

Department of Industry, Innovation and Science

Opening Statement to the Joint Select Committee on Northern Australia

Inquiry into the Northern Australia Infrastructure Facility Bill 2016

Thank you for the opportunity to present an opening statement on the Northern Australia Infrastructure Facility (the Facility). This will outline the objectives of the Facility, how the Facility will operate, the consultation undertaken and the legislative framework which will underpin the Facility.

The objective of the \$5 billion concessional financing Facility is to improve economic growth and stimulate population growth in northern Australia through the construction of new economic infrastructure or by materially enhancing existing infrastructure. The Facility is expected to commence on 1 July 2016 and make investment decisions for five years.

The Facility was announced in the 2015-16 budget and is a major initiative of the *White Paper on Developing Northern Australia* which was informed by the September 2014 *Pivot North* Inquiry into the Development of Northern Australia by this Committee. The White Paper identified the vital role that infrastructure plays in unlocking economic opportunities. However the evidence suggests infrastructure financing suffers from a number of constraints, especially for “greenfield” projects. These general constraints include the halving of tenor for infrastructure debt, with the average duration for falling from around 11 years in 2007 to around six years in 2015. In addition, as identified in the *Infrastructure Australia Northern Australia Audit* released in January 2015, northern Australia infrastructure is affected by extreme climatic conditions, low population density and remoteness.

The Facility has been designed to provide concessional financing mechanisms for northern Australia economic infrastructure projects by operating in partnership with commercial and other financiers. It is intended to enable the construction of economic infrastructure which would not otherwise proceed, or would not proceed for some time without the Facility. The Facility aims to be credible in financial markets and will have an independent statutory board operating on a commercial basis to make investment decisions. The Board will be comprised of experts in a range of relevant infrastructure financing fields. The Minister will only have limited powers of direction in relation to the investment decisions of the Board. The Minister will not be able to direct the Board to make investments, and can only prevent an investment if it is against the national interest. The Facility is also working in partnership with the State and Territory Governments who will be responsible for delivering financing mechanisms on behalf of the Australian Government. The Facility will be consistent with all existing state, territory and Commonwealth regulatory approvals processes.

The design of the Facility has been informed by extensive stakeholder consultation. Feedback received has been broadly positive and was reflected in the exposure draft of the Bill which was released for public comment on 28 January 2016, and the current version of the Bill which was introduced into Parliament on 17 March 2016. On 1 April 2016 the department provided the Committee with an updated version of the Explanatory Memorandum. The Government also released the draft Investment Mandate for the Facility for public consultation on 17 March 2016.

The Facility's legislative framework consists of the *Northern Australia Infrastructure Facility Bill 2016* (the Bill) and the *Northern Australia Infrastructure Facility Investment Mandate Direction 2016* (the Investment Mandate). The Bill establishes the Facility; sets out its objectives; provides for the issuance of an Investment Mandate by the Minister; details the limited Ministerial powers; and establishes the Board. The legislative framework of the Facility is similar to the approach followed for the Clean Energy Finance Corporation and Future Fund. The operation of the Act will be reviewed after three years.

The Bill requires the Minister to issue an Investment Mandate, a non-disallowable legislative instrument, to provide direction to the Facility in the performance of its functions. The Investment Mandate includes guidance on the types of financial assistance that may be offered; characteristics of financial assistance including concession and loan conditions; eligibility criteria for financial assistance; and consultation requirements.

In establishing the Facility a key consideration was leveraging existing Commonwealth capability. As such the *Northern Australia Infrastructure Facility (Consequential Amendments) Bill 2016* and an associated explanatory memorandum were also introduced to Parliament on 17 March 2016. This amends the *Export Finance and Insurance Corporation Act 1991* to allow the Export Finance and Insurance Corporation (Efic) to provide assistance to the Facility and to the States and Territories as agreed.

Thank you.