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Submission to MBIE on the 2012 Review of the New Zealand Standards and Conformance Infrastructure

On behalf of BusinessNZ, ExportNZ and ManufacturingNZ I am pleased to make a submission on the Review of the NZ Standards Conformance and Infrastructure.

Regulators Developing Technical Documents with regulatory force as an alternative to citing NZ Standards in regulations.

As a general rule, most in business would prefer self-regulation to government regulation for a number of reasons unless there was some sort of market failure or dysfunction that required regulation.

Well-crafted standards have many advantages over top down government regulation. They are bottom up, organic, responsive and able to keep pace with changing innovation and new technology much more adeptly and adroitly than is possible through government regulation which becomes fixed in time.

The advantage of standards is that they are shaped by industry experts that have technical expertise in their field that far surpasses the market and technical knowledge of a regulator whose expertise will tend to be more generalist in nature. In terms of whether this activity is concentrated in a NZ Standards body or whether agencies are free to go off on a parallel track (apart from funding issues), we think there is value in keeping the standards expertise and knowledge centralised, as it is a specialised skill and good Standards are not that easy to write. In addition it is confusing for business to have parallel processes and we would not want to end up with fragmentation and business having to meet multiple standards when one would suffice

With regulation we often hear the comments that the “devil is in the detail”. This is very true and regulation that is poorly thought through can (and often does) lead to unintended consequences. Regulations can be slow and cumbersome to change. A highly prescriptive regulation risks not keeping up with the latest technology developments. It also creates more risk of liability for the regulator where detailed instructions have been followed with a sub-optimal outcome.

Standards processes are open and transparent compared to a regulatory process which can sometimes seem hard to influence and produce seemingly arbitrary decisions. One size does not fit all and there is a place for standards and a place for regulation as well.

Funding

We would argue that the Standards New Zealand system has been sub-optimally funded and if sectors such as Building exit to set up a parallel system, Standards New Zealand, having lost what little critical mass they had would not be financially sustainable.

It is our understanding that on a continuum of funding options from fully user pays at one end – through to fully government funded at the other; Standards NZ sits alone amongst Standards Bodies at the fully user pays end of the funding spectrum. It is our understanding that most other governments have a more mixed funding model.

It is arguable in a country with a small population and a large number of small to medium sized businesses and very few large businesses or indeed business sectors, there is a greater need for some public good funding to be applied to our standards system. International manufacturing expert Professor Goran Roo’s made this point very strongly when he was speaking in New Zealand recently. He says a Government in a country with a small population has more reason to have proactive industry policies than those in larger markets where the large businesses and deep markets provide the opportunity to build businesses of scale more easily. Professor Roo’s also pointed out that the mid-size manufacturers in Europe that out-perform the rest of their economies all have a few things in common. One of them is that these firms are very innovative manufacturers and they dominate a global niche. Because they are constantly innovating to keep ahead of their global competition they ensure they dominate the Standards committees for their products. <http://www.manufacturingnz.org.nz/news-and-info/latest/prof-goran-roos-world-expert-on-mid-size-manufacturing-excellence>

Currently there is little if any funding to ensure that our innovative manufacturers can travel to sit on these international standards committees, to ensure that international standards are influenced by our innovative companies as well. In addition there should be some funding available to assist a start-up company (for example) with a completely new innovation to ensure the standards are not a barrier to the new innovation where safety (or

whatever reason for the standard) is not compromised. We don't want Standards committees to be too dominated by the market leaders which could be a barrier to change, and sometimes the newer innovators are small in size and not well enough resourced to participate.

We need more of a partnership with government when it comes to Standards with a more strategic view being taken of the role of Standards in supporting innovation and reducing barriers to trade. Government agencies can currently cherry pick what they want to support when it comes to standards without the "whole of government" strategic lens that is supposed to be being applied when it comes to export and innovation strategy, and in this regard the creation of MBIE could be a good opportunity to take a more holistic approach.

We hear that there is a fragmentation of Standards and a tail of out of date standards that need cleaning up. In addition to the funding aspect of Standards, it would be helpful if Government supported the use of Standards through recognising them as a mark of quality in its own procurement practices.

Standards Facilitating Trade

Standards are a good way to facilitate the free flow of goods and services, and the more harmonised standards are the better. Standards are a mark of quality and tell the consumer that it is a quality product which can be trusted because it has been tested against a standard. This is very valuable for a business which is designing its product to meet the standard – and if there is one standard for all the EU countries rather than a different one for each country in the EU – then this lowers the cost of a business exporting into that vast market and gives them an instantly recognisable mark of quality.

Australia/NZ Standards are very helpful for the same reason (good market access and having to design one product not two). Equally if the Trans Pacific Partnership Free Trade Agreement comes to fruition – this could also lead on to an Asia Pacific wide free trade area. Having common standards across the Asia Pacific would assist in reducing non-tariff barriers (which are always in existence even after the completion of FTA's). See our letter to MFAT attached as an appendix.

There may be areas where we still need NZ Standards where we have areas of difference from other countries (e.g. earthquake issues, wanting to use timber framed building – or validate a product like timber for new building or other uses etc.). If there are areas where we have particular expertise or specialisation, there is no reason why we could not lead the world in Standards development where we are at the forefront of that technology e.g. food quality, electric fencing for stock control, jet boat propulsion etc.

Feedback from last year's ExportNZ survey (2011) where we included a question on Standards is as follows..

Question: 5. Standards (e.g. for product safety and energy efficiency) are used to specify the performance and attributes of products, processes and services and assist business by supporting interoperability, repeatability, quality control, and knowledge transfer. So would the development of common standards eg across the Asia Pacific be worthwhile to help reduce barriers to trade and cut compliance costs?

<i>Answer</i>	<i>Percentage</i>	<i>Number</i>
Yes	30%	65
No	36%	78
Don't Know	35%	76

Number of Respondents: 219

Question: If yes, how could this work for your business?

- Easier adoption overseas
- There is already reasonably good alignment across apac, but not really in other areas.
- Simplify market access by having one common set of requirements for the registration of our products
- If we were working to single standards as far as Safety etc it would allow us to develop specific solutions to overcome the requirements, rather than tailor making things to suit individual markets.
- We are a food manufacturer and there are different labelling requirements that put us on an unequal footing enabling competitors to use cheaper alternative ingredients without having to declare them
- Designing & producing electrical products with common standards across all markets would be a more cost efficient
- reduce compliance costs. Reduce compliance time
- Ease transfer of know how Reduce costs
- We are in the Potato Business common Import across Asean region and common standards with our competitor Australia would level the field somewhat
- Already had to comply with lead-free manufacture (in tiny items) for Europe and most countries seem happy with those standards. Not yet done much to Asia Pacific so not sure what else we might encounter.
- Many Standards are not relevant to today's products or in some cases totally ignored by vendors
- Lean looks good.
- Building standards (across NZ as well!!!) would cut down on need to engineer from scratch every job.
- Different markets have different legislation covering health and safety, roading/weight limitations etc, that make compliance more expensive and difficult.
- Recognition of distinctive properties and performance of NZ material
- We export a lot of product into Australia where we use common AS/NZS standards and company sits on standards committees. We are aware that some of these

committees are dominated by representatives from trade unions and are used for job creation not an improved product.

- Eliminate non-tariff barriers that stop us getting into markets
- Streamline processes; one process covering multiple markets instead of each having a unique procedure or control.
- Currently operating to international standards
- In particular the electrical safety and Weights & Measures Regulations as this is what our products are controlled by
- as Asian markets have different compliance standards we spend a lot of money on small markets to support our product
- We could avoid the expense of testing and certification to enter new markets eg GOSTR for CIS and CRN for Canada
- Create a more level playing field so our higher standards are also being quoted by the competitors'.
- Not applicable. However, measuring & enforcing such things as quality standards could be difficult.
- Technical compliance requirements and regulations vary across markets. Standardisation would reduce NPD complexity. The risk is standardisation leads to NZ changing all local compliance to match larger countries - meaning NZ is then actually at a disadvantage as we will be the ones needing to change.
- FTA's in all countries do lead to INZ being required to improve their service delivery
- larger runs and more economical unit costs
- Would reduce the cost of product testing for different marketplace safety regulations.
- Put us on a level playing field with China, for a start.
- We would all be at the same level NZ standards are very high cf some of our markets
- We have multiple audits and multiple customer requirements. In food manufacture if all customers accepted one standard eg BRC (British Retail Consortium) then this would significantly reduce compliance costs.
- LEVEL PLAYING FIELD
- Consistency
- Often there are barriers with what is acceptable with banking regimes. We have to send knowledgeable people over with the product to assemble it which drains our home resources.
- When prospecting new markets we would not have to check the standards and re-develop our products to meet those. 2. Litterature would be done once, for all potential export markets we would be targeting.
- Our company produces to New Zealand and Australian Standards thereby guaranteeing the buyer of a certified level of quality and thereby providing the best value over term of life. We do not intend to lower our standards of quality and performance to compete with cheap imported, inferior products. We will stop producing before that happens. We have a history of having exported to the United States and the wider Pacific but are now finding that difficult with the strength of the New Zealand dollar. We are all talking about "export more, export more, export more but some years ago there was a campaign of import substitution which saved the country's use of overseas funds. That programme seems to be totally out of

favour but perhaps there could be a mix of export/local production which if it is made here keeps people out of the dole queues. (It is easier to talk about this rather than write about it!

- Reduction of tariffs with countries such as Korea would be a major achievement.
- We have the same NZFSA regulations as Australia and find we can compete aggressively on a level playing field. The same requirements throughout Asia/Pacific will enable to compete effectively in many larger markets.
- Easier to export to Asian countries
- Provide a level playing field in some areas we try to access
- As long as by being common they don't become all encompassing.
- Development of common standards for recognition of private sector degree qualifications would reduce barriers.
- More standardisation of products leading to improved efficiencies.
- For us they are already in place as Australia is our export market, and this does make it easier to work.
- standardise isolation periods
- Help to balance up difference in cost structures across the region.
- We do have a CE rating now but the difference is more in standards of measurements and configuration of our products.
- IP issues in particular within Asia
- Would mean one set of approvals to suit many markets instead of very similar but different sets per country. At the moment is a barrier to those that follow the rules!
- Product compliance
- Reduce customers purchasing cheap below par products.
- Relates to wine exports - different standards and particularly different labelling requirements have a significant effect on costs.
- Ease of meeting standard regulations
- Standard that garments had to comply with would be universal, or Asia Pacific would adopt either North American or ISO standards and then fabric, material would all meet the same Standards.
- This would significantly increase Exports into Asian countries
- It would help with compliance inspections if we had to reach only one international Food Safety Standard (such as British Retail Consortium BRC Version 5 which is recognised in USA, Europe, and some supermarkets in Australia.
- Removal of non- tariff barriers to trade eg pseudo phytosanitary issues
- Present NZ dairy standards generally accepted worldwide.
- would make Import entry easier as Foreign Governments would have an agreed common standard that they recognize and also put our competitor's on the same page.

The Best Model For The Delivery of Standards

As to the best model for the delivery of standards in NZ, it should be an organisation that has credibility/accreditation in international standards setting circles (International Standards Bodies and ISO) and allow our companies to be represented in those international forums

where necessary. It should be funded on a sustainable basis with the recognition that there is a good rationale for some public good funding.

In coming to a decision on the funding model it should be remembered that companies that provide their expertise in Standards development are already investing significantly and this is not a costless exercise on their part. It should also be remembered that we are a country of predominantly small to medium companies at present (let's hope this can change and that Standards will be one of the enablers to help this happen).

Any NZ Standards body should be adopting international standards where this makes good sense and working in collaboration with other countries as well where possible e.g. joint Australian and NZ Standards.

There are probably also areas where NZ can lead the Standards development, where we have comparative expertise or are particularly innovative or have circumstances that are unique to New Zealand.

Many thanks for the opportunity for input.

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