Foreign Investment Review Board

Report 1990–91

Department of the Treasury

Foreign Investment Review Board

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The Foreign Investment Review Board was established in April 1976. The members during 1990–91 were Sir Bede Callaghan, CBE, Chairman, Mr Kenneth Stone, AO, Mr Desmond Halsted, and Mr George Pooley.

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 foreign investment policy, to make recommendations to the Government on those 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 foreign investment policy; and
- to provide guidance, where necessary, to foreign investors so that their proposals may be in conformity with the 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, AO, was appointed to the Board in May 1984. He was formerly Secretary, Victorian Trades Hall Council, Junior Vice-President of the Australian Council of Trade Unions, and National Director of the Australian Trade Union Training Authority.

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

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

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December 1991

The Hon John Dawkins, 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 1990-91.

The first chapter of the Report reviews the activities of the Board and provides an overview of the year's foreign investment proposals; the second chapter discusses the proposals in a little more detail by industry sectors; and the third chapter reviews developments in the levels and inflows of foreign investment in Australia, as indicated by data produced by the Australian Bureau of Statistics, and summarises available information on foreign ownership and control in the Australian economy.

Yours sincerely

Bede Callaghan
Chairman

Highlights for 1990–91

- More than 2800 proposals for investment in Australia were submitted to the Government—235 of them were withdrawn, 2525 approved and 69 rejected.
- The rejection rate was 2.7 per cent. Most of the rejections in 1990–91 were in the real estate sector.
- The aggregate level of total expected expenditure investment with proposals approved in 1990–91 was about $20 billion, 17 per cent lower than in the previous year. (However, major qualifications are attached to this and other statistics.)
- Expected investment in the mining sector recorded strong growth, rising from $2.7 billion in 1989–90 to $5.4 billion in 1990–91. The most significant falls were the real estate sector from $10.5 billion in 1989–90 to $5.7 billion in 1990–91, and the tourism sector from $3.9 billion in 1989–90 to $1.9 billion in 1990–91.
- Large proposals accounted for about 70 per cent of the total expected investment—84 proposals, each involving expected investment of more than $50 million, accounted for more than $10 billion of expected investment.
- Japan was the most significant investor source country in terms of total expected investment ($5.0 billion). The other major sources were the United States ($3.9 billion), United Kingdom ($2.9 billion), New Zealand ($1.1 billion) and Hong Kong ($0.4 billion). Even so, expected investment from Japan accounted for about one quarter of the total, compared with one-third in 1989–90.
- Australian interests were parties to 116 foreign investment proposals and were expected to contribute to $2.3 billion in investment (about 12 per cent of total expected investment).
- The average time taken to process proposals fell from 24 days in 1989–90 to 21 days in 1990–91, reflecting changes in the relative mix of simple and difficult cases in different industry sectors and the complexity of policy requirements in those sectors.
- A number of meetings were held by Board members and/or the Executive with foreign and Australian investors.

Contents

Chapter 1: Administration of foreign investment policy

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 suitable for approval under the Government's policy.

This Chapter outlines the Board's activities during 1990–91 and discusses aggregate statistics of proposals decided during the year. A summary description of the range of proposals subject to examination under foreign investment policy is provided in Attachment C.

Statistical qualifications

Many qualifications need to be borne in mind in interpreting the statistics, which merely record expected expenditure on proposed acquisitions and new businesses submitted by foreign interests for examination under foreign investment policy, including future known development expenditures. In particular, it should be borne in mind that the figures recorded:

- relate to proposals approved, which may or may not be implemented; and, if implemented, perhaps only over a period of years;
- provide no indication of the source of the funds;
- do not necessarily reflect changes in foreign ownership since, in some cases, the vendor as well as the purchaser comes within the definition of a 'foreign interest'; and
- exclude foreign portfolio investments, direct foreign investments below the examination thresholds, expansions of existing foreign-owned businesses in Australia, and sales by foreign investors to Australian residents.

Also, policy changes from year to year mean that the statistics are not necessarily comparable over time; in particular, the major liberalisations to foreign investment policy in recent years mean that the statistics for 1990–91 lack comparability in a number of significant respects with the figures for earlier years.

The Board's statistics of examined foreign investment proposals are quite different from the Australian Bureau of Statistics' (ABS) statistics of foreign investment in Australia, set out in Chapter 3, which seek to measure the inflow and outflow of capital across the exchanges. By contrast, the Board's statistics of approved proposals are not a guide to foreign capital inflow because, inter alia, the expected investment associated with proposals is often funded from domestic borrowings or from funds already in Australia.

Having regard to the qualifications mentioned above and elaborated in the Statistical Appendix—Limitations of the data—the Board urges particular caution about comparisons between the 1990–91 statistics and those of earlier years.

Definition of 'expected investment'

The term 'expected investment' is used widely throughout this report. Expected investment includes many elements in respect of proposals approved on a case by case basis:

(i) the expected cost of acquisitions (shares, real estate or other assets);
(ii) the expected cost of development following acquisition; and
(iii) in the case of a new business, the expected cost of both establishment and development.

In respect of proposals approved on a group basis, expected investment includes:

(iv) annual programs[1] for acquisitions of real estate for development (cost of acquisitions only) and for acquisitions of developed commercial real estate; and
(v) 'off-the-plan'[2] approvals whereby up to 50 per cent of units etc in new residential real estate developments may be sold to foreign interests.

Total expected investment is the aggregation of the cost of each acquisition, the development (if any) associated with each acquisition, the development associated with new business proposals and the value of annual programs and 'off-the-plan' approvals, valued at the time each application is approved. Thus it can be said from Table A.2 in the Statistical Appendix that total expected direct investment during 1990–91 was $20.2 billion. It cannot be concluded, however, that $20.2 billion of direct foreign investment into Australia actually occurred during 1990–91. That is so, not only for the reasons set out in the paragraphs above about 'statistical qualifications', but also because the $5.1 billion of development expenditure associated with the $15.1 billion cost of acquisitions is likely to be spread over the years ahead (to the extent that the acquisitions and development occur at all).

Summary of proposals

Total expected investment associated with foreign investment proposals approved by the Government in 1990–91 was $20.2 billion, or about 17 per cent less than the 1989–90 expected level of $24.1 billion. The number of proposals considered in 1990–91 was 2829, compared with 2913 in the previous year.

Of the $20.2 billion total expected investment in 1990–91:

- $15.1 billion was attributable to the expected cost of *acquisitions* and $5.1 billion to expected *development* expenditure;
- of the $15.1 billion attributable to *acquisitions*, $4.0 billion was represented by proposed purchases of real estate, $3.1 billion by proposed acquisitions in the manufacturing sector, $2.8 billion by proposed acquisitions in the mining sector, $2.3 billion by proposed acquisitions in the non-tourism services sector, and $1.1 billion by proposed acquisitions in the tourism sector;
- of the $5.1 billion expected *development* expenditure, $3.2 billion was proposed expenditure arising from new businesses—of which $2.6 billion (about 80 per cent) was in mining, and $0.5 billion in tourism. The remaining $1.9 billion was expected development associated with proposed acquisitions, mainly in real estate ($1.7 billion) and tourism ($0.2 billion). That is, apart from new business proposals, there were little or no expected development expenditures recorded with respect to acquisitions in agriculture, mining, resource processing, manufacturing, finance and insurance, and services (excluding tourism). (In part, this may reflect the fact that approvals in these sectors are not dependent on development expenditure—even if foreign investors plan development expenditure in respect of proposals in these sectors, they may not inform the Board of the relevant expenditures as they are not critical to gaining approval.)

Most of the total expected investment was in:

- real estate ($5.7 billion);
- mining ($5.4 billion);
- manufacturing ($3.1 billion);
- services other than tourism ($2.3 billion); and tourism ($1.9 billion).

There was relatively less expected investment in agriculture, finance and insurance and resource processing.

Of the $5.6 billion expected investment in real estate:

- $4.0 billion was the expected cost of acquisitions. (This figure included $0.2 billion for annual program approvals and $1.2 billion for the 'off-the-plan' approvals granted to real estate developers, a significant portion of which [perhaps 50 per cent] is unlikely to be utilised.)
- The remaining real estate investment ($1.7 billion) was expected development expenditure, of which $0.7 billion represented expected development of commercial real estate and $0.9 billion development of residential real estate.
- The main locations for expected real estate investment were Queensland ($2.3 billion) and New South Wales ($2.3 billion).
- Acquisitions of developed residential properties accounted for less than 3.5 per cent of expected investment in real estate ($178 million).

Of the $5.4 billion total expected investment in mining, $2.8 billion was the cost of acquisitions and $2.6 billion was expected development expenditures associated with the development of 11 new mines.

In respect of $3.1 billion of total expected investment in manufacturing, almost all of it was the cost of acquisitions.

Similarly, in respect of $2.3 billion of total expected investment in services other than tourism, almost all was attributable to acquisitions.

Total expected investment in tourism was $1.9 billion: the expected development expenditure amounted to almost 40 per cent of the total. Most of the expected investments in tourism were in Queensland ($0.9 billion), New South Wales ($0.4 billion) and Western Australia ($0.2 billion). Of the $20.2 billion total expected investment, at least $2.3 billion was attributable to Australian entities participating in ventures with foreign interests (see Table A.4). Taking account of this, a better approximation of total expected foreign investment approved in 1990–91 would be,say, $17.5 billion (compared with $17.7 billion in 1989–90) rather than $20.2 billion. Even the latter figure would, of course, be subject to the statistical qualifications explained at the beginning of the chapter.

Applications

During the year, 2829 proposals were submitted to the Government for consideration, compared with 2913 in 1988–89. Of the total submitted in 1990–91, 235 were withdrawn. Thus, decisions were needed in 2594 cases, compared with 2681 in 1989–90.

1 See Chapter 2 for an explanation of annual programs.

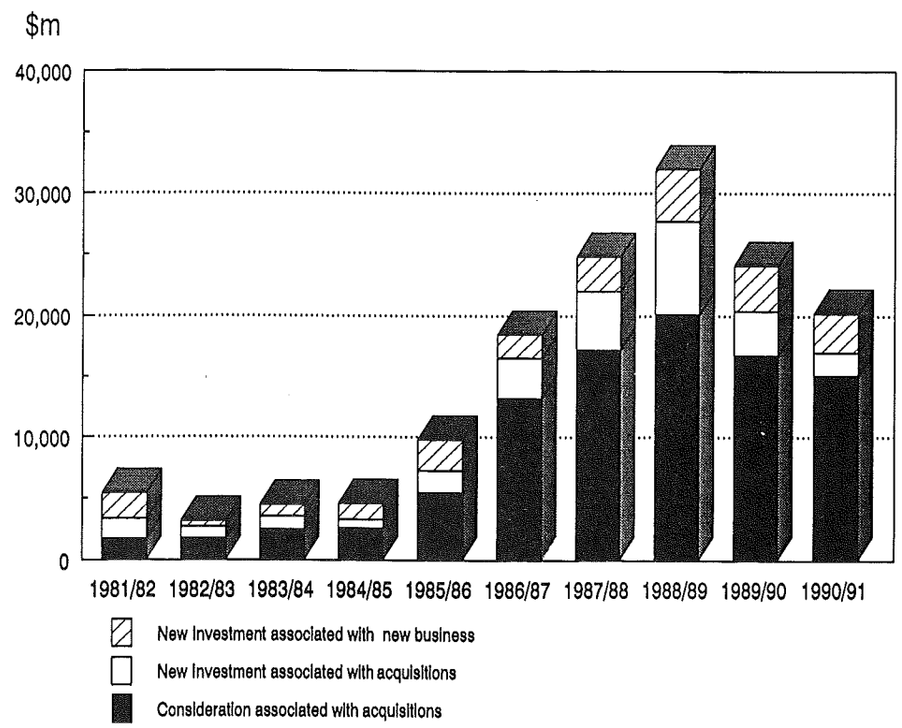
2 See Chapter 2 for an explanation of 'off-the-plan' arrangements.

TABLE 1.1: ANNUAL NUMBER OF PROPOSALS DECIDED

3 Year Period Ending June	*Average Annual Number Decided*	*Average Associated Investment $b*
1981	1067	5.8
1984	1229	4.6
1987	1316	11.3
1991	3250	26.4

The annual number of foreign investment proposals increased sharply in the late 1980s; for example, the annual number of proposals decided averaged 3249 for the three year period ending June 1991, compared with 1300 for the three year period ending June 1987 and 1200 for the nine year period ending June 1987 (see Table 1.1). In other words, the trend number of proposals increased almost three-fold around 1987, mainly as a result of the tightening of policy in the residential real estate area. The expected investment associated with proposals in 1990–91 fell back towards the 1986–87 level, but remains well above the levels of a decade ago (see Chart 1).

CHART 1: FOREIGN INVESTMENT PROPOSALS
1 July 1981 to 30 June 1991
Expected expenditure associated with approved proposals by type of expenditure



Of the 2525 proposals approved during 1990–91, 928 were approved without conditions and 1597 were approved subject to conditions. Most of the conditions were in respect of acquisitions of urban real estate. For example, acquisitions of real estate for development are approved on condition that development occurs within a specified period of time and acquisitions of developed residential real estate by foreign nationals temporarily resident in Australia are approved on condition that the property is sold when the buyer ceases to reside in Australia.

The rejection rate for proposals in 1990–91 was 2.7 per cent. This compares with 2.3 per cent in 1989–90, 1.7 per cent in 1988–89, 3.1 per cent in 1987–88, 0.4 per cent in 1986–87, 1.5 per cent in 1985–86 and 2.6 per cent in 1984–85. Total expected investment associated with the 69 proposals rejected in 1990–91 was $1.9 billion. These annual variations are not statistically significant: they do not imply that administration of the policy was tightened in years when the percentage increased and loosened in other years.

Of the 69 rejected proposals, most of them were in the real estate sector and related to applicants failing to qualify for approval to acquire used residential real estate. Of the $1.9 billion of rejected proposals, $820 million was accounted for by proposals rejected to prevent land banking, that is, the development plans for the real estate were remote. One proposal for $500 million was rejected until an Environmental Impact Study (EIS) had been carried out: it could qualify for approval at a later date. A request for an annual program of $200 million was rejected on the grounds that a much smaller figure would be more than adequate. Two other proposals were rejected as contrary to the national interest.

In this general area, it should be noted that the term 'rejected proposal' does *not* include withdrawn proposals and proposals not proceeded with after discussion concerning a possible proposal and before a formal application is lodged.

Larger proposals

Table 1.2 provides an industry breakdown of proposals of more than $50 million. Over the four year period, the proportion of expected investment attributable to manufacturing and finance, from proposals over $50 million, has declined while the proportion attributable to tourism has increased. However, it should be noted that these figures are susceptible to the lumpiness associated with a few big proposals.

TABLE 1.2: EXPECTED INVESTMENTS OF MORE THAN $50 MILLION

	Expected Investment							
	1987–88		*1988–89*		*1989–90*		*1990–91*	
Industry sector	*$b*	*%*	*$b*	*%*	*$b*	*%*	*$b*	*%*
Manufacturing	4.1	25	3.3	15	2.1	13	2.3	16
Mining	1.9	12	1.5	7	2.0	13	4.9	34
Finance & Insurance	1.3	8	0.6	3	–	–	0.4	3
Services (excluding Tourism)	1.7	10	1.4	6	1.4	9	1.4	10
Tourism	1.5	9	4.0	18	3.1	20	1.3	9
Real Estate	5.7	35	9.4	43	6.5	41	3.1	22
Other	0.2	1	1.6	7	0.5	4	0.9	6
Total	16.5	100	21.8	100	15.7	100	14.3	100

Note: Figures may not add due to rounding.

Proposals by country of investor

Information on the number and value of proposals approved by country of investor is given in Table A.4. Expected investment levels by country of investor for 1987–88 to 1990–91 are summarised in Table 1.3.

TABLE 1.3: EXPECTED INVESTMENT BY COUNTRY OF INVESTOR 1986–87 to 1989–90

	Expected Investment			
Country of Investor	*1987–88 $b*	*1988–89 $b*	*1989–90 $b*	*1990–91 $b*
Japan	5.4	9.1	8.4	5.0
United States	1.7	3.7	1.8	3.9
United Kingdom	4.7	3.6	2.6	2.9
Hong Kong	0.8	2.0	1.0	0.4
New Zealand	2.8	2.0	1.8	1.1
Singapore	0.2	0.5	0.3	0.2
Australia	6.0	5.0	4.4	2.3
Other	3.2	6.2	3.8	4.3
Total	24.8	32.0	24.1	20.2

Japan, the United States, the United Kingdom, New Zealand and Hong Kong were the main expected investing countries in 1990–91. The United Kingdom and the United States have traditionally been the major source countries for direct foreign investment in Australia, while substantial direct investment by Japan, and to a much lesser extent New Zealand, is a more recent phenomenon.

Japan was the largest source country for expected investment approved in 1990–91, accounting for 25 per cent of the total expected investment for the year, compared with 35 per cent in 1989–90. Japanese expected investment was, in absolute terms, in 1990–91, only about 60 per cent of the 1989–90 total. Total expected investments from the United States and United Kingdom were much stronger than in 1989–90. (Japanese investment as a proportion of the total stock of direct foreign investment in Australia would be a good deal lower than 20 per cent since Japanese investment in Australia has been significant for a much shorter time period than investment from the United Kingdom and the United States.)

The main feature of expected Japanese investment in Australia approved in 1990–91, as in previous years, was its concentration in real estate and tourism.

Direct investment from the United States was largely directed towards services excluding tourism, followed by mining, real estate and manufacturing.

Direct investment from the United Kingdom was mostly in manufacturing and, to a lesser extent, in real estate and mining.

About 50 per cent of expected New Zealand investment was in the mining sector.

Location of expected investment

The distribution by State and Territory of expected investment is shown at Table A.5 and summarised in Table 1.4.

Variations between years in the State and Territory distributions of proposed investments should be interpreted with caution; they reflect in part the lumpiness of particular projects. The main destinations for foreign investment over the past four years have been New South Wales and Queensland, followed by Western Australia and Victoria.

TABLE 1.4: EXPECTED INVESTMENT BY STATE AND TERRITORY

	Total Expected Investment			
Location	*1987–88 $b*	*1988–89 $b*	*1989–90 $b*	*1990–91 $b*
New South Wales	8.0	11.3	7.1	4.9
Victoria	1.9	1.3	1.3	0.6
Queensland	5.2	7.5	6.3	5.0
Western Australia	1.7	1.9	2.6	2.6
South Australia	0.7	0.4	0.1	0.1
Tasmania	0.1	0.1	0.0	0.0
Aust Capital Territory	0.1	0.1	0.1	0.1
Northern Territory	0.1	0.1	0.2	0.2
	17.7	22.9	17.7	13.5
Other (a)	7.1	9.1	6.4	6.7
Total	24.8	32.0	24.1	20.2

Notes: Figures may not add due to rounding.

(a) Includes off-shore takeovers and proposals where the expenditure is expected to be undertaken in more than one State or Territory.

Consultation arrangements

During the year, the Board consulted various Commonwealth and State departments and authorities with an interest in particular (mainly large) foreign investment proposals. Their advice and comment were helpful in assessing the implications of proposals and the Board acknowledges the assistance received from the relevant Commonwealth and State departments and authorities.

The Board regards its procedures for liaison with the State Governments as important in the administration of Australia's foreign investment policy.

In keeping with one of its functions, that is, 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 number of meetings 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 Chairman and the Executive Member of the Board appeared before the Senate Standing Committee on the Environment, Arts etc in respect of its inquiry into Tourism. At the request of the Committee, the Treasury prepared a submission for the Committee.

International organisations

Australia is a subscriber 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 concerning the conduct of multinational enterprises in member countries. Australia also is a subscriber to two OECD Codes of Liberalisation, one covering capital movements and the other invisible transactions. The broad thrust of the OECD's work in this area is to seek to liberalise international capital flows. Australia's position under the Code of Liberalisation of Capital Movements was reviewed during the year.

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.

Australia maintains a limited reservation under the Capital Movements Code.

Processing of proposals

The Board recognises the desirability of examining investment proposals promptly to enable decisions to be taken by the Government and conveyed 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. Unfortunately, however, recent years have seen a trend towards some foreign investors (mostly through Australian advisers) submitting proposals to the Board with insufficient information to enable speedy processing. This practice results in delays while additional information is sought.

The average time taken to process all proposals in 1990–91 was 21 days, about 3 days shorter than in 1989–90. The number of proposals examined per staff member during 1990–91 was approximately 135, compared with some 35 per staff member a few years ago. The variation over any period in the number of proposals examined per staff member is, apart from anything else, a reflection of the relative mix of simple and difficult cases in different industry sectors and the variations in the degree of complexity of policy requirements in those sectors.

Freedom of information

In 1990–91, the Board's Executive processed seven applications received under the Freedom of Information Act 1982 (FOI Act) for access to documents concerning foreign investment matters. Wherever practicable, requests for information are 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 protect commercially sensitive or confidential information.

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. As a result of these procedures, a full release of documents in respect of two requests and a partial release in respect of three requests was possible. Of the remainder, one request was withdrawn and no documents were discovered in respect of the other. There are, of course, provisions in the FOI Act authorising denial of access to commercially confidential documents. This has relevance to documents provided to the Board (or prepared by the Board or the Executive) in its examination of a proposal.

No commercially sensitive or confidential documents have been released to applicants as a result of an FOI Act request or 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 1990–91 was a little over $57,000. As in previous years, about 75 per cent of the expenditure was for the remuneration of the Board members; the remainder was for local travel, car hire, printing expenses and incidentals.

Government expenditure on the Executive was about $862,000 in 1990–91. This expenditure was directed mostly to salaries, with relatively minor expenses being incurred for travelling, printing, advertising 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.

At end June 1991, there were 19 officers in the Foreign Investment Branch of Treasury.

Chapter 2: Foreign investment proposals by industry

This chapter provides a summary, on an industry basis, of the proposals submitted to the Board for examination in 1990–91 and comments on some of the more significant cases.

Urban real estate

In 1990–91, a total of 2084 proposals by foreign interests to acquire urban land in Australia were examined; a slight increase on the number examined in 1989–90. However the total expected investment in urban real estate continues to fall and was roughly a third ($5628 million) of the levels of the preceding two years. Most of the recent reduction appears to be attributable to a fall in investor interest in the acquisition of real estate for development, and particularly the development of commercial property in Australia (see below for further discussion).

Certain categories of purchases of real estate are exempt from examination under the Foreign Acquisitions and Takeovers Regulations. A full listing of exempt categories of foreign purchases of land is contained in the current edition of the Treasury publication, *Australia's Foreign Investment Policy—A Guide for Investors*. Acquisitions of urban land within the exempt categories are not considered to raise significant issues from a foreign investment policy viewpoint.

For foreign investment policy purposes, the urban real estate industry is divided between the *residential* and *commercial* sectors (and within each of these sectors between purchases of *developed property* and purchases of *property for development*).

Residential real estate

Total expected investment in residential real estate in 1990–91 was $2866 million, a significant reduction from the $4448 million in 1989–90. A disaggregation of this figure according to type of proposal is provided in Table A.7. Consistent with past years experience, over 93 per cent of this expected investment—$2688 million—was attributable to proposals involving *residential real estate for development* and less than 7 per cent ($178 million) attributable to purchases of *developed residential real estate.*

Developed residential real estate

The policy applying to *developed residential real estate* remains restrictive. Accordingly, approvals are only given for a strictly limited range of purchases. Under current policy, foreign purchases of developed residential real estate are normally only permitted in the case of foreign nationals who are temporarily resident in Australia for a period exceeding twelve months and foreign-owned companies buying homes for their senior executives resident in Australia. In both cases, a normal condition of approval is that the property be sold when no longer required for these purposes.

Reflecting the restrictive policy, there were 41 rejections of proposed acquisitions of developed residential property in 1990–91. These proposals were rejected because the prospective buyers did not fall into one of the categories referred to above. Many of the rejected proposals involved non-residents intending to purchase developed residential property either as an investment or as a holiday home. Several involved

proposals by foreign-owned companies seeking permission to buy 'executive housing' and were not approved because the scale of the proposed 'executive housing' accommodation appeared to be inconsistent with the size of the company's business activities in Australia. Other rejected proposals involved the acquisition of established single dwellings that were to be demolished to permit redevelopment of the land. Normally, proposals of this kind are approved only if the existing dwelling has reached the end of its economic life and the proposed redevelopment is of a substantial nature.

Residential real estate for development

There were 1140 approved proposals for the acquisition of *residential real estate for development* during 1990–91. Total expected investment associated with those proposals amounted to $2688 million of which $1747 million constituted acquisition costs and $941 million the expected development expenditure. However, the expected development expenditure relates to only $450 million of ordinary approvals and the remainder of the acquisition costs ($1297 million) comprises $1191 million of developer 'off-the-plan' advance approvals and $106 million of annual programs.

Annual programs

The annual program arrangements are designed to avoid the need for established real estate developers to notify individual acquisitions of property. Such companies may be granted annual approvals to buy land up to specified limits on condition that they report to the Board at the end of the year on their acquisitions and the development undertaken. In 1990–91 four annual program arrangements (for residential real estate for development) were approved, totalling $106 million in expected acquisition costs.

'Off-the-plan' arrangements

Under the 'off-the-plan' arrangements, foreign interests may receive approval to buy up to 50 per cent of the units or condominiums in new residential development projects, providing the dwellings are bought before or during construction, or following completion but prior to being first occupied or used.

To streamline procedures, a real estate developer may apply to the Board for a general approval to sell to foreign interests up to 50 per cent of the individual dwellings in a new development. Subject to an undertaking by the developer to report all sales to the Board annually so that compliance with the 50 per cent limit can be monitored, the Government grants such general approvals and thus saves the time and expense for proponents that would otherwise be incurred if individual investors were required to make separate applications to the Board.

As the Board has sought to emphasise, one of the effects is that the Board's statistics overstate the likely extent of foreign purchases, since few of the developers with 'off-the- plan' approvals will actually sell a full 50 per cent of their developments to foreign purchasers.

In the four year period to June 1991, a total of 820 'off-the-plan' approvals were granted to real estate developers and the Board has now received reports on more than 40 per cent of these developments. (There is necessarily a significant lag between the granting of approvals and receipt of reports due to construction timeframes.) The returns received in the four years to June 1991 indicate that, Australia-wide, sales to foreign interests averaged about 21 per cent of total sales by number and about 29 per cent by value.

More than half of all 'off-the-plan' sales Australia-wide to foreign interests were on the Gold Coast. In that region, about 28 per cent of sales by number and about 39 per cent by value were to foreign interests. The average purchase price paid by foreign interests was about 70 per cent higher than the average price paid by Australian residents. This reflects the tendency of foreign investors to acquire the more expensive dwelling units.

Elsewhere in Queensland, sales by number and value to foreign interests were 14 per cent of total sales and the average price paid by both Australian and foreign purchasers was much lower than on the Gold Coast. In New South Wales, sales to foreign interests accounted for 10 per cent by number and 14 per cent by value of total sales with foreign purchasers paying, on average, 50 per cent more for properties than Australian residents. Although Western Australia accounted for only a small number of 'off-the-plan' approvals, 37 per cent of reported sales in that State have been to foreign interests.

Other residential real estate for development

Apart from annual programs and 'off-the-plan' approvals, the Board examined 979 proposals by foreign interests to acquire *residential real estate for development* with an associated expected investment of $1392 million. There was a significant reduction of activity in this category over the previous year; expenditure on acquisitions, at $450 million, was 19 per cent lower and expected development expenditure, at $941 million, was down 55 per cent. These proposals comprise the purchase of broadacres for residential subdivision, vacant building blocks for single dwelling construction and in some instances for integrated residential developments (such as townhouse and high rise units).

Major new development projects approved during the year included planned residential/golf course developments by Fedwood Pty Ltd and the Daikyo Group at Redlynch Valley and Smithfield, respectively, in the Cairns region; these projects involve a total expected investment of about $180 million.

Residential development proposals are generally approved subject to a condition that construction is commenced within a stipulated period of time. This category of investment proposal adds to the total housing stock in Australia and yields direct economic benefits.

Queensland was the main location for expected foreign investment in residential real estate development (54 per cent of the total) followed by New South Wales (33 per cent).

There were twenty rejected proposals involving the acquisition of residential real estate for development in 1990–91. The anticipated acquisition cost of the real estate associated with these proposals was $53 million. The most common reasons for these rejections were one or more of the following:

(i) the planned development expenditures were not considered significant in relation to the acquisition price for the property (there is a normal expectation that proposed development expenditure should be at least 50 per cent of the acquisition price);

(ii) the proposed timetables for development were unsatisfactory; or

(iii) the prospective foreign purchasers had not established to the Government's satisfaction that they had the technical and financial capacity to undertake the proposed development.

Commercial real estate

During 1990–91, the Government approved 119 proposals involving *non-residential commercial real estate* and rejected two. The total expected investment associated with the approved proposals was $2761 million, almost 55 per cent below that recorded in 1989–90 and about thirty per cent of the 1988–89 figure.

Thirty five individual proposals were approved as *commercial real estate for development*, with expected consideration of $293 million and a further $695 million to be spent on development. The comparable figures in 1989–90 were $924 million and $1295 million, respectively, and in 1988–89 were $1641 million and $4157 million, respectively. This year's figures are consistent with the asset price shakeout in the commercial property market.

Two proposals, with a total expected expenditure of $80 million were approved under the annual program arrangements.

Acquisitions of *developed commercial real estate* are normally approved with 50 per cent Australian equity participation, but may be approved with up to 100 per cent foreign equity where it can be demonstrated that Australian equity participation is not available on reasonable terms and conditions. The Government normally accepts that Australian equity is not available on reasonable terms and conditions if a property has been actively marketed for at least three months or is sold by public auction or tender to the highest offer.

During 1990–91 there were 82 proposals approved for the acquisition of developed commercial real estate, most on the basis of 100 per cent foreign ownership, following extensive marketing of the respective properties. These proposals involved a total expected investment of $1693 million. The Board's analysis of the cases suggests that, in value terms, these figures are similar to the previous two years, after allowance is made for the effect of the $5 million threshold introduced in 1989–90.

The major investor countries in commercial real estate were Japan, the United Kingdom and the United States of America. The major locations of expected investments in commercial real estate were New South Wales, which accounted for 46 per cent of the total, and Queensland with 28 per cent.

Tourism

The decline in expected investment in the tourism sector continued in 1990–91 with a total expected investment of $1.9 billion (about $2 billion less than 1989–90). Foreign investment in tourism has declined progressively from the peak recorded in 1988–89 when it reached $5 billion.

Twenty four proposals involving new businesses and acquisitions accounted for about 92 per cent of total expected investment in tourism. Significant acquisitions included Nippon Shinpan Co. Ltd's takeover of the Mirage Resorts at Port Douglas and the Gold Coast and Hojyo Australia Ltd's acquisition of the Park Hyatt Hotel in Sydney. Of the new resorts, one of the largest projects was the development of a tourist/residential resort at Coffs Harbour by the Japanese owned Mido Pty Ltd.

Of the 13 proposals submitted to establish new tourism businesses, four were rejected. The total expected investment associated with the nine new business projects that were approved was $485 million.

The four proposals that were rejected this year had expected investment of $1236 million. One was stood over pending the availability of an environmental impact statement. Another proposal was initially rejected because no firm development plans were provided but later was approved when plans were submitted. Two further

rejections involved a Japanese developer proposing to acquire two large parcels of real estate in an area where the company concerned already owned a large tract of land awaiting development. The Government advised the company that the proposal would be reconsidered once development of the original project was substantially under way.

The Board examined 41 proposals involving acquisitions of existing tourism projects and businesses for which total expected investment amounted to $1374.2 million.

The comparative figures for the preceding year were 27 new business proposals (involving expected investment of $1970 million) and 45 proposed acquisitions of existing businesses (with total expected investment amounting to $1920 million).

Japan continues to be the largest source of investment in the tourism sector with expected investment of $1242 million or 67 per cent of the total. New Zealand and Hong Kong were next in order with expected investment of $188 million (10 per cent) and $139 million (7 per cent), respectively.

New resort and hotel developments accounted for all expected new business expenditure in 1990–91 and, consistent with investment patterns evident over the past few years, New South Wales ($416 million) and Queensland ($852 million) were the main destinations for these investments.

Finance and Insurance

The Board examined 41 proposals involving foreign investment in the finance and insurance sector of which three were new businesses and 38 were acquisitions of existing businesses. The total expected investment for these proposals was $740 million compared with $409 million in 1989–90. Five proposals had a total expected investment in excess of $50 million each.

The three new business proposals involved the establishment of a merchant bank by an Indonesian bank, an authorised money market dealer by a Swiss company and a Dutch general finance company. The new business proposals involved total expected investment of $26 million; the comparable figure for 1989–90 was $110 million.

Nine of the acquisition proposals examined involved insurance businesses.

Service Industries (excluding tourism)

During 1990–91, the Board considered 107 proposals for investment in the services sector, comprising 10 new business proposals and 97 proposed acquisitions. The total expected investment for the new businesses and acquisitions was $4 million and $2266 million, respectively.

There were 7 proposals involving acquisitions with expected expenditure of $50 million or more and the five largest of these accounted for 55 per cent ($1246 million) of total expected investments in the service industries (including tourism). One of these proposals involved the Australian operations of News Corporation's magazine distribution and certain regional newspaper interests. The most significant acquisition proposals in this sector considered by the Board were the US owned Tyco Laboratories Inc's acquisition of the Australian fire protection and flow control business, Wormald International Ltd; Mobil Oil Australia Ltd's acquisition of Esso Australia Ltd's marketing and oil refining interests; and Fuji Xerox Co Ltd's acquisition of Rank Xerox Ltd's Australian businesses.

Manufacturing

During 1990–91, total expected investment in the manufacturing sector was $3130 million (compared with $3080 million in 1989–90). Expected development expenditure on new businesses remained modest with seven proposals being approved which involved a total expected investment of $52 million. Expenditure on acquiring interests in existing businesses was expected to be $3070 million. There were 110 proposals approved (compared with 106 in 1989–90) and two rejections. Twelve proposals had expected investment of $50 million or more and accounted for nearly 75 per cent of total expected investment.

The United Kingdom was the major source country for expected investment in the manufacturing sector with some $1175 million of expenditure (compared with $223 million in 1989–90). Major UK investments included Tate and Lyle plc's acquisition of the Bundaberg Sugar Company Limited for $325 million, the acquisition by the BTR Nylex Limited subsidiary, ACI Operations Pty Ltd, of the Smorgon glass manufacturing assets and another UK interest purchasing Leigh Mardon Pty Ltd, a packaging/printing business, for $260 million. Other major source countries were Japan and the United States.

In many instances, foreign investors were willing to acquire companies placed in receivership. Foreign investors also acquired assets from Australian companies that were restructuring. Asahi acquired an interest in Fosters Brewing Group. A number of other assets of Elders IXL were sold to foreign investors. The Linter Group businesses were sold to Sara Lee Corporation.

Further rationalisation occurred in the Australian wine industry with two major acquisitions: the Australian controlled Mildara Wines Ltd merged with Wolf Blass Wines Ltd to form Mildara Blass Limited (Australia's third largest winemaker) and the Canadian controlled, Saltram Wine Estates bought a one quarter share in two winery businesses previously wholly owned by Australian resident, Mr Peter Yunghanns.

Three high technology proposals were examined by the Board during 1990–91. The acquisition of a 19 per cent interest in Gene Shears Pty Ltd by the United States controlled Johnson and Johnson group; a Hong Kong based company acquiring the company which had the licence from the CSIRO to market, manage and further develop CSIRO's counter current extraction technology; and the Dutch and UK controlled company, Bunge Industrial Ltd, acquired the remaining 52 per cent of Sirius Biotechnology Ltd (Sirius) which it did not already own. Sirius had researched, developed and manufactured citric acid for the soft drink industry and conducted research and development into other products and processes for the food industry in Australia.

Minerals

There were 80 proposals in the minerals sector in 1990–91, comprising 69 acquisitions and 11 new businesses—all of which were approved. Total expected investment was $5439 million, double that ($2699 million) in 1989–90. Expected investment associated with acquisitions was $2865 million: expected development expenditure associated with new mines was $2575 million, compared with only $400 million in 1989–90.

Three industries again dominated foreign investment in the sector as a whole—coal ($2123 million), oil and gas ($1266 million) and gold ($1139 million).

The largest recorded source of expected investment in the minerals sector was the United States ($980.2 million). Other leading sources were Japan, New Zealand and the United Kingdom.

There were 18 proposals to invest in the coal industry and the six largest accounted for about 35 per cent (or $1875 million) of total expected investment. There were four substantial proposals to establish new coal mines: a $500 million coking coal mine at Gordonstone, Queensland (to be developed by ARCO Coal Australia Inc in partnership with the Japanese trading house, Mitsui & Co Ltd and the Australian owned Lend Lease Resources Pty Ltd); the $135 million United underground coal mine in the Hunter Valley to be developed jointly by Agipcoal Australia Pty Ltd and the United Mineworkers' Federation of Australia; a new $460 million underground coking coal mine at North Goonyella, Queensland to be developed by a Japanese company in joint venture with the Australian owned White Mining Limited; and a new mine at Narama, NSW, to be developed by an unincorporated joint venture between Renison Limited and Costain Australia Limited (to supply coal under contract to the Electricity Commission of NSW). The proposed establishment of the three mines at Gordonstone, the United mine in the Hunter Valley and the mine at North Goonyella expect to export significant volumes of coal to Japan and other Asian markets.

There were two large coal company acquisitions during the year, namely, CRA Ltd's bid for 100 per cent of Coal & Allied Industries Ltd (for a consideration of $437 million) and several acquisitions in Oakbridge Limited by Japanese and Korean interests (for over $200 million).

Total expected investment in the oil and gas sectors was $1266 million during the year. Two major new oil field developments in offshore Western Australia, the Griffin project and Cossack, were expected to account for $790 million of new investment (or 15 per cent of the total expected investment in mining). The Griffin project is to be developed as a joint venture between BHP Petroleum Pty Ltd, Mobil Exploration and Producing Australia Pty Ltd and (the Japanese owned) Inpex Alpha Ltd. Cossack is to be developed by the six co-venturers presently engaged on the North West Shelf project. Both these projects expect to generate significant export earnings.

The Board examined 27 proposals for foreign investment in the gold industry in 1990–91 involving total expected investment of about $1139 million (nearly double that of 1989–90). All of these proposals involved acquisitions of interests in existing mines. The largest proposal was the merger of the gold interests of Newmont Australia Ltd and BHP Gold Mines Ltd, worth $435 million. The merged company, which was renamed Newcrest Mining Limited, created Australia's third largest gold producer and further reduced the equity in the company held by (the US based) Newmont Mining Company to below 15 per cent.

There was some foreign investor interest in iron ore. Mitsui Iron Ore Corp and C I Minerals acquired a combined interest of 15 per cent in the Mt Goldsworthy project and a proposed new mine at Yandicoogina (in WA). The remaining 85 per cent is owned by BHP. This acquisition brings these two projects into the same ownership as the Mt Newman project.

In base metals, approval was granted for a joint venture between subsidiaries of the Finnish controlled, Outokompu Metals & Resources Oy and Australian Consolidated Minerals Ltd to develop a new nickel mine at Mount Keith in Western Australia for a total expected investment of $460 million.

Resource processing

There were twelve resource processing proposals in 1990–91, with total expected investment of $870 million (compared with $576 million in 1989–90).

In the meat processing industry, the purchase by the United States owned ConAgra International Inc of a 50 per cent interest in the Elders IXL Ltd's meat business, was a substantial proposal. Cargill Australia Ltd, a US owned company, acquired Metro Meat (Holdings) Ltd's beef export abattoir in Wagga Wagga, its Jindalee feedlot and NSW meat distribution business. Both ConAgra and Cargill are major participants in the US meat processing industry and their involvement in Australian meat businesses is expected to lead to the enhancement of that industry's export potential.

There were two other resource processing proposals of significance. The Swiss controlled, Holset Pty Ltd (part of the 'Holderbank' Group) purchased the remaining 75 per cent interest in Queensland Cement Limited not already owned by the 'Holderbank' Group for approximately $205 million. A syndicate of predominantly foreign banks purchased the Silicon Metal Company of Australia from Barrack Mines Limited for $150 million. The banks will sell the silicon metal smelter project.

Rural land

There were 19 rural property proposals in 1990–91 involving total expected investment of $275 million. In the previous year, there were 15 proposals and total expected investment of $250 million. The majority of these proposals were acquisitions of beef grazing properties. The British Prudential Assurance Co Ltd acquired four rural properties in NSW and Queensland for about $35 million.

Three proposals for cotton farms were approved: the largest of which involved the sale of the cotton farming and ginning organisation Auscott Ltd (owned by Consolidated Press Holdings) to the American J.G. Boswell Co.

Chapter 3: Aggregate foreign investment: Australian Bureau of Statistics data

This chapter summarises trends in foreign investment in Australia and Australian investment abroad and reports data on estimates of foreign ownership and control in Australia.

ABS foreign investment 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 for approval, along with the expected associated expenditures, while those of the ABS are based on actual transactions that have occurred.

Table 3.0 sets out the relationship between foreign investment in Australia and the current account deficit. In any year, the inflow of foreign investment into Australia, minus the outflow of Australian investment abroad, equals the balance on capital account in Australia's balance of payments. Within the balance of payments, the balance on capital account should equal the current account deficit, but because of statistical discrepancies a balancing item has to be inserted to bring this about. The inflow of foreign investment into Australia totalled $16.5 billion in 1990–91, compared with $20.5 billion in 1989–90. Australian investment abroad fell sharply from $5.9 billion in 1989–90 to $1.9 billion in 1990–91.

Overview of foreign investment inflows

Table 3.1 sets out foreign investment flows into Australia from 1986–87 to 1990–91. In 1990–91, the inflow of foreign investment into Australia attributable to the official sector (mainly general government borrowing) was minus $1.8 billion, down sharply from the previous year's figure of $2.7 billion. This reflected the partial repayment of Commonwealth debt which is attributable to the Commonwealth budget surplus. The inflow of foreign investment in the non-official sector was $18.3 billion in 1990–91, $0.5 billion higher than for 1989–90.

TABLE 3.0: RECONCILIATION BETWEEN FOREIGN INVESTMENT CAPITAL FLOWS AND AUSTRALIA'S BALANCE OF PAYMENTS 1986–87 to 1990–91

	1986–87 *$b*	*1987–88* *$b*	*1988–89* *$b*	*1989–90* *$b*	*1990–91* *$b*
Foreign Investment in Australia	22.8	27.8	31.2	20.5	16.5
Australian Investment Abroad	13.1	16.5	12.7	5.9	1.9
Balance on Capital Account	9.7	11.3	18.6	14.5	14.6
Balancing Item	2.6	0.01	–0.01	7.8	1.4
Balance on Current Account	–12.3	–11.3	–18.5	–22.3	–15.9

Sources ABS 5301.0: Balance of Payments, Australia, September Quarter 1991
ABS 5303.0: Balance of Payments, Australia, 1989/90
ABS 5305.0: Foreign Investment, Australia, 1989/90
ABS 5306.0: Foreign Investment, Australia, June Quarter 1991

Non-official direct investment

Under the ABS framework for foreign investment statistics, direct investment represents funds invested in an enterprise by an investor (called a 'direct 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 direct foreign investor's share of unremitted profits of branches and other direct investment enterprises), 'corporate equities' (proceeds from the net sale of shares to direct foreign investors), 'net equity in branches' (changes in the net accounts to foreign resident owners of unincorporated enterprises), 'borrowings' (net borrowings by direct investment enterprises from direct foreign investors) and 'other direct investment' which mainly comprises net accounts payable by direct investment enterprises to direct foreign investors.

Table 3.2 indicates that in 1990–91, the inflow of foreign investment in the non-official sector comprised:

- $9.2 billion as *direct* investment, an increase of $2.5 billion on the previous year; and
- $9.1 billion *portfolio and other* ('non-direct') investment, a decrease of $2.0 billion on the previous year.

The $2.5 billion increase in direct investment was largely due to an increase in corporate equities of $2.7 billion. However, the increase in corporate equities was offset by a decrease in total borrowings to $1.4 billion.

Non-official portfolio and other investment ('non-direct investment')

For the period 1986–87 to 1989–90, portfolio and other investment has been the major contributor to the inflow of foreign investment into the non-official sector (averaging around 63 per cent). This position changed substantially in 1990–91 with portfolio and other investment declining to approximately 50 per cent of total non- official foreign investment in Australia.

The decline in foreign portfolio investment transactions in corporate equities over the previous three years was arrested in 1990–91, increasing by $1.4 billion to $2.7 billion. However, this is still below the peak of $4.2 billion which occurred in 1986–87. The inflow of non-bank portfolio and other borrowings decreased sharply in 1990–91 to $0.8 billion (4.4 per cent of total non-official investment), compared with $5.0 billion in 1989–90 (28.1 per cent of non-official investment).

Portfolio and other investment borrowings by banks have steadily increased since 1987–88 (when they formed 18.3 per cent of total non-official investment) until in 1990–91 they formed 30.6 per cent of total non-official investment.

Australian investment abroad

The outflow of Australian investment abroad fell from $5.9 billion in 1989–90 to $1.9 billion in 1990–91; a small fraction of its peak of $16.5 billion in 1987–88 (see Table 3.0). The major decrease in the outflow of Australian investment abroad since 1989–90 occurred in the area of direct investment in corporate equities, which declined by $8.2 billion (offset by an increase of $4.0 billion in portfolio investment in corporate equities).

TABLE 3.1: INFLOW OF FOREIGN INVESTMENT INTO AUSTRALIA, 1986–87 to 1990–91

	1986–87 to 1990–91 annual average		*1986–87*		*1987–88*		*1988–89*		*1989–90*		*1990–91*	
	$b	*per cent*	*$b*	*per cent*	*$b*	*per cent*	*$b*	*per cent*	*$b*	*per cent*	*$b*	*per cent*
Official	2.9	12.2	6.5	28.5	4.3	15.5	3.0	9.6	2.7	13.2	–1.8	–10.9
Non-official												
— Direct	8.1	34.2	4.7	20.6	8.2	29.5	11.7	37.5	6.7	32.7	9.2	55.8
— Portfolio and other	12.7	53.6	11.6	50.9	15.3	55.0	16.5	52.9	11.1	54.1	9.1	55.2
Total Non-official	20.8	87.8	16.4	71.9	23.5	84.5	28.2	90.4	17.8	86.8	18.3	110.9
Total Official and Non-official	23.7	100.0	22.8	100.0	27.8	100.0	31.2	100.0	20.5	100.0	16.5	100.0

Sources ABS 5306.0 Foreign Investment, Australia, June Quarter 1991
ABS 5305.0 Foreign Investment, Australia, 1989/90
Note: Figures may not add due to rounding.

TABLE 3.2: INFLOW OF NON-OFFICIAL FOREIGN INVESTMENT IN AUSTRALIA, 1986–87 to 1990–91

	1986–87 to 1990–91 annual average		*1986–87*		*1987–88*		*1988–89*		*1989–90*		*1990–91*	
	$b	*% of total*	*$b*	*% of total*	*$b*	*% of total*	*$b*	*% of total*	*$b*	*% of total*	*$b*	*% of total*
Non-official direct investment												
— Reinvestment of earnings	1.7	8.4	1.2	7.6	2.4	10.3	2.1	7.6	1.5	8.6	1.4	7.8
— Corporate equities	3.0	14.8	1.9	11.9	1.3	5.6	3.9	13.9	2.5	14.1	5.2	28.3
— Net equities in branches	1.4	6.6	0.4	2.5	1.5	6.3	2.2	7.9	1.5	8.5	1.5	8.0
— Borrowings												
• Banks	0.01	0.7	0.7	4.3	–0.1	–0.4	–0.1	–0.4	0.2	1.1	0.1	0.5
• Other	2.2	9.4	0.8	4.9	3.0	12.8	3.5	12.4	1.9	10.7	1.4	7.7
— Other	–0.2	–1.4	–0.3	–1.8	0.1	0.3	0.1	0.5	–0.9	–4.8	–0.2	–1.1
Total direct investment	8.1	38.6	4.7	29.0	8.2	34.7	11.7	41.5	6.7	37.5	9.2	50.4
Non-official portfolio and other investment												
— Corporate equities	2.5	13.0	4.2	25.8	2.3	10.0	2.1	7.6	1.3	7.1	2.7	14.7
— Borrowings												
• Banks	5.5	24.6	4.1	25.0	4.3	18.3	8.4	29.8	5.3	30.0	5.6	30.6
• Other	4.6	22.1	3.1	18.9	8.6	36.6	5.4	19.1	5.0	28.1	0.8	9.4
— Accounts payable/ prepayments received	0.1	0.2	0.2	1.4	0.1	0.3	0.6	2.2	–0.5	–2.6	0.0	–0.1
Total portfolio and other investment	12.7	62.0	11.6	71.1	15.3	65.2	16.5	58.5	11.1	62.5	9.1	49.6
Total Non-official	20.8	100.0	16.4	100.0	23.5	100.0	28.2	100.0	17.8	100.0	18.3	100.0

Sources ABS 5306.0 Foreign Investment, Australia, June Quarter 1991
ABS 5305.0 Foreign Investment, Australia, 1989/90
Note: Figures may not add due to rounding.

Investment levels

Table 3.3 shows that the estimated level or stock of foreign investment in Australia as at 30 June 1991 was $272.5 billion, comprising $100.4 billion of corporate equities, $166.1 billion in borrowings and $6.0 billion in other forms. This represented an increase of around $16 billion, or 6.1 per cent, over the level at 30 June 1990. Of the increase during 1990–91, $8.6 billion was accounted for by an increase in portfolio and other private sector borrowings. The remainder was accounted for largely by increases in investment in corporate equities (direct $4.2 billion and indirect $2.1 billion).

Foreign investment by country

Table 3.4 shows the estimated stock of foreign investment in Australia by source country for the five years ended June 1990. The United States and the United Kingdom (the traditional source countries) together with Japan hold the largest stocks of foreign investment in Australia. Switzerland, the Federal Republic of Germany, Hong Kong, Singapore and the Netherlands each had estimated stocks of between $6 and $8 billion at end-June 1990.

Australia's level of external debt

At 30 June 1991, the level of Australia's net external debt was estimated at $131.3 billion, nearly 4 per cent higher than the estimate of a year earlier (see Table 3.5). The increase in net debt is primarily a result of the current account deficit in 1990–91. Net external debt as a proportion of GDP continues to creep upwards, increasing from 32.0 per cent at June 1988 to 34.6 per cent at 30 June 1991.

Foreign ownership and control in Australia

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

The following factors need to be borne in mind while using ABS data to make observations about the level of foreign ownership and control of particular industries. First, 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 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 are not covered by the ABS studies.

TABLE 3.3: LEVEL OF FOREIGN INVESTMENT IN AUSTRALIA, BY TYPE OF INVESTMENT ($A BILLION)

	OFFICIAL		NON-OFFICIAL							TOTAL		
			Direct(a)			Portfolio and other investment						
							Borrowing		Accounts Payable/ Prepay-ments			
At June 30	*Borrowing*	*Other*	*Equities*	*Borrowing*	*Other*	*Equities*	*Public Sector*	*Private Sector*		*Equities*	*Borrowing*	*Other*
1985	14.9	0.3	26.1	7.2	3.5	11.5	15.0	30.4	2.8	37.6	67.5	6.6
1986	23.6	0.3	27.8	9.2	3.8	13.4	19.0	40.8	2.8	41.2	92.6	6.8
1987	30.3	0.3	41.0	10.6	3.3	24.3	19.6	46.8	3.8	65.3	107.4	7.4
1988	33.5	0.2	48.6	13.5	3.4	20.6	23.6	52.2	3.8	69.2	122.8	7.5
1989	37.2	0.1	62.5	17.1	3.3	22.3	27.8	63.2	3.8	84.8	145.4	7.3
1990	38.8	0.0	70.1	18.6	2.1	23.1	31.9	68.0	4.2	93.2	157.3	6.2
1991	37.7	0.0	75.3	19.8	1.9	25.1	31.9	76.6	4.1	100.4	166.1	6.0

Source: ABS 5305.0 Foreign Investment, Australia, 1989/90
ABS 5306.0 Foreign Investment, Australia, June Quarter 1991.

Note:
(a) The definition of direct investment changed from 1985/86 and therefore entries from that year are not strictly comparable with entries for the previous year.
(b) Figures may not add due to rounding.

TABLE 3.4: LEVEL OF FOREIGN INVESTMENT IN AUSTRALIA BY COUNTRY, 1985–86 TO 1989–90 ($A BILLION)

Country	*1985–86*	*1986–87*	*1987–88*	*1988–89*	*1989-90*
United States	31.9	41.7	40.1	47.2	46.4
United Kingdom	30.0	38.3	44.4	47.9	46.1
Japan	21.3	22.6	29.5	38.2	45.4
Switzerland	5.9	7.5	7.4	7.1	8.0
Germany (FR)	5.5	7.1	6.4	7.5	7.4
Hong Kong	3.0	3.0	4.8	6.8	7.4
Singapore	8.3	9.4	6.9	6.8	6.7
Netherlands	3.0	4.1	4.2	4.4	6.5
New Zealand	2.1	4.9	5.2	5.5	4.6
Canada	1.9	3.4	2.5	3.5	3.5
Bel-Lux	2.6	2.6	4.3	3.6	3.2
Central America and Caribbean	1.8	2.2	2.8	3.3	2.8
France	1.6	2.0	1.5	2.1	2.5
ASEAN (excl. Singapore)	0.7	1.1	1.3	0.7	1.0
Sweden	0.3	0.4	0.3	0.5	0.8
Italy	0.3	0.3	0.3	0.3	0.4
Other	20.5	29.8	37.4	52.1	63.9
TOTAL	140.6	180.1	199.5	237.4	256.7

Sources: ABS 5305.0 Foreign Investment, Australia, 1989/90
ABS 5352.0 Foreign Investment, Australia, 1989/90: Supplementary Country and Industry Statistics

Notes: Figures may not add due to rounding.
Figures not revised after 1987/88 due to the discontinuation of ABS 5352.0.

The ABS studies of foreign ownership and control provide foreign participation statistics on a number of bases including 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.

In the past decade or so, there appears to have been no major change in the levels of foreign ownership of Australian industries and resources that have been the subject of ABS studies (see Table 3.6).

It is worth noting that there is a high degree of variability between industries in terms of their level of foreign ownership.

TABLE 3.5: AUSTRALIA'S LEVEL OF EXTERNAL DEBT, 1984–91 ($A BILLION)

	Foreign borrowing			*Australian lending abroad and reserve assets*			*Net external debt*[(b)]			
	Official[(a)]	*Non-official*								
At 30 June		*Public Sector*	*Private Sector*	*Total*	*Official*	*Non-official*	*Total*	*Official*	*Non-official*	*Total*	*% GDP*
1985	14.9	15.0	37.6	67.5	13.6	2.6	16.3	1.3	49.9	51.2	23.7
1986	23.6	19.0	49.9	92.6	13.2	3.8	17.0	10.4	65.1	75.5	31.5
1987	30.3	19.6	57.5	107.4	18.0	3.3	21.3	12.4	73.7	86.1	32.6
1988	33.5	23.6	65.7	122.8	20.8	6.1	27.0	12.7	83.1	95.9	32.0
1989	37.2	27.8	80.4	145.4	21.3	8.1	29.4	15.9	100.1	116.0	34.1
1990	38.8	31.9	86.6	157.3	22.7	7.9	30.6	16.1	110.6	126.7	34.1
1991	37.7	31.9	96.4	166.1	24.7	10.0	34.7	12.9	118.4	131.3	34.6

Sources ABS 5305.0 Foreign Investment, Australia, 1989/90
ABS 5306.0 Foreign Investment, Australia, June Quarter 1991

Note:
(a) General government and Reserve Bank
(b) Foreign borrowing by Australian residents less the sum of Australian lending abroad and reserve assets
(c) Figures may not add due to rounding

TABLE 3.6: FOREIGN OWNERSHIP BY INDUSTRY SECTOR—SELECTED YEARS, PER CENT OF VALUE ADDED

	Foreign ownership			
'Direct'	*'Other Identified ownership'*	*Total foreign*	*Australian ownership*	
Mining[a]				
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
Minerals processing[b]				
1972–73	–	–	39.7[j]	60.3
1981–82	27.6	18.6	46.3	53.7
Manufacturing[c]				
1972–73	27.7	3.5	31.2	68.8
1982–83	28.4	4.5	32.9	67.1
1986–87	25.8	5.1	30.9	69.1
Private Sector Construction[d]				
1984–85	–	–	9.6[j]	90.4
Life insurance[e]				
1973	18.8	18.0	36.8	63.2
1983–84	24.5	15.8	40.3	59.7
General insurance[f]				
1972–73	–	–	45.4[j]	54.6
1983–84	32.5	1.6	34.1	65.9
Registered financial corporations[g]				
1984	26.5	9.4	35.9	64.1
1986	–	–	38.1[j]	61.9
Agricultural land[h]				
1983–84	–	–	5.9[j]	94.1
Transport[i]				
1983–84	–	–	5.1[j]	94.9
Banking[k]				
1986	–	–	21.0[j]	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, 1986–87 (Cat No 5322.0). Statistics for 1982–83 and 1986–87 are not directly comparable with those for 1972–73.

(d) Based on value added—ABS: Foreign Ownership and Control of the Private Sector Construction Industry, Australia, 1984–85 (Cat No 5343.0).

(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). Excludes the category 'Retailers'. At end of June 1986 assets (loans outstanding) reported for the category 'Retailers' were $63.8 million of which foreign ownership accounted for 100% per cent.

(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.

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
8. Foreign Takeovers Amendment Act 1989, No 14 of 1989—August 1989.
9. Foreign Acquisitions and Takeovers Regulations (Amendment), No 302—24 September 1991.

Policy statements

1. Statement by the Treasurer, the Hon Paul Keating, MP—Review of Foreign Investment Policy—20 December 1983
2. Statement by the Treasurer, the Hon Paul Keating, MP—Foreign Investment Policy and Stockbroking—18 April 1984
3. Statement by the Treasurer, the Hon Paul Keating, MP—Participation in Banking in Australia and Other Issues of Financial Deregulation—10 September 1984
4. Statement by the Treasurer, the Hon Paul Keating, MP—Foreign Investment Policy and Stockbroking—18 December 1984
5. Statement by the Treasurer, the Hon Paul Keating, MP—New Banking Authorities—27 February 1985
6. Statement by the Acting Treasurer, the Hon Chris Hurford, MP—Review of Foreign Investment Policy—29 October 1985
7. Statement by the Acting Treasurer, the Hon Chris Hurford, MP—Economic and Rural Policy Statement—15 April 1986
8. Statement by the Treasurer, the Hon Paul Keating, MP—Foreign Investment Policy Relaxations—28 July 1986
9. Statement by the Treasurer, the Hon Paul Keating, MP—Further Liberalisation of Foreign Investment Policy—30 April 1987
10. Statement by the Treasurer, the Hon Paul Keating, MP—Thin Capitalisation and Corporate Restructures in relation to Foreign Investment Policy—30 April 1987
11. Statement by the Treasurer, the Hon Paul Keating, MP—Foreign Investment Policy: Developed Residential Real Estate—29 September 1987
12. Statement by the Treasurer, the Hon Paul Keating, MP—Foreign Investment Policy: New Oil and Gas Developments—20 January, 1988.

13. Statement by the Treasurer, the Hon Paul Keating, MP—Proclamation of Foreign Takeovers Amendment Act 1989 and Gazettal of Foreign Acquisitions and Takeovers Regulations—6 July 1989.
14. Statement by the Treasurer, the Hon J. Kerin MP—Foreign Investment Policy: Integrated Tourism Resorts—25 July, 1991.

Publications

- Foreign Investment Review Board Reports: 1977 to 1990
- Australia's Foreign Investment Policy—A Guide for Investors, third edition, 1989, reprinted with amendments 1990.

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.

Attachment B

Foreign investment proposals— press releases by the Treasurer, 1990–91

No 46 Statement by the Treasurer, the Hon J.C. Kerin MP—Tate and Lyle and Bundaberg Sugar—11 June 1991

Attachment C

Summary of Australia's foreign investment policy as at December 1991

General

The Government's foreign investment policy is framed and administered with a view to encouraging foreign investment in Australia and ensuring that such investment is consistent with the needs of the community. The Government recognises the substantial contribution foreign investment makes to the development of Australia's industries and resources. Capital from other countries supplements domestic savings and provides scope for higher rates of economic activity and employment. Foreign capital also provides access to new technology, management skills and overseas markets.

Examination

The following types of proposals by foreign interests to invest in Australia are subject to examination:

- acquisitions of substantial interests in existing Australian businesses that have total assets of more than $5 million (more than $3 million for rural properties);
- proposals for the establishment of new businesses involving total investment of $10 million or more;
- proposals for investment in the media irrespective of size;
- direct investments by foreign governments or their agencies irrespective of size;
- proposals to acquire non-residential commercial real estate valued at $5 million or more; and
- proposals to acquire residential real estate irrespective of size (unless exempt under the regulations).

A *foreign interest* is briefly defined as:

- a natural person not ordinarily resident in Australia;
- any corporation, business or trust in which a single foreigner (and any associates) has 15 per cent or more of the ownership or in which several foreigners (and any associates) have 40 per cent or more of the ownership.

The Foreign Acquisitions and Takeovers Act 1975 applies to most examinable proposals and provides penalties for non-compliance. The text of the Act and associated Regulations and full details of the guidelines are contained in the booklet *Australia's Foreign Investment Policy—A Guide for Investors.*

Sectoral guidelines

The policy applicable to investment proposals subject to examination is outlined below:

Manufacturing, Services, Resource Processing, Non-Bank Financial Institutions, Insurance, Sharebroking, Tourism (Hotels and Resorts), Rural Properties, Primary Industry (other than non oil and gas Mining)

The Government approves proposals to acquire existing businesses or establish new businesses unless the proposal is contrary to the national interest.

Real Estate

Proposed acquisitions of real estate for development are normally approved unless they are contrary to the national interest.

Foreign interests are normally given approval to buy vacant residential land (on condition that construction of a dwelling is commenced within 12 months) and to buy home units, townhouses etc 'off-the-plan', under construction or newly constructed but never occupied, on condition that no more than half of the units in any one development are sold to foreign interests.

Proposed acquisitions of developed non-residential commercial real estate are normally approved, subject to the acquisition being made with 50 per cent Australian equity participation. Where Australian equity is not available, 100 per cent acquisitions by foreign interests are approved unless they are contrary to the national interest.

Proposed acquisitions of developed residential real estate are exempt from examination in the case of Australian citizens living abroad and foreign nationals entitled to permanent residence in Australia. Proposed acquisitions of residential property (both vacant land and existing dwellings) which are within the bounds of a resort that the Treasurer has designated as an 'Integrated Tourist Resort', are also exempt from examination. All other proposals by foreign interests to acquire developed residential real estate are examinable and are not normally approved except in the case of foreign companies buying for their senior executives resident in Australia and foreign nationals temporarily resident in Australia for more than 12 months (subject to the sale of the property when they cease to reside in Australia).

Mining

A proposal for a new (non oil and gas) mining project involving expenditure of $10 million or more is allowed to proceed if it is not contrary to the national interest and it provides for a minimum 50 per cent Australian equity and joint control. Where Australian equity participation is not available on reasonable terms and conditions, the 50 per cent guideline is applied flexibly. Proposals for acquisitions of existing mining businesses (other than oil and gas) need to demonstrate net benefits.

Banking

Following the entrance of additional foreign banks in 1985, the Government has indicated it does not envisage issuing further banking authorities to foreign interests not already holding a banking authority in Australia. The recent report on Banking and Deregulation by the House of Representatives Standing Committee on Finance and public Administration has recommended a review of this policy. Foreign investment in the banking sector needs to be consistent with the Banks (Shareholdings) Act 1972 and banking policy, including prudential requirements.

Civil Aviation

The guideline for proposals by foreign airlines flying to Australia are that they can generally expect approval to acquire up to 25 per cent of the equity in a domestic carrier individually or up to 40 per cent in aggregate provided the proposal is not contrary to the national interest. In special circumstances the Government is prepared to consider foreign equity proposals in excess of these guidelines provided the proposal is not contrary to the national interest. All other foreign investors (including those which do not operate an airline service to Australia) may acquire up to 100 per cent of a domestic carrier or establish a new aviation business unless judged contrary to the national interest. In the case of Australia's international flag carrier, Qantas, individual or aggregate foreign ownership is restricted to 35 per cent.

Radio and Television

Foreign investment in radio and television is governed by the Broadcasting and Television Act 1942. The Act provides that a 'foreign person', as defined in that Act, may not hold or control, directly or indirectly, more than 15 per cent of the issued capital or voting rights in a licensee company, and that two or more 'foreign persons' may not hold or control in aggregate more than 20 per cent of the issued capital or voting rights in a licensee company.

Newspapers

Foreign investment in mass circulation newspapers is restricted. All proposals by foreign interests to acquire an interest in or to establish a newspaper in Australia are subject to case-by-case examination.

Uranium

Foreign interests may explore for uranium and are not required to seek Australian participation in their exploration activities. With respect to development of uranium projects, the Government's policy provides for the continuing operation of the existing Ranger and Nabarlek projects in the Northern Territory and the development of the Olympic Dam copper/uranium/gold deposit in South Australia, but for no other uranium mines to be developed.

Naturalisation

A company may be granted naturalised status if (i) it is at least 51 per cent Australian owned; (ii) its Articles of Association provide for a majority of board members to be Australian citizens; and (iii) general understandings have been reached about the company's autonomy and to ensure that its operations and policies are determined by the Australian board. A naturalising company must be at least 25 per cent Australian owned and have given a public commitment to increase Australian equity to 51 per cent on a generally agreed timetable. It must also meet conditions (ii) and (iii) for naturalised companies.

The only criterion for approval of examinable proposals by naturalised and naturalising companies (other than in the uranium, civil aviation, media and banking sectors) is that proposals be judged not contrary to the national interest, except that in establishing new mining projects of $10 million or more in partnership with other foreign interests the naturalised/naturalising companies should hold at least 50 per cent of the equity in the joint venture.

Statistical appendix

List of tables

Limitations of the data

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. Several major qualifications must be borne in mind in seeking to draw conclusions from these statistics.
   (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 necessarily 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) The real estate statistics include annual programs approved for real estate developers for unspecified purchases up to an agreed dollar amount and 'off-the-plan' approvals for developers to sell up to 50 per cent of residential real estate developments to foreign interests. It is almost certain that some of these annual program and 'off-the-plan' approvals will not be fully utilised.

   (c) Proposed expenditures on development are recorded against the year in which they are approved. Actual expenditure may be spread over several years. Moreover, the aggregate data can be influenced significantly by relatively few, very large proposed investments. For example, in 1990–91, about 70 per cent of the total expected investment resulted from only 84 proposals.
   (d) 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.
   (e) The data are restricted to investments that come within the ambit of the Foreign Acquisitions and Takeovers Act 1975 and the Government's foreign investment policy and, therefore, do not cover several categories of new business proposals involving total investment of less than $10 million, expansions of the existing Australian activities of foreign businesses that are often quite substantial or a significant amount of foreign investment of a portfolio nature that fallsoutside the Foreign Acquisitions and Takeovers Act 1975.
   (f) For a number of reasons the statistics for 1987–88, 1988–89, 1989–90 and 1990–91 are not comparable with those for earlier years or with each other. Firstly, policy changes have altered the range of investment proposals that 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) were approved automatically in anticipation of amendments announced by the Government to the Foreign Acquisitions and Takeovers Act 1975 to exempt them from its provisions. Such proposals were not included in the statistics for the last two months of 1986–87 and for the whole of 1987–88 and 1988–89. As from August 1989 when the legislative amendment came into force, such proposals are not even notifiable. More significantly, the real estate policy change of 29 September 1987 abolished the threshold that had previously exempted from examination foreign purchases of urban real estate up to a cumulative level of $600,000. This resulted in a very large increase in the number of real estate proposals examined. As from the gazettal of the Foreign Acquisitions and Takeovers Regulations in August 1989, however, a range of non-controversial real estate proposals has been exempted from examination and the number of real estate proposals correspondingly reduced. Secondly, in some years prior to 1986–87, 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 statistics in subsequent years, partly because of resource constraints and partly to minimise arbitrariness.

   Considerable caution must, therefore, be exercised in seeking to use the statistics of foreign investment proposals as indicators of the total level of foreign direct investment activity in Australia and for other purposes.
2. With the exception of Table A.1 (which includes 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.

TABLE A.1: PROPOSALS BY NUMBER AND TOTAL EXPECTED EXPENDITURE, 1987–88 TO 1990–91(a)

	1987–88[a]		*1988–89*		*1989–90*		*1990–91*	
Type of proposal	*No*	*$b*	*No*	*$b*	*No*	*$b*	*No*	*$b*
Approved unconditionally	1641	18.4	1879	19.7	1066	13.7	928	12.7
Approved with conditions	1450	6.4	2519	12.3	1554	10.4	1597	7.6
Total Approved	3091	24.9	4398	32.0	2620	24.1	2525	20.2
Rejected	100	0.1	77	0.5	61	0.4	69	1.9
Total Decided	3191	24.9	4475	32.6	2681	24.5	2594	22.2
Approved automatically [b]	424		350		–		–	
Withdrawn	139		338		232		235	
Total Considered	3330		4813		2913		2829	

Notes:

(a) Policy changes during 1987 and 1989 varied the range of examinable proposals, as a result of which figures are not comparable from year to year.

(b) In anticipation of amendments to the Foreign Takeovers Act, proposed acquisitions of businesses with total assets of $5 million or less ($3 million or less for rural land) were approved automatically in 1987–88 and 1988–89 and expenditure data was not recorded for statistical purposes.

TABLE A.2: PROPOSALS FOR ACQUISITIONS AND NEW BUSINESSES, BY INDUSTRY SECTOR, 1990–91

Industry Sector	*No of proposals*	*Consideration $billion*	*Expected development expenditure $billion*	*Total[a] expected investment $billion*
AGRICULTURE, FORESTRY & FISHING				
— acquisitions	24	0.29	–	0.29
— new businesses	–	–	–	–
— total	24	0.29	–	0.29
MINERAL EXPLORATION & DEVELOPMENT				
— acquisitions	69	2.84	0.02	2.86
— new businesses	11	–	2.57	2.57
— total	80	2.84	2.59	5.44
MANUFACTURING				
— acquisitions	103	3.06	0.01	3.07
— new businesses	7	–	0.05	0.05
— total	110	3.06	0.06	3.13
FINANCE & INSURANCE				
— acquisitions	38	0.71	–	0.71
— new businesses	3	–	0.03	0.03
— total	41	0.71	0.03	0.74
SERVICES(EXCL TOURISM)				
— acquisitions	97	2.26	0.01	2.27
— new businesses	10	–	–	–
— total	107	2.26	0.01	2.27
TOURISM[b]				
— acquisitions	41	1.14	0.23	1.37
— new businesses	9	–	0.48	0.48
— total	50	1.14	0.72	1.86
REAL ESTATE	2022	4.0	1.65	5.65
RESOURCE PROCESSING				
— acquisitions	9	0.79	–	0.79
— new businesses	3	–	0.08	0.08
— total	12	0.79	0.08	0.87
TOTAL				
— acquisitions	2403	15.10	1.92	17.02
— new businesses	43	–	3.22	3.22
— TOTAL	2446	15.10	5.14	20.24
Financing arrangements & corporate restructures	79			

Notes:

(a) Total expected 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) See footnote (a) on Table A.6 for definition of Tourism.

TABLE A.3: PROPOSALS OVER $50 MILLION FOR ACQUISITIONS AND NEW BUSINESSES BY INDUSTRY SECTOR, 1990–91

Industry Sector	*No of proposals*	*Consideration $billion*	*Expected development expenditure $billion*	*Total expected investment $billion*
MINERAL EXPLORATION & DEVELOPMENT				
— $100m & over	15	2.02	2.35	4.37
— $50m–$100m	7	0.34	0.15	0.49
— total $50m & over	22	2.36	2.50	4.86
MANUFACTURING				
— $100m & over	7	1.94	–	1.94
— $50m–$100m	5	0.39	–	0.39
— total $50m & over	12	2.33	–	2.33
FINANCE & INSURANCE				
— $100m & over	1	0.18	–	0.18
— $50m–$100m	4	0.24	–	0.24
— total $50m & over	5	0.42	–	0.42
SERVICES(EXCL TOURISM)				
— $100m & over	6	1.35	–	1.35
— $50m–$100m	1	0.07	–	0.07
— total $50m & over	7	1.42	–	1.42
TOURISM[a]				
— $100m & over	4	0.45	0.28	0.73
— $50m–$100m	7	0.30	0.23	0.53
— total $50m & over	11	0.75	0.51	1.26
REAL ESTATE				
— $100m & over	12	1.66	0.59	2.25
— $50m–$100m	11	0.44	0.41	0.85
— total $50m & over	23	2.10	1.00	3.11
OTHER[b]				
— $100m & over	4	0.88	–	0.88
— $50m–$100m	–	–	–	–
— total $50m & over	4	0.88	–	0.88
TOTAL				
— $100m & over	49	8.48	3.22	11.69
— $50m–$100m	35	1.78	0.79	2.57
— TOTAL $50m & over	84	10.26	4.01	14.27

Notes:

(a) see footnote(a) of Table A.6 for definition of Tourism.

(b) 'Other' comprises three proposals in the resource processing sector and one proposal in the agriculture, forestry and fishing sector.

TABLE A.4: TOTAL EXPECTED INVESTMENT ASSOCIATED WITH PROPOSALS, BY COUNTRY OF INVESTOR AND INDUSTRY SECTOR, 1990–91

Industry Sector	*USA* $m	*UK* $m	*Germany* $m	*Other EEC* $m	*Switzerland* $m	*Canada* $m	*NZ* $m	*Japan* $m	*Singapore* $m	*Malaysia* $m	*Korea* $m	*Hong Kong* $m	*World Other* $m	*Sub-total* $m	*Aust (a)* $m	*Total* $m
Agric, forestry & fishing	150	51	–	17	–	–	–	9	–	7	–	2	18	254	37	291
Mineral exploration & development	980	528	40	232	33	–	552	627	–	23	–	–	547	3562	1877	5439
Manufacturing	575	1175	9	15	20	19	117	823	15	26	–	26	230	3049	77	3127
Finance & insurance	32	93	–	332	25	–	44	42	16	–	–	16	75	676	61	737
Services (excl tourism)	1349	153	117	116	15	6	35	240	–	36	–	44	113	2224	46	2270
Tourism[c]	30	3	–	–	–	–	188	1242	9	67	–	139	181	1858	1	1859
Real estate	591	832	23	21	6	5	166	1803	169	203	5	152	1489[d]	5464	184	5648
Resource processing	217	56	86	–	214	–	–	252	–	–	–	–	–	824	47	870
Total	3925	2891	274	733	313	30	1102	5037	208	363	5	379	2652	17910	2331	20241
Number of proposals[b]	188	266	72	59	35	26	41	550	122	90	13	177	861	2500	116	2616

Notes:

(a) 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.

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

(c) See footnote (a) of Table A.6 for definition of Tourism.

(d) This figure includes 'off-the-plan' approvals to real estate developers (see Chapter 2 for explanation) which have been recorded as World Other because the country of investors in not known in advance.

TABLE A.5: PROPOSALS BY LOCATION OF EXPECTED INVESTMENT 1990–91[b]

State or Territory	*Number*	*Consideration* $billion	*Expected development expenditure* $billion	*Total expected investment* $billion
New South Wales	624	3.89	0.99	4.88
Victoria	259	0.55	0.07	0.61
Queensland	951	2.70	2.30	5.00
Western Australia	367	0.96	1.63	2.59
South Australia	52	0.12	–	0.12
Tasmania	13	0.03	–	0.03
Aust Capital Territory	19	0.03	0.09	0.12
Northern Territory	12	0.13	0.04	0.17
Other[a]	228	6.71	0.03	6.74
TOTAL	2525	15.10	5.14	20.24

Notes:

(a) Includes off-shore takeovers and proposals where the expenditure was expected to be undertaken in more than one State or Territory.

(b) The symbol '–' indicates an aggregate figure of less than five million dollars.

TABLE A.6: EXPECTED INVESTMENT ASSOCIATED WITH TOURISM PROPOSALS(a), BY COUNTRY OF INVESTOR AND LOCATION OF INVESTMENT, 1989–90 AND 1990–91 $ MILLION

Location	Japan		Hong Kong		ASEAN		World Other		EC (inc UK)		NZ		Sub-total		Aust		Total(c)	
	89–90	90–91	89–90	90–91	89–90	90–91	89–90	90–91	89–90	90–91	89–90	90–91	89–90	90–91	89–90	90–91	89–90	90–91
NSW	1597	364	89	18	122	28	29	5	–	–	6	–	1842	415	86	1	1928	416
QLD	765	741	24	65	–	–	115	25	32	15	80	7	1016	852	26	–	1042	852
WA	297	137	–	–	40	84	–	–	–	–	–	–	338	221	–	–	338	221
Other(b)	–	–	19	56	–	84	23	46	16	3	179	182	237	370	346	–	584	370
TOTAL	2659	1242	131	139	162	196	168	75	48	18	265	188	3434	1858	458	1	3892	1859

Notes:
(a) Tourism proposals defined by reference to Australian Standard Classification numbers 9138, 9141, 9143, 9144, 9232, 9241, 9242.
(b) Other comprises expenditure in the other States and the Territories and also expenditure to be undertaken in more than one State or Territory.
(c) Includes acquisitions of tourism businesses involving assets of over $5 million and establishment of new tourism projects involving total investment of $10 million or more. New tourist projects are not recorded as such in the statistics unless total investment is to exceed $10 million. For example, a proposal by a foreign investor to build a $9 million motel would be classified as a new $12 million tourism business. By contrast, a proposal to buy land valued at $3 million to build a $3 million motel would not be examinable under foreign investment policy as a new tourism business (because total investment is less than $10 million) but would be examinable as an acquisition of commercial real estate for development and recorded as such.

TABLE A.7: EXPECTED INVESTMENT IN URBAN REAL ESTATE BY TYPE AND NUMBER OF PROPOSALS, 1990–91

	Number of Proposals	Consideration $billion	Expected Development Expenditure $billion	Total Expected Investment $billion
DEVELOPED RESIDENTIAL	762	0.18	–	0.18
RESIDENTIAL FOR DEVELOPMENT				
— ordinary approvals	979	0.45	0.94	1.39
— off-the-plan approvals	157	1.19	–	1.19
— annual programs	4	0.11	–	0.11
TOTAL RESIDENTIAL FOR DEVELOPMENT	1140	1.75	0.94	2.69
DEVELOPED COMMERCIAL	82	1.69	0.01	1.69
COMMERCIAL FOR DEVELOPMENT				
— ordinary approvals	35	0.29	0.70	0.99
— annual programs	2	0.08	–	0.08
TOTAL COMMERCIAL FOR DEVELOPMENT	37	0.37	0.70	1.07
Sub-Total	2021	3.98	1.65	5.63
Acquisitions of real estate related businesses	1	0.02	–	0.02
TOTAL	2022	4.00	1.65	5.65

Note: The symbol '–' indicates an aggregate figure of less than five million dollars.

TABLE A.8: EXPECTED INVESTMENT IN DEVELOPED RESIDENTIAL REAL ESTATE, BY CATEGORY OF INVESTOR 1990–91

Category of Investor	*No of Expected Proposals*	*Investment $million*
Australian citizens abroad [(a)]	114	27.8
Intending migrants [(a)]	26	22.2
Company purchases for senior executives	61	29.9
Foreign nationals temporarily resident in Australia [(b)]	528	91.2
Other [(c)]	33	7.1
TOTAL	762	178.2

Notes:

(a) Acquisitions of residential real estate by Australian citizens living abroad, approved migrants and other foreign nationals entitled to permanent residence in Australia became exempt from examination in August 1989. The figures in these two rows include purchases by couples where one partner is an Australian citizen and the other is their foreign national spouse, and purchases by approved migrants who, although entitled to permanent residence in Australia, are currently residing abroad.

(b) Foreign nationals temporarily resident in Australia for a period exceeding 12 months are normally permitted to buy developed residential real estate, on condition that the property is sold when the person leaves Australia.

(c) 'Other' comprises transfers of property within family groups, 'swap' proposals where non-residents with an existing residential property are given approval to buy a different property on condition that the first one is sold, and acquisitions resulting from raffles, art unions etc.

TABLE A.9: TOTAL EXPECTED INVESTMENT IN URBAN REAL ESTATE BY CATEGORY OF REAL ESTATE AND LOCATION OF INVESTMENT, 1990–91

Location	*Commercial for development*	*Developed commercial*	*Developed residential*	*Residential for development*	*TOTAL*
	$billion	*$billion*	*$billion*	*$billion*	*$billion*
New South Wales	0.51	0.77	0.09	0.87	2.25
Victoria	–	0.12	0.03	0.05	0.20
Queensland	0.33	0.44	0.04	1.46	2.27
Western Australia	0.12	0.05	0.01	0.17	0.35
Other [(a)]	0.12	0.31	0.01	0.13	0.56
TOTAL	1.07	1.69	0.18	2.69	5.63
Number of proposals	37	83	762	1140	2021

Note:

(a) 'Other' includes Australian Capital Territory, Northern Territory, Tasmania and South Australia, and annual programs covering more than one State or Territory.

TABLE A.10: ACQUISITONS OF RURAL LAND INVOLVING PROPERTIES[a] WITH TOTAL ASSETS OF $3 MILLION OR MORE, 1990–91

Location	*Number of Proposals*	*Total Expected Investment $million*
New South Wales	10	197
Queensland	6	64
Other[b]	3	15
TOTAL	19	275

Notes:

(a) The total area involved in these 19 proposals was 1.26 million hectares.

(b) 'Other' comprises two properties in Western Australia and one proposal to acquire a company that owns rural land in more than one State.