicles, therapeutic goods, agricultural and veterinary products, maritime, industrial chemicals and, most recently, consumer products), how is this operating in practice?***

In a relatively small market such as Australia, the barriers and their impact can be subtle and nuanced. A requirement for local approvals or the existence of a government entity or industry association as “gate keeper” at any level in the market can result in disfunction. Protection of consumers from dangerous or substandard products, materials and services remains critical.

International alignment, democratisation of the monitoring approval process, and provision of longitudinal monitoring and testing of supplied products and services are alternatives to the current arrangements. International precedents could provide evidence of alternative approaches to market and regulatory frameworks.

As noted above, the lack of harmonisation between states and territories is a significant issue. HVAC&R equipment using flammable refrigerants is becoming common, as hydrocarbon refrigerants may have substantial environmental and energy-efficiency benefits. Queensland requires such equipment to be classified as “Type B Gas Devices” with strict third-party testing

requirements and certification by an approved Gas Device Approval Authority. Other states have varying, but less strict requirements.

The principle of third-party testing may be reasonable (though ATEX self-certification does not appear to have caused significant safety issues) but Australian amendments to international standards create effective trade barriers when additional special testing may be required to prove conformance to Australian standard amendments.

***Are there any reforms that should be made to Australia's standards and conformance infrastructure to support greater harmonisation while still addressing specific Australian risks and objectives? – What measures could support access to international standards incorporated in Australian regulation?***

In the development of some Australian standards, AIRAH notes that the stakeholders may have an excellent understanding of the historical local standards and be familiar with local industry practice but do not always consider overseas standards for current best practice. This can be an issue because of our relatively small population – there is a risk of parochialism or vested interests influencing the development process. In large markets such as North America, these processes draw on a wider and deeper pool of knowledge. Australia could better leverage international standards development processes.

Australia's "unique" requirements may generally be found in other geographic locations and population centres across the globe; localisation may not be necessary as imagined.

## **About AIRAH**

A leading industry body representing professionals in the heating, ventilation, air conditioning and refrigeration (HVAC&R) industry, AIRAH is well positioned to comment on the development and adoption of standards, and the impact on industry and Australia in general. Effective standards facilitate the vital work done by our members.

In our role of providing technical leadership for the industry, AIRAH develops best-practice resources, including our design application manuals and other guides. We are a member of Standards Australia and have seats on 20 standards committees. Our members also participate in international standards development committees.