The Hon Wayne Swan MP
Deputy Prime Minister and Treasurer
Parliament House
CANBERRA ACT 2600

Dear Deputy Prime Minister and Treasurer

I am pleased to present the annual report of the Foreign Investment Review Board for the year ended 30 June 2010. This report has been prepared in accordance with the Board’s responsibility to advise the Government on foreign investment matters. It outlines the activities of the Board, provides a summary of the year’s foreign investment proposals, and comments on the levels of foreign investment in Australia and Australian investment abroad. The Report also provides an overview of the main provisions of the *Foreign Acquisitions and Takeovers Act 1975*.

The past year has represented a period of renewal at the Board level with long-serving members, the Hon. Chris Miles and Ms Lynn Wood, retiring after many years of outstanding service. In December 2009, you announced that the Board would be expanded from four members to five (including the Executive Member), and that Mr Brian Wilson and Mr Hamish Douglass would be appointed to the Board. The aim was to broaden the expertise and experience of the Board. I consider that objective has been achieved because the new Board is working well and the new members have already made valuable contributions to the workings of the Board. On behalf of the other members of the Board, I would like to take this opportunity to welcome the appointment of Ms Anna Buduls who joined the Board on 15 July 2010.

The Board’s key function is to examine the more significant foreign investment applications against the Government’s foreign investment policy and advise on potential national interest concerns. The Board examined a range of high profile investment applications throughout the year. In 2009-10, the overwhelming majority of business applications were in the resources sector, continuing a trend from the previous year. Mineral exploration and development applications accounted for around two-thirds of the value of all proposals (excluding real estate) and around 60 per cent of the number received (again excluding real estate applications).

Many of these foreign investment applications involved significant levels of proposed investment. There were 92 applications involving total investment of $100 million or more, including 18 for $1 billion or more (compared with 15 in 2008-09). These 18 proposals accounted for a combined proposed investment of $51.4 billion (64 per cent of the proposed investment in this sector).
The United States was again the largest investor in terms of FIRB approvals, followed by the United Kingdom and China. The combined value of proposals from these three countries accounted for around 60 per cent of all approvals.

In providing advice to the Government on foreign investment applications, the Board was assisted by the Secretariat located in the Treasury. Given the significance of investment in the resources sector, the Board was provided detailed briefings on various industries, including the iron ore, coal and petroleum industries. These briefings provided useful guidance about the size of these specific sectors and their importance to Australia, and I have asked that they become a permanent feature of Board meetings.

The Board continues to foster a better awareness and understanding, both locally and abroad, of Australia’s foreign investment arrangements. This year we released the new easy-to-read version of the Foreign Investment Policy. This was the first update of the Policy for several years and the first time that we have provided detailed guidance on the factors that are considered when determining if an investment is contrary to the national interest. Importantly, given the increase in government investment in recent years, the Policy provides a clear definition of direct investment by foreign governments and a definition of foreign governments and their related entities (which includes entities in which foreign governments hold a 15 per cent stake).

The Board is also involved in ensuring compliance with Australia’s foreign investment arrangements. Following the real estate changes that were announced on 24 April 2010, the Secretariat increased its existing compliance capabilities by recruiting a senior compliance officer who has built upon existing compliance capacity to create a dedicated compliance team. The Board continues to oversee the development of this systemic and structured compliance regime.

Yours sincerely

M.J. Phillips AO
Chairman
Foreign Investment Review Board Annual Report 2009-10

Foreign-to-foreign transactions ................................................................. 44
Prior approval for contractual arrangements ........................................ 45
Foreign control ....................................................................................... 45
Enforcement provisions ....................................................................... 46
Other aspects of foreign investment policy ......................................... 46
Foreign investment in Australian residential real estate ..................... 46

CHAPTER 4: AUSTRALIA’S INTERNATIONAL INVESTMENT POSITION .......... 49
Introduction .......................................................................................... 51
Australia’s international investment position ...................................... 52
Foreign investment levels ..................................................................... 52
Foreign direct investment levels by country ......................................... 52
Foreign investment flows ..................................................................... 54

APPENDIX A: MEDIA RELEASES AND SPEECHES ................................. 57
TABLES
Table 2.1: Applications considered: 2004-05 to 2009-10 (number of proposals) ........................................ 19
Table 2.2: Applications decided: 2004-05 to 2009-10 (proposed investment) ........................................ 20
Table 2.3: Total approvals by value and number 2006-07 to 2009-10 ........................................ 22
Table 2.4: Total approvals by industry sector in 2009-10 ................................................................. 24
Table 2.5: Manufacturing sector approvals in 2009-10 ................................................................. 26
Table 2.6: Mineral exploration and development sector approvals: 2006-07 to 2009-10 ................. 27
Table 2.7: Services (excluding Tourism) sector approvals: 2006-07 to 2009-10 .......................... 28
Table 2.8: Investment in residential real estate by type of expenditure and number of proposals approved from 2006-07 to 2009-10 .................................................. 30
Table 2.9: Investment in commercial real estate by type of expenditure and number of proposals approved from 2006-07 to 2009-10 .................................................. 32
Table 2.10: State distribution of proposed investment in real estate in 2009-10 ............................... 33
Table 2.11: Approvals by country of investor in 2009-10 — industry sector ............................ 35
Table 4.1: Foreign investment flows 2005-06 to 2009-10 ................................................................. 53

CHARTS
Chart 2.1: Applications decided 2004-05 to 2009-10 — number of proposals ......................... 21
Chart 2.2: Applications decided 2004-05 to 2009-10 — proposed investment ......................... 21
Chart 2.3: Total approvals by value 2006-07 to 2009-10 — number of proposals ......................... 23
Chart 2.4: Total approvals by value 2006-07 to 2009-10 — proposed investment ......................... 23
Chart 2.5: Total approvals by value by industry sector in 2009-10 — proposed investment ............... 25
Chart 4.1: Level of foreign direct investment by country ............................................................... 52
Chart 4.2: Foreign investment flows 2005-06 to 2009-10 ............................................................... 54