

**FUTUREMELBOURNE (PLANNING) COMMITTEE
REPORT**

Agenda Item 7.1

9 April 2013

NOTICE OF MOTION:

In light of the following attachments:

1. Attachment A: Transcript of discussion at 2008 Rio Tinto AGM in Brisbane in relation to location of global headquarters.
2. Attachment B: Peter Costello column in *The Age/SMH* on February 18, 2009, related to how he insisted BHP-Billiton retain its global headquarters in Australia.
3. Attachment C: Peter Costello's formal announcement of conditions related to approving BHP-Billiton merger.
4. Attachment D: AAP article in *The Australian* on January 20, 2013, related to Gina Rinehart's call for Rio Tinto to move its headquarters from London to Perth.
5. Attachment E: Full statement by Gina Rinehart on appointment of Sam Walsh as Rio Tinto CEO.

Council notes with concern that:

6. Rio Tinto has almost completed a restructuring program which will reduce its Melbourne office from approximately 300 staff in 2011 to just 25 by the end of 2013.
7. Rio Tinto generates more than 80% of its profits and value from extracting publicly-owned mineral resources in Australian jurisdictions.
8. Rio Tinto continues to maintain its global headquarters in London with almost 700 staff despite having no mining operations in the United Kingdom.
9. Only 1 of Rio Tinto's existing directors are based in Australia.
10. Rio Tinto has recently appointed two Melbourne-raised individuals, Sam Walsh and Chris Lynch, as chief executive and chief financial officer respectively, but insisted both relocate to London to perform these roles.

And council calls for:

11. A Bipartisan advocacy program supported by both sides of Australian politics to secure the relocation of Rio Tinto's global headquarters from London to Australia.
12. Australian-based shareholders and political representatives to raise this concern directly with the Rio Tinto board at the upcoming AGM in Sydney on May 9, 2013.

Background

13. Rio Tinto is the world's second biggest mining company after BHP Billiton. It was created through the 1995 merger of Melbourne-based CRA and London-based RTZ.
14. A number of informal undertakings were given at the time related to the preservation of Australia's status in the combined operation.

15. Whilst the percentage of global profits from Australia has steadily increased over the past 18 years, the ratio of Australian-based directors has fallen to its current record low of just 1.
16. Even worse, as a cost-saving measure before he was removed as CEO in early 2013, Tom Albanese approved a substantial reduction in Rio Tinto's Melbourne office leaving a rump of about 25 staff.
17. Seeing as Australia is the world's biggest mining nation and Melbourne was traditionally the corporate home of many major mining houses, Rio Tinto's unannounced decision to slash its Melbourne office is extremely disappointing and Australian political representatives at all levels need to come together to secure the relocation of Rio Tinto's London headquarters to Australia.

Moved: Cr Mayne

Extract from THE MAYNE REPORT
September 2009

Attachment A

2008 Rio Tinto AGM transcript

SHARHOLDER: All right. Now, my first issue, you've mentioned in your formal address about the level of investment in Australia, and a few points like that. I'm not sure that there's another company in the world that is headquartered elsewhere, that has such a huge investment in a country. I mean, Rio Tinto has more than a \$100 billion of assets in Australia, you have no operations or assets to speak of in the UK, and I just remain baffled as to why you're not actually headquartered in Australia.

Paul Skinner: Well, the re... we are where we are, because of our history, and the way the company's evolved. But I think what really matters when you start to get into that sort of territory, is what is the result of what we do.

And I think in my remarks, I did observe that over the last 10 years, we've invested about \$30 billion in Australia; we've created a lot of value, a lot of national wealth, a lot of employment, a lot of outstandingly good jobs.

And I don't think the fact that we're a company of mixed parentage, if you like, with some of our operations in other parts of the world, is in any way dilutive to our commitment to Australia. We're here very often, as leaders of the company. We have close and productive relationships with state and federal governments, and communities throughout Australia. The entire board spent the early part of this week in the northern part of Queensland, looking at operations in Gladstone, in Weipa, in Gove.

We carry the spirit of Australia with us in this company, so, there are, as it were, accidents of history and geography which have probably defined the company as it's presently configured. But I think we're as Australian as anybody in the corporate scene in this country.

smh.com.au**The Sydney Morning Herald** [Print this article](#) |  [Close this window](#)

Attachment B

Rio feathers should stay in our nest

Peter Costello

Published: February 18, 2009 - 12:00AM

The reef of lead and zinc that crosses Broken Hill gave birth to two great Australian mining companies: the Broken Hill Proprietary (BHP) and the Consolidated Zinc Corporation that came to be known as Conzinc Riotinto of Australia Ltd (CRA).

Advertisement

In the 1960s they developed iron ore mines in the Pilbara in Western Australia. As they expanded they entered dual listed structures: BHP with Billiton, and CRA with Rio Tinto of Britain.

Rio Tinto is saddled with high debt. BHP Billiton last year offered to merge with it and was rejected. Now Rio has sought finance from the Chinese state-owned company Chinalco. Part of the proposal involves Rio divesting an interest in Australian mines to Chinalco, the most significant of which are the iron ore mines in the Pilbara, a bauxite mine at Weipa and the aluminium smelter at Gladstone.

The ultimate decision on whether this proposal will be allowed under Australia's foreign ownership laws must be made by the Treasurer. Our Chinese-speaking Prime Minister will undoubtedly favour the proposal.

The Commonwealth Treasury will also be in favour of it. In my time administering our foreign investment laws, I cannot remember Treasury ever recommending that I block or disallow the acquisition of an Australian company by foreign interests. There were specific rules for media, real estate and the like, but in the general economy Treasury always supported foreign investment. In 2001 I rejected the Treasury view that Shell's application for the oil and gas producer Woodside should be allowed. It caused a great deal of agitation in the department. I asked Treasury to give me previous decisions where foreign bids had been disallowed so I could use them as a precedent. The department told me it had no precedent.

In 2001 I had to rule on BHP's application for dual listing with Billiton. I knew there was a precedent: the CRA Rio decision approved by the Keating government in 1995. I wanted to use that as a precedent of what not to do.

The Labor government originally laid down such conditions for approval as stipulating that a third of the board of the dual-listed company be Australian. Later it withdrew the conditions, saying Rio had agreed that Australians would have a bigger stake in CRA. The approval was made unconditional.

At present, by my count, three of Rio's 15 directors are Australian. Originally the chief executives of the dual-listed company were Australian, but now there are no Australians among the executive directors. Before the dual listing, CRA had its headquarters in Australia. Now they are in London. Despite the mineral wealth from Australia, insurance, legal, corporate and financial services come from Britain, including merger and acquisition strategies, like the Chinalco deal.

I was determined to ensure that BHP's corporate presence did not disappear from Australia in the same way as CRA, so I put conditions on its dual-listed company structure that required the global headquarters to remain in Australia, that this be specified in all public documents, that the majority of board meetings be in Australia, and most importantly, that the chief executive and chief financial officer have their principal residences in Australia. This last condition was opposed by the company.

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Several times the company sought to have these conditions eased but they remain in place, and to its credit, the company has scrupulously complied with them. The world's largest diversified mining company is still Australian.

If a country wants to be seen as open to investment it needs to show that there are high-profile global companies that operate inside its shores. If a country wants to see itself and be seen as significant in the global economy it needs to have companies that show the entrepreneurial character of its people and business leaders.

The head office generates the corporate, financial, legal and insurance services and the highly skilled jobs that come with them.

When the Rio Tinto application goes to the Treasurer, it will come with all sorts of assurances - just like those the government "accepted" in 1995. My advice would be to look carefully at how past assurances worked out. The only thing that counts in foreign investment decisions are conditions that are written, enforceable and policed.

Peter Costello is a former Liberal federal treasurer and the member for Higgins.

This story was found at: <http://www.smh.com.au/opinion/rio-feathers-should-stay-in-our-nest-20090217-8a9a.html>



Australian Government
The Treasury

TREASURY
PORTFOLIO MINISTERS



PETER COSTELLO

Treasurer
11 March 1996 - 3 December 2007

Attachment C

Media Release of 04/06/2001
NO.040

EMBARGO

Foreign Investment Approval of BHP Limited-Billiton Plc Merger

Under the *Foreign Acquisitions and Takeovers Act 1975* (the Act) I have approved arrangements for BHP Limited and Billiton Plc as dual listed entities to merge their businesses subject to a number of conditions.

The merger will create one of the world's largest diversified resources groups, to be known as BHP Billiton. BHP Limited will become BHP Billiton Limited and Billiton Plc will become BHP Billiton Plc.

The proposal involves BHP Limited and Billiton Plc merging their two separate businesses under a dual listed company structure (DLC). Under the DLC structure, BHP Limited and Billiton Plc would operate as if they were a single economic enterprise (with a single management and Board of Directors) while remaining separate legal entities.

The conditions forming part of the approval are contained in the attachment.

The Foreign Investment Review Board (FIRB) recommended that no objections be raised to the proposed merger, subject to a number of conditions designed to ensure that the merger would not be contrary to Australia's national interest. I accepted the FIRB's recommendation.

These conditions will ensure the BHP Billiton Group continues a strong Australian focus with its headquarters located in Australia.

CANBERRA
4 June 2001

Contact: Niki Savva
Treasurer's Office
(02) 6277 7340

ATTACHMENT

Conditions under Section 25(1A) of the *Foreign Acquisitions and Takeovers Act 1975*:

1. BHP Limited remains an Australian resident company, incorporated under the *Corporations Law*, that is listed on the Australian Stock Exchange under the name "BHP Limited" and trades under that name;
2. BHP Limited remains the ultimate holding company of, and continues to ultimately manage and control the companies conducting the businesses which are presently conducted by the subsidiaries of BHP Limited, including: the Minerals, Petroleum, Steel and Services businesses for so long as those businesses form part of the combined BHP Billiton Group ("the Group");
3. the headquarters of BHP Limited and the global headquarters of the Group are to be in Australia;
4. the headquarters of BHP Limited and the global headquarters of the Group are publicly acknowledged as being in Australia in significant public announcements and in all public documents (as that term is defined in section 88A(1)(a) of the *Corporations Law*);
5. that both the Chief Executive Officer of the Group and Chief Financial Officer of BHP Limited have their principal place of residence in Australia;
6. the majority of all regularly scheduled Board meetings and Executive Committee meetings of BHP Limited in any calendar year occurs in Australia;

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7. the Board of directors of BHP Limited is elected in accordance with the procedures notified in the proposal or in accordance with procedures approved by the Treasurer; and

8. that if BHP Limited wishes to act differently to these conditions, it seeks and obtains the prior approval of the Treasurer.

Interpretation - For the purposes of these conditions a reference to:

(i) "BHP Limited" means BHP Limited, ACN 004 028 077, and includes "BHP Billiton Limited" or other name adopted by that corporation;

(ii) *Corporations Law* (or a provision of that law) includes any re-enactment or substitution of that law (or provision).

(iii) "global headquarters" includes the requirement that both the Chief Executive Officer and the Chief Financial Officer of the dual listed entities (i.e. BHP Limited and Billiton Plc) will be based in Australia and have their principal offices and key supporting functions in Australia. In addition, the centre of administrative and practical management of BHP Limited shall be in Australia and BHP Limited's corporate head office activities, of the kind presently carried on in Australia, will continue to be carried on in Australia.

BHP Limited must comply with conditions 1, 2, 6 and 8 immediately upon receipt of notice of the decision in accordance with subsection 25(1B) of the *Foreign Acquisitions and Takeovers Act 1975* (the Act) and conditions 3, 4, 5 and 7 as soon as practicable after completion of the dual listed merger of BHP Limited and Billiton Plc.

The conditions will have effect indefinitely subject to amendment of the Act or any revocation or amendment by the Treasurer.

THE AUSTRALIAN**Gina Rinehart urges Rio Tinto to move HQ to Perth****Attachment D**

AAP

JANUARY 20, 2013 4:18PM

MINING magnate Gina Rinehart has urged Rio Tinto's new boss Sam Walsh to move the headquarters of the Anglo-Australian resources giant back to Australia - and join the fight against Julia Gillard's mining tax.

In a shock move late last week, Rio chief executive Tom Albanese stepped down after the global miner announced a multi-billion dollar writedown of its aluminium and coal assets, to be replaced by Mr Walsh, the head of the company's iron ore arm.

In a statement released today, the supremo of Hancock Prospecting, who co-owns the massive Hope Downs joint venture with Rio, said she was disappointed Mr Albanese had been replaced.

But she said the appointment of Mr Walsh, who has managed Rio's iron ore business from Perth, was a chance to bring the headquarters of Rio to Western Australia where she says "it logically belongs".

"In congratulating Sam on his promotion to such an important position within Rio Tinto, we have urged him to take this opportunity and also move the Rio Tinto headquarters from London to Perth where given most of Rio Tinto's revenue is generated in Australia, it logically belongs," Mrs Rinehart said in the statement.

"We also hope other Australians will join our call that now that there is an Australian CEO for Rio Tinto, and given the history of mainly success for Rio Tinto's projects in Australia, a renewed emphasis will be undertaken by Rio Tinto to reinvest more of the profits it earns in Australia.

"(That will) benefit ... its shareholders who have seen much diminution in value via investments in risky countries, and for the benefit of Australia, which given its increasing debts, greatly needs."

A long-time vocal opponent of the minerals resource rent tax, Mrs Rinehart called on Mr Walsh to make his own immediate and loud submissions to the federal government.

"We hope Rio Tinto and Sam will lose no time in advising the Australian government in clear and straightforward terms, what it would wish to make the decisions to increase its investment in Australia," the statement, released to the Australia Financial Review, stated.

"No uncompetitive carbon tax springs to mind as one example to help interest in investment and reduce the increasing problem and very great concern of Australia's diminishing cost competitiveness."

The stock market reacted positively on Friday to Mr Walsh's appointment, despite Rio revealing a \$US14 billion (\$13.30bn) writedown of Rio's aluminium assets and Mozambique coal assets alongside the departure of Mr Albanese.

After announcing Mr Walsh as Mr Albanese's successor, it was said he would relocate to London in his new role and receive a base salary of \$1.9 million.

Mrs Rinehart said Rio's best investments in recent years had been their joint venture in the Hope Downs project, which Mr Walsh had been "intimately involved in".

"We look forward to Sam providing the leadership and adding to the great success Hope Downs has been for the Rio Tinto group by committing to develop other Hope Downs resources in a timely manner," the statement said.

"These much earlier Rio Tinto decisions to invest in West Australia have not only transformed Rio Tinto from a small miner to one of the world's largest mining houses, but also saved Rio Tinto group from going down the gurgler late last decade."

AAP

On 20/01/2013, at 11:33 AM, John Klepec <John_Klepcc@hancockprospecting.com.au> wrote:

Hi Jamie - Thank you for the opportunity to comment. You would appreciate fair and accurate reporting, and not seek to manipulate or misrepresent the following comments which you may attribute to Mrs Rinehart.

We are disappointed that Tom who has led the move by Rio Tinto Iron Ore (RTIO) into automation, enabling more safe, reliable and efficient ore supply has been replaced as we have found him a reasonable and straightforward person to deal with, very supportive of the Hope Downs JV including future expansions and the iron ore industry in general. It needs to be remembered RTIO has thrived under the leadership of Tom however this was countered by some very poor investment decisions in risky countries offshore Australia for which the entire Rio Tinto Board and relevant senior management are responsible for, not Tom alone.

By far Rio Tinto's best investment in the last decade has been in Hope Downs which Sam Walsh was intimately involved in. We look forward to Sam providing the leadership and adding to the great success Hope Downs has been for the Rio Tinto group by committing to develop other Hope Downs resources in a timely manner. In particular, Baby Hope renamed by Tom, and immediately adjacent to Hope South, Hope 2 immediately adjacent the Lang Hancock railway and close to Hope 1, and Hope 5 immediately adjacent to Hope 4 are all projects brought by ourselves to the RTIO stable, and are convenient for early development.

Now that the under- utilised Lang Hancock railway is in place such developments would also offer substantial synergies to the existing adjacent Hope Downs mines if timely proceeded with. It was Sam Walsh's assurance to us that should we chose to bring RTIO into these important to West Australia projects, RTIO would prove to be the best partner to see the Hope Downs projects come to prompt fruition. Other than the decision to invest in the Iron Ore projects brought to them much earlier by Lang Hancock i.e. Tom Price, Paraburdoo, Channar, Marandoo, Brockman, Rhodes Ridge and others, we cannot think of a better investment by Rio Tinto in its history. These much earlier Rio Tinto decisions to invest in West Australia have not only transformed Rio Tinto from a small miner, to one of the world's largest mining houses, but also saved Rio Tinto group from going down the gurgler late last decade. The revenue earned from these world class mines supports this view, it is not a figment of our bias.

In congratulating Sam on his promotion to such an important position within Rio Tinto, we have urged him to take this opportunity and also move the Rio Tinto Headquarters from London to Perth where given most of Rio Tinto's revenue is generated in Australia, it

logically belongs. We also hope other Australians will join our call that now that there is an Australian CEO for Rio Tinto, and given the history of mainly success for Rio Tinto's projects in Australia, a renewed emphasis will be undertaken by Rio Tinto to reinvest more of the profits it earns in Australia, in Australia, to the benefit of its shareholders who have seen much diminution in value via investments in risky countries, and for the benefit of Australia, which given its increasing debts, greatly needs.

We hope Rio Tinto and Sam will lose no time in advising the Australian Government in clear and straight forward terms, what it would wish to make the decisions to increase its investment in Australia. No uncompetitive carbon tax springs to mind as one example to help interest in investment and reduce the increasing problem and very great concern of Australia's diminishing cost competitiveness, together with special economic zones in our underpopulated north.

Regards

John Klepec

Chief Development Officer

Hancock Prospecting Pty Ltd