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CEA

TECHNOLOGIES PTY LIMITED
ACN 059 951 183

INQUIRY INTO EMPLOYEE SHARE OWNERSHIP IN AUSTRALIAN ENTERPRISES

CEA has had an employee share ownership scheme (ESOS) in operation since 1988. We believe it has been a significant contributor to CEA's success as a company. We have grown from a company of two people in 1983 to over 125 currently, with turnover in the order of \$16M per annum growing at an average of 50 percent per annum. Our turnover includes 30 percent of export activity. The company is a world leading innovator in radar and communication systems and associated technology and currently approximately 60 percent of expenditure is on R&D claimable activity.

The employee share ownership scheme encourages employees to more closely identify with the company and fosters a remarkable team spirit. Although our scheme is successful, it is not without its problems. The problems generally are attributable to the mire of government legislation that one must wade through in setting up and operating such a scheme. No real incentives are provided by Government for schemes such as ours and it is our belief that this area of encouraging and facilitating employee share ownership schemes is an important role for Government. Incentive programs such as simplifying legislation structures, access to tax concessions and a more generous approach to capital gains tax for ESOS related transactions are needed to bolster such schemes in Australia.

If Australia does not adopt employee share ownership schemes quickly we will be surpassed by the those nations who are actively encouraging such schemes. Measures such as allowing employees to sacrifice up to 50 percent in compulsory superannuation contributions to invest in eligible employee share ownership schemes and allowing discount rates for share acquisition due to the 'closed market' nature of such schemes would also bolster this sector dramatically.

I have been continually amazed at how little support has developed over the last 20 years on both sides of politics for these schemes when all the overseas evidence is overwhelmingly positive.

David J. Gaul
Managing Director

29 April 1999

TRADING AS CEA