

SENATE ESTIMATES

OPENING STATEMENT (OCTOBER 29 2020)

Chair, I table an Opening Statement regarding the Northern Australia Infrastructure Facility (NAIF).

Since my last appearance before the committee in March 2020, NAIF has continued to play a key role in supporting northern Australia during these challenging economic times, both in supporting existing projects and as well as looking at providing innovative and timely financing solution of new projects.

As Senators will be aware, we see NAIF as being a critical partner in the development of the north whether by driving impact through providing innovative financing solutions to help support new projects, or by working with our existing financing partners on tailored solutions for their specific developments and business needs.

Importantly, during the period since I last appeared before the committee, NAIF has now exceeded \$1 billion in deals that have reached contractual close and \$2.4 billion in Investment Decisions.

Through the COVID-19 pandemic, NAIF has worked to assist the region to create jobs and stimulate economic opportunities by:

- Approving eight investment decisions since March 2020, worth \$619.5m in loans
- Contractually closed a further seven deals.

During the 2019/2020 Financial Year NAIF also saw a significant increase in revenue. \$6.3 million of revenue was earned and accrued on behalf of NAIF loans in that period.

As at 23 October 2020, the NAIF has made 23 investment decisions where the projects are proceeding and one conditional approval, with:

- ten in Queensland, totalling \$1,021 million (approx: 42 per cent of total);
 - six in Western Australia, totalling \$555 million (approx: 23 per cent of total); and
 - eight in the Northern Territory, totalling \$857 million (approx: 35 per cent of total), including the one conditional approval.
- That investment is now \$2.4 billion (\$2.4 billion), supporting projects with an estimated total capital value of \$4.5 billion, and forecast to:
 - generate around \$6.6 billion in economic benefit, and
 - support 7,849 jobs.

Across sectors, NAIF's loan commitments are as follows:

- \$737m to energy projects
 - \$677.8m to transport projects
 - \$436.8m to social infrastructure projects
 - \$527m to resource projects
 - \$55.4m to agriculture and water projects
- A total of 15 project loan agreements worth a combined \$1.1 bn have contractually closed between NAIF and the proponent, meaning funds are committed and both parties are bound to the loan terms and conditions, with \$218.4m already drawn down, including capitalised interest (up from \$88.5m at March 2020).

Drawdown of funds is made at the discretion of the borrower. As funds are for construction, they are not drawn down in one tranche, but rather as required by the project's design and construction timetable.

Support for Northern Australia's economic recovery post-COVID 19

The list of publicly announced Investment Decisions since March 2020 are:

- 30 March 2020: Mater Health Services North Queensland Limited (NAIF loan: up to \$19.75m).
- 7 May 2020: the NAIF Board made an Investment Decision to offer an additional Financing Mechanism of up to \$10.5 million to support the Beyondie Sulphate of Potash Project to meet additional forecast construction costs and contingencies for the Project. Following a subsequent successful equity raising by Kalium Lakes Limited, the additional loan facility will not be required by the company.
- 19 June 2020: Charles Darwin University – CDU City and Casuarina Campus Project (NAIF loan: up to \$151.5m).
- 19 June 2020: Strandline Resources, Coburn Heavy Mineral Sands Project (NAIF loan: up to \$150m).
- 30 July 2020: Merricks Capital Pty Ltd, Hudson Creek Power Station and Batchelor Solar Farm Projects (NAIF loan: up to \$37m).
- 30 July 2020: CQUniversity Australia, program of capital expenditure measures (NAIF loan: up to \$76m)
- 10 September 2020: Humpty Doo Barramundi Farm Second Stage Expansion (NAIF Loan: up to \$24.2m)

On respectively 30 July and 15 October 2020, the NAIF Board also made Investment Decisions to offer Financing Mechanisms, being loans of up to \$129m to a proponent for a Project in Western Australia and up to \$32m to a proponent for a Project in Queensland. Specific details of these Investment Decisions will be released subject to finalisation of the Minister's veto consideration and the project proponent finalising commercial negotiations.

Existing projects

Construction is now underway or complete at a number of NAIF-supported projects including but not limited to:

- Cowboys High Performance Centre in Townsville
- James Cook University Student Accommodation in Townsville
- Charles Darwin University Education and Community Precinct in Darwin
- NT Airports' program of upgrades, NT
- Kalium Lakes Beyondie Sulphate of Potash Project, WA
- Mater Hospital in Townsville

- Voyages Indigenous Tourism, Yulara, NT

Pipeline

NAIF's current pipeline of projects in due diligence is currently valued at \$5.2 billion (up from \$3.75 billion in March 2020) of potential NAIF investment and covers a range of sectors including energy generation and pipelines, transport, resources and mining, agriculture and manufacturing, education and social infrastructure.

Extension of Mandate

On 17 July 2020 NAIF's Minister, the Hon Keith Pitt MP, the Minister for Resources, Water and Northern Australia announced the extension of NAIF until 30 June 2026 as part of the current statutory review 2026.

The Minister subsequently announced on 30 September reforms to NAIF which, following passing of legislation, will provide more flexibility, increased risk appetite and widen the scope of projects eligible for funding from NAIF.

The reforms announced by the Minister are designed to provide NAIF with a set of additional 'financing tools' and include:

Faster lending

NAIF will have the option to lend directly to project proponents in certain circumstances, which will simplify the lending process and reduce administrative burden.

This change also permits NAIF to establish on-lending partnerships with local financiers to improve access to NAIF finance for smaller project proponents. Those partners will have the expertise to work with smaller proponents to demonstrate their suitability for NAIF finance and will extend the NAIF's reach to those smaller projects that need added assistance in these economically challenging times.

Expanding eligibility

NAIF was previously restricted to funding physical construction works only. The reforms will make NAIF finance available to additional elements of infrastructure construction, such as equipment purchases or leasing, training, and the expansion of existing business operations.

The definition of public benefit applied when assessing projects will be expanded to include consideration of factors such as jobs, regional income, and opportunities for local suppliers, Indigenous businesses and communities. This will simplify the application of public benefit tests to projects applying for NAIF finance.

The definition of northern Australia will be extended to include the Shire of Ngaanyatjarraku in Western Australia.

Increased risk appetite

The changes include removing the prohibition against the Commonwealth assuming the majority of risk in any project.

Strengthening governance

A number of changes will also be made to strengthen the governance of the NAIF as it evolves with these reforms. These will include the appointment of a Government representative to the NAIF Board; ensuring the board includes members with experience in Indigenous development; and allowing the Minister to take earlier decisions not to reject a NAIF investment decision.

NAIF expects legislation to give effect to these reforms to be introduced by the Government shortly. We would be happy to brief Senators on any of the issues above if they feel it would be helpful.

Indigenous Engagement

Senators have previously expressed an interest in NAIF's role and activities around Indigenous Engagement and I would therefore like to update the Committee of some of our recent work in this important area of focus.

All proponents applying for NAIF financing are required to provide an Indigenous Engagement Strategy (IES) which set out objectives for participation, procurement and employment, which reflect the regional Indigenous community.

Our team works with project proponents to ensure each Indigenous Engagement Strategy is deliverable, realistic, measurable and reflective of the project. We continue to work with proponents following loan approval to track and support the delivery of the proponent's strategy.

This year NAIF supported project proponents to develop commitments to a range of activities under their IES. These included North Queensland Cowboys, Mater Health Services North Queensland, Signature Beef, Metro Mining and Charles Darwin University. Details on these commitments by proponents can be found on the NAIF website.

NAIF has also recently entered into a Memorandum of Understanding with The National Indigenous Australians Agency, Indigenous Business Australia and the Indigenous Land and Sea Corporation to share information, expertise and potential opportunities on economic infrastructure supporting Indigenous Australians in northern Australia.

We will endeavour to keep the Committee updated on activities at future Estimates appearances.

Chris Wade

CEO

NAIF