Australia China Business Council
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To: The Director, Skills and Innovation Policy Section
Migration Planning and Visa Policy Branch
Department of Home Affairs

Business Innovation and Investment Program:

Getting a better deal for Australia

1. The Australia China Business Council (ACBC) is a membership-based, non-profit, non-governmental organisation comprised of more than 1500 representatives from over 850 Australian companies who do business with China. Founded in 1973, we actively promote two-way trade and investment, economic cooperation and understanding between the business communities of Australia and China.

2. ACBC's diverse membership is united by a desire for a strong and open economic relationship with China. This means that ACBC, like comparable business organisations, will frequently contribute to debate on matters of public policy.

3. ACBC supports free trade and globalisation. To achieve this, we strongly support the free movement of people around the world, through an efficient immigration visa program.

4. ACBC acknowledges that Australia is not a nation of savers and that we as a country have always relied on foreign investment, which has helped to ensure Australia has had 28 years of uninterrupted economic growth and a high standard of living.

5. For the purposes of this submission, ACBC will restrict its comments to the Significant Investor Visa (SIV) as this is particularly relevant to the Australia-China bilateral relationship since 87% of SIV grantees are Chinese.

6. In 2019, ACBC commissioned a report with Deloitte Access Economics "Impact of the Significant Investor visa program: A long-term proposition for Australia." The report will be cited in this submission as *ACBC's SIV Report*. A copy of the report is added to this submission and can be downloaded here:
http://acbc.com.au/admin/images/uploads/Copy2SIV_report_June_2019_web_pages_v3.pdf

i. How can the investment thresholds be increased to provide the best outcome for Australia?

7. ACBC applauds the Government's current SIV program and supports its continuation in its current form with a minimum threshold investment of $5 million. According to *ACBC's SIV Report*, despite only accounting for 0.1% of all visas granted to Australia each year, the SIV program has contributed more than $10 billion to the Australian economy by way of investment into complying investments in Australia since its inception in 2012. Our SIV Report also found that SIV holders often invest far in excess of the threshold $5 million amount, but often wait until they have attained permanent residence after 4 years.

8. There is a real danger if the threshold amount is increased that Chinese investors will be deterred from applying for Australian SIVs and may consider investing in other international jurisdictions such as New Zealand or the USA. Our SIV Report showed a comparative analysis of comparable SIV programs around the world and concluded that the current Australian SIV program was optimal in attracting foreign investment.

9. Increasing the threshold amount also presupposes that there is an infinite supply of prospective affluent foreign investors who are willing to come to Australia. Economists and commentators around the world have been predicting an imminent economic downturn in China, exacerbated by the recent coronavirus outbreak, US/China trade tensions and capital outflow restrictions instigated by the Chinese Government. The bilateral relationship between Australia and China has also been strained for the past two years which, combined, could all add to a lack of confidence in Australia as a destination of choice for foreign investors. According to KPMG, while global foreign direct investment (FDI) declined by 19% in 2018, Chinese FDI

increased by 4.2%. However, in Australia, Chinese FDI decreased by 37.6% from $10 billion in 2017 to $6.2 billion in 2018. Thus, any increase in SIV requirements could put at risk Australia's already falling share of global Chinese FDI.

10. It should also be noted that the Australia-China bilateral relationship is tense despite two-way trade being our two countries being at a record AUD $215 billion. Therefore, the Government should consider a policy response that avoids further straining diplomatic relations and instead provide certainty and incentives to Chinese investors who are growing accustomed to the current SIV program.

ii. How could we achieve better outcomes for the Australian economy through the composition of designated investments for the investor and Significant Investor visas?

11. ACBC believes that the current composition of the SIV is sound and notes that the program is still in its infancy. As per the 2016 Productivity Commission report, there is unanimous agreement on the need to continue research to develop a strong evidence base in order to make an informed decision on the efficacy of the program as it develops.

12. As per ACBC's SIV Report, venture capital benefits greatly from an increased pool of funds for investment. Between 2008 and 2017, the SIV provided a major source of capital to the venture capital and private equity sector. In particular, 180 SIVs were granted in accordance with the new complying investment framework in 2017, providing approximately $90 million worth of capital to the venture capital private equity sector. This represents 3% of the total venture capital and private equity funds raised in 2017 and is an area of opportunity that could be further explored in the government's review of SIV. The minimum 10% of venture capital investment could potentially be increased from 10% to 20% to provide Australian start-up companies with access to much needed funding. Venture capital is inherently riskier than other forms of investment and sometimes less attractive to investors, but it is highly valuable to capital hungry Australian companies and contributes significantly to the economy through business growth and job creation.

iii. How could a simplified BIIP framework make the program more efficient and

effective in maximising benefit to Australia?

13. ACBC acknowledges that a business immigration framework which is simplified and easily communicable is prudent for both policy makers and applicants. In particular, clarity in the purpose and process of all BIIP visa applications and requirements is essential.

iv. How can the points test be adapted to encourage investments above the minimum threshold?

14. Permanent residency (PR)approval for the SIV could potentially be shortened from four to two years to give investors the chance to invest more once they have achieved PR status. According to the ACBC SIV Report, some SIV holders displayed appetite to undertake additional investments, particularly in passive investments such as residential real estate and corporate bonds, but also riskier asset classes such as venture capital and growth private equity funds once they had attained permanent residency. Should the wait time for permanent residency be shortened, it would unlock the potential for these SIV recipients to invest more in the Australian economy, knowing that their residency in Australia was secured and having already had the experience of at least one $5 million investment in Australia.

v. How can incentives be provided to encourage prospective migrants to operate a business in regional Australia?

15. Investment in regional Australia is highly desirable but it would be difficult to monitor via the SIV program. Also, foreign investors may have limited knowledge about Australia, let alone regional Australia. There may be other Government policies that could be better utilised to encourage regional investment such as tax relief.

vi. What factors should be considered in introducing any changes, including phasing in changes over time?

16. Further to our previous comments, we reiterate that there are many comparable SIV programs in the world, and if the Australian framework were to become too cumbersome or too

expensive, or inconsistent, then prospective SIV applicants may look to other international jurisdictions in which to invest.

Thank you for the opportunity to make a submission in response to your consultation paper.

Yours sincerely



David Olsson

National President