

"Millewa
90 Osborne Road
Burradoo NSW 2576

5th August 1999

RE: Employee share ownership plan inquiry

Thank you for the opportunity to submit the following which I understand is of interest to the inquiry into employee share ownership.

I refer to an employee led acquisition initiative of Ansett Australia Holdings Limited.

The majority of the representative trade unions have now given their conditional approval to explore an operational and financial restructuring of Ansett Australia Holdings Limited that would involve significant employee ownership.

The catalyst was concern regarding the business viability of the Airline, restructuring resulting in job losses, asset sales and the publicity surrounding ownership changes of a great Australian corporate icon. It is believed that the excellent progress made from the Business Recovery Program initiatives could be enhanced through a well structured ESOP that would facilitate greater employee responsibility for corporate performance, address accountability and empowerment issues and particular industrial mandates through an ownership structure that rewards the loyal employee and management groups equitably.

On the 4th March, 1999 a presentation was made at ACTU House in Melbourne by a leading New York Investment Banking firm, Keilin & Co.LLC and the highly respected Australian buyout specialist firm, Grant Samuel Private Equity to the Ansett Union delegates detailing issues relevant to a transaction of this size and complexity.

The model for the proposal is the United Airlines Corporation.

On July 12, 1994, the stockholders of UAL approved a plan of recapitalisation that provided 60% of the common stock to 50,000 participating employees following an employee buyout initiative that was conceived from concerns about job security, morale and a desire for a more positive influence on the Corporation that employed their skill.

On the 23rd June, 1999, Keilin & Co LLC wrote to the Executive Chairman of Ansett Australia Holdings Limited requesting the opportunity to meet and discuss the application of employee ownership, the opportunity to conduct due diligence to assist the development of a formal employee ownership proposal and enter into an economic negotiation with the current owners and the governing bodies of the participating trade unions. The negotiation is to be open to all interested parties including Singapore Airlines should they remain interested in acquiring a component of the News Corporation's holding and Air New Zealand as the current other 501/G owner with the pre-emptive right to acquire the News Corporation's stake. The financial future of the Airline is paramount in this initiative.

The following Unions have provided their written support for the proposal and/or have communicated to the Executive Chairman of Ansett Australia Holdings Limited their endorsement "in principal" of the initiative.

16th July, 1999 - the Federal Secretary of the Transport Workers' Union of Australia endorsed the ownership options as put forward in the correspondence from Keilin and Co on the 23rd June 1999.

21st July, 1999- the Federal President of the Australian Licensed Aircraft Engineers of Australia endorsed the exploration of the proposal and confirmed that resources have been committed to the development of a commercially viable ESOP.

22nd July 1999- the President of the Ansett Pilots Association endorsed the proposal, expressed optimism about the outcome of consultations and detailed that a Subcommittee had been established with funds committed to the development of an Ansett ESOP scheme.

23rd July, 1999- the National Executive President of the Australian Services Union communicated their provisional support for the issues detailed in the Keilin and Co LLC letter dated 23rd June 1999.

26th July 1999- the Joint Federal Secretary of the Flight Attendants Association of Australia advised that the Federal Executive determined that it would support in principle an employee acquisition of Ansett Holdings Limited and gave observer status to the concept.

The Australian Airline Flight Engineers Association's Federal President communicated the proposal at their recent Executive meeting and confirmed support as has the Australian Workers Union having gained an understanding of ESOP issues through their exposure to the BHP events at the Newcastle steelworks.

The National Union of Workers has also written to Ansett and endorsed the proposal.

The Association of Professional Engineers, Scientists and Managers of Australia (Victorian branch) representing their Ansett employees have provided written support.

No doubt the committee is aware of the numerous successful ESOP's and more particularly employee buyouts in North America and Europe where favourable taxation incentives were provided.

It would be welcomed if relevant amendments to the Australian taxation legislation were effected to remove the 10 year rule and align existing Division 10D legislation with current share transaction criteria particularly given the enthusiasm demonstrated by the Australian community for corporate share investment.

The encouragement of Employee Share Ownership Plans would provide the impetus for a macroeconomic paradigm shift in the Australian corporate and industrial landscape.

Yours faithfully

Gavan Spring

Disclaimer: The views expressed are that of the writer only and in no way reflect the policy or agenda of Ansett Australia or its management. This is an employee led initiative.

CC: The Hon John Howard M.P. Prime Minister

: The Hon Peter Costello, MP. Treasurer