

Submission No: 45

From: Peter Murphy (account with alpha dot net) [pmurphy@rtbu-nat.asn.au]
Sent: Tuesday, 13 April 2004 1:36 PM
To: Committee, Treaties (REPS)
Subject: Submission regarding the proposed US-Australia Free Trade Agreement

The Secretary,
Joint Standing Committee on Treaties,
R1-109, Parliament House,
Canberra ACT 2600,
telephone (02) 6277 4002 or fax on (02) 62772219

14 APR 2004

BY:.....

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Dear Secretary,

Please find attached the RTBU's submission to the Joint Standing Committee on Treaties Inquiry into the proposed US-Australia Free Trade Agreement.

Yours sincerely,

Peter Murphy
National Publicity / Research Officer

on behalf of Roger Jowett, National Secretary

Rail Tram & Bus Union National Office
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Submission to the Joint Standing Committee on Treaties Inquiry into the Proposed US – Australia Free Trade Agreement

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The Australian Rail Tram and Bus Industry Union (RTBU) represents 35,000 employees in the rail, tram and government bus sector in Australia. The RTBU is affiliated to the Australian Council of Trade Unions and to the International Transport Workers Federation (ITF). The RTBU is a member of the Australian Fair Trade & Investment Network (AFTINET), and supports its submission to this inquiry.

Specific Transport concerns

The RTBU notes that the proposed FTA Annex I retains Foreign Investment Review Board oversight of investments greater than \$50 million in rail infrastructure. The FIRB has not rejected any US public transport investments, which have so far been in the rail sector, and all have been greater than \$50 million in value.

However in Annex II – 5, ‘public utilities and public transport’ are not listed among the public services about which existing or new regulations can be made which do not comply otherwise with the draft FTA. In the recent Singapore-Australia FTA, Annex 4-II (a), p6, the comparable exception includes ‘public utilities and public transport’.

Therefore, the Committee must assume that the US Trade Negotiator demanded and received the agreement of the Australian Trade Minister, that public transport, and utilities like electricity, gas and water, be fully exposed to the Services and Investment provisions of the FTA, and then to the Disputes process.

Rail transport in Australia has been subject to over a decade of upheaval, marked by restructuring, privatisation, mergers, and third-party access, in both freight and passenger services.

US investors, notably RailAmerica based in Victoria, and Genesee & Wyoming based in South Australia, Western Australia and the Northern Territory, are now significant players in the Australian rail industry. As the new ownership structure of Australian railways consolidates, US Class I railway companies may move to take over the present US operators, which are considered small regional players in the US market.

The regulatory framework for the contemporary rail industry has been very slow to catch up to the changes of the past decade. There are significant processes underway at the national level to create a national regulatory and safety regulatory system; and at the state level, the Glenbrook and Waterfall Special Commissions of Inquiry are forcing a major change in rail safety regulation in NSW, while in Victoria there is also an accident-driven process to modernise the rail safety laws and regulations. As well, Australian Standard 4292, a foundation of present rail safety laws and regulations, is due to be reviewed from April this year. AS4292 has been found wanting in NSW and Victoria.

By failing to reserve public transport as an area of regulation that may not conform to the FTA, the Australian Trade Minister has left open the possibility that US rail operators in Australia will object to the tighter regulatory framework which is now developing, arguing that the new regulations, at both a national and state / territory level, are a barrier to trade.

While we have not yet had US investment in tram or bus services, there are significant changes taking place in NSW and Victoria, which may be repeated in other states / territories, as the initial experience of privatisation and contracting out of government bus services is reviewed. The RTBU is very concerned that any shift to greater public sector involvement in urban tram and bus services in coming years will also be subject to the proposed FTA and its disputes process. The RTBU believes that regulation of urban public transport is not appropriate for the Disputes Panel in an FTA, but should remain the prerogative of democratic structures in our cities, states and nation.

General concerns

We believe the proposed US-Australia Free Trade Agreement is not in our members' interests and Australia's overall interests because it:

- weakens price controls on medicines by allowing drug companies to seek reviews of decisions by the Pharmaceutical Benefits Advisory Committee,
- eliminates the 15% tariff on auto components immediately and the specific tariffs on TCF and assembled cars in future years. This will immediately threaten the jobs of tens of thousands of Australian workers, concentrated in Adelaide and in regional Victoria. It threatens the jobs of over 100,000 manufacturing workers as companies respond to the new tariff outlook.
- sets up a new joint policy committee which gives the US government a voice in Australian medicines policy based on US trade policy, not on the Australian policy of access to medicines for all,
- limits Australian content rules for new forms of media, and allows the US government to challenge these rules as a barrier to trade,
- adopts US copyright law, leading to higher costs for libraries, schools and universities,
- "binds" or freezes many areas of state and local government regulation at existing levels and limits the ability of governments to make new laws and policies on essential services like water,
- limits the powers of the Foreign Investment Review Board to review investment in the national interest, so that 90% of US investment will not be reviewed,
- sets up joint committees based on US trade policy to give the US government a say in quarantine and regulation of food labelling, including GE food labelling,
- outlaws government purchasing policies that give preference to local products or require US contractors to form links with local firms to support local employment, and

- has a disputes process which enables the US government to challenge many Australian laws and regulations before a trade tribunal on the grounds that they are too burdensome for business or a barrier to trade.

The small economic benefits claimed by the government to flow from a Free Trade Agreement with the USA assumed full trade liberalisation in agriculture. However, you must recognise that with sugar excluded, the potential gains for dairy quite illusory, and beef products having to wait 18 years for full access, that there is no economic benefit, only economic and social pain, for Australia in the proposed Agreement.

The response to this economic outcome by supporters of the Agreement – that no matter how bad the agreement is, it is good for us because it gives access to the world's leading economy – cannot withstand scrutiny.

Australia is already highly integrated with the US economy in goods, services and finances, and in education about business systems. This integration already produces a massive trade deficit with the US. Except for a few products and services of special significance, there is already virtual free trade and investment between the two economies. The supporters of greater integration are really calling for a widespread takeover of medium size Australian enterprises by US corporations, and this is facilitated by the new \$800 million threshold for Foreign Investment Review Board scrutiny of US investments under the proposed Agreement.

This development could only lead to significant closure of productive enterprises in Australia, and a greater outflow of revenues in dividends, royalties and interest, thus weakening our society in the medium to long term.

The title "free trade agreement" is a misnomer for this proposed Treaty. It is really another charter for greater power for giant corporations at the expense of the Australian people and Australian democracy.

The RTBU urges your committee to find that this proposed treaty is not in Australia's interests and that it should be rejected.

April 13, 2004