



# Future funds to be less foreign

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 Chief political correspondent

Future Fund chairman David Murray has signalled that the \$58 billion investor would back Australian resources projects that were previously reliant on foreign investment.

But the former Commonwealth Bank boss said Australia would continue to depend on offshore funds to maintain growth, in a warning shot to federal politicians who want tighter foreign investment rules.

The comments came in a Senate inquiry yesterday that also heard calls for stronger measures to help consumers switch accounts between banks, as others aired concerns that the government's bank deposit guarantee was curbing competition.

Mr Murray acknowledged that the Future Fund would back resources projects when asked by Liberal senator Alan Eggleston if the government facility might replace foreign investors in key projects.

"To achieve our objective we need to invest in an array of assets and we do that by building a strategic asset allocation that, in our opinion, is likely to meet the return objective we've been given in our mandate from the government," Mr Murray said.

"We therefore need to have some diversity of assets, but given the type of return target that we have,

infrastructure investments will be an important component and Australian equities would be an important component. By investing in Australian equities we would be an important investor in Australian mining companies."

Mr Murray added, however, that foreign investment would still be required.

"It's more likely that the need for foreign capital will continue. The only way that Australia can increase its savings overall, both public and private sector savings, is to be both competitive and productive so that we generate surplus to ourselves to help reduce that reliance over time."

The Senate inquiry was called at the height of the political concerns over Chinalco's investment in Rio Tinto and questions over the growing international presence of Chinese sovereign wealth funds and state-owned enterprises.

Mr Murray did not agree that there was any need for increased regulation of foreign investment in state enterprises, saying there had been a good response to principles devised by the International Working Group of Sovereign Wealth Funds to govern behaviour.

The international group named Mr Murray in April to chair the

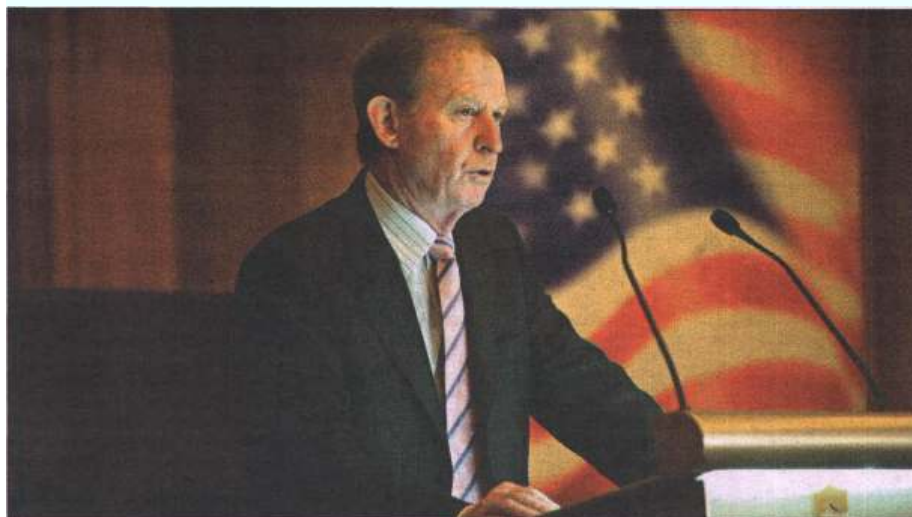
International Forum of Sovereign Wealth Funds, with deputy chair being Jin Liqun, the chairman of the board of supervisors of China Investment Corporation.

Earlier, Suncorp group executive David Foster told senators that the Rudd government's deposit guarantee imposed higher costs on the company compared with bigger rivals, and therefore undermined competition.

Mr Foster told the Senate economics committee, during a separate hearing on bank competition, that Suncorp paid twice for the guarantee over wholesale funds: a higher government fee compared with the Big Four banks and a higher commercial rate because investors expected a better return from smaller banks.

"The current double-dipping of the government guarantee does impact our commercial performance and, depending upon how long that differential exists, that has a more material impact over time," Mr Foster said.

Independent senator Nick Xenophon suggested the difference made Suncorp more vulnerable to a takeover bid, a point the company executive did not dispute.



'We need to have some diversity of assets,' says Future Fund chairman David Murray.

Photo: MICHEL O'SULLIVAN