

## Main points

- In 2005-06, the Foreign Investment Review Board (the Board) provided advice on the application of Australia's foreign investment policy to a range of individual proposals and on the reform of and general administration of foreign investment policy.
- In 2005-06, 5,186 proposals received foreign investment approval under Australia's foreign investment policy and the *Foreign Acquisitions and Takeovers Act 1975*. This compares with 4,360 the previous year, representing an increase of 19 per cent. The majority of this increase occurred in the real estate sector, with 4,755 approvals (20 per cent higher than the 3,949 approvals in 2004-05). There were 431 proposals approved in other sectors in 2005-06 compared with 411 in 2004-05, an increase of 5 per cent.<sup>1</sup>
- In 2005-06, 25 proposals were rejected by the way of a Final Order, compared with 55 in 2004-05. Five Divestiture Orders (six in 2004-05) required foreign persons to dispose of their interests. All Final and Divestiture Orders related to proposals involving residential real estate. There were 61 Interim Orders (65 in 2004-05), extending the 30-day statutory decision-making period by up to a further 90 days.
- Approvals in 2005-06 involved proposed investment of \$85.8 billion. This represented a 28 per cent decrease on the previous year's approvals of \$119.5 billion (60 per cent of this decrease was attributable to the 2004-05 figures including two large proposals for a single target company).
- The services sector was the largest industry sector by value, with investment approvals in 2005-06 of \$27.1 billion (compared with \$30.5 billion in 2004-05). The other major sectors were: mineral exploration and development, with investment approvals of \$19.7 billion (\$33.5 billion in 2004-05); real estate, with approved investment proposals valued at \$16.2 billion (\$20.9 billion in 2004-05); and manufacturing, with approvals of \$13.7 billion (\$22.1 billion in 2004-05).
- The United States of America was again the largest source country for foreign investment in 2005-06, involving proposed investment of \$23.4 billion representing 27 per cent of total approved proposals. Switzerland, China, the United Kingdom and Germany were the other major sources of proposed investment approved

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1 While the introduction in December 2005 of a new case management system has led to improvements in the statistics presented in this report, the Board recommends caution in their use. In relation to the current year, the Board also notes that the inherent difficulties in aligning data sourced from two separate case management systems has resulted in some apparent anomalies when comparing 2005-06 with previous years. For a full discussion on the limitations of this data see Chapter 2.

during 2005-06, accounting for 17 per cent, 8 per cent, 8 per cent and 5 per cent, respectively.

- A number of reforms to foreign investment policy have been implemented (see Appendix C).
- In 2005-06, Australia made progress on the international liberalisation of trade and investment through its engagement in bilateral, regional and multilateral forums. Free trade agreement (FTA) negotiations were progressed with China, Malaysia, and (with New Zealand) ASEAN. Australia also contributed to a joint feasibility study into an FTA with Japan.
- Australia continues to be a net importer of foreign direct investment (FDI), compared with the OECD as a whole which is a net exporter. Over the past 15 years Australian outward FDI stocks have grown more strongly than inward FDI stocks.
- In 2005-06, the Australian National Contact Point dealt with a specific instance under the *OECD Guidelines for Multinational Enterprises* and adopted a more targeted approach to consulting with government agencies, non-government organisations, the business community, and other social partners.