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Monday, 18 May 2009

The Honourable Kevin Rudd
Prime Minister of Australia
MG 8
Parliament House
Canberra ACT 2600
Facsimile 0262734100

Dear Prime Minister

Re: 2009-10 Federal Budget: Employee Share Ownership Plans

I refer to the government's recent Federal Budget announcement in relation to Employee Share Ownership Plans and confirm the following:-

1. The AMMA (Australian Mines and Metals Association) is the peak employer association for employers in the resources sector, representing Australia's largest companies in mining, hydrocarbons, allied industries, contractors and service providers to the sector;
2. In the past week, many of our members have contacted AMMA raising concerns in relation to the impact of the government's proposed new tax rules on employee share ownership plans within the resources sector. To put it mildly CEO's in the Industry, Managers and employee are extremely hostile towards the 'without consultation' and 'without proper consideration' announcement made on budget night;
3. Finance Minister Lindsay Tanner's comment that share schemes had been used 'primarily as a tax-avoidance mechanism' for high income earners is indicative of how far removed from reality the government's position on this matter is;
4. Many resource sector employees work extended hours in remote locations to support their respective families. In some instances employee share schemes have been have been part and parcel of remuneration arrangements for well in excess of a decade;
5. Many of our members have spent considerable funds developing employee share ownership plans in response to the current financial downturn. For a number of our members the rollout of such schemes has now been put on hold due to concerns the proposed tax changes will dissuade employees from picking up the share ownership opportunities offered by these companies;

6. With the average weekly wage in our sector exceeding \$100,000 (often reflective of remote location/extended hour regimes), a large proportion of resource companies regularly offer share ownership plans as part of their broader employee engagement and retention strategies;
7. Share ownership plans have greatly assisted workplace alignment and productivity throughout the sector with a broad cross-section of employees in various positions greatly improving their awareness with respect to company activities and commodity prices, and enthusiastically embracing company productivity and monitoring share price performances;
8. I can personally recall employees advising journalists one of the reasons they were no longer in unions and engaging in strike action was that they were too busy trying to improve company performance and watching share price movements in financial papers. It has been part of a major cultural shift in key areas in the resources sector;
9. Significantly, at present, as the resources sector struggles in the current economic conditions, employee share ownership plans are also particularly helpful in terms of employee engagement and alignment for resource companies with low cash reserves unable to offer high salaries or bonuses;
10. The new rules announced by the government last week will result in resource employees no longer being able to defer tax on shares they receive under any employee share ownership plan arrangements. Employees may also be forced to pay tax on shares they haven't yet earned where performance hurdles have not been met. Such measures will make it quite difficult for resource companies to offer appealing remuneration packages in the current environment where salary freezes are not uncommon;
11. Given many of our members have operations in other parts of the world, the decision by the Australian government to tax share schemes up-front will also result in inconsistent remuneration opportunities for employees based in Australia;
12. We understand the government is willing to consult key stakeholders when the draft exposure legislation on the changes to the tax treatment of employee share schemes is released;
13. Issues regarding the tax treatment of vested shares that decline in value, that is, do they get a tax refund when they can trade the shares, appear unclear;
14. Given many of the concerns raised by our members in the past week, AMMA is currently surveying all of its members that are currently utilising employee share schemes to provide your office with a detailed overview of the benefits of retaining the tax concessions previously available to employees.

Prime Minister, we urgently seek your government to review this decision. It is a major unexpected, unplanned impact that will cause adverse impacts to our sectors employers and employees at the worst possible time in the economic and commodity cycle.

Together with CEO's from the Industry, we seek a meeting with yourself or your office to convey the concerns of our members, explain how employee share schemes have been a beneficial employee engagement mechanism from the pick and shovel labourer through to the CEO, and also convey findings of our survey of over 300 resource sector companies due to be completed next week.

Should your office require further details and information in relation to the above, please do not hesitate to contact me 03 9614 4777.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Steve Knott'.

Steve Knott
Chief Executive
Australian Mines and Metals Association