

## **Submission to the Productivity Commission: National Competition Policy Review 2025**

*Carpet Institute of Australia*

*Date: 2 June 2025*

### **Introduction**

The Carpet Institute of Australia welcomes the opportunity to provide input to the Productivity Commission's review of the National Competition Policy (NCP) 2025, as requested by the Hon Jim Chalmers MP, Treasurer, on 27 March 2025. Our submission focuses on the proposed reform to adopt international and overseas standards in regulatory frameworks and harmonize regulated standards across Australia, as outlined in the Treasurer's letter. As a key stakeholder in the development of Australian Standards for the flooring sector, we express significant concerns about the potential implications of these reforms for the carpet manufacturing industry and the broader Built Environment. We align our position with Standards Australia's submission, emphasizing the need for a balanced approach that prioritizes national interests, safety, quality, and certainty for our industry.

### **The Carpet Institute's Role in Standards Development**

The Carpet Institute has been actively involved in the development of Australian Standards for the flooring sector, working closely with Standards Australia, committee members and nominating organizations to ensure standards are fit-for-purpose, safe, and reflective of Australian conditions. Our contributions ensure that flooring standards meet the unique regulatory, environmental, and consumer needs of the Australian Built Environment. These standards underpin the quality, safety, and performance of carpet products, fostering consumer confidence and supporting a competitive domestic industry.

### **Concerns Regarding Adoption of Overseas and International Standards**

We share Standards Australia's concerns regarding the automatic or expedited adoption of overseas and international standards, as highlighted in their briefing note. While we support the NCP's objectives of reducing regulatory burdens and enhancing economic efficiency, we believe the following risks must be addressed:

- **Devaluing Expert Input and Local Context**  
The Australian standards development process relies on extensive consultation with industry, government, and community stakeholders to ensure standards are tailored to local conditions, including climate, building practices, and safety requirements. Automatically adopting overseas standards risks sidelining this expertise, potentially introducing standards that are misaligned with Australia's legal, environmental, and policy frameworks. For the carpet manufacturing industry, this could lead to standards that fail to account for Australia's unique environmental conditions.
- **Sovereign Decision-Making and Industry Certainty**  
Standards Australia, as the nation's peak standards body under a Memorandum of Understanding with the Australian Government, ensures a rigorous, transparent, and consensus-based process. Bypassing this process to adopt overseas standards could undermine Australia's sovereign ability to determine what is best for its economy and consumers. For the carpet industry, this introduces uncertainty, as overseas

standards may not align with established manufacturing processes, testing protocols, or consumer expectations, potentially increasing costs and reducing competitiveness.

- **Risk to Quality and Safety**

Overseas standards may not meet the same level of scrutiny as those developed through Standards Australia's processes. In the flooring sector, high-quality standards are critical to ensuring safety (e.g., slip resistance, fire ratings) and durability in the Built Environment. A two-tiered system that prioritizes speed over scrutiny could compromise consumer safety and product quality, eroding trust in the regulatory framework.

- **Global Influence and Competitiveness**

As global standards increasingly influence sectors like clean energy and infrastructure, Australia must maintain its ability to shape and selectively adopt standards that align with national interests. Weakening our domestic standards process risks diminishing Australia's voice in global rulemaking, potentially impacting the carpet industry's ability to compete in export markets or meet international benchmarks tailored to Australian conditions.

## **Recommendations for Reform**

To address these concerns while supporting the NCP's objectives, the Carpet Institute recommends the following approach to standards adoption and harmonization:

- **Prioritize Domestic Harmonization**

The greatest inefficiencies in the flooring sector stem from inconsistent standards and regulations across Australian states and territories. We urge the Productivity Commission to prioritize national alignment of regulated standards as the first step in reform. Harmonizing existing Australian Standards for flooring would reduce compliance costs, enhance labour mobility for installers, and provide certainty for manufacturers without compromising quality or safety.

- **Maintain Expert Oversight and Local Validation**

Any adoption of international or overseas standards must be subject to rigorous assessment by Standards Australia and relevant industry stakeholders to ensure suitability for Australian conditions. This process should involve technical experts, manufacturers, and installers from the flooring sector to validate standards against local safety, quality, and environmental requirements. For carpets, this includes ensuring standards address issues such as VOC emissions, thermal performance, acoustic performance and recyclability, which are critical to the Built Environment.

- **Apply Consistent Governance to All Standards**

All standards, whether domestic or international, must meet the same high standards of transparency, consultation, and scrutiny as those developed by Standards Australia. This ensures a level playing field and maintains consumer trust in the regulatory process. For the carpet industry, this means overseas standards should undergo public consultation and technical review to confirm their applicability to Australian building codes and consumer expectations.

- **Economic and Industry Impacts**

In line with the Treasurer's request, the Productivity Commission should model the economic and industry-specific impacts of adopting overseas standards versus harmonizing domestic standards. For the carpet manufacturing industry, this should include:

- **Economic Impacts:** Assess impacts on sectoral output, employment, and productivity, considering that the Australian carpet industry employs thousands of workers and contributes to GDP through manufacturing and installation services.
- **Consumer Impacts:** Evaluate effects on prices, quality, and choice for households, including distributional impacts across demographics such as low-income households and First Nations communities, who may be disproportionately affected by changes in product affordability or availability.
- **Certainty for the Built Environment:** Quantify the benefits of maintaining tailored standards that ensure long-term durability and safety in Australian buildings, reducing maintenance costs and enhancing consumer wellbeing.

## Conclusion

The Carpet Institute supports the goals of the NCP to reduce regulatory burdens and enhance economic prosperity but urges caution in adopting overseas and international standards without thorough local validation. Harmonizing domestic standards across Australia should be the priority to deliver immediate efficiencies while preserving the quality, safety, and certainty required for the Built Environment. We align with Standards Australia's position and call for a transparent, expert-driven process to ensure standards meet Australia's unique needs.

We look forward to engaging further with the Productivity Commission during its consultation process and request that our industry's expertise in flooring standards be considered in shaping the final recommendations. The interim report (due 31 July 2025) and final report (due 31 October 2025) should reflect the importance of maintaining Australia's sovereign standards development process to support industries like carpet manufacturing and ensure long-term benefits for consumers and the economy.

## Contact

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