

Guidelines for the preparation, adoption and review of technical regulations

1. Introduction

Technical regulations, which may incorporate or reference standards, are set by the government and are mandatory. They are typically put in place to achieve health, safety, consumer information and environmental objectives. However, because of their mandatory nature, technical regulations have the potential to create significant barriers to trade.

The purpose of these guidelines is to provide a common framework and set of principles for APEC economies for the preparation, adoption and review of technical regulations. It is intended that promoting similar approaches to regulatory management within APEC can improve the consistency and transparency of technical regulations, thereby reducing unnecessary obstacles to trade.

These guidelines define the process for the preparation, adoption and review of technical regulations as:

- identify the problem (including its nature and magnitude);
- consider all the options to address the problem;
- if technical regulations are chosen as the preferred option, consider the effect on obstacles to trade;
- consider adopting performance based standards rather than prescriptive standards;
- consider consistency with international standards and obligations;
- consider compliance mechanisms;
- consider providing for the review and monitoring of the technical regulation; and
- ensure that adequate consultation takes place.

A checklist of the questions that should be addressed appears in section 10.

2. Problem Identification

The first step in the development process should be to clearly identify the problem that needs to be addressed. The TBT Agreement states (2.2) that legitimate reasons for imposing technical regulations are:

- national security requirements;
- the prevention of deceptive practices; and
- protection of human health or safety, animal or plant life or health, or the environment.

In assessing the need for government intervention, APEC economies should ensure that the objective of government action meets this criteria. However, meeting the objectives identified above does not in itself mean that government intervention would be beneficial. It is also necessary to establish whether there is any underlying problem such that these objectives would not be achieved in the absence of government intervention.

Accurate problem definition reduces the risk of choosing inappropriate options for government action or ignoring more effective solutions, and reduces the likelihood of over regulation. Over regulation occurs where the extent and/or nature of regulation is greater than what is needed to address a problem. This results in additional costs to the economy, for example through increased production costs, reduced competition, reduced innovation, or reduced customer choice.

In general, economic decision making is best left to private individuals, who have the best information on their needs. As an extension of this, the operation of markets is in general the most effective means of ensuring that resources go to their highest valued use, thereby maximising their contribution to the economy. In some circumstances markets fail to do this (see Box 1). Government intervention is not always necessary or desirable to address market failures. In some circumstances they may be self correcting, eg social pressures on businesses to reduce pollution.

Box 1 Common market failures

Externalities	<p>Externalities are negative (or positive) effects from a transaction which fall on third parties. As a result, they may not be taken into account in production decisions, and too much (or too little) of the externality may be produced. An example of an externality is pollution, emitted as part of a manufacturing process, the cost of which does not fall on the manufacturer.</p> <p>Governments may choose to use economic instruments or technical standards to ensure that prices reflect the cost of the externality, or that less of the externality is produced.</p>
Imperfect competition	<p>Where barriers to entry into a market exist, producers may be able to set prices higher than competitive levels, and/or restrict output. Governments may wish to intervene to prevent this (for example, through implementing anti-trust laws).</p> <p>Competition problems may also arise in the case of natural monopolies. A natural monopoly exists when one firm can provide the entire market demand at a lower cost than two or more firms. For example, electricity and gas transmission networks tend to be natural monopolies.</p>
Information problems	<p>Where producers or consumers do not have full information on which to base their decisions, this can lead to poor outcomes. For example, if consumers do not know the quality of a good or service this may lead to lower prices, thereby causing high quality suppliers to exit the market.</p>
Public goods	<p>Public goods are non-rivalrous and non-exclusive. This means that consumption of the good by one person does not reduce the ability of others to consume the good, and it is difficult or even impossible to exclude people from consuming the good. As a result it can be very difficult to obtain payment for the good from users. Left to itself, the market is unlikely to supply enough of a public good to meet the needs of the economy.</p>

Once the nature of the problem is established, the magnitude of the problem must then be assessed. A commonly used tool to do this is "risk assessment". This is the process of considering the various risks associated with a particular situation, procedure or operation. It should include assessing the risk of not doing anything and of following a particular course of action. Appendix A of this paper provides further detail on using risk assessment to assess the magnitude of the problem.

The TBT Agreement states that consideration must be given to the risks non-fulfilment of the legitimate objectives would create. Further it suggests that:

"In assessing such risks, relevant elements of consideration are, inter alia: available scientific and technical information, related processing technology or intended end-uses of products."

The mere existence of a problem does not necessarily mean that Government intervention is warranted. Before that decision can be made, the options for addressing the problem (both

regulatory and non-regulatory options) must be considered. A discussion of these options appears in the next section.

Key Questions in Problem Identification

- What are the Government's objectives?
- What is the problem?
- What is the source of the problem?
- How big is the problem?
- Who is affected?
- Why does the market fail to achieve the desired outcome?
- Why is government intervention required?

3. Options to Address the Problem

Having established that some form of government intervention may be warranted, it is essential to clearly specify policy goals. These goals or objectives should focus on outcomes, rather than means to achieve them, so that all possible alternatives can be considered. Knowledge of the nature of the underlying problem can assist in assessing which alternative best achieves these policy goals.

In order to ensure that any government intervention brings the greatest possible net benefits, it is important to ensure that all the feasible options are identified and assessed. In addition to the imposition of technical regulations, there are a number of policy instruments available which should be considered.

Such alternatives could include:

- status quo
- reliance on general law
- educational programmes
- voluntary standards
- economic instruments (taxes, tradeable property rights)
- insurance and liability laws
- codes of conduct/practice
- industry self regulation and co-regulation

A full description of these alternatives appears as Appendix B.

In deciding whether to impose a technical regulation, consideration must be given to the various alternative mechanisms available to overcome the problem. When assessing the alternatives, any constraints (ie. legal or fiscal constraints) should be clearly identified. Each option should then be considered carefully in terms of costs and benefits. The option chosen should be the option which either provides the maximum net benefit or the least net cost to society.

It is important to include the status quo in the set of options being considered, to ensure that no option is chosen which would in fact be worse for the economy than the status quo.

Analysis of the problem and preliminary analysis of the options should make clear which options are feasible. This will avoid the need to complete a detailed analysis of each option.

When all the feasible options have been considered, identify the option that involves either the least net cost or the maximum net benefits to society, compared to the other options. This is the preferred option.

Key Questions in Options to Address the Problem

- What are the alternatives to the imposition of a technical regulation to deal with the problem?
- Are there any constraints which may make some alternatives undesirable or unattainable?
- Does the imposition of a technical regulation involve either the least net cost or the maximum net benefits to society, compared to the other options?

4. Design and Implementation of Technical Regulations

This section discusses some of the desirable characteristics of technical regulations. It assumes that after completing the analysis described above, a decision has been made that imposing a technical regulation provides the maximum net benefit when compared to alternatives.

Article 2.2 of the TBT Agreement states that:

"Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose technical regulations shall not be more trade- restrictive than necessary to fulfil a legitimate objective."

Trade is facilitated in open and competitive markets and hence, in considering what 'trade restrictive' actually means, the effects of the technical regulation on the ability to enter and exit markets and the effects on innovation must be assessed.

Key Question in the Design and Implementation of Technical Regulations

- Is the technical regulation designed in such a way that it minimises the constraints on the ability of firms to enter and exit the market?

5. Performance Based Standards rather than Prescriptive Standards

In order to minimise the trade barriers created by technical regulations, wherever possible technical regulations should be designed in such a way that they are performance based rather than prescriptive in nature.

Prescriptive standards generally define the processes and procedures required to achieve compliance. Prescriptive standards focus on the means by which the objective will be achieved rather than on the outcome. Although easier to enforce, such standards are often considered to be inflexible and are more likely to restrict competition and inhibit innovation.

In contrast performance standards are based on outcomes rather than inputs. The major advantage of such an approach is that different standards can be accepted provided the objectives of the regulation are met. Performance based standards provide both flexibility and predicability of outcomes. Flexibility in compliance provides incentives for firms to minimise the costs of complying, therefore creating incentives to innovate to find more efficient ways of complying. Performance based standards also allow for developments in technology. They are more likely to minimise barriers to trade, in that overseas goods entering the market made to different standards will be accepted provided they achieve the desired outcome required by the country of import. These can be particularly important for developing countries which may not yet have developed the level of technology needed to meet a particular prescriptive standard.

One concern regarding performance based standards is the level of uncertainty created by the flexibility in methods of achieving compliance. It can be argued that performance based standards disadvantage those firms that are unable to invest in the research and development of new methods of compliance or that need more guidance on how to meet the standard. One mechanism that can reduce this problem is to provide guidance to users, by specifying examples of acceptable solutions which, if followed, will ensure compliance.

Article 2.8 of the TBT Agreement recognises the importance of performance based standards, in stating that:

"Wherever appropriate, Members shall specify technical regulations based on product requirements in terms of performance rather than design or descriptive characteristics."

Key Question in considering Performance Based Standards rather than Prescriptive Standards

- Does the technical regulation focus on the outcome to be achieved rather than the means to achieve it?

6. International Standards

Article 2.4 of the TBT Agreement states that members should adopt international standards or the relevant parts of them, as the basis for the technical regulation except in circumstances when:

"... such international standards or relevant parts would be an ineffective or inappropriate means for the fulfilment of the legitimate objectives pursued, for instance because of fundamental climatic or geographical factors or fundamental technological problems."

As the entire use of international standards in regulation can have the effect of imposing unnecessary costs on business, only their essential parts should be used in technical regulations. Voluntary standards provide an important foundation for technical regulations in many sectors. However, voluntary standards reflect a wide range of perspectives and needs, and for this reason will often contain requirements which, while desirable, are not essential to fulfil the legitimate objectives for technical regulations defined above. Calling up the entirety of these standards in regulation can have the effect of imposing unnecessary costs on business.

A decision to call up international standards in regulation should only be put in place after accurately defining the problem which needs to be addressed, appropriate cost benefit analysis and consideration of regulatory options. This approach will ensure that the benefits of regulation are achieved and the costs to business of regulation in both domestic and international markets are minimised.

A separate but related issue is harmonisation of technical regulations. A necessary condition for harmonisation of technical regulations is that similarities exist in relation to risks to public health, safety or the environment. In reality, however, considerable "regulatory heterogeneity" can be observed, that is, different economies have varying values in relation to issues such as public health and safety. This may warrant differences in essential requirements across economies. Further, given the level of regulatory heterogeneity within APEC, in some circumstances harmonisation of technical regulations may be more restrictive than necessary to achieve the objectives for any particular economy. That is a transfer of existing regulations from one country to another could lead to different costs and benefits in the recipient country. Therefore such moves need to be considered carefully.

Key Questions in considering International Standards

- Is the technical regulation consistent with international standards? If not, why not?
- Is the technical regulation consistent with international obligations?
- Is the technical regulation formulated in such a way that it minimises the constraints on the ability of firms to enter and exit the market?

7. Compliance

The effectiveness of technical regulations will depend on the level of compliance. Hence, consideration of how compliance will be achieved is an essential element of the process.

Conformity assessment is the comprehensive term used for measures taken or required by manufacturers, their customers, regulatory authorities and independent third parties to assess conformity to standards or technical regulations.

Methods of compliance as defined in ISO/IEC Guide 2 : 1996 can include:

Suppliers declaration - Procedures by which a supplier gives written assurance that a product, process or service conforms to specified requirements.

Testing - Action of carrying out one or more tests. A test being a technical operation that consists of the determination of one or more characteristics of a given product, process or service according to specified procedure.

Certification - Procedure by which a third party gives written assurance that a product, process or service conforms to specified requirements.

When deciding the level of conformity assessment required, consideration must be given to the following issues:

- the incentives on producers to comply. In the absence of conformity assessment, consideration must be given to the incentives created by the penalties for nonconformance, the specific demands of customers and the potential for private liability.
- level of risk. In some circumstances the level of risk may require mandatory requirements for third party conformity assessment. This is sometimes warranted in areas where public health, safety or environmental concerns are high.
- the costs. Legal requirements for third party conformity assessment can be both complex and expensive. A decision to impose mandatory conformity assessment requirements should only occur if the serious risk of harm justifies the cost burden of imposing third party assessment.
- the effects on international trade. Consideration must be given to minimising the effects of any conformity assessment requirements on international trade. The TBT Agreement (5.1.2) states that members shall ensure:

"Conformity Assessment procedures are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. This means, inter alia that conformity assessment procedures shall not be more strict or be applied more strictly than is necessary to give importing members adequate confidence that products conform with the applicable technical regulation or standard, taking into account the risks non conformity would create."

Lack of acceptance of test data across borders and of recognition of certificates of conformity can also create significant barriers to trade. This can often result in multiple testing, time delays and an overall reduction in the competitiveness of imports. One way of overcoming this problem is for economies to recognise each other's conformity assessment procedures. The TBT states that economies will recognise the results of conformity assessment procedures of other members, provided they are satisfied that those procedures offer an assurance of conformity with the applicable technical regulations. The TBT Agreement does, however, recognise that an important precursor to recognition of conformity assessment procedures is confidence in each other's systems and procedures.

Key Questions in Compliance

- What are the alternative mechanisms to ensure compliance?
- Does the risk of harm justify the cost burden of imposing mandatory third party conformity assessment?
- Does the technical regulation recognise the conformity assessment procedures of other member countries?

8. Review and Monitoring

To ensure that technical regulations are no more trade restrictive than necessary, it is important that provisions exist for the review of technical regulations. Monitoring is essential to assess whether the circumstances or objectives giving rise to their adoption have changed. Monitoring is also essential to assess whether the regulation is achieving the desired objectives.

One means of ensuring that technical regulations are reviewed in a regular, timely, and thorough manner is to include a sunset clause in the regulation. A sunset clause establishes a specific date on which the regulation will expire. If at the time at which the regulation expires the regulation is still required then the regulation can be re promulgated.

Key Questions in Review and Monitoring

- Have the circumstances or objectives giving rise to the regulations changed, such that a different response may be required?
- Are the objectives of the technical regulation being met?
- What has been the impact of the technical regulation? Have there been any unanticipated effects?
- Is the technical regulation still required, or is there a more appropriate option for addressing the problem?

9. Consultation

Consultation with all parties affected by the technical regulation is an essential element in the design and implementation of technical regulations. Consultation should be carried out at all stages of the process identified above. In particular, consultation:

- increases the transparency of the process;
- ensures that all perspectives on the issues have been considered;
- highlights alternative approaches to achieve objectives;
- can be a useful means of evaluating the accuracy of regulators' assessment of the costs and benefits; and
- enhances awareness and therefore encourages compliance.

Beyond consultation with interested parties domestically, the TBT Agreement (2.9) commits members to:

- *Publish a notice in a publication at an early appropriate stage, in such a manner as to enable interested parties in other Member economies to become acquainted with it, that they propose to introduce a particular technical regulation.*
- *Notify other Members through the Secretariat of the products to be covered by the proposed technical regulation, together with a brief indication of its objective and rationale.*

Such notifications shall take place at an early appropriate stage, when amendments can still be introduced and comments taken into account.

- *Upon request, provide copies of the proposed technical regulation and, whenever possible, identify the parts which in substance deviate from relevant international standards.*

Without discrimination, allow reasonable time for other Members to make comments in writing, discuss these comments upon request, and take these written comments and the results of these discussions into account in the following circumstances:

- *when a relevant international standard does not exist; or*
- *the technical content of a proposed technical regulation is not in accordance with technical content of relevant international standards; and*
- *when the technical regulation may have a significant effect on trade of other members.*

Key Questions in Consultation

- Have all interested parties' opinions been taken into account?
- Have the TBT Agreement's notification requirements been followed?

10. Checklist for the Preparation, Adoption and Review of Technical Regulations

Has the problem been clearly identified?

- What are the Government's objectives?
- What is the problem?
- What is the source of the problem?
- How big is the problem?
- Who is affected?
- Why does the market fail to achieve the desired outcome?
- Why is government intervention required?

Have all the options to address the problem been considered?

- What are the alternatives to the imposition of a technical regulation to deal with the problem?
- Are there any constraints which may make some alternatives undesirable or unattainable?
- Does the imposition of a technical regulation involve either the least net cost or the maximum net benefits to society, compared to the other options?

Has the design and implementation of technical regulations been considered?

- Is the technical regulation designed in such a way that it minimises the constraints on the ability of firms to enter and exit the market?

Have performance based standards been considered?

- Does the technical regulation focus on the outcome to be achieved rather than the means

to achieve it?

Have international standards and obligations been considered?

- Is the technical regulation consistent with international standards? If not, why not?
- Is the technical regulation consistent with international obligations?
- Is the technical regulation formulated in such a way that it minimises the constraints on the ability of firms to enter and exit the market?

Have compliance mechanisms been considered?

- What are the alternative mechanisms to ensure compliance?
- Does the risk of harm justify the cost burden of imposing mandatory third party conformity assessment?
- Does the technical regulation recognise the conformity assessment procedures of other member countries?

Have provisions for review and monitoring of the technical regulation been considered?

- Have the circumstances or objectives giving rise to the regulations changed, such that a different response may be required?
- Are the objectives of the technical regulation being met?
- What has been the impact of the technical regulation? Have there been any unanticipated effects?
- Is the technical regulation still required, or is there a more appropriate option for addressing the problem?

Has consultation taken place?

- Have all interested parties' opinions been taken into account?
- Have the TBT Agreement's notification requirements been followed?

APPENDIX A: RISK ASSESSMENT

Risk assessment is a useful tool for determining the significance of the risks associated with a particular problem, and for comparing the effectiveness of various options for addressing that problem. Risk assessment is commonly used in the areas of health and safety or environmental regulation, but it can also be a useful tool for other policy issues.

What is Risk?

Risk is the probability of an undesirable event occurring. This can be distinguished from a situation of uncertainty, where the probabilities of particular outcomes are unknown. Key issues for consideration are:

- Involuntary risk is of more concern than voluntary risk: Involuntary risk occurs where people or firms are unable to avoid a risk, or had inadequate information on the consequences of a particular action. An example is the inability of individuals to avoid possibly harmful exhaust fumes in urban areas, which may have adverse health impacts in the longer term. Where risk is voluntary, ie where individuals can choose to avoid it, then risk is not a significant concern for governments.

- Risk can be managed, but may not be able to be eliminated: In some cases, risks either cannot be eliminated, or the cost of doing so is prohibitive. An appropriate goal is to manage risk, taking into account the costs and expected benefits of reducing that risk.

What is Risk Assessment?

Risk assessment is a means of analysing the risk and consequences of an undesirable event. This can include assessing the relative impact of the available options on the level of risk and/or its consequences. Risk assessments tend to be non-empirical, given difficulties in quantifying damage in particular to human health, safety, or the environment.

Questions which should be considered in assessing risk include:

- What is the magnitude of the risk and what are its consequences?
- In what circumstances will the risk arise? This includes considering the chain of events which will lead to the undesirable event, and the probability of each step in that chain occurring.
- How widespread is the risk (eg., local, national or international)?
- Which groups or sectors of the economy are most at risk?

Risk assessment assists in determining the nature and size of the problem being considered, and can also assist in identifying and assessing options for addressing that problem. Options should target the underlying cause of the problem, taking into account the chain of events that will lead to an undesirable event. When evaluating the costs and benefits of the available options, consideration should also be given to the risk under each option, compared to the risk under the status quo.

APPENDIX B: ALTERNATIVES TO TECHNICAL REGULATIONS

This Appendix discusses a number of regulatory and non-regulatory options, other than technical regulations. The main options are:

- status quo
- reliance on the general law
- educational programmes
- voluntary standards
- economic instruments
- liability laws
- codes of conduct/practice
- industry self regulation/co-regulation

Each of these is elaborated on below.

Status Quo

The status quo should always be considered as an option, to ensure that alternatives are not chosen which would in fact lead to worse outcomes than the current situation

Reliance on the General Law

Consideration of alternatives should also include assessing whether reliance on the general law, such as competition and consumer protection laws, could sufficiently address the problem.

Educational Programmes

Where there is an asymmetry of information between buyers and sellers an educational strategy can be an effective way to remedy the problem. Possible approaches include:

- The publication of information, such as the performance of different products or service suppliers, by the Government
- Mandated information disclosure directly from sellers to buyers. An example of such information disclosure requirements is the New Zealand Credit Contracts Act 1981, which requires credit providers to disclose all terms of the contract and the total cost of credit to debtors.

Educational programmes can improve outcomes while still preserving consumer choice. Even poorly-informed consumers have a lot of information that governments do not; about their preferences, their financial situation, their skills and so on. Governments, on the other hand, can obtain critical information for consumers by buying expertise or testing resources. It is far easier to get that information into the hands of consumers than to try to collect all of the information that would be required for the government to substitute its own judgement about when and how goods and services should be used. For example, it may be better to label appliances with energy-use information than to set energy-efficiency standards, since the government does not know whether a furnace will be installed in a well- or poorly-insulated house; whether an air conditioner will be used daily, or only on weekends; how many people will be taking showers from a water heater; how many people will be contributing laundry to a washing machine. All these conditions change the cost-benefit analysis of specific energy-use decisions.

Mandatory disclosure, however, is not costless. The administrative burdens of collecting and maintaining information can be high. Some form of registration requirement may be needed to identify the members of a particular industry or occupation who will be subject to an information requirement. If consumers are not able to interpret disclosed information, mandated disclosure can be more confusing than helpful to them.

Voluntary Standards

"Voluntary" or "consensus" standards enable suppliers to provide consumers with improved information on the quality of their product or service, without reducing consumer choice. Governments can have a role in providing for credible accreditation and certification of voluntary standards.

Economic Instruments

Economic instruments seek to influence market behaviour by altering the relative prices of goods or services. Market behaviour can be influenced either directly (e.g. through a tax or user charge), or indirectly (e.g. through controlling the overall level of supply). The most common use of economic instruments is as a response to externalities. Economic instruments are a means of "internalising" the costs of externalities, so that they will be taken into account in production and consumption decisions. The two main types of economic instrument are:

- Taxes or charges: These attempt to alter market behaviour through increasing prices. Common examples are environmental charges on polluting gases, such as carbon dioxide, which seek to include the costs of environmental damage in the prices of related goods. A tax or charge used to influence behaviour in this way is distinct from a tax or charge whose objective is to raise revenue and which would therefore seek to minimise behavioural change;
- Tradable permits: These are a means of controlling the quantity of some externality, such as pollution produced from electricity generation. Under tradable permit systems, the government sets a maximum supply level for a specific good. Producers must hold a permit or a right to produce the good, and may not produce any more than the level

specified in the permit. Allowing such permits to be traded should ensure that resources continue to be used where they add the greatest value. In addition, permit trading can establish a price for the good which will be reflected in downstream prices, thereby "internalising" the externality in consumption as well as production decisions. Tradable rights of this type have been used effectively in the United States to control emissions of sulphur dioxide, and in New Zealand to provide for sustainable management of commercial fisheries.

Liability Laws

Much regulation is intended to reduce risks and governments place an increasing emphasis on preventative measures. Yet risk by itself is not evidence that governments should intervene to prevent accidents. Technical regulations may not be necessary if those who are able to reduce the risk of accidents and/or injury (usually services providers or manufacturers) face effective incentives to do so. This can be achieved through laws which make the service provider/manufacture accountable for any damage caused through their actions. Robust, transparent liability laws create strong incentives for service providers or manufacturers to educate consumers, workers, and others about risks that may be outside the realm of their direct experience and how to minimise or avoid them.

Codes of Practice

Voluntary schemes may be established by a private body or group of private bodies in the form of codes of practice. These can cover issues such as standards, information requirements, or dispute resolution mechanisms. Codes of practice can be effective tools for building consumer confidence, and providing for effective communication between consumers and suppliers. The effectiveness of codes of practice depends on how many suppliers are covered by the scheme, the sanctions for non-compliance and the degree to which consumers are involved in developing and monitoring the scheme.

Codes of practice are developed by consensus between those who will be applying them. As a result compliance should be higher than in the case of technical regulations. In addition, codes of practice tend to be developed by people with a good knowledge of market conditions, and so should be better suited to economic and competitive conditions than Government regulations. However, there is a risk that codes of practice can be used to reduce competition, or to create *de facto* cartels. Care needs to be taken that codes of practice are subject to effective competition laws.

Industry self-regulation/co-regulation

Self-regulation can be defined as an arrangement in which an organised group (such as an industry association) regulates the behaviour of its members. The advantages of self-regulation are that rules may be more likely to be observed if they are made by insiders, changes and updating can be more rapid, and it is cheaper for the Government because the regulated group bears the costs of regulating. Accountability, on the other hand, is often hard to establish, and oversight may be needed to ensure that the public are being protected, rather than the private interest of the regulated group.

Co-regulation is similar to self-regulation. However, under co-regulation, the government works together with the industry group to develop rules for the industry, with a view to ensuring the public policy objectives are met.