

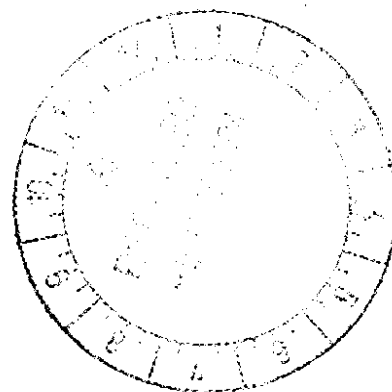
The United Trade and Labor Council of South Australia

State Branch of the Australian Council of Trade Unions

Trades Hall 11-16, South Terrace, Adelaide, SA 5000

Tel: (08) 8212 3155 - Fax: (08) 8231 9300

Email: utlc@utlc.org.au Website: www.utlc.org.au



Secretary
Senate Select Committee on the free Trade Agreement
between Australia and the United States of America.
Suite S1.30.1
The Senate Parliament House Canberra.

Dear Sir/Madam,

Please find attached a copy of the UTLC submission to this select committee.

I apologise for not being able to send it by email due to difficulties with some of our equipment this week.

We will attempt to send an email copy to you over the next few days.

The contact for our submission is

Janet Giles
Secretary
United Trades and Labor Council
11 South Tce
Adelaide 5000.
Phone 08 82123155
Email j.giles@utlc.org.au

Yours sincerely,

Janet Giles
Secretary.

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UTLC submission to Senate Select Committee on the Free Trade Agreement between Australia and America.

The UTLC is the peak trade union body in South Australia representing over 32 unions covering approximately 200,000 workers. Our objective is to improve the lives of working people in our state and secure a future for them and their families in South Australia. This is why we have made a submission to the select committee. We do not believe that the free trade agreement negotiated between Australia and the United States will benefit ordinary South Australians or secure a future for them and their families.

We endorse the ACTU submission to this committee but wish to present specific information that relates to the implications for South Australia of this agreement.

Issues in relation to the content of the agreement.

South Australia's economy is small and more vulnerable than the economies of the larger states in Australia or the Australian economy as a whole. Therefore we submit that the agreement should not be examined purely in relation to the overall benefits or disadvantages to Australia as a whole, but regional impacts and the impacts on smaller states should be taken into consideration. Because of the nature of Australia being a federation of states with state governments, it is important to ensure that some states of Australia are not disadvantaged while others are advantaged. Each state needs to ensure that its economy is safeguarded in any trade arrangements.

Our population is small and highly centralized and urbanized, raising difficulties for service provision which require us to have greater costs for regional and remote services, particularly for remote Aboriginal communities. Service provision also needs to be tailored more to the needs and circumstances of particular communities.

In addition we face specific environmental and other challenges such as the salinity of the River Murray as well as the supply of electricity.

Our state is highly reliant on agriculture, the automotive industry and the wine industry, all of which are intimately linked with issues of trade and vulnerable to international markets and global companies. Prominent people in the agricultural area, have raised serious doubts as to the genuine nature "free trade" in agriculture and we have similar concerns.

Manufacturing

In the manufacturing industry, including the automotive industry, we do not believe the US Free trade agreement will benefit South Australia at all. I have attached a summary of our position in relation to this industry and will be keen to discuss this further when we have the opportunity to give evidence when the senate select committee comes to Adelaide.

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Media

South Australia has already suffered from the removal of media programs which have been moved interstate such as football coverage. Local content is important to our state identity as well as ensuring our citizens can be informed about their local news, politics and cultural events. In addition we have a high quality and well regarded film industry based in South Australia and developed through the SA film corporation. Building our sense of place is also important to the well being and economic strength of our state. The FTA could seriously undermine the cultural control we have over our TV programs and films as it contains important and unprecedented provisions to improve market access for US films and TV programs over a variety of media including cable, satellite and the internet.

State Procurement and State Government planning and economic policy initiatives.
In a small economy such as ours, business, unions and government need to work together to ensure we have policies and processes in place that maximize opportunities for SA industry and exports. The state Government has established a unique process of state development whereby an economic development board has developed recommendations which have led to a state strategic plan which sets targets over the next ten to fifteen years. Some of these targets would be best implemented through government intervention, state planning and priority being given in procurement policy to businesses currently operating in South Australia or who give a commitment to South Australia. The FTA will undermine this strategic approach and we make it difficult to implement strategies which will ensure our economy moves forward and grows.

Services

The possibility of opening up the service sector to US providers is not only problematic for the sustainability of local service providers but will undermine the possibility of our state government matching service provision to local needs and special SA circumstances. This agreement goes much further in liberalization of services than the WTO GATS and would be detrimental to the service provision of a small state like ours.

Labour and Environmental Standards.

The labour standards in the FTA do not adequately protect the current industrial laws for Australian workers. We are concerned that there also may not be adequate provision to allow state laws to vary from federal laws and the agreement may have an impact on the right for states to determine their own industrial regulations to meet local circumstances outside of the Commonwealth.

In relation to environmental protection it is necessary to have state specific approaches in some circumstances. The issue of potable water sources is one of great importance to us as is the issue of the disposal of nuclear waste.

In addition we have a privatized water and electricity system in our state and therefore are more vulnerable to trade agreements in these important areas that not only affect the supply of utilities but require environmental standards to be enforced.

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The process.

The UTLC is concerned that the general understanding of this agreement and its implications are not fully understood by the Australian people. In addition there is no requirement, as in the US for the parliament of Australia to agree to sign the agreement before it is ratified.

We call on the Government to ensure that key stakeholders in all sections of the proposed agreement are fully briefed, provided with all relevant information and given the opportunity to identify the implications before it is considered for signing. This process should also apply within states as each state has different issues arising from the agreement which may not match the issues of the Commonwealth.

We request the opportunity to expand on the points raised in this submission when the senate select committee comes to Adelaide on June 8th.

Janet Giles
Secretary UTLC.

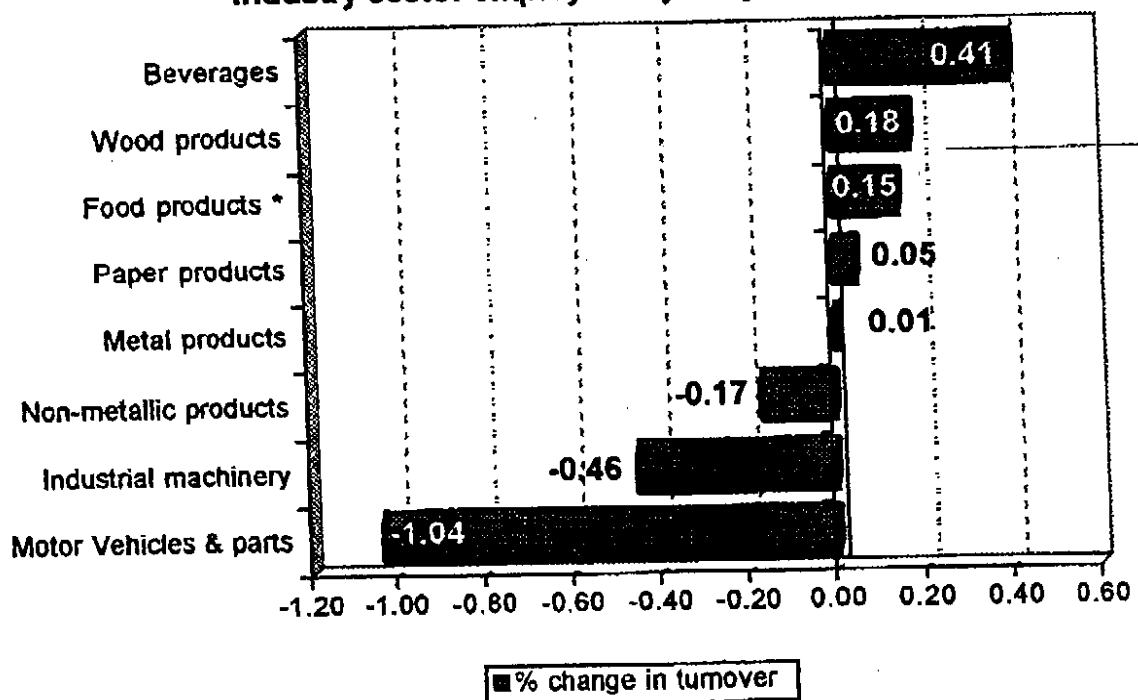
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The US Free Trade Agreement and its effect on South Australian Manufacturing

While the Rann Government has largely echoed the Howard Government in accentuating the positive impacts of the USFTA for South Australian industry not all observers are so sure that the Agreement is good for South Australia.

The analysis of a potential effects of an FTA with the United States on South Australian industry by Allen Consulting last year found that most of the largest employing industries would be negatively affected by a free trade agreement.

Impact on the largest South Australian manufacturing industry sector employers by the year 2015



source: *The Australia-United States Free Trade Agreement: Potential Impacts on South Australia*
Allen Consulting, November 2003

nec = Not elsewhere classified

Results from Allen Consulting scenario B. Dairy and meat product results are not included given that the FTA failed to provide for unrestricted market access for these industries

Government procurement

Only 27 of the 50 US States have offered to be bound by the FTA whereas all of the Australian States have offered to be bound.

California, the tenth largest economy in the world, is one of the US States yet to agree to be bound by the USFTA.

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Given that the US Congress is considering legislation to toughen the Buy American Act, any substantial gains for Australian manufacturers in the US Government market are most unlikely.

Tariffs

With the exception of the car industry and TCF all tariffs on imports of manufactured goods from the US will be reduced to zero on the FTA coming into force.

In the case of the car industry the tariff phasedown adopted by the Howard Government in response to the Productivity Commission report reduced tariffs from 10% to 5% in 2010 subject to a further Productivity Commission review in 2008.

The promised review is effectively abandoned as a result of the FTA with tariffs on car and parts imported from the USA to be reduced to zero by 2010.

Automotive Tariff phasedown schedule

Year	Legislated tariff rate after the Productivity Commission inquiry in 2001	FTA mandated tariff rate on US imports **
	%	%
2005	10	10
2006	10	8
2007	10	6
2008	10	4
2009	10	2
2010 *	5	0

* In 2002 the Howard Government promised that a further review of tariffs would occur before the 2010 phasedown took effect. This undertaking appears to have fallen by the wayside in the rush to sign on the dotted line.

The effect of zero tariffs on Australian-based car makers will be minimal given that it is unlikely that US car makers will be interested in tooling up to produce right-hand drive vehicles for the comparatively low volumes of cars sold in Australia.

Components producers are much more likely to be affected, given the economies of scale available to US (& perhaps Mexican) based manufacturers.

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Rules of Origin

The Rules of Origin determine the extent that manufacturers from third countries can be designated as 'Made in America' (or Australia) and therefore zero tariff rated.

The effect of the Rules of Origin has yet to be clarified but it seems clear as the agreement is currently framed that (say) car components from Mexico could be assembled into a module in the United States and therefore become a US product despite having minimal US industry content.

The TCFU advises that the agreed Rules of Origin for textiles effectively preclude any new Australian exports to the USA.

Foreign Investment Review Board

As the position paper provided for the last meeting of manufacturing unions noted the key impact of the FTA on South Australian manufacturing probably isn't the phasing out of tariffs, but rather the effective abolition of Australia's foreign investment controls.

All U.S. investment in new businesses is exempted from screening under Australia's Foreign Investment (Review) Board (FIRB). Thresholds for acquisitions by U.S. investors in nearly all sectors are raised significantly, from A\$50 million to \$800 million. This higher threshold would have exempted nearly 90 percent of U.S. investment transactions from screening over the past three years.

Source: Fact Sheet, Office of the United States Trade Representative, February 8, 2004

Allowing US firms an unrestricted ability to takeover local firms would see even more local manufacturers being brought up and their intellectual property and their production shifted offshore.

The \$800 million starting point for FIRB reviews of takeovers means that in the event of takeover offers only a handful of South Australian firms would be reviewed by the Foreign Investment Review Board.

The possibility that the US FTA will be ratified in its current form emphasises the need for a manufacturing strategy that anchors Intellectual Property, R&D, and production, in South Australia to protect existing jobs.