

24<sup>th</sup> April, 2009

Committee Secretary  
Senate Economics Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

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Dear Committee Members

1. There are compelling reasons why Chinalco, a Chinese Government controlled company, should not be permitted to own shares in Rio Tinto or increase its current ownership which will allow the Chinese Government to obtain controlling interest in Rio Tinto.
2. Additionally, Rio Tinto should not be permitted to sell part ownership of some individual Australian mines to Chinalco.
3. There should be a Government moratorium on any further sales to Chinese Government controlled businesses or Chinese companies until a full enquiry and review is completed by Parliament and assessments obtained from the public.

Governments make mistakes – the Australian Government is no different.

4. George W Bush led the 'Coalition of the Willing' and invaded Iraq because of the threat of 'Weapons of Mass Destruction'. Those weapons did not exist.
5. Alan Greenspan did not regulate American financial markets as he and the US Government considered corporations would manage their own risk. The American Government and Greenspan were wrong and the world is now in financial crisis.
6. The Australian Government will be making a significant long term mistake if it continues to allow Chinese Companies and the Chinese Government to buy Australian strategic mining companies. The Australian government has never been faced with a situation where an overseas country through a government owned company will gain control of long term strategic mining resources and will gain control or substantial influence on the vertical pricing of raw materials through to finished goods of this scale.

The Rudd Government is not independent.

7. (A) Kevin Rudd, PM secretly met with Chinese Propaganda officials, the Australian people only finding out through the Chinese press. The Prime Minister's salary is paid for by the Australian Government and people not the Chinese Government.

(B) Defence Minister Joel Fitzgibbon took in the order of \$40,000 in undeclared benefits and free travel to China reportedly paid for by Ms Liu, a Chinese business woman who

owns shares along with the Chinese Government in Chinese companies. Ms Liu is well connected to the Chinese Government.

(C) The current Rudd Government's short term spending spree and bonus payment handouts are being largely funded by borrowings from the Chinese Government. It looks as if part of the unwritten agreement between the Australian and Chinese Governments to obtain borrowings from the Chinese Government is to allow strategic Australian mining resource companies to end up in Chinese control and with control of the vertical pricing line from ore to finished goods.

#### The Foreign Investment Review Board (or is it the Foreign Investment Approval Board ?)

8. The Foreign Investment Review Board was created decades ago. The Board rarely rejects takeovers on a National Interest basis. When the FIRB was created it was never envisaged that a foreign Military Regime, China, would use a company to buy into Australia strategic mining resources. This would not have been considered a possibility until recently. The FIRB requires new and specific wider terms of reference based on a national interest test to assess this matter which should be part of new 'National Long Term Interest Legislation'.

#### Alternative Solution to Rio Tinto's excessive debt problem involving a share sale to the Chinese Government

9. There is no need for Rio Tinto to sell shares and assets to the Chinese Government. Alternative solutions would be for Rio Tinto to;

(A) undertake a capital raising through share issues to existing or new non-foreign government related shareholders.

(B) For the Australian Government to invest part of its future fund in Rio Tinto and when prices recover to sell down the Australian Government Fund equity resulting in profits for the Australian Government.

(C) There is a partial recovery in raw material prices currently underway and this will also significantly assist Rio Tinto's ability to obtain loans, re-finance loans or carry out a pro-rata issue of new shares to existing shareholders.

#### Reciprocity does not exist with the Chinese Government

10. Australian individuals, companies and our Government are not allowed to buy into Chinese strategic mining resource companies and mining assets. Similarly oil rich countries in the Middle East will not allow foreign individuals, companies or countries to own their strategic resource companies – nor should Australia allow the loss of its strategic resource companies to a Military Regime, China.

### Chinese Business Practice Versus Australian Business Practice (The Chinese will win)

11. The Chinese Government and the Chinese people take a long term view on business. Part of their culture is to plan and work for their children and their children's children not just for themselves. The Australian Government view is only focused on the next election and this week's opinion polls, not on long term strategic benefit. When it comes to long term business planning China will win. The Australian people will lose in the long term because of the Rudd Government's mistakes and short term view.

### China's appalling Human Rights ethics will be reflected in their business conduct

12. Those individuals, businesses or politicians who believe that business matters should not be influenced by human rights would not hold the same view if they had objected to Chinese Government policy or practice and were in line for torture, execution or imprisonment. The Rudd Government is rightfully critical of the conduct of the military leadership and loss of democracy that is occurring in Fiji and is talking of sanctions against Fiji. China is a significantly worse Military Dictatorship and our past and present Governments say and do nothing. They vigorously trade and even borrow to fund our increasing deficit from China.

There should be no hatred to the Chinese people in relation to the appalling Human Rights conduct of the Chinese Government. The Chinese Government is responsible for hundreds of thousands of Tibetan deaths, possibly up to a million, tens of thousands of Falun Gong deaths and about 2,500 deaths in Tiananmen Square. This is not a Government we should allow to own Australian strategic mining resources which will be for their benefit, not ours. It will only be time before problems arise with which a future Australian Government will have to deal.

### Planning to avoid problems is always good business practice. (Risk Management)

13. If the Rudd Government allows the Chinese Government to secure and control strategic mining resources and a dispute arises regarding either the extraction, management, pay, staffing and working conditions or environmental controls of those resources including a possible Australian Government prohibition on providing mining resources to countries with inadequate environmental controls and protection, the dispute will not be between the Australian Government and an overseas company it will be between the Australian Government and the Chinese Government. This will be a country to country conflict and may have ramifications not currently envisaged. It would be wise and intelligent to avoid such potential conflict and not allow any Chinese Government controlled companies the right to secure or own Australia's strategic mining resources.

Past mis-management and unacceptable conduct by Rio Tinto

14. In 1995 Rio Tinto acquired CRA. Rio Tinto gave undertakings and stated that half of the Board of Directors would be Australian and that Rio Tinto's administration would remain in Australia. Rio Tinto took its administration to London and now only three out of fifteen Directors are Australian. As a pre-condition to the FIRB assessment the Australian Parliament should demand compliance with prior undertakings given by Rio Tinto, The administration should be brought back to Australia and half the Directors be Australian. The Australian Government must not allow Rio Tinto to act in what it perceives to be its best interest over the long term interests of Australia.

The Previous Labor Government mis-management compared to the current mis-management.

15. I was in business during the last recession when the Keating Government's mis-management gave us 20% interest rates and very high unemployment, but our country recovered. If the Rudd Labor Government allows our strategic mining resource companies to be sold Australia will forever feel the effects. These effects in the long term will accumulate to be greater than the Keating Government's mis-management. I cannot sit by and do nothing while an incompetent Government allows strategic mining resource companies to be picked up at record low prices which will forever disadvantage Australia. After hearing last night that Treasurer Wayne Swan has approved further sales of mining companies (most of Oz Minerals) to China confirms my commitment to a campaign to expose the Rudd Government's incompetence in this area and other areas.

Yours faithfully

Ian Melrose