



## **COMBINED PENSIONERS AND SUPERANNUANTS ASSOCIATION OF NEW SOUTH WALES INC.**

**Founded 1931.**

**Representing pensioners, superannuants and low-income retirees.**

***Consumer Protection Awards – 2002, 2003***

29 April 2004

Our Ref: ASC.020  
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### **Submission**

## **Senate Select Committee on the Free Trade Agreement between Australia and the United States of America: the Australia-US Free Trade Agreement (USFTA)**

### **Introduction**

Combined Pensioners and Superannuants Association NSW Inc. (CPSA) is a non-profit, non party-political membership association which represents pensioners of all ages, superannuants and low-income retirees. CPSA promotes the rights and aims to improve the standard of living and well being of its members and constituents. CPSA has approximately 150 branches and affiliates with a combined membership of over 12,500 people living in all parts of NSW.

### **Free trade – some general points**

CPSA has an interest in free trade agreements and other commercial arrangements because they affect our members and constituents quite profoundly. Because those whom CPSA represents are older people and people from lower socioeconomic backgrounds, the association is concerned about developments that may affect basic services such as health service provision and telecommunications. The constituents of the association are extremely sensitive to price variations of basic services and commodities. The USFTA appears to be problematic in this regard.

There can not be free trade in any real sense under the current world political and economic arrangements. For instance, free trade as literally interpreted would mean an end to laws governing migration because such laws are a restriction on the labour market. This is unlikely to happen because neither the governments of Australia or the US (or anywhere else for that matter) would relinquish this sort of control over those who enter their areas of jurisdiction. Rather, what is described as free trade by the proponents of the USFTA is actually a trade deal between Australia and the US based on what is politically expedient to abolish and what can be gotten away with.

Free trade based on a “level playing field” cannot exist between Australia and the USA. Recently, the Australian Foreign Affairs Minister, Alexander Downer, criticised the Federal Opposition for questioning aspects of the USFTA (Downer called it anti-Americanism) but not the agreement between Australia and Chile. The Foreign Affairs Minister, however, did not discuss what the Chileans may think of a trade deal between their country and a much larger economy. Because the US is a vastly larger economy than Australia any ambiguities in the trade agreement are likely to favour the former country. Furthermore, powerful multinationals and lobby groups in the US are not likely to allow Australian companies too many favours at their expense. The current Bush Administration’s links to the oil industry and pharmaceutical companies is well known. These interest groups will ensure any trade between Australia and the USA does not undermine their profits.

### **Is the USFTA necessary?**

*According to the Regulation Impact Statement (RIS): Australia – United States Free Trade Agreement:*

“Australia and the United States have a long established, close, and well developed trading relationship. The United States is Australia’s largest individual trade and investment partner...It is our largest source of imports, with merchandise imports worth \$20.5 billion and services imports worth \$6 billion in 2003. The United States is our largest destination for foreign direct investment and our largest source of foreign direct investment.”

The statement goes on to list supposed benefits that will emerge under the signing of the USFTA. Part of the problem with the way the paper is written

is that everything is couched in terms of a collective “we”. “Australia” may do well with closer ties with the “United States” but that does not necessarily mean the people CPSA represents will receive unalloyed benefits. Furthermore, “we” appear to be doing quite well, at least according to the Australian Government, as things stand. There is no good reason to jeopardise the Pharmaceutical Benefits Scheme (PBS), Australian copyright law or quarantine provisions for a highly questionable free trade agreement. Perhaps the main reason the Australian Government is so anxious about pushing the agreement through is to stay on good terms with the American ruling elite. However, even that reason may not have validity given that trade with the US appears to be going well at any rate.

### **Pensioners and older peoples needs**

Pensioners, superannuants and low-income retirees have many of the same needs and hence similar spending patterns to those in the general community. However, because they are on relatively low incomes (the Age Pension is around 25 per cent of Male Total Average Weekly Earnings), they tend to spend a greater percentage of their incomes on essentials. These can include:

- Food;
- Clothing;
- Pharmaceuticals;
- Transport;
- Accommodation.

This list is, of course, not comprehensive. But it does represent some of the necessities of life. For people on low, fixed incomes there is great concern that these items will be sensitive to price variation if the USFTA goes ahead.

### **PBS under the USFTA**

Any changes to the PBS are always of interest to CPSA. Both older and younger pensioners rely on cheap pharmaceuticals to keep them healthy, active and, in some cases, alive. The PBS is of benefit to the Australian community as a whole because people can maintain their health and lead

productive lives. The alternative would be a decline in their health followed by hospitalisation or worse.

It is no secret that international pharmaceutical corporations do not like Australia's PBS. This is because the PBS keeps the price of pharmaceuticals down. This is done through a mechanism called reference pricing. As the Australian Fair Trade and Investment Network (AFTINET) put it in *Ten Devils in the Detail: Summary of the Text of the Australia US Free Trade Agreement (USFTA)*:

"Australian prices are affordable because the government uses the PBS to buy medicines at low wholesale prices by comparing the price and effectiveness of new medicines with the prices of similar generic medicines whose patents have expired. The government then makes them available at subsidised prices, \$20-30 for wage earners and less for pensioners. The difference between the wholesale price and the subsidised price is the cost of the PBS to taxpayers."

While the Australian Government has reiterated that there will be no changes to the PBS, it appears that the USFTA will allow drug companies to seek reviews of PBS decisions. That is, by influencing the Pharmaceutical Benefits Advisory Committee in order to get higher priced drugs listed. This would be an unwarranted intrusion of foreign corporations into domestic health policy and likely to incur greater expenses for the Australian taxpayer.

Possible changes to patent laws are also seriously worrying for CPSA. The agreement appears to be endorsing the US legislation on patents. This is considerably more restrictive than the current regime and will have the effect of delaying public access to cheap pharmaceuticals and increase the prices.

## **Public services**

CPSA is proponent of public funded and maintained services such as passenger rail transport, hospitals and roads. Funding via the taxation system means anyone, no matter how low their income, can use these services. A user-pays hospital system, for instance, would mean that many of Australia's sickest people (because they also happen to be the poorest) would miss out on an essential service.

Privatisation effectively excludes a large number of people from accessing services because they become unaffordable. As such, CPSA is particularly uneasy about the possibilities of utilities becoming privatised.

## **Telstra**

According to *Ten Devils in the Detail: Summary of the Text of the Australia US Free Trade Agreement (USFTA)* published by AFTINET:

“A side letter outlines the government’s policy to sell the rest of Telstra. The US insisted on this letter. This issue is still being debated by the Australian parliament as a matter of public policy, and should not be part of a trade agreement.”

It seems incredible that the Australian Government would allow such a gross intrusion into debate on Australia’s internal policy issues. Would the Commonwealth allow ASEAN nations to dictate trading terms on this basis?

The letter is essentially a plea to the United States Trade Representative to understand that the Australian Government does not want an interest in Telstra but would prefer to sell its share as soon as possible. The fact that it had to be included indicates how firmly the US Government wants to steer Australia in the direction of privatisation. However, as with all forms of privatisation, it is low income earners, such as pensioners and superannuants, who will be disadvantaged.

Invariably because private companies need to make a profit to stay in business, there is continual pressure to get as much from consumers as possible. The emergence of the booming mobile market (Vodafone is a bigger economic entity than Malaysia) is a case in point. Local calls on mobile phones are usually timed (although there may be special deals under particular plans) whereas landline local calls are not – although there has been lobbying in the past to change this rule. If the service is provided by a government agency there is less pressure to squeeze the consumer (although obviously governments have to cover overhead costs). If Telstra is fully privatised CPSA is afraid little will hold it back from allowing timed local calls – despite assurances from the Commonwealth. Furthermore, it could increase line rental and installation costs considerably. These rises would disadvantage pensioners, superannuants and other low income

earners. In fact, it is likely many would be disconnected and unable to access essential services.

## **Conclusion**

The USFTA is problematic at best and potentially disastrous at worst. It appears to represent a push towards privatisation, higher costs of essential goods and services and unwarranted interference in Australia's internal affairs by a government that is not elected by Australia citizens. The advantages are spurious and the only groups who are talking about them are the Australian Government and its ideological cheer squad. There has been neither independent debate nor a push from the Australian electorate for such an agreement. And nor does there appear to be the same importance placed on the USFTA in the US compared to here. This is no surprise. Australia, for the US, is simply one more country to collect as part of its empire building (quaintly known as the "free market").

CPSA calls for the rejection of this one-sided agreement in the name of preserving our essential services and hard-won rights.

Yours faithfully,

Bill Whiley,  
State Secretary