



Australian Government  
Department of Industry and Science

National  
Measurement  
Institute

# Consultation on NITP Review

National Measurement Institute

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<https://consult.industry.gov.au/National-Measurement-Institute/NITP-Reform>

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# Introduction

The purpose of this document is to seek comment and submissions from stakeholders to inform a review of the National Instrument Test Procedures (NITPs).

This consultation paper provides an overview of the current trade measurement system and seeks input on the scope for improvements that may reduce the regulatory burden on business and servicing licensees in relation to NITPs.

## Scope

This review does not include utility meters as utility meters are not tested by servicing licensees and are managed under a different framework. Testing of utility meters will continue to be undertaken in accordance with the requirements and procedures specified in NITP 14 (Utility Meters) and therefore are out of scope for discussion within this paper.

## What is the Issue?

The National Measurement Institute (NMI) is considering ways to reduce the compliance costs on servicing licensees and business through regulation reform.

## Objectives of Consultation

NMI is seeking industry views on the use and effectiveness of the NITPs as part of the trade measurement system and would like to hear from industry if there are any improvements that can be made including:

1. Is the current NITP system working effectively?; and
2. Are there changes to the current system that can be made to reduce the compliance burden?

# Background

## What is trade measurement?

Trade measurement refers to all transactions in which the price of the commodities or goods is based on measurement of quantity or quality. Petrol pumps, retail scales and weighbridges are examples of some of the instruments that the public and business rely on every day to be accurate and fit-for-purpose. Studies have indicated the annual value of goods sold by measure is approximately 50 percent of GDP in developed countries.<sup>1</sup> Using this estimate, the trade and measurement system in Australia supports transactions worth greater than \$400 billion per annum. Of this, business-to-business transactions account for about 75 per cent and retail transactions make up 25 per cent.<sup>2</sup>

The trade measurement system ensures transactions are fair and equitable, giving confidence to buyers and sellers that the transaction is based on accurate measurement. The national measurement legislation requires measuring instruments used for trade to be pattern approved<sup>3</sup> and verified.

NMI, a division of the Department of Industry and Science (DIS), is responsible for maintaining Australia's national measurement system and administering the functions detailed in the National Measurement Act and its subordinate regulations.

## What are the National Instrument Test Procedures?

The NITPs are developed by NMI in consultation with industry and detail nationally consistent procedures for testing the accuracy of trade measurement instruments. The NITPs include the required equipment, test methods, general requirements (such as required markings), error limits and the test report that is completed as part of verification. Currently, there are 20 NITPs published on the NMI website.

Currently a distinction is made by NMI between simple and complex measuring instruments. This distinction is made to categorise the instruments into groups based on the complexity of the instrument testing processes.

Complex measuring instruments include:

- automatic rail weighbridges;
- belt weighers;
- bulk flowmetering systems;

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<sup>1</sup> Booz Allen Hamilton (Australia) Ltd. Prepared for Standing Committee of Officials on Consumer Affairs, *Final Report – Review of National Arrangements for Administering Trade Measurement in Australia*, p6.

<sup>2</sup> Ibid.

<sup>3</sup> Pattern approval assesses the design of a specific model of measuring instrument to ensure it conforms to the requirements specified in the national standard for that type of instrument.

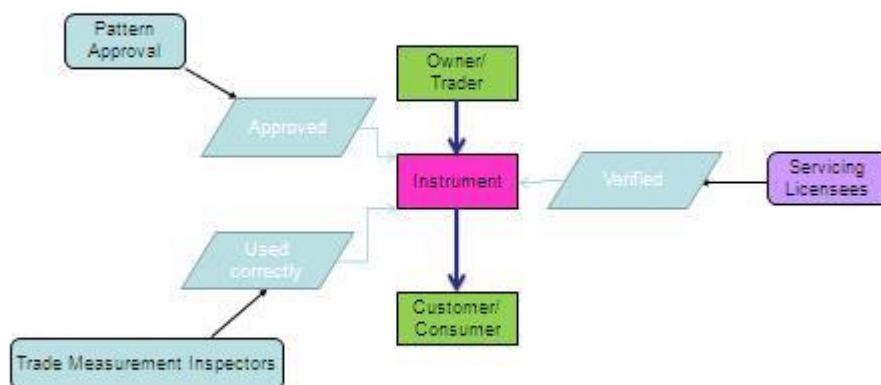
- LPG dispensers and flowmetering system;
- totalising hoppers; and
- weighbridges.

## What are servicing licensees?

Servicing licensees are competent businesses appointed by NMI to test trade measuring instruments in accordance with the procedures detailed in the NITPs. Licenses are granted under the *National Measurement Act*. As part of this process, servicing licensees are required to meet conditions stipulated under the national measurement legislation.

Servicing licensees employ individuals that have obtained the required training and competency to be appointed as a verifier.

## The current system



This section outlines the requirements for each step in the above diagram, noting who is burdened by the requirements and when.

There are questions throughout the document to assess the regulatory burden and seek feedback on opportunities for reform that may benefit business and servicing licensees.

## Step one: Pattern approval

The *National Measurement Act 1960* (Cth) provides the legal basis for examining and approving patterns (designs) of measuring instruments suitable for use for trade and other legal purposes. The legislation requires that every measuring instrument that is in use for trade be of an approved

pattern. It is an offence under the *National Measurement Act 1960* (Cth) for an instrument which is not verified to be used for trade purposes. Pattern approval is a prerequisite for verification.

Applicants, such as manufacturers, that develop new types of trade measuring instruments are required to seek pattern approval from NMI. Instrument types cannot be made available for trade until NMI completes its approval testing and assessment and issues a Certificate of Approval which works as a statement of quality and reliability. The Certificate of Approval informs servicing licensees that an instrument is approved for use. The new instrument types must then be manufactured in accordance with the relevant pattern.

## Step two: Business buys measuring instrument from supplier

Instrument suppliers can only supply instruments that are of an approved pattern for trade purposes.

## Step three: Business engages servicing licensee

The national measurement legislation requires businesses to use verified trade measuring instruments. As such, businesses engage a servicing licensee to test and verify their measuring instruments.

Verification assesses whether an instrument is of an approved pattern (i.e. has a Certificate of Approval) and is operating within the appropriate error limits (known as maximum permissible errors or MPEs). These error limits are specified in the Certificates of Approval (available on the NMI website) and/or in Schedule 1 of the *National Trade Measurement Regulations 2009* (Cth).

Businesses are also required to ensure that measuring instruments used for trade are verified if the measurement functionality of the instrument may be jeopardised. This can result in trade measuring instruments undergoing verification multiple times over the life of the instrument resulting in a burden on business through the indirect costs incurred while testing is being conducted. Indirect costs can include the need to halt trade or production while the verification is being conducted.

## Step four: Servicing licensee undertakes verification using NITPs

It is the responsibility of businesses using trade measuring instruments to ensure their measuring instruments are verified prior to initial use and operate to the required accuracy specified in the national measurement legislation.

To maintain traceability of the trade measuring instrument, there is a requirement for the servicing licensee to use reference standards (for example, reference standards of measurement and Australian Certified Reference Materials) with appropriate certificates when verifying instruments.

The mandatory use of NITPs by servicing licensees when verifying trade measuring instruments places a regulatory burden on industry. Examples of regulatory burden include direct costs (e.g. cost of verification) and indirect costs (e.g. halt trade or production while the verification is being conducted, equipment costs and equipment transportation costs). For instance, complex measuring instruments such as large hoppers currently require the coordination of equipment/material such as test product (e.g. grain) and product handling/transport arrangements (e.g. ships/trucks and conveyor belts).

In the case of new types of measuring instruments, businesses will face potential delays as there may not be a NITP for the particular type of instrument and/or servicing licensees who could verify such an instrument.

As servicing licensees are required to follow the mandated test procedures detailed in the NITP, they have limited opportunity to innovate and develop their own test procedures to test whether measuring instruments meet the specified error limits specified in the Certificates of Approval and/or legislation.

#### Questions for businesses and servicing licensees

*(1) What are the delay costs, if any, associated with verifying a trade measuring instrument in accordance with the NITP?*

*(2) What are the delay costs, if any, during the wait for NMI to develop and publish relevant NITPs for new instrument types?*

## Step five: Servicing licensee provides notification to NMI

The regulations require servicing licensees to complete a form (Form 6) advising NMI of the completion of a verification of trade measuring instrument(s). In addition, servicing licensees verifying complex trade measuring instrument are also required to submit the test report following verification of these instruments.

This results in servicing licensees incurring costs associated with completing, maintaining and submitting these reports to NMI.

#### Questions for servicing licensees

*(3) As a servicing licensee, are there any costs (direct/indirect) that you incur as a result of completing a Form 6? Please include estimates of these costs on an annual basis.*

*(4) As a servicing licensee, are there any costs (direct/indirect) that you incur as a result of submitting test reports to NMI? Please include estimates of these costs on an annual basis.*

*(5) As a servicing licensee, what savings do you believe would result from the removal of the requirement to notify NMI? When including estimates of these savings, please specify the type of notification.*

## Step six: Trade measurement inspectors inspect measuring instruments against NITPs

Trade measurement inspectors conduct compliance and enforcement activities on trade measuring instruments used by businesses and the work of the servicing licensees as part of the enforcement regime under the *National Measurement Act 1960* (Cth). These compliance and enforcement activities are undertaken based on a risk framework or in response to a complaint and are usually unannounced. As part of this process, the inspectors follow an internal test procedure to ensure that the trade measuring instruments comply with the appropriate error limits. Currently this internal test procedure is the NITP. Where a trade measuring instrument is non-compliant with the required error limit, enforcement action may be taken.

## Alternate Approaches

NMI is interested in understanding ways to reduce the regulatory burden on businesses and servicing licensees in relation to the use of NITPs.

An alternative approach is to remove the existing mandatory use of NITPs, thereby allowing trade measuring instruments to be tested in a variety of ways for verification. This could be implemented in a number of ways, including all NITPs being made voluntary or just a selection of the NITPs, such as complex measuring instruments only. Under this arrangement, businesses using instruments for trade and servicing licensees who verify these instruments would still be required to ensure that an instrument is of an approved pattern (i.e. has a Certificate of Approval) and meets the appropriate error limits as specified in the Certificates of Approval and/or legislation.

By making some or all NITPs voluntary, industry would gain discretion as to how they wish to ensure compliance with appropriate error limits, that is, what tests need to be conducted. If servicing licensees were to innovate and create an alternative testing procedure that took a shorter time to complete



the verification, the instrument owner/user may benefit from a lower cost of verification, if servicing licensees passed on the cost savings to the business. However, users of trade measuring instruments may be uncertain whether these test outcomes comply with the intent and objective of the national measurement legislation.

As part of this process, there could be increased competition amongst servicing licensees in testing these instruments with a competitive price. This in turn would place downward pressure on the cost of verifying measuring instruments.

As this approach would be a change to the existing framework, there would be potential for increased uncertainty in the short term in relation to the method of testing that would ensure compliance with the national measurement legislation.

Under such an arrangement, NMI's trade measurement inspectors would continue to conduct random inspections and investigate complaints relating to the accuracy of measuring instruments. As part of this process, the inspectors would follow an internal test procedure developed by NMI. These test procedure would be published on the NMI website to be open and transparent with stakeholders on how the instrument would be tested by inspectors.

Removing the mandatory use of NITPs may reduce potential delay costs to businesses in new and emerging measurement sectors by removing the need to wait for NMI to develop and publish the relevant NITP for new measuring instruments.

#### Questions for businesses and servicing licensees

- (6) Do you believe there are any risks in removing the requirement for simple and/or complex measuring devices to be tested by the NITP? If yes, what are they?
- (7) Do you think the removal of mandatory NITPs (and associated test reports) would result in innovation and subsequent cost burden savings?
- (8) Are there any concerns to your business that would occur as a result of implementing this possible reform?
- (9) For the identified concerns, what are the cost impacts to your business?

#### Questions for businesses that use trade measuring instruments

- (10) As a user of trade measuring instruments, would you engage a servicing licensee who uses an alternate test procedure?
- (11) As a user of trade measuring instruments, would the publication of the test procedures used by trade measurement inspectors act as a disincentive to engage a servicing licensee who uses an alternate test procedure?

#### Questions for servicing licensees

- (12) As a servicing licensee, would the transition of NITPs from a mandatory to a voluntary basis provide the incentive to innovate and develop your own test procedures to assess the accuracy of trade measuring instruments?
- (13) As a servicing licensee, would the publication of the test procedures used by trade measurement inspectors act as a disincentive to developing alternative test procedures?
- (14) As a servicing licensee, would there be concerns to your business that are not currently identified as a result of the alternative approach (i.e. transition of NITPs from a mandatory to a voluntary basis)?
- (15) For the identified concerns, what are the cost impacts to your business?
- (16) As a servicing licensee, would the transition of NITPs from a mandatory to a voluntary basis result in a cost increase or cost reduction to your business? If so, what would be the approximate cost/saving?

## Additional questions

NMI is seeking your input on the current cost of complying with the regulations that require servicing licensees to use NITPs to verify a trade measurement instrument.

#### Questions for businesses that use trade measuring instruments

*(17) As a business, what is the direct cost of verification (i.e. how much is invoiced)?*

*(18) As users of trade measuring instruments, what indirect costs (e.g. shutdown time, providing resources/infrastructure, delay costs etc.) do you incur as a result of a servicing licensee following the test procedure detailed in the NITP? Please include estimates of these costs.*

#### Questions for servicing licensees

*(19) As a servicing licensee what do you invoice on average for the different classes of measuring instrument that you verify?*

*(20) What proportion of the invoiced amount is the result of following the test procedure specified in the NITP? (As opposed to other overheads associated with verification)*

*(21) Are there other opportunities to reduce the burden on servicing licensees and business through removing or reducing the requirements of the regulations?*

*(22) Are there any other impacts on servicing licensees, as a result of maintaining the current system, that have not been reflected in this paper? Do these have a cost?*

# Providing your Feedback

The National Measurement Institute (NMI) invites submissions to inform the review of the NITPs. NMI is proposing a two stage consultation process to enable stakeholders to provide feedback on the current trade measurement system and opportunities for reform.

The first public consultation process will run from **27 May until 25 June 2015**.

The closing date for submissions and comments is **25 June 2015**.

Stakeholder feedback to the public consultation process will inform the Government's consideration of whether there are reforms that could reduce the regulatory burden currently imposed on businesses, other Government agencies and the community. Once the public consultation process is concluded, further targeted consultation may be necessary to clarify any issues or questions which arise from the initial consultation period.

This consultation may inform the development of a Regulation Impact Statement (RIS). If warranted, the second consultation, scheduled for August 2015, would involve the release of a Regulation Impact Statement (RIS) and will allow stakeholders to provide feedback on the RIS. The RIS process is part of the Government's firm commitment to better regulation that delivers net benefits for businesses and the community. The objective of the RIS would be to inform the Government's decision about how to proceed from the review based on evidence and feedback from stakeholders.

Consequently, the current consultation will underpin any RIS, which will build on this document by assessing the regulatory burdens discussed in this paper.

## Submissions to this consultation paper

Key questions are provided throughout this paper and are replicated in the online submission form, to facilitate and focus submissions. Attachments, providing supporting evidence, may also be included.

Your submission must reach NMI by **11.59 PM AEST on Thursday 25 June 2015**.

Responses to the consultation paper may be submitted:

1. online, through the Department's consultation hub;
2. by downloading a form to fill-in (available on the Department's consultation hub) and
  - i. emailing to [NMILegalMetrologyPolicy@measurement.gov.au](mailto:NMILegalMetrologyPolicy@measurement.gov.au); or
  - ii. posting to Legal Metrology Branch, National Measurement Institute, PO Box 264, Lindfield NSW 2070 marked Attention: NITP Review

with the subject heading 'NITP Review and your company or individual name.

NMI prefers submissions to be submitted online through the consultation hub.

All information (including name and address) contained in formal submissions may be made available to the public on the Department's consultation hub following the close of submission, unless you request for your submission to be treated confidentially.

For this purpose, automatically generated confidentiality statements in emails would not be viewed as a request to consider your submission as confidential.

## Providing a confidential submission

If you wish to make a confidential submission, please complete the commercial-in-confidence submission form that is available on the Department's consultation hub.

A request made under the *Freedom of Information Act 1982* (Cth) for a submission marked 'confidential' to be made available will be determined in accordance with that Act.