



# FOREIGN INVESTMENT REVIEW BOARD

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Report 1986-87



**Foreign Investment  
Review Board**

**Report 1986-87**

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The Foreign Investment Review Board was established in April 1976. The members during 1986-87 were Sir Bede Callaghan, CBE, Chairman; Mr Kenneth Stone; Mr Desmond Halsted; and Mr George Pooley, Executive Member in his capacity as First Assistant Secretary of the Finance and Investment Division of the Treasury.

The main functions of the Board are:

- to examine proposals by foreign interests for investment in Australia and, against the background of the Government's policy in this area, to make recommendations to the Government on the proposals;
- to advise the Government on foreign investment matters generally;
- to foster an awareness and understanding, both in Australia and abroad, of the Government's policy; and
- to provide guidance, where necessary, to foreign investors so that their proposals may be in conformity with Government policy.

The Board is assisted by an Executive which is part of the Treasury and also has available to it advice from other Commonwealth and State Government departments and authorities.

The Board's functions are advisory only. Responsibility for administration of the Government's foreign investment policy and for making decisions on proposals rests with the Treasurer.



Sir Bede Callaghan, CBE, has been Chairman of the Board since 1976. He is a former Managing Director of the Commonwealth Banking Corporation. Sir Bede has also been an Executive Director of the International Monetary Fund and the International Bank for Reconstruction and Development.



Mr Kenneth Stone was appointed to the Board in May 1984. He was Secretary, Victorian Trades Hall Council and Junior Vice-President of the Australian Council of Trade Unions. He is National Director of the Australian Trade Union Training Authority and also a member of the Victorian Economic Development Corporation.



Mr Desmond Halsted was appointed to the Board in October 1984. He was Deputy Chairman of Hooker Corporation Ltd, having retired as an executive from the Hooker Group in 1982. He is a director of a number of companies.



Mr Pooley is head of the Finance and Investment Division of the Australian Treasury and Executive Member of the Board.



## Foreign Investment Review Board

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December 1987

The Hon Paul Keating, MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

My dear Treasurer

In accordance with its responsibility to advise the Government on foreign investment matters, the Foreign Investment Review Board has the honour to submit to you its Report for the financial year 1986-87.

The first chapter of the Report reviews the activities of the Board during 1986-87, including its examination of foreign investment proposals; Chapter 2 examines proposed foreign investment in industry sectors; and Chapter 3 reviews developments in the levels and inflows of foreign investment in Australia, as indicated by data produced by the Australian Bureau of Statistics, and information on foreign ownership and control in the Australian economy.

Yours sincerely

Bede Callaghan  
Chairman

## Highlights for 1986-87

- Foreign investment policy was significantly liberalised in July 1986 and April 1987 (see pages 53 to 56 for details).
- The Board considered 1352 proposals for investment in Australia. Of these proposals, 1347 were approved by the Government (818 subject to conditions) and 5 were rejected.
- The rejection rate for proposals was 0.4 per cent. In the previous year, it was 1.5 per cent.
- Approval was given to 1296 proposals for acquisitions of shares and other assets and to 51 new business proposals.
- The aggregate level of total expected expenditure associated with proposals in 1986-87 was nearly double that of the previous year - at nearly \$18.5 billion.
- The sectors which recorded strongest growth in total expected investment, compared with 1985-86, were real estate, services, manufacturing and minerals. Most foreign investor interest centred on acquisitions rather than new business proposals.
- Consistent with the Government's policy changes, expected expenditure in service industries and real estate was high (\$5.6 billion and \$5.2 billion, respectively).
- The United States was the most significant investor source country in terms of total expected expenditure (\$3.6 billion, almost 20 per cent of the total). The other main countries were Japan, New Zealand and the United Kingdom.
- Australian interests were parties to 201 foreign investment proposals and were expected to contribute at least \$4.2 billion in expenditure (23 per cent of total expected investment).
- The average time taken to process proposals dropped from 40 days in 1985-86 to 26 days in 1986-87, reflecting liberalisations to policy and streamlining of administrative procedures.
- Some 150 meetings were held by the Board and/or its Executive with foreign and Australian investors.

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# Chapter 1: Administration of foreign investment policy in 1986-87

The Foreign Investment Review Board's primary function is to assist the Government in administering foreign investment policy. The Board examines proposals by foreign interests to undertake direct investment in Australia and makes recommendations to the Government on whether those proposals are consistent with the Government's policy.

This Chapter outlines the Board's activities during 1986-87. The Chapter also reports the changes that were made by the Government to foreign investment policy and discusses summary statistics on proposals decided during the year.

Several qualifications need to be borne in mind in interpreting the statistics. Briefly, expected expenditures associated with proposals are those contemplated by the foreign investors at the time submissions are made to the Board; the expenditures are not always realised - some proposals are not implemented; actual expenditure, although recorded against one year, may be spread over several years; expenditures include the contributions by Australian parties to proposals; and the data only cover foreign investment notifiable to the Board in terms of the *Foreign Takeovers Act 1975* or the Government's foreign investment policy. (The qualifications are explained more fully in Part I of the Statistical Appendix.)

The statistics are quite different from, and are not comparable with, the ABS statistics of Foreign Investment in Australia - see Chapter 3. Moreover, they do not purport to be a guide to foreign capital inflow. Expected investment may be funded from Australian sources eg. domestic borrowings.

**CHANGES TO  
FOREIGN  
INVESTMENT  
POLICY**

The process of liberalising foreign investment policy, that began in 1984-85 with the 12 month moratorium on the application of the policy to merchant banks, was continued in 1985-86 and gathered pace during 1986-87.

During 1985-86, the "opportunities test" - the practice of requiring the demonstration of opportunities for Australians to purchase assets or shares of businesses in Australia before they could be acquired by foreign interests - was abolished. Various thresholds were increased. In the non-bank financial intermediary sector, the guideline for foreign investors to demonstrate substantial economic benefits sufficient to offset the loss of Australian ownership and/or control gave way to a practice of approving proposals in the sector unless they are contrary to the national interest. However, a net economic benefits test remained the normal guideline that applied to most sectors of the policy.

During 1986-87, there were five changes to foreign investment policy.

First, the criterion of 'not contrary to the national interest' replaced the 'economic benefits' test as the policy norm. The new criterion was applied to most sectors of the policy - to manufacturing, services, tourism, stockbroking, insurance, rural property, real estate for development and resource processing. Outside the restricted policy sectors - banking, civil aviation, the media, uranium, developed urban real estate - the only area to which the economic benefits test

continued to apply was takeovers in the mining sector. The practice of approving most proposals unless they are contrary to the national interest could be said to be the single most important liberalisation of the policy since the establishment of the Board.

Second, the 50 per cent Australian equity guidelines as they applied to stockbroking, tourism and real estate for development were dropped. A 50 per cent guideline continues to apply in respect of the development of new mining projects over \$10 million. It also was made applicable to acquisitions of developed commercial urban real estate that had previously been subject to a virtual embargo.

Third, the Government announced its intention to submit legislation to Parliament to amend the Foreign Takeovers Act to exempt acquisitions of Australian businesses whose total assets are less than \$5 million (\$3 million for rural property).<sup>1</sup> Dating from policy changes announced in 1985, legislation has also been before Parliament to exempt acquisitions of mining exploration rights and offshore takeovers under \$20 million.

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1. Since the Treasurer's announcement of the Government's intention to so amend the Foreign Takeovers Act proposals falling below these thresholds are being approved in anticipation of the amendments coming into effect.

Fourth, the practice of imposing routine tax conditions under foreign investment policy was discontinued. Instead, the Government proposed to recommend to Parliament amendment of taxation legislation to deal with non-arms' length thin capitalisation and corporate restructurings.

Fifth, the 'naturalisation provisions' of policy were changed to enable naturalised companies to undertake new mining projects with foreign companies, provided the naturalised company has at least 50 per cent of the equity.

The substantial liberalisation of policy contributed to the strengthening of expected foreign investment inflows during the year.

#### **SUMMARY OF PROPOSALS**

Total expected investment associated with foreign investment proposals approved by the Government in 1986-87 was \$18.5 billion, nearly double the 1985-86 expected level of \$9.8 billion (see Table I.1). This is the second successive year of high growth in the level of expected investment. The interpretation of these figures is subject to the very substantial qualifications mentioned on page 1 and elaborated in Part I of the Statistical Appendix.

The growth in total expected investment occurred across most sectors - the notable exceptions being resource processing and finance and insurance (see Table I.2).

Of the \$18.5 billion expected investment in 1986-87:

- \$16.5 billion (89 per cent) was attributed to takeovers and acquisitions and the remainder to new businesses;
- about 70 per cent of total expected new business activity (\$1.9 billion) was concentrated in the services sector - much of it was tourism development;
- most of the expected expenditures were in the real estate (\$5.2 billion) services (\$5.6 billion) and manufacturing (\$3.9 billion) sectors and to a lesser extent in mining (\$2.3 billion);
- there were 41 proposals involving \$100 million or more. They accounted for \$10.6 billion (57 per cent) of expected expenditures. There were 80 proposals involving \$50 million or more and they accounted for \$13.1 billion (71 per cent of expected expenditures). Three quarters of the proposals over \$100 million were in the real estate and services sectors (see Table I.3).

It should be noted that of the \$18.5 billion expected investment, at least \$4.2 billion was attributable to Australian entities that are participating in ventures with foreign interests (see Table I.4). That figure is understated because it generally excludes expected expenditures attributable to minority Australian shareholdings.

During the year, the Government took decisions on 1352 foreign investment proposals, compared with 1310 in 1985-86. Of the proposals approved during 1986-87, 529 (39 per cent) were approved without conditions and 818 (61 per cent) were approved subject to conditions. During the previous three years, between 45 and 65 per cent of proposals were approved without conditions. The rejection rate for proposals of just under 0.4 per cent compares with 1.5 per cent in 1985-86, 2.6 per cent in 1984-85 and 4.2 per cent in 1983-84. The reduction in the number of rejected proposals in recent years is one manifestation of the progressive liberalisation of policy that occurred.

Total expected investment associated with the 5 proposals rejected in 1986-87 was \$19 million.<sup>2</sup>

Only one proposal (Shelburne Bay) was rejected as contrary to the national interest.

Movements in total expected investment associated with foreign investment proposals over the 10 years to end-June 1987 are illustrated in the chart below. It may be seen that the consideration for takeovers and acquisitions doubled in 1985-86 and more than doubled again in 1986-87. More generally, it is noteworthy that expected investment associated with new businesses was relatively strong from 1979 to 1982 (mainly because of the resources boom) and was relatively weaker in later years.

2. Of the 5 rejected proposals, 4 involved investments in residential real estate (total consideration of \$1.65 million), and one was for a proposed mining development at Shelburne Bay.

**Chart 1** Foreign Investment Proposals, 1 July 1978 to 30 June 1987, expected expenditure associated with approved proposals, by type of expenditure.

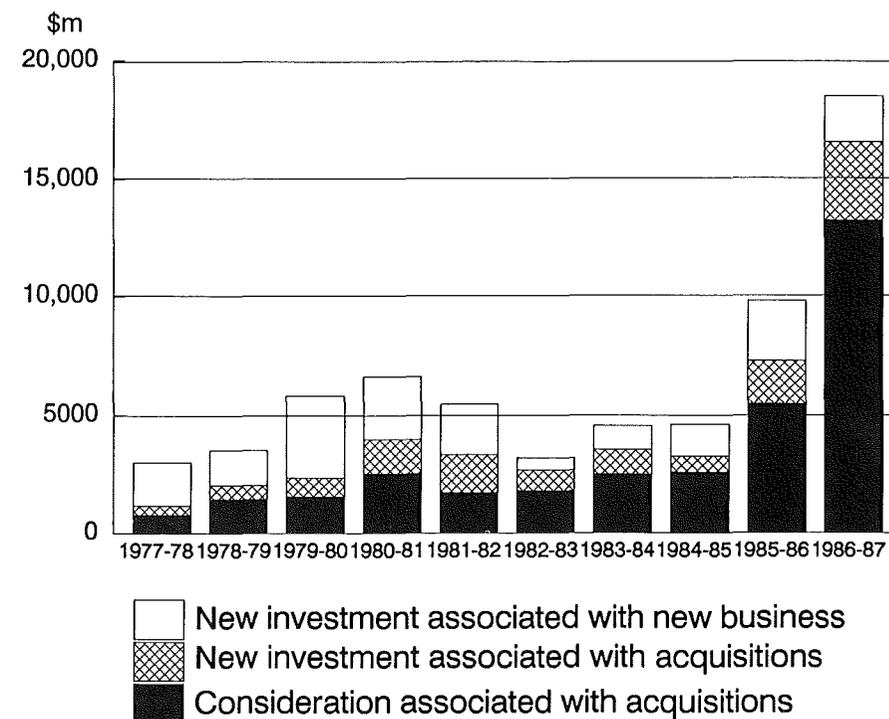


Table I.6 shows that there were 365 proposals approved for acquisitions of shares and assets in 1986-87 resulting in a loss of Australian control and 521 resulting in a reduction in Australian ownership but no change in control. The prospective expenditure associated with these proposals was \$5.6 billion and \$7.4 billion respectively.

**CONDITIONS APPLIED TO PROPOSALS APPROVED**

A total of 818 proposals (61 per cent of all proposals approved) were approved subject to conditions. This compares with 55 per cent in the previous year and 39 per cent in 1984-85. Table I.7 details the types of conditions that were applied.

The most frequently imposed condition related to the taxation aspects of proposals - in particular, the manner in which proposals were to be financed. Taxation conditions were applied so foreign investors, through the structuring of their investments, could not obtain a taxation advantage not available to Australian investors. As indicated above, since 30 April 1987, the practice of imposing routine tax conditions under foreign investment policy has been discontinued. As announced by the Treasurer at that time, the non-arms' length thin capitalisation and corporate restructuring objectives of policy are now to be met under proposed amendment of the tax legislation.

The next most frequently imposed condition involved undertakings by the parties to resell shares or assets (in particular, real estate) to Australians or eligible foreign purchasers at a later date if other basic conditions could not be met.

**PROPOSALS BY  
COUNTRY OF  
INVESTOR**

Information on the number and value of proposals approved by country of investor is given in Table I.4.

Values for expected investment levels for 1984-85 to 1986-87 are summarised hereunder.

Country of investor <sup>(a)</sup>	Expected investment		
	1984-85 \$b	1985-86 \$b	1986-87 \$b
United States	0.7	1.7	3.6
New Zealand	0.3	0.5	3.5
Japan	0.4	1.9	3.2
United Kingdom	1.2	1.8	2.1
Hong Kong	0.1	0.4	0.6
Singapore	0.1	0.1	0.2
Canada	0.1	0.2	0.1
Malaysia	0.4	0.1	0.1
Australia <sup>(b)</sup>	0.8	2.2	4.2
Other	0.5	0.9	0.9
<b>Total</b>	<b>4.6</b>	<b>9.8</b>	<b>18.5</b>

(a) The expenditure allocated to the country of origin indicates the sum of all expenditures apportioned according to the degree of control attributed to the foreign/Australian interests in a proposal.

(b) Represents the expected contributions by Australian-controlled companies and residents in partnership with foreign investors.

The United States, New Zealand, Japan and the UK, in that order, were the major investing countries in 1986-87: that is, the historically major investing countries (the USA and the UK) were joined again by Japan and, for the first time, by New Zealand. In 1985-86, the order was Japan, UK and the United States and in 1984-85 it was UK and the United States.

Considerable public attention has been directed to the strong expected investment from Japan; it was, of course, substantial for the second year in succession. Expected New Zealand investment in Australia in 1986-87 was also high and was equal to about 20 per cent of total expected investment. To a lesser extent, expected investment from Hong Kong also increased.

Two large takeover proposals, involving the acquisition of the Herald and Weekly Times and the assets of Delhi, together with the merger of the Australian tyre operations of Goodyear and Dunlop, accounted for about one-third of the total expected investment from the United States. Most of the US investment was concentrated in the services, mining (gas) and manufacturing sectors.

Expected investment from New Zealand was largely in real estate and services. In the real estate sector, New Zealand investment encompassed acquisition of developed city real estate, acquisitions of real estate for development and purchases of residences, particularly in Sydney and Surfers Paradise. Eleven real estate proposals by New Zealand investors aggregated \$1.3 billion, or 70 per cent of New Zealand expected investment in this sector. One proposal, a partial acquisition of shares in Woolworths by Rainbow Corporation, accounted for 40 per cent of New Zealand investment in the services sector. Actual investment in manufacturing was less than Table I.4 would suggest because two proposals aggregating \$660 million are known not to have proceeded.

Expected investment from Japan was concentrated in the real estate and services sectors with very little in the manufacturing, mining or finance sectors. Seven proposals in real estate (including some commercial and retail develop-

ments) aggregated \$1.5 billion, or over 80 per cent of Japanese expected investment in real estate. Nine proposals in the services sector aggregated \$1 billion, or over 80 per cent of the Japanese expected investment in services. They included the proposed acquisition of hotels, portion of the investment in the Bond/EIE University, various developments at Surfers Paradise and an increased investment in the Jupiters Casino.

More generally, there were a number of Japanese acquisitions of developed commercial and residential real estate over the \$600,000 threshold, especially in Sydney and Surfers Paradise. There was a rising trend of Japanese acquisition of developed residential real estate over the \$600,000 threshold, either for "own-use" by non-residents, or by Japanese owned companies in Australia to house their executives. During 1985-86, approvals aggregated to \$10 million. In 1986-87, the figure was close to \$50 million. These figures omit acquisitions below the cumulative threshold of \$600,000.

By comparison, UK investment was focused in the manufacturing sector, where seven proposals aggregated to nearly \$800 million or over 60 per cent of UK expected investment in this sector. The proposals included the buy-out of minority interests and takeovers.

**LOCATION OF  
EXPECTED  
INVESTMENT**

The distribution by State and Territory of expected investment is shown at Table I.5 and summarised below. Variations between years in the State and Territory distributions of proposed investments should be interpreted with caution; they partly reflect the lumpiness of particular projects and the large amount allocated to "other".

Location	Expected investment		
	1984-85 \$b	1985-86 \$b	1986-87 \$b
New South Wales	0.7	2.7	4.7
Victoria	0.4	1.9	1.1
Queensland	0.3	0.4	2.9
Western Australia	0.9	0.5	1.5
South Australia	0.2	0.1	0.5
Tasmania	-	0.1	0.1
ACT	-	-	0.1
Northern Territory	0.1	0.2	0.1
	2.6	5.8	10.9
Other <sup>(a)</sup>	2.0	4.0	7.5
Total	4.6	9.8	18.4

(a) The investment figures in this category include "off-shore" takeovers and proposals where the expenditure was expected to be undertaken in more than one State or Territory.

**OTHER  
OPERATIONS  
OF THE BOARD**

During the year, the Board and its Executive continued to liaise with, and sought confidential advice and comment on foreign investment proposals from Commonwealth and State Government departments and authorities. Such advice and comment was helpful in assessing the implications of proposals and the Board acknowledges the help received from the various Commonwealth and State departments.

In keeping with its functions to foster an awareness and understanding of the Government's policy and to provide guidance to investors, members of the Board and its Executive participated in a substantial number of meetings (around 150) with both potential foreign investors and Australian businesses to explain foreign investment policy and its administration and the application of the policy to particular proposals. Over the course of the year, presentations on foreign investment policy were given to foreign and local businesses and groups.

The information booklet for foreign investors 'Australia's Foreign Investment Policy - A Guide for Investors' was updated during the year to take account of policy and other changes.

**INTERNATIONAL  
ORGANISATIONS**

Australia subscribes to the 1976 Declaration of the Organisation for Economic Co-operation and Development (OECD) concerning international investment and multinational enterprises. The Declaration comprises two instruments (covering national treatment and investment incentives and disincentives) and a set of voluntary guidelines ('the Guidelines') concerning the conduct of multinational enterprises in member countries. Australia also subscribes to two OECD Codes of Liberalisation ('the Codes'), one covering capital movements and the other invisible transactions.<sup>3</sup> The broad thrust of the OECD's work in this area is to seek to liberalise international capital flows.

3. The Code of Liberalisation of Capital Movements (the 'Capital Code') and the Code of Liberalisation of Current Invisible Operations (the 'Invisibles Code').

The Board is the national contact point for matters that arise in respect of the Guidelines and its Executive is called upon to provide briefing on foreign investment policy matters relating to the Declaration and the Codes.

During the year, the Government decided that it would modify Australia's full reservation under the item 'inward direct investment' in the Capital Movements Code. The proposed change recognises the broad ranging liberalisation measures adopted over the past few years directed towards facilitating foreign investment in Australia.

#### **PROCESSING OF FOREIGN INVESTMENT PROPOSALS**

The Board recognises the need to examine proposals promptly to enable decisions to be taken by the Government and provided to foreign investors within the shortest practicable time. The information and other requirements applicable to foreign investors have been designed with a view to keeping to a minimum the cost and time involved for the parties in seeking foreign investment approval. In revising the guidelines booklet during the year, the information requirements for submissions to the Board were further simplified, reflecting the liberalised stance of policy. By the same token, the receipt from intending investors of complete information about their proposals when first submitted helps reduce processing times. In cases where urgent decisions are requested for commercial reasons, the Board does all it can to meet the requests.

The average time taken to process all proposals in 1986-87 was 26 days, 14 days less than in 1985-86. This significant improvement, in the face of substantial staff reductions within the Executive, is attributed to reductions in work requirements associated with the examination of proposals

flowing from the policy liberalisations and adoption of additional streamlining procedures in the processing of certain types of proposals. Compared with 7 years ago, the number of proposals processed per staff member has tripled.

#### **FREEDOM OF INFORMATION**

In 1986-87, the Board's Executive processed four applications received under the *Freedom of Information Act 1982* (FOI Act) for access to documents concerning foreign investment matters. Wherever possible, requests for information were answered without applicants needing to have recourse to the provisions of the FOI Act. The Executive takes particular care in responding to these requests to make no reference to commercially sensitive or confidential information.

Legal costs associated with defending documents from release before the Administrative Appeals Tribunal amounted to \$10600.

It is the practice of the Executive to consult with the parties to a proposal about the documents that are the subject of an FOI request to establish whether the parties are prepared to have the documents made available to an applicant before a decision is made to release the documents. There are a number of provisions available under the FOI Act for denying access to documents provided to the Board or the Executive (or prepared by the Board or the Executive) in its examination of a proposal. Those provisions include denial of access on the grounds that release:

- would constitute a breach of confidence (section 45);
- would be expected adversely to affect the business or professional affairs of a company or individual (section 43); and/or

- would constitute an unreasonable disclosure of personal affairs information (section 41).

Other exemption provisions which have been argued include section 33(A) (documents affecting Commonwealth relations with the States), section 34(1) (Cabinet documents), section 36(1) (internal working documents) and section 40(1) (documents the release of which could reasonably be expected to have a substantial adverse effect on the proper and efficient conduct of the operations of an agency).

Some decisions to deny requests for documents have been appealed to the Administrative Appeals Tribunal. Particular care continues to be taken during these proceedings to ensure that evidence presented contains no reference to commercially sensitive or confidential information. No commercially sensitive or confidential documents have been released to applicants as a result of an FOI Act request or a subsequent appeal.

**COST OF THE  
BOARD'S  
OPERATIONS**

Consistent with the proper discharge of its functions, the Board is concerned to ensure that the cost of its operations is minimised. Government expenditure on the Board in 1986-87 was a little under \$60,000. As in previous years, most of the expenditure was for the remuneration of the Board members (83 per cent). The remainder was for local travel, car hire and printing expenses.

Government expenditure on the Executive was about \$840,000 in 1986-87. This represented a 30 per cent reduction on 1985-86 due to a substantial decline in staff numbers (from about 35 to 18 over the past year) consequent upon the Government's policy liberalisations and streamlining of examination procedures. This expenditure was directed mostly to salaries, with minor expenses being incurred for travelling

and computer services. The total cost of foreign investment screening would also include a minor part of the expenditure of other Government authorities and agencies, at both the Commonwealth and State levels, that are consulted on proposals.

## Chapter 2: Foreign investment by industry

This Chapter provides a summary, on an industry basis, of the proposals submitted to the Board for examination in 1986-87 and comments on some of the more significant proposals.

### **SERVICE INDUSTRIES**

During 1986-87 the Board examined 446 proposals for investment in the service industries sector comprising 23 new business proposals, 360 proposed acquisitions and 63 company restructuring/financing arrangements. The 23 proposals to establish new businesses involved total expected investment of \$1,344 million, compared with 15 such proposals (\$417 million) in 1985-86. All new business proposals were approved. Of the 360 proposals for acquisitions of shares and other assets of Australian businesses, 139 were approved outright and 221 were approved subject to conditions.

The total expected expenditure associated with service industries proposals was \$5.63 billion, compared with \$2.6 billion in 1985-86. Two-thirds of the increase was attributable to three major takeover proposals in the media industry.

The service industries attracting greatest investment from foreign interests in 1986-87 were tourism, wholesaling and retailing, and communications.

In July 1986, the Treasurer announced significantly liberalised guidelines for acquisitions of service industry real estate and for proposals involving new hotels, tourist resorts and the like. In April 1987, the policy for the remainder of the service industries sector was relaxed and the previous requirement for the demonstration of economic benefits was replaced by approval of proposals unless judged contrary to the national interest.

### **(i) Tourism**

Proposals submitted to the Board for investment in tourism and entertainment-related facilities and services during 1986-87 totalled 55, compared with 21 in the previous year. Total expected expenditure associated with these proposals was about \$1820 million, a substantial increase on the \$440 million recorded in the previous year. There were six proposals to develop major tourist facilities, accounting for 48 per cent of total expected new investment in this industry. Proposed investments by Japanese corporations in new tourist facilities, mainly in Queensland and New South Wales, were responsible for much of the increased investment in this sector. Major proposals by Japanese corporations include Kumagai Gumi's Hyatt Coeur De Lion resort on the Sunshine Coast, Matsushita Investment and Development Co Ltd's tourist complex at the Gold Coast and Daikyo Kanko Co Limited's tourist development at Trinity Bay in Queensland.

## (ii) Wholesale and retail

During 1986-87, the Board considered 186 proposals in the wholesale/retail sector, compared with 338 proposals in 1985-86. Proposals approved involved total expected expenditure of \$816 million. These included Rainbow Corporation Ltd's acquisition of a 19.9 per cent shareholding in Woolworths Ltd and Pepsico Australia Pty Ltd's acquisition of Kentucky Fried Chicken Pty Ltd.

## (iii) Communications

Four proposals with a total consideration of more than \$2000 million were considered by the Board. Three of these proposals were related to the takeover of The Herald and Weekly Times by News Limited. This proposal was examined under foreign investment policy because a substantial shareholder in News Limited, Mr K.R. Murdoch, is a US resident. The Government decided that the proposal would not be contrary to the national interest.

## FINANCE AND INSURANCE

On 30 April 1987 the Treasurer announced that proposals falling within the insurance and stockbroking sectors would be approved unless they were judged contrary to the national interest. This change brought the policy practice applicable to these sectors into line with the practice then applying to most sectors of the economy, including the non-bank finance area. The Treasurer also announced on 30 April 1987 that foreign interests would be permitted to acquire up to 100 per cent of the equity in Australian stockbroking businesses, following amendments to stock exchange rules to permit corporate interests to own up to 100 per cent of stockbroking businesses.

The Board examined 140 proposals for investment in the finance and insurance industries in 1986-87, a 41 per cent reduction over the previous year. All of these proposals were approved.

The 140 proposals comprised 16 new businesses, one subsidiary financing arrangement, 21 proposals for the restructuring of ownership of existing businesses and 102 proposals for the acquisition of ownership interests in existing Australian businesses.

Of the 16 new business proposals, one was for a savings bank, 3 were for merchant banks, 3 for finance companies, 3 for holding/investment companies, 1 for a unit trust, 4 for stockbrokers/investment advisory services and 1 for a general insurer.

As was to be expected, the level of new business proposals was substantially less than in 1985-86 when new business investment was boosted by the establishment of 14 new trading banks and a large number of merchant banks during the period of the merchant banking moratorium.

The newly established National Mutual Royal Bank Ltd substantially widened its retail deposit base during 1986-87 with the establishment of a new savings bank subsidiary in New South Wales which subsequently acquired the United Permanent Building Society.

The 102 proposals for investment in existing Australian finance businesses comprised acquisitions of ownership interests in trading banks (2), permanent building societies (1), merchant banks (1), general financiers (14), unit trusts (4), holding/investment companies (21), general insurers (6), life insurance companies (1), insurance brokers (15), and stockbrokers/investment advisory services (37).

While, in the previous year, the effects of financial deregulation were seen mainly in the banking and merchant banking areas, there was, in 1986-87 a relatively higher level of activity in the stockbroking and investment advisory areas following changes to foreign investment policy in the former area. In particular, a number of foreign owned financial institutions, especially in the banking and merchant banking community, have acquired interests in stockbroking firms to complement their range of financial services.

Among the trading banks, the Hong Kong and Shanghai Banking Corporation received approval to acquire the balance of shares in Hongkong Bank of Australia held by the Victorian Economic Development Corporation and the Bank of New Zealand received approval to acquire various assets from the Australia Bank.

The rationalisation of ownership in the insurance broking industry continued, albeit not at the same pace as in 1985-86, following the legislative changes providing for the registration and regulation of the activities of insurance brokers.

## MANUFACTURING

For the manufacturing sector there was a modest increase in the number of proposals decided in 1986-87 compared with last year and anticipated total expenditure rose from \$1,571 million in 1985-86 to \$3,879 million in 1986-87. The expenditure figures in each case represent almost entirely the price paid for acquisitions - planned new development expenditure associated with the acquisitions was a little over \$200 million in both years. Planned expenditure in relation to examinable new business proposals decreased from around \$95 million in 1985-86 to under \$50 million in 1986-87.

Of the 299 manufacturing proposals notified, 36 were for company reorganisations or financing re-arrangements, 150 were for acquisitions involving a change in control, 99 were for acquisitions involving no change in control, 3 were for new businesses, 10 were withdrawn and one did not require notification. Twenty-one proposals involved a move by majority shareholders to buy all or part of the minority interests in Australian manufacturing businesses in which they were already investors.

Implementation of one proposal was delayed by the issue of an interim order but the order was subsequently revoked and the proposal allowed to proceed. No proposal was rejected. Approval of manufacturing acquisitions was facilitated by the removal in July 1986 of the net economic benefits test in respect of proposals in the manufacturing sector as part of the policy relaxations announced at that time.

The largest number of proposals were in the food and beverage industries (34) and accounted for 7 per cent of total expenditure and the second largest number involved agricultural and industrial machinery businesses (27), accounting for

a further 7 per cent of total expenditure. Significant numbers of acquisitions were approved for businesses in motor vehicles and parts (10), chemical products, fertilisers, paints, pesticides (15) and paper products and printing (13).

In terms of recorded total expenditure, the largest proposal was the merger of the Goodyear and Pacific tyre businesses in which each party contributed its existing Australian assets (which accounted for the major part of the recorded expenditure) and announced that a further \$200 million would be invested in the development of the merged business over the next five years. Sara Lee Corporation offered \$212 million to acquire the 86 per cent of Nicholas Kiwi Australasia Limited which it did not already own. Sara Lee had purchased the off-shore assets of the Nicholas Kiwi group in 1984 and moved to 100 per cent ownership of the Australian assets shortly after the relaxation of policy in the manufacturing sector.

The other major individual contributions to the recorded 1986-87 expenditure total included BTR Nylex's offer for Borg Warner (Australia) Limited, the share swap offer by Feltex New Zealand Limited for Email Limited, NZ Forest Products Limited's proposed partial merger with Amcor Limited and Redland PLC's approval to increase its shareholding in Monier Limited to up to 100 per cent. In the event, the last three of these proposals have not gone ahead, thus illustrating some of the inadequacies of the FIRB statistics for purposes of forecasting actual investment expenditures. The Equiticorp Tasman Limited approval to acquire up to 100 per cent of Monier Limited is not reflected in the statistics - in the case of alternative proposals in respect of the one target company it is the practice to record only one proposal in the statistics - although Equiticorp has obtained a shareholding of more than 40 per cent.

## MINERALS

There were 80 proposals for acquisitions and new businesses decided in the minerals area for 1986-87 with intended total expenditure of \$2455 million compared with \$567 million for 1985-86 for a similar number of proposals. By far the largest single proposal was the \$985 million paid by Esso Exploration and Production Incorporated for CSR Limited's gas and oil interests held by its subsidiary, Delhi Petroleum Pty Limited. One of the 80 proposals was rejected (see below).

In 1986-87, 72 proposals involved acquisitions of shares or assets of existing businesses for total expected expenditure of \$2315 million, and involved no investment expenditure - ie the expected expenditure recorded was the acquisition cost. Eight proposals were intended investment in new mining businesses with expected expenditure of \$140 million (which constituted total development expenditure in the minerals area). By comparison, in 1985-86 acquisitions of shares or assets of existing businesses involved total expected expenditure of \$311 million, new business investment accounted for \$209 million and overall expected development expenditure was \$256 million.

In 1986-87 only one proposal, for the development of a mineral sands deposit at Shelburne Bay, Queensland was not approved. Notwithstanding its conformity with the 50 per cent Australian equity and control guideline, the Government blocked the proposal on the grounds that the proposed development in the particular area would be contrary to the national interest, chiefly because of its impact on the environment. Expected investment expenditure for this proposal was \$20 million. Another proposal was subject to an interim order to provide more time for the parties to provide further information for the consideration of the case, which was subsequently approved.

Of the 79 proposals approved, 31 related to investment in gold mining or exploration and 5 of the 8 proposed new business investments in the mining sector were for gold mining. No mineral other than gold attracted a significant number of proposals. Oil and oil exploration had 10 proposals decided, black coal and exploration 8, and construction materials 5.

**RESOURCE  
PROCESSING**

In 1986-87, 5 resource processing proposals were decided. One was a company restructure and the others were acquisitions of existing businesses. No new business proposals were received and total expenditure in this sector was \$2.68 million.

**URBAN REAL  
ESTATE**

In July 1986 the Government announced a substantial liberalisation of policy in the real estate area: under this liberalisation, it is no longer necessary to provide for Australian equity in acquisitions of real estate for development purposes; and foreign acquisitions of developed commercial real estate are permitted, subject to the acquisition being made with 50 per cent Australian equity. Where it can be demonstrated that Australian equity is not available on reasonable terms and conditions, investments are approved unless they are judged contrary to the national interest.

During 1986-87, the Government approved 248 proposals by foreign interests to acquire urban property and rejected 4 (all involving acquisitions of residential real estate). The total expected consideration for the acquisitions approved was \$1110 million. This compares with 135 proposals approved in 1985-86 for a total consideration of around \$400 million. In addition to the 248 proposals referred to above, the

Government approved 25 annual programs<sup>4</sup> for acquisitions of urban real estate, involving an expected total consideration of \$974 million. This compares with 16 annual programs approved in 1985-86 for an expected consideration of \$275 million.

Prior to July 1986, the acquisition of developed commercial real estate by foreign investors was not normally approved. Following the relaxation of the policy in this area a total of 49 proposals, involving investment of \$402 million, were approved for the acquisition of developed commercial real estate by foreign interests. There were no rejections. Of the 49 proposals examined, nine (valued at \$58 million) provided for 50 per cent or more Australian equity participation.

Eighty-five proposals were approved for the acquisition of residential real estate, involving an expected consideration of \$95 million. This compares with 51 proposals involving an expected consideration of \$42 million in 1985-86. Fifty of the acquisitions were in Sydney (mainly North Shore and Eastern Suburbs), 20 were in Queensland (mainly Gold Coast) and 11 in Perth.

Although the policy was relaxed to allow acquisitions of developed real estate, the majority of proposals approved in 1986-87 for the acquisition of urban real estate involved significant development of the property. In 1985-86, 46 proposals were approved for development purposes and involved a total

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4. Annual programs of acquisitions may be submitted for Government approval on the condition, *inter alia*, that investors report annually on real estate acquisitions and the development undertaken. Annual program arrangements can encompass both development proposals as well as acquisitions of developed non-residential commercial properties, provided in the latter case that there is at least 50 per cent Australian equity.

expected investment of \$1571 million. This compares with 114 proposals approved in 1986-87 for the purpose of development involving a total expected expenditure of \$2946 million. The 248 proposals approved in total (excluding annual programs, but including developed and residential real estate) involved expected development expenditure of \$2332 million, indicating total expected foreign investment (acquisition consideration plus development expenditure) of \$3442 million. This compares with total expected investment in 1985-86 of \$1900 million.

Conditions were attached to 75 per cent of approvals, principally involving undertakings to resell the real estate to Australian interests in certain circumstances (for example, where migration did not occur) and undertakings concerning financial structure.

As noted, the Government decided that 4 proposals were inconsistent with foreign investment policy. All 4 involved proposals to acquire residential real estate for the purpose of obtaining a rental income. Under the policy applicable in 1986-87, acquisitions of residential real estate above \$600,000 were approved only if the property was to be occupied by the owner or, in the case of a company, by the employees of that company.

New Zealand was the source of the largest number of real estate proposals in 1986-87 with a total of 102 (compared with 18 in 1985-86). Twelve involved the acquisition of residential real estate. Japan followed with 69 proposals (compared with 17 in 1985-86) of which 40 were for the acquisition of residential property. Hong Kong interests submitted 27 proposals, 6 of which involved residential property; UK interests submitted 26 proposals, 6 involving residential property.

## **RURAL PROPERTIES**

The policy guidelines concerning the acquisition of rural properties were relaxed in July 1986 and again in April 1987. Proposals between July 1986 and April 1987 were approved where it could be demonstrated by the intending investor that proposed on-farm development expenditure was to be at least one-third of the acquisition price and the requirement that acquisitions valued at \$3 million or more offer an effective joint Australian/foreign participation or benefits of national or regional significance was waived. In April 1987, the Treasurer announced that it was intended to amend the Foreign Takeovers Act to exempt acquisitions of rural properties up to the value of \$3 million. Proposals involving rural properties valued at more than \$3 million will continue to be subject to examination but will be approved unless judged by the Government to be contrary to the national interest.

In 1986-87, the Government approved 64 proposals for the acquisition of rural land by foreign interests, involving 512,000 hectares, for a total consideration of \$143 million. This compares with 56 proposals approved in 1985-86 involving 3,138,000 hectares for a total consideration of \$44 million. The largest number of proposals, viz 22, involved land in New South Wales, followed by Western Australia with 19, and Queensland with 13.

## Chapter 3: Developments in foreign investment

This chapter summarises trends in the estimates of foreign investment in Australia and Australian investment abroad compiled and published by the Australian Bureau of Statistics (ABS) and reports data on estimates of foreign ownership and control in Australia.

As indicated above, the ABS data are based on different criteria from those used by the Foreign Investment Review Board. The Board's figures are an aggregation of the proposals submitted to the Executive, along with the expected associated expenditures.

The analysis of foreign investment in this chapter is on the basis of the new framework for foreign investment statistics introduced by the ABS in the 1985 September quarter publication on foreign investment. The principal effects of the introduction of the new framework were discussed in the Board's 1985-86 Annual Report (page 21).

### FOREIGN INVESTMENT IN BROADER PERSPECTIVE

Table 3.0 sets foreign investment flows into the broader perspective of Australia's balance of payments. Between 1984-85 and 1986-87, foreign investment in Australia increased by around 60 per cent to reach \$25.5 billion in 1986-87. However, the capital account also reflected the rising level of Australian investment abroad. Over the past two years, Australian investment abroad has risen by almost 250 per cent reaching \$12.8 billion in 1986-87. The substantial increase in the past year was mainly due to the rapid increase in Australia's official reserve assets.

**Table 3.0: Reconciliation between Foreign Investment Capital Flows and Australia's Balance of Payments 1984-85 to 1986-87**

	\$ billion		
	1984-85	1985-86	1986-87
Foreign Investment in Australia	15.9	19.9	25.5
Australian Investment Abroad	3.7	5.9	12.8
Balance on Capital Account	12.2	14.0	12.7
Balancing Item	-1.1	0.5	0.8
Balance on Current Account	-11.1	-14.5	-13.5

Sources:

ABS 5307.0 (June Qtr) Foreign Investment, Australia, June Qtr 1987 (Prel)

ABS 5302.0 (June Qtr) Balance of Payments, Australia, June Qtr 1987

**OVERVIEW OF FOREIGN INVESTMENT INFLOWS**

Table 3.1 sets out details of foreign investment flows into Australia from 1983-84 to 1986-87. Inflows in 1986-87 totalled \$25.5 billion compared with \$19.9 billion in the previous year. Foreign investment attributable to the official sector (mainly general government borrowing) was almost \$3.9 billion, in 1986-87 an increase of \$0.5 billion on 1985-86. Foreign investment in the non-official sector (banks, other financial enterprises, trading enterprises and households) was \$21.6 billion in 1986-87, \$5.1 billion higher than for 1985-86, and comprised:

- \$4.0 billion (about 16 per cent of total inflow) as direct investment, an increase of 120 per cent over the previous year; and
- \$17.6 billion (69 per cent of total inflow) portfolio and other ('non-direct') investment, an increase of almost 20 per cent over the previous year.

**NON-OFFICIAL DIRECT INVESTMENT**

Under the ABS framework for foreign investment statistics, direct investment represents funds invested in an enterprise by an investor in another country, which give the investor a 'significant influence', either potential or actually exercised, over the key policies of the enterprise (called a 'direct investment enterprise'). Ownership of 10 per cent or more of the ordinary shares or voting stock of an enterprise is considered to indicate 'significant influence' by an investor.

The ABS classifies 'direct investment' flows into five categories - 'reinvestment of earnings' (the unremitted profits of branches and other direct investment enterprises attributable to their foreign direct investors), 'corporate equities' (proceeds from the net sale of shares to non-residents), 'net equity in branches' (changes in the net assets of unincorporated enterprises owned by non-residents),

Table 3.1: Foreign investment in Australia, 1983-84 to 1986-87

	1983-84		1984-85		1985-86		1986-87 <sup>(a)</sup>	
	annual average \$m	per cent	\$m	per cent	\$m	per cent	\$m	per cent
Official	2702	15.1	953	9.3	2619	16.5	3351	16.9
Non-official <sup>(a)</sup>								
Direct	2595	14.5	1939	18.9	2611	16.4	1818	9.1
Portfolio and other	12582	70.4	7388	71.8	10662	67.1	14681	74.0
Total Non-official	15177	84.9	9326	90.7	13273	83.5	16499	83.1
Total Official and Non-official	17879	100.0	10279	100.0	15892	100.0	19850	100.0

Source: ABS: Foreign Investment, Australia, June quarter 1987 (Preliminary) (Cat No 5307.0) and Foreign Investment, Australia, 1985-86 (Preliminary) (Cat No. 5304.0).

Note:

(a) Preliminary figures.

'borrowings' (borrowings by direct investment enterprises from related investors) and 'other net accounts payable by direct investment enterprises to direct foreign investors'.

As noted above, flows of non-official direct investment were 120 per cent higher in 1986-87 than in the previous year (see Table 3.2). The increase in direct investment was primarily due to a substantial increase in "in-house" borrowings by direct investment enterprises from related investors overseas and to non-residents increasing their equity in their unincorporated (branch) enterprises operating in Australia.

Direct investment as a proportion of total non-official foreign investment increased from about 11 per cent in 1985-86 to about 19 per cent in 1986-87.

#### NON-OFFICIAL PORTFOLIO AND OTHER INVESTMENT (NON-DIRECT INVESTMENT)

Reflecting the continuing high level of foreign borrowing, the non-official portfolio and other investment category remained the major contributor to foreign investment in Australia. The proportion of non-official foreign investment classified as 'portfolio and other' investment was 81 per cent in 1986-87 (compared with 89 per cent in 1985-86, 80 per cent in 1984-85 and 79 per cent in 1983-84) (see Table 3.2).

Within the 'non-official portfolio and other' investment category, there was a very large increase in foreign investment in corporate equities of about \$2.5 billion, from \$0.3 billion in the previous year. The buoyant market in corporate equity investments in Australia during 1986-87 was significantly supported by foreign purchases.

In 1986-87, foreign borrowings by the private sector continued at the 1985-86 level of just over \$12 billion. As in

Table 3.2: Inflow of non-official foreign investment in Australia, 1983-84 to 1986-87<sup>(a)</sup>

	1983-84		1984-85		1985-86		1986-87	
	annual average \$m	per cent	\$m	per cent	\$m	per cent	\$m	per cent
Non-official direct investment								
Reinvestment of earnings	687	4.5	553	5.9	610	4.6	936	5.7
Corporate equities	1164	7.7	583	6.3	353	2.6	1934	11.7
Net equity in branches	-124	-8	-784	-8.4	68	0.5	-490	-3.0
Borrowings	543	3.6	983	10.5	1148	8.6	-816	-5.0
Other	325	2.1	603	6.5	432	3.3	255	1.5
<b>Total</b>	<b>2595</b>	<b>17.1</b>	<b>1938</b>	<b>20.8</b>	<b>2611</b>	<b>19.6</b>	<b>1819</b>	<b>10.9</b>
Non-official portfolio and other								
Corporate equities	1043	6.9	601	6.5	464	3.5	307	2.0
Borrowings								
-trading banks	4233	27.9	431	4.6	2438	18.4	6096	37.0
-private sector enterprises n.e.c.	4383	28.9	3297	35.4	3734	28.1	6149	37.2
-public sector enterprises n.e.c.	2759	18.2	2503	26.8	3793	28.6	2160	13.1
Accounts payable/prepayments received	165	1.1	556	5.9	233	1.8	-31	-2
<b>Total</b>	<b>12583</b>	<b>82.9</b>	<b>7388</b>	<b>79.2</b>	<b>10662</b>	<b>80.4</b>	<b>14681</b>	<b>89.1</b>
<b>Total Non-official</b>	<b>15178</b>	<b>100.0</b>	<b>9326</b>	<b>100.0</b>	<b>13273</b>	<b>100.0</b>	<b>16500</b>	<b>100.0</b>

Source: ABS: Balance of Payments, Australia, June quarter 1987 (Cat No 5302.0).

Note:

(a) A minus sign (or negative investment) denotes a net withdrawal of investment from Australia. In the case of foreign direct investment in Australian unincorporated enterprises, negative investment could arise from: repayments of debt exceeding new borrowings; foreigners selling their equity to Australians; the remittance abroad of previously accumulated income of direct investment enterprises and losses incurred by foreign direct investors.

## INVESTMENT LEVELS

1985-86, much of it was undertaken by the Australian trading banks. The trading banks accounted for nearly half of total portfolio inflow in 1986-87.

Table 3.3 shows that the level or 'stock' of foreign investment in Australia as at 30 June 1986,<sup>1</sup> comprised \$14.7 billion of corporate equities and \$103.2 billion in other forms. This represented an increase of almost \$26.5 billion, or 29 per cent, over the level at 30 June 1985. (The corresponding figures for the previous year were \$26.8 billion and 42 per cent.) Of the change during 1985-86, approximately \$2.8 billion was accounted for by an increase in the stock of direct investment. The remainder was accounted for largely by increases in borrowings by trading banks (\$6.5 billion), borrowings by private sector enterprises n.e.c. (\$7.3 billion), borrowings by public sector enterprises n.e.c. (\$3.4 billion), and official sector transactions (\$6 billion).

## AUSTRALIA'S LEVEL OF EXTERNAL DEBT

The ABS foreign investment statistics include data on Australia's net foreign debt which is given in Table 3.4. At 30 June 1987, the level of Australia's net external debt was estimated at \$82.9 billion compared with \$73 billion a year earlier (an increase of \$9.9 billion). The increase was considerably less than the growth in the debt to 30 June 1986 of \$21.8 billion, despite the sharp increase in foreign investment in Australia in 1986-87. There were a number of reasons for the slowdown in the growth of net debt. First, there was an improvement in the current account deficit.

1. The latest complete data available at the time of compilation.

**Table 3.3: Level of foreign investment in Australia, by type of investment (\$A million)**

	Official		Non-official						Total	
	Direct		Portfolio and other investment						Corporate equities	Other
	Corporate equities <sup>(a)</sup>	Other	Corporate equities	Borrowings			Accounts payable/prepayments			
				Trading banks	Public sector enterprises n.e.c.	Private sector enterprises n.e.c.				
At 30 June										
1983	8 133	8 037	10 290	2 338	1 209	6 210	16 613	1 708	10 375	44 163
1984	8 892	8 360	11 783	2 663	1 632	8 823	20 122	2 378	11 023	53 630
1985	13 294	9 122	14 326	2 943	4 436	15 446	29 054	2 788	12 065	79 344
1986	19 342	11 308	14 901	3 399	10 965	18 840	36 368	2 766	14 707	103 181

Source: ABS: Foreign Investment, Australia, 1985-86 (Preliminary) (Cat. No 5304.0).

Note:

(a) Paid up value.

**Table 3.4: Australia's level of external debt, 1983-87 (\$A million)**

At 30 June	Foreign borrowing				Australian lending abroad and reserve assets			Net external debt <sup>(a)</sup>		
	Official	Non-official		Total	Official	Non-official	Total	Official	Non-official	Total
		Public Sector	Private Sector <sup>(b)</sup>							
1983	7 682	6 210	21 844	35 736	10 755	1 895	12 650	- 3 073	26 159	23 086
1984	8 534	8 823	26 705	44 062	12 420	2 113	14 533	- 3 886	33 414	29 529
1985	12 982	15 446	40 094	68 522	13 522	3 811	17 333	- 540	51 730	51 190
1986	18 998	18 840	54 303	92 140	13 040	6 133	19 173	5 958	67 010	72 967
1987 (prelim)	23 404	20 967	65 593	109 964	17 595	9 444	27 039	5 809	77 116	82 925

Source: ABS: Foreign Investment, Australia, June quarter 1987, preliminary, (Cat No 5307.0) and Foreign Investment, Australia, 1985-86 (Preliminary) (Cat. No 5304.0).

Note: Because of differences in bases of compilation, the foreign borrowings data in this table are not comparable with that in Table 3.3.

(a) Foreign borrowing by Australian residents less the sum of Australian lending abroad and reserve assets.

(b) Including all trading banks.

Second, the proportion of equity to borrowings in foreign investment increased in 1986-87 compared with the previous year, because of the 900 per cent increase in portfolio investment in corporate equities. There was also a downward valuation effect on the level of net debt at 30 June 1987 due to the appreciation of the Australian dollar against foreign currencies during 1986-87. In 1985-86 the valuation effects due to exchange rate movements worked in the opposite direction (ie to increase net debt measured in \$A) since the Australian dollar depreciated against foreign currencies. Also, Australia's investments overseas, including Australia's international reserves, increased during 1986-87.

#### **FOREIGN OWNERSHIP AND CONTROL IN AUSTRALIA**

In 1986-87, the Australian Bureau of Statistics released statistics on further foreign ownership and control studies of Australian industry and economic activity. The current program of studies was commenced in 1983-84. This section discusses aspects of the ABS data.

Foreign ownership statistics provide a measure of the total beneficial equity interest held by foreign residents in enterprises in Australia while foreign control statistics provide a measure of potential control (through ownership of voting shares) that foreign residents may have over enterprises in Australia.

#### **AUSTRALIAN BUREAU OF STATISTICS INDUSTRY STUDIES**

In using ABS data to make observations about the level of foreign ownership and control of particular industries, the following factors need to be borne in mind. Firstly, movements in the aggregate level of foreign ownership or control of an industry over time may be caused either by changes in the degree of foreign ownership of particular enterprises in that industry and/or by differences in the relative growth rates of foreign and Australian owned enterprises. Secondly, the basis used to measure ownership or control (for example, value added, employment or turnover) may lead to different results because of differences in the capital intensities, efficiencies or stages of development of operations of enterprises in the industry. Finally, factors other than share ownership may affect the control of businesses and the extent of participation in the profits of a business; these factors cannot be covered by the ABS studies.

The ABS studies of foreign ownership and control provide foreign participation statistics on a number of bases - number of establishments; persons employed; wages and salaries; turnover; value added; assets and income; and fixed capital expenditure less disposals. For the Board's purposes, the most useful basis for measuring foreign investors' participation in Australia's economic activity is considered to be value added - defined as turnover plus the increase (or decrease) in the value of stocks, less purchases, transfers in and selected expenses.

The foreign control statistics in the ABS studies seek to measure whether, in the light of the distribution of voting shares, foreign residents are likely to be in a position to determine key policy decisions of enterprises in Australia. There are four categories of control in the studies: foreign control; joint foreign and Australian control; control by naturalised or naturalising companies; and Australian control.

In a little over a decade, there appears to have been no major change in the levels of foreign ownership of Australian industries and resources which have been the subject of ABS studies between 1972-73 and 1984-85. (See Table 3.5).

In terms of specific sectors, increases in the level of foreign ownership were recorded in minerals processing (from 39.7 per cent in 1972-73 to 46.3 per cent in 1981-82) and life insurance (from 36.8 per cent in 1972-73 to 40.3 per cent in 1983-84). In manufacturing there was virtually no change. Foreign ownership declined in the general insurance sector (from 45.4 per cent in 1972-73 to 34.1 per cent (34.9 per cent when adjusted to a comparable basis with 1972-73) in 1983-84) and also in mining (from 49.5 per cent in 1972-73 to 44.7 per cent in 1984-85). The measures used to estimate the levels of foreign ownership in the above industries were:

minerals processing	-	value added
life insurance	-	premiums received
manufacturing	-	value added
general insurance	-	premiums receivable
mining	-	value added

A number of studies undertaken in respect of 1983-84 showed that foreign ownership of financial corporations was about 36 per cent, and foreign ownership of agricultural land and transport was less than 6 per cent in each case. A more recent study estimated foreign ownership in the banking industry at 21 per cent.

**Table 3.5: Foreign ownership by industry sector - selected years, per cent**

	Foreign ownership		Total foreign ownership	Australian ownership
	'Direct'	'Other identified'		
<b>Mining<sup>(a)</sup></b>				
1972-73	37.5	12.0	49.5	50.5
1982-83	33.6	16.8	50.4	49.6
1984-85	-	-	44.7	55.3
<b>Minerals processing<sup>(b)</sup></b>				
1972-73	-	-	39.7 <sup>(i)</sup>	60.3
1981-82	27.6	18.6	46.3	53.7
<b>Manufacturing<sup>(c)</sup></b>				
1972-73	27.7	3.5	32.2	67.8
1982-83 - Actual <sup>(k)</sup>	28.4	4.5	32.9	67.1
1982-83 - Adjusted <sup>(e)</sup>	-	-	31.9 <sup>(i)</sup>	
<b>Life insurance<sup>(e)</sup></b>				
1973	18.8	18.0	36.8	63.2
1983-84	24.5	15.8	40.3	59.7
<b>General insurance<sup>(f)</sup></b>				
1972-73	-	-	45.4 <sup>(i)</sup>	54.6
1983-84 - Actual <sup>(k)</sup>	32.5	1.6	34.1	65.9
1983-84 - Adjusted <sup>(g)</sup>	-	-	34.9 <sup>(i)</sup>	
<b>Registered financial corporations<sup>(g)</sup></b>				
1983-84	26.5	9.4	35.9	64.1
<b>Agricultural land<sup>(h)</sup></b>				
1983-84	-	-	5.9 <sup>(i)</sup>	94.1
<b>Transport<sup>(i)</sup></b>				
1983-84	-	-	5.1 <sup>(i)</sup>	94.9
<b>Banking<sup>(k)</sup></b>				
1986	-	-	21.0 <sup>(i)</sup>	79.0

Source: Various ABS industry studies

Notes:

- (a) Based on value added - ABS: Foreign Ownership and Control of the Mining Industry, Australia, 1982-83 (Cat No 5317.0). A split between 'direct' and 'other identified' is not available for studies undertaken in 1984-85 and subsequently.
- (b) Based on value added - ABS: Foreign Ownership and Control of the Mining Industry and Selected Mineral Processing Industries, Australia, 1981-82 (Cat No 5317.0).
- (c) Based on value added - ABS: Foreign Ownership and Control of the Manufacturing Industry, Australia, 1982-83 (Cat No 5322.0). Statistics for 1982-83 are not directly comparable with those for 1972-73.
- (d) Statistics for the later year are not directly comparable with those for the earlier year. To facilitate comparability, the later year statistics have been adjusted to approximate the same basis as the earlier year. For details on the factors affecting comparability refer to the relevant publications listed above.
- (e) In terms of the value of premiums received for life insurance policies and annuities - ABS: Foreign Ownership and Control of the Life Insurance Industry, Australia, 1983-84 (Cat No 5311.0).
- (f) In terms of the value of premiums received - ABS: Foreign Ownership and Control of the General Insurance Industry, Australia, 1983-84 (Cat No 5309.0). Statistics for 1983-84 are not directly comparable with those for 1972-73.
- (g) Based on value of corporations' assets - ABS: Foreign Ownership and Control of Registered Financial Corporations, Australia, 1984 (Cat No 5334.0).
- (h) Based on number of hectares. By location, the highest level of foreign ownership was in the NT, in which 13.0 million hectares or 18.2 per cent of its agricultural land was estimated to be foreign owned. Corresponding figures for the States were Queensland, 8.4 million hectares (5.3 per cent); WA, 3.6 million hectares (3.1 per cent); SA, 2.7 million hectares (4.3 per cent); NSW, 0.7 million hectares (1.1 per cent); Tasmania, 0.05 million hectares (2.1 per cent); and Victoria, 0.06 million hectares (0.4 per cent) - ABS: Foreign Ownership and Control in Agriculture, Australia, 1983-84 (Cat No 5536.0).
- (i) Based on value added - ABS: Foreign Ownership and Control of the Transport Industry, Australia, 1983-84 (Cat No 5335.0).
- (j) It is not possible to disaggregate total into 'direct' or 'other identified' foreign ownership.
- (k) Based on value of banks' assets - ABS: Foreign Ownership and Control of the Banking Industry, June 1986 (Cat No 5347.0) ABS: Foreign Ownership and Control of the Life Insurance Industry, Australia, 1983-84 (Cat No 5311.0) provides an explanation of 'direct' and 'other identified' categories of foreign ownership.

## BANKING<sup>2</sup>

Foreign ownership in the banking industry accounted for 21 per cent of the value of the industry's assets within Australia in June 1986. This is largely a reflection of the fact that three of the "big four" trading banks have sizable foreign portfolio shareholdings. Most foreign ownership was attributable to the UK, USA and New Zealand which accounted for 7.5 per cent, 5.3 per cent and 2.5 per cent, respectively. Further details are summarised in Table 3.6.

Foreign controlled enterprises in the banking industry accounted for 5.1 per cent of the value of the industry's assets, whilst joint foreign and Australian controlled enterprises accounted for 1.3 per cent of assets. In the trading banks sector, foreign control was highest, at around 7 per cent of the value of trading bank assets, with the USA, UK and New Zealand accounting for 1.6 per cent, 1.6 per cent and 1.9 per cent, respectively.

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2. The study examines savings banks and trading and development banks on the basis of value of the industry's assets and liabilities. The study excludes merchant banks as they are registered as financial corporations under the Financial Corporations Act 1974.

**Table 3.6: Banking industry - Summary of ownership and control<sup>1</sup> by type of bank<sup>2</sup>, 30 June 1986**

Type of Bank	Foreign <sup>2</sup>				Joint Foreign and Australian	Australian	Total	
	US	UK	Other	Total				
<b>Savings Banks</b>								
Ownership	\$b	1.5	2.1	2.0	5.6	-	42.4	48.0
	%	3.1	4.4	4.2	11.7	-	88.3	100.0
Control	\$b	0.1	-	-	0.1	0.5	47.3	47.9
	%	0.3	-	-	0.3	1.0	98.6	100.0
<b>Trading and Development Banks</b>								
Ownership	\$b	6.7	9.5	10.7	26.9	-	79.7	106.6
	%	6.3	8.9	10.0	25.2	-	74.8	100.0
Control	\$b	1.6	1.6	4.5	7.7	1.5	97.3	106.6
	%	1.5	1.5	4.3	7.3	1.4	91.3	100.0
<b>Total Savings, Trading and Development Banks</b>								
Ownership	\$b	8.2	11.6	12.7	32.5	-	122.1	154.6
	%	5.3	7.5	8.2	21.0	-	79.0	100.0
Control	\$b	1.8	1.6	4.5	7.9	2.0	144.7	154.6
	%	1.1	1.0	3.0	5.1	1.3	93.6	100.0

Source: ABS: Foreign Ownership and Control of the Banking Industry, Australia, June 1986 (Cat No 5347.0).

Notes:

- (1) To measure the level of control for each of the categories of control, the whole of the assets and selected liabilities data of each enterprise are allocated to the control category of that enterprise. The measure of level of control and ownership is based on the value of the industry's assets within Australia.
- (2) The country of ownership is the country of domicile of the immediate foreign investor. Since an immediate foreign investor may be an enterprise in which there are ownership interests held by residents of other countries, the country of domicile of the immediate foreign investor may not be the country of domicile of the ultimate investor.

**MINING INDUSTRY**

The level of foreign ownership in the mining industry declined significantly from 50.4 per cent in 1982-83 to 44.7 per cent in 1984-85. Australian control of Australian mining establishments accounted for 48.5 per cent of value added in the mining industry in 1984-85 compared with 43.4 per cent in 1982-83 - an increase of 5.1 per cent. Further details of foreign ownership in 1984-85 are summarised in Table 3.7.

The decline in foreign ownership and control of the Australian mining industry is attributed to changes in the ownership and control of particular companies and projects - the most significant being the purchase of Utah International Inc by The Broken Hill Proprietary Co Ltd in 1984. It also reflects the uneven rate of growth in value added for mining establishments in the various ownership and control categories over the period 1982-83 to 1984-85. This was particularly the case in the oil and gas industry where there has been a substantial increase in the value added recorded by Australian controlled producers (principally production in the Jackson Area and in the Cooper Basin).

**Table 3.7: Mining industry: ownership and control by country, 1982-83 and 1984-85**

	Ownership % of Total		Control % of Total	
	1982-83	1984-85	1982-83	1984-85
Foreign:				
- USA	24.0	21.7	13.7	7.9
- UK	16.1	13.3	12.0	5.8
- Other	10.3	9.7	1.9	1.5
Total Foreign	50.4	44.7	27.6	15.2
Joint Foreign and Australian	-	-	19.9	24.8
Naturalised or naturalising	-	-	9.1	11.5
Australian	49.6	55.3	43.4	48.5
TOTAL	100.0	100.0	100.0	100.0

Source: ABS: Foreign Ownership and Control of the Mining Industry, Australia, 1984-85 (Cat No 5317.0).

## Attachment A

Foreign investment policy and administration - legislation, policy statements and publications

### **Legislation**

1. Companies (Foreign Take-overs) Act 1972, No 134 of 1972 - November 1972
2. Companies (Foreign Take-overs) Act 1973, No 199 of 1973 - December 1973
3. Foreign Takeovers Act 1975, No 92 of 1975 - August 1975
4. Foreign Takeovers Amendment Act 1976, No 93 of 1976 - September 1976
5. Statutory Rules 1975, No 226 - December 1975
6. Statutory Rules 1976, No 203 - September 1976
7. Commonwealth Functions (Statutes Review) Act 1981, No 74 of 1981 - June 1981

### **Policy Statements**

1. Statement by the Treasurer, the Hon Phillip Lynch, MP - Foreign Investment in Australia - 1 April 1976
2. Press Release by the Treasurer, the Hon Phillip Lynch, MP - The Foreign Investment Review Board - 8 April 1976
3. Joint Statement by the Deputy Prime Minister and the Treasurer - Uranium Projects - 28 May 1976

4. Press Release by the Treasurer, the Hon Phillip Lynch, MP  
- OECD Declaration on International Investment and Multinational Enterprises - 22 June 1976
5. Statement by the Treasurer, the Hon John Howard, MP  
- Review of Foreign Investment Policy and Exchange Control Procedures Impinging on Capital Inflow  
- 8 June 1978
6. Press Release by the Treasurer, the Hon John Howard, MP  
- Foreign Investment in Uranium - Yeelirrie Uranium Project - 10 June 1979
7. Press Release by the Treasurer, the Hon John Howard, MP  
- Review of Commonwealth Functions - 30 April 1981
8. Statement by the Treasurer, the Hon John Howard, MP  
- Foreign Investment Policy - 20 January 1982
9. Statement by the Treasurer, the Hon Paul Keating, MP  
- Review of Foreign Investment Policy - 20 December 1983
10. Statement by the Treasurer, the Hon Paul Keating, MP  
- Foreign Investment Policy and Stockbroking  
- 18 April 1984
11. Statement by the Treasurer, the Hon Paul Keating, MP  
- Participation in Banking in Australia and Other Issues of Financial Deregulation - 10 September 1984
12. Statement by the Treasurer, the Hon Paul Keating, MP  
- Foreign Investment Policy and Stockbroking  
- 18 December 1984
13. Statement by the Treasurer, the Hon Paul Keating, MP  
- New Banking Authorities - 27 February 1985
14. Statement by the Acting Treasurer, the Hon Chris Hurford, MP - Review of Foreign Investment Policy  
- 29 October 1985
15. Statement by the Acting Treasurer, the Hon Chris Hurford, MP - Economic and Rural Policy Statement  
- 15 April 1986

16. Statement by the Treasurer, the Hon Paul Keating, MP  
- Foreign Investment Policy Relaxations - 28 July 1986
17. Statement by the Acting Treasurer, the Hon John Dawkins, MP - Foreign Investment Policy Proposal by News Limited - 13 January 1987
18. Joint statement by the Prime Minister, the Treasurer and the Minister for Arts, Heritage and Environment  
- Shelburne Bay Project - 20 March 1987
19. Statement by the Treasurer, the Hon Paul Keating, MP  
- Further Liberalisation of Foreign Investment Policy  
- 30 April 1987
20. Statement by the Treasurer, the Hon Paul Keating, MP  
- Thin Capitalisation and Corporate Restructures in relation to Foreign Investment Policy - 30 April 1987.

### **Publications.**

Foreign Investment Review Board Reports: 1977-1986

Australia's Foreign Investment Policy - A Guide for Investors, 1987.

Copies of the Board Reports and the Guide may be obtained from Australian Government Publishing Service bookshops. The Guide is also available at Australia's overseas posts or on request to:

The Executive Member  
Foreign Investment Review Board  
c/- The Treasury  
CANBERRA ACT 2600

## **Attachment B**

Summary of changes to foreign investment policy - 28 July 1986 and 30 April 1987 statements

### **(i) 28 July 1986 statement**

#### **Manufacturing**

Proposals for acquisitions of existing manufacturing businesses and for the establishment of new manufacturing businesses involving investment of \$10 million or more will be approved unless they are judged to be contrary to the national interest.

#### **Real estate**

##### **(a) Development/retention, development/resale**

Proposals for acquisitions of real estate for development and retention, or for development and resale to Australians will be approved unless they are judged to be contrary to the national interest. The requirement that such proposals include 50 per cent Australian equity no longer applies.

##### **(b) Service industry real estate**

Proposals for the establishment of, or the acquisition of, service industry real estate, such as hotels and tourist resorts, are no longer required to provide for 50 per cent Australian equity participation and joint Australian/foreign control. Such proposals will now be approved with 100 per cent foreign ownership unless judged to be contrary to the national interest.

##### **(c) Developed real estate**

Proposals for acquisitions of developed, non-residential, commercial real estate will be approved subject to the acquisition being made with 50 per cent Australian equity participation. Where it can be demonstrated that 50 per cent Australian equity participation is not available on reasonable terms and conditions, investments with 100 per cent foreign ownership will be approved unless they are judged to be contrary to the national interest.

##### **(d) Rural properties**

Proposals to acquire rural properties will be approved where economic benefits can be demonstrated, eg where on-farm development expenditure of at least one-third of the acquisition price is proposed. Other proposals that provide for an effective 50/50 Australian/foreign ownership and control of the property will also be approved.

(e) Existing equity requirements

In those areas where the 50 per cent Australian equity guideline has been dropped and where the economic benefits test no longer applies, requirements under existing approvals for the introduction of Australian equity participation into particular projects within specified timeframes have been allowed to lapse.

**(ii) 30 April 1987**

In conjunction with the Government's decision to introduce legislation to amend the income tax law to protect the Commonwealth revenue from tax avoidance measures involving thin capitalisation and corporate restructuring, the Government announced further liberalisations to its foreign investment policy. These liberalisations were seen as one element in the Government's economic adjustment policies. The changes covered:

- Administrative thresholds
- Takeovers - amending the *Foreign Takeovers Act 1975* to exempt from its provisions proposals involving the acquisition of Australian businesses with total assets less than \$5 million (less than \$3 million for rural land).
- Stockbroking - permitting foreign interests to acquire up to 100 per cent of the equity in stockbroking businesses.
- Naturalisation provisions - improving the benefits of the naturalisation provisions to permit naturalised companies to undertake new mining projects with foreign companies, provided the naturalised company has at least 50 per cent of the equity.

- National interest test - extending the 'not contrary to the national interest' test to the majority of sectors (specific guidelines continue in the restricted sectors of banking, civil aviation, media, minerals and urban real estate).
- Existing equity requirements - existing requirements for the reintroduction of Australian equity under earlier approvals in the services, resource processing, rural property and insurance sectors being waived.

## Foreign investment proposals

Table I.1	Proposals by number and total expected expenditure, 1983-84 to 1986-87
Table I.2	Proposals for acquisitions and new businesses, by industry sector, 1982-83 to 1986-87
Table I.3	Proposals over \$50 million for acquisitions and new businesses by industry sector in 1986-87
Table I.4	Total expected investment (\$m) associated with proposals, by country of investor and industry sector, 1 July 1986 to 30 June 1987
Table I.5	Proposals by location of expected investment, 1 July 1986 to 30 June 1987
Table I.6	Acquisition proposals resulting in a loss of Australian control and ownership, by industry sector, 1 July 1986 to 30 June 1987
Table I.7	Conditions applied to approved proposals, 1 July 1986 to 30 June 1987

### Notes:

1. The data in this Appendix have been derived from information contained in submissions to the Government from foreign interests concerning their proposals for investment in Australia. In considering these statistics, several major qualifications must be borne in mind:
  - (a) they are a record of the intentions of proponents, as indicated in proposals submitted to the Board, at the time their proposals are decided by the Government. The expenditures recorded are those contemplated at that time. The proposed actions and, more particularly,

the expected expenditures of investors may not always be realised. Actual expenditure may be dependent upon, inter alia, the completion of further detailed feasibility studies or upon successful exploration in respect of mineral development;

- (b) actual expenditure may be spread over several years and the aggregate data can be influenced significantly by relatively few, very large proposed investments. For example, in 1986-87 more than half of the total expected investment resulted from about three per cent of the proposals approved;
- (c) some of the expected investment represents the contributions by Australians to projects in which they are in partnership with foreign interests. The extent to which approved investment proposals will directly result in foreign capital inflows depends not only upon whether the proposals are implemented but also upon the proportion financed from foreign sources. In many cases, this proportion will be quite low. In the case of acquisitions by one foreign interest from another foreign interest of businesses operating in Australia, no flows of capital across the Australian exchanges need occur;
- (d) the data are restricted to investments that come within the ambit of the Foreign Takeovers Act 1975 and the Government's foreign investment policy and, therefore, do not cover several categories of new business proposals involving a total investment of less than \$10 million, expansions of the existing Australian activities of foreign businesses, or a significant amount of foreign investment of a portfolio nature that falls outside the *Foreign Takeovers Act 1975*; and
- (e) for several reasons the statistics for 1986-87 are not comparable with those for earlier years. First, policy changes have altered the range of investment proposals which are examinable. For example, following the 30 April 1987 policy changes, takeovers of Australian businesses with total assets of less than \$5 million (less than \$3 million for rural land) are approved automatically in anticipation of amendments to the *Foreign Takeovers Act 1975* to exempt them from its provisions. Such proposals were not included in the statistics after that date. Second, in some earlier years, adjustments were made to the statistics to reflect, inter alia, changes of intentions advised by investors after proposals had been approved. Very few such adjustments have been made to the 1986-87 statistics, partly because of resource constraints and partly to minimise arbitrariness.

Considerable caution should, therefore, be exercised in using the statistics of foreign investment proposals as indicators of the total level of foreign direct investment activity in Australia.

2. With the exception of Table I.1 (which also covers rejected proposals), the data in the tables relate only to proposals approved by the Government.
3. All expenditure data are rounded and discrepancies may occur between sums of the component items and totals.
4. Data on expected investment by industry sector have been compiled by reference to the Australian Standard Industrial Classification published by the Australian Bureau of Statistics. An exception has been made for investment proposals involving newspaper printing and publishing. The prospective expenditure associated with these proposals has been allocated to service industries. In some cases, acquisitions by diversified company groups are classified according to the industry of the major activity of the group. Acquisitions of real estate to be used for purposes incidental to the main business activity of the purchaser are classified according to that activity.
5. The symbol '-' indicates an aggregate monetary figure of less than \$500,000.

**Table I.1: Proposals by number and total expected expenditure, 1983-84 to 1986-87 (a)**

Type of proposal	1983-84		1984-85		1985-86		1986-87	
	No	\$m	No	\$m	No	\$m	No	\$m
Approved without conditions	781	1932	770	1902	580	2540	529	7687
Approved with conditions	427	2567	482	2699	710	7277	818	10777
Total approved	1208	4499	1252	4601	1290	9817	1347	18464
Rejected	54	111	34	537	20	504	5	19
Total decided	1262	4609	1286	5138	1310	10322	1352	18483
Not requiring approval under Act <sup>(b)</sup> or policy	36		26		17		6	
Withdrawn	67		66		51		54	

(a) All expenditure data are rounded and discrepancies may occur between the sum of the component items and totals shown.

(b) Foreign Takeovers Act 1975.

Table I.2: Proposals for acquisitions and new businesses, by industry sector, 1982-83 to 1986-87

Industry sector	1982-83		1983-84		1984-85		1985-86		1986-87	
	No.	Total expected investment <sup>(a)</sup> (\$m)	No.	Total expected investment <sup>(a)</sup> (\$m)	No.	Total expected investment <sup>(a)</sup> (\$m)	No.	Total expected investment <sup>(a)</sup> (\$m)	No.	Total expected investment <sup>(a)</sup> (\$m)
Agriculture, forestry and fishing <sup>(d)</sup>										
. acquisitions	83	(62 <sup>(b)</sup> )	59	(138 <sup>(b)</sup> )	61	114	61	87	65	192
. new businesses	1	( )	2	( )	5	51	-	-	-	-
Mineral exploration and development										
. acquisitions	156	366	169	815	127	310	72	358	72	2315
. new businesses	5	129	4	246	5	78	11	209	7	120
Manufacturing										
. acquisitions	184	463	175	525	191	1072	208	1476	249	(3879 <sup>(b)</sup> )
. new businesses	3	10	3	32	3	16	7	95	3	( )
Finance and insurance										
. acquisitions	45	102	79	185	105	333	133	984	102	904
. new businesses	21	188	22	75	58	349	69	1792	16	220
Service										
. acquisitions	274	388	316	775	308	701	348	2210	360	4292
. new businesses	11	157	17	597	18	650	15	417	23	1344
Real estate <sup>(e)</sup>										
. acquisitions	155	919	159	738	150	(648 <sup>(b)</sup> )	133	(1928 <sup>(b)</sup> )	280	(5195 <sup>(b)</sup> )
. new businesses	-	-	-	-	2	( )	1	( )	2	( )
Resource processing										
. acquisitions	4	(385 <sup>(b)</sup> )	10	(373 <sup>(b)</sup> )	4	(276 <sup>(b)</sup> )	12	(264 <sup>(b)</sup> )	4	3
. new businesses	2 <sup>(c)</sup>	( )	1	( )	2	( )	1	( )	-	-
<b>Total</b>										
. acquisitions <sup>(f)</sup>	901	2677	967	3529	946	3268	967	7271	1132	16540
. new businesses	43	491	49	970	93	1333	104	2547	51	1924
. company restructuring/financing arrangements <sup>(g)</sup>	166		192		213		219		164	

- (a) Total investment consists of consideration involved with acquisitions, including any new investment proposed to be undertaken following the acquisition or establishment of a new business.
- (b) To preserve confidentiality, these data have not been disaggregated.
- (c) Proposals given in-principle approval only.
- (d) Includes proposals for the acquisition of rural properties.
- (e) These data cover those acquisitions that may be classified to the real estate industry sector by reference to the Australian Standard Industrial Classification. Further details concerning acquisitions of real estate are contained in Part II of the Statistical Appendix.
- (f) These proposals cover a range of transactions, only a proportion of which would lead to a loss by Australians of the capacity to exercise effective control of the businesses concerned. See Table I.6 for information on acquisitions leading to a loss of Australian control.
- (g) Of the 164 company restructurings and financing arrangements in 1986/87, 3 were in the agriculture sector, 20 in minerals, 36 in manufacturing, 22 in finance and insurance, 62 in services, 20 in real estate and one in resource processing.

Table I.3: Proposals over \$50 million for acquisitions and new businesses by industry sector in 1986-87

	No of Proposals	Consideration \$billion	Expected Expenditure		Total Expenditure \$billion
			\$billion	\$billion	
<b>Manufacturing</b>					
\$100m & over	6	1.8	0.2	2.0	
\$50m-\$100m	10	0.7	-	0.7	
Total \$50m & over	16	2.5	0.2	2.7	
<b>Mining<sup>(e)</sup></b>					
Total \$50m & over	8	1.85	0.05	1.9	
<b>Finance &amp; Insurance<sup>(e)</sup></b>					
Total \$50m & over	6	0.45	0.05	0.5	
<b>Real Estate</b>					
\$100m & over	17	1.0	2.2	3.2	
\$50m-\$100m	9	0.2	0.3	0.5	
Total \$50m & over	26	1.2	2.5	3.7	
<b>Services</b>					
\$100m & over	13	2.7	0.9 <sup>(d)</sup>	3.6	
\$50m-\$100m	11	0.3	0.4 <sup>(d)</sup>	0.7	
Total \$50m & over	24	3.0	1.3 <sup>(d)</sup>	4.3	
<b>TOTAL all sectors<sup>(a)</sup></b>					
\$100m & over	41 <sup>(b)</sup>	7.2	3.4	10.6 <sup>(b)</sup>	
\$50m-\$100m	39 <sup>(c)</sup>	1.7	0.8	2.5	
\$50m & over	80 <sup>(c)</sup>	8.9	4.2	13.1 <sup>(c)</sup>	

- (a) Due to rounding, sums of components do not always equal the totals. There were no large proposals in Agriculture, Forestry and Fishing or in Resource Processing.
- (b) 41 proposals over \$100 million (3 per cent of the total) accounted for 57 per cent of total expected development in 1986-87, compared with 14 proposals (1 per cent) accounting for 37 per cent of total expected expenditure in 1985-86.
- (c) 80 proposals over \$50 million (6 per cent of the total) accounted for 71 per cent of total expected investments. The comparable figure for 1985-86 were 48 proposals (4 per cent of the total) accounting for 60 per cent of total expected expenditure.
- (d) Development expenditures associated with new business proposals.
- (e) To preserve confidentiality, proposals in the mining and finance/insurance sectors have not been disaggregated according to whether they were above or below \$100 million.

**Table I.4: Total expected investment (\$ million) associated with proposals, by country of investor and industry sector, 1 July 1986 to 30 June 1987**

Industry sector	EC				ASEAN					NZ	Hong Kong	Canada	World Other	Total <sup>(h)</sup>	
	US	UK	FRG	Other <sup>(a)</sup>	Japan	Australia <sup>(b)</sup>	Singapore	Malaysia	Other <sup>(c)</sup>						
Agriculture, forestry and fishing <sup>(d)</sup>	66	17	-	2	1	5	9	7	1	-	71	3	-	10	192
Mineral exploration and development	1088	185	-	15	28	920	65	25	-	33	37	10	30	2436	
Manufacturing	852	1157	38	143	35	533	9	45	-	833	29	36	167	3877	
Finance and insurance	65	89	-	116	10	241	4	17	-	291	170	35	87	1125	
Service <sup>(e)</sup>	1538	206	17	67	1283	1924	54	11	2	431	6	12	87	5638	
Real estate <sup>(f)</sup>	21	410	16	3	1822	567	29	5	9	1878	370	14	49	5193	
Resource processing	-	1	-	-	-	-	-	-	-	-	-	-	2	3	
<b>Total</b>	<b>3630</b>	<b>2065</b>	<b>73</b>	<b>345</b>	<b>3183</b>	<b>4194</b>	<b>168</b>	<b>104</b>	<b>11</b>	<b>3537</b>	<b>615</b>	<b>107</b>	<b>432</b>	<b>18464</b>	
Number of proposals <sup>(g)</sup>	265	276	42	73	135	201	24	25	4	251	62	32	121	-	

(a) Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg and The Netherlands.

(b) The expenditure identified as originating from Australia represents the contribution by Australian-controlled companies and Australian residents to the total expenditure associated with foreign investment proposals in which they are in partnership with foreign interests but does not generally include the contribution attributable to minority Australian shareholders in companies with majority or controlling foreign shareholders.

(c) Thailand, Indonesia, The Philippines and Brunei.

(d) Includes proposals for the acquisition of rural properties.

(e) These data include proposed investments in newspaper, printing and publishing which would customarily be coded under 'Manufacturing' according to the Australian Standard Industrial Classification.

(f) These data cover only those acquisitions that may be classified to the real estate industry sector by reference to the Australian Standard Industrial Classification. Further details concerning acquisitions of real estate are contained in Part II of the Statistical Appendix.

(g) These figures indicate the total number of proposals in which investors from the particular country (or country grouping) have an interest. Proposals involving investment from more than one country count as one proposal for each of the countries concerned.

(h) Due to rounding errors the sum of the components may not add to the totals for industry sectors.

**Table I.5: Proposals by location of expected investment, 1 July 1986 to 30 June 1987**

State or Territory	Number	Consideration <sup>(a)</sup> (\$m)	Expected investment (\$m)	Total expected investment (\$m)
New South Wales	491	3033	1693	4726
Victoria	149	990	79	1069
Queensland	165	1113	1832	2945
Western Australia	122	1250	221	1471
South Australia	41	189	303	492
Tasmania	10	56	1	57
ACT	6	41	55	96
Northern Territory	6	24	30	54
Other <sup>(b)</sup>	990	6696	4214	10910
	193	6500	1054	7554
<b>Total</b>	<b>1183</b>	<b>13196</b>	<b>5268</b>	<b>18464</b>

(a) Payments for shares and other assets.

(b) The investment figures in this category include "off-shore" takeovers and proposals where the expenditure was expected to be undertaken in more than one State or Territory.

(c) Excludes proposals for corporate restructurings and financing arrangements, which were included in this number in previous years.

**Table I.6: Acquisition proposals resulting in a loss of Australian control and ownership, by industry sector, 1 July 1986 to 30 June 1987**

Industry sector	Acquisitions resulting in a loss of Australian control <sup>(a)</sup>			Acquisitions resulting in a reduction of Australian ownership but no change in control <sup>(b)</sup>		
	No.	Consideration <sup>(c)</sup> (\$m)	Expected new investment (\$m)	No.	Consideration <sup>(c)</sup> (\$m)	Expected new investment (\$m)
Agriculture, forestry and fishing <sup>(d)</sup>	45	73	30	10	46	-
Mineral exploration and development	17	1168	-	34	340	-
Manufacturing	99	1183	2	85	934	20
Finance and insurance	42	464	50	43	293	-
Services	147	2346	105	126	843	143
Real estate <sup>(e)</sup>	13	37	150	222	2149	2591
Resource processing	2	2	-	1	1	-
<b>Total</b>	<b>365</b>	<b>5273</b>	<b>337</b>	<b>521</b>	<b>4606</b>	<b>2754</b>

(a) Proposals subject to action under the Foreign Takeovers Act 1975 and resulting in a loss of Australian control.

(b) Proposals notifiable under the Foreign Takeover Act 1975 and resulting in a reduction in Australian ownership but no change in control.

(c) Payments for shares and other assets.

(d) Includes proposals for the acquisition of rural properties.

(e) These data cover only those acquisitions that may be classified to the real estate industry sector by reference to the Australian Standard Industrial Classification. Further details concerning acquisitions of real estate are contained in Part II of the Statistical Appendix.

**Table I.7: Conditions applied to approved proposals, 1 July 1986 to 30 June 1987**

	Type of proposal		
	Acquisitions	New businesses	Total
Number of proposals approved with conditions	778	40	818
Conditions:			
Resale	63	-	63
Australian equity	7	4	11
Taxation	790	46	836
Periodic reporting	47	1	48
Consultation	18	1	19
Development and zoning	48	1	49
Environment	8	-	8
Other	22	-	22
<b>Total</b>	<b>1003</b>	<b>53</b>	<b>1056</b>

Foreign investment in real estate

Notes:

1. The data in this Appendix have been derived from information contained in submissions to the Government from foreign interests concerning their proposals for investment in Australia.
2. Data concerning annual program approvals, and proposals which the Board has been advised will not proceed, have been excluded. For these reasons, inter alia, the data are not comparable with the real estate statistics in Part I.
3. The data in the tables relate only to proposals approved by the Government.
4. All expenditure data are rounded and discrepancies may occur between sums of the component items and totals.
5. The symbol '-' indicates an aggregate monetary figure of less than \$50,000 or an aggregate area of less than 500 hectares

Table II.1: Foreign investment in urban real estate<sup>(a)</sup>, 1980-81 to 1986-87

Year	Number of proposals <sup>(b)</sup>	Consideration <sup>(c)</sup> (\$m)	Estimated development expenditure (\$m)
1980-81	169	240.3	571.9
1981-82 <sup>(d)</sup>	193	292.7	1012.4
1982-83	143	425.5	606.0
1983-84	186	417.7	475.2
1984-85	174	201.9	467.2
1985-86	135	397.3	1502.5
1986-87	248	1109.9	2332.4

- (a) In many cases, Australians have participated in the foreign investment proposal and have contributed a significant amount of the consideration and estimated development expenditure involved. For this reason, and because some of the acquisitions were by intending migrants or by Australian citizens resident abroad and others were for sale to Australians on completion of development of the real estate, the data do not necessarily represent the long-term impact of the acquisitions on foreign ownership of Australian real estate.
- (b) These statistics do not include real estate acquired for service activities such as hotels, proposals which fall within the foreign investment policy exemption threshold (unless they were notified because they came within the ambit of the Foreign Takeovers Act 1975), and financing arrangements where the agreement would not confer the usual proprietary rights of real estate ownership.
- (c) Payments for shares and other assets.
- (d) Beginning in 1981-82, figures are revised to exclude proposals that are known not to have been proceeded with.

**Table II.2: Foreign investment in urban real estate, by type of proposal, 1986-87<sup>(a)</sup>**

Type of proposal	Number of proposals (b)(c)	Consideration <sup>(c)</sup> (\$m)	Estimated development expenditure <sup>(c)</sup> (\$m)	Total expected investment <sup>(c)</sup> (\$m)
Real estate for development	114	613.8	2332.4	2946.2
Developed commercial real estate	49	401.5	-	401.5
Developed residential real estate	85	94.6	-	94.6
<b>TOTAL</b>	<b>248</b>	<b>1109.9</b>	<b>2332.4</b>	<b>3442.3</b>

(a) The data in this table are not comparable with that given for previous years in the same table in earlier Board reports.

(b) See Footnote (b), Table II.1.

(c) Figures do not include proposals that are known not to have been proceeded with nor annual program approvals.

**Table II.3: Foreign investment in rural land, 1976-77 to 1986-87**

Period	Number of proposals	Area ('000 hectares)	Consideration <sup>(a)</sup> (\$m)
1976-77 <sup>(b)</sup>	72	1583	18.8
1977-78	74	2156	29.2
1978-79	49	4226	32.8
1979-80	94	2113	71.1
1980-81	128	1158	87.5
1981-82 <sup>(c)</sup>	77	2157	73.1
1982-83	73	1304	37.0
1983-84	46	1147	54.7
1984-85	59	1091	42.1
1985-86	56	3138	44.4
1986-87	64	512	143.5

(a) Payments for shares and other assets.

(b) April 1976 to June 1977.

(c) Beginning in 1981-82, figures are revised to exclude proposals that are known not to have been proceeded with.

**Table II.4: Foreign investment in rural land, by location of expected investment, 1985-86 and 1986-87**

Location	1985-86			1986-87		
	Acquisitions of rural properties			Acquisitions of rural properties		
	Number of proposals	Area ('000 ha)	Consideration <sup>(a)</sup> (\$m)	Number of proposals	Area ('000 ha)	Consideration <sup>(a)</sup> (\$m)
New South Wales	14	11	10.5	22	18	57.3
Victoria	7	10	2.8	2	1	7.2
Queensland	13	685	17.1	13	215	36.2
Western Australia	14	212	8.6	19	224	27.9
South Australia	3	2	0.9	5	4	3.7
Tasmania	2	1	2.0	2	22	9.5
Northern Territory	1	-	0.1	1	28	1.5
Other <sup>(d)</sup>	2	2216	2.4	-	-	-
<b>Total approved</b>	<b>56<sup>(b)(c)(g)</sup></b>	<b>3138</b>	<b>44.4</b>	<b>64<sup>(e)(f)</sup></b>	<b>512</b>	<b>143.5</b>

(a) Payments for shares and other assets.

(b) Three of these proposals (involving 13 500 hectares) represented the acquisition of property already foreign owned and did not, therefore, result in any loss of Australian ownership.

(c) In 1985-86, six of the acquisitions (involving consideration of \$2.2 million) were by intending migrants. Australian equity participation was provided for in 27 of the 56 proposals; in 15 of these cases, 50 per cent or more Australian equity was retained in the rural properties.

(d) Two proposals involved the acquisition of properties situated on State borders.

(e) In 1986-87, seven of the acquisitions (involving consideration of \$3.0 million) were by intending migrants. Australian equity participation was provided for in 17 of the 64 proposals; in 6 of these cases, 50 per cent or more Australian equity was retained in the rural properties.

(f) Six of these proposals (involving 25159 hectares) represented the acquisition of property already foreign owned and did not, therefore, result in any loss of Australian ownership.

(g) During 1985-86, one proposal for the acquisition of a rural property involving a total consideration of \$1.3 million was rejected. There were no rejected proposals during 1986-87.