

N S McNally

May 2009

Committee Secretary  
Senate Standing Committee on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

**“Inquiry into foreign investment by state-owned entities”**

To the Committee:

Please review my comments regarding the Rio Tinto submission of the 28<sup>th</sup> April 2009. (Your ref: Submissions received by the Committee as at 5 May 2009 – 47 Rio Tinto [PDF 317KB])

Page 59 of Rio Tinto’s submission states:

The arrangements agreed by Chinalco and Rio Tinto, described above, ensure that Rio Tinto’s operations cannot be used by the Chinese government in any manner contrary to Australia’s national interests.

This can most clearly be seen by evaluating the three questions Rio Tinto regards as key to assessing the first of the foreign investment review principles, as discussed in Section 6. Specifically:

- Based on Rio Tinto’s experience with Chinalco, Chinalco operates as a commercially driven enterprise. As such, Chinalco is focussed on pursuing its commercial interests of maximising return on its investments and growth in the global markets in which it operates. The listing of Chalco on multiple stock exchanges is testimony to this intent.

Page 60 of Rio Tinto’s submission states:

- The investor's operations will be independent from the Chinese government. As discussed above, Chinalco will not be controlled by the Chinese government; furthermore the provisions of the transaction ensure Rio Tinto's operations will remain under Rio Tinto's control

The selection from page 59 states “... **Rio Tinto's operations cannot be used by the Chinese government in any manner contrary to Australia's national interests**” and the selection from page 60 states “**Chinalco will not be controlled by the Chinese government;...**”

In my view it is not possible to determine what the Chinese government can or cannot do in the future. The Chinese government can do whatever it wants to do in the future. The selected comment on page 59 by Rio Tinto is unqualified, nonsensical and impossible to predict – therefore the comment cannot be based on truth.

In relation to the selected comment on page 60, the comment cannot be true. CHINALCO is part of Chinese government administration. The comment is in contradiction with CHINALCO's own submission which clearly demonstrates that CHINALCO is part of and embedded within Chinese government administrative processes. (See Schedule 1. at page 48 of SSCsub23\_attachment01.pdf). Other comments within the general text of 'SSCsub23\_attachment01' also convey the fact that CHINALCO is clearly controlled by the Chinese Central Administration in the interest of the People's Republic of China.

I believe that comments stated as fact within major submissions to the Senate Standing Committee on Economics must be true. It is my view that the selected statements (p.59 & p. 60 of Rio Tinto's submission 28<sup>th</sup> April 2009) cannot be evidenced by fact and are therefore of questionable value.

Regards

N S McNally  
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