

GUIDE TO NET BENEFIT for accredited SDOs

1 INTRODUCTION

The purpose of this Guide is to assist in preparing a case to demonstrate the Net Benefit of a proposed Australian Standard. Standard Australia's Standards Development and Accreditation Committee (SDAC)'s *Requirements for Accreditation of Standards Development Organisations* specifies that a Net Benefit is required for all proposed Australian Standards (either new standards or revisions of existing standards). Net Benefit is defined as:

the value or benefit of a standard to the Australian community that exceeds the costs likely to be imposed on suppliers, users and other parties in the community as a result of its development and implementation.

The reasons for this requirement are varied. One is to avoid the preparation of standards for 'standardisation's sake' without a consideration of what potential impact the preparation of all these 'nice to have' standards may have on the SDO's resources or on society if they are ever implemented. Another is to avoid an overly restrictive or 'gold plated' solution to a problem. While it may be a superb engineering solution, implementation of the standard could be hugely expensive and well beyond the benefit delivered.

There is a general policy within the government that regulations must be of benefit to society and, in fact, the requirement for a Regulatory Impact Statement (RIS)¹ for new regulations is to address the same issues covered by the Net Benefit assessment. The demonstration of Net Benefit for Australian Standards has been discussed by Standards Australia with the Office of Best Practice Regulation. In the OBPR's view the effective demonstration of a Net Benefit meets their requirements for an RIS. This has implications for both standards that are likely to be called up in legislation, or where standards can be used as an alternative to regulations.

These considerations are important in ensuring the continuing high standing, and acceptance that Australian Standard® brand standards enjoy. The demonstration of Net Benefit for a standard also reflects the Memorandum of Understanding between Standards Australia and the Commonwealth Government.

2 DEVELOPING A NET BENEFIT CASE

Where a party is proposing a project to develop, amend or revise an Australian Standard, that party is responsible for developing a Net Benefit case and submitting it to the SDO as part of the project proposal (Cl. 18.2). This applies equally whether the Australian Standard is being developed locally or the adoption of an international standard is proposed.

The key principle is that the Net Benefit Case must be appropriate for the size and impact of the proposed Standard. For proposals with major cost impacts, or where the standard is

¹ Commonwealth Department of Finance and Deregulation Office of Best Practice Regulation (OBPR)
[Best Practice Regulation: A Guide for Ministerial Councils and Standard Setting Bodies](#)
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likely to be called up in legislation, a detailed analysis should be carefully considered. Small projects or projects with limited impact will require a less detailed Net Benefit Case. Amendments may rely on the Net Benefit Case of the original Standard. However, if the amendment makes significant changes to the document and particularly the implementation of the base standard then a Net Benefit Case should be considered.

The following elements may be used within a Net Benefit case. There are suggestions on what to include/consider and these are designed to guide authors of proposals through the development of their case.

NEED FOR THE STANDARD

- Identify and provide evidence of the problem to be addressed, particularly where there is evidence of market failure.
- Describe the goals and objectives of the proposed Standard.
- Demonstrate that there is wide stakeholder support for development of the Standard and that the implementation of the proposed Standard is likely.
- Identify any consequences of not developing the Standard.

CONSIDERATION OF BASE DOCUMENTS

- Identify any relevant codes, information, guidelines or Standards currently used or produced in Australia or other countries to address the problem.
- Review and/or justify any apparent duplication with an Australian Standard or International Standard.
- Consider any existing International Standard or International Standard development project and justify any adoption/non-adoption or modification.

COSTS AND BENEFITS OF THE STANDARD

It should be demonstrated by the proposer that the potential impacts of the proposed Standard are understood, including the costs and benefits of implementation. An appropriate method of assessment should be chosen which reflects the significance of the proposal. Quantitative data should be used to illustrate the size and scope of the impact of the Standard if possible, although in many instances this will not be possible in which case a qualitative evaluation should be undertaken.

It is important that this analysis does not include the costs of preparation of the Standard, i.e. the costs incurred by the SDO and the participants in the Standards Reference Body (SRB).

The costs and benefits to all affected stakeholders and communities of interest are to be considered – the Net Benefit is the sum total of all these costs and benefits. While a proposed Standard may have limited Net Benefit to the general public, there may be significant proportional costs or benefits to smaller communities of interest. These specific communities, and the impact this proposal makes on them, should be considered. Similarly, the standard may impose a series of costs (perhaps generally or to one sector) but these are outweighed by the benefits (either generally or to one sector).

The absence of a Standard may also have significant impacts other than those easily identified as part of a Net Benefit case, including negative impacts on particular communities or the loss of potential opportunities. These could be considered when identifying the need for the standard.

While every proposal is different, the following criteria could be considered when relevant:

- ***Economic impact***
 - ◆ What is the economic impact of the Standard over its life? Cover the different key sectors of the community (e.g. consumers, manufacturers, small business).
 - ◆ Consider the impacts such as increased/decreased costs; increased/reduced utility; redistribution of wealth.
 - ◆ Look for inequitable impacts across or between sectors; inequitable impacts on the most vulnerable consumers or end users.
 - ◆ Are there any macro economic implications e.g. reduced employment, economic growth or contraction, productivity outcomes.
- ***Environmental impact***
 - ◆ What are the negative impacts on the environment (physical and biological) of implementing the standard (e.g. noise; pollution; amenity)?
 - ◆ What improvements are there likely to be to the environment from implementing the standard (i.e. does the standard address a known or potential environmental problem)?
 - ◆ Are both tangible and intangible impacts being considered?
- ***Competition***
 - ◆ Will the Standard assist international alignment in global markets?
 - ◆ Consider potential competition restrictions (cost) or improvements (benefit) that may result from the Standard.
 - ◆ Are there any potential impacts upon innovation?
 - ◆ Can the Standard enable widely used technology and/or support international interoperability?
- ***Public health and safety***
 - ◆ How will the Standard improve public and/or workplace health or safety?
 - ◆ Is there any reasonable alternative to achieving the same improvements?
 - ◆ What negative impacts will there be from implementing the standard?
- ***Social and community impact***
 - ◆ Consider the social and community impact of the Standard including ‘intangible’ costs and benefits borne by different sectors of the community (e.g. better information; improvements to products and services; more reliable outcomes).
 - ◆ Be aware of the most vulnerable consumers or end users, and particularly the potential for unintended consequences.
- ***Existing standards***
 - ◆ Does this standard support an existing standard and how?
 - ◆ What is the impact of not implementing this standard?
 - ◆ What additional costs may this standard add; and what are the benefits?

- **Legislation**
 - ◆ Is it intended that the Standard will be called up in legislation?
 - ◆ Has the relevant regulator requested the standard?
 - ◆ Is a regulatory impact statement (RIS) or a preliminary impact assessment (PIA) required (i.e. as a substitute for the Net Benefit Case) or is an existing RIS available that will substitute for the Net benefit case.?

3 EVALUATION

Based upon the above assessment, does the proposed Standard result in an overall Net Benefit to the community as a whole? If not, can the proposal be amended to minimise negative impacts and/or increase positive impacts sufficient to achieve Net Benefit?

This evaluation could be included in a summary of the proposal.

4 IMPLEMENTATION BY THE SDO

SDAC's requirements are that each Standard demonstrates a Net Benefit to society (Cl. 19.1). It is the responsibility of the SDO to satisfy themselves that any approved project meets this requirement.

The form of the submission of the Net Benefit Case is left to each SDO (i.e. paper or electronic, form or narrative, part of or separate to the project proposal). Similarly, the responsibility for making that determination on behalf of the SDO is left to each SDO. However, the SRB responsible for preparing the standard is not usually involved in making the determination. It is usually the responsibility of a higher level governance committee.

SDOs should make sure the relevant processes are documented since the determination may be audited.