

**Foreign Investment
Review Board**

**Annual Report
2005-06**

© Commonwealth of Australia 2006

ISBN 0 642 74375 4

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to:

Commonwealth Copyright Administration
Attorney-General's Department
Robert Garran Offices
National Circuit
CANBERRA ACT 2600

Or posted at: www.ag.gov.au/cca

A copy of this document appears on the Foreign Investment Review Board website at www.firb.gov.au.

Printed by CanPrint Communications Pty Ltd.



Australian Government
Foreign Investment Review Board

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

11 December 2006

The Hon Peter Costello MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

In accordance with the Foreign Investment Review Board's responsibility to advise the Government on foreign investment matters, I submit the Board's Annual Report for the financial year 2005-06.

The Report outlines the activities of the Board, provides a summary of the year's foreign investment proposals, and reviews trends in foreign investment in Australia and Australian investment abroad. The Report also has a number of Appendices that provide supporting material on foreign investment policy, including a copy of the relevant legislation.

Yours sincerely

A handwritten signature in cursive script that reads 'M J Phillips'.

M J Phillips AO
Chairman

CONTENTS

ACRONYMS AND ABBREVIATIONS	IX
GLOSSARY	XI
MAIN POINTS	XV

CHAPTER 1: FOREIGN INVESTMENT REVIEW BOARD

Functions of the Board	3
Board membership	3
Relationship of the division to the Board	4
Administration of foreign investment policy	5
Advice and education.....	5
Consideration timeframe	6
Examination and approval process	6
Consultation arrangements	7
National interest.....	7
Handling of commercial-in-confidence and personal information.....	8
2005-06 outcomes	9
Cost of the Board's operations	9
Consideration of proposals and enquiries.....	9
Policy review	10
Monitoring and compliance activity	11

CHAPTER 2: FOREIGN INVESTMENT PROPOSALS

Features of these statistics	15
Applications considered in 2005-06	18
Applications decided in 2005-06.....	19
Approvals by value	22
Approvals by sector	24
Agriculture, forestry and fishing	25
Finance and insurance	25
Manufacturing.....	26
Mineral exploration and development	27
Services	28
Tourism	28
Real estate.....	29
Residential real estate	29
Commercial real estate.....	31
Annual programmes	32
Real estate by location of investment	33
Approvals by country of investor	35

CHAPTER 3: OVERVIEW OF THE FOREIGN ACQUISITIONS AND TAKEOVERS ACT 1975

Introduction.....	41
Notification.....	42
Examination.....	43
Foreign-to-foreign transactions	44
Prior approval for contractual arrangements.....	44
Foreign control	44
Enforcement provisions.....	45
Other aspects of foreign investment policy.....	45
Foreign portfolio shareholdings.....	45
Foreign government investment in Australia	46
Taxation.....	46

CHAPTER 4: INTERNATIONAL INVESTMENT ISSUES AND AUSTRALIA'S INTERNATIONAL INVESTMENT POSITION

Introduction.....	49
Multilateral investment issues	50
OECD Investment Committee	50
<i>OECD Guidelines for Multinational Enterprises</i>	51
World Trade Organization	53
Asia-Pacific Economic Cooperation	53
Bilateral investment negotiations	54
Free trade agreements.....	54
Existing agreements.....	54
Current negotiations.....	55
FTA feasibility studies.....	55
Investment protection and promotion agreements	56
Australia's international investment position	56
Foreign investment levels	56
Foreign direct investment levels by country	57
Foreign investment flows.....	58
Foreign investment by sector	61
Useful references on international investment issues	62

APPENDICES

Appendix A: <i>Summary of Australia's Foreign Investment Policy</i>	67
Appendix B: Legislation and regulations, media releases and policy statements and publications	83
Appendix C: Chronology of policy measures	91
Appendix D: <i>Foreign Acquisitions and Takeovers Act 1975</i>	103
Appendix E: <i>Foreign Acquisitions and Takeovers Regulations 1989</i>	163
<i>Foreign Acquisitions and Takeovers (Notices) Regulations</i>	183
Appendix F: <i>OECD Guidelines for Multinational Enterprises</i>	191
Appendix G: Contact details	211

TABLES

Table 2.1:	Applications considered 2000-01 to 2005-06 – number of proposals	19
Table 2.2:	Applications decided 2000-01 to 2005-06 – proposed investment	19
Table 2.3:	Total approvals by value 2002-03 to 2005-06	22
Table 2.4:	Total approvals by industry sector in 2005-06.....	24
Table 2.5:	Manufacturing sector approvals in 2005-06.....	26
Table 2.6:	Mineral exploration and development sector approvals 2004-05 to 2005-06	27
Table 2.7:	Services sector approvals in 2005-06.....	28
Table 2.8:	Real estate sector approvals in 2005-06	33
Table 2.9:	Real estate sector approvals in 2005-06 – location of investment	34
Table 2.10:	Approvals by country of investor in 2005-06 – location of investment	36
Table 2.11:	Approvals by country of investor in 2005-06 – industry sector	37
Table 4.1:	Foreign investment flows 2001-02 to 2005-06	59

CHARTS

Chart 2.1:	Applications decided 2000-01 to 2005-06 – number of proposals.....	21
Chart 2.2:	Applications decided 2000-01 to 2005-06 – proposed investment	21
Chart 2.3:	Total approvals by value 2002-03 to 2005-06 – number of proposals.....	23
Chart 2.4:	Total approvals by value 2002-03 to 2005-06 – proposed investment	23
Chart 2.5:	Total approvals by industry sector in 2005-06 – proposed investment value	25
Chart 4.1:	Level of foreign direct investment by country at 31 December 2005	58
Chart 4.2:	Foreign investment flows 2001-02 to 2005-06	60
Chart 4.3:	Foreign ownership of Australian equity by sector 2002-03 to 2005-06	61