

NAIF Opening Statement – Senate Estimates 2 March 2017

Introduction

- Thank you Chair and good evening Senators. As this is my first Senate Estimates hearing and the first since NAIF has had a permanent CEO I would like to provide an update on Northern Australia Infrastructure Facility (NAIF's) activities.
- NAIF was established on 1 July 2016 under the Northern Australia Infrastructure Act 2016 as a Corporate Commonwealth Entity. The NAIF Board's Chairman is Ms Sharon Warburton from Western Australia. She is joined on the Board by six other Directors.
- The NAIF Chairman and Board ensured NAIF was focused on delivering on its important mandate of developing the North from inception by appointing an Interim CEO who worked closely with them and our Efic and Department of Industry, Innovation and Science colleagues to develop the NAIF transaction pipeline.
- I commenced in my role on 24 October 2016 and relocated to Cairns where the NAIF's headquarters is based. An extensive international search managed through a recruitment expert was undertaken.

Pipeline

- NAIF understands that there is significant interest across Government (at the Commonwealth, State and Territory levels), of Parliament, of proponents, of the infrastructure financing market and of tax payers in what progress NAIF has been making to achieving its goal of unlocking growth and benefit for Northern Australia. NAIF's team and Board areas focussed on that as those stakeholders are.
- As at **1 March 2017**, NAIF has had:
 - **100** enquiries
 - for projects **across a broad range of sectors** including:
 - transport (24)
 - resources (17)
 - agricultural (15)
 - energy generation (20) gas pipelines (5), tourism and water
 - Of the 100 enquiries, **47** are what we regard as currently Active. Those 47 enquiries are spread across NAIF's three jurisdictions of **Qld (53%)**, **WA (28%)** and **NT (13%)** and multi-jurisdictional (**6%**).
 - The pipeline is demonstrating strong momentum growing by a net increase of **13** transactions between December 2016 and 1 March 2017.
 - There are **4** transactions currently and we expect another one to shortly reach what we refer to as the due diligence stage (all very early in the process which involves detailed analysis to understand the capabilities of the proponent, the

revenue and costs, the risks and mitigants and likely financial structuring options with a view to the proponent submitting an Investment Proposal applying to the Board for credit approval and an Investment Decision).

- At this stage our analysis suggests **5** have strong prospects of reaching financial close (that is where NAIF funds are advanced) in calendar year 2017 and another 11 or 12 are expected to reach the Strategic Assessment phase (which is prior to commencement of due diligence) this calendar year.
- Importantly this is a snapshot of the current pipeline as at 1 March 2017. It is a dynamic so pipeline and can change.

Stakeholder engagement

- NAIF has been extremely active meeting with stakeholders throughout the northern jurisdictions but also throughout Australia and with some international investors. Since the last Senate Estimates Hearing (October 2016), NAIF staff have met over **320** individual stakeholders and have been guest speakers at over **8** events, reaching audiences of over **500** people.
- We have been articulating the vision of NAIF, the opportunities that NAIF can help proponents take advantage of - particularly given the North's proximity to Asia which region by 2030 is expected to generate 50% of the world's GDP and be home to two thirds of the world's middle class population and consumption.
- We are planning a series of regional workshops to help facilitation of project proponent activity - to help potential proponents understand how they might access new markets and how NAIF could assist. There is strong interest from stakeholders across the Regional Development Australia network, regional government and industry representative bodies and financiers in supporting these sessions.
- NAIF is working closely with Austrade and the Office of Northern Australia on initiatives that are also designed to facilitate introduction of investors and proponents.

Pipeline timing

- I know there is a lot of interest in when the NAIF pipeline prospects will convert to dollars funded. In that regard NAIF I am keen for people to understand and I believe that those involved in infrastructure financing do some of the factors relevant to the process timing:
 - As the Senators will appreciate NAIF is an infrastructure financier – and infrastructure transactions generally have long lead times to ensure that all relevant feasibility, planning and approvals are in place. Under traditional infrastructure procurement, Government will undertake the feasibility work and then call for tenders from the market by specific dates. It controls the process.
 - There is no defined timetable in the NAIF process. While as I have discussed NAIF is seeking to facilitate and actively work with the market to generate pipeline transactions NAIF is not the proponent. The state of readiness of information on projects when proponents come forward to NAIF is variable. Depending on the quality of that information and many other factors it may be reasonably quick to assess or it could particularly where the deal is complex, be

a lengthy process to undertake all the analysis that NAIF will require to decide is this a project that it can participate in and if so how it can participate.

- Obviously, the context of a NAIF financing - potentially it can lend up to 30 years – that is relevant. The time taken to reach funding via the feasibility, due diligence and documentation phases of projects, is foundational work that must be in place and is key in the long-term success of NAIF’s projects.

Staffing

- NAIF has **8** dedicated FTE staff available to it (which include 2 **specialist experienced origination recruits**). NAIF also has access to the full Efic and Office of Northern Australia Policy teams.

NAIF Board meetings

- The Board has met **4** times and visited regional centres (including Cairns, Darwin and Rockhampton). Board members have met with local regional leaders and economic groups to understand their infrastructure priorities.

NAIF governance

- The Board has confirmed key principles of its mandate, developed its Risk Management Framework and various policies to put in place its governance arrangements. NAIF has refined its application and procedures process to better respond to the how proponents are coming to it, and is developing protocols for how it interfaces with the States and Territory. It has well developed draft guidance on its Public Benefit and Indigenous Engagement Strategy (both mandatory criteria). We are currently consulting key stakeholders on a number of those materials.

Confidentiality

- NAIF must be publicly accountable for the \$5 billion appropriated for it. NAIF operates under the NAIF Investment Mandate Direction, in which Minister Canavan as the responsible Minister gives directions to NAIF about the performance of its functions. It requires NAIF to publish certain information within 30 business days of an Investment Decision being made. NAIF will certainly do that.
- Until that time, NAIF’s operating protocols are designed, in the best interests of NAIF and its key stakeholders, including taxpayers and communities in the north, to maintain the confidentiality of its dealings with proponents and project participants.
- This is to ensure that NAIF and its debt and equity partners can deliberate in a way which maximises the project pipeline, and the likelihood of success in financing projects and by doing so the likelihood of meeting the important dual NAIF objectives of:
 - growing the economy and population of Northern Australia; and
 - ‘crowding in’ and encouraging private sector investments in developing infrastructure that benefits Northern Australia.

Conclusion

- In all this demonstrates that NAIF is focussed on doing all it can, at pace, to meet the important objectives that the Parliament has set for it - to drive momentum in the pipeline, to recruit skills and capability to support that and to put in place the appropriate governance framework - to fund transformative infrastructure to benefit Northern Australia.