

**Foreign Investment
Review Board**

**Annual Report
2014-15**

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8 April 2016

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Foreign Investment Review Board for the year ended 30 June 2015. The report has been prepared in accordance with the Board's responsibility to advise the Government on foreign investment matters.

The 2014-15 year represented a significant period for foreign investment in Australia. The report outlines the activities of the Board and provides a summary of the year's foreign investment proposals.

On 1 December 2015, the Government's reforms to strengthen the foreign investment framework took effect. These reforms represent the largest change to the framework in around 40 years and the Board played a significant role in helping to design and implement the reform package. Discussions were held throughout 2014-15 at Board meetings on the options being put forward to reform the system with this advice being fed back to Government. The Board also reviewed the draft legislation and helped prepare the associated guidance material that has been released on the Foreign Investment Review Board website to assist investors.

As the Board noted in its submission to the Senate Standing Committee on Economics Inquiry into the provisions of the *Foreign Acquisitions and Takeovers Legislation Amendment Bill 2015*, changes to the framework were needed to improve the integrity and community acceptance of the system. The Board supported strongly the reform package. It ensures the framework can keep up with the changing business landscape and community expectations, whilst also ensuring that Australia remains an attractive destination for much-needed foreign investment.

One of the key roles of the Board is to examine significant and sensitive foreign investment applications and advise on the national interest implications. The Board examined a range of high profile investment applications in 2014-15, including the acquisition of Toll Holdings by Japan Post and the acquisition of the John Holland Group by China Communications Construction Company.

Foreign investment into real estate continued its strong growth and was again the largest sector for foreign investment approvals at \$97 billion, accounting for around 50 per cent of the value of all approvals in 2014-15.

There were 36,841 residential real estate proposals approved in 2014-15, compared with 23,054 the year before. A large proportion of these approvals involved Chinese investors.

Investment by value in services, commercial real estate and mining were the next largest sectors accounting for 20, 19 and 14 per cent respectively. China was again the largest investor in 2014-15 in terms of the value of all approvals, with \$47 billion approved (around 33 per cent of the total value of approvals by foreign country), followed by the United States with \$25 billion approved (around 18 per cent of the total value of approvals by foreign country).

A key part of last year's reform package was increased compliance and enforcement around foreign investment in residential real estate. On 3 March 2015, the former Treasurer ordered the sale of a \$39 million Sydney property which had been purchased illegally by a foreign-owned company. This was the first divestment order issued in around ten years. Since the Australian Taxation Office (ATO) assumed responsibility for residential real estate in May 2015, a further 26 residential properties unlawfully held by foreign nationals will be sold as a result of the Government's initiatives. The Board actively monitors these compliance activities.

Another key role of the Board is to enhance awareness and understanding of Australia's foreign investment framework. We participated in a number of stakeholder information sessions that were run by Treasury and the ATO throughout the year to help investors and their advisors prepare for the reforms. These sessions were well received by stakeholders and have helped with the smooth transition to the new system.

In October 2015, the Executive Member of the Board and I visited China to further the Board's engagement with officials and potential investors. The visit focussed on the two-way investment relationship between Australia and China, as well as increasing understanding about the reforms to the foreign investment framework.

Finally, there have been a number of important changes to the size and composition of the Board since last year's annual report was published. Mr Hamish Douglass' and Ms Anna Buduls' terms expired after five years of service. On behalf of all members of the Board, I would like to take this opportunity to thank Hamish and Anna for the valuable contribution that they have made to the Board. I would also like to warmly welcome Ms Alice Williams, Mr David Irvine AO and Mr David Peever to the Board. They bring extensive corporate and national security expertise to the Board's consideration of foreign investment proposals.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brian Wilson', with a long, sweeping horizontal stroke extending to the right.

Brian Wilson
Chairman

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