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Anglo-Swiss [mining company](#) Xstrata PLC has raised the stakes in a protest over Australia's plans to glean more taxes from the sector, announcing Thursday it will halt investments in two projects in the country and put the creation of 3,250 jobs at risk.

Xstrata's decision to ax investments worth \$586-million Australian (\$496-million U.S.) ratchets up pressure on Australian Prime Minister Kevin Rudd's government over the proposed 40 per cent slug on profits generated from resource projects in the country.

Mr. Rudd wants a bigger slice of the pie from big [mining companies](#) that have benefited from burgeoning Chinese and Indian demand for minerals and energy, but the industry argues that is unfair because it fails to consider the risks taken by mining groups.

Xstrata's move appeared to confirm critic's fears that pushing ahead with the tax, currently proposed to come into force in 2012, will deter big miners from making new investments.

Mr. Rudd, who faces a general election later this year, expects the tax to raise \$9-billion in additional revenue a year.

“The war of words between the miners and the Australian government continue, with the miners redirecting investment spend into a mounting media attack on the Rudd government's plans in an effort to draw the government to the negotiating table,” said Ambrian's Peter Davey and Nick Mellor in a research note.

“While a full back-down by the government is too much to hope for, one can sense a compromise can be struck,” they added. “The question is, how many more projects are going to be shelved before this happens and could it be settled before the general election?”

Australian iron ore producer Fortescue Metals has already threatened to abandon \$15-billion (U.S.) of new projects unless the plans for the so-called Resource Super Profits Tax are watered down.

“This is now having tragic effects in the real economy,” said Tony Abbott, the leader of the opposition Liberal Party. “This is now making a difference to people's lives. It's costing real money and it's costing real jobs.”

Xstrata said its decision to ax funds to develop its Wandoan thermal coal project and to extend the life of the Ernest Henry copper mine represented its initial findings from an ongoing review that includes growth projects worth some \$22-

billion (Australian) with the potential to create 14,725 jobs.

“The RSPT has created significant uncertainty for the future of mining investment into Australia and would impair the value of previously approved projects and exploration to the point that continued investment can no longer be justified,” said Xstrata chief executive officer Mick Davis.

“The suspension of investment into these key projects for the future of our business in Queensland makes them less likely to proceed and ultimately compromises Australia's ability to continue to benefit from future commodity price rises,” he added.

Mr. Rudd, who had rejected the miners' claims that they would be driven out of Australia as “balderdash” and “bunkum,” suggested that Xstrata was more motivated by problems with the projects than the planned tax.

He noted that the issues facing the Wandoan project included rail access, port infrastructure and power supply.

“It is our understanding that there are a number of other existing issues impacting on this particular development,” Mr. Rudd told law makers in Canberra. “It is passing strange that, when we have a new system which was announced just one month ago, we have 12 months to go before draft legislation and we are 24 months away from the start of a new system, a company of this nature would issue a statement of this type.”

Mr. Davis said Xstrata would “continue to seek meaningful consultation” with the Australian government.