



A WTO AGREEMENT ON ELECTRONIC COMMERCE

The widely anticipated Millennium Round will play an important role in the development and growth of electronic commerce. The creation of a discrete World Trade Organisation (WTO) Agreement on Electronic Commerce should put in place rules and undertakings which limit the ability of governments to regulate and otherwise interfere with this new frontier in commerce and trade.

Successive efforts at multilateral trade liberalisation have reduced tariff and non-tariff barriers for manufactured exports, improved market access for service providers, reduced (or at least made transparent) production subsidies (particularly, for agricultural products), and tackled distorting intellectual property systems.

This rule-making, market-liberalising effort must be extended into electronic commerce, not least of which because of the increasing importance of electronic commerce to international trade but also the fundamental synergy between the Internet and the WTO.

Put simply, the internet (as the platform for electronic commerce) has the potential to create a virtual global marketplace for goods and services, and overcome the tyranny of distance and cost for many traders and consumers, while the WTO system is intended to reduce, or make transparent, the tangle of different barriers to market entry.

Looked at another way, electronic commerce is ostensibly a technological form of the WTO's pivotal most favoured nation, and national treatment rules.

(Broadly speaking, the most favoured nation rule means WTO Members treat all other Members no less favourably than the country receiving most favoured treatment, while national treatment requires home governments treat foreign

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Keeping Taxes Low. The question of what to do with the surplus is this: first make sure that the budget is in surplus and can be expected to stay that way, then lower taxes. To maintain a robust economy the growth in public spending should remain lower than the growth in the economy overall. [PAGE 4](#)

National Packaging Covenant. ACCI has become a signatory to the voluntary agreement between all tiers of government and industry to manage the use, reuse, recycling and disposal of household packaging and paper. [PAGE 6](#)

Award simplification involves the removal from awards of matters which are "not allowable" and after non-allowable matters have been removed, what is left is to be rigorously simplified. Award simplification is a crucially important part of the process of labour market reform. [PAGE 9](#)

Interest Rates Should Not have Risen. Reprinted are ACCI's media statements which followed the release of the CPI and earnings statistics and the decision of the RBA to raise rates. [PAGE 10](#)

products the same as those of domestic origin.)

Electronic commerce is not totally new to the multilateral trading system. The WTO already has a foothold in electronic commerce matters through the Agreement on Basic Telecommunications, negotiated under the long-running Uruguay Round, and the Information Technology Agreement, concluded in the 1996 WTO Ministerial.

Indeed, a little-known WTO rule – the Transmission Control Protocol/Internet Protocol (TCP/IP) – by putting in place a harmonised protocol for data exchange has played a critical role in the largely unfettered growth of the internet and, by association, electronic commerce.

While the WTO, through its operating structures and core principles, seeks to deal with electronic commerce-related matters, it does so in a fragmented way.

In addition to the two Agreements mentioned earlier, the WTO’s Services Council, which oversees the General Agreement on the Trade in Services, contains a number of provisions relating to electronic commerce.

These include transparency in regulations, competition, protection of privacy, market access commitments on the electronic supply of services and basic and value-added telecommunications, and access to public telecommunications transport networks and services.

The Council on the Trade in Goods, which deals with the trade

in industrial and manufactured products, also touches upon electronic commerce through its rules on market access, valuations, customs duties and charges, rules of origin, and product classification and standards issues.

“THE INTERNET HAS THE POTENTIAL TO CREATE A VIRTUAL GLOBAL MARKETPLACE FOR GOODS AND SERVICES, AND OVERCOME THE TYRANNY OF DISTANCE AND COST FOR MANY TRADERS AND CONSUMERS.”

Other constituent parts of the WTO with direct interest in electronic commerce include the Intellectual Property Council, focusing on protection and enforcement of copy- and related-rights, trademarks and facilitating access to existing and new technologies, while the Committee for Trade and Development looks toward enhancing the role of developing countries, and their smaller firms in particular, in the electronic market place.

The broad range of WTO agencies with an interest or foothold in aspects of electronic commerce underscores the risks associated with adopting a fragmentary approach.

OVERCOMING INHERENT PROBLEMS

A discrete WTO Agreement on Electronic Commerce (AEC) would overcome the inherent problems arising from such fragmentation, including the creation of incompatible rules, and/or the

inconsistent interpretation/application of otherwise comparable rules.

Just as the WTO has created focused, single agreements in agriculture, manufactures and services, for example, it should do the same in electronic commerce.

Key themes of a WTO AEC would include:

- the private sector is expected to take an active leadership role in the development and growth of electronic commerce, driven powerfully by the interplay of market forces, keen entrepreneurship and contestable markets, largely unencumbered by government intrusion; insofar as any precautions are required to sustain contestable markets, they should come from liberal competition laws of general application;
- while commerce and industry should take the leadership role in the development and expansion of electronic commerce, there is a necessary role for government in certain, defined areas. Key areas of direct responsibility for government include taxation, customs and tariffs, intellectual property protection, and removing policy-induced barriers to the contestability of markets;
- effective international policy co-ordination is essential to the efficient operation of electronic commerce. The challenge for governments is

to identify, and appropriately use and co-ordinate, relevant policies and necessary interventions.

- prima facie, the best approach would be to use relevant international agencies in their respective areas of competence; for example, the World Customs Organisation, World Intellectual Property Organisation, World Trade Organisation, and appropriate telecommunications bodies;
- liberal telecommunications markets, including fully contestable access to telecoms facilities, are vital to the development and growth of electronic commerce, both within nations and globally. Any regulations should, and with the highest degree of certainty, set down the nature, terms and conditions of access to telecoms facilities;
- a contestable, dynamic electronic commerce marketplace is best placed to generate competing, continuously improving and new technologies;
- any regulation of electronic commerce should not pursue harmonisation to a preferred or prevailing standard, which is likely to prove 'second best' and static, and impair the efficiency dividends of continuous change;

- the legal standing of trade and other documentation originating and/or authenticated in the electronic space will be critical to the development of electronic commerce. Documentation originating and/or authenticated in the electronic space should have legal equivalence with that in the physical space.

“THE AUSTRALIAN GOVERNMENT HAS, TO DATE, GENERALLY ADOPTED AN APPROPRIATE AND PRAGMATIC APPROACH TO DEALING WITH ELECTRONIC COMMERCE ISSUES WITHIN THE WTO.”

The Australian Government has, to date, generally adopted an appropriate and pragmatic approach to dealing with electronic commerce issues within the WTO.

However, it may need to reconsider its seeming preference for the fragmentary approach of including provisions on electronic commerce in individual WTO agreements (in contrast to the single AEC preferred by commerce and industry).

AREAS OF AGREEMENT

Commerce and industry shares the Australian Government’s views on a range of electronic commerce issues, including: that there should be no new rules for electronic commerce; the dangers of trade barriers impeding the

growth and development of electronic commerce; and, the importance of harmonisation of the legal framework for electronic commerce transactions.

Other areas of general agreement include: the importance of any national or international rules in electronic commerce being neutral and non-discriminatory between different available (and potential) technologies; giving first-preference to self-regulatory approaches, with minimal government-imposed regulation as a fall-back; and, commitments by governments not to impose customs duties on electronic transactions.

To its credit, the Australian Government has been open about where it needs additional advice and input from commerce and industry on electronic commerce matters in general, and within the WTO framework in particular.

These areas include: likely future trade opportunities arising from the expansion of electronic commerce; barriers to trade and market access (both systemic and relating to particular markets); and, guidance on international best practice in trade facilitation, regulation and trade promotion using electronic commerce.

Commerce and industry cannot reasonably complain about the framework and operations of electronic commerce national and internationally if it does not engage comprehensively and effectively with governments in promoting a suitable framework for electronic commerce.

KEEPING TAXES LOW

Full employment will come only with a strengthening private sector. The question of what to do with the surplus is this: first make sure that the budget is in surplus and can be expected to stay that way, then lower taxes. A strategy which will maintain a robust economy is one in which the growth in public spending remains lower than the growth in the economy overall.

Amongst the most important statements in the Ralph Report was this: "more generally, the benefits of a more robust and durable tax system should also be returned to taxpayers via lower tax rates."

It is very appealing that consideration now has to be given on what to do with an endless and growing surplus. Limited increases in the level of public spending balanced against increasingly rapid taxation receipts – whether such an outcome is mere wishful thinking only time will tell.

But whatever its likelihood for realisation, such an outcome should be seen as highly desirable. There ought to be no doubting that if Australia could arrange its affairs in such a way that the natural flow of events led to a continuously higher surplus, the effect on the economy and our national standard of living would be highly positive.

That this is a possibility is only the case because there is now firm restraint on public spending. There is something like an assumption that the Government will not indulge itself in further increases and rather than growing expenditures, the aim is to keep downward pressure on outlays.

THE ROLE OF EXPENDITURE RESTRAINT

The quite extraordinary aspect of this is that there is still almost no appreciation of the role that expenditure restraint has played in putting the Australian economy onto its current growth path. It is as if the government reduced its level of spending and then, independently, the Australian economy, in the midst of an economic crisis in Asia involving every one of our major regional trading partners, took off.

Let it therefore be understood that there was a cause and effect relationship between the reduction in spending and the resilience of the Australian economy. The cuts to spending were the foundation for the extraordinary and unexpectedly robust rates of growth Australia has experienced. These were not independent events, but the very essence of the reason why economic conditions have been as good as they have been.

Compare Australia today with the last occasion in which the budget went into surplus. In the late 1980s, Australia, for the first time in decades, ran a consistent surplus for a number of years. The consequence was an economic revival of the most intrepid sort.

So good was the rate of economic growth at the time that the problem was suddenly seen to be

an overheated economy. Not only was Australia growing, it was supposedly growing too rapidly for its own good. Whatever one might say about the solution to this non-problem, the very fact that the economy was doing as well as it was should have provided some kind of indication about the kinds of policies which actually do good in the real world.

The other comparison worth making is with Japan. Since the early 1990s the Japanese have been attempting to use public sector expenditure to revive a moribund economy. It has poured trillions of yen into various publicly funded capital projects. With each failure of the previous stimulus package another is designed and put into play.

And the result is that Japan remains prostrate, where a change in the Tankan Index from -33 to -27 is seen as a sign of growing business confidence.

The returns are in. Using public sector spending to raise rates of growth and to lower unemployment does not work. Cutting spending does. Whatever justification there may be for higher levels of spending, it ought not be to stimulate growth and increase the number of jobs.

If there is a justification for higher spending it is only that there are various outcomes that the

government can achieve that cannot be left to private initiative. And even then, it must assume that the government's priorities takes precedence over the priorities of the taxpayers who fund such government activity.

CONCERNS WITH PUBLIC SPENDING

The government pays for nothing. Because it does not create the value that it distributes, all of its expenditures are transfers from the general public. Purchasing power is taken from private individuals who are less well off as a result. This income is then used in ways which the government has itself determined.

There are without question many activities which governments rightly undertake and there is an important role for transfer payments to supplement the incomes of the disadvantaged. National defence is the obvious example of the first kind and the social safety net is an example of the second.

But each has its limits. The privatisation programs of the past

few years have been part of a process in which activities which can be undertaken by the private sector are returned to private ownership. It is well understood

“LET IT BE UNDERSTOOD THAT THERE WAS A CAUSE AND EFFECT RELATIONSHIP BETWEEN THE REDUCTION IN SPENDING AND THE RESILIENCE OF THE AUSTRALIAN ECONOMY. THE CUTS TO SPENDING WERE THE FOUNDATION FOR THE EXTRAORDINARY AND UNEXPECTEDLY ROBUST RATES OF GROWTH AUSTRALIA HAS EXPERIENCED.”

that the pressures of the market do a far better job to ensure that resources are used more efficiently. So long as competition is maintained, the market will provide a better service than can be expected from publicly owned enterprises.

And then there are the problems with poverty traps. One of the important lessons of the thirty year experiment with a rapidly expanding welfare state has been that up to a point it provides a necessary benefit but beyond some point it actually makes conditions worse.

Where that point is and in which circumstances a withdrawal of social support is advisable are issues about which there are different opinions. But it is no longer controversial that some of the expenditure on the safety net does those who receive it no favour but creates problems for them which are difficult to undo.

LOWER TAXATION THE PRIORITY

It is a nice thought that we may be heading for a period of perpetual budget surplus. If so, the first priority ought to be lower taxation. There are certain circumstances of which it is well understood that government have a role but if we are seriously interested in strongly growing economies and a self-reliant population, the aim should be to keep public spending to a minimum.

A lower level of taxation relative to a total national income which is continually growing is an ideal towards which Australia should now be heading. There can still be higher levels of public spending, but as a proportion of GDP public spending should be coming down.

NATIONAL PACKAGING COVENANT - ACCI BECOMES A SIGNATORY

A **voluntary agreement between all tiers of government and industry to manage the use, reuse and recycling and ultimate disposal of household packaging and paper has been signed. The National Packaging Covenant provides industry with substantial flexibility to develop measures to address packaging issues within a market-based framework that takes into account economic considerations and not just perceived environmental benefits.**

The National Packaging Covenant came into operation in August 1999 when Commonwealth and

State Environment Ministers, some industry and some local governments formally signed it.

ACCI agreed at its General Council meeting on 2 September that ACCI should participate in

the Covenant and formally signed the Covenant on 10 September.

As a signatory, ACCI agrees to actively promote the Covenant through its members and to encourage the take up by their member companies who are significant participants in the packaging chain.

The Covenant represents a new collaborative approach toward managing packaging waste based on industry developing actions to reduce, re-use or recover packaging waste. Its development was triggered by a number of factors including ongoing community concern about waste, the economic vagaries of kerbside recycling as well as industry dissatisfaction with existing prescriptive target based approaches of government policies.

Over two years in development, the Covenant is a self regulatory agreement to manage the recycling, re-use and disposal of household packaging and used paper. All sectors of industry, including raw material suppliers, packaging manufacturers, fillers and retailers and the three tiers of government have been involved in its development. It is based on the principle of product stewardship or shared responsibility and establishes a national framework for the effective life cycle management of packaging.

Industry had a three-fold aim in the Covenant's development:

- To move away from prescriptive sector specific industry waste reduction agreements and pursue a whole of lifecycle approach to packaging;

- Ensure that recycling schemes were based on market forces and the economic costs did not outweigh the environmental benefits; and
- Spread the costs of managing packaging waste across all sectors of the packaging chain, including consumers and governments.

“THE COVENANT REPRESENTS A NEW COLLABORATIVE APPROACH TOWARD MANAGING PACKAGING WASTE BASED ON INDUSTRY DEVELOPING ACTIONS TO REDUCE, RE-USE OR RECOVER PACKAGING WASTE.”

The Covenant achieves the first aim through enabling companies to identify their own actions to deliver continuous improvement in reducing their packaging impacts. The second issue is being addressed through an industry sponsored economic assessment of kerbside recycling to be undertaken over the next six months. This study will examine the costs of recycling and the environmental benefits and establish a sound basis for future kerbside recycling of materials.

Under the third objective, the costs of managing packaging waste are to be spread across the whole packaging chain consistent with the principle of shared responsibility. Currently the costs are borne by only a narrow section of the packaging industry. During the development of the Covenant,

there were divergent industry views as to how this last aim could be achieved. Some sectors of the packaging industry supported the introduction of a complementary regulatory mechanism to discourage “free riding” on the Covenant, for example, importers of packaged goods which may confer on them a competitive advantage.

While ACCI did not believe that a regulatory measure was necessary to underpin the Covenant, governments agreed to implement a National Environment Protection Measure for waste packaging. However, Ministers accepted ACCI concerns over the impacts on small and medium enterprises and agreed that the NEPM would only apply to significant contributors to the packaging stream who do not self regulate under the Covenant. The NEPM process will take State governments twelve to eighteen months to implement.

The implications of this now semi voluntary measure underpinned by a regulation are that those companies that are significant contributors to the packaging stream will have to make a choice as to whether to join the Covenant or become subject to the regulatory NEPM. They will not be able to disregard either. On balance, ACCI believes that the Covenant is the least onerous approach and this is why it has supported becoming a signatory.

Covenant signatories mean that a company (or industry association) agrees to produce an action plan to improve environmental outcomes in their production, usage, sale and/or reprocessing and recovery

of packaging. It also means that companies will pay a contribution to the industry transition fund for the next three years. The industry transition fund will direct the levies toward improving markets for recycled materials, efficiency measures, education activities and research and development. The fund will not be used to prop up inefficient recycling contracts. The levy is based on a formula which takes into account the particular part of the packaging chain a company operates in and its turnover. The minimum contribution will be \$250 per annum.

NEPM FOR USED PACKAGING MATERIALS - MAIN FEATURES

The following are the main features of the NEPM for used packaging materials.

- It is a regulation to ensure the recovery, re-use and recycling of used domestic packaging materials. The regulation will be enacted by state governments and will be in force for the same time as the Covenant, ie for five years.

- Outlines statutory obligations that Covenant non signatories will be required to undertake. The NEPM requires brand owners to be responsible for the recovery and re-use of their products, keep and provide records of the amounts recovered to state authority and demonstrate that steps have been undertaken to ensure consumers are advised of how the packaging is to be recovered. The NEPM provides guidance to jurisdictions on enforcement and penalty options as ultimate sanctions.

- The NEPM specifies that only significant contributors to the packaging stream will be affected.
- The NEPM lapses if the Covenant ceases to be in force.
- The NEPM will force on companies a compliance burden that is disproportionate to the

perceived environment values. While there may be some doubt about the ability of state jurisdictions to effectively enforce the NEPMs (they will have to be introduced through regulation, state environment protection policies etc), it has to be assumed that this will be so and hence is not a desirable option.

CONCLUSION

The Covenant is consistent with ACCI's environmental policy which is based on ecologically sustainable development. ACCI believes that the principles of the Covenant are sound and that a market based economic framework for the management of packaging waste has now been established. Past government waste policies have only focused on environmental targets and have not integrated economic considerations. Support for the Covenant will strengthen industry's aim to address the market inefficiencies in kerbside recycling in the longer term.

AWARD SIMPLIFICATION

Award simplification involves the removal from awards of matters which are "not allowable", ie. which are outside the twenty matters which may be included in awards by the Australian Industrial Relations Commission. In addition, after the removal of non-allowable matters, what is left has to be rigorously simplified. Removal of matters which are not allowable means only that they are no longer included in awards. It does not mean they are prohibited. If employers and workers wish to negotiate for entitlements outside the award structure, that is totally up to them.

Since the enactment of the Workplace Relations Act 1996 Australia's unique industrial awards have been undergoing a process of reform known as "award simplification". As of 30 June 1999 only 246 awards had been simplified, and about 1,206

awards were undergoing simplification.

Progress has been slow and long drawn out, particularly because trade unions strongly oppose award simplification, and are able to use the complexities of the process to slow it down.

ACCI has been a strong promoter of all forms of labour market reform, including reform of the many award restrictions on hours of work, contracts of employment, and other matters contained in awards.

It is an extremely important process of reform of what are often extremely detailed, overly regulatory documents.

The *Workplace Relations Bill* currently before federal Parliament proposes a number of important improvements to the award simplification process. The Bill provides for further award simplification, both through further reducing the number of allowable matters and in further refocussing the level of detail and prescription of matters contained within awards.

DELETION OF ALLOWABLE MATTERS

Matters to be deleted from the range of allowable matters are:

- skill-based career paths
- tallies and bonuses
- long service leave
- notice of termination
- jury service.

Some of these matters are already comprehensively dealt with through federal and State legislation, so the role of the award system is as a top up or supplement to an extensive body of legislation.

Long service leave is dealt with through State legislation, and there is State based regulation of jury service. There is no need to second guess the State legislatures. Where awards deal with the same issues dealt with in legislation a second order of difficulty too often occurs, arising from differences in the requirements in the two schemes. Employers must then abide by a complex mosaic of legislative and award requirements on the same issue.

REWRITTEN ALLOWABLE MATTERS

In addition, some of the allowable matters are to be rewritten to refocus them more appropriately.

The personal/carer’s leave matter is to be rewritten so that it provides “personal/carer’s leave, including sick leave, family leave, bereavement leave and compassionate leave”.

Accompanying this change, a new allowable matter will provide “ceremonial leave for Aboriginal and Torres Strait Islander people, and other like forms of leave, to meet cultural obligations;”

The current allowable matter of “public holidays” will be altered to provide: “observance of days declared by the Government of a State or Territory to be observed generally within that State or Territory, or a region of that State or Territory, as public holidays by employees who work in that State, Territory or region, and entitlements of employees to payment in respect of those days.”

The current allowable matter of “allowances” will be replaced by a paragraph providing:

- “monetary allowances for:
- (i) expenses incurred in the course of employment; or
 - (ii) responsibilities or skills that are not taken into account in rates of pay for employees; or
 - (iii) disabilities associated with the performance of particular tasks or work in

particular conditions or locations.”

The current allowable matter of “redundancy pay” is to be replaced by a paragraph which provides:

- “payments in relation to termination that is:
- (i) on the initiative of the employer; and
 - (ii) on the grounds of redundancy.”

SPECIFIC PROHIBITIONS

The bill extends the range of specific prohibitions against certain matters being included in awards to the following:

- payment of accident make up pay by employers
- union picnic days
- tallies
- transfers between locations
- training or education (except in relation to leave or allowances for trainees or apprentices)
- recording of the hours employees work, or the times of their arrival or departure from work
- rights of an organisation of employers or employees to participate in, or represent, the employer or employee in the whole or part of a dispute settling procedure, unless the organisation is the representative of the employer’s or employee’s choice
- transfers from one type of employment to another
- prohibitions (directly or indirectly) on an employer employing employees in a particular type of

employment or in a particular classification.

A greater number of specific prohibitions of this kind are very desirable. One of the key problems in the award simplification process has been the general nature of some of the allowable matters, and the scope that this gives to a large number of arguments about interpretation.

These arguments have complicated and delayed the award simplification process. It is highly desirable that the allowable matters be assisted in their focus by very specific prohibitions of this kind. It leaves less room for ambiguity.

INCIDENTAL AND NECESSARY

The Bill proposes that the current “incidental and necessary” provision, be replaced by the following:

“The Commission may include in an award provisions that are incidental to an allowable award matter provided for in the award and are essential for the purpose of making a particular provision operate in a practical way.”

The “incidental and necessary” provision has been repeatedly used by union advocates as the fall-back provision when a matter is not allowable, in other words as a top-up to the allowable matters, an additional source of allowable matters, contrary to the terms of the *Award Simplification Decision* which said:

“That subsection makes it clear that the matters specified [as part of the incidental and necessary provision] are not to be expanded, but that an award provision which is incidental to one of the matters is permitted, provided it is also necessary for the effective operation of the award.”

“THE INDUSTRIAL PARTIES HAVE WORKED WITH A LINK BETWEEN AWARD RESTRUCTURING AND SAFETY NET ADJUSTMENTS FOR OVER A DECADE, AND HAVE UNDERSTOOD WHY SUCH A LINK IS NECESSARY, AND HAVE DEMONSTRATED THAT IT CAN WORK EFFECTIVELY.”

Parliament would be making a major contribution to the award simplification process by supporting this amendment. It is simply an attempt to ensure that the incidental and necessary provision is refocused, to operate more as it was intended to operate.

NO SAFETY NET INCREASE WITHOUT AWARD SIMPLIFICATION

The Bill includes provisions which would provide greater incentives for parties to undertake award simplification promptly (e.g. through requiring awards to be simplified before they can be varied to include safety net adjustments). It is proposed to add to the variation of award provision [s.113] the following:

“If an application is made to vary an award to make a safety net wage adjustment, the

Commission must not vary the award to make the adjustment until the award has been reviewed in accordance with Part 2 of Schedule 6 to the Workplace Relations Legislation Amendment (More Jobs, Better Pay) Act 1999.”

This provision is strongly supported by employers. First, the proposed linkage has been a feature of the wage systems operating in Australia since 1987. It is not a new proposal because such a linkage applied during most of the years of the ALP/ACTU Accord.

The Accord years were 1983-1995. A linkage applied between award restructuring and safety net increases for all but the first three years of that period, ie. 1983-1986. The parties had, in other words, worked with such a linkage for over a decade (1987-1996), and such a linkage has in the past been accepted by all parties.

Secondly, the award simplification process has suffered because of the lack of such a linkage which provides some considerable incentive to trade unions to cooperate with award simplification. Unions have frequently not cooperated because they oppose the process, and would like the process to be delayed or fail in its implementation.

Thirdly, the rationale for the link in the past is and has been in the past essentially that restructuring of awards is a difficult process, that it is difficult to persuade unions in particular to co-operate with that process of reform, and that both a “carrot” and a “stick” were

necessary, the carrot being the safety net adjustment for the unions, and the stick being that this would not be available unless there was measurable progress or outcomes of restructuring.

The industrial parties have worked with a link between award restructuring and safety net adjustments for over a decade, and have understood why such a link is necessary, and have demonstrated that it can work effectively.

MORE PROTECTION FOR STATE SYSTEMS

There will be more protection for State enterprise agreements, and State awards. The special Victorian jurisdiction agreements, and those under the Western Australian and South Australian State legislation will be provided with greater protection from being overridden by a federal award. Where a State award governs wages and conditions it will also receive greater protection.

It should be noted that the Bill proposes to recognise that there may be exceptional circumstances which warrant a federal hearing. If

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exceptional circumstances do exist then the Commission may proceed to exercise its powers in relation to industrial disputes, including award making functions.

Two principles should govern the Parliament’s consideration of these provisions: firstly, if employers take the trouble to develop enterprise agreements bona fide under the rules of the time established by State Parliaments, then they are entitled to have their agreements protected and left alone.

Secondly, the priority must be on encouraging enterprise agreements, and this provision does so by placing primacy on State enterprise agreements over federal awards.

CONCLUSION

Award simplification is an important part of the process of labour market reform. It is easy to criticise it because some limited matters are removed from awards, but it is important to remember that the removal of matters from awards simply changes the level at which the matter is decided, from the award level to the workplace level.

Defence force leave and blood donor’s leave can be addressed at the workplace level, and in fact generally is, because of the frequent lack of knowledge about award matters.

What we do need are further measures to promote award simplification, because of the delays employers are experiencing in having their awards reformed. We need to make the application of safety net adjustments to awards conditional on the award first having been simplified.

The industrial parties have worked with such a link for over a decade, and can work with such a link again. Such a link was supported by the Hawke and Keating Governments, in conjunction with the ACTU and ACCI, and there is no reason why we cannot reintroduce such a link now.

ON WHY INTEREST RATES SHOULD NOT HAVE RISEN

The following three press releases were issued by ACCI CEO Mark Paterson, each one explaining why the Reserve Bank was wrong to have raised official rates of interest. The first dealt with the CPI, the second with Average Weekly Earnings and the third with the decision of the RBA to raise rates.

CONSUMER PRICE INDEX - OCTOBER 27

The September quarter Consumer Price Index confirms that Australia

is not in the midst of an inflationary episode and that there is no justification whatsoever for an increase in official rates of interest. Notwithstanding that the

quarterly increase in the CPI was 0.9%, the highest quarterly increase since September 1995, and that the 0.9% quarterly increase has taken the annual

increase to 1.7%, the highest it has been since September 1996, what is crucially important is that no matter how it is measured, the CPI remains firmly below the Reserve Bank's target range of 2-3% over the course of the cycle.

We have not even hit the lower limit of the target range so it is premature in the extreme to be worrying about stopping an inflation we do not even have while also damaging the economy in the process.

It is, moreover, the actual composition of the increase that is important. The single largest factor in the rise in prices during the September quarter has been the rise in the cost of petrol. Petrol prices have been rising because of the higher cost of imported oil.

How ridiculous it would be to push up interest rates in Australia because imported oil prices have risen. No movement in domestic interest rates will stop a once-off increase in the cost of petrol when the source of that increase is entirely off shore.

The other factor pushing up the CPI was the cost of housing. But look at the source of this increase. It is partly because of the cost of house purchase, but has also been driven by government actions. The largest single increase in the housing component of the CPI has been the 5.2% rise in property rates and charges.

To be imposing higher interest rates on the economy because local governments are raising their own charges more rapidly than the private sector can raise prices would be a miscarriage of economic justice.

There are no inflationary pressures revealed in the CPI which need to be stopped. There is no justification for an increase in official rates.

Australia is experiencing the first real opportunity for an on-going non-inflationary recovery that we have had for perhaps thirty years.

It would be an act of vandalism to attempt to slow this economy now because of a phantom concern about the rate of inflation.

Higher interest rates would slow growth, diminish investment and transfer purchasing power from households to financial institutions. It would raise genuine concerns within the business community about how high rates will eventually go.

It would put a chill on economic activity at a time when the economy is showing a momentum it has not experienced for decades.

Higher interest rates would also push up the value of the Australian dollar. Here we are with a current account deficit around 6% of GDP. Higher rates would push the dollar higher raising the cost of our exports while lowering the cost of imports.

The only certain consequence of higher rates at this time would be a worsening in Australia's balance of payments.

There is only one conclusion that should be drawn from the latest CPI result. The data provide no evidence of inflation. Interest rates should not rise.

**AVERAGE WEEKLY EARNINGS
- OCTOBER 28**

Today's wages number should make any thought of an interest rate increase out of the question.

It is not just that the rate of wage increase is low at 0.6% for the quarter and 2.6% for the year. But it is also that the trend in the movement in wages has been downwards for more than a year. There are no inflationary pressures coming on the part of wages.

Look at the numbers in the table below. These are the quarter by quarter movements in Average Weekly Ordinary Time Earnings.

If anything, inflationary pressures are coming down. There is less pressure on prices today than there was a year ago.

Annual Movement in Average Weekly Ordinary Time Earnings		
	Trend (%)	Seasonally Adjusted (%)
May 1998	4.2	4.4
August 1998	4.2	4.1
November 1998	4.0	4.2
February 1999	3.5	3.1
May 1999	2.6	3.3
August 1999	2.6	2.3

An inflation rate above the Reserve Bank's own 2-3 percent target range is not a realistic possibility at this time. Official interest rates should not rise.

DECISION OF THE RESERVE BANK – NOVEMBER 3

The business community is disappointed by today's decision of the Reserve Bank to raise official rates of interest by 0.25 percentage points.

This rise in rates will only contribute to the slowing of the

economy when the economy has already begun to slow. It is also unfortunate that rates have risen when the unemployment rate remains over seven per cent.

The effect of this increase in rates will be a transfer of funds out of the hands of households and businesses and into the hands of financial institutions.

It will lower investment at a time when forecasts are that investment this year will already be negative. It will keep unemployment higher

than it otherwise would have been.

The effect on business will be to create uncertainty about the future direction of official rates of interest and the level to which they will now rise.

This can be expected to have a dampening effect on business confidence and economic activity.

One can only hope that this is an interest rate increase which has occurred in isolation and will not be repeated any time soon.

Postscript: The concerns expressed in these three statements have been more than borne out by the money market reaction to this first rise in rates in five years. They obviously do not expect this to be a once-off rate increase but assume it is to be repeated early in the new year and again thereafter. The ultimate impact on Australia's prosperity will depend on the extent to which their expectations are met.

THE ACCI REVIEW IS PUBLISHED MONTHLY BY THE AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

Subscriptions to the ACCI Review are \$60 per year and may be ordered through ACCI's Canberra office.

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