

To: jeevacation@gmail.com[jeevacation@gmail.com]
From: PETER MANDELSON
Sent: Sun 6/13/2010 2:02:35 PM
Subject: Fw: Re: Fw: RSPT - Australia

sent in response to various papers he sent me re mining supertax in Australia

--- On Tue, 8/6/10, PETER MANDELSON <[REDACTED]> wrote:

From: PETER MANDELSON <[REDACTED]>
Subject: Re: Fw: RSPT - Australia
To: [REDACTED]
Date: Tuesday, 8 June, 2010, 18:11

Mick Davis's email to you touches on where this is going next: a compromise. The pressure which the industry has applied, with the strong focus on jobs and social impact, is clearly having an effect on a government which is already under pressure. This pressure needs to be maintained so that everyone understands the clear consequences of the govt's proposals.

You need to build the broadest possible coalition, not only within the business community and sympathetic commentators but preferably in more unexpected quarters. Are the trades unions a right off if the case about investment and jobs builds ? Can broadly-based opinion in the states be stirred where investment is threatened ? Given there is a federal election approaching, it is desirable to influence floating voters that the govt may fear losing.

However, I see that some in the government have accused the industry of being politically motivated (e.g. funding opposition parties), I would keep well out of that and encourage colleagues to steer away from it. You do not want to turn it into an issue of "who governs Australia", the voters and their elected representatives or the mining companies.

Despite the progress which you are making there will come a point when it is harder, not easier, for the government to concede ground. The Rudd government will want to (or at least give the impression) that they are conceding from a position of strength, not weakness. I think you will want to secure a compromise before this issue is thrown into the heat of the election battle.

I would suggest that you start to accept that there is no ideological reason why the industry should not be making a greater contribution to society, especially given the constrained economic times, but that this should be done on the basis of fairness (what is reasonable based on global standards / state of the tax take for the country as a whole) and reciprocity (what is the government going to offer the industry in return for increasing your tax bill). In a negotiation, you obviously don't want to start with what you will settle for. Equally, you don't want to be so minimalist that it is hard or

impossible for the govt to come to the negotiating table.

Who could act as quiet honest broker ? Rod Eddington ?

I am unsure of the exact timeline on this issue but, assuming timing is relatively tight, I would suggest that in the next week or so a clear indication is given by the industry as to what they are prepared to accept and how, this having been discussed in some form with the government in advance (using fairness and reciprocity as the two planks of the argument).

Looking forward to seeing you on the 2nd July. This email comes free, gratis, for nothing !

--- On Mon, 7/6/10 [REDACTED]

wrote:

From: [REDACTED]

Subject: Fw: RSPT - Australia

To: [REDACTED]

Date: Monday, 7 June, 2010, 9:48

Gentlemen

As you know an ill-informed editorial was published in the Financial Times on Monday to which I responded on the same day – my letter was published in Wednesday's paper (see attached cutting) and my comments were also reported in The Australian, the Courier Mail and on a number of newswires.

On Thursday as presaged in an earlier e-mail and the press release which you will have seen but which is attached again for easy reference , we announced the suspension of A\$586m of expenditure on two projects in Queensland: Ernest Henry mine underground shaft, part of the project approved by the Board in December last year, and the Wandoan coal project, which is currently in the feasibility stage. The announcement resulted in widespread media coverage as the most definitive evidence to date of the impact of the Resources Super Profit Tax. Attached is a representative sample of press cuttings. The key points are summarised below:

- Xstrata's announcement on Thursday was very widely reported across Australia and internationally, including front page articles in the two major national papers, The Australian and Australian Financial Review (see attached) and widespread coverage on all national and regional TV and radio stations
- The overall tone of the coverage reflected many commentators' view that this announcement marked a turning point in the debate and attention turned to the impact of the tax on jobs and mining communities.
- A number of contractors, employees and community leaders were quoted in the media and some affected companies pro-actively contacted Xstrata to ask how they could make their voice heard
- Political and business commentary pieces all reflect a general view that the PM is losing the battle, and needs to force a compromise
- Queensland Premier Anna Bligh underlined the point that the tax is now having a real impact by publicly urging the federal government to come to a speedy resolution as the tax is "causing real pain to Queensland families"
- However, the Prime Minister and Deputy PM attacked Xstrata and dismissed the announcement as a "scare campaign" and "politically motivated". They claimed the threat to jobs was "not real" and suggested that these projects were going to be shelved regardless of the tax, e.g. because of infrastructure problems.
- A number of commentators criticised the PM for insulting companies rather than addressing the concerns with the mining tax and for his lack of understanding of how business decisions are made (see Brian Frith article attached and quote from Gottliebson below)

· Robert Gottliebson (Business Spectator) - "I had to pinch myself this morning. Here was an Australian Prime Minister saying that a major coal investment by Xstrata wasn't mothballed by his mining tax but rather it would have happened anyway. Kevin Rudd obviously does not understand the devastation his tax is having on mining investment in Australia."

· Peter Freyberg and Charlie Sartain participated in several TV and radio interviews on Thursday and Friday, reaching a mass audience across Australia to explain our decisions and to rebut the PM / Deputy PM's claims. Xstrata's message has been clear that our decision was based solely on the impact of the tax on the economics of these projects, and as a result we could not justify continued expenditure on projects that would become unviable under the RSPT.

· The reaction on talkback radio in Queensland has been particularly strong, with sentiment running strongly against the RSPT

and its impact on the state and businesses in all major centres.

Criticism of the tax has also intensified from leading business voices outside of the mining sector, including the Business Council of Australia, Future Fund Chairman David Murray and Rod Eddington, an advisor to the Rudd government on business. The Australian is likely to lead its coverage on Saturday with David Murray's comments which call for the tax to be completely revised or abandoned.

We have been directly attacked by the Australian Prime Minister and I attach a speech he has just made in Queensland. In this context I attach a letter I sent him some weeks ago which he has not yet responded to.

The strategy for next week is to continue to engage directly with our key stakeholders, but to encourage community members, contractors, suppliers and all those who would be affected by the tax to speak up in public, allowing Xstrata executives to step back from the headlines to some extent and to maintain the focus on the potential impact on the man on the street. The Minerals Council of Australia is continuing its TV and radio campaigns which also focus on the potential impact on Australian livelihoods within and outside the mining sector. However, we must be realistic on the outcome of this issue. In my view we are destined to pay more tax (somewhat less than what is being proposed!) – but we must and will fight for a proper and legitimate tax structure and not what we have been presented with so far.

I trust that the above is useful but please do not hesitate to contact me should you have any questions or concerns. Advice is always welcome!!!!

Regards

Mick

(See attached file: FT letter_020610.pdf)(See attached file: Xstrata Media Release QLD Expenditure Suspension 3 June10 FINAL.PDF)(See attached file: Selected cuttings Fri 4 June 10.pdf)(See attached file: Prime Minister.pdf)
(See attached file: MLD Ltr to Prime Minister_11 May 2010.pdf)

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