

3 February 2012

The Manager
Philanthropy and Exemptions Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Cochlear Limited: Submission into the Fringe Benefits Tax (“FBT”) Reform for Living Away From Home Benefits

Cochlear Limited (“Cochlear”) welcomes the opportunity to be part of the Government’s consultation process as part of its review of the living-away-from-home benefits concessions.

We acknowledge that the following submission will be a public document.

Company Background

- Top 100 ASX listed company focusing on research, development, manufacturing and distribution of implantable hearing devices, incorporated in 1983;
- Group turnover approximately AUD \$800 million (FY 2011), with over 95% of sales being exports outside of Australia;
- Employs over 2,500 employees worldwide, of which more than 1,000 are based in Australia.
- International leader with approximately 65-70% global market share;
- Over 160,000 recipients world wide;
- Annually re-invests 12% to 14% of gross revenue into continuing R&D activities;
- The vast majority of the R&D activities are conducted in Australia;
- Employs more than 200 scientists and engineers engaged in R&D in Australia.

Cochlear believes that there several unintended consequences from the proposed reforms, these include the following:

1. The adverse impact to Australia's global competitiveness by failing to attract talented and skilled workers; and
2. The direct adverse impact on Australian multinational companies in attracting quality overseas employees, particularly those in the manufacturing industry. These employees face a higher living cost in Australia, in part due to the high Australian dollar.

Attraction of Specialised Talent to Australia

The majority of Cochlear's R&D, Global Quality, Compliance, Product Regulatory and Advanced Manufacturing activities are conducted in Australia. Cochlear has had to procure international talent that is critical to maintaining our market leadership, as there has been a shortage of qualified candidates available locally.

The proposed changes which Treasury have proposed will make it even harder for to attract foreign talent to perform these critical positions. This may lead to placing these roles overseas. In the last year, Cochlear has had several candidates refuse to accept their final offers of employment within Australia, due to the high Australian cost of living compared to their home countries. This trend will be further exacerbated with the potential removal of the living away from home concession. While the Australian dollar is high it is important that Government supports Australian manufacturing and a practical way to approach this would be to maintain the concessions to allow Australian manufacturers to attract foreign skilled workers.

The National Innovation System review highlighted benefits of locating R&D in Australia to create "spill over" benefits to the wider economy. Cochlear supports Dr Cutler's views and believes that only through increasing Australia's talent pool can Australia create long term prosperity. The removal of the living away from home concessions would further erode our ability to recruit overseas specialised workers.

Transitional Arrangements

If the Government is insistent on removing the living away from home concessions, Cochlear recommends that transitional measures should be introduced to give Australian companies, especially those conducting R&D activities with a long lead time to product realisation, adequate time to review and amend our planned activities to respond to the proposed changes.

Alternative Measures

Cochlear tables the following alternative measures for the Government's consideration:

1. The introduction of statutory time limits in legislation allowing for a person could be living away from home; or
2. The introduction of a methodology to calculate or estimate the value of an accommodation concession limit

The above measures will contribute towards creating a level playing field, while assisting Cochlear to remain competitive in attracting international talent.

Cochlear would be happy to further discuss our recommendations and comments. Should you have any further queries, please do not hesitate to contact Andrew Chia on (02) 9425 3696 or Mike Jury on (02) 9425 5394.

Yours sincerely,



Neville Mitchell
CFO and Company Secretary
Cochlear Limited