

23 April 2013

The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600
economics.sem@aph.gov.au

Dear Mr. Bryant

SUBMISSION: Inquiry into the exposure draft of the Australian Jobs Bill 2013

Xstrata welcomes the opportunity to make a submission to the Senate Economics Legislation Committee on the exposure draft of the *Australian Jobs Bill 2013*.

The draft legislation includes, among other provisions, the establishment of a new Australian Industry Participation Authority and requirement for Australian Industry Participation (AIP) plans for all projects with a capital expenditure of \$500 million or more. Under the legislation, businesses which do not comply with AIP requirements will face strengthened compliance provisions.

Xstrata Coal delivers a natural resource that is at the heart of everyday life and central to the development of society. We seek to extract our product profitably to create value for our shareholders, efficiently with respect for the environment, and responsibly to leave communities with lasting benefits from our presence – such as infrastructure, improved local skills and thriving new businesses.

Xstrata Coal already has a good track record of using competitive local suppliers in Australia. In 2011 we invested almost \$4 billion with local suppliers in association with our mining projects. Wherever practical we look to procure goods and services from local jurisdictions as a way of supporting local industry and communities where we operate.

Our projects are well publicised, we access the services of the Industry Capability Network to identify local suppliers and service providers, and we use Australian Standards in specifying the supply requirements for our Australian projects. All tenderers are evaluated fairly, and selection is based on the cost, quality and capability of the suppliers to meet the specific requirements of the project.

Xstrata believes that maintaining open, free and competitive markets is fundamental to ensuring Australian manufacturers and service providers are encouraged to innovate, develop technologies and evolve services that keep pace with the rest of the world – thereby maximising the probability of significant local content in large Australian projects.

We believe that the proposed Australian Jobs Bill will do nothing to improve the competitiveness of Australian manufacturers and service providers, and only adds to the regulatory red-tape and cost of projects which are becoming increasingly marginal as a result of Australia's high cost structure, regulatory burden, tax regime and currency exchange rate.

Our key concerns with the proposed legislation are as follows:

- Nothing in the legislation addresses or enhances the global competitiveness of Australian suppliers, which is the key determinant of local content on major Australian projects
- The obligations of the Australian Jobs Bill introduce an additional layer of regulation and compliance costs onto projects, further undermining Australia's attractiveness as a place to invest
- The level of Government intervention proposed in the procurement activities of private Australian investments creates a concerning precedent
- Creation of the Australian Industry Participation Authority creates additional bureaucracy and will add significant cost at a time when Australian Governments are running increasingly large deficits.
- The operation of the legislation is unlikely to have any material impact on the participation by Australian suppliers in major projects, or on the outcomes of the selection process by the project proponents

Xstrata is concerned that the proposed legislation is contrary to the principles of good public policy, the rationale for the legislation is not well established, the cost to business is not assessed and there is no evidence that alternative policy options have been considered.

We remain committed to constructive dialogue with Government and believe that further discussion and consultation with industry is required on this proposed legislation.

In its current form Xstrata Coal does not support the Bill and believes that it will act to only worsen the prospects for Australian industry by further damaging the competitiveness of major Australian projects.

Please direct any queries to Ms Cassandra McCarthy by email
phone

or by

Yours sincerely

Mick Buffier

Group Executive for Sustainable Development & Corporate Affairs

Xstrata Coal