JOINT STANDING COMMITTEE ON DELEGATED LEGISLATION

INQUIRY INTO ACCESS TO AUSTRALIAN STANDARDS ADOPTED IN DELEGATED LEGISLATION

TRANSCRIPT OF EVIDENCE TAKEN AT PERTH WEDNESDAY, 18 NOVEMBER 2015

Members

Mr P. Abetz (Chair)
Hon Robin Chapple (Deputy Chair)
Mr G.M. Castrilli
Hon Peter Katsambanis
Hon Mark Lewis
Ms S.F. McGurk
Mr P. Papalia
Hon Martin Pritchard

Hearing commenced at 9.50 am

Mr Kenneth BOWRON

Executive Director, EnergySafety, Department of Commerce, sworn and examined:

The CHAIR: Thanks very much for coming in, Ken. On behalf of the committee, I would like to welcome you to the meeting. Before we begin, I must ask you to take either the oath or the affirmation.

[Witness took the oath.]

The CHAIR: You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

Mr Bowron: Yes, I have.

The CHAIR: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record and please be aware of the microphone and try to talk towards it. Ensure that you do not cover it with papers or make too much noise near it. I remind you that a transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege.

Would you like to make an opening statement before we ask questions?

Mr Bowron: No. I was here before so I am happy to answer any of the questions that you have as best I can.

The CHAIR: Thank you very much, Ken. That is much appreciated. How did the department come to be the state's nominee and what does that actually entail?

Mr Bowron: The first part has been difficult. I have searched through all the files that I have been able to find to go back. As best as I can ascertain, SECWA was one of the original nominees for the state. In those days it would have had electricity and gas and everything, so it would have been very interested in standards. The role of representing was with Albert Koenig, who was my predecessor. When SECWA was split in 1995 into Western Power and Alinta, EnergySafety came out at that stage as the regulator. He took that role on. That was reconfirmed in 1996 when Standards sought reconfirmation from committee organisations, and the state government is one of those, and he sought ministerial and Premier approval for continuing in that role. At that stage I believe there were two representatives for the state government, and that was EnergySafety and the State Supply Commission. Someone called Charles Vinci and the State Supply Commission withdrew as a representative in 2000.

The CHAIR: From a lack of interest or did they not see a relevance?

Mr Bowron: I do not know. Sorry; I was not involved then. I took over from Mr Koenig in 2009, and just took over the representative role at that stage, continuing as executive director.

The CHAIR: As a representative, do you take a fairly active role in the committee, or because it is over in Sydney, do you go when you can?

Mr Bowron: No, I have never been. The committee usually goes to one formal meeting a year, around this time of year—it has just been held—November. Most of the time it is reasonably easy to not go from the point of view that most of the committee's responsibilities are in choosing directors, voting on that, and voting on changes to the constitution if there are any of those. My predecessor and I have both not been able to justify flying to Melbourne for that, so we have done that by proxy.

The CHAIR: Are you able to tell us what is the agreement between SAI Global regarding what happens with the option in 2018? SAI Global were extremely confident when they were here that it would just be rolled over and some details perhaps fine-tuned, but it would appear to us that it was not up for question in their mind.

Mr Bowron: I must admit again I have not been able to find a copy of the formal agreement. It is held very confidential and nobody has divulged that. The best I have been able to get was a copy of the original IPO, the prospectus that went out, and it says —

These rights—

That is the 15-year rights for doing all the publishing —

extend for a 15 year period, with an option to renew for a further five year term, subject to shareholder approval of SAI Global being obtained and certain other conditions being satisfied.

I have not been able to find what those certain other conditions are anywhere. It is being held very, very confidential at this stage.

The CHAIR: Who will actually make that decision as to whether the contract is renewed? Is that the committee that you serve on or is that the board?

Mr Bowron: No. I think Standards Australia, as the organisation, still holds 40 per cent of the shares of SAI Global, so they will have that as voting block when that comes up. All the other private shareholders in it would also have a vote. What I do not know is what the other conditions are, whether it is anything that Standards Australia has any rights on saying or whether it is an SAI Global —

The CHAIR: My understanding is that Standards Australia has actually sold that 40 per cent shareholding, I think.

Mr Bowron: Okay; then I stand corrected.

The CHAIR: If that is the case, then that kind of limits the impact that they have in the SAI Global side of things, but it is Standards Australia that has the capacity to renew or not to renew with SAI Global, depending what is in the contract.

Mr Bowron: Yes. I do not know what is in it so I do not know whether Standards Australia—I am a member of a committee called the Standards Development Committee, which helps the governance of this preparation of standards. We have a lot of representation on standards and that is one way that I think we can try to keep things working well. I was in Sydney for a meeting on that a few weeks ago. I did ask all the questions and I did not get very many answers. The best I got was the IPO.

Hon MARK LEWIS: If Standards Australia sold their share and it was considerable amount of money, technically WA has some ownership in that—no?

Mr Bowron: No. Standards Australia is a proprietary limited company limited by guarantee. The guarantee is \$100—that is the state's liability. It has a Standards Australia council sitting over the top, which effectively elects the board and makes any changes so that the board then runs the company. They are broken into categories but, from memory, the commonwealth has 10 memberships or 10 representatives, each state and territory has up to two, we have one at the

moment and then there are various clusters of industry representations. All up, I would think there are probably 60 or 70 members.

[10.00 am]

Hon MARK LEWIS: But the proprietary limited company by guarantee is owned by somebody, and one would have thought that that would be the members, so by default the state has an interest in whatever that amount of money is.

Mr Bowron: So we would have one vote in any —

Hon MARK LEWIS: I am talking about interest in ownership. How much did they sell the rights for? It was \$280 million or something like that. It was a lot of money. Someone owns that.

Mr G.M. CASTRILLI: This is becoming very confusing.

Mr Bowron: As far as I understand that, the original sale for putting over the rights for sale to SAI Global was so that Standards Australia had a large capital base, it had a significant sum of money, and got a proportion of dividend from the sales. That came to a bad head in the financial crisis time when Standards Australia realised that it was not generating enough income from a fixed income base, so it had to go through quite a bit of churn and that was just before I came in, so I do not have any firsthand knowledge. As I said, I was unaware that they had actually sold that 40 per cent.

The CHAIR: My understanding is that with the structure of Standards Australia there are members, like Western Australia has members, and then those members elect the board and the board will make those commercial decisions as to what is going to happen.

Mr Bowron: That is my understanding as well.

Hon MARK LEWIS: Who owns the money?

The CHAIR: Standards Australia.

Hon MARK LEWIS: But are the members shareholders?

Mr Bowron: No, they are not shareholders.

The CHAIR: It is a not-for-profit company so they are not shareholders in the normal sense of the word.

Ms S.F. McGURK: I find it extraordinary that a member of Standards Australia, as you are, cannot find out what the terms of contract are. We are not even talking about an external body but a state government nominee who cannot find out what those terms are. That is extraordinary and it is something well worth commenting on.

Mr G.M. CASTRILLI: It is getting a bit confusing. Whether it goes for the five-year option or not, SAI Global has got to be asked the question on whether to extend or not extend. Somebody has to say yes or no, and that person is Standards Australia. Standards Australia is made up of a board that makes that decision—yes or no—and then, I presume it goes backwards and forwards in negotiations. That board is then made up of a group of owners, whether they are shareholders or not, and that includes the Western Australian government through a nominee. Therefore there must be an ownership of various states, and through that ownership there has to be a cascading upwards of desire on behalf of each of the states as to where they want this to go at the end of that lease period, and that board then makes a decision, accordingly, with SAI Global, I would imagine. Therefore, we need representation from the state, from Western Australia, to make our thoughts and desires known, as does every other state, yet we as a shareholder cannot find out or will not be told about what those terms and conditions are for something that we have ownership of. I find that extraordinary. I want to know about the decision-making process up the ladder to the board of Standards Australia, and how it will represent our wishes and what we want, together with all the

other states of course, for the future direction of standards in Australia. That is what I think, unless I have got it wrong.

Mr P. PAPALIA: We could almost say that the board are negligent in performing their duties unless they consult with the interested parties like state governments.

The CHAIR: The members of the association?

Mr P. PAPALIA: Prior to making their decision.

Mr Bowron: On all the decisions such as selling SAI Global—I think that is representative of what would happen if they were going to take up any options, if they have that choice—that was put to the association, that was put to the members, and WA voted against it at the time. The meeting would have been held in November back when the proposal to sell SAI Global was taken to all the association members.

The CHAIR: Not to sell SAI Global but that whole —

Mr Bowron: To sell SAI Global, the initial proposal —

The CHAIR: To sell to SAI Global?

Mr Bowron: Yes, it was taken to the members and voted on.

Mr G.M. CASTRILLI: Which was 15 years-plus.

Mr Bowron: That is right, and in that vote WA voted against it.

Mr G.M. CASTRILLI: Against selling?

Mr Bowron: Against selling. Again, it was not me but my predecessor, but I did agree with his logic that he believed standards should have stuck to—the meeting of standards not being as expansionary as it was in that prospectus. I would assume, therefore, that if there was any decision that was going to have financial obligation or governance obligation on standards, that would come to the members for a vote and then we would have one vote out of the membership.

Hon ROBIN CHAPPLE: Can I ask a follow-up on that one?

The CHAIR: Is your question a follow-up on that, Peter?

Hon PETER KATSAMBANIS: I am trying to get a handle on your role. I have a series of questions to ask you. They are not directed at you personally at all, so do not take them that way; I am just trying to look at this structure and you are the person who sits on the board.

Mr Bowron: No, on the association—Standards Australia committee.

Hon PETER KATSAMBANIS: When you go there to meetings, do you act personally or in a representative capacity?

Mr Bowron: No, the member is representative of the nominated organisation, so representative.

Hon PETER KATSAMBANIS: And so your nominating organisation is EnergySafety?

Mr Bowron: Western Australia government EnergySafety.

Hon PETER KATSAMBANIS: So it is the government of Western Australia. Who do you seek advice from in order to formulate your positions on any issue that needs to be debated or voted on?

Mr Bowron: In the times that I have been in the seat, I do not believe there have been any decisions other than voting for board members and the like and I have not sought any other advice on that. If it was something to the extent of the sale of SAI Global, I would be taking that through my minister to the government.

Hon PETER KATSAMBANIS: So you would take it through your minister, but in the decision to appoint a board member you act personally?

Mr Bowron: I do not refer that to any other parties, yes.

Hon PETER KATSAMBANIS: So you do not refer it to your department or director general or minister?

Mr Bowron: No.

Hon PETER KATSAMBANIS: Do you receive fees for attendance?

Mr Bowron: No.

Hon ROBIN CHAPPLE: You identified that WA voted against selling previously. Do we actually know who voted which way?

Mr Bowron: No, I do not.

The CHAIR: It would be in the minutes, I guess.

Hon ROBIN CHAPPLE: That would be really interesting to find out if the states all voted no and industry all voted yes.

The CHAIR: That could be of interest, but that is a side matter.

Hon ROBIN CHAPPLE: From where would we try to ascertain that information; do you have any idea?

Mr Bowron: The only organisation would be Standards Australia and the secretary.

Hon MARTIN PRITCHARD: You mentioned with regards to the election of the board that you had a vote and you could not justify going over there but appointed a proxy. Was there any approach to you as to who you should approach as to being a proxy?

Mr Bowron: No, it is up to councillors to either find another councillor or vote using the chairman and the easiest way is to fill in your voting form and send it to the chairman.

Hon MARTIN PRITCHARD: So you could do it through being absent.

The CHAIR: In terms of this whole thing of what is going to happen with a five-year extension, are you aware of what other members are thinking about that issue at all, without betraying confidences?

Mr Bowron: I have tried to contact as many of the other states' organisations that we deal with. I would have to say that it is not on their radar. Primarily I check through the representatives of ERAC, which is the Electrical Regulatory Authorities Council, and GTRC, the Gas Technical Regulators Committee, and we speak to their representatives who put their feelers out in the states. But, no, we have nothing back of anyone at all looking at the issue. We have also asked them whether the issue of paying for standards is a significant issue in their states. Although there are comments back that the cost of standards has gone up since they have been with SAI Global, most believe they would have a price one way or the other through someone and they do not seem particularly bothered.

[10.10 am]

Mr G.M. CASTRILLI: On the question of whether to extend or not extend, is it your expectation that the board members would consult their representatives before they make that decision?

Mr Bowron: I think that would depend on the condition of the contract and whether it is at board level discretion or whether they need to bring it back to the association, and that I am not sure of.

The CHAIR: I guess it is very difficult to know because we do not know what is in the contract.

Mr Bowron: I gets back to that same point.

The CHAIR: If they say that it is all in the contract and that it does not need to come from the members, even you, as a member, have no way of checking because they will not allow you to access it, which is a concern.

Ms S.F. McGURK: Following on from that comment that Ken just made, perhaps some of the member organisations say that one way or another they have to pay for these standards so it is no big deal. But, really, is there anyone stepping back and looking at the overall costs being borne by all the different organisations—we have got a bit of a glimpse into that from the work that we have done here—and also the lack of access by the public, who are often subjected to those standards or expected to comply with those standards, and really practically do not have access to them at all? Even though individually those organisations might say this is not an issue, really, when we step back and look at it, it is. It is an issue, and that is what prompted this inquiry.

The CHAIR: I guess the technology change to the web and the fact that 85 or 95 per cent of standards are made available where people pay a fee for downloading it off the website, when the contract was set up originally, that was very small—I do not think it was actually happening yet; it was still very much a paper-based operation. A lot of the other states have probably not even thought about the issue that the model could actually be more cost effective if we changed the whole thing.

Mr Bowron: One of the states said that they allow people to come and view them in their offices—this is a technical regulator like I am—but will not let anyone copy them. They believe that they are upholding the terms of the privacy, the confidentiality, whilst providing some access, but of course they would have to pay for the licence so that they can view it on their computer.

Ms S.F. McGURK: And if you live in a region, then that is not practical.

Mr Bowron: Then you have to travel to do it—exactly.

Mr G.M. CASTRILLI: Is a public register available of all the stakeholders who are represented by the board members—or the shareholders, I suppose?

The CHAIR: The members of the association, you mean?

Mr Bowron: It is on the Standards Australia website.

Mr G.M. CASTRILLI: Of all the stakeholders? I am just thinking there is a way —

The CHAIR: Perhaps we should write to them all.

Mr G.M. CASTRILLI: Exactly.

The CHAIR: We can certainly send them a copy of our report when we finish, yes.

Mr Bowron: It is certainly on the radar. Adam Stingemore, who you interviewed the last time I was here, was at the meeting that I attended, and he was interested in the progress of the committee and what was going on, but did not express any particular company view; it was more of an open question.

Hon ROBIN CHAPPLE: I want to go in a slightly different direction. You represent EnergySafety.

Mr Bowron: Representing the WA government, yes.

Hon ROBIN CHAPPLE: When regulations involving energy safety come up or are proposed, how does that work? Say we wanted to create a standard around an electrical component which was brand new, how do we do that?

Mr Bowron: There are a number of ways. The most common way is to make a proposal to Standards Australia to have a standard written or a standard amended. Particularly in the electrical and gas areas, they have standing committees that are made up of representatives of manufacturers, regulators, suppliers and users as an expert group. They would work on it, if they were given

priority, and the standard would be prepared. That does not give it any legal standing other than it is a standard, and it is then up to the state regulators to call it up, to adopt it. An example of that would be that very recently, in 2012, there was a call to have a standardised safety management system, safety case risk base, for electrical network operators. The operators were calling for it because every state had a different standard, and all the regulators were very happy to support that. In the end the commonwealth funded that, paid Standards Australia. It is the quickest standard I have ever seen prepared; it was done in 12 months. That was called up, AS 5577. All the states at that stage entered into an intergovernmental agreement that they would call it up into their legislation as and when they could, and we have adopted that already in this state. So that is the fastest one. You can pay for it to be done or you can ask Standards Australia.

Hon ROBIN CHAPPLE: If you ask Standards Australia, how many standards would be out there waiting to be done and how long would they take on average? Maybe that is too difficult to answer.

Mr Bowron: There are many thousands of standards out there because they cover every possible thing you could think of and usually some more. Standards Australia is trying to make sure that no standard has not been reviewed for more than 10 years; they do not want it to be left for more than 10 years. Typical times depend on the complexity of the standard, but two to three years would feel about right. The committees that look at that are volunteers. We have people from my organisation and other organisations who work on the committees. There is a huge investment by industry and the states in that because we pay for their time and flights to attend the committees, and that is just part of the standards making process.

Hon ROBIN CHAPPLE: A company called SAA Approvals actually do the approvals and standards for electrical components coming into Australia. Do you have any involvement with them? I understand they are a separate entity.

Mr Bowron: There are a number of approval organisations who will then approve equipment against the Australian Standard that has been called up and can then apply the appropriate accreditation stamp or mark to make that an approved appliance.

Hon ROBIN CHAPPLE: So say someone like SAA Approvals wants to import a new electrical component that does not have a standard, how do they go about certifying that when there is no standard?

Mr Bowron: The approvals company would not be bringing in the equipment; they would be vetting the equipment for a company that wanted to do that. They should not be in the game; they should be an independent approval agency. If the company wanted to bring something in and they brought it to them and there was no standard, they would say, "Well, I can't give you any standards accreditation." What would happen usually is that the company would then try to contact the committee or Standards Australia to get such a standard set or to see whether it is an appliance that needs to have a standard set for it.

Hon ROBIN CHAPPLE: Moving on from there, we obviously have a large number of different forms of battery systems coming into households at the moment. There are all sorts of different batteries coming in, such as lead acid and barium, and I understand there is no standard for batteries at the moment.

Mr Bowron: Off the top of my head, I could not verify or deny.

Hon ROBIN CHAPPLE: I know that industry is very concerned because they are all building to different standards. They are being imported but they actually do not have a standard.

Mr Bowron: I am surprised by that, but I can confirm—I do not know. I thought there was.

Hon ROBIN CHAPPLE: It would be very interesting because I just attended a conference where that was raised as one of the most significant issues.

Mr Bowron: It is certainly an area where there is a lot of active work going on. For the normal use of batteries in traditional senses, they are probably covered. Now you are starting to look at different types of manufacture and having them potentially in more dangerous situations like households. I think there are probably some ancillary safety issues other than just the pure volts, current, amps—type considerations.

[10.20 am]

Hon ROBIN CHAPPLE: It would be interesting to know how many different approvals organisations—maybe that is something we need to have a look at—are operating in that broader context, making sure that Australian Standards, of which a lot are quoted here, are met, and where there are glitches and how those glitches are brought to the attention of Standards Australia's attention and dealt with expeditiously.

Mr Bowron: Usually, with those sorts of things, there would be a relatively small number of approval agencies within Australia and one or two offshore, and then there is a criterion—you get it with electrical equipment—for what type of approval process it has, whether it be self-certified or whether it needs to be certified by an independent body, depending on how dangerous the good is. Certainly, regulators such as ourselves are very active at looking at those sorts of things. That is the beauty of the ERAC that I mentioned before, and on the gas side the GTRC, where the states are comparing what they are seeing coming in, what problems they are seeing, whether they are seeing that there should be any changes to the standards. Most of us are represented on the committees, so they will be taking that directly into the committee to work on.

Hon MARK LEWIS: I have just been reading the constitution. It goes to the issue of who owns the money and the balance sheet, and if it is dissolved, then it does not come back to the members; it goes to some other institution or institutions. So in terms of the money trail, there are no issues there, but I do have an issue. If the committee comes out and recommends that there not be an option taken up, that would be something that would go to COAG. Which department would represent us on COAG at that—or which committee of COAG would deal with the issue that we are now talking about?

Mr Bowron: I am honestly not sure which committee it would be. The commonwealth are represented as well and they would probably be the group that would bring it to COAG I would think, unless any individual state—no, I do not know which committee in COAG would be looking at that.

The CHAIR: Just for clarity and to try to understand the background of your question, Mark, can you explain that a little?

Hon MARK LEWIS: Say it was a recommendation of this committee that the state government should be involved in the decision going forward and that it should do this through the framework of COAG to bring in the other states, because collectively that is the only way we are going to get change. The mechanism from WA's perspective would be through the COAG mechanism, but I am just wondering which committee —

Ms S.F. McGURK: If you want to do it this century!

Hon MARK LEWIS: COAG does it every six months.

Mr Bowron: I think the other issue I would see with that is that that would maybe influence the commonwealth and the jurisdictions. There are probably 50 or 60 other association members having a vote as well.

Hon MARK LEWIS: That is fine, as long as we have a collective view from across government about how we feel about the issue of the five years' extension or whatever going forward and how the committee's report might be taken and actioned further.

Hon MARTIN PRITCHARD: Are you thinking about creating a voting block?

The CHAIR: Unless there is a group of people advocating some change in the way things roll, things, by nature, just tend to keep rolling along as they always have done. Even if the five-year contract renewal is just a rubber stamp because it is locked in in terms of the legalities of what is in the contract, at least at the end of that five-year period there has obviously got to be a very significant decision made. If Western Australia were to voice its opinion in terms of what is the best way forward, that is something that would be worth canvassing, obviously, with the other states, if we want that to get any traction.

Hon MARK LEWIS: Just as a matter of record, could you come back to us on which committee of COAG might likely be the carrier of this, taking it forward?

Mr Bowron: Yes, I can give it some thought.

Mr P. PAPALIA: The responsible authority.

Hon MARK LEWIS: Because there are agricultural ones, science ones. There is a whole heap of —

Ms S.F. McGURK: The question is which federal minister should take responsibility.

The CHAIR: As Stephen said, to save you worrying about that, he will chase that up.

Mr Bowron: Because it would probably be the federal minister responsible for the department there.

The CHAIR: Are there any further questions from members? Is there anything you would like to say, Ken, about where we have gone or anything we have not gone to that you would like to say something about?

Mr Bowron: No, I share your confusion as to the terms of the contract, and the more I have looked into it, the more bemused I have become, from that point of view. What on the surface, from a technical regulator's point of view, seems to be managing us producing technical regulations in a timely manner and looking after that has got into an area now that is certainly a bigger area than we have considered.

Hon ROBIN CHAPPLE: Can I just ask one sup? Is it possible to identify how many standards are awaiting fruition? Is there a backlog?

Mr Bowron: No, there is a continuous process that goes on. Once or twice a year Standards Australia runs a process of getting nominations on what standards should be either changed or developed, and they seek a benefits case from the proposer of those, and they then rank those and look at them from the capacity of Standards Australia to deal with them. The committee that I mentioned I sit on, the standards development committee, oversights that, and then it either agrees with theirs or questions why something has been left out, and deals with any appeals that might come if somebody is saying, "I think I should have been." There has been none in that area; it seems to work. They have a regular reporting on the progress of all those standards going through.

Hon MARTIN PRITCHARD: Can I say I suppose you can jump the queue if you are prepared to pay.

Mr Bowron: Yes, it is a different queue from that point of view, so there are the different streams. There are some other standards development bodies other than Standards Australia, so in the areas of forestry and agriculture and a few like that. They are recognised and they can produce them as Australian Standards. So Standards Australia, whilst doing the vast majority, are not the only people who can prepare standards, and within Standards Australia they have the standards development process that I just described where it is proposed to Standards Australia, and then the other one is the funded pathway where someone will come along and say, "I would like this standard and I am prepared to pay."

The CHAIR: Thank you very much, Ken.

Hon MARTIN PRITCHARD: Thank you very much. You have been very open and very

informative. We do appreciate it.

Mr Bowron: I am here to help.

The CHAIR: Thank you very much for your time. It is very much appreciated.

Mr Bowron: It is my pleasure. Thank you.

Hearing concluded at 10.28 am