



The Rt. Hon. The Lord Mayor of Melbourne

18 March 2015

The Hon. Joe Hockey MP
Treasurer
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Treasurer

FOREIGN INVESTMENT IN AUSTRALIA

I write regarding proposals being considered by the Australian Government as part of the Options Paper titled *Strengthening Australia's Foreign Investment Framework*.

There are elements being considered under the Framework which the Melbourne City Council (Council) believes may not address targeted issues and could potentially compound problems through a range of direct and indirect impacts.

Council's concern was the subject of discussion at its Future Melbourne Committee on 10 March 2015 where particular concern was expressed regarding the proposal to introduce a new \$200 million tax on foreign buyers of property.

As Melbourne's economy transitions away from its historical manufacturing base, inward Asian investment in property, particularly purchases of new dwellings, has been an important driver of economic activity and engagement with the region, especially in the education sector where Melbourne has emerged as one of the world's largest host cities for international students.

Melbourne is one of the most successful multicultural cities in the world and has long prospered from an open and welcoming approach to foreign investment in all asset classes. The municipality is also undergoing a residential boom which shows no sign of abating. Charter Keck Cramer, property consulting firm, is predicting that Melbourne will absorb close to half of all new apartments built in Australia over the next five years.

The magnitude of economic and employment activity in the City of Melbourne's residential sector can be seen in the following data.

- In 2014, building permits issued in the municipality alone were worth \$3.4 billion, 14 per cent higher than in 2013.
- The construction industry employs 6,249 people in the municipality and its output equates to \$2.5 billion, contribution to Gross Local Product (GLP) is \$791 million.

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- The real estate services industry employs 4,620 people in the municipality and its output equates to \$8.5 billion; contribution to GLP is \$3.3 billion.
- Almost 36,000 international students live and study in the central city.

As you will appreciate, foreign investment is important for new residential housing supply in Australia and any initiatives which impact on this should be given careful consideration. The Council is concerned that the proposed tax may act as a deterrent to foreign investment. It could have a direct impact on jobs and has the potential to jeopardise housing supply. Ironically, this could make housing affordability worse, not better.

The Council shares concern similar to that expressed by the Property Council of Australia and urges the Australian Government to give careful consideration to the potential impact of the proposals. We support the concept of a level playing field for property investment which treats all owners and prospective bidders in the same manner. We also support the existing regulatory system on foreign property investment which has enjoyed bipartisan support for many years. The Council also believes that any increased activity by the Foreign Investment Review Board should be funded from its own resources rather than through a new tax on one class of buyer.

Your consideration of Council's position on matters which have the potential to impact on Melbourne's prosperity and inclusiveness is important and would be greatly appreciated.

Yours sincerely

A handwritten signature in black ink that reads "Robert Doyle". The signature is written in a cursive, flowing style.

Robert Doyle
Lord Mayor

cc. Senator the Hon. Penny Wong
Senator Christine Milne
Senator Bob Day AO
Senator Ricky Muir
Senator Jacqui Lambie
Senator Glenn Lazarus
Senator John Madigan
Senator Nick Xenophon
Senator Zhenya Wang
Senator David Leyonhjelm