

Media Release

11 April 2003

Australian Employee Ownership Association (www.aeoa.org.au)

response to the

Government response to “Shared Endeavours: An inquiry into employee share ownership in Australia” (The Nelson Report)

On 27 March 2003, the Treasurer and the Minister for Employment and Workplace Relations released the Federal Government’s formal response to The Nelson Report. The response addressed 45 specific recommendations made in the Report.

The response has been reviewed by the Australian Employee Ownership Association (AEOA) in light of AEOA’s key policy positions regarding the spread of employee share ownership in Australia.

Tim Mitchell, President, AEOA, “welcomes the establishment of a dedicated Employee Share Ownership Development Unit”.

“A dedicated resource of this kind has long been needed in Australia. This country now lags other OECD countries by many years in the evolution of employee ownership.”

“Provided the Development Unit is well resourced, we hope to see significant outcomes for employee ownership flowing from its work.”

The AEOA believes that the Development Unit will need to engage all relevant stakeholders to ensure that employee ownership becomes mainstream in private sector workplace relations.

The AEOA submissions to the Nelson Report included a number of specific recommendations on various important employee ownership related issues. The key recommendations included:

- Raising, in the case of small companies, the present limit on individual employees holding through an ESOP more than 5% of voting shares.
- Lifting the prohibition against ESOPs using equities other than ordinary shares and to allow for the use of other equity types useful to small business.
- Enabling employees who benefit from a tax-deferred ESOP to defer the tax liability on shares acquired until whenever they dispose of their shares. The current deferral limit is ten years.
- Modifying prospectus requirements imposed by Corporations Law in order to encourage the implementation of ESOPs among unlisted and small private companies.

These recommendations have not been supported in the Government's response to the Nelson Report.

Mr Mitchell: "If the Government is serious about promoting and broadening employee ownership these reforms are still required."

"The Government's current policy is still weighted towards employee ownership in listed companies, However, most employees in the private sector are employed by unlisted companies."

"It is now almost a decade since the last significant review and update of the legislation governing ESOPs occurred."

"In the meantime, strong evidence from overseas is showing that the combination of employee ownership with participation in corporate governance is producing powerful boosts in corporate performance."

As the peak body representing employee ownership interests in Australia, the AEOA welcomes the opportunity to work closely with the Development Unit on the establishment of their agenda and in assisting them in achieving their objectives.

About the AEOA

The AEOA was formed in 1986 to promote the benefits of employee share ownership in Australia. The AEOA works to resolve the great need for increased democratic capital formation in the Australian economy.

Capital ownership by employees increases productivity, income, national savings, and employee participation in corporate governance. It also encourages directive influence of companies by those individuals who have the greatest knowledge, experience and commitment to the business.

AEOA's policy is committed to spreading employee ownership throughout the unlisted company sector while making ESOPs more flexible for listed companies and their employees.

The AEOA represents a broad spectrum of interests in employee share ownership and is committed to bipartisanship in its dealings with governments and political parties. The AEOA's membership includes companies with ESOPs, unions with members in ESOPs, industry specialists and share plan participants.

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Contact:

Tim Mitchell, President, AEOA

02-9268-2973 (BH); 0408-603-046 (M)

Michael Addison, Vice President, AEOA

02-8220-8081 (BH); 0414-579-278 (M)