

**Statement of**

**Mr. Jon Kneen  
Chairman of the Board  
Al-Jon, Inc.**

**On Behalf of the  
National Association of Manufacturers (NAM)**

**Before the  
Senate Finance Committee**

**On**

**The U.S.-Australia Free Trade Agreement**

**June 15, 2004**

Good morning. My name is Jon Kneen. I am the Chairman of the Board of Al-Jon, Inc., a manufacturer based in Ottumwa, Iowa. I am here today to represent my company and the National Association of Manufacturers (NAM) regarding the benefits of the U.S.-Australia Free Trade Agreement.

Our company, Al-Jon, designs, manufactures, and markets machinery used to recycle scrap metal and manage waste in an environmentally friendly fashion. This equipment includes car crushers, metal balers, metal loggers, hydro tractors with engine pullers, and landfill compactors. Our machines process old junk cars, refrigerators, stoves, and other light-gauge metals for recycling purposes. Then our landfill compactors are used to demolish, compact and reduce waste and garbage to an environmentally acceptable condition.

Al-Jon is over forty years old. The company is privately owned by my family and is in second-generation management. We employ about 100 people in Ottumwa, and our ability to sustain and grow our local work force is increasingly dependent on our ability to penetrate new markets abroad. Today we export approximately ten to fifteen percent of our production, and in recent years this has included a number of sales to Australia.

While we have numerous potential customers in Australia, our sales there have been limited by two factors: 1) the five percent tariff the Australia government charges on our exports, and 2) the cost of shipping our heavy machines that far. The U.S.-Australia Free Trade Agreement (FTA) will immediately eliminate the first factor – the five percent duty – and I believe this will greatly enhance our prospects for expanded sales to Australia.

Let me explain. Our products are high-technology, high-value manufactured goods. For instance, an Al-Jon Car Crusher is priced at \$118,000 apiece. The duty paid by our Australian customers on each crusher is nearly \$6,000, which is no small piece of change. No Australian company that I am aware of makes equipment similar to ours. Our main competition for business in that country comes from Europe. Once Congress approves the FTA and it goes into effect, we will gain an immediate \$5,000 price advantage over our competitors, giving us strong reason to believe that we can significantly expand sales of our crushers and other equipment, which would receive similar duty breaks.

The instant competitive advantage that Al-Jon will achieve from the agreement will also be achieved by many other American manufacturers. You know, Mr. Chairman, if you were to say, “give me one good reason to support the U.S.- Australia free trade agreement, I would say, “I’ll give you 19,000 reasons!” That’s the number of U.S. companies that already export to Australia, according to the Census Bureau. And my company is far from being alone as a small or medium-sized exporter to Australia. Over 85 percent of all U.S. exporters to Australia are small and medium-sized firms.

Australia is already a great market for smaller U.S. firms, and this trade agreement is only going to make it better. The NAM, which represents 14,000 U.S. manufacturers, including four thousand large firms and 10,000 small and medium-sized companies like ours, believes the benefits are so widespread and substantial that it has taken to calling the deal with Australia “The Manufacturers Agreement.”

The U.S.-Australia FTA deserves that label because 95 percent of all U.S. exports to Australia are manufactured goods, and over 99 percent of Australia’s duties on U.S. manufactured goods will be eliminated the moment the agreement goes into effect. That is an unparalleled achievement. In previous trade agreements, many industrial tariffs were phased out over five or ten years, delaying the benefits available to competitive American companies like mine. But the Australia agreement is unprecedented in the extent to which it provides immediate, cost-saving benefits for Al-Jon and other American manufacturers. The NAM estimates the accord could result in an additional \$1.8 billion in annual sales of U.S. manufactured exports to Australia.

Another reason this agreement is so commercially meaningful for American manufacturing is the fact that it builds on an extremely solid trade and investment relationship that is already in place. The United States sold more than \$12 billion in manufactured products to the Aussies last year, and we had our largest bilateral industrial trade surplus in the world – nearly \$7 billion dollars in the U.S. favor – with Australia. Building from this strong foundation, the FTA should allow us to further integrate the two economies and expand our share of the Australian market.

### Non-Tariff Barriers

In addition, the agreement contains provisions for reinforcing the World Trade Organization (WTO) Technical Barriers to Trade (TBT) agreement and for promoting

improvements in bilateral implementation of the TBT agreement. U.S. manufacturers have a strong interest in ensuring that technical standards and regulations governing manufactured products do not constitute barriers to market access. Products with U.S., European and international standards are widely used in Australia.

The Agreement provides the opportunity to go beyond the basic WTO requirements and to find ways to streamline the use of standards conformity assessment requirements in a manner that would lower the cost of bilateral trade and would facilitate trade expansion. This is yet to be built on, but the agreement contains a mechanism that could allow for very important reductions in the effect that standards and conformity assessment can have as trade barriers.

### Government Procurement

I would also like to note the agreement's provisions on government procurement, which provide U.S. firms competitive entry to Australia central government entities. Australia is not a signatory to the WTO Government Procurement Agreement, meaning these advantages are not available to competitors in the Australian market. Importantly, Australia will no longer apply to U.S. firms provisions for local manufacturing or local content requirements. Australia will also restrict its use of selective tendering provisions, which will improve U.S. suppliers' ability to compete fairly for government contracts. This will allow American companies to sell U.S.-made products to Australian government entities which previously were off-limits to them.

### Customs Procedures and Rules of Origin

Bilateral trade will also be greatly facilitated by the agreement's customs chapter. The specificity of obligations with regard to customs procedures, coupled with the commitments to information sharing to combat illegal trans-shipment of goods and facilitate express shipment, maintain a high standard. Steps to ensure transparency and efficiency are also included. The agreement also provides that the release of goods should be accomplished quickly – and within 48 hours to the extent possible. This is of particular importance for express delivery services that increasingly handle the transport of products exported by smaller and medium-sized U.S. companies.

### Conclusion

In conclusion, I'd like to thank you, Mr. Chairman, and the members of the Committee, for listening to the views of Al-Jon and the National Association of Manufacturers on this important agreement. We strongly urge that your committee and the Congress approve the agreement as soon as you can, so that American manufacturers such as myself can begin to take advantage of the lower barriers and stronger rules it provides.

I will be happy to try to answer any questions the Committee might have at the appropriate time.