

NAIF Opening Statement – Senate Estimates 5 June 2018

Introduction

- Thank you Chair and good morning Senators. It is a pleasure to be here again and to share with you how NAIF is delivering on its mandate to grow the economy and population of northern Australia.

Humpty Doo Barramundi

- On 16 May 2018, NAIF announced its second Investment Decision – and the first for the Northern Territory. It is to provide a loan of \$7.18 million to Humpty Doo Barramundi Pty Ltd (HDB), that will finance the first of a proposed three stage infrastructure project. All three stages would take NAIF's commitment to a potential overall \$30 million program (with matching private sector loans bringing the total loans to \$60 million). NAIF will continue to work with HDB as it rolls out its full program.
- Stage one includes development of a solar farm, fish nursery, processing facility and feed systems.
- Stages two and three will include potential off farm, multi-user processing facilities and further expansion of the solar farm and nursery.
- This NAIF loan will assist grow the Northern Territory's important aquaculture sector. One of HDB's key aims is to make Australia self-sufficient in the supply of the domestic barramundi market.
- Significant economic benefits will be realised from the three stage expansion, including:
 - doubling the number of employees to ~ 100 from around 50 currently;
 - generating renewable energy which will reduce the demand on aging natural gas fired power stations and assist the Northern Territory meet its 50% renewable energy target; and
 - assisting in growing other barramundi businesses in the area by overcoming some of the high barriers to entry they are exposed to by enabling HDB medium sized fish to be sold to those other barramundi farms.

Investment Mandate Direction 2018

- A new Investment Mandate Direction for NAIF was announced on 18 April 2018 by the Minister for Resources and Northern Australia, Senator the Hon Matt Canavan and came into effect on 2 May 2018. It includes the following key amendments:
 - *Types of eligible infrastructure*: the range of infrastructure asset classes has been broadened. Examples of eligible projects include ports, airports, rail, roads, water, energy and communications networks, social infrastructure (including health facilities, education facilities, research facilities, training and related accommodation facilities), processing facilities (including abattoirs and agricultural processing plants) and transshipment vessels.
 - *Project debt level and no formal 'gap test'*: NAIF can now lend up to 100% of debt for eligible projects, provided there is appropriate risk sharing. The 50% cap on NAIF debt financing has been removed.

Criteria for demonstration of public benefit and the ability of the project loan to be repaid or refinanced have been retained and the potential of the investment to encourage private sector participation in financing the project is still a consideration.

- *Removal of the previous non-mandatory criteria size:* the preference for a \$50 million minimum NAIF investment size has been removed. NAIF's first two Investment Decisions are examples of NAIF's preparedness to consider smaller projects, where they meet the mandatory criteria.

Pipeline Momentum

- We continue to see growth in the enquiries and opportunities being identified by NAIF.
- NAIF is targeting to make Investment Decisions on between three and five projects by 30 June 2018. I am confident it will do so.
- There are currently 17 projects in due diligence including four in the Northern Territory, seven in Queensland and six in Western Australia. The full pipeline currently has 97 active projects and there continues to be diversity across sectors for example energy and renewables generation; transport; tourism; agriculture; manufacturing; water infrastructure; and communications.
- At Beef Week on 11 May 2018, it was announced that the Signature Beef project is in due diligence. This project, involving the construction and operation of an export accredited beef processing facility near Clermont in Central Queensland, benefits from the broadened asset classes financeable under the new Investment Mandate. It will comprise an important piece of multi-user supply chain infrastructure for the northern beef industry and will enable specialised packaging, a crucial element for a premium beef product.

Onslow Marine Support Base (OMSB)

- An important milestone for the Onslow Marine Support Base (OMSB) project was reached on 31 May 2018 being the signing by the West Australian Premier Mark McGowan of the first loan for a project financed with NAIF's assistance. Importantly, the benefits of this project will start to flow to the Onslow community which include around 220 jobs and an economic boost of \$100 million over 10 years.
- The proponent is expected to start to draw funds this month.
- NAIF's Investment Decision to offer OMSB up to \$16.8 million was announced in September 2017.
- OMSB's state based regulatory environmental approvals were granted on 18 April, 2018. Financial close could not take place without obtaining those approvals. The proponent, the Western Australian Government, NAIF and NAB, the private sector lender, have also worked to finalise construction and other project and financing contracts.

NAIF Chair

- Our inaugural Chair Ms Sharon Warburton stepped down from her role due to family health challenges with effect from 30 April 2018.
- The NAIF Board and Executive expressed its deep appreciation for Ms Warburton's leadership, judgement and outstanding contribution during her tenure as Chair of the Board, and wished her the very best during this challenging time for her family.
- Board member Khory McCormick has been appointed as the Acting Chair.

Conclusion

- With the Investment Mandate changes, announcing our first project in the Northern Territory, further Investment Decisions expected by 30 June 2018, and 17 other projects in due diligence, there is momentum and we are now seeing the fruits of the hard work by NAIF and its stakeholders since its inception on 1 July 2016.
- NAIF is well positioned and focused on delivering further on its mandate this year and beyond.