

Dear Committee Secretary

Please find attached Cattle Council's submission to the consultation process conducted by Treasury on Australia's Foreign Investment Framework. The views expressed in this submission still stand and are relevant to your inquiry.

Kind regards

Mark Harvey-Sutton

Policy Director

Cattle Council of Australia



CATTLE COUNCIL OF AUSTRALIA

30 March 2015

Manager
International Investment & Trade Unit
Foreign Investment & Trade Policy Division Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

By email: foreigninvestmentconsultation@treasury.gov.au

Dear Manager

Re: Strengthening Australia's Foreign Investment Framework – Options Paper

The Cattle Council of Australia is the peak industry body representing Australia's grassfed beef producers. Cattle Council appreciates this opportunity to comment on the Discussion Paper on Strengthening Australia's Foreign Investment Framework. We seek a foreign investment framework that achieves a transparent system for bringing much needed capital and investment into the industry which will in turn increase both competition and innovation in the industry.

The Australian beef industry has had a long history of foreign investment. Australian cattle properties have previously received foreign investment from England, the United States of America, China, Japan and Brazil, amongst others.

As an industry that exports over 65% of our product to over one hundred markets around the world, foreign investment only strengthens relationships between Australia and these markets.

It is important to note that a shift in market power away from producers in recent years, due to a number of factors including seasonal conditions, exceptional international demand and consolidation of the processing sector, has seen competition diminished.

We have restricted our submission to only comment on aspects of the framework that directly affect our sector. In doing so, we submit the following views:

- The Cattle Council supports a case-by case assessment of foreign investments against the national interest test with powers vested in the Treasurer. While we acknowledge there is little evidence to suggest non-compliance with conditions imposed on approved agricultural investments, the imposition of civil pecuniary penalties would provide additional remedies to the government to pursue non-compliance.



- While deterrents for non-compliance are essential, emphasis must also be placed on compliance monitoring. The Cattle Council is concerned about anecdotal reports of profit shifting by foreign-owned entities. While we acknowledge these reports are unsubstantiated, they are of serious concern. We understand the Australian Government intends to commence the Taxation Whitepaper process in 2015 and we will be engaged. Nonetheless compliance with Australian taxation laws must be a focus of the foreign investment framework and a key principle of compliance monitoring.
- The Cattle Council cautiously supports the imposition of application fees on foreign investment applications. However these fees must be imposed on a purely cost-recovery basis, consistent with the *Australian Government Cost Recovery Guidelines*. Any fees must not be used as a mechanism for increasing consolidated revenue. The Cattle Council is of the view that any measures to increase consolidated revenue from application fees would act a deterrent for investment and should not be considered.
- The Cattle Council is concerned that lowering the threshold to \$15 million is too low and has the potential to deter investment. However, given this threshold is in place, there must be focus on ensuring that the administrative procedures for processing applications are efficient, timely and not bureaucratic. While we do not offer specific solutions for how this can be achieved, we welcome the intent of the discussion paper seeking to simplify and modernise the foreign investment framework.
- The maintenance of a foreign investment register is a useful tool to inform Australian Government decisions on investment. However, care must be taken to ensure the register does not breach the commercial confidence and integrity of businesses wanting to invest in Australian agriculture.
- One of the key concerns of our members is ensuring that adequate competition exists for their product. There have been concerns expressed, publicly and privately, about acquisitions within the processing sector and the impact this can have on competition. We acknowledge that the Treasurer recently saw fit to impose conditions on JBS Australia's acquisition of the Primo group.

However, the Cattle Council also acknowledges that foreign investment also represents real opportunity to increase competition within the sector. This principle also applies to other aspects of the supply chain such as retail, live export and transport.

With this in mind the Cattle Council does not express a preference whether the definition of 'agribusiness' should be extended to meat processing or other aspects of the supply chain. Instead we advocate for increased emphasis on the impact of competition on primary production when considering the national interest test. Should a foreign entity apply to purchase, or takeover, a business that has a primary purpose of transporting, processing or retailing agricultural goods, then the impact of competition for agricultural producers must form an element of the national interest test.



Should you wish to discuss this submission further please contact Cattle Council's Policy Director,



Kind regards

Howard Smith
President