

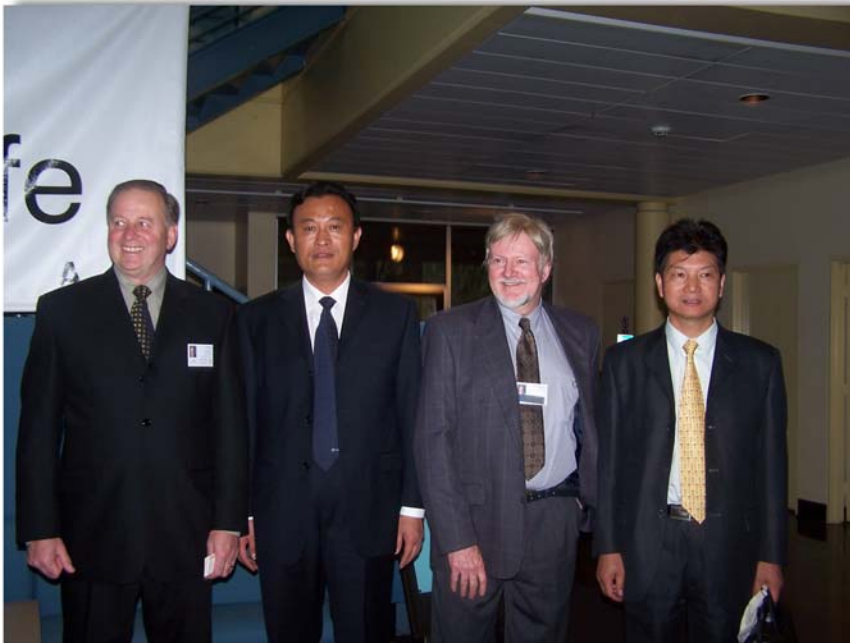


## Safe Equipment Design Gives Australia a Marketing Edge in Competitive World Markets

*By Peter Harley, Acting Director, TestSafe Australia*

It comes as a shock to discover that 325,000 engineers will graduate from Chinese Universities this year, and all will find employment in the burgeoning Chinese economy. Many of them will begin their work in industries that are growing at an unprecedented rate of more than 15% per annum. Many of these industries are newcomers to the principles of risk management and, by all statistical measures, are relatively unsafe. If these engineers begin their work in coal mining, including those that are run by the State, then they may be maintaining and installing equipment that has not been adequately tested for its intrinsic safety and is unlikely to be explosion-protected. They may also be among the 10,390 mining personnel that have unfortunately died in underground mining accidents in the last 10 months. They may also be among 440 miners who were underground on 22 October 2004 at the State-owned Daping Mine in Henan Province when a methane-explosion occurred, 100 are already dead with more being recovered. Subsequently other catastrophic mining accidents have occurred in other parts of China.

Set against this background, which will soon see China's economic influence outstrip Japan and challenge Europe, stringent



*Peter Harley (left) with Mr Feng Baoling, President of the Boshan District Anti-Blast Electrical Apparatus Company; TestSafe's Vince Higginbotham & Mr Gao Feng, Vice-General, Manager of JiangSu Electric Meter Company*

locally required safety requirements for Australian electronic equipment, manufactured for use in hazardous workplaces, is giving Australian electrical equipment manufacturers a much needed and distinctive marketing edge in world markets. Recently a delegation from the China Electrical Equipment Industrial Association came specifically to TestSafe, to learn more about certification standards and Test Reports backing this equipment. Its International Co-operation Director, Bai Wenbo, was particularly interested in the explosion protection schemes

(such as that administered by Standards Australia and by the International Electrotechnical Commission) to which reputable testing agencies adhere. Such certification is not yet widespread in China, but with steady advances in the Mines Approval system is likely to become the norm.

With the breakneck pace of expansion of Chinese manufacturing, the environment in which the Australian electrical equipment industry operates is becoming extremely competitive. In labour intensive markets such as electrical equipment, marketing edges such as the inherent safe design of the product will become increasingly important and will complement other strategies such as:

- Accelerated pursuit of production efficiencies.
- Importing of more components from Chinese suppliers.
- More rapid adoption of new technologies.

Whilst this growth in the Chinese economy is opening up tremendous opportunities in the world's fastest growing market, electrical equipment imports, meeting China's safety requirements will become pivotal.

A recent study commissioned by the Australian Industry Group (AiG) in 2004 provides a sobering assessment of the impact of rapidly expanding Chinese manufacturer on Australia's electrical equipment sector.

AiG's survey canvassed 848 domestic manufacturers and 50 senior executives as to how they are being affected in either customer or supplier markets. Despite the fact that 20% of firms were benefiting from greater exports to China, it concluded that overall China is having a negative impact on both activity and profits through its competitiveness in domestic and export markets. This led to a net trading loss of \$560m in the last year. (See DFAT graph below \*).

Executives stated that in order to overcome this apparent competitive disadvantage, industries such as those that manufacture electrical equipment will have to develop a range of initiatives to combat their inability to compete on cost alone.

Chart 3: Australia's competitive position with China

