

**Foreign Investment**

**Review Board**

Annual Report

2017–18

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15 February 2019

The Hon Josh Frydenberg MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Foreign Investment Review Board (the Board) for the year ended 30 June 2018. The report has been prepared in accordance with the Board's responsibility to advise the Government on foreign investment matters.

The Board assessed a significant volume of high profile investment applications in 2017–18. This included the acquisition of the Whyalla steelworks by British businessman Mr Sanjeev Gupta and the acquisition of Australia's largest diagnostic imaging provider, I-MED Radiology Network, by the European private equity firm Permira.

While approvals are down by both number and the value of proposed investment, and like other similar economies we have seen a decline in proposed investment from China as Chinese authorities have tightened capital controls, foreign investor interest in Australia remains strong.

During the year, the Board continued to focus on ensuring that sensitive assets were thoroughly assessed across all dimensions of the national interest and providing early guidance to potential investors wherever possible.

With respect to national security assessments within the wider national interest focus, Australia's approach continues to evolve in recognition of the risks and threats that emerge. During 2017-18, the *Security of Critical Infrastructure Act 2018* was introduced, giving government greater visibility and oversight of critical infrastructure. The *Telecommunications Sector Security Reforms* were also introduced in 2018 to provide additional protection for Australia's telecommunications sector. The Government further announced that diversity of ownership can be an important safeguard in the electricity sector, and conditions and ownership restrictions would be imposed on certain assets.

With regard to agricultural land, the Board paid close attention to the Government's requirement that Australians be given an opportunity to acquire agricultural land for sale. The Board supported the fine tuning of this requirement over 2018.

The Board continued to engage actively with stakeholders during the year. The Board expanded the location of its board meetings to Brisbane and Perth, which facilitated valuable stakeholder discussions. One of the key messages in Board interaction with stakeholders continues to be encouraging early engagement with the Board (including prior to applications being lodged) to help manage national interest issues early and effectively.

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A thoroughly revised IT system was introduced in 2018 to improve the experience of foreign investors and their advisers in lodging foreign investment applications and to enhance case management. The system deployment was successful and feedback has been positive.

Compliance with the foreign investment framework remains a priority for the Board. In 2017–18, Treasury launched a pilot series of compliance audits on previous foreign investment approvals. The pilot provided useful intelligence to support Treasury’s ongoing assurance activities and broader process improvements. It is pleasing that this work did not reveal evidence of serious non-compliance. Compliance related work is particularly important due to the increasing complexity and sensitivity of cases and we would like to see this work expanded if possible.

The Board has also taken a keen interest in foreign investment developments overseas. The United States, the United Kingdom and other countries are making significant reforms to their foreign investment regimes, particularly in respect of national security issues. I travelled to the United States to learn more about their changes first hand. While Australia has an effective foreign investment framework, it is important that we understand what other countries are doing and what we can learn from them. The Board will continue to examine ways to streamline and strengthen foreign investment review processes.

Finally, I would like to thank my colleagues for their ongoing contribution and commitment. I particularly record my appreciation for the work of Mr Patrick Secker over his five year term, and I warmly welcome Mr Nick Minchin who brings a range of skills and perspectives to the Board.

Yours sincerely

A handwritten signature in black ink that reads "David Irvine". The signature is written in a cursive style with a horizontal line under the name.

David Irvine AO  
Chair