

# Senate Rural Affairs and Transport References Committee

## Questions on Notice – Wednesday, 16 November 2011 CANBERRA

### Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

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**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into the Examination of the Foreign Investment Review Board  
National Interest Test**

**Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – Department of the Treasury**

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**1. HANSARD, PG 4**

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**Senator NASH:** As part of considering the national interest—and perhaps we can drill down a bit more into exactly what that is—do you look at the potential, because of foreign investment, sovereign or otherwise, to lose control of Australia's agricultural production in the future? I am just following on from what Senator Heffernan said there.

**Mr Di Giorgio:** What does concern the government is the extent to which Australia is able to remain a reliable supplier of foodstuffs and other material to the world market into the future. So we would be really concerned, for example, if there were a proposal whereby an investor locked up control, as it were, of the production, distribution and purchasing of something. Quite reasonably you would worry about that. You would worry about the national interest there because you are limiting the market, potentially reducing the returns to Australia. What determines the returns to Australia is the extent to which the market can be as open and as flexible as possible.

**Senator NASH:** On that basis, the Cargill takeover of the supply chain did not bother you?

**Mr Di Giorgio:** Again, without going into specifics, the judgment, from memory, was that it constituted a proportion of the global supply chain and it was not going to completely dominate the market.

**Senator NASH:** Can I ask you to take on notice and give us a very detailed response to the question I just asked you.

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**2. HANSARD, PG 4**

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**Mr Di Giorgio:** The national interest test—

**CHAIR:** Could you then take on notice the steps you took and what the questions you asked on the national interest test were?

**Mr Di Giorgio:** I will take on notice the general approach, but I will not be releasing a blow-by-blow of who we asked about what, because that would be—

**CHAIR:** What would be wrong with us, the privileged in this committee, understanding who you rang and what you asked them about the national interest test?

**Mr Di Giorgio:** I would be reluctant to make that public.

**CHAIR:** You can go in camera.

**Mr Di Giorgio:** We can do that.

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### **3. HANSARD, PG 5**

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**Senator MILNE:** I would like to follow up on Senator Edwards and Senator Nash for a start. When you said that you consult with all these other departments to come up with advice that you make to Treasury, the problem that we have is: in such general terms, when we get to estimates, it is always somebody else who was asked or somebody who has left or whatever else. Can you take this question on notice. What we would like is a list, not only of the departments that you consult but the ranking position—not necessarily the individual but the position—who gets specifically asked. And is that position specifically asked in every case? We are talking agricultural land and water here, not other things. I would really appreciate knowing that so that, when we get to estimates, we actually know who has, supposedly, been asked, and then we can pursue those matters with them at that time. So I would like you to take that on notice.

**Mr Di Giorgio:** Yes

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### **4. HANSARD, PG 6**

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**Senator NASH:** Can you take on notice to provide for the committee in detail exactly what the monitoring process is, particularly with agriculture but obviously across the board—a very detailed briefing for the committee on exactly how that monitoring process works.

**Mr Di Giorgio:** Sure.

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### **5. HANSARD, PG 10**

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**Senator GALLACHER:** Is there any evidence that the new foreign investors are fundamentally different from previous investors? We have cattle stations in the Northern Territory that have always been owned by Malaysia. Vestey's owned half the world at one stage. The Japanese were a big item in their heyday in Queensland. Are there more foreign states and are they acting differently? Is there any evidence underpinning that? Should a successful investor engage in conduct contrary to the initial requirements for approval, who specifically would address that? I have not heard an answer to that.

**Mr Di Giorgio:** On the first question, I do not have the specific numbers in front of me. I am happy to provide those. There would be a kick up in the amount of investors from government related entities. There will be no doubt about that. We can provide a bit more information on

that. On the second question about what happens to the undertakings and so forth, I think I mentioned earlier that we have—

**Senator GALLACHER:** I would like that in writing so I can read it.

**Mr Di Giorgio:** Sure. I will take that on notice

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**6. HANSARD, PG 10-11**

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**Senator ADAMS:** I probably will not get an answer either, but I want to come back to the \$230 million. I have got Australia's foreign investment policy guidelines here. A foreign person needs approval. How are you going to know? They have to have approval after the \$231 million limit. Right throughout the investment policy it says 'would' or 'needs' but there is no concrete statutory requirement that this must happen. I am from Western Australia. In the Great Southern area we are having a number of Chinese investors moving through. There is an area where farmers have had a series of droughts. They are having problems with debt and they are being offered enormous amounts of money for their land. These are collective properties that do not meet that particular amount—they are nowhere near it—but different agencies are buying this farm and that farm. They are all joining together, of course, but they are not the same person. They are coming in under that threshold of \$231 million.

This really does concern me. What they want to do is bring their people out to farm these lands, grow the grain and then ship the grain back to their own country. Everyone else is coming up with the same thing. This grain is not going to be sold here; it is not going to be marketed in Australia. It is going back for consumption to the country that owns the property. They want to bring their own workers out and train them in how to deal with Australian conditions, which are very different and not easy to handle. But that threshold of \$231 million really worries me because it is not stopping this sort of thing going on. I want to know who the watchdog is and what is happening. Take that on notice. That is probably how other senators are thinking too. There is a real loophole here and there does not appear to be anything to stop it.

**Mr Di Giorgio:** I would just make one observation there. Obviously the \$231 million relates to private entities—businesses. Anything related to a government related entity is captured below the \$230 million mark.

**CHAIR:** If you can identify it.

**Senator ADAMS:** This is the problem. It is not being identified.

**CHAIR:** They are getting away with it. The agents are bragging about it.

**Mr Di Giorgio:** They are required to notify under the policy. But I could take that on notice.

...

**Senator MILNE:** If you are taking that on notice, I would be interested when you provide that information that Senator Adams has asked for if you could also say how many of the properties in that block have been purchased by sovereign entities. Could you take that on notice, further to Senator Adams's question.

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**7. HANSARD, PG 11**

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**Senator NASH:** Can I ask you to take on notice information about the monitoring of the market. Could you tell the committee specifically how that monitoring takes place.

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**8. HANSARD, PG 11-12**

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**Senator NASH:** I am sure that the ABS do have it, but it is one of your criteria so I would hope that it would be something that you would know as well. Can you provide to the committee your understanding of how many entities—properties, holdings—there are, taking into account Senator Heffernan's very good comment about the disaggregation? And with respect to the issue of monitoring the undertakings, which you said does happen, what specific ongoing resources are allocated to the monitoring process?

**Mr Di Giorgio:** Case officers in the division have a program, as it were, of monitoring their particular cases or, when officers move on, we have a central database, virtually, of the undertakings. They are looked at periodically and it depends on the particular case. As I said before, we have a range of undertakings and a gradation of mechanisms to look at it.

**Senator NASH:** If you could add to that question on notice that I asked before about providing information about the specific resourcing that goes to those that would be appreciated.

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**8. HANSARD, PG 12**

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**Senator NASH:** If you could add to that question on notice that I asked before about providing information about the specific resourcing that goes to those that would be appreciated. I am just speaking specifically about the agricultural sector at the moment, and I am happy for you to take this on notice if you cannot provide it now. Within the last 10 years, say, how many undertakings have been monitored? I would like to know how many existing undertakings there have been in the last 10 years and, of those, how many have been through the monitoring process. For how many entities, if any, have the practices changed from the initial undertaking? I am happy for you to take that on notice.

**Mr Di Giorgio:** Sure.

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**9. HANSARD, PG 14**

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**Senator URQUHART:** I just want to know—you may need to take these on notice, given the time—which countries have shown the strongest growth in interest in foreign investment in Australia. Which companies have you been contacted by that have shown interest; and is that growing in one particular area or is it many and varied? If you cannot answer it now, I am happy for you to take it on notice.

**Mr Hill:** Was that companies or countries?

**Senator URQUHART:** Countries.

**Mr Di Giorgio:** We will provide you with an accurate answer to that.

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**10. HANSARD, PG 14**

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**Senator URQUHART:** How much foreign investment in Australia is there from those countries per annum?

**Mr Di Giorgio:** Do you mean, for example, how much of total direct foreign investment comes from, say, America?

**Senator URQUHART:** Yes.

**Mr Di Giorgio:** Okay. We could probably answer that now, if you gave us half a moment, because that data is available.

**Senator URQUHART:** And, just to follow on from that, I am interested in what percentage of that is agricultural land.

**Mr Di Giorgio:** Sure. We do not have the latter but we do have the former.

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**11. HANSARD, PG 15**

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**Senator NASH:** Could I just follow up on that—I was going to come back to that later—when you say it is the other departments. I am happy for you to provide this on notice. You said in your opening statement:

*... an important component of the national interest examination in these cases is to look at impacts on regional and rural communities.*

I understand from what you have just said to Senator Urquhart that that actually happened somewhere else. But from you I want supplied to the committee, if you can, your understanding of exactly the detail that the other departments or whoever it is might use to provide you with that information.

**Mr Di Giorgio:** Sure.

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**12. HANSARD, PG 19**

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**Senator NASH:** Insofar as you can, would you supply to the committee the ones that have been public documents in the past? If those undertakings are made in the national interest and the ones that are not public are only under the purview of the department and the Treasurer, how does the Australian public have any confidence that the undertaking made was appropriate? That would concern me greatly given the discussion we had earlier about any changes that are monitored to those undertakings, which you are going to supply to the committee. It would

seem very difficult then for the Australian public to get any kind of handle on whether or not the undertakings are appropriate.

**Mr Di Giorgio:** We are more than happy to provide what has been made public.

**Senator NASH:** I will relate this to the list of undertakings I asked you to provide to the committee on notice. Perhaps we will phrase it like this: would you provide for the committee those which were made public.

**Mr Di Giorgio:** Sure. We could provide publicly issued undertakings and methods if that is what you are asking for.

**Senate Rural Affairs and Transport References Committee**

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

Question 1

HANSARD, Page 4

Senator NASH: As part of considering the national interest—and perhaps we can drill down a bit more into exactly what that is—do you look at the potential, because of foreign investment, sovereign or otherwise, to lose control of Australia's agricultural production in the future? I am just following on from what Senator Heffernan said there.

Mr Di Giorgio: What does concern the government is the extent to which Australia is able to remain a reliable supplier of foodstuffs and other material to the world market into the future. So we would be really concerned, for example, if there were a proposal whereby an investor locked up control, as it were, of the production, distribution and purchasing of something. Quite reasonably you would worry about that. You would worry about the national interest there because you are limiting the market, potentially reducing the returns to Australia. What determines the returns to Australia is the extent to which the market can be as open and as flexible as possible.

Senator NASH: On that basis, the Cargill takeover of the supply chain did not bother you?

Mr Di Giorgio: Again, without going into specifics, the judgment, from memory, was that it constituted a proportion of the global supply chain and it was not going to completely dominate the market.

Senator NASH: Can I ask you to take on notice and give us a very detailed response to the question I just asked you.

**ANSWER:**

The foreign investment review process looks at the attributes of the target business and an acquiring foreign entity; the projected impacts of a proposal on the relevant business or businesses; the impact on competition, both on domestic and international markets, and the impact on the economy and the broader community including on the relevant stakeholders of those businesses.

The range of factors and the relative importance of these can vary depending upon the circumstances of the proposal, as well as on how markets are currently structured and function. Any sensitivity that arises for the Treasurer is routinely discussed with applicants and may form the basis of conditions applied to foreign investment approvals. Where relevant, approvals take into account any impact on the commerciality of transactions along the supply chain for particular goods and services.

In the final analysis, the Cargill proposal referred to by Senator Nash did not raise national interest objections by the Treasurer, given the undertakings that were requested and provided by Cargill. These undertakings included that Cargill would provide open access to its port and receival site infrastructure and maintain transparent pricing arrangements.



**Senate Rural Affairs and Transport References Committee**

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**Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

Question 2

HANSARD, Page 4

Mr Di Giorgio: The national interest test—

CHAIR: Could you then take on notice the steps you took and what the questions you asked on the national interest test were?

Mr Di Giorgio: I will take on notice the general approach, but I will not be releasing a blow-by-blow of who we asked about what, because that would be—

CHAIR: What would be wrong with us, the privileged in this committee, understanding who you rang and what you asked them about the national interest test?

Mr Di Giorgio: I would be reluctant to make that public.

CHAIR: You can go in camera.

Mr Di Giorgio: We can do that.

**ANSWER:**

The Government consults with other government departments and agencies, including Australian State and Territories in order to assess potential national interest issues associated with Foreign Investment applications.

Agencies with which consultations are undertaken for agricultural applications include (but are not limited to) the ACCC, DAFF, DFAT, the Department of Infrastructure and Transport, Regional Australia, Local Government, Arts and Sport, PM&C and the ATO and in some cases State Governments. Organisations are asked to address potential national interest issues arising from the investment.

These organisations are asked to provide comment or information on investment proposals so that the Treasurer receives whole of government advice on each application. While proposals are examined individually, any advice to the Treasurer can also incorporate broader information and comment on the industry sector or the investing entity.

The consultation process is conducted through formal written advice and responses, rather than simply through phone conversations.

**Senate Rural Affairs and Transport References Committee**

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**Treasury Portfolio**

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Question 3

HANSARD, Page 5

Senator MILNE: I would like to follow up on Senator Edwards and Senator Nash for a start. When you said that you consult with all these other departments to come up with advice that you make to Treasury, the problem that we have is: in such general terms, when we get to estimates, it is always somebody else who was asked or somebody who has left or whatever else. Can you take this question on notice. What we would like is a list, not only of the departments that you consult but the ranking position—not necessarily the individual but the position—who gets specifically asked. And is that position specifically asked in every case? We are talking agricultural land and water here, not other things. I would really appreciate knowing that so that, when we get to estimates, we actually know who has, supposedly, been asked, and then we can pursue those matters with them at that time. So I would like you to take that on notice.

Mr Di Giorgio: Yes

ANSWER:

The Government sends FIRB applications to a number of government departments and agencies for consultation purposes, including Australian State and Territories.

**Senate Rural Affairs and Transport References Committee**

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**Treasury Portfolio**

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Question 4

HANSARD, Page 6

Senator NASH: Can you take on notice to provide for the committee in detail exactly what the monitoring process is, particularly with agriculture but obviously across the board—a very detailed briefing for the committee on exactly how that monitoring process works.

Mr Di Giorgio: Sure.

**ANSWER:**

Conditions generally include a reporting requirement for the entity to report on its compliance with the condition to FIRB on an annual basis. The veracity of the report is then checked against other sources.

The FIRB also proactively monitors a variety of information sources such as ASX and company releases, departmental publications and media reports.

Industry specific conditions have, in the past, been agreed with the knowledge of the relevant government department which may then notify FIRB if it becomes aware that these are not being complied with.

Where conditions are published (such as in the case of Cargill), the FIRB may be made aware of non-compliance by a variety of sources including competitors, investors and employees.

Compliance with conditions is also closely scrutinised where an entity seeks further foreign investment approvals.

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Question 5

HANSARD, Page 10

Senator GALLACHER: Is there any evidence that the new foreign investors are fundamentally different from previous investors? We have cattle stations in the Northern Territory that have always been owned by Malaysia. Vestey's owned half the world at one stage. The Japanese were a big item in their heyday in Queensland. Are there more foreign states and are they acting differently? Is there any evidence underpinning that? Should a successful investor engage in conduct contrary to the initial requirements for approval, who specifically would address that? I have not heard an answer to that.

Mr Di Giorgio: On the first question, I do not have the specific numbers in front of me. I am happy to provide those. There would be a kick up in the amount of investors from government related entities. There will be no doubt about that. We can provide a bit more information on that. On the second question about what happens to the undertakings and so forth, I think I mentioned earlier that we have—

Senator GALLACHER: I would like that in writing so I can read it.

Mr Di Giorgio: Sure. I will take that on notice

#### **ANSWER:**

Historically, Australia has experienced successive waves of foreign investment. At the beginning of last century, most foreign investment came from the United Kingdom. After world war two, investment surged from the United States, as multi-nationals invested in Australia's growing industries, including manufacturing and mining. In more recent times, there has been an increase in investment from Asia – first, from Japan, and now from emerging economies such as China. Total investment from Asia remains small relative to the UK and the US. Each successive wave of foreign investment reinforces the pattern of a closer trading relationship leading to a closer investment relationship.

To the extent that these new foreign investors are foreign governments and related entities, it is recognised that different considerations may apply in assessing proposals against the national interest. Where a proposal involves a foreign government or a related entity, the Government considers if the investment is commercial in nature or if the investor may be pursuing broader political or strategic objectives that may be contrary to Australia's national interest. Hence, the assessment process includes a consideration of whether the prospective investor's governance arrangements could facilitate actual or potential control by a foreign government (including through the investor's funding arrangements). Proposals from foreign government entities operating on a fully arm's length and commercial basis are less likely to raise national interest concerns than proposals from those that do not.

Treasury monitors and responds to requests from investors on compliance. It also takes relevant matters into account in considering new proposals advanced by the same investor at a later time. All such assessments are undertaken on a case by case basis and rely on judgement having regard to

## **Senate Rural Affairs and Transport References Committee**

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the circumstances; the significance of the issues at hand; and the importance of maintaining the integrity of the review process and decisions taken under it.

In the situation where an investor engages in conduct contrary to the approval requirements, generally the investor would be contacted and given the opportunity to rectify the situation. Instances of non-compliance reflect on an investor's character and are a consideration in future proposals.

Foreign investors, like domestic investors and all members of the community, must abide by Australian law, and these laws complement the FATA in terms of enforcement (e.g. ATO and tax compliance, ACCC and competition laws)

#### **Background**

The foreign investment review process is commenced when an investor formally notifies the Treasurer under the FATA or the Policy of a transaction that is being planned or underway. Such notifications are accompanied by a variety of information provided by the investor to support its notification to facilitate the Treasurer's decision about whether it is contrary to the national interest.

The assessment and decision are made on a case by case basis for each specific proposal. This requires an individual assessment of each proposal, its attributes and its implications for the national interest. Such an assessment is not practical or effective in terms of considering the national interest in relation to a weakly developed or hypothetical transaction. It can be undertaken later when/if the proposal is properly developed and its constituent elements become more certain.

Once a decision is made by the Treasury Minister, the investor is advised in writing and is then at liberty to proceed with the proposal. To recognise that a proposal may not be implemented immediately, the written advice provides for a period of 12 months for it to be undertaken. Providing this period also recognises that the particulars of the proposal put forward, and its possible national interest implications, could change with the passage of time and consequently that a further notification would be required if it is not implemented within that period.

The advice also indicates that if there was to be a material change to the proposal, a further notification and another assessment would be required. This means that in circumstances where a proposal evolves to the extent that it differs in a significant way from the proposal that was notified, it would be considered a revised proposal not covered by the advice that the investor could proceed. Investors would need to consider in the first instance whether a further notification was required, including taking into account the risks that the revised proposal was considered as not having received approval and that it may freshly be subject to the FATA or the Policy.

## **Senate Rural Affairs and Transport References Committee**

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#### Question 6

HANSARD, Pages 10-11

Senator ADAMS: I probably will not get an answer either, but I want to come back to the \$230 million. I have got Australia's foreign investment policy guidelines here. A foreign person needs approval. How are you going to know? They have to have approval after the \$231 million limit. Right throughout the investment policy it says 'would' or 'needs' but there is no concrete statutory requirement that this must happen. I am from Western Australia. In the Great Southern area we are having a number of Chinese investors moving through. There is an area where farmers have had a series of droughts. They are having problems with debt and they are being offered enormous amounts of money for their land. These are collective properties that do not meet that particular amount—they are nowhere near it—but different agencies are buying this farm and that farm. They are all joining together, of course, but they are not the same person. They are coming in under that threshold of \$231 million.

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Mr Di Giorgio: I would just make one observation there. Obviously the \$231 million relates to private entities—businesses. Anything related to a government related entity is captured below the \$230 million mark.

CHAIR: If you can identify it.

Senator ADAMS: This is the problem. It is not being identified.

CHAIR: They are getting away with it. The agents are bragging about it.

Mr Di Giorgio: They are required to notify under the policy. But I could take that on notice.

Senator MILNE: If you are taking that on notice, I would be interested when you provide that information that Senator Adams has asked for if you could also say how many of the properties in that block have been purchased by sovereign entities. Could you take that on notice, further to Senator Adams's question.

#### **ANSWER:**

Foreign investors, like domestic investors and all members of the community, are expected to observe Australia's laws and policies and we are not aware of any instances where breaches remain unaddressed. Foreign investors carry significant commercial risks in proceeding with investments that are outside the requirements of the Foreign Acquisitions and Takeovers Act 1975 and

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Australia's foreign investment policy. In most cases the danger for investors is for their investments to be unwound, either under law or in consultation with the relevant foreign government at a diplomatic level.

FIRB officers routinely monitor news services, websites, corporate listing requirement announcements and other media and follow-up cases of non-compliance where necessary. In addition, FIRB maintains a compliance hotline allowing members of the community to discuss concerns they may have on foreign investment compliance related issues.

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**Treasury Portfolio**

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Question 7

HANSARD, Page 11

Senator NASH: Can I ask you to take on notice information about the monitoring of the market. Could you tell the committee specifically how that monitoring takes place.

ANSWER:

See response to Question 6.



**Senate Rural Affairs and Transport References Committee**

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**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

Question 8

HANSARD, Page 12

Senator NASH: If you could add to that question on notice that I asked before about providing information about the specific resourcing that goes to those that would be appreciated. I am just speaking specifically about the agricultural sector at the moment, and I am happy for you to take this on notice if you cannot provide it now. Within the last 10 years, say, how many undertakings have been monitored? I would like to know how many existing undertakings there have been in the last 10 years and, of those, how many have been through the monitoring process. For how many entities, if any, have the practices changed from the initial undertaking? I am happy for you to take that on notice.

Mr Di Giorgio: Sure.

**ANSWER:**

Acquisitions are approved subject to conditions under the Foreign Acquisitions and Takeovers Act 1975 where otherwise the acquisition would be contrary to the national interest. Conditions under the Act are legally enforceable.

It is part of FIRB management and case officer responsibilities to monitor past and current cases for compliance with conditions. Records of business cases are maintained on conditions imposed and compliance activity is monitored. There are around 30 officers in the Foreign Investment and Trade Policy Division, which includes the Secretariat for the Foreign Investment Review Board.

From 1 January 2002 there have been 11 conditions imposed on foreign acquisitions. Of these, all 11 were announced publically.

The majority of conditions imposed prior to 2010 have been extinguished (the transaction did not proceed, or the acquirer is no longer a shareholder/does not exist, or the condition has been met). The remaining few are either complied with, are subject to annual reporting, are not able to be complied until subsequent events occur, or compliance is in progress. Discussions with a party have been entered into over a condition which has not yet been complied with and the situation is being closely monitored.

More recent conditions have either been complied with, or not had sufficient time for implementation, compliance is in progress, and are being monitored as appropriate.

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**Treasury Portfolio**

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Question 9

HANSARD, Page 14

Senator URQUHART: I just want to know—you may need to take these on notice, given the time—which countries have shown the strongest growth in interest in foreign investment in Australia. Which companies have you been contacted by that have shown interest; and is that growing in one particular area or is it many and varied? If you cannot answer it now, I am happy for you to take it on notice.

Mr Hill: Was that companies or countries?

Senator URQUHART: Countries

Mr Di Giorgio: We will provide you with an accurate answer to that.

**ANSWER:**

Based on ABS figures, at the end of 2010, the top five sources of total investment into Australia were the United States (\$550 billion), the United Kingdom (\$473 billion), Japan (\$118 billion), Singapore (\$44 billion) and the Netherlands (\$42 billion).

The level of investment from the top 15 countries investing in Australia for the past six years is provided in the table below and depicted in a diagram to show the growth in investment.

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## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

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Table - Total stock of foreign investment in Australia by source at end of calendar year

2010 rank	Source	2005 (\$b)	2006 (\$b)	2007 (\$b)	2008 (\$b)	2009 (\$b)	2010 (\$b)	2010 (%)
1	United States	333.99	383.05	440.74	442.07	514.92	549.88	27.94
2	United Kingdom	299.74	359.63	413.88	442.71	498.99	472.65	24.02
3	Japan	51.02	51.68	63.52	89.26	102.54	117.63	5.98
4	Singapore	19.67	27.44	39.17	43.29	41.09	43.77	2.22
5	Netherlands	28.70	31.05	34.81	30.03	43.44	42.43	2.16
6	Hong Kong	31.57	38.87	46.12	56.03	43.20	40.77	2.07
7	Germany	21.06	24.67	32.33	37.38	38.23	40.76	2.07
8	Switzerland	19.95	28.75	30.44	37.28	32.23	40.73	2.07
9	New Zealand	27.25	35.71	42.91	28.74	31.68	33.77	1.72
10	France	16.33	23.20	25.15	29.36	22.98	23.86	1.21
11	Canada	13.37	12.49	14.54	17.24	19.56	21.50	1.09
12	China	2.27	3.51	6.24	8.52	16.63	19.53	0.99
13	British Virgin Islands	np	np	20.78	np	np	19.11	0.97
14	Luxembourg	4.50	5.72	6.40	8.47	14.41	17.71	0.90
15	Belgium	23.09	24.20	11.69	11.95	13.43	14.70	0.75
Top 15 in 2010 total (\$b)		892.51	1,049.96	1,228.71	1,282.32	1,433.32	1,498.80	-
(%)		71.96	70.95	73.12	72.79	75.18	76.17	76.17
Total all sources (\$b)		1240.31	1479.79	1680.29	1761.58	1906.55	1967.81	100.00

Notes: The source is based on the last border the foreign investment left before arriving in Australia. Thus the source does not necessarily relate to the ultimate ownership of the foreign investment.

2005 United States figure – The figure was significantly impact by one particular transaction whereby a major Australian corporation changed its place of incorporation from Australia to the United States.

*China* excludes Hong Kong and Taiwan.

np – not published. There are instances where the ABS does not publish data for a particular category as the publication of the data may potentially allow a particular transaction or party to be identified.

## Senate Rural Affairs and Transport References Committee

### Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

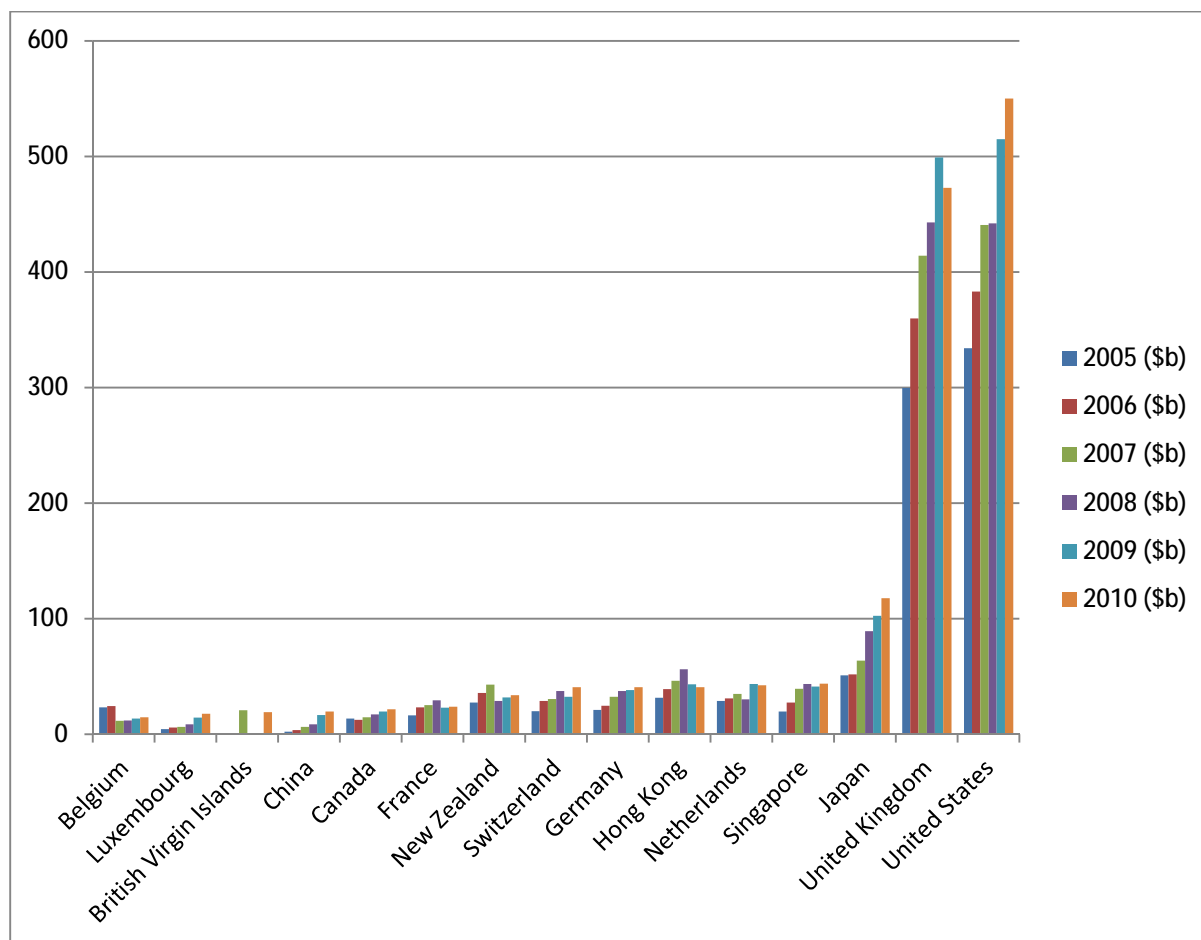
#### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Public Hearing Wednesday, 16 November 2011

Source: [Australian Bureau of Statistics](#) (ABS), Catalogue No. [5352.0 International Investment Position, Australia: Supplementary Statistics, Calendar year 2010 \(May 2011\)](#), Table 2. Foreign Investment in Australia, Level of Investment by Country and Country Groups by type of investment and year. The data used is that available as of August 2011.

Chart - Growth in investment in Australia from top 15 sources of investment



Source: [Australian Bureau of Statistics](#) (ABS), Catalogue No. [5352.0 International Investment Position, Australia: Supplementary Statistics, Calendar year 2010 \(May 2011\)](#), Table 2. Foreign Investment in Australia, Level of Investment by Country and Country Groups by type of investment and year. The data used is that available as of August 2011.

**Senate Rural Affairs and Transport References Committee**

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

Question 10

HANSARD, Page 14

Senator URQUHART: How much foreign investment in Australia is there from those countries per annum?

Mr Di Giorgio: Do you mean, for example, how much of total direct foreign investment comes from, say, America?

Senator URQUHART: Yes.

Mr Di Giorgio: Okay. We could probably answer that now, if you gave us half a moment, because that data is available.

Senator URQUHART: And, just to follow on from that, I am interested in what percentage of that is agricultural land.

Mr Di Giorgio: Sure. We do not have the latter but we do have the former.

**ANSWER:**

While the ABS provides data for both inward and outward investment and direct investment by source, and by industry, it does not provide data that covers both source and industry together.

FIRB data is available in respect of source and industry but does have limitations. In particular, FIRB data does not capture proposals that do not need to be considered by the FIRB and if proposals are notified they may not necessarily proceed. It must also be noted that proposals are classified on the basis of the dominant business activity. Proposals within the agriculture, forestry and fishing sector may include rural land as a business asset, however, the value of agriculture, forestry and fishing proposals cannot be equated with the value of the rural (agricultural) land involved in these proposals.

The first table below is sourced from FIRB annual reports for the last five financial years and provides the value of approvals by country of investor for the agriculture, forestry and fishing sector. The second table below indicates the total value of investment in this sector by countries over the last five financial year and indicates this as a percentage of the overall foreign investment proposals for the last five financial years for which they have been approved.

# Senate Rural Affairs and Transport References Committee

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

Public Hearing Wednesday, 16 November 2011

Table - Approvals by country of investor for the agriculture, forestry and fishing sector

Source: FIRB annual reports	2005-06 (\$m)	2006-07 (\$m)	2007-08 (\$m)	2008-09 (\$m)	2009-10 (\$m)	Total for last 5 financial years (\$m)
United Kingdom	8	1	1,252	402	322	1,985
Canada	-	-	-	1,600	-	1,600
United States	-	-	189	100	659	948
United Arab Emirates	na	na	441	127	45	613
New Zealand	-	-	440	-	95	535
Malaysia	na	-	-	-	499	499
Japan	-	-	6	238	150	394
Netherlands	-	-	-	315	1	316
Singapore	-	-	-	-	228	228
Switzerland	-	89	-	1	-	90
Hong Kong	-	-	-	-	35	35
China <sup>(a)</sup>	-	15	-	-	-	15
Germany	-	-	-	-	1	1
France	-	0	-	-	-	0
Other EU	-	0	-	-	-	0
Other ASEAN	-	0	0	-	-	-
Other	-	0 <sup>(b)</sup>	160 <sup>(b)</sup>	-	292 <sup>(b)</sup>	452
Total	8	104	2,488	2,783	2,327	7,711

(a) China excludes Special Administrative regions and Taiwan.

(b) Comprises all other countries (other than Australia) for the reported year.

## Senate Rural Affairs and Transport References Committee

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Public Hearing Wednesday, 16 November 2011

Table - Value of approved proposals by country of investor in relation to the agriculture, forestry and fishing sector as a percentage of overall approvals for proposed investment by that country

Source: FIRB annual reports 2005-06 2006-07 2007-08 2008-09 2009-10	Total proposed investment in the agriculture, forestry and fishing sector for last 5 financial years (\$m)	Value of approved proposals in all sectors for the last 5 financial years* (\$m)	Approved proposals in respect of the agriculture, forestry and fishing sector as a percentage of overall proposals approved
United Kingdom	1,985	103,107	1.93%
Canada	1,600	23,097	6.93%
United States	948	196,873	0.48%
United Arab Emirates	613 <sup>(1)</sup>	58,30 <sup>(1)</sup>	10.51%
New Zealand	535	14,918	3.59%
Malaysia	499 <sup>(2)</sup>	7,104	7.02%
Japan	394	40,798	0.97%
Netherlands	316	24,479	1.29%
Singapore	228	37,662	0.61%
Switzerland	90	41,505	0.22%
Hong Kong	35	11,245	0.31%
China <sup>(a)</sup>	15	60,259	0.02%
Germany	1	32,968	0.00%
France	0	13,548	0.00%

Notes:

\* The exceptions are the United Arab Emirates and Malaysia.

(1) Data only published for three of the last financial years.

(2) Data only published for four of the last financial years.

(a) China excludes Special Administrative regions and Taiwan.

**Senate Rural Affairs and Transport References Committee**

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

Question 11

HANSARD, Page 15

Senator NASH: Could I just follow up on that—I was going to come back to that later—when you say it is the other departments. I am happy for you to provide this on notice. You said in your opening statement:

*... an important component of the national interest examination in these cases is to look at impacts on regional and rural communities.*

I understand from what you have just said to Senator Urquhart that that actually happened somewhere else. But from you I want supplied to the committee, if you can, your understanding of exactly the detail that the other departments or whoever it is might use to provide you with that information.

Mr Di Giorgio: Sure.

ANSWER:

FIRB routinely provides copies of specific foreign investment proposals to other relevant agencies, including the Department of Agriculture, Fisheries and Forestry, the Department of Regional Australia, Regional Development and Local Government, the Australian Competition and Consumer Commission and the Department of Sustainability, Environment, Water, Population and Communities. Communications from FIRB in this regard may include additional information or alerts that flag aspects of a proposal for particular consideration.

Agencies respond on a case-by-case basis, providing contextual information and sufficient further detail to address whether there are any known national interest related concerns or sensitivities surrounding the specifics of the proposal. For significant proposals, agencies may find it necessary to meet to discuss any sectoral trends, developments, concerns, strategies or preferred investment outcomes. Agencies may also be involved in FIRB's discussions with foreign investment applicants.



## **Senate Rural Affairs and Transport References Committee**

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

Question 12

HANSARD, Page 19

Senator NASH: Insofar as you can, would you supply to the committee the ones that have been public documents in the past? If those undertakings are made in the national interest and the ones that are not public are only under the purview of the department and the Treasurer, how does the Australian public have any confidence that the undertaking made was appropriate? That would concern me greatly given the discussion we had earlier about any changes that are monitored to those undertakings, which you are going to supply to the committee. It would seem very difficult then for the Australian public to get any kind of handle on whether or not the undertakings are appropriate.

Mr Di Giorgio: We are more than happy to provide what has been made public.

Senator NASH: I will relate this to the list of undertakings I asked you to provide to the committee on notice. Perhaps we will phrase it like this: would you provide for the committee those which were made public.

Mr Di Giorgio: Sure. We could provide publicly issued undertakings and methods if that is what you are asking for.

ANSWER:

Copies of press releases are listed for conditions publicly announced by the Treasurer.

2002 —zero

2003 —zero

2004 —Zero

2005 —

1. Xstrata/WMC

<http://www.treasurer.gov.au/DisplayDocs.aspx?pageID=&doc=pressreleases/2005/006.htm&min=phc>

2. BHP Billiton/WMC

<http://www.treasurer.gov.au/DisplayDocs.aspx?pageID=&doc=pressreleases/2005/025.htm&min=phc>

2007 —

3. Canwest Global Communications Corp / Ten Network Holdings Limited

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2007/078.htm&pageID=003&min=phc&Year=&DocType=0>

4. Red Earth Holdings B.V. / PBL Media Holdings Ltd Limited and the PBL Media Holdings Trust

## **Senate Rural Affairs and Transport References Committee**

Inquiry into the Examination of the Foreign Investment Review Board National Interest Test

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

Public Hearing Wednesday, 16 November 2011

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2007/088.htm&pageID=003&min=phc&Year=&DocType=0>

2008 —

5. Chinalco

<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/094.htm&pageID=003&min=wms&Year=2008&DocType=0>

2009 —

6. China Minmetals Non-ferrous Metals Co Ltd / OZ Minerals Ltd

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/043.htm&pageID=003&min=wms&Year=&DocType=0>

7. Anshan Iron and Steel Group Corporation (Ansteel) / Gindalbie Metals Ltd

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/045.htm&pageID=003&min=wms&Year=&DocType=0>

8. Yanzhou Coal Mining Company Limited / Felix Resources Limited

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/081.htm&pageID=003&min=njsa&Year=2009&DocType=0>

2010 —

9. Taifeng Yuanchuang International Development Co Ltd / IMX Resources Limited

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/058.htm&pageID=003&min=wms&Year=2010&DocType=0>

10. Wilmar International Limited / Sucrogen Limited (Sucrogen) from CSR Limited.

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/078.htm&pageID=003&min=wms&Year=2010&DocType=0>

11. Minmetals Resources Limited / Album Resources Private Limited (transfer of previous conditions).

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/093.htm&pageID=003&min=wms&Year=2010&DocType=0>

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into the Examination of the Foreign Investment Review Board  
National Interest Test**

**Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – South Australian Farmers Federation (SAFF)**

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**1. HANSARD, PG 25**

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**Senator XENOPHON:** Is there foreign investment involved at this stage?

**Mr White:** Yes, we understand that is the case.

**Senator XENOPHON:** Which company? Do you want to take that on notice?

**Mr White:** Yes, I do not know who the companies are.

**Mr Di Giorgio:** Sure. We do not have the latter but we do have the former.

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into the Examination of the Foreign Investment Review Board  
National Interest Test**

**Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – Australian Agricultural Company Ltd (AAco)**

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**1. HANSARD, PG 37**

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**Senator XENOPHON:** Could you on notice reflect on and flesh out the appropriate safeguards. I am quite interested in what you say in your submission.

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into the Examination of the Foreign Investment Review Board  
National Interest Test**

**Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – Hassad Australia**

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**1. HANSARD, PG 41**

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**Mr Corbett:** One of the things that we have done with the FIRB is make sure that they are aware of what our total business plan is. We have actually sat down with them and stepped them through the entire business plan. Again, that is part of this total transparency. We continue to do that.

**CHAIR:** Who did you sit down with?

**Mr McKeon:** It was actually the case managers and the—

**CHAIR:** Would you care to name them?

**Mr McKeon:** I can take it on notice. I will have to look it up.

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**2. HANSARD, PG 42**

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**Mr Corbett:** We still have to provide in our application a high level of information about what we are doing with the property, how we are going to staff it, how we are going to operate in the community et cetera. So we do go to great lengths in the submission itself to provide that level of information.

**CHAIR:** Did you have that conversation with the board or with the secretarial support in Treasury?

**Mr McKeon:** I could not actually tell you their names.

**CHAIR:** Take all that on notice.

Senate Rural Affairs and Transport  
References Committee  
PO BOX 6100  
Parliament House, ACT 2600

5th December 2011

**Re: Inquiry into the Examination of the Foreign Investment Review Board National Interest  
Test, Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – Hassad Australia**

To The Committee,

Please find below the answers to the Questions Taken on Notice from the public hearing held on  
Wednesday, 16 November 2011.

**1. HANSARD, PG 41**

**Mr Corbett:** One of the things that we have done with the FIRB is make sure that they are aware of what our total business plan is. We have actually sat down with them and stepped them through the entire business plan. Again, that is part of this total transparency. We continue to do that.

**CHAIR:** Who did you sit down with?

**Mr McKeon:** It was actually the case managers and the—

**CHAIR:** Would you care to name them?

**Mr McKeon:** I can take it on notice. I will have to look it up.

**Answer:** *Our current Foreign Investment Review Board case managers are:*

*Michael Parkes  
Foreign Investment and Trade Policy Division  
Markets Group*

*Biljana Waldron  
Manager  
Investment Review Unit  
Foreign Investment and Trade Policy Division*



2. HANSARD, PG 42

**Mr Corbett:** We still have to provide in our application a high level of information about what we are doing with the property, how we are going to staff it, how we are going to operate in the community et cetera. So we do go to great lengths in the submission itself to provide that level of information.

**CHAIR:** Did you have that conversation with the board or with the secretarial support in Treasury?

**Mr McKeon:** I could not actually tell you their names.

**CHAIR:** Take all that on notice.

**Answer:** *We currently converse with our Foreign Investment Review Board case managers in relation to our applications and submissions.*

*The specific people we currently converse with are:*

*Michael Parkes  
Foreign Investment and Trade Policy Division  
Markets Group*

*Biljana Waldron  
Manager  
Investment Review Unit  
Foreign Investment and Trade Policy Division*

For further information, please don't hesitate to contact me on the below details.

Yours Sincerely,

John Corbett  
Director  
T: 07 3228 0702

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into the Examination of the Foreign Investment Review Board  
National Interest Test**

**Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – Australian Bureau of Statistics**

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**1. HANSARD, PG 66**

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**Senator NASH:** What is the average property size across those businesses?

...

**Senator NASH:** You can take that on notice, but do you have the bottom end of the range and the top end of the range? In percentiles can you break that down for me so it is from the biggest to the smallest and then how many of those business entities fall into each of the 10 per cent percentiles?

**Dr Charker:** We would have to take that on notice. I do not have those figures immediately here right now.

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**2. HANSARD, PG 67**

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**Ms Hodges:** Just to add a clarifying point to that: before we send out the survey form we do go out and test the survey form in the field to make sure that it is understood by those—

**Senator JOYCE:** Where did you do that?

**Ms Hodges:** I cannot tell you the exact area. I would have to take that on notice. That is something that may be confidential; I will need to check that.

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**3. HANSARD, PG 68**

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**Senator COLBECK:** You have talked about microbusinesses, 5,000 to 125,000—I think that is the numbers, if I have it right. Then you had another range which, from recollection, was 125,000 to 500,000. Is that correct?

**Ms Hodges:** We will need to take that on notice.

**Senator COLBECK:** Then there are the larger businesses, which I think you said were 500,000-plus. They are effectively the three ranges that you have given to us so far. I am interested in getting the percentages of each of the agribusiness land and water ownership in each of those classifications, but also the compliance rate in each of those classifications.



**Dr Charker:** We will take that on notice.

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#### **4. HANSARD, PG 72**

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**Senator COLBECK:** Can that information be informed in any way by breaking down the different categories that we are looking at? Going back to the figure that you gave us before, you have six per cent of farms in the 5,000 to 125,000. Knowing the numbers and the proportion, can that actually give you some sense of scale to build in around the information that you have?

**Dr Charker:** It may. We would have to go and look at that. It may. If we can look at the information—

**Senator COLBECK:** Is it possible for you to have a look at that for us?

**Dr Charker:** Yes.

**Senator COLBECK:** Take it on notice, obviously.

...

**Senator NASH:** I think I am going to ask it in a different way from the way that Senator Colbeck just did: as to that one per cent that is not Australian owned, can you provide to the committee the turnover of each of those businesses that fell into that one per cent?

**Dr Charker:** We can take that on notice. We will investigate what we can provide and, to the extent that we can, we shall.

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#### **5. HANSARD, PG 73**

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**Senator NASH:** But I am just trying to get clear what the length of time was that made it impossible for you to do it for the last one.

**Dr Charker:** I do not have the specific number of days with me, but, as Jacky has said, the form and all the systems and all the testing was locked down and well and truly underway before any this was finalised or requested of us, so we were unable to incorporate all of those questions about foreign ownership into the agricultural census form. It was operationally not possible.

**Ms Hodges:** And, if we sent it as a separate form from the agricultural census form, it would increase the time required for farmers to fill in the form. The cost to conduct it would also be at a substantially greater.

**Senator NASH:** Could you take on notice, just in terms of the reference to the greater cost, the question of how much extra it would have cost? An extra couple of pages for a farmer is not that onerous, so that is probably not a good reason not to do it.

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**6. HANSARD, PG 74**

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**CHAIR:** On notice, if you like: what were the agreed output specifications for the survey?

**Dr Charker:** We will take that on notice, Senator.

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**7. HANSARD, PG 74**

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**Senator MILNE:** I want to add to Senator Nash's list of questions on notice. What is the land area represented by the one per cent of Australian agricultural businesses which are not Australian owned?

**Dr Charker:** Okay—we will note that.

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**8. HANSARD, PG 74-75**

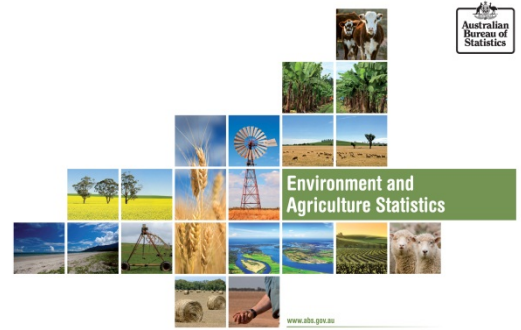
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**CHAIR:** How could you have, as your main or secondary business, a business with turnover of \$5000—is that gross or net? What is that \$5000?

**Dr Charker:** We might have to take that on notice to give you much more detail about that.

**CHAIR:** Yes, but you sent these surveys out. How did you trigger the \$5000?

**Dr Charker:** That was based on taxation information about turnover; that is my understanding. But we will have to take that on notice. That is the level of technical detail we will have the check to make sure—



# **Agricultural Land and Water Ownership Survey: Response to the Rural Affairs and Transport Senate Committee questions taken on notice**

**Briefing for Rural Affairs and Transport Senate committee**

**November 2011**

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into the Examination of the Foreign Investment Review Board National  
Interest Test**

**Public Hearing Wednesday, 16 November 2011**

**Questions Taken on Notice – Australian Bureau of Statistics**

**Purpose of this paper**

The purpose of this paper is to provide responses to the questions taken on notice from the Rural Affairs and Transport Senate Committee public hearing, held 16 November 2011, regarding the Agricultural Land and Water Ownership Survey (ALWOS) conducted by the Australian Bureau of Statistics during 2011.

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**1. HANSARD, PG 66**

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**Senator NASH:** What is the average property size across those businesses?

...

**Senator NASH:** You can take that on notice, but do you have the bottom end of the range and the top end of the range? In percentiles can you break that down for me so it is from the biggest to the smallest and then how many of those business entities fall into each of the 10 per cent percentiles?

**Dr Charker:** We would have to take that on notice. I do not have those figures immediately here right now.

Answer

The following table provides the decile breakdown of the area of agricultural land reported in the Agricultural Land and Water Ownership Survey (ALWOS) regardless of ownership status. The 8,041 businesses which reported owning and/or operating agricultural land were evenly spread through the deciles. The median area of agricultural land reported was 211 hectares.

Decile	Range (ha)
1st	0-12
2nd	13-34
3rd	35-65
4th	66-120
5th	121-211
6th	212-400
7th	401-767
8th	768-1600
9th	1601-4430
10th	4431-

It should be noted that in some agricultural industries, a relatively small area of agricultural land can be very productive. Examples of these industries include mushroom growing, vineyards and horticulture. Conversely, a number of agricultural industries, such as beef cattle farming, may have very large but less fertile areas of agricultural land. The value of the agricultural production is based on the productivity of the land and not only the area.

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**2. HANSARD, PG 67**

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**Ms Hodges:** Just to add a clarifying point to that: before we send out the survey form we do go out and test the survey form in the field to make sure that it is understood by those—

**Senator JOYCE:** Where did you do that?

**Ms Hodges:** I cannot tell you the exact area. I would have to take that on notice. That is something that may be confidential; I will need to check that.

Answer

The ABS routinely undertakes field work to test question wording and form design before undertaking statistical collection activity.

For the ALWOS collection, two rounds of observational cognitive testing were conducted to test the form design and clarity of terms, definitions and concepts. The testing was undertaken in a number of rural regions in Victoria and Tasmania. Businesses which took part in the testing were selected on the basis of their business having some indication of a degree of foreign ownership. The results of the testing provided direct input into the final collection instrument design.

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### 3. HANSARD, PG 68

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**Senator COLBECK:** You have talked about microbusinesses, 5,000 to 125,000—I think that is the numbers, if I have it right. Then you had another range which, from recollection, was 125,000 to 500,000. Is that correct?

**Ms Hodges:** We will need to take that on notice.

**Senator COLBECK:** Then there are the larger businesses, which I think you said were 500,000-plus. They are effectively the three ranges that you have given to us so far. I am interested in getting the percentages of each of the agribusiness land and water ownership in each of those classifications, but also the compliance rate in each of those classifications.

#### Answer

The frame or list of businesses which were potentially in scope for this survey was drawn from the ABS Business Register. There were approximately 165,000 businesses which undertook agricultural activity on the frame in December 2010. As a part of the frame's classification (or stratification) process, all businesses were allocated to one of four business size variables based on their Estimated Value of Agricultural Operations (EVAO) calculated by the ABS:

- Large business - EVAO greater than \$5,000,000
- Medium business - EVAO less than \$5,000,000 but greater than \$500,001
- Small business - EVAO less than \$500,000 but greater than \$125,001; or
- Micro business - EVAO less than \$125,000

A sample of approximately 11,000 businesses was selected for the survey from the frame of 165,000 businesses which undertook agricultural activity. The final sample selection had the following characteristics:

- 54% of all large businesses, which were potentially in scope of the ALWOS, formed part of the ALWOS sample. These comprised 3% of the total ALWOS sample. Of all large businesses selected for the ALWOS, 96% of these responded to the survey.
- 13% of all medium businesses, which were potentially in scope of the ALWOS, formed part of the ALWOS sample. These comprised 17% of the total ALWOS sample. Of all medium businesses selected for the ALWOS, 93% of these responded to the survey.
- 7% of all small businesses, which were potentially in scope of the ALWOS, formed part of the ALWOS sample. These comprised 28% of the total ALWOS sample. Of all small businesses selected for the ALWOS, 93% of these responded to the survey.

- 6% of all micro businesses, which were potentially in scope of the ALWOS, formed part of the ALWOS sample. These comprised 52% of the total ALWOS sample. Of all the micro businesses selected for the ALWOS, 92% of these responded to the survey.

The following table provides the estimated area of agricultural land by business size (regardless of ownership status) as a percentage of the estimated total area of agricultural land reported by all responding businesses. This table shows, for example, that area of agricultural land owned and/or operated by micro businesses represents 15.6% of the total area of agricultural land in Australia.

	Area of agricultural land as % of total area of agricultural land reported by all businesses
Micro businesses: EVAO less than \$125,000	15.6%
Small businesses: EVAO less than \$500,000 but greater than \$125,001	23.5%
Medium businesses: EVAO less than \$5,000,000 but greater than \$500,001	40.8%
Large businesses: EVAO greater than \$5,000,000	20.2%

The following table provides the estimated volume of water entitlement used for agriculture by business size (regardless of ownership status) as a percentage of the estimated total volume of water entitlement used for agricultural reported by all responding businesses. This table shows, for example, that the volume of water entitlement owned by micro businesses represents 25.4% of the total water entitlement for agricultural purposes owned in Australia.

	Water entitlement as % of total water entitlement reported by all businesses
Micro businesses: EVAO less than \$125,000	25.4%
Small businesses: EVAO less than \$500,000 but greater than \$125,001	29.9%
Medium businesses: EVAO less than \$5,000,000 but greater than \$500,001	29.0%
Large businesses: EVAO greater than \$5,000,000	15.2%



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#### 4. HANSARD, PG 72

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**Senator COLBECK:** Can that information be informed in any way by breaking down the different categories that we are looking at? Going back to the figure that you gave us before, you have six per cent of farms in the 5,000 to 125,000. Knowing the numbers and the proportion, can that actually give you some sense of scale to build in around the information that you have?

**Dr Charker:** It may. We would have to go and look at that. It may. If we can look at the information—

**Senator COLBECK:** Is it possible for you to have a look at that for us?

**Dr Charker:** Yes.

**Senator COLBECK:** Take it on notice, obviously.

...

**Senator NASH:** I think I am going to ask it in a different way from the way that Senator Colbeck just did: as to that one per cent that is not Australian owned, can you provide to the committee the turnover of each of those businesses that fell into that one per cent?

**Dr Charker:** We can take that on notice. We will investigate what we can provide and, to the extent that we can, we shall.

#### Answer

Due to ABS's confidentiality obligations under the *Census and Statistics Act, 1905*, the ABS is not able to provide the turnover of the individual businesses that account for the one per cent of businesses which have some level of foreign ownership.

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**5. HANSARD, PG 73**

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**Senator NASH:** But I am just trying to get clear what the length of time was that made it impossible for you to do it for the last one.

**Dr Charker:** I do not have the specific number of days with me, but, as Jacky has said, the form and all the systems and all the testing was locked down and well and truly underway before any this was finalised or requested of us, so we were unable to incorporate all of those questions about foreign ownership into the agricultural census form. It was operationally not possible.

**Ms Hodges:** And, if we sent it as a separate form from the agricultural census form, it would increase the time required for farmers to fill in the form. The cost to conduct it would also be at a substantially greater.

**Senator NASH:** Could you take on notice, just in terms of the reference to the greater cost, the question of how much extra it would have cost? An extra couple of pages for a farmer is not that onerous, so that is probably not a good reason not to do it.

Answer

The inclusion of a trigger question (an additional filtering question to establish foreign ownership) on the Agricultural Census form and then the despatch of a supplementary survey form to collect the same data items as the ALWOS, would cost approximately \$1.285 million inclusive of corporate overheads (excluding GST).

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**6. HANSARD, PG 74**

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**CHAIR:** On notice, if you like: what were the agreed output specifications for the survey?

**Dr Charker:** We will take that on notice, Senator.

Answer

The new survey was designed to deliver the output requirements and priorities identified through consultation with key stakeholders including the Department of Treasury, the Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) and the Department of Agriculture, Forestry and Fisheries (DAFF).

The output specifications for the survey identified by the stakeholders were:

- Foreign ownership of agricultural businesses in Australia (count and percentage);
- Foreign ownership of Australian agricultural land (area of holding and percentage); and
- Foreign ownership of water entitlements (used for agricultural purposes) in Australia (volume of water).

During determination of the information requirements with the Department of Treasury, ABARES and DAFF, it was agreed that the level of direct foreign ownership in businesses undertaking agricultural activity was of primary interest. As such, the survey does not provide information on foreign ownership via complex chains of business ownership and control. Nor does it provide information on the specific country of investment or ownership of businesses with any level of foreign ownership.

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**7. HANSARD, PG 74**

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**Senator MILNE:** I want to add to Senator Nash's list of questions on notice. What is the land area represented by the one per cent of Australian agricultural businesses which are not Australian owned?

**Dr Charker:** Okay—we will note that.

Answer

Estimates from ALWOS indicated that 1,300 agricultural businesses had some level of foreign ownership in Australia on 31 December 2010. These businesses reported owning 45 million hectares (11%) of agricultural land in Australia. For comparative purposes, the total area of agricultural land in Australia on 31 December 2010 was 398 million hectares.

Of the agricultural land with some foreign ownership (45 million hectares), 168,500 hectares were owned by businesses which had less than 10% foreign ownership, 22 million hectares were owned by businesses which had between 10% and 50% foreign ownership and 23 million hectares were owned by businesses which had more than 50% foreign ownership.

These estimates were published in *Agricultural Land and Water Ownership, December 2010* (cat. no. 7127.0) released 09/09/2011.

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**8. HANSARD, PG 74-75**

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**CHAIR:** How could you have, as your main or secondary business, a business with turnover of \$5000—is that gross or net? What is that \$5000?

**Dr Charker:** We might have to take that on notice to give you much more detail about that.

**CHAIR:** Yes, but you sent these surveys out. How did you trigger the \$5000?

**Dr Charker:** That was based on taxation information about turnover; that is my understanding. But we will have to take that on notice. That is the level of technical detail we will have the check to make sure—

Answer

The Estimated Value of Agricultural Output (EVAO) figure used by the ABS as a scoping value does not reflect turnover, income or profit of the agricultural operation. It is an ABS generated sizing variable used to assist in excluding small farming businesses (hobby farms) recorded on the ABS Business Register and to assist in the frame and sample design for ABS agricultural business surveys.

EVAO is a three-year rolling average of an estimate of the value of the agricultural operations which takes into account:

- Both the area of crop sown and the production resulting from the crop for all crops on the property regardless of the sale of the produce
- The Value of Agricultural Commodities Produced (VACP) determined price for the crops
- The number of head of livestock held on the property, regardless of their sale
- The number of livestock traded from the property; and
- The VACP price of the livestock.

The EVAO variable is used to even out fluctuations in business value caused by variable climatic and economic conditions and to provide a variable which can be used to compare the size of business across industry (ANZSIC) classes.