



JOINT SELECT COMMITTEE ON NORTHERN AUSTRALIA

Inquiry into the Northern Australia Infrastructure Facility Bill 2016

Seafarms Group Ltd

Seafarms Group and Project Sea Dragon

Seafarms Group Ltd ('Seafarms') is an ASX-listed company (ASX:SFG) that through its 100% owned subsidiary Project Sea Dragon Pty Ltd is the proponent of Project Sea Dragon (PSD).

PSD has been accorded Territory (NT) and State (WA) Major Project Status and Commonwealth Major Project Facilitation Status. The Project was presented to the Joint Committee on Northern Australia as part of its '*Scaling Up: Inquiry into Opportunities for Expanding Aquaculture in Northern Australia*'.

It is a food production project that will require infrastructure investment, significant private sector investment and will produce significant social and economic benefits. Examples of the expected public benefits include:

- employment creation (*circa* 1500 direct jobs at full scale) with consequential benefits resulting from reduction in social safety-net outlays,
- wider economic multiplier effects (e.g. through contracting of services, freight logistics and transport),
- generation of export revenues (approx. \$1.7 billion),
- trade (changing Australia's balance of trade in the seafood sector).

Thus Project Sea Dragon offers the Committee a realistic Case Study as to how the Northern Australia Infrastructure Facility (NAIF) could interact with private sector capital to generate significant benefits to northern Australia.

Project Sea Dragon and the NAIF

Seafarms has watched the development of the NAIF closely. The company is strongly supportive of the concept.

As the Feasibility Study and the development of the regulatory approvals map for PSD have proceeded, it has become clear that, as an aquaculture project of this scale has not been undertaken in Australia before, we have to work closely with regulatory authorities on a staged approach for the project. This will ensure that there is strong confidence in adopting a best practice adaptive management environmental performance pathway for staged project approval.

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A consequence of this is that to provide for future expansion, it will be necessary to invest more in the initial infrastructure for the first stage of the project than would be justified for, or supported by, cash-flows of a project of this initial stage alone. This is the most efficient deployment of the capital invested as it is imperative, due to the remoteness of the project, that the essential trunk infrastructure be constructed during the first stage when the construction workforce, logistics and supply chains are in place and mobilised.

Thus access to concessional financing as part of the overall capital mix may well be the difference between a project such as PSD proceeding or not.

The company's projected cost to construct the full operation (10,000 ha) is circa US\$1.5 billion.

Consultation to date

The company acknowledges the consultation undertaken to date by the Australian Government and has previously provided comments on the 'Northern Australia Infrastructure Facility Consultation Paper'.

The key issue we identified in that consultation process was that a strict requirement for the proposed infrastructure to **serve multiple users** would have the potential to seriously compromise the Government's stated policy outcomes for the NAIF because:

- The remoteness of and additional costs of developments in Northern Australia means there are often-times no other existing natural users of infrastructure;
- Significant taxpayer returns on a loan investment may be discounted through this approach;
- The Northern Australian Infrastructure Facility is a concessional *loan* program not a *grants* program – therefore applications should be based on commercial considerations such as the ability to service the loan under appropriate terms and conditions; an arbitrary 'multiple user test' would eliminate many projects in the north that could exhibit **higher** public returns in terms of economic impact and job creation;
- A requirement for multi-user access in the remoteness of Northern Australia will directly conflict with other Government Policy requirements such as those relating to biosecurity, Native Title and land-use;
- Global capital markets will need to be accessed to develop Northern Australia and to realise this project due to the lack of understanding of industrial scale aquaculture projects in Australian capital markets. Access to the NAIF will provide an increased level of confidence in Australian markets and should directly lead to increased Australian ownership of Projects.

The matter of biosecurity is one that requires serious attention. Australia's biosecurity system and disease status is a key strategic comparative advantage in global markets keen to secure high quality, safe food products. The single largest risk vector in all livestock and agri-food systems (including aquaculture) remains human movement. Careful management of people, equipment and goods may well determine the economic success of regional food production projects.

Current Status

The current drafting of the eligibility criterion in relation to public benefit in the Exposure Draft “Northern Australia Infrastructure Facility Investment Mandate Direction 2016” is as follows:

2. The proposed Project will be of public benefit.

In considering public benefit, the Board will give preference to those Projects that will:

- i. serve or have the capacity to serve multiple users; and
- ii. produce benefits to the broader economy and community beyond those able to be captured by Project Proponents.

This drafting is a significant improvement on the original drafting in the consultation paper.

In many respects the issue at hand is whether the eligibility criteria may inadvertently act to prevent otherwise attractive proposals from being considered simply because of practical considerations such as biosecurity, Indigenous and cultural maintenance and the need to locate agri-business projects in remote places for biosecurity reasons.

Summary

1. Seafarms supports the NAIF and is of the view that it can be a pivotal tool in achieving the stated policy objectives of the government for Northern Australia.
2. Seafarms is of the view that utilising criteria that lends more weight to broader public benefits and recognises the practical realities of developing large scale projects in remote areas of Northern Australia will be a key determinant of the success of the facility.
3. In considering the ‘capacity’ of a project to serve multiple users the Board ought to be able to take into consideration and not compromise other related government policy requirements particularly biosecurity and Indigenous cultural interests in that these are seen to limit the capacity to serve multiple users.