

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2015 - 2016

**Department/Agency: Treasury**

**Question: SBT 49**

**Topic: FIRB applications**

**Reference: Hansard page no. 112 - 21 October 2015**

**Senator: Wong, Penny**

**Question:**

Senator WONG: I want to understand what quantitative analysis you have done of what that definition will encompass—how many businesses, what proportion of the particular industries et cetera. I want to understand how you have looked at that.

Mr Earl: We did look at that when we were doing the regulation impact statement. We do not think it will bring in a significant number of cases within the system. Our estimate was around 10 or so additional cases. The reason for that is—

Senator WONG: No, that is not the question. You are doing it in terms of analysis of the number of people who have to make a FIRB application—is that how you are assessing it?

Mr Earl: Yes.

Senator WONG: I am talking about the definition of agribusiness, what is the quantitative assessment of the scope of the definition, who is potentially brought in?

Mr Lonsdale: Are you saying how many entities or businesses, the potential—

Senator WONG: Or proportions of industry. I have met with stakeholders who have suggested it is a very large proportion of their sector. Have you done that kind of analysis?

Mr Lonsdale: I think what Mr Earl is trying to explain is that of the pool that we are talking about, how many businesses will now be screened that were not screened before.

Mr Earl: Yes, how many additional cases we will screen. That is the analysis.

Senator WONG: There are so many variables in the analysis though, because you need to make an assumption about proportions of foreign investors in the sector and the investment flows.

Mr Lonsdale: It is an estimate.

Senator WONG: Do you say 10?

Mr Earl: The reason for that is the existing threshold is \$252 million, but if you are requiring a stake of 15 per cent or more in an Australian company valued above \$252 million then you need foreign investment approval. The new \$55 million threshold is based on a value of the investment. Our analysis is that there will be some additional cases brought within the system, but a lot of those applications would have been caught by the existing rules.

Senator WONG: What is the 10 figure? Is that 10 additional FIRB applications per annum?

Mr Earl: Yes, that is what we have estimated.

Senator WONG: Assuming what pattern of investment flow? Presumably more from those nations over time. What sort of growth are you assuming?

Mr Lonsdale: If you would like to know the assumptions—do we have them?

Mr Earl: Yes, we will take those assumptions on notice.

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**Answer:**

Treasury estimates that the number of additional agribusiness applications coming through FIRB will be around five per year. This figure is derived from the total number of ASX listed and non-listed public and proprietary Australian-owned agricultural businesses with market value between \$55 million and \$252 million as at 1 December 2014, equalling 380 companies. It is estimated that 10 per cent of these companies would be sold each year, with 20 per cent of those sold to a foreign entity.

Further information is available in the Regulation Impact Statement.