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Mr Adrian O'Connell  
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Email: [distribution@standards.org.au](mailto:distribution@standards.org.au)

Dear Mr O'Connell

## **STANDARDS AUSTRALIA DISCUSSION PAPER – DISTRIBUTION AND LICENSING POLICY FRAMEWORK**

The Australian Industry Group (Ai Group) welcomes the opportunity to comment on Standards Australia's Discussion Paper *Distribution and licensing policy framework*.

### **1. General comments**

We believe that Standards Australia's success in ending the Publishing and Licensing Agreement (PLA) ushers in a new era for standards development in Australia. Standards Australia over the last few years have made significant progress with improving the delivery of services and performance of internal systems associated with standards development and now has the opportunity to make significant improvements to distribution practice, customer service and to address the vexed issue of pricing.

Ai Group believes that a new policy framework for distribution and licensing of standards must achieve the following outcomes for industry and the broader Australian community:

- a) reasonably priced standards;
- b) contractual arrangements that do not create unreasonable barriers to customers changing distributors;
- c) standards distribution through entities selling to "closed" markets;
- d) a sustainable market for Standards Australia and distributors;
- e) improved access to and delivery of standards content;
- f) customer focus and maintenance of service levels;
- g) availability of appropriate sales and distribution data; and
- h) portability of customer metadata when changing between distributors.

We expand on each of these points below.

#### **1.1 Reasonably priced standards**

Our members have been adversely impacted with excessive pricing and rigidities in access to content under the prior PLA that in our view reduced the effectiveness of the net-benefits to Australia that flow from the application of Australian Standards. A member commented:

*After our subscription went from \$80K approx. to \$150K approx. we made a decision to cancel our subscription to the i2i platform and go back 20 years to having hard copy libraries at our various locations around Australia.*

We believe the development of a competitive market for standards distribution, enabled by the cessation of the PLA, will drive prices down. There are risks, however, in establishing a new market to ensure pricing is sustainable and stable. These are explored later in this paper.



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Several of our members have questioned whether Standards Australia should be considered being a distributor – the following comment is typical:

*I see an argument for distributing standards on a cost recovery rather than profit basis and why couldn't SA themselves take this on? The vast bulk are now electronic versions of documents, SA have a lot of the internet infrastructure already in place to distribute these. If this model is assumed a lot of the other potential issues, problems and conflicts that arise when commercial distribution entities are involved also evaporate.*

Industry will judge the new framework based on whether price relief is delivered in comparison to the prior regime and whether service levels improve.

## **1.2 Contractual arrangements that do not create unreasonable barriers to changes initiated by customers**

Ai Group has received reports from members of the difficulties in changing their commercial arrangements with the incumbent distributor:

*The final fly in the ointment actually came when we tried to cancel our subscription. They asked us to sign a statutory declaration confirming that all hard and soft copies of the standards we had accessed during the subscription had been destroyed. This is a clause in their subscription T's & C's. Again, imagine 55,000 people having access to a standard and I am supposed to sign a legally binding document declaring that no one has kept a hard or soft copy? Again, this is just not realistic in the real world.*

The standardised commercial terms between Standards Australia and distributors should include provisions that exclude unreasonable requirements that impede customer-initiated change.

## **1.3 Standards distribution through entities selling to “closed” markets**

Provision should be made for standards distribution through entities selling to “closed” markets. This is where an entity sells only to a defined set of customers (e.g. an industry association may only sell to their members). The motivation of closed market distributors is often to provide the service as value add with only cost recovery in mind.

*... being at the end of the chain (we) do not seek to make a huge return on distributing standards, we see it more as a service to our customer however, we shouldn't be forced (as we were by the SAI global arrangement) to provide standards to (our customers) for nothing.*

A consideration for Standards Australia is how to accommodate open and closed market distributors whilst maintaining a sustainable market (see 1.4 below).

## **1.4 A sustainable market for Standards Australia and distributors**

In this context, a sustainable market is one that has sufficient distributors to provide competitive pricing but with safeguards to prevent market fragmentation and provide price stability. A member commented:

*We need stability of pricing, not competition that leads to distributors being left with stock as a result of another distributor driving down price due to their own financial drivers.*

Open market distributors need to be able to achieve margins that allow for satisfactory return on assets deployed but also to be able to reinvest in innovative distribution mechanisms, services and products.

If closed market distributors form a material portion of the market, then price distortion may lead to unsustainable margins for reinvestment. This may occur given that these channels typically seek lower returns as the distribution service is often treated as a customer value add. This results in lower retail prices that will encourage leakage of customers from open to closed market distributors and hence a downward pressure on price and margins across the entire market. Standards Australia will need to give consideration to the risk of damage to the long-term sustainability and stability of supply.

## 1.5 Improved access to and delivery of standards content

There should be improved access to and delivery of standards content by embracing innovation and removing the onerous and restrictive licensing policies of the past. We are aware that under the prior regime a license was required from SAI Global whenever when only a portion of a standard was required (for example when making a presentation or accessing critical information in regulated standards). The following comments are indicative of the issue:

*A number of standards are referenced in Regulations only for the purpose of definitions. For example:*

**Part 2 Items of plant requiring registration**

**3 Items of plant requiring registration**

3.1 *Boilers categorised as hazard level A, B or C according to criteria in Section 2.1 of AS 4343:2005 (Pressure equipment—Hazard levels).*

*An employer should be able to access these definitions without the need to buy the whole standard.*

*The Code of Practice for managing the risks of electricity says:*

*AS/NZS 3760:2010 sets out indicative inspection and testing intervals for certain electrical equipment, including RCDs, used in a variety of different operating environments.*

*The employer needs to know what these indicative times are. But they do not need to access the rest of the document which outlines how to do the testing. In reality the employer needs access to one table of this standard.*

Members should have the ability to access a portion of a standard without being forced to purchase the entire standard. One member has suggested the following idea:

*... but for access to standards maybe Standards Australia could have a subscription service where for an annual fee standards can be viewed on line (no copying parts of standard) and if a standard is downloaded an additional fee could be charged. The reason why is at times we need to consult a standard to advise a client but cannot justify the cost of purchase of the standard.*

## 1.6 Customer focus and maintenance of service levels

Poor customer service has been a hallmark of the previous PLA although this does vary from customer to customer. There must be an increase in customer focus under new distribution agreements. Maintenance of service levels and a demonstrated track record of a commitment to customer service should form part of the selection criteria for new distributors. Consider a member comment:



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*Industry want to minimise the risk of loss of current levels of service currently provided by the sole publisher, SAI Global, specifically for those entities that maintain 'on line' standards libraries. Specifying the minimum service level requirements in the contract between SA and new distribution entities would go towards addressing this. There would have to be a significant level of detail, i.e, electronic access, ease of adding new standards, search engine capability, ability to 'copy' the pdf onto your own drive for off-line access (and no time limit) which we currently have.*

Ai Group recommends that clear service level requirements (including complaints handling mechanisms and KPIs) are included in the *standardised commercial terms* provided by Standards Australia.

### 1.7 Availability of sales and distribution data

Sales and distribution **data** should be made available to the relevant technical committees. Historically this has been difficult to obtain due to commercial confidentiality of the PLA however it allows committees to better understand their audience and hence increase the net benefit that a standard can deliver to the community.

### 1.8 Portability of customer metadata when changing between distributors

Subject to meeting privacy requirements and concerns, there should be arrangements in place to preserve and enhance portability of **customer metadata** when changing between distributors. Members provide substantial information to the incumbent distributor regarding standards of interest in order to be kept informed of changes. However, if this must be regenerated whenever a variation is made to the supplier then it will be a major disincentive for change.

## 2. Specific Comments

The following are specific comments in response to the questions raised in Standards Australia's Discussion Paper.

### 2.1 Broad principles underpinning a distribution and licensing framework

**Questions raised in Discussion Paper:**

*A. Do you agree with Standards Australia's broad objectives?*

*B. Are there other broad objectives that should be considered by SA's Board?*

We recommend that the third objective is modified, and a fourth objective added as follows:

**Modified Objective 3** - *An operating model that ensures the long-term financial sustainability of the market and reasonable pricing of standards content*

**New Objective 4** – *Appropriate transparency in all agreements established with distributors*

With respect to the third objective, monopolistic pricing under the previous PLA has been the primary indicator that this framework failed. As mentioned above an indicator of success of the proposed policy model will be a drop in pricing of standards content to reasonable levels.



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With respect to the fourth objective, the previous PLA was negotiated in 2003 when the three commercial units of the then SAI were spun off as a listed company to become SAI Global. The difficulties the PLA has created for stakeholders in the intervening period point to a problem with transparency of the key business elements when the document was originally negotiated. Steps must be taken to ensure that knowledge of key aspects of the agreement are not consolidated in the hands of a few.

Ai Group recommends that, whilst acknowledging that any business agreement between SA and a distributor has to be commercial-in-confidence, we believe that the following elements should be disclosed to stakeholders (including to SA Councillors):

- a) duration of agreement;
- b) wholesale pricing (or pricing principles) of/for standards content;
- c) agreement review mechanisms;
- d) service level requirements; and
- e) complaints handling policy.

## 2.2 The means by which SA intends to achieve its objectives

### **Question raised in Discussion Paper:**

*C. Do you support a non-exclusive model for the distribution of standards content in Australia?*

The non-exclusive model for the framework is crucial to bringing competition into the market for the sale of standards. However, the (new) market must be sustainable in the long term. Distributors must have the ability to reinvest in innovation for content distribution and use. Therefore, a situation where the market becomes fragmented and margins fall to unsustainable levels due too many distributors undercutting each other must be avoided.

## 2.3 Partnering to distribute current products

### **Questions raised in Discussion Paper:**

*D. What criteria do you think should be applied to the selection of distribution partners?*

*E. How can SA encourage competition in the distribution of current standards products?*

Ai Group suggests the following criteria for entities be favourably considered in the selection of distributors:

- a) Experience in distribution of other national and international standards;
- b) Global sales reach;
- c) Web based sales platform;
- d) Track record in innovating with content delivery;
- e) Independence of ownership of distributors (to reduce the risk of market consolidation);
- f) Ability to introduce new approaches to distribution;
- g) Real and effective complaints handling mechanisms; and
- h) Track record of a commitment to customer service.

Ensuring that customers are aware of what organisations distribute standards will enhance competition.

## 2.4 Encouraging innovation

### **Questions raised in Discussion Paper:**

- F. How do we encourage new innovators to engage with standards content to deliver new solutions and customer offerings?*
- G. How do we select innovative partners?*
- H. How do we ensure third party developed innovative products are good quality and fit for purpose?*
- I. How do we ensure we strike the right balance between facilitating innovation by third parties and maintaining the financial sustainability of Standards Australia?*

Innovation in the development and delivery of Australian Standards must be a priority for the new framework given that the prior PLA stifled new developments during the term of the agreement. The key enablers for innovation in content and delivery are:

- the open market supplies achieve operating margins that allow reinvestment in innovation;
- new entrants being able to contest existing distribution models; and
- SA continuing to show leadership in innovation with content development.

SA has developed an incubator that, amongst other things, has piloted graphic rich approaches to standards content. We believe that by maintaining close working relationships with distributors, new ideas and concepts can be jointly developed for standards content.

Our members are firmly of the view that content needs to be developed in ways that enhances the communication of concepts to the user. Suggestions have included the use of pictorials and graphics such as cartoons and comics. Members also note of the importance of dispensing content on current technologies, such as Apps on a smart phone, as vital for engaging the next generation in the use of standards.

*The younger guys in the trade have grown up with easy smartphone access to whatever they wish to view. By having the Standards as an App then the search can find all relevant clauses from the Wiring rules but may also take them to relevant parts of other standards. Eg: a search for socket-outlets may take the reader to not only the Wiring rules but also to the plugs and socket standards and maybe NCC relevant clauses as well.*

## 2.5 Mitigating potential conflicts

### **Questions raised in Discussion Paper:**

- J. How can SA ensure that distribution activities do not negatively impact its public benefit role in standards development?*

**K. How should SA implement the required commercial confidentiality for distribution arrangements within the context of transparency in the rest of the business?**

The perception of a conflict of interest between standards development and standards distribution functions is very real and plagued the organisation for many years until the commercial divisions were floated on the ASX in 2003. There is a risk of repeating the errors of the past however we believe that the following initiatives will mitigate this:

- create a structurally separate reporting line for staff involved in the management of distributors and related issues. A system similar to that used in standards accreditation prior to the merger with the Standards Development Committee may be considered with oversight from an independent board including a liaison to the SA Board;
- SA should support in partnership with governments and others:
  - initiatives to improve **engagement** with standards development from the public;
  - low-cost distribution of regulated standards;
  - provision of free copies of standards (national and international) to those (convenors, committee members and the like) who develop them;

*After 2 years and 10 months of being the Convener for the ISO Task Force a handbook including 6 international face-to-face meetings; developing worldwide survey and producing graphs and schematics; and arranging 2 site visits for obtaining photo graphs for the Case Study; I had to purchase the Handbook directly (on-line) from ISO.*

- appropriate availability of standards to low income groups (this could be considered by Standards Australia independent of the distribution network); and
  - establish an innovation fund to support the development of innovative content and distribution methodologies.
- Maintain appropriate transparency of key commercial elements of distribution agreements.

## 2.6 Regulated standards

**Question raised in Discussion Paper:**

*L. How can Regulated Standards be made more accessible to the end user while maintaining the financial sustainability of the standards ecosystem?*

See response to Question J and K above – Standards Australia in partnership with governments and others should support initiatives to improve engagement and access to standards including regulated standards.

## 2.7 Access for core user groups at early stages of a career

**Question raised in Discussion Paper:**



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*M. How can access beyond existing channels be made easier for user groups like TAFE and university students?*

More should be done to raise the awareness of the role of standards in a well-functioning society with TAFE and University students and this in turn would assist with uptake. As highlighted in our response to Question J and K, quarantined revenue streams could be used, amongst other things, to subsidise subscriptions for TAFE and University students. Graduates from these institutions are potential users of standards throughout their careers therefore makes it demonstrable investment case.

*I lecture at TAFE's and Universities and have direct experience with lecture notes they had to use, but could not as the ISO and AS/NZS Standards referenced in such learning materials were out of date. One University had AS/NZS 9001:2000 and should have referenced AS/NZS 45001:2018.*

*My contacts with TAFE and University have suggested the learning institutions should have Standards Australia provide more regular communications and notices for any updates, revisions and guidance to relevant standards for up to date teaching curricula and contextualisation.*

Members have also suggested to use established national distributors with location or distribution capability to service these groups.

## **2.8 Providing useful information to consumers regarding Consumer Interest Standards**

### **Question raised in Discussion Paper:**

*N. How can useful information be better provided to the public regarding Consumer Interest Standards?*

*O. Do you have a view on what types of partners SA could work with in providing better information to the public regarding Consumer Interest Standards?*

We suggest that Standards Australia partner with governments and consumer advocacy groups such as Choice and the Consumer Action Law Centre (Vic) to develop strategies to lift the profile of standards with consumers.

Should Standards Australia be interested in discussing our submission further, please contact James Thomson (Senior Adviser – Standards and Regulation, [james.thomson@aigroup.com.au](mailto:james.thomson@aigroup.com.au)).

Yours sincerely,

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