

Terms of Reference

On 14 June 2017, the Senate referred the following matters to the Senate Economics References Committee for inquiry and report by 7 December 2017:
The governance and operation of the Northern Australia Infrastructure Facility (NAIF), with particular reference to:

- a the adequacy and transparency of the NAIF's governance framework, including its project assessment and approval processes;
- b the adequacy of the NAIF's Investment Mandate, risk appetite statement and public interest test in guiding decisions of the NAIF Board;
- c processes used to appoint NAIF Board members, including assessment of potential conflicts of interest;
- d the transparency of the NAIF's policies in managing perceived, actual or potential conflicts of interest of its Board members;
- e the adequacy of the Northern Australia Infrastructure Facility Act 2016 and Investment Mandate to provide for and maintain the independence of decisions of the Board;
- f the status and role of state and territory governments under the NAIF, including any agreements between states and territories and the Federal Government; and
- g any other related matters.

28 July 2017

Senate Economics References Committee

re: Inquiry into the governance and operation of the Northern Australia Infrastructure Facility (NAIF)

Thankyou for the opportunity to provide comment as an individual Australian citizen. My comments are brief given the submission deadline is today.

I am struck by some of the principles for approval of financing of projects which will be governed by other regulators.

“The Board will only approve projects that have net public benefit (Public Benefit). The Project is of Public Benefit, if the benefits of the Project are greater than the costs, excluding benefits received (e.g. revenue) and costs borne (e.g. capital and ongoing costs) by the Project Proponent.” (NAIF Public Benefit Guideline)

Cost Benefit Analysis (CBA) is the tool for assessment of Public Benefit:

“At a minimum, three types of impacts that generate benefits and costs should be included in the CBA.

Impacts on the economy and productivity. Examples include the value of capacity and operating cost savings that flow from the project to business and the value of improvements in reliability of infrastructure services.

Impacts on individuals. Examples include accessibility and connectivity impacts, or improved employment, health, safety and security outcomes.

Impacts on the community. Examples include positive and negative environmental and social impacts during the construction and operation of the Project. “

In reality, CBA is unlikely to yield accurate, valid or meaningful results when environmental and health (and therefore public benefit) outcomes are involved.

The NAIF acknowledges that it is a funder and financier but not a regulator. It asks for all proposals to meet environmental and Native Title approvals.

“When making an Investment Decision, the Board will consider the implications of the relevant regulatory, environmental, social and Native Title impacts and the approval conditions imposed by the relevant level of Government. However, as a Commonwealth Government financier the NAIF will not be introducing an additional layer of Government approval – except for the approval to provide NAIF financing.....”

It is likely that where approved decisions cross regulatory authority boundaries, that enforcement and regulation will be ineffective.

Investment decisions made by the Board are guided by the Investment Mandate, which is formulated by the relevant Minister. This does leave open the prospect of a Minister pursuing a skewed agenda which is not necessarily in the Public Benefit.

It is widely known that the NAIF is considering a loan close to \$1BN for Adani Coal to build infrastructure to construct a railway and coal mine. This is despite major commercial lenders recognising the economic futility of investing in further coal mines and the likelihood of the infrastructure becoming stranded assets.

I agree with the opinions provided by the Doctors for the Environment Australia warning of the dire impacts on Human Health of further coal mining and the major boost to carbon emissions that the proposed mine would produce, accelerating climate change and environmental degradation:

"- The World Health Organisation (WHO) has stated that climate change is among the biggest health threats of this century. The 200 page document '[Our North, Our Future: White Paper on Developing Northern Australia](#)' mentions health infrequently and fails to show adequate consideration of the importance of climate change and its evidenced effects on public health.

- We recommend that NAIF consider health in all policies to avoid harmful effects on health, and that health experts be involved in the assessment of proposed projects which have high potential for harm, such as the proposed Carmichael coal mine.

- The only significant mention of health in the 'Our North, Our Future: White Paper on Developing Northern Australia' is in relation to the development of tropical medicine as an export from expanded university activities. This fails to recognise that a significant proportion of the world's disease burden has environmental causes and that progress fits into the preventative health category.

- NAIFs definition of "public benefit" in their mandatory criteria used to assess potential projects is vague and narrow. As well as the risks of missing substantial public concerns about its projects, the long term effects on health and environment are not considered, questioning whether a project has true public net benefit. As medical doctors, we suggest that this criterion be expanded to include the assessment of the potential short- and long- term health and environmental risks. Moreover, where there is controversy about the public benefit of a particular project, we endorse that there should be independent analysis by experts, considering the economic, social, health, environmental and community effects of the proposed project.

- There is no evidence that the NAIF board has any health expertise to apply health in all policies.

- The processes used to appoint board members and to deal with potential conflict of interest need to be transparent and publicly available.

- There are widely differing predictions regarding the number of jobs that will be created if the Carmichael mine goes ahead and also predictions regarding lost jobs elsewhere in Australia. Consideration needs to be made about the number of jobs that could be created in other industries with the same amount of money, for example job creation in the renewable energy industry. The development of the renewable energy industry supports environmental health and human health, by creating a shift to energy sources which don't contribute to air pollution, chronic lung disease, heart disease and global warming.

- Northern Australia needs to be developed in an environmentally sensitive fashion, acknowledging that the land is already some of the most fragile on the planet and that further harm will inevitably impact the health of individuals and communities locally and internationally. "

Many commentators have noted that there is a finite and shrinking market for coal. Developing coal mines in Queensland will be at the expense of mines and jobs elsewhere.

Any environmental problems caused by construction of the mine and shipping of coal that further harm the Barrier reef, will lead to enormous losses in terms of income via the tourist industry, which supports over 69,000 reef related jobs. Far more than those which will be briefly created by construction of the mine and rail, and the few needed for ongoing running of a mine in these days of automation of mining processes.

How can any of this be in the Public Benefit?

If the NAIF is considering a loan to a corporation with a demonstrated lack of compliance with environmental standards, at the risk of further harm to our most valuable tourist asset and income generator and world heritage area, to export coal and income to a foreign corporation and accelerate carbon emissions and climate change - I would conclude that there is a serious lack of “the adequacy of the NAIF’s Investment Mandate, risk appetite statement and public interest test in guiding decisions of the NAIF Board”

Perhaps the NAIF could look to the governance model provided by the Clean Energy Financing Corporation, which has successfully provided funding to get projects underway.

Yours sincerely,

Dr Sean Maher