



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

COMMITTEES

Economics References Committee

Report

SPEECH

Thursday, 17 September 2009

BY AUTHORITY OF THE SENATE

SPEECH

Date Thursday, 17 September 2009
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Questioner
Speaker Eggleston, Sen Alan

Source Senate
Proof No
Responder
Question No.

Senator EGGLESTON (Western Australia) (4.19 pm)—I present the report of the Economics References Committee on foreign investment by state-owned entities together with the *Hansard* record of proceedings and documents presented to the committee.

Ordered that the report be printed.

Senator EGGLESTON—by leave—I move:

That the Senate take note of the report.

This issue of foreign investment in Australian entities by state owned enterprises is a very topical one and one that has been of great concern in the community. But, as the committee found, Australia has a long history of foreign investment, particularly in the mining industry, going back into the 1800s, when the gold industry was financed by foreign money; the Pilbara iron ore industry during the 1970s was financed by British, United States, Japanese, Dutch, Swiss and, more recently, Chinese investment; and the oil and gas industry, again in the Pilbara, as well as around Australia, is being financed by international investors. This is largely because the Australian pool of capital is fairly shallow and, for some of these great investments, vast amounts of money are required. As was demonstrated recently by the announcement of these new gas projects off the West Australian coast, Australia does not have sufficient domestic capital to finance these great projects, so we need to bring in foreign investment. The difference in recent times has been that, rather than private foreign investment, we have had investment from sovereign wealth funds and from state owned enterprises.

There has been concern, particularly in the case of state owned enterprises from China, that this is a different kind of investment which has different implications for the autonomy of Australian companies. But, as Professor Peter Drysdale from the ANU informed the committee, the fact that a foreign investment is made in a mineral or natural resources deposit does not detract from the fact that Australia owns the land from which the natural resources are extracted. Federal and state governments grant these companies licences and leases which allow them to operate. Australia also retains control over the business activities taking place within its own borders.

It was very important, we thought, that people bear that in mind, because there is not any loss of sovereignty involved in having investment from these state-owned enterprises in Australia. It is all a matter of how they are managed. And one of the most interesting pieces of the evidence given to the committee was the evidence given by FMG, the Western Australian iron ore company, who pointed out that they managed investments from the Chinese in their company very carefully and imposed conditions on Chinese investors which were entirely consistent with their own code of conduct and entirely consistent with the Corporations Act. They required that a specific director be named to be on the board of the company and that if there was a conflict of interest the director had to declare this. The director also had to take responsibility for any decisions made.

In the brief amount of time I have left I would like to say that the committee felt that the existing foreign investment review process did provide good protection to Australia and that the key factor which is used in determining whether or not such investment should go ahead—namely, the vague term ‘the national interest’—was sufficiently broad to cover any eventualities and to ensure that Australia’s national interests were protected. The committee felt that in some situations incremental foreign investments might occur in which there were investments of small quantities in the shareholding of a company which individually did not reach the threshold of 15 per cent, which requires the attention of the Foreign Investment Review Board. The committee felt that the government should tighten the foreign investment legislation to deal with such complex acquisitions so that, if they occurred and there were other associations by these investors, they would be declared and the overall ownership of any investment would be known.

But, generally speaking, it was pointed out, since there was such concern about China, that China represents 0.5 per cent of the total foreign investment in Australia at the present time. The United States of America has 24.3 per cent and the United Kingdom has 24.8 per cent. In fact, China is the smallest foreign investor in this country. While that investment is bound to grow over the years, the committee felt that the existing legislative and legal framework provided adequate protection for Australian interests. I seek leave to continue my remarks later.

Leave granted; debate adjourned.