

HD Ministerial Statement on Investment

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The Hon. Andrew Robb AO, MP

Minister for Trade and Investment

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I'm pleased to present and table the inaugural annual Investment Statement to the Parliament.

This delivers on a commitment the Coalition made at the 2013 Federal Election.

It also follows my appointment as Australia's first federal Minister for both Trade and Investment.

This highlights the priority the Abbott Government has placed on attracting inbound capital to support our nation's continued economic growth.

Since the arrival of the First Fleet, Australia, with its relatively small population, developing economy and thin capital market, has always been reliant on foreign investment.

This remains the case today notwithstanding our emergence as the world's 12 largest economy; an economy which has delivered an extraordinary 23 years' of uninterrupted growth.

Foreign investment has been a key element of this success story - driving successive waves of growth this country has enjoyed, in gold, wool, agribusiness and mining.

We are of course a resource-rich country.

But in order to exploit this, foreign capital has been required to finance the shortfalls in our own savings and investment to support project construction and ultimately production.

Continued waves of investment remain critical as we seek to diversify our economy and to reduce our reliance on any one sector, regardless of how strong.

Foreign investment supports the expansion of our businesses and industries, the creation of jobs and has helped build the enviable standards of living we enjoy today as a nation.

It also supports Australia's involvement in global value chains, drives innovation and productivity and helps us remain competitive in increasingly competitive global markets.

Put simply, without foreign investment, our productive capacity, employment levels and income would all be significantly lower.

New foreign capital is required to support this government's ambitious infrastructure program and to further develop those areas of our economy that are clear strengths; the things as a country we do as well as any and better than most.

These include agriculture and agribusiness, tourism and hospitality, international education, health and medical research, obviously resources and **energy** and all the services, logistics and high-end manufacturing which cluster around these sectors.

These areas already contribute much to our economy but they have great further potential, particularly given the demand from an exploding middle class across the Asia Pacific - with numbers expected to surge from 600 **million** to around three **billion** within 20 years.

This will be the century of food, water and **energy** security and Australia is extremely well positioned to take advantage.

Northern Australia can play a major role, but again foreign capital is required to help drive its development.

Madam Speaker, this explains why so much of my attention is dedicated to doing everything I can to promote Australia as an attractive investment destination and to encourage its inward flow.

The world is in fact awash with capital in search of a home, but the economic and geo-political uncertainty that worries people around the globe has seriously impacted on business confidence in new investment.

Risk-taking is much diminished. An investment environment of certainty and stability is more important than ever.

This is why the government is determined to do everything reasonably possible to ensure Australia is viewed by the world as a stable, certain, attractive investment destination; as a country that is indeed 'open for business'.

Australia and foreign investment

In 2013 Australia attracted an additional \$115 **billion** of new foreign investment 'direct investment' - that is, investment into business in which a foreign investor had some element of control, by owning 10 per cent or more of the ordinary shares or voting power.

The other main part of foreign investment is investment of a portfolio nature, such as diversified investments into equities or long-term **bonds** by international investors here - and I will come back to this other part of investment in a moment.

Globally, Australia was the 9th largest destination for global foreign direct investment net inflows in 2013 - accounting for almost 3.5 per cent of global flows.

The largest amounts of new foreign direct investment into Australia in 2013 came from:

- * The United States, \$35 **billion**
- * Singapore, \$14 **billion**
- * United Kingdom, \$12 **billion**; and
- * Japan, \$10 **billion**.

Investors from **China** made new direct investments of \$5 **billion** into Australia in 2013 (up from \$3.5 **billion** in 2012).

The total amount (or stock) of "direct investment" in Australia reached A\$630 **billion** in 2013.

This is 40 per cent higher than in 2008.

Traditionally - and still today - the bulk of our stock of direct investment is held by investors from developed countries like the United States, the United Kingdom and Japan.

In 2013, the United States was the largest total investor here, holding \$149 **billion** - nearly a quarter of the stock of all direct investment in Australia.

The United Kingdom was second at \$87 **billion**, with nearly 14 per cent of total direct investment.

Japan was third at \$63 **billion**, with 10 per cent of the total direct investment.

But increasingly, foreign investment is now coming from emerging markets in Asia.

Australia is a leading destination for **Chinese** investment.

China is now our sixth-largest source of inward foreign direct investment, holding three per cent of the total stock, with A\$21 **billion**. **China**'s surge is set to continue.

In addition to foreign direct investment, there's an additional \$1.4 trillion of "portfolio investment" in Australia - highlighting the attractiveness of Australia to international fund managers - plus other forms of investment (such as loans, bank deposits and trade credits), for a grand total of foreign investment in Australia in 2013 of \$2.5 trillion.

Foreign investment and jobs

For Australia, direct foreign investment means more jobs.

One in five businesses in Australia with more than 200 employees are at least 50 per cent foreign-owned.

And foreign investors often deliver high-quality jobs.

US-majority-owned affiliates in Australia, for example, pay wages well in excess of the average wage.

According to a database of announced Foreign Direct Investment **transactions** published by The Financial Times, in the five years to July, there were 1,635 investment projects into Australia.

These attracted US\$100 **billion** in capital expenditure and generated over 140,000 jobs.

The economic reform agenda - supporting investment

Madam Speaker, as mentioned earlier this government is committed to attracting more foreign investment.

This explains our aggressive domestic reform agenda, which is aimed at improving Australia's 'ease of doing business'.

We are working to restore Australia's reputational '**gold** standard' which sadly slipped under our predecessors.

We are removing the damaging taxes - the carbon tax and the **mining** tax both repealed.

I know that these measures alone have dramatically improved our standing among serious international investors.

We are committed to a serious attack on red and green tape to the value of \$1 **billion** each year.

Already, through our first Repeal Day in March, we cut more than 10,000 pieces of regulation and legislation and more than 50,000 pages were deleted from the statute book.

This will save over \$700 **million** of compliance costs across the economy every year. More will be on its way in the next Repeal Day in October.

We are also streamlining approval processes for major projects - through the 'one-stop shop' initiative.

This will reduce duplication between states, territories and the Commonwealth and save time which is money for businesses and investors.

The Environment Minister has already, in a most responsible way, approved in the order of 300 projects - including 94 in resources - worth \$800 **billion** in economic value - some of which had stalled for six years under Labor.

We are also committed to restoring the rule of law in the construction industry to stamp out rogue union behaviour, which undermines investment and productivity.

We are investing a record \$50 **billion** in infrastructure which will help leverage \$125 **billion** worth of projects, including road and rail.

And we are driving an innovative asset recycling program with incentives to the states and territories to privatise assets and infrastructure.

Again, this has captured the imagination of international investors, including for example the major pension funds of Canada.

In the Free Trade Agreements we have recently concluded with Korea and Japan we have also dramatically increased the private investment screening threshold to \$1.078 **billion**; the same level that applies to the United States and New Zealand.

This is the non-discriminatory approach we are looking to take in future trade agreements which reduces the regulatory burden for investors.

We are also committed to major reviews of competition policy and the taxation system through a comprehensive tax White Paper process.

Already, the government's pro-investment approach is having a material impact.

The Chair of **China** Merchants **Group** Liming Yu wrote to me advising of the **company's** \$1.75 **billion** investment with Hastings in Port of Newcastle.

He wrote and I quote:

"One of the key factors that give us confidence in making such a significant investment in Australia is the proactive approach your ministry has taken in attracting foreign investments and your commitment of providing an open, fair and level playing field for all the investors to invest in Australia.

"I strongly believe that with such an open, transparent and pragmatic approach to investment and business under your ministry, there will be more and larger investments occur in Australia."

Likewise, the Chairman of **China's** powerful National Development and Reform Commission (NDRC) told the Treasurer and me, during a visit in June that Australia's investment environment had improved a great deal over the last 12 months.

He also praised the Coalition for its decisions to repeal both the carbon tax and the **mining** tax.

As mentioned we have also sent a strong signal in regard to our support for the development of Northern Australia, with a White Paper being advanced.

I've made no secret of my belief that there are massive significant untapped opportunities waiting for us in Northern Australia.

But if we are to win the capital that will unlock the north, we must have a regulatory framework that is attractive to and reliable for business.

Next year I will host a major forum in the North for some of the world's biggest investors to showcase the opportunity and investment-ready projects. Infrastructure requirements will be a major focus.

Investment has also been identified as one of the four key pillars of our recently outlined Economic Diplomacy program.

We are taking a true "Team Australia" approach working hand in hand with State and Territory governments to attract investment.

In February of this year, I chaired the inaugural meeting of Commonwealth and state and territory Trade and Investment ministers and in September I chaired the second meeting in Cairns.

Together we identified National Investment Priorities which align with the strengths I mentioned earlier.

These include:

- * tourism infrastructure
- * agribusiness and food
- * resources and **energy**
- * major infrastructure; and
- * advanced manufacturing, services and technology.

In addition, I am appointing five Senior Investment Specialists to work with Austrade to identify inward investment opportunities and to help realise them across these five areas.

In tourism, we have major prospects ahead.

With the rise of the Asian middle class, tourism will be a major driver of growth.

By 2020, almost 200 **million Chinese** tourists are expected to travel internationally, a doubling of current numbers.

Australia is well placed to capitalise on this rising demand.

But we need significant investment in tourism infrastructure if we are to realise our potential in that market.

We require something like 20,000 new and upgraded rooms.

Funds are already starting to flow.

There are reports of \$20 **billion** in prospective investment in high-quality Australian tourism infrastructure, which includes five star integrated resorts near Cairns, in Brisbane and also on the **Gold Coast**.

Hong Kong-listed Far East Consortium International was recently announced as the successful bidder for the Elizabeth Quay Lot 9 & 10 project in Western Australia.

Construction is valued at more than \$350 **million** - and something like 1,000 jobs will be created.

In agribusiness, Australia is exceptionally well placed to help meet Asia's massive, emerging demand for safe, premium food and fibre.

ANZ estimates we stand to capture up to \$1.7 trillion in 2011 dollars in new agricultural exports out to 2050.

But we will need investment, including foreign investment, to make this happen. And it is happening Madam Speaker.

Just last week, I witnessed a signing ceremony held for the establishment of the Beijing Australia Agricultural Resource Cooperative Development Fund.

The fund is planning to invest around \$3 **billion** in capital in various Australian agricultural projects, including in dairy, particularly infant formula, beef, lamb, seafood and other products.

In another example, Italian chocolatier Ferrero's recently made an A\$70 **million** investment to set up a hazelnut plantation of one **million** trees on 2,000 hectares in the Riverina region in NSW.

In resources and **energy**, we know Australia's prospects remain bright, particularly in areas like LNG.

There are major new projects that offer 25 to 50-year lifespans, in **oil**, gas and **mining**.

The recent approval of Adani **Mining**'s Carmichael **Coal** Mine and Rail Infrastructure project in Queensland offers something like 2,500 construction phase jobs.

And 4,000 ongoing **operations** positions.

The project has a resource value of \$300 **billion** over 60 years.

Equally, we are keen to draw investment into our advanced manufacturing and services sectors.

So we can continue to develop great Australian products that have global importance.

Like penicillin, the bionic ear, wi-fi, the cervical cancer vaccine Gardasil, and so on.

The proposed \$20 **billion** health endowment fund for future medical research and development is prompting major international investment interest.

Boeing's investment in a new R&D facility in Port Melbourne, Victoria is a great example of how Australian R&D capability is attracting the attention of major multinationals.

And in infrastructure, we simply don't have enough capital to fund all the projects that we need to truly link Australia to the world, to tap into global best practice and maximise our economic growth.

According to the Business Council of Australia, we have an infrastructure need of more than \$760 **billion**. That sort of funding simply cannot be obtained locally.

The A\$1.5 **billion** Legacy Way Project in Brisbane, is a great example of foreign investors partnering with a local **firm** to reduce costs and introduce innovation in the development of Australian infrastructure.

Austrade is at the forefront of our efforts to attract new investment.

For the fiscal year 2013-14, Austrade supported a total of 72 investment projects with an estimated total value of \$2.7 **billion**.

These projects are expected to create over 4,440 jobs once fully operational and **lead** to further export potential.

In the nine months to 30 June 2014 the Government through the Foreign Investment Review **Board**, approved around 770 proposals valued at around \$110 **billion** in (non-**residential** real **estate**) foreign investment projects.

In my role I travel frequently and use all visits abroad as opportunities to promote Australia to major investors.

Since coming to office, I have now conducted 40 major investment roundtables in 16 countries, including most recently in India.

For example, one roundtable in the United States had five investment funds representing well over \$1 trillion in funds under management.

Likewise, in Canada, I had a roundtable with major pension funds representing nearly \$500 **billion**.

And I've received strong interest in Australia from around the globe, particularly out of financial centres in Asia.

During Australia Week in **China** earlier this year MoUs worth around \$900 **million** were signed.

And as a direct result of a tourism infrastructure roundtable which I chaired during AWIC, the Wanda **Group** recently announced a \$900 **million** investment in tourism-related infrastructure on the **Gold Coast**.

Recently I hosted an Australian Investment Forum on the sidelines of the G20 Trade Minister's meeting in Sydney, which brought together 100 of the most senior representatives of current and future foreign investment in Australia.

During this, **Chinese property** giant Greenland confirmed that on account of the improving investment environment in Australia it was planning up to \$4 **billion** of additional investment in tourism, infrastructure and agriculture in addition to \$1.5 **billion** of existing investment.

Conclusion

In concluding Madam Speaker, the Abbott Government unequivocally welcomes foreign investment.

Attracting foreign capital is vital if we are to maintain sustainable economic growth and to create additional jobs.

But there is great competition globally in obtaining the capital. We need to develop the Australian economy of the 21st Century.

But we have advantages we are determined to leverage.

We have strong economic fundamentals.

We have some great sectors of strength that offer enormous opportunity, and greatly complement the emerging economies around us.

And we have a pro-investment government, with policies designed to restore our **gold** standard.

I look forward to updating the Parliament next year on our efforts and achievements over the coming 12 months.

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