HD International CEO Forum

WC 3,009 words

PD 19 June 2014

SN ForeignAffairs.co.nz

SC PARALL

LA English



LP

MIL OSI –

Source: Australian Minister for Infrastructure and Regional Development – Press Release/Statement:

TD

Headline: International CEO Forum

Speech

WTS014/2014

18 June 2014

Thank you for the privilege of being with you this morning. I appreciate very much the role that you play as individuals and as a group in helping to build the Australian economy and, in particular, our relations—our commercial relationships with the rest of the world.

We share similar priorities; creating wealth, generating jobs and building a strong economy. Yet to achieve these three lofty goals requires nimbleness to act quickly, **energy** to move surely and good vision to see what lies ahead. Those are the opportunities and the challenges and I can assure you that the Coalition is seeking to act quickly and surely and that we have our vision firmly trained and set on building for the future.

I want to say right from the beginning that the Government highly values the contribution of foreign investment and that a contribution is being made by foreign investors to our national growth really right since the early days of European settlement.

Now, you will no doubt have already heard this message expressed many times by my colleagues—the Treasurer Joe Hockey and Andrew Robb and of course Industry Minister Ian Macfarlane have been very much to the forefront around the globe in making it absolutely clear to everyone that Australia is open for business.

There's no sector in the modern Australian economy that has not benefited from foreign investment, and it remains integral to future economic expansion.

With the rise of Asia, particularly **China**, this expansion takes on a whole new meaning. The Australian Trade Commission Data Alert for 28 March indicated that Australia is amongst **China**'s top three destinations for foreign investment and ran second highest in the world for **Chinese** outbound investment since 2005 at $US57 **billion**, and we're just behind the US where there has been investment of $six **billion**.

Therefore, I am pleased to report that the Abbott Coalition Government's first Budget is creating a more welcoming environment for foreign investment.

It contains good news for potential investors with significant funding announced across priority centres and a reduction in **company** tax of 1.5 per cent from 1 July.

The 2014/15 Budget fully supports and encourages a competitive and contextual infrastructure market as a framework to a sustainable future.

It's a Budget aimed at restructuring our economy. It shifts the balance away from recurrent expenditure to investment in infrastructure and skills and driving the productive growth that we will need for the future.

Our reforms will create a strong, resilient, transparent, fair and open market. And this healthy and open market will, in turn, deliver for Australian communities.

However, the significance of the challenge we faced in putting this Budget together should not be underestimated.

The International Monetary Fund recently confirmed that for the six years between 2012 and 2018, Australia was forecast to have the largest percentage increase in spending of the 17 IMF advanced economies profile.

Under the former government, our spending was growing faster than countries such as Korea and Canada and Germany and France and Japan. Going down the same path would mean more borrowing and more debt.

This year, we'll be paying $13 **billion** in interest and that number would treble if we allowed our debt trajectory to escalate unchecked. This is money that could have funded some of the important infrastructure projects that we want to undertake in Australia.

It would only have taken six months to fund the whole Pacific Highway to duplication or seven months to do what we promised to do on the Bruce Highway.

It would fund WestConnex—our contribution to WestConnex in just one month.

These are important projects that will make a real difference for our national economy.

But we can't afford, as much as we would wish to do, because the first call every month on our taxation revenue is a **billion** dollars to pay the interest; a **billion** dollars to pay the interest on the bill that was accumulated in just six years—in just six years.

When we left office, there was money in the bank and we had balanced budgets projected forward.

That's dramatically changed. And so the penalty—the penalty that Australia is going to pay for those six years will be **billions** and **billions** of dollars worth of interest, projected for future deficits because we can't bring it back under control in one go.

Now, some of those have an enduring legacy—the enduring legacy of the past six years is going to be an inability to be able to achieve all we would want to do as quickly as we can because a major priority will be to pay our obligations to try and make sure that our expenditure is in keeping with our capacity to raise revenue.

So, the Government has had to make some tough decisions and these decisions will see a reduction in the Budget deficit from almost $50 **billion** in 2013/14 to 29 **billion** by next year and just $2.8 **billion** in 2017/18.

Now, central to the 2014/15 Budget is a major commitment to infrastructure. In fact, our budget has increased infrastructure expenditure by 55 per cent over the periods of 2018 and 2019.

The Budget contains an injection of $11.6 **billion** to establish an infrastructure growth package to fast-track the investment in critical infrastructure across Australia.

Our growth package takes the Government's total investment in road and rail and airport infrastructure to $50 **billion** by the end of the decade.

This is the largest commitment of its kind by any Australian government and we anticipate because of its capacity to leverage private sector investment, that it will provide a $125 **billion** boost to construction activity.

The projects we are rolling out across the nation, will cement Tony Abbott's standing as the infrastructure Prime Minister and our administration as a transport infrastructure government.

As leader of the Nationals, I'**m** especially proud that a large proportion of this investment is in regional communities. We are looking seriously at regional Australia's infrastructure and gearing it for growth, because it's pivotal to getting our nation moving efficiently and competitively. The development of gas reserves, renewable, **uranium**, **oil** and **coal**—capitalise on our national advantages and we will continue to deliver well into the 22nd century.

 

And our agricultural production, worth around $33 **billion** a year in exports alone, could double by 2050.

Our foreign investment in agriculture is continuing and contributing to this growth.

It enhances Australia's food security and supports Australia's agricultural exports. We are continuing to assess foreign investment proposals in agriculture on a case-by-case basis through the Foreign Investment Review Board to ensure that they're not contrary to the national interest.

The Government recognises that there are community concerns and is committed to increase the scrutiny and transparency around the foreign investment in this area. It's perhaps not surprising that there are concerns at the present time. The level of foreign investment in agricultural land has increased enormously over the past six years. I mean, something like three to fivefold.

But we don't have yet a register of foreign land ownership in this country to know, in any kind of orderly way, how much of our land is foreign-owned.

However, perhaps the greatest concern surrounds the massive investment and **purchase** of Australian agribusiness leaving some sectors almost entirely foreign-owned. This leaves farmers and the broader community concerned that our country has lost control of our food supply and our agricultural destiny.

We're working towards implementing our commitments to lower the foreign investment screening thresholds and introducing a register of foreign ownership of agricultural land. And, as I expect you know, legislation is to be introduced later this year.

Mostly our new overseas owners have been good Australian citizens and there will be a strong community objection if these new owners are seen to be acting in ways that serve the short-term interests of their own shareholders and their international boardrooms at the expense of Australian farm owners or our nation's food supply.

Critical to public acceptance of this level of foreign ownership in the agri-food business will be their role as Australian citizens, their willingness to take a long-term view of their investment, their willingness to invest in Australia and to ensure that our dreams as a nation to be able to achieve growth in our Agricultural exports, security of our food supply, are, in fact, not interrupted by decisions that are not seen to be in Australia's interests. There is enormous potential.

Australians have not shown a willingness to put their money into agricultural companies or into farm investments. Australian superannuation funds and other investors are not willing to take a long-term view. Many of these foreign investors are, and that has any enormous potential advantage in revitalising some of those industries where infrastructure is old, where capital expenditure is necessary and where there hasn't been a will in Australia to make that kind of investment.

So, foreign investment unquestionably has been good for Australian agriculture over the years, but if it becomes dominant, if it's seen to be part of a global food chain with no real special focus on the interests of Australia, if one day a shelf is empty because of a decision attributed to a foreign boardroom, we've got to expect that there will be negative community reaction to that level of foreign ownership.

So, it is important that, like all companies, our new foreign owners of agribusiness in particular are good Australian citizens and contribute to their local communities and to their industries in a constructive way.

Let me say, my experience to date has generally been that those objectives have been fulfilled. And people will be watching closely to make sure that this very substantial change that's occurred in the ownership of Australian agribusiness over the last five or six years is and does turn out to be in the national interest and not, in fact, a loss of control of our own agribusiness sector.

Ladies and gentlemen, Northern Australia presents enormous investment opportunities in **mining** and resources, in tourism and, of course, in agriculture, including the beef industry.

I'**m** sure you're already aware of the policy reviews underway, including the white paper on developing Northern Australia. We're also identifying options to accelerate investment in water infrastructure as well as completing an audit of infrastructure investment priorities both nationally and in Northern Australia.

CSIRO recently completed a detailed assessment of agricultural resources in north-west Queensland focusing on the Flinders and Gilbert River catchments.

They found that upwards of 30,000 hectares of irrigated cropping could be sustainably developed to grow a wide variety of crops and potentially establish a footprint larger than the current Ord irrigation scheme.

 

Another study released just last week identified 48,000 hectares of land suitable for future sugarcane production and suggested that a new industry growing around 10 million ton a year of irrigated sugar could be established in northern Queensland.

That would almost double the current area of sugar in Australia under irrigation. And, of course, speaking of the Ord, the Australian Government is working closely with the Northern Territory and the West Australian Government to consider further expansion and the development of stage three of the Ord scheme.

From this work, we could see a return to sugar processing in north-west Western Australia. Now, realising these opportunities will not happen through public investment alone; we know we must be open to new types of investment that are project-specific.

We must be able to leverage more private sector investment and we must have the capacity to deliver projects more economically and efficiently.

In the infrastructure space, we are committed to that. The WestConnex motorway in Sydney, the nation's largest infrastructure project, the Perth Freight Link in Western Australian and even the proposed Toowoomba Range Crossing are all projects that are being built around public-private sector partnerships.

These projects where governments and the private sector will work together have the potential to deliver projects more efficiently, more quickly, and with the best possible financial return.

The Budget included $5 million for a new Assets Recycling Initiative to fund projects that otherwise wouldn't be able to access investment and support from governments in partnering with the private sector.

Investment payments of fifteen per cent of the sale price of privatised assets are on the table for state and territory governments on the condition that the proceeds of sales are reinvested in new productivity enhancing assets.

This unprecedented investment by a federal government frees up state and territory governments to spend their money on areas of infrastructure where they have particular expertise and responsibility. Infrastructure Australia estimates that over 100 billion in commercially attractive government-owned assets is potentially available.

To complement the assets recycling initiative, we have established a new website in the regional department's asset sales page under our national infrastructure construction schedule website.

By outlining the national pipeline of existing and upcoming major infrastructure, investors have a greater degree of certainty that the government wants to proceed with announced projects. At present, the site contains more than 130 projects with a total value of $81 million.

And the list of projects or assets potentially offered for sale in Victoria and South Australia such asset recycling as the proposed sale of Port Melbourne and other projects in other capital cities.

The Government fully supports the role of Infrastructure Australia and we want it to play a much greater role in getting ahead of the infrastructure cycle and preparing a long-term plan and priorities for infrastructure projects in Australia. That's why we want to strengthen its role through the Infrastructure Australia amendment bill which I think will be in the Senate today.

In doing this, we want to create Infrastructure Australia as a more independent, transparent and expert advisory body by changing its governing structure and better clarifying its functions. Importantly, Infrastructure Australia's independence will be strengthened.

It will have responsibility to evaluate nationally significant infrastructure proposals without the need of a direct request from the Minister.

This overcomes some very real limits in the current legislation with the intent to create Infrastructure Australia within his own independent board with a CEO answerable to the board.

Our critics are suggesting that, somehow or other, we're trying to nobble Infrastructure Australia. The reality is it has never played a major role in identifying projects for government investment. It has been playing catch-up ever since it was established.

The governments have announced the projects and then Infrastructure Australia has had to make its assessment after the Government had already committed to undertaking the investment. Well, we want to turn that around. The intention is to ask Infrastructure Australia to prepare a fifteen-year infrastructure plan to help governments to prioritise investments and to maximise productivity improvements to make those decisions in advance.

Now, we think that that will mean that the public will be well informed, investors will be well informed, about what's going to happen in a decade's time and will help to guide governments also to properly identify their priorities, rather than what happens now with decisions being announced in election campaigns and other times and then Infrastructure Australia's role simply being to rubberstamp those decisions.

We have a number of major reviews going on at the present time, including the Productivity Commission review in the public infrastructure, the taxation review, and the Federation White Paper. Our policy reform process has only just begun.

It will be a period when we will be examining every element of the way in which our society operates, how we can best make our Federation work to our advantage, to help and harness the skills and the benefits of the private sector and those who are nationally interested in investigating in our country to make sure that we're able to achieve our potential aspiration.

Our focus on infrastructure to increase productivity with more private sector involvement will also be mirrored in our role as chair of the G20 this year.

We have before us an extremely valuable opportunity to influence the economic policies of major world economies and contribute to a more resilient economy at home. So we will be, in these weeks and months ahead, concentrating on two core things: promoting stronger economic growth and better employment outcomes, and making the global economy more resilient to deal with future shocks.

The investment and infrastructure work stream is a key part of that agenda and my department is a key contributor to this stream.

Country-specific reform commitments that tangibly improve the domestic investment environment and unlock private sector investment are a key objective. We also hope to create a set of leading practices to promote and prioritise quality investment, particularly in infrastructure.

Thank you for giving me the opportunity to participate in this forum.

I said at the beginning that the Government welcomes foreign investment.

We know its role is vital to create the right conditions for investment to grow. We started before the Budget by reducing the burden of bureaucratic red tape by at least one **billion** each year which, according to the global competitive industry report in 2013/14, was the second most problematic factor of doing business in Australia.

We've recently concluded major free trade agreements and are hopeful of reaching an agreement with **China** in good time. Now, with the recent Budget, we're well on the path to delivering the infrastructure Australia needs to capitalise on our strengths and to ensure that our nation enjoys a prosperous global future.

Thank you.

–

**NS** gpol : Domestic Politics | gcat : Political/General News | gpir : Politics/International Relations

**RE** austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

**IPD** Australia

**PUB** Multimedia Investments Ltd

**AN** Document PARALL0020140619ea6j0001p

 