

**Foreign Investment
Review Board**

**Annual Report
2010-11**

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Manager

Communications

The Treasury

Langton Crescent Parkes ACT 2600

Email: medialiaison@treasury.gov.au

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Australian Government
Foreign Investment Review Board

c/-Treasury Building
Langton Crescent
PARKES ACT 2600
Telephone 02 6263 3795
Fax 02 6263 2940

15 April 2012

The Hon Wayne Swan MP
Deputy Prime Minister and Treasurer
Parliament House
CANBERRA ACT 2600

Dear Deputy Prime Minister and Treasurer

I am pleased to present the annual report of the Foreign Investment Review Board for the year ended 30 June 2011. This report has been prepared in accordance with the Board's responsibility to advise the Government on foreign investment matters. It outlines the activities of the Board, provides a summary of the year's foreign investment proposals, and also contains an overview of the main provisions of the *Foreign Acquisitions and Takeovers Act 1975*.

The Board's key function is to examine the more significant foreign investment applications and advise on potential national interest concerns. This year the Board considered one of the most significant cases to come before it — the proposed takeover of the Australian Securities Exchange by the Singapore Stock Exchange. This is the only occasion since 2001 that a business proposal was found by the Treasurer to be contrary to the national interest. The Board undertook detailed analysis of the proposed transaction and its potential ramifications, and sought the input of ASIC, APRA and the RBA on the proposal. On the basis of all the information, the Board concluded that the proposal, as presented, was contrary to Australia's national interest, and recommended to the Treasurer that it not be approved.

In 2010-11, the majority of business applications were in the resources sector, continuing a trend from the previous year. Excluding real estate applications, mineral exploration and development applications accounted for around 41 per cent of the value of approvals. The United States was again the largest investor in 2010-11 in terms of the value of approvals (16 per cent of the total value), followed by the United Kingdom, China, Canada and India. This is the third consecutive year that China has been ranked in the top three sources of proposed investment and the first time that India has been ranked in the top five and mirrors increased trade with these two countries.

The year has been characterised by continued media and community interest in foreign investment, notably in agricultural land and businesses. This area has also been the subject of a number of Parliamentary inquiries and hearings and proposals for legislative change. The Board has closely monitored the policy issues in this area.

On 18 January 2012, the Government released a Policy Statement on Foreign Investment in Agriculture which provides guidance on factors the Board and the Government typically consider in assessing foreign investment applications involving the agricultural sector. The Government also announced funding for expanded

agriculture sector survey work to be undertaken by the ABS. This will help inform future policy making and assessments of foreign investment proposals.

Over the course of the year, the Board continued to implement the changes announced in April 2010 to the way temporary residents acquiring established residential property are examined. There has also been continued improvement in data collection and internal monitoring processes.

The Board continues to foster a better awareness and understanding, both locally and abroad, of Australia's foreign investment arrangements. In March 2011, the easy-to-read version of Australia's Foreign Investment Policy released on 30 June 2010 was also released in Mandarin, Japanese and Bahasa.

This year has also seen the continued development of the Board's strategy for engagement with the business community and their advisers. The Board worked with the Secretariat on its outreach and education program for the real estate sector, including real estate agents and solicitors. This program, including visits to state and territory peak industry bodies, has enhanced awareness of the revised requirements introduced in April 2010 and also of the general screening arrangements.

The Board has also developed a strategy for engaging with business advisers in relation to business cases promoting a better flow of information to support applications. In addition to presentations and seminars, this strategy will be supported by detailed guidance for business on issues that have been identified by business, the Board and the Secretariat.

In February 2011, the Investment Protocol to the Australia-New Zealand Closer Economic Relations Trade Agreement was signed. Once implemented, it will reduce compliance costs for Trans-Tasman investors by providing higher monetary thresholds at which inward foreign investments will be screened. The Board has followed these developments with interest, given a major focus of the Board's deliberations has continued to be on ensuring the right balance between protecting Australia's national interest and ensuring that Australia remains an attractive destination for foreign investment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M.J. Phillips', written in a cursive style.

M.J. Phillips AO
Chairman

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