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Dr Kathleen Dermody  
Committee Secretary  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Via Email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Dr. Dermody

### **Senate Inquiry into non-conforming building products**

Thank you for your email dated 1<sup>st</sup> of July 2015 inviting SAI Global Limited to make a submission to the Senate Inquiry into non-conforming building products.

### **Background**

SAI Global Limited (SAIG) is an ASX listed risk management company that provides organisations around the world with information services and solutions for managing risk, achieving compliance and driving business improvement.

We provide aggregated access services to Standards, Handbooks, Legislative and Property publications; we audit, certify and register products, systems and supply chain; we facilitate good governance and awareness of compliance, ethics and policy issues and provide training and improvement solutions to help individuals and organisations succeed.

SAIG's risk management portfolio includes certification of products to Australian standards and SAIG is the largest product certifier in the Australian market.

### **Overview**

SAIG believe the management and suitability of the current standards for building products are addressed and adequate paths exist for these to be modified by the stakeholders – building industry bodies, regulators, standards bodies, manufacturers and end users.

The enforcement of the standards and data collection across the supply chain however is not managed well and where registers are kept of certification they are isolated and difficult for consumers to find and use.

Supply chains today are not linear and require central management for effective compliance.

The total supply chain needs to have the critical control points identified and checking regimes in place. This would ensure data accumulation and easy identification of changes between the certified and shipped product. This requires a centralised data repository as close to real time as possible.

Attempting to manage and isolate non-conforming product only at the point of sale (POS) is inadequate, as product may have already entered the market. The economic risk for the importer or exporter is increased by not reviewing at lower value points in the supply chain.

The sheer number of products and the lack of a single database to be able to check batches / shipments leave the process and subsequent product open to Economically Motivated Adulteration (EMA) where substitution occurs either in the manufacturing process or in the supply chain. The product verification can be further inhibited by fraudulent documentation.

In addition to deliberate substitution, there are manufacturers that do not maintain manufacturing practises after certification which leads to non-conforming product being released until the next audit. This raises questions around the frequency of audits, whether audits should be unannounced and what other sampling need to be completed.

When a product is found to be non-conforming the recall management processes are inadequate and confusing to the consumer. The recall system needs to be robust and rely on the traceability of the products through the supply chain.

The failure to address these issues may lead to an increase in health and safety risks to workers and the Australian public as well as significant economic impact.

SAIG conducts 100,000+ global audits annually. SAIG's experience in supply chain control, auditing and assessing against standards and root cause analysis across a large number of industries shows the problems are not unique to Building materials.

### **Recommendations for Improvement**

1. A real time auditing platform with a centralised product database must be implemented
  - a. Manage the registration of manufacturers, importers and distributors
  - b. Conduct criteria based assessments for benchmarking
  - c. Compare product certifications and test results along the supply chain
2. Manage suppliers for non-conformity & recalls
  - a. Manufacturers, importers and distributors must be registered in a central data base and certified before being able to supply product.
  - b. Identify and draw upon existing effective conformance models currently used within the Automotive and Aerospace Industries.
3. 3<sup>rd</sup> Party certifiers must place their product certifications into the centralised database.
4. Critical control points be established from the supply chain at which sampling or assessment takes place.

- a. Manufacturing location assessments – Unannounced audits & frequency increases for previous non-compliances
  - b. Regulatory enforcement takes place in Australia
    - i. Non- Australian manufacturers would be regulated by a commercial contract between Australian importers or distributors
    - ii. As an example, the Exporter Supply Chain Assurance System (ESCAS) live animal model maintains compliance through commercial contracts
  - c. Inspections move to being criteria based on a Mobile Auditing Platform to give as close to real time results as possible.
5. The centralised data base must be self-funding by the user. Economic benefits to the suppliers result from finding non-conforming product earlier in the supply chain, preferably prior to shipment from the manufacturing point thus lowering economic risk and product release.

Yours Sincerely,

John Moushall  
**General Manager**  
**Assurance Asia & Product Services**  
**For and on behalf of SAI Global Ltd.**

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