

Chapter 2

Foreign Investment Proposals

Foreign Investment Proposals

This chapter provides statistical information on the proposals submitted in 2003-04 for examination under Australia's foreign investment policy and comments on some of the larger cases. There is also a section covering the Board's monitoring and compliance activities.

Limitations of the Board's data

While the Board's statistics provide a useful source of data on foreign direct investment in Australia, it urges particular caution in their use, including when making comparisons with earlier years. There are substantial differences between the Board's statistics and those from the Australian Bureau of Statistics (ABS), set out in Chapter 4 of this Report, which seek to measure a wider range of investment transactions between residents of Australia and non-residents.

The statistics contained in this Report are not a comprehensive measure of all foreign investment inflow in any year, nor do they purport to measure changes in levels of foreign ownership of particular industries. The data are restricted to investments within the scope of the *Foreign Acquisitions and Takeovers Act 1975* (the Act) and the Government's foreign investment policy.

- The data does not cover foreign portfolio investments, direct foreign investments below the notification thresholds, new businesses below the notification thresholds, expansions of existing foreign-owned businesses in Australia (both in existing areas and into related areas) and sales by foreign investors to Australian residents. The current notification/examination thresholds for the various sectors are specified in the policy summary at **Appendix A**.
- The figures provide no indication of the source of the investment funds. 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. Some (or in some cases all) of the proposed funds to be invested may be contributed by Australians, for example, where they are in partnership with foreign interests or the purchase is financed from existing Australian operations.
- The database that records all foreign investment proposals requires proposals to be categorised into sub-codes and does not allow for diversified companies.
- The figures do not reflect all changes in foreign ownership levels as, in some cases, both the vendor and purchaser are defined as a 'foreign person' under the Act.

Foreign Investment Review Board Annual Report 2003-04

The FIRB statistics are also not a reliable indicator of trends in foreign investment inflows because:

- they are inherently irregular and 'lumpy' (that is, there is a tendency for a few large investments to skew any one year's figures);
- they include proposals approved which may not be implemented, or could be implemented over a number of years; and
- major liberalisations of foreign investment policy that have occurred since the mid-1980s limit comparability over time.
 - For example, the increase in the notification exemption thresholds from \$5 million to \$50 million on 10 September 1999 has acted to reduce the number of proposals and proposed investment values for existing business assets as well as commercial real estate in 2003-04 compared with previous years.

The term 'proposed investment' is used widely throughout this Report. Proposed investment is the aggregation of:

- the proposed cost of acquisition (including shares, real estate or other assets);
- the value of the Australian assets of merging companies;
- the proposed cost of development following acquisition; and
- for new businesses, the proposed cost of both establishment and development.

Applications decided in 2003-04

Chart 2.1 depicts the number of applications decided, divided into real estate and other sectors over the past seven years. Chart 2.2 shows the value of that proposed investment associated with decided applications.

Chart 2.1: Applications decided — number

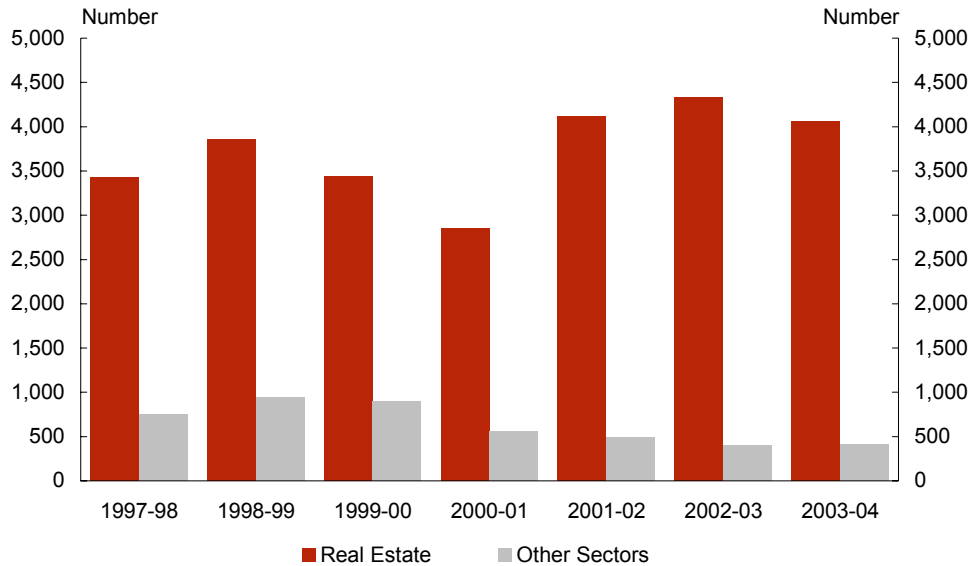
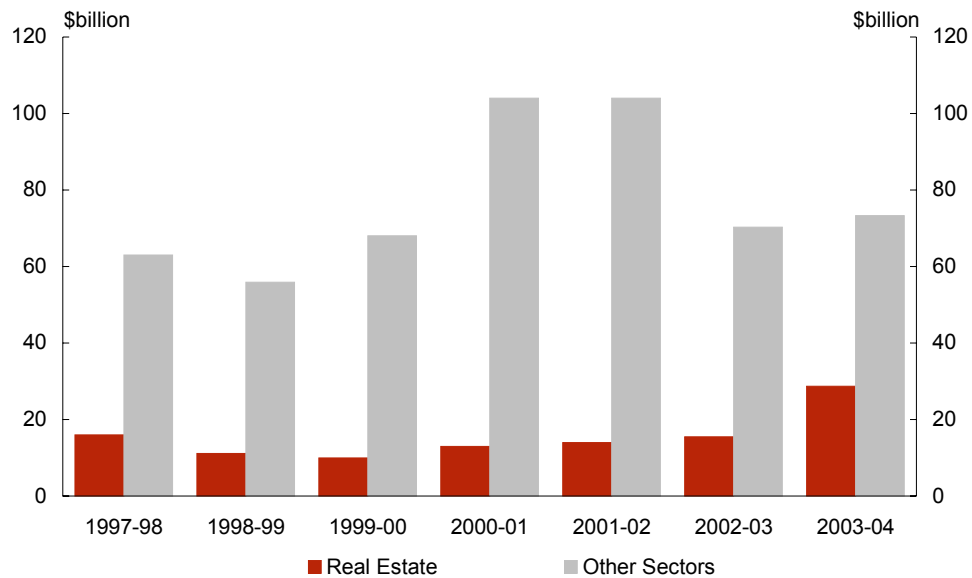


Chart 2.2: Applications decided — proposed investment



The number of applications decided during 2003-04 was around 5 per cent lower than in 2002-03. The value of proposed foreign investment associated with those applications decided in 2003-04 was more than 16 per cent higher than the level in 2002-03. A breakdown of the outcome for applications considered over the last four years is provided in Table 2.1. Sixty-four proposals were rejected in 2003-04, or

1.4 per cent of all decided proposals. All of these rejections were in the real estate sector.

Table 2.1: Applications considered (number and proposed investment) 2000-01 to 2003-04

Action	2000-01		2001-02		2002-03		2003-04	
	No.	\$b	No.	\$b	No.	\$b	No.	\$b
Approved unconditionally	1,003	80.0	1,041	70.2	1,105	53.5	995	58.9
Approved with conditions	2,298	26.3	3,405	47.7	3,562	32.2	3,452	43.1
Total approved	3,301	106.4	4,446	117.9	4,667	85.7	4,447	102.0
Rejected	46	9.7	77	0.1	80	-	64	0.1
Total decided	3,347	116.0	4,523	118.0	4,747	85.8	4,511	102.1
Withdrawn	318	-	402	-	365	-	319	-
Total	3,665		4,925		5,112		4,830	

Note: Totals may not add due to rounding.
'-' indicates a figure of zero.

Foreign investors are encouraged to discuss potential or actual proposals with the Board's executive to ensure the proposals are consistent with policy. As a result, proposals clearly inconsistent with policy may not proceed to a decision, that is, they are not lodged or, if lodged, are withdrawn. Alternatively the proponent may modify a proposal to ensure it conforms with policy. The data for withdrawn cases reflect proposals that do not proceed for commercial or personal reasons, as well as those cases that are withdrawn by the parties instead of proceeding to a formal rejection. The low rejection rate reflects the consultative approach taken in the administration of foreign investment policy, particularly with respect to real estate proposals.

The bulk of conditional approvals were in the real estate sector. Only 53 proposals outside the real estate sector were approved subject to conditions. The main type of condition that was applied in the non-real estate sectors related to the period that the approval would stand, which is ordinarily 12 months. For real estate, of the 4,059 proposals approved, 3,452 proposals were approved with various conditions. These included conditions relating to the period during which development should commence, the need for temporary residents to reside in and sell dwellings when they cease to reside in Australia, or the imposition of reporting requirements on 'off-the-plan' sales.

Approvals by sector

General summary

Table 2.2 provides details for 2003-04 of approved proposals for each sector and the associated proposed investment on acquisitions and new businesses. Chart 2.3 shows the percentage value of the proposed investment in each sector. The bulk of the total proposed investment is attributable to the proposed cost of the acquisitions. The skewing of the foreign investment data towards the acquisition costs is a consequence

of the notification requirements, as the expansion of existing businesses generally does not require foreign investment approval. Bearing in mind the limitations of the Board's data noted at the beginning of this chapter, the following general points can be made:

- the services (excluding tourism) sector attracted the largest amount of proposed investment, with approvals totalling \$34.8 billion; and
- other major sectors were real estate (\$28.7 billion), manufacturing (\$23.1 billion), mineral exploration and development (\$10.4 billion), and finance and insurance (\$2.65 billion).

Table 2.2: Total approvals by industry sector in 2003-04 (\$billion)

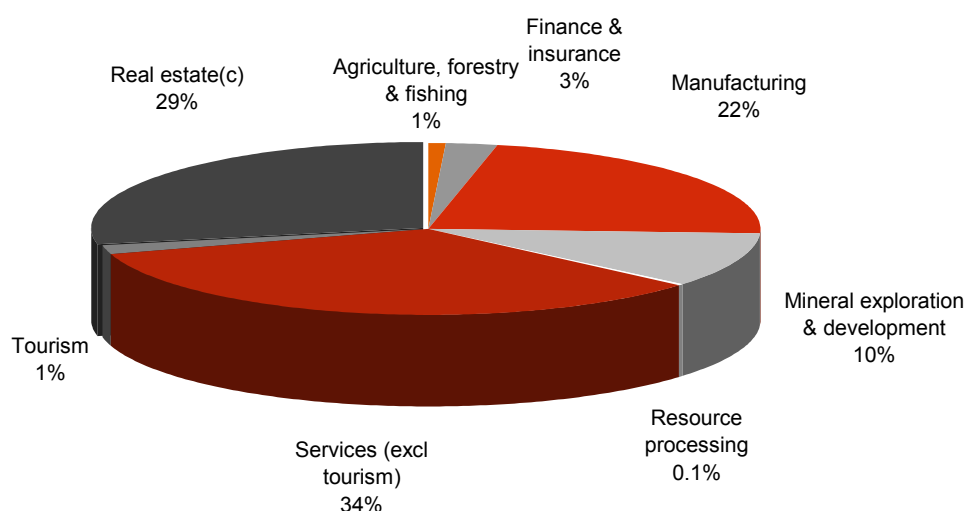
Industry sector(a)	Number of approvals(b)	Acquisition cost	Proposed investment on development	Total proposed investment
Agriculture, forestry & fishing	7	0.78	-	0.78
Finance & insurance	23	2.44	0.21	2.65
Manufacturing	56	22.67	0.39	23.06
Mineral exploration & development	63	6.89	3.50	10.39
Resource processing	4	0.14	-	0.14
Services (excl tourism)	111	30.45	4.33	34.78
Tourism	40	1.43	0.04	1.47
Real estate(c)	4,059	17.44	11.30	28.74
Total	4,363	82.24	19.77	102.01

Note: Totals may not add due to rounding.

'-' indicates a figure of zero.

- (a) Data have been compiled by reference to the Australian and New Zealand Standard Industrial Classification published by the ABS, except proposals involving newspaper printing and publishing which have been allocated to service industries (the ABS classifies these under manufacturing). Acquisitions of 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.
- (b) Excludes 84 proposals involving financing arrangements and corporate restructures.
- (c) Total proposed investment in the real estate sector may be overstated as it includes expenditure for 'annual programs' and 'off-the-plan' approvals granted to real estate developers. A significant proportion of the dwellings covered by individual advance approvals are not ultimately sold to foreign persons.

Chart 2.3: Approvals by industry sector in 2003-04 — by value



Agriculture, forestry and fishing

Total proposed investment during 2003-04 in the agriculture, forestry and fishing sector was \$782.9 million, a noticeable increase from just \$96.2 million in 2002-03. However, at least \$700 million of this figure relates to two proposed investments which ultimately did not proceed.

Finance and insurance

Total proposed investment in the finance and insurance sector decreased from \$6.6 billion in 2002-03 to \$2.65 billion in 2003-04. There were 23 proposals approved, of which nine involved expected investment in excess of \$100 million.

One of the larger proposals was the proposed indirect acquisition by Globale Management GmbH of Gerling Global Group of Australia Pty Ltd, Gerling Global Reinsurance Company of Australia Pty Ltd and Gerling Global Life Reinsurance Company of Australia Pty Ltd.

Manufacturing

Total proposed investment in the manufacturing sector was \$23.1 billion in 2003-04, an increase from \$21.7 billion in 2002-03. Proposals in the energy production and distribution (electricity and gas) industries accounted for \$13.2 billion of the total investment. This was a slight decrease from \$13.7 billion in 2002-03.

In the food and beverage industries there were two significant proposals. No objections were raised to Coca-Cola Amatil acquiring Berri Limited for a consideration of \$375 million. This proposal did not proceed following action taken by the Australian

Competition and Consumer Commission (ACCC). Allied Domecq Plc's proposed acquisition to increase its interest in Peter Lehmann Wines Limited from 14.5 per cent to 100 per cent received approval, but also ultimately did not proceed. Table 2.3 gives a breakdown of manufacturing sector investment approved in 2003-04.

Table 2.3: Manufacturing sector approvals by number and total proposed investment in 2003-04 (\$billion)

Industry sector(a)	Number of approvals	Acquisition cost	Proposed investment on development	Total proposed investment
Chemical, petroleum and coal products	7	0.60	-	0.60
Electricity and gas	23	12.79	0.38	13.17
Food, beverages and tobacco	10	2.30	-	2.30
Machinery and equipment	5	3.20	-	3.20
Metal products	6	1.01	-	1.01
Wood, wood products and furniture	1	0.55	-	0.55
Other(b)	4	2.23	0.00	2.24
Total	56	22.67	0.39	23.06

Note: Totals may not add due to rounding.

'-' indicates a figure of zero and '0.00' indicates a figure of less than \$5 million.

(a) Acquisitions of 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.

(b) Includes investment in paper and paper products, fabricated metal products, transport equipment, other machinery and equipment, water, sewerage and drainage and miscellaneous manufacturing.

Mineral exploration and development

Total proposed investment in the minerals sector was \$10.4 billion in 2003-04, a decrease from \$11.5 billion in 2002-03.

Of the 63 approved proposals this year, 20 exceeded \$100 million in value. Three of the larger cases in this sector were Placer Dome Inc's acquisition of East African Gold Mines Limited for \$344 million, the acquisition by the Indonesian-owned Medco Energi (Australia) Pty Limited of Novus Petroleum Ltd for \$356 million and the acquisition by China National Offshore Oil Company of an interest in the North West Shelf project for a consideration of \$535 million. Table 2.4 gives a breakdown of investment approved in the mineral exploration and development sector.

Table 2.4: Minerals sector approvals by number and total proposed investment: 2002-03 and 2003-04 (\$billion)

Industry sector	Acquisitions				New businesses			
	No of approvals		\$billion		No of approvals		\$billion	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Coal	12	19	5.53	1.89	2	1	0.14	0.38
Gold	12	12	2.29	1.15	4	-	0.13	-
Oil and gas	6	9	0.79	1.72	2	3	0.56	3.12
Metallic minerals excluding gold	15	16	1.84	2.04	1	-	0.20	-
Other	-	-	-	0.09	-	3	-	0.00
Total	45	56	10.45	6.89	9	7	1.03	3.50

Note: Totals may not add due to rounding.

'-' indicates a figure of zero and '0.00' indicates a figure of less than \$5 million.

Resource processing

Total approved investment in resource processing was \$137 million in 2003-04, compared with \$5.2 billion in 2002-03 (which included \$3.6 billion for one major investment proposal for the expansion of a natural gas plant in the Northern Territory). All four proposals approved this year were for relatively small investments in smelting/refinery businesses in Western Australia.

Services industries (excluding tourism)

During 2003-04, 111 proposals were approved for investment in the services industries sector (excluding tourism), comprising 14 proposals to establish new businesses and 97 proposed acquisitions of interests in existing businesses. The total proposed investment for the establishment of new and existing businesses was \$34.8 billion.

There were 40 proposals involving an investment of over \$100 million. Of these, six were for more than \$1 billion. A larger proposal that ultimately did not proceed was Enbridge Incorporated's proposed acquisition of the Dampier to Bunbury pipeline in Western Australia via an acquisition of shares in the Epic Group for \$2 billion. A notable corporate reorganisation in this sector was the relocation of the place of company incorporation by The News Corporation Limited to the United States.

Table 2.5 gives a breakdown of investment in the service industries (excluding tourism) sector.

Table 2.5: Services sector (excluding tourism) approvals by number and total proposed investment in 2003-04 (\$billion)

Industry sector(a)	Number of approvals	Acquisition cost	Proposed investment on development	Total proposed investment
Communications	38	17.96	0.71	18.67
Health	4	1.10	-	1.10
Property and business services	17	1.11	-	1.11
Trade - retail	11	2.60	-	2.60
Trade - wholesale	9	1.15	-	1.15
Transport(b)	18	1.60	3.63	5.22
Transport - other (including pipelines)	9	3.97	-	3.97
Other(c)	5	0.97	0.00	0.97
Total	111	30.45	4.33	34.78

Note: Totals may not add due to rounding.

'-' indicates a figure of zero and '0.00' indicates a figure of less than \$5 million.

(a) Acquisitions of 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.

(b) Includes road, rail, air and water transport services.

(c) Includes general construction services and entertainment and recreational services.

Tourism

Total approved foreign investment in the tourism sector decreased from \$1.7 billion in 2002-03 to \$1.5 billion in 2003-04. Of the 40 proposals approved, five involved proposed investment in excess of \$100 million, mainly in relation to acquisitions of interests in hotels and resorts.

Real estate

Urban land is defined under the Act to be all land that is not used wholly and exclusively for carrying on a business of primary production. Reflecting concerns over foreign ownership of urban land, the policy places certain restrictions on acquisitions in this sector. As a result, all proposals relating to urban real estate need to be submitted for examination, unless explicitly exempted by the regulations (see **Appendixes A and E**).

Table 2.6 gives a breakdown of approved investments in urban real estate in 2003-04. The number of approvals decreased from 4,256 in 2002-03 to 4,059 in 2003-04. Total proposed investment associated with these proposals rose from \$15.5 billion in 2002-03 to \$28.7 billion in 2003-04, reflecting high levels of proposed investment in developments, and significant general price increases experienced in the property market.

Table 2.6: Investment in urban real estate by type and number of proposals approved in 2003-04 (\$ billion)

	Number of approvals	Consideration	Proposed development expenditure	Total proposed investment
Residential				
Developed	1,946	1.14	-	1.14
For development				
- ordinary approvals	1,126	1.51	5.24	6.75
- off-the-plan				
individual	574	0.28	-	0.28
developer	292	9.06	-	9.06
Sub-total 'off-the-plan'	866	9.34	-	9.34
- annual programs	7	0.66	0.43	1.09
Sub-total 'For development'	1,999	11.51	5.66	17.17
Sub-total residential	3,945	12.65	5.66	18.31
Commercial				
Developed	51	4.20	0.25	4.45
For development				
- ordinary approvals	56	0.56	5.38	5.94
- annual programs	7	0.03	0.01	0.03
Sub-total 'For development'	63	0.59	5.39	5.98
Sub-total commercial	114	4.79	5.64	10.43
Total	4,059	17.44	11.30	28.74

Note: Totals may not add due to rounding.
'-' indicates a figure of zero.

Real estate for development

During 2003-04, 1,999 proposals were approved for the acquisition of residential real estate for development (including eligible redevelopment), a decrease from the 2,186 proposals approved in 2002-03. However, proposed development expenditure increased from approximately \$1.8 billion in 2002-03 to \$5.7 billion in 2003-04.¹

Ordinary approvals comprise the purchase of broadacres for residential subdivision, vacant building blocks for single dwelling construction and integrated residential developments (such as townhouse and high rise units) on vacant or non-vacant land. Some 1,126 proposals (1,233 in 2002-03) by foreign interests to acquire residential real estate for development were approved in 2003-04, with a total proposed investment of \$6.75 billion (\$2.28 billion 2002-03). Such approvals are subject to a condition that continuous development must commence on the land/site within 12 months of approval. In addition, the parties are required to report on the completion of

¹ As a consequence of changes in the Government's foreign investment policy applying from September 1999, the acquisition of house and land packages, where construction has not commenced, are treated as vacant land for development rather than falling under the 'off-the-plan' category.

development to demonstrate compliance with the development condition. The Government views seriously any breaches of these development conditions (see section below on Compliance).

In 2003-04, 574 proposals from individuals were approved under the **'off-the-plan'** arrangements, involving proposed investment of around \$300 million. In addition, there were 292 applications approved from real estate developers seeking 'advance approval' to sell property 'off-the-plan' to foreign persons (compared with 320 in the previous year). The value of such developments rose from \$6.1 billion to \$9.1 billion.

Certain points should be noted in relation to the Board's statistics dealing with 'off-the-plan' applications. First, the Board's figures overstate the likely extent of foreign purchases as few developers with 'off-the-plan' approvals will sell the full 50 per cent of the dwellings in their developments to foreign purchasers. There is also a significant lag between the granting of approvals and receipt of reports of actual sales.

Secondly, the 'off-the-plan' category has zero proposed development expenditure recorded against it. In the case of 'individual off-the-plan' the consideration relates to the proposed amount payable by foreign interests for newly completed dwellings.

The **'annual program'** arrangements allow developers to apply for 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 developments undertaken. The granting of such an approval does not relieve the developer of responsibility for complying with the general requirements of foreign investment policy and relates only to the purchase of land up to the agreed amount. In 2003-04, 13 annual programs were approved, involving proposed acquisition costs totalling approximately \$690 million with an additional proposed development expenditure of \$1.12 billion.

Approval was given to 56 proposals to purchase land for **commercial development** involving total proposed investment of \$5.9 billion. This was a slight increase on the 50 proposals approved during 2002-03 but a significantly higher level of proposed investment in monetary terms. However, \$3.3 billion of this investment was attributable to a single proposal involving the purchase of commercial real estate for construction of a facility in the resource processing sector, with \$3 billion of that amount representing the proposed construction costs. Of the remaining \$2.6 billion, around \$530 million represented the acquisition costs of real estate, with the remainder representing the estimated development costs.

There was an increase from 24 in 2002-03 to 26 in 2003-04 in the number of **rejections** in relation to the proposed acquisition of residential real estate for development. The rejections were in most cases for one or more of the following reasons:

- the planned development expenditures were not considered sufficiently significant in relation to the acquisition price for the property (there is an expectation that

proposed development expenditure should be equivalent to at least 50 per cent of the acquisition price);

- the proposed timetables for development were unsatisfactory;
- the property proposed to be acquired for the purpose of demolition and redevelopment was not considered to be at the end of its economic life;
- the proposal did not add to the housing stock;
- the prospective foreign purchasers had not established to the Government's satisfaction that they had the technical and financial capacity, nor the necessary planning approvals, to undertake the proposed development within an acceptable timeframe;
- the property being purchased was a new stand-alone house and there was no other similar dwelling developed by the same vendor that was or could be kept for purchase by an Australian or other eligible purchaser to meet the Government's 50 per cent criteria for the purchase of new dwellings by foreign persons; and/or
- the applicant had breached conditions associated with a previously approved application.

Acquisitions of developed real estate

While foreign investment policy generally enables the purchase of developed commercial real estate by foreign persons, it places certain restrictions on their purchase of developed residential real estate. However, certain categories of foreigners are able to purchase developed residential real estate under particular conditions (see **Appendix A**).

In 2003-04, 1,946 proposals were approved for acquisitions of developed residential real estate compared with 1,965 in 2002-03. There were 33 rejections in 2003-04 (54 in 2002-03) of proposed acquisitions of developed residential property. The total potential acquisition cost involved in these rejected proposals was \$20.6 million. These proposals were rejected because the prospective buyers were not in an eligible category.

In 2003-04 there were 51 approvals to purchase interests in developed commercial real estate (for example, shopping centres, offices, warehouses, etc) involving total proposed investment of \$4.45 billion. This represents only a small fraction of the total foreign investment in developed commercial real estate as the Act and policy exempt the majority of proposals from examination. The exemption threshold for commercial real estate was increased from \$5 million to \$50 million in September 1999.

Real estate by state

Table 2.7 provides details of approved investment in all categories of urban real estate (that is residential and commercial) for each State and Territory. Queensland was the main location of proposed foreign investment in urban real estate with 38.6 per cent of the total by value in 2003-04 compared with 23.7 per cent in 2002-03. There was a significant increase in the value of foreign investment approvals in Western Australia accounting for 17.1 per cent of the total in 2003-04, up from 6.2 per cent in 2002-03. New South Wales also had approvals accounting for 27.1 per cent of the total value which was a significantly down from 39.6 per cent in 2002-03.

Table 2.7: Total proposed investment in urban real estate by category of real estate and location of investment, approved in 2003-04 (\$billion)

Location	Residential		Commercial		Total
	Developed	For development	Developed	For development	
New South Wales	0.45	3.63	1.87	2.09	8.05
Victoria	0.18	1.14	0.34	0.21	1.87
Queensland	0.22	7.06	0.75	3.43	11.45
Western Australia	0.24	4.14	0.62	0.09	5.09
South Australia	0.04	0.06	0.03	0.15	0.27
Tasmania	0.01	0.02	0.00	-	0.03
Australian Capital Territory	0.01	0.06	-	-	0.07
Northern Territory	0.00	0.01	-	-	0.00
More than 1 State/Territory(a)	0.05	1.05	0.84	0.02	1.90
Total	1.14	17.17	4.45	5.98	28.74
Number of proposals	1,946	1,999	51	63	4,059

Note: Totals may not add due to rounding.

'-' indicates a figure of zero and '0.00' indicates a figure of less than \$5 million.

(a) Comprises approved proposals that relate to acquisitions undertaken in more than one State or Territory.

Approvals by country of investor

Data on proposed investment associated with approvals in 2003-04 are shown by selected country, aggregated by State in Table 2.8 and by industry sector in Table 2.9.

- The United States was again the most important single source of proposed foreign investment in Australia during 2003-04. The other major sources of foreign investment were Singapore, the United Kingdom and Germany.
- Approved proposed investment from the US fell slightly from \$30.5 billion in 2002-03 to \$29.9 billion in 2003-04. This proposed investment was principally in the services (excluding tourism) sector accounting for over 70 per cent of total US investment. Refer to Chapter 4 for further discussion on the US/Australia foreign investment position.
- Singapore continued as a major foreign investor in 2003-04 with approved investment of \$9.3 billion, an increase from \$2.7 billion in 2002-03.

Foreign Investment Review Board Annual Report 2003-04

- Approved proposed investment from the UK decreased in 2003-04 to \$6.9 billion (6.7 per cent of total investment) compared with \$7.4 billion in 2002-03 (8.6 per cent of total investment). The majority of UK proposed investment for 2003-04 was in the manufacturing and real estate sectors.
- Germany emerged as a significant investor in 2003-04 accounting for \$6.2 billion, mainly in the Services (excluding Tourism) sector.

Table 2.8: Proposed investments by country by State 2003-04 (\$billion)

	World									Total
	USA	UK	Germany	Singapore	China	NZ	Japan	other	Aust(b)	
New South Wales	1.42	1.48	1.00	0.91	0.07	0.23	0.24	5.37	0.68	11.39
Victoria	0.29	0.20	1.82	0.32	0.03	0.03	0.05	2.89	2.98	8.60
Queensland	0.59	0.95	0.02	0.32	0.42	0.05	0.71	6.71	4.42	14.17
Western Australia	0.67	0.39	0.01	0.11	0.55	0.04	1.44	6.42	4.13	13.75
South Australia	0.12	0.33	1.90	0.03	0.00	-	0.01	0.36	0.25	3.01
Tasmania	0.00	0.01	-	0.02	-	-	-	0.02	-	0.16
Australian Capital Territory	-	0.05	-	-	0.00	-	-	0.34	-	0.40
Northern Territory	0.00	0.00	-	-	-	0.195	-	0.01	-	0.21
More than one state(a)	25.88	3.51	1.45	7.63	0.00	0.91	0.44	4.53	4.63	48.97
Offshore takeover	0.88	-	-	-	0.04	-	-	0.45	-	1.37
Total	29.85	6.91	6.20	9.33	1.10	1.55	2.89	27.09	17.08	102.01

Note: Totals may not add due to rounding.

'-' indicates a figure of zero and '0.00' indicates a figure of less than \$5 million.

- (a) Comprises proposals where the investment is proposed to be undertaken in more than one State or Territory.
- (b) The investment identified as originating from Australia represents the contribution by Australian-controlled companies and Australian residents to the total investment associated with foreign investment proposals in which they are in partnership with foreign interests. It does not generally include the contribution attributable to minority Australian shareholders in companies with majority or controlling foreign shareholders.

Table 2.9: Total proposed investment associated with approved proposals, by country of investors and industry sector 2003-04 (\$million)

	Number of proposals approved(c)	Agriculture forestry & fishing	Finance & insurance	Manufacturing	Mineral exploration & development	Real estate	Resource processing	Services (excluding tourism)	Tourism	Total
USA	292	72	1,533	3,902	1,603	1,629	-	21,097	17	29,853
Canada	62	-	13	1,172	696	53	-	2,338	-	4,271
UK	2,037	4	11	2,485	1,239	2,288	-	720	165	6,913
Germany	102	-	340	1,900	-	898	-	3,062	-	6,200
Other EC	265	350	302	903	-	481	-	969	14	3,019
New Zealand	44	-	51	1,160	-	55	-	91	197	1,554
Japan	125	5	110	220	1,431	906	137	82	-	2,891
Singapore	240	-	-	5,100	-	3,370	-	745	117	9,333
Malaysia	136	-	-	205	325	1,065	-	-	385	1,979
Other Asean	124	-	-	-	459	88	-	10	13	570
China	170	-	-	2	971	121	-	-	5	1,100
Hong Kong	27	350	-	563	66	68	-	1,086	-	2,133
Not allocated(a)	296	-	-	-	-	9,035	-	-	-	9,035
World - other	703	2	280	716	840	3,708	-	462	72	6,081
Sub-total - 'World'	4,623	783	2,641	18,328	7,630	23,765	137	30,663	985	85,891
Australia(b)	117	-	9	4,728	2,761	4,973	-	4,119	486	17,077
Total	4,740	783	2,650	23,056	10,391	28,738	137	34,782	1,472	102,01

Note: Totals may not add due to rounding.

'-' indicates a figure of zero.

- (a) 'Off the plan' approvals to real estate developers have been recorded as not allocated to country because the country of investors is not known in advance.
- (b) The investment identified as originating from Australia represents the contribution by Australian-controlled companies and Australian residents to the total investment associated with foreign investment proposals in which they are in partnership with foreign interests. It does not generally include the contribution attributable to minority Australian shareholders in companies with majority or controlling foreign shareholders.
- (c) 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. Therefore, the number is greater than the number reported in Table 2.1.

Compliance

Under the Government's foreign investment policy, the purchase of developed residential real estate by foreign interests purely for earning rental income, for speculative purposes or where it may involve 'land banking' is not permitted. Therefore, the Government seeks to ensure that where foreign interests acquire residential real estate for development, any stated development is carried out within a reasonable time (this generally involves the requirement to commence continuous construction within 12 months).

The policy is directed at maintaining greater stability of house prices and the affordability of housing for the benefit of Australian residents (see **Appendix A**). Any failure by foreign interests to pursue stated development plans is considered to be a breach of policy. Section 25 of the Act provides for financial penalties or imprisonment, on conviction, for failing to comply with conditions.

There are a number of processes that assist in ensuring compliance with the residential real estate policy.

- Information on Australia's foreign investment policy is disseminated directly by the Board through publications, public presentations and in response to inquiries. In addition, information is provided by other government departments, such as the Department of Immigration and Multicultural and Indigenous Affairs.
- In purchasing property, foreign persons may deal with a number of professionals and organisations, such as solicitors, financial institutions and real estate agents, who have an interest in ensuring that foreign purchasers have information on the need to comply with foreign investment policy.
- There is a reporting requirement placed on approvals to improve compliance with conditions imposed, for example, on real estate for development.
- Assessment of new proposals includes examination of compliance.
- All allegations of possible non-compliance are fully investigated.
- Sample checks on compliance are regularly undertaken by the Division. Around 2,900 decided proposals were examined in 2003-04 to ensure fulfilment of conditions. All major conditional business sector approvals continue to be monitored. Targeted follow-up is also carried out in the real estate sector ranging from routine checking of compliance with conditions to more complex investigations based on information received and interagency cooperation. In some instances, this resulted in punitive action against foreign parties, including prosecution.

The Treasurer has the power under Section 36 to serve a notice in writing requiring a person capable of giving information or producing documents relevant to the exercise of the Act to supply the information within a specified time.

