Challenges to conformity assessment models of changing supply chains: – some Australian experiences

Jennifer Evans
Chief Executive Officer
National Association of Testing Authorities, Australia
Overview

- How changing supply chains have impacted on areas of Australia’s economy
- Changes in conformity assessment infrastructure
- Risks introduced from poor transparency and information asymmetries
- Challenges to conformity assessment procedures of undesirable market outcomes
- Example of where surveillance testing can benefit the market.
Assumptions about supply chains

1. Transparency – if there are questions relating to the goods conformity with requirements or specifications, answers can be obtained in a reasonable timeframe.

2. Behaviour – all players in a supply chain behave with an acceptable level of fairness and integrity.
Supply Chains – Then and Now

Until 1980s, Australia’s economy:

• Significant manufacturing sector making a broad range of products
• Imports subject to protection including tariffs on imported goods
• Conformity assessment in regulated sectors performed by government laboratories or by private sector laboratories which were NATA accredited
• Imported goods subjected to conformity assessment in Australia
• NATA’s laboratory accreditations reflected the makeup of the economy
• ‘Certification’ largely restricted to approval by regulators
• No systems of management system certification
Characteristics of the ‘old economy’

- Local raw materials → components → finished product → wholesalers → retailers
- Product traceability was straightforward
- Most risk could be managed by the manufacturer.
- Regulatory oversight was straightforward
- The conformity assessment was generally at two points – the suitability of raw materials and the finished product
Characteristics of modern supply networks

- Often complex – transnational, multiple suppliers of raw materials/components and final assembly plants
- Dynamic – frequent changes to parts of the supply network that are not visible to downstream players
- Traceability of supply network challenging for goods that are not uniquely identifiable
- If goods are non-conforming with requirements, may be difficult to identify source of fault
- Poor management of network may lead to diffusion of responsibility/lack of accountability
Product attributes

- **Search attributes** – what can be observed by an end user
- **Experience attributes** - features that can be readily identified after consumption or use
- **Credence attributes** - claims about characteristics which cannot reasonably be checked by end users even through use or experience
An example from the Australian economy - construction

- Significant proportion of materials and products are imported
- Less local testing, international standards and new products and materials
- Extensive deregulation - move from prescriptive requirements to a performance-based, government to private sector
- Testing and certification still relevant but greater role for other expertise: e.g. private sector engineering consultants and building surveyors
- Knowledge of credence attributes more difficult to ascertain/ more important to evaluate
Non-conforming product

Growing number of instances of non-compliant materials found in major construction works

- Structural fasteners
- Cladding
- Cabling
- Materials containing asbestos
- Cement
- Structural plywood

Extremely bad media where products and materials have been demonstrated to be non-conforming – particularly safety-related

- Conformity assessment being questioned
- Regulatory regimes questioned
- Imports blamed
What is the problem/are there solutions?

Construction industry issue has not led to any trade dispute ..... yet

• Public frustration and (unfair) distrust of imports

• Some in industry calling for on-shore testing and certification of all imported materials and products – not a solution!

• Appropriate conformity assessment procedures, a reliable conformity assessment infrastructure and clear standards are critical

• National quality infrastructure cannot compensate for lack of transparency, fairness and integrity in supply networks

• Hence, can regulatory policy be adjusted to encourage supply chains to do the right thing?
Incentives

One example that drives behaviour

- Australian energy efficiency program for electrical equipment and appliances - ‘E3 Program’ – administered by federal government
- Conformity assessment procedures give latitude to pre-market measures but place emphasis on post-market ‘check-testing’ at accredited laboratories
- Check-testing targeted – risk, supplier history, whistle-blowers
- Penalties can include fines and product recalls
Summary

• Regulatory authority/NQI dialogue can help avoid trade disputation
• ILAC and IAF can facilitate mutual recognition of conformity assessments
• Where national standards/ unique requirements exist, accreditation may be supplemented with means of mutual education
• Where international standards form the basis for conformity assessment, accreditation for testing, inspection and certification activities can be highly effective
• Majority of goods imported into Australia, and those we export do meet business and consumer expectations.
• Conclusion - It is working – but we can always improve
References

Supply chains/networks


E3 Program for energy efficiency

http://www.energyrating.gov.au/about