

31 May 2012

Australian Productivity Commission

Trans-Tasman Study

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Australia

Standards Australia's submission to the Productivity Commissions of Australia and New Zealand, Issues Paper: Impacts and Benefits of Further Economic Integration.

Introduction

The Productivity Commissions of Australia and New Zealand have developed the Issues Paper to explore options for strengthening economic relations between Australia and New Zealand. Standards Australia is recognised by the Commonwealth Government as Australia's peak standards development organisation and welcomes the opportunity to provide input into the final report.

Providing a technical foundation for innovation and regulation, standards are essential for public health and safety, interoperability, sustainability and international trade. It is in this way that the development of joint standards by Standards Australia and Standards New Zealand has provided the technical framework for deeper economic integration between the countries.

The relationship is formally recognised in a Memorandum of Understanding (MOU) between the organisations which has existed since 2003 after each organisation signed the Active Cooperation Agreement in 1992. The MOU has been revised several times since 2003. Joint standards now account for 35% of the Australian catalogue and 80% of the New Zealand catalogue, demonstrating the significant success the relationship has achieved in harmonising standards across the Tasman.

Standards and International Trade

Q. 15 Are there particular thresholds that should not be crossed in advancing a deeper integration agenda, on the grounds that they would compromise sovereignty?

Q. 18 Should trans-Tasman integration policy be designed so as to complement broader initiatives? Would there be net benefits in multilateralising some elements?

Q. 34 What opportunities are there for Australia and New Zealand to work more closely to further common economic interest in international forums?

Standards Australia provides Australian industry and Government with an important mechanism for regional and international cooperation and trade. The World Trade Organisation (WTO) recognises this role in Articles 2.2 and 2.4 of the Technical Barriers to Trade agreement to which Standards Australia is a signatory. The agreement notes that where standards are to be used as part of regulation in a member country, the member shall use existing international standards; and it is only in circumstances where there are technological problems or urgent problems of safety, health, environmental protection or national security that a member can disregard this rule. The WTO also encourages national standards bodies to participate to the extent that resources will permit. This ensures that differing national perspectives are considered in the document rather than after publication.



The representation of Australian interests is therefore critical during the development of international standards, particularly where those standards are to be regulated. Standards Australia, with the support of the Commonwealth Department of Industry, Innovation, Science, Research and Tertiary Education, supports this participation by funding the representation of Australia at both the governance and technical committee levels at the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). The trade creating effect of this participation is formally acknowledged throughout the APEC and ASEAN communities as well as more broadly making these international standards increasingly important for deeper regional integration.

The Australian Productivity Commission (2010) highlights that the Australia-New Zealand Closer Economic Relations Trade Agreement (CER) is trade creating between countries, however diverted trade with the rest of the world. The static, negative effects of the agreement can increase overall costs to consumers and reduce competitiveness by exposing consumers to higher cost suppliers within the CER. Despite this, other studies have shown that the agreement has a net positive effect which is to be expected given the dynamic benefits usually associated with economic integration. Namely, a reduction in transaction costs to business, increased scale and enhanced bi-lateral foreign investment, which has been realised by both countries.

There is a need to consider the trade diverting impacts of the CER in more detail. This is particularly important for Australia, as New Zealand is Australia's 7th largest trading partner despite the CER¹. The analysis will be helpful in identifying those aspects of the CER which would provide superior economic benefits if they were multilateralised. Under such circumstances, harmonising standards significantly reduces barriers to trade.

Where economic imperatives differ between countries, the harmonisation of standards can often prove challenging and avoiding a 'race to the bottom' is critical. However, the aforementioned high rate of adoption of international standards both regionally and internationally is an excellent opportunity to achieve harmonisation. In order to maximise this opportunity, the continued participation in international standards development and governance is required. This will be instrumental in ensuring that quality international standards continue to be developed and that the technical infrastructure exists to multilateralise relevant parts of the CER.

The separate but coordinated representation of Standards Australia and Standards New Zealand at international forums such as the ISO and IEC are important for two overarching reasons. Firstly, there are occasions when harmonisation between Australian and New Zealand standards is not optimal due to differing social, economic, political or environmental imperatives. On such occasions it is important that each country has the opportunity to present these issues to the relevant international organisation and have any required differences built into the international standards where possible. The separate representation of Australia and New Zealand also provides a significant opportunity for collaboration and action on issues which are of strategic importance to both countries.

Harmonising Regulation through Standardisation

Jurisdictional Differences

The Issues Paper notes that different standards exist across the jurisdictions of Australia. It is important to recognise that Australian Standards are national standards, which are essentially voluntary until they are referenced in regulation or legislation and it is the application of the standards in the regulations which may cause discrepancies. For example, a state based regulatory approval system for electrical equipment currently exists and is based on Australian Standards and mutual recognition between the jurisdictions and New Zealand.

¹ Department of Foreign Affairs and Trade: http://www.dfat.gov.au/trade/focus/081201_top10_twoway_exports.html, retrieved 31.05.12

Despite the application of consistent standards nationally, the implementation of the regulations across the jurisdictions suffered from a number of inconsistencies which were challenged by a changing market structure. The ultimate effect of this is a reduction in competitiveness and is motivating a harmonised approach to the regulation of electrical equipment under the proposed, nationally consistent Electrical Equipment Safety System (see: ERAC Review of the Electrical Equipment Safety System in Australia, 2007)².

This example highlights that harmonisation requires two levels of coordination. The first and foundational level is a harmonised technical infrastructure, facilitated by standards, testing and certification bodies. The second is the harmonising of political, social and economic objectives for the implementation of the system. Standards Australia continues to work closely with Government and regulators to achieve technical solutions which are suitable for all jurisdictions.

Energy Efficiency Standards

The Issues Paper also highlighted differences between Energy Efficiency standards across Australia and New Zealand. Standards Australia and Standards New Zealand acknowledge that differences do exist for Minimum Energy Performance Standards (MEPS) and related testing Standards.

Specifically, there are differences in Australian and New Zealand standards for the following product categories:

1. Ballasts for Fluorescent Lamps
2. Electric Water Heaters
3. Three Phase Electric Motors
4. Compact Fluorescent Lamps

The discrepancies currently occur in a relatively small number of product categories and the organisations are working in collaboration to minimise Standards differences wherever possible. However, the required alignment may not always be achievable and any regulatory differences which may affect the parameters for standards development are outside of the control of Standards Australia.

In order to ensure that the catalogue of standards serve the net benefit of the Australian community, Standards Australia is committed to maintaining balanced representation on all technical committees. Stakeholders such as Government, regulators and industry, must therefore endorse the adoption of a national rather than harmonised approach to standards development where it is felt that different imperatives exist for each country.

Emissions Trading Schemes

Standards Australia supports the integration of the Australian and New Zealand Emissions Trading Schemes, however, notes that multilateralising such policies is important for national competitiveness. Additionally, should standards provide technical guidance for relevant issues such as greenhouse gas accounting, for example, those standards should be developed with an international focus. There is much international work being done on the role of standards for the operation of ETS's and associated trade, as well as on particular standards. Both Standards Australia and Standards New Zealand continue to monitor and participate in these developments.

Conclusions

Standards provide a technical foundation for economic integration, innovation and knowledge transfer. The relationship between Standards Australia and Standards New Zealand has achieved excellent harmonisation, facilitating trade and reducing transaction costs for industry.

² Electrical Regulatory Authorities Council: http://www.erac.gov.au/index.php?option=com_content&view=article&id=102&Itemid=551, retrieved 30.05.12



The trade promoting influence of standards harmonisation, particularly through international standards is an important consideration for the continued collaboration between Standards Australia and Standards New Zealand. Participating in the development and finally the adoption of international standards is a necessary feature of the technical infrastructure required to multilateralise relevant elements of the CER. The continued support of international standards development activities therefore remains fundamental to regional and international trade.

Yours Sincerely,

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