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Speech to Ai Group Online Event: World Standards Day and Ai Group Standards Awards 2024

Thank you for allowing us to celebrate World Standards Day with you. World Standards Day falls on 14 October, which this year is a Monday. We decided to let Standards Australia take this slot and we are holding our celebration today.

Once again, it is my pleasure to acknowledge the efforts of several of our members with the Ai Group Standards Awards. We initiated these awards in 2022, with Dennis Galvin of Legrand as our inaugural winner. In 2023, the winners were Chris Burgess of Dux and Daniel Nathanson of NHP. This event provides a fantastic opportunity to thank you, our members, and committee representatives.

Last year, I mentioned that Ai Group is proud to be the leading contributor to the development of Australian Standards. Our representatives sit on Standards Australia's technical committees, covering diverse topics and contributing thousands of hours annually to standards development.

This year, we are pleased that Louise McGrath is standing for election onto the Board of Standards Australia. Louise is our Head of Industry Development and Policy, where our standards and product regulatory team resides.

Ai Group supports our members with regulatory advocacy and involvement in standards development for three key reasons: standards supported by regulation are good for the country, good for business, and good for the consumer. The standards development process is consensus-led and, by its nature, very democratic—an attribute highly regarded by our members.

It is worth emphasising that, like an orchestra, standards and regulation only work well when they are harmonised. Over the last 12 months, Ai Group has observed many sectors across the Australian and New Zealand economy where they are not.

In 2023, on 26 July, the Australian and New Zealand Governments announced a review of the Closer Economic Relations framework between the two nations. This framework has brought billions of dollars of benefit to both countries. Ai Group's interest lies in the Trans-Tasman Mutual Recognition Arrangement (TTMRA), specifically relating to the movement of goods. The principle behind the TTMRA is that if a good or service is sold in one country, it should be able to be sold in the other without additional administrative requirements.

This review allowed Ai Group to highlight to both Governments that, in many sectors, existing technical regulations fall short of the TTMRA's aspiration. We researched and compiled 15 case studies, submitting this report to both Governments in July. Our case studies showed the impact on trade and the detriment to consumers when standards and regulations are not harmonised. I would like to share three of these case studies with you this morning.

Case Study 1 – Directors and Test Certificates

In 2022, New Zealand, as part of a review of their electrical product regulations, gazetted a number of new requirements. The first was that if a company was to export electrical products to New Zealand under Australian regulations, the product would be recognised. However, a director of that company was then required to live in New Zealand for enforcement purposes. This requirement was inconsistent with the New Zealand Corporations Act and created problems for members trying to get a cultural fit from the small pool of Directors available in New Zealand.

The second requirement was that product test certificates could not be older than five years, even if the product or applicable standard had not changed, as allowed in Australia. This meant much more frequent and expensive testing would be required in many cases. The collective cost impact on Ai Group members of these requirements was believed to be in the

order of eight figures, which ultimately is passed on to the consumer. Perhaps the saddest outcome for consumers is that one of our members told us they had withdrawn six product lines from the New Zealand market, as these lines could no longer make the required returns with the additional costs imposed. This means less choice for New Zealand consumers and less trading income for Australia.

Case Study 2 – Toilet Pan Sizes for Disabled Toilets

An Ai Group member supplies the Australian market with toilet pans for disabled persons and also exports these to the New Zealand market. Both countries have standards, but they are not harmonised. New Zealand standards stipulate that the front of the toilet pan must be between 700 mm and 750 mm from the wall to which it is affixed. This contrasts with the Australian Standards that require the pan to be between 790 mm and 810 mm from the wall to which it is affixed. This situation has existed between both nations for decades.

The commercial reality is that two different-sized pans have to be made for both markets. As the New Zealand market is small (about 5% of the Australian market), product runs are small, meaning that consumers in New Zealand pay a higher price for this product than those in Australia and do not get the benefit of any innovations that our member may add to the Australian product range. These differences create a barrier to entry to the New Zealand market for our member, ultimately to the detriment of consumers in terms of prices and choice of product.

Case Study 3 – Code Mark

The objective of CodeMark was to support the use of new or innovative building products in specified circumstances in Australia and New Zealand by providing a nationally accepted process for demonstrating compliance with the National Construction Code.

The original CodeMark scheme was developed in 2008 by the Australian Building Codes Board (ABCB) in consultation with the New Zealand Department of Building and Housing, Australian State and Territory governments, industry groups, and certification bodies. This meant that building products recognised under the scheme in Australia were also recognised in New Zealand, and vice versa. However, in 2016, the two schemes separated, meaning that

members wanting to trade in both markets have to obtain and comply with two different certification systems.

After the separation of the scheme, our members were required to take out additional CodeMark certificates to continue selling certain products into New Zealand. The cost to maintain assessments, desktop reviews, audits, and renewals can range between five and six figures annually. These additional compliance systems create barriers to trade, and once again, these costs end up being passed on to consumers.

Ai Group is holding discussions with New Zealand to explore what can be done to remove these barriers, align standards, and reintroduce mutual recognition between both countries. So far, we have had success with New Zealand dropping their requirements for local Directors and strict five-year test certificates for companies exporting electrical products from Australia. However, we still have a long way to go.

Aligned product regulation and standards are beneficial for the country, businesses, and consumers alike, fostering innovation, competitiveness, and consumer confidence. Conversely, when standards and regulations are not harmonised, it creates significant challenges. These challenges can range from increased costs for businesses to reduced choices for consumers, as demonstrated by our case studies.

For businesses, lack of harmonisation means navigating a maze of differing requirements, which often involves duplicating efforts to comply with each country's regulations. This duplication not only incurs higher costs but also delays time-to-market for new products, stifling innovation. Small and medium enterprises, in particular, feel the brunt of these inconsistencies, as they may lack the resources to manage complex regulatory landscapes.

For consumers, non-harmonised standards can lead to higher prices and limited access to the latest innovations. When products need to be re-engineered to meet different standards, the additional costs are usually passed on to consumers. Moreover, discrepancies in standards can result in confusion and mistrust, as consumers may question the safety and quality of products that differ from country to country.

In our ongoing discussions with New Zealand, Ai Group is committed to addressing these barriers and working towards re-establishing joint standards where possible. We are advocating for the alignment of technical regulations, which would streamline processes, reduce costs, and ultimately benefit both economies. Our success in persuading New Zealand to drop requirements for local Directors and strict five-year test certificates for companies exporting electrical products from Australia is a promising step forward. However, much work remains to be done to achieve full harmonisation.

The alignment of product regulations and standards is crucial. It facilitates trade, promotes economic growth, and ensures that consumers receive high-quality, safe products. We urge our members involved in regulatory advocacy and standards development to continue their excellent work. Your efforts are vital in driving these positive changes and ensuring that we maintain a robust and effective standards framework that benefits everyone.

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