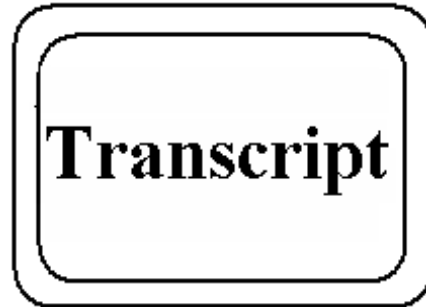




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Senator Nick Sherry
Assistant Treasurer

Radio 4BC
Interviewer: Michael Smith
26 April 2010

E&OE – PROOF ONLY

SUBJECT: Changes to foreign investment rules relating to residential housing and temporary residents

MICHAEL SMITH: The Assistant Treasurer, Nick Sherry is on the phone. Assistant Treasurer, g'day.

NICK SHERRY: G'day. G'day to your listeners.

MICHAEL SMITH: Thanks, Senator, for your time this afternoon. Now, in 2008 the Rudd Government changed the rules relating to foreigners buying up Australian property. It would seem that you have now changed things back to how they were prior to 2008.

NICK SHERRY: The changes I've announced relate to what's called temporary residents including students who are temporary residents and going forward they will be required to notify, be screened and approved. Secondly, and I think critically, where they purchase an established property they will have to sell it on departure and thirdly, if they buy undeveloped land, they are required to commence construction on that land within 24 months. Now, that's the new rules.

MICHAEL SMITH: Aren't they the old rules?

NICK SHERRY: In part they are but the additional requirements which are, in fact, much tougher than has ever existed, going back not just the last two years but the last 20, tough new civil penalties and compliance and monitoring. Frankly, whatever the rules have been in the past we haven't had a sufficiently tough compliance and checking program to ensure whatever rules we had were actually enforced.

MICHAEL SMITH: You stopped collating data on it though, on these transactions, did you not?

NICK SHERRY: Part of the compliance and monitoring measures is obviously going to result in not just the data that we had in the past but actually significantly improved and more accurate data. Again, I wasn't confident that the data we had in the past was accurate and giving a full picture and, again, that's going to be a significant improvement on what we had in the past.

MICHAEL SMITH: All right, so, Senator, this clearly then is recognition that we have a problem with foreign money flooding into the country and distorting our property market, sending prices up.

NICK SHERRY: The critical - the critical principle for foreign investment in real estate is where it adds to new housing stock, so if a foreign investor says, look, I want to build houses in Australia, new houses, new property, that is - that's a good thing because it's actually helping Australia's property market but where existing housing stock is purchased they have to resell it back in so the fundamental principle is foreign investment is welcome but it has to add to Australia's housing stock.

Look, there are a range of factors. There are a range of factors, not least we didn't have a recession in Australia, that has kept the property market strong. And certainly pressure from overseas is a contributing factor to housing prices, the extent to which it is difficult to assess but it is a contributing factor.

MICHAEL SMITH: Senator, is this an admission in 2008 you got it wrong and now you're changing the laws back to how they were prior to your changes?

NICK SHERRY: I think it's a precautionary measure - precautionary measure. If you look at the circumstances in 2000 - late 2008, the world economy was collapsing. We had a world recession and certainly there was considerable fear that that's what would happen in Australia. It didn't happen in Australia. Our property market, because our economy has remained strong - we didn't have a recession. We now know clearly that our property market hasn't collapsed like so many other countries, we know clearly we're not in a recession. It's time to be precautionary and, to the extent there's pressure [static] these purchases, remove that pressure.

MICHAEL SMITH: Okay, why did you stop collecting data on foreign property ownership, foreign property owners transact - well, buying properties here in Australia? Why did you do that?

NICK SHERRY: Well, the change at the end of 2008 which removed pre-approval and monitoring meant you couldn't collect the data. So...

MICHAEL SMITH: It was open slather.

NICK SHERRY: Sorry, I missed that question.

MICHAEL SMITH: Sorry, Nick. So it was open slather at that time yet there was no collecting of data. You couldn't monitor it, you've just said, it was open slather, foreigners could do what they wanted.

NICK SHERRY: Well, we couldn't enforce and we haven't been able to enforce the laws even up until the end of 2008, for the last 10 to 20 years. That's what my review of this program has turned up.

So in introducing - in reintroducing those requirements of 2008 I significantly added to them and part of that, of course, will allow us to provide the data.

MICHAEL SMITH: I think it's good news, Senator, and I congratulate you on the decision to change it back substantially to how it was an wish you a safe - you're on your way home, are you?

NICK SHERRY: No, I've got another four or five days and then I'll be back home and I'm anxiously waiting for the Geelong-Carlton football score.

MICHAEL SMITH: [Laughs] We'll tweet you. Thanks, Senator. Good to chat with you.

NICK SHERRY: Thank you, good afternoon.

MICHAEL SMITH: Bye bye. Assistant Treasurer, Nick Sherry, and, as you know, we campaigned on this program to get those laws reinstated as they were. I'm pleased to see that the Government has listened to the concerns of many, many voters here in Australia.