20 March 2015

Manager International Investment & Trade Unit
Foreign Investment & Trade Policy Division Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

To whom it may concern,

The Chamber of Commerce and Industry (CCI) is Western Australia's peak business organisation, representing more than 9,000 businesses across the state.

CCI wishes to express its concern regarding proposed changes to Australia's foreign investment regime as it pertains to agriculture.

The Federal Government's own Agricultural Competitiveness Green paper finds Australia has a latent comparative advantage in its agriculture industry, driven by our significant land mass, varied climate, stable business environment, skilled workforce, strong biosecurity management and proximity to growing markets. CCI's recently released *State of the Future: A vision for Western Australia*, a 20-year plan for Western Australia, identified agriculture as one of the state's key growth opportunities.

One of the most significant issues holding back the growth of the sector is access to finance. In this respect, policy that places additional constraints on the ability of agricultural businesses, and the agribusiness sector more broadly, to access finance has the potential to stunt future opportunities.

Australia has always been a net importer of foreign capital. Low domestic savings, combined with high capital requirements for industry, have meant a foreign investment has played a pivotal role in the growth and development of industry. Foreign capital was central to much of Western Australia's economic development, from the 1800's gold boom, wool in the 1940's, and iron ore in the 1960's and most recently in LNG in the 2000's.

The Federal Government's proposed changes to Australia's foreign investment policy have the potential to reduce firms' ability to access foreign capital, and may lead to a lost opportunity for growth. Reducing the Foreign Investment Review Board (FIRB) screening threshold for private investors from $252 million to $15 million will make it more difficult for the sector to access much needed capital for expansion, by introducing an additional layer of regulation, another step in approval process, and additional costs for foreign investors embarking on projects.

It is unclear that there is a problem intrinsic to the current foreign investment regime that warrants such a substantial shift in policy. The fundamental question is whether agriculture should be treated differently to other sectors.

180 Hay Street East Perth Western Australia 6004 | PO Box 6209 East Perth Western Australia 6892 | Ph: (08) 9365 7555 Fax: (08) 9365 7550 | email: info@cciwa.com www.cciwa.com | ABN 96 929 977 985

According to the Australian Bureau of Statistics, 98.9 per cent of agricultural businesses operating in Australia are 100 per cent Australian-owned, while 87.5 per cent of agricultural land is 100 per cent Australian-owned[1]. Neither figure has moved significantly since 2010, when 98.5 per cent of businesses, 88.6 per cent of land were listed as 100 per cent Australian-owned.

The FIRB process has been working well. According to its 2012-13 Annual Report, the FIRB approved 91 commercial transactions relating to agriculture, forestry and fishing in 2012-13, valued at $2.9 billion[2]. This dollar value has remained broadly steady year to year for some time, although according to the report the volume of transactions fluctuates based on market conditions.

Notwithstanding this, agriculture remains a small component of FIRB-assessed foreign investment transactions, particularly compared to resources (289 transactions worth $45.1 billion), services (154 transactions worth $25.9 billion) and manufacturing (44 transactions worth $6.5 billion).

It is unclear based on available information that any proposed investments were rejected or withdrawn after assessment by the FIRB. This suggests that there have been no significant adverse findings that warrant a change to the existing policy.

In this respect, CCI recommends that the current FIRB process, including the application of the $252 million review threshold, be maintained.

However, CCI endorses the Federal Government's proposal to develop and maintain a formal register of ownership of agricultural land. Much of the debate surrounding foreign investment in agriculture is characterised by a lack of understanding about the scale and source of foreign ownership. Improving the transparency of foreign investment is an important way to help address community perception on this issue.

In particular, the Federal Government's plan to consolidate existing state government land title registers is sensible, and should not add to the red tape burden facing potential investors.

If you would like to discuss this issue further, please contact Dana Hyland, Manager, Economics, Policy and Advocacy, on (08) 9365 7701 or dana.hyland@cciwa.com.

Yours sincerely

John Nicolaou
Chief Officer, Member Services and Advocacy
Chief Economist

---

[1] Australian Bureau of Statistics. 2014. *ABS Cat. 7127.0: Agricultural Land and Water Ownership, Jun 2013*.

[2] Foreign Investment Review Board. 2014.*Foreign Investment Review Board Annual Report: 2012-13*.