



Australian Government



Northern Australia Infrastructure Facility

AUSTRALIA – Northern Australia Infrastructure Facility US and Canada Investor Meetings

Ms Laurie Walker, CEO June/July 2017

www.naif.gov.au

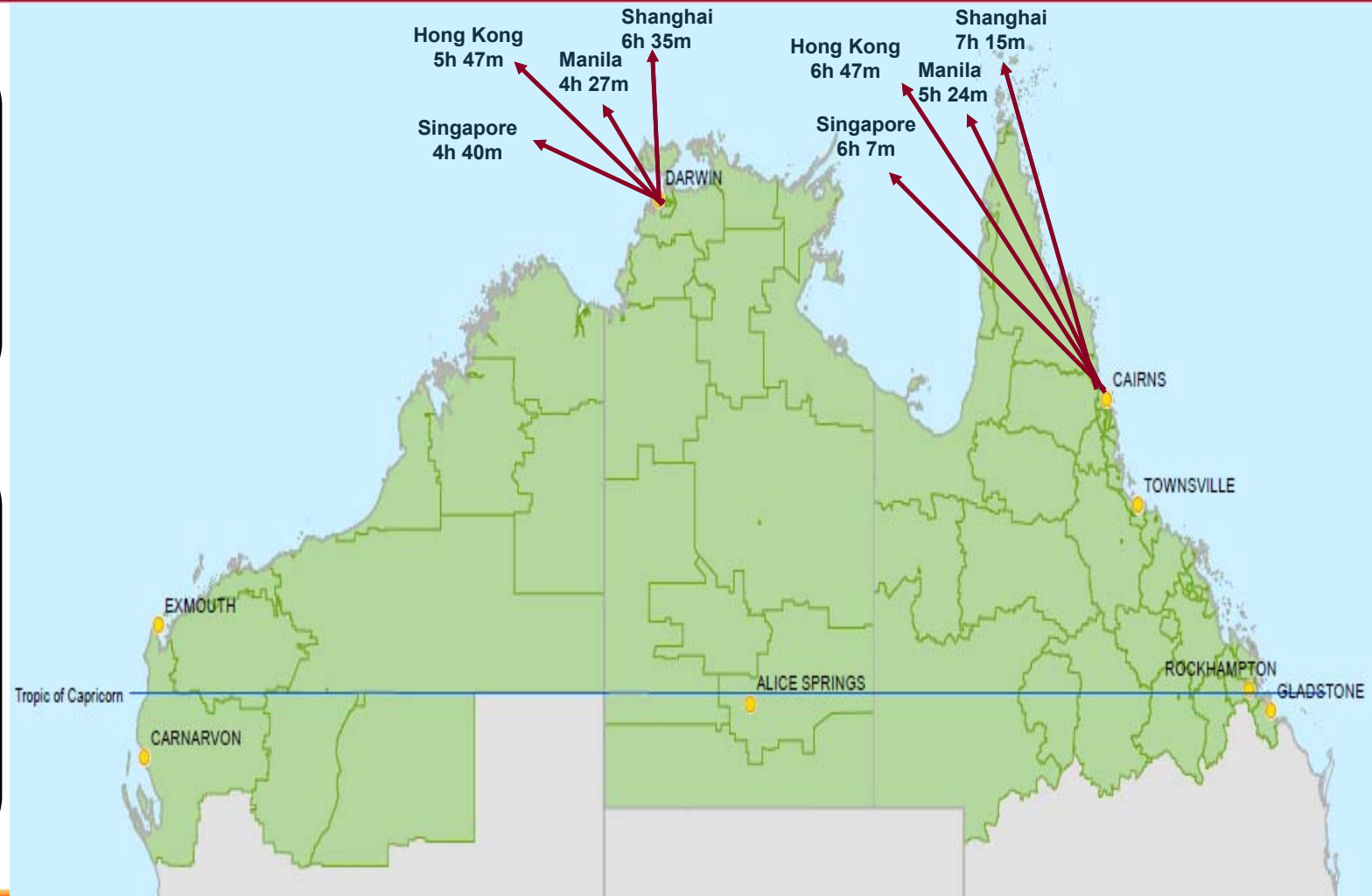
Northern Australia a key contributor and well placed

UNTAPPED POTENTIAL

- 11.7% of GDP
- 5.5% of Population
- 40% of Australia's landmass - five times the size of France
- 90% of Australia's gas reserves
- Large agricultural and tourism opportunities close to Asia

TRADE GATEWAY TO ASIA

- By 2030 two thirds of the world's middle class and 50% of world's GDP
- By 2050 50% of global growth in demand for agriculture products will come from China.
- Australia will receive over one million visitors per annum from Chinese nationals.
- Longstanding and recent FTAs across Asia

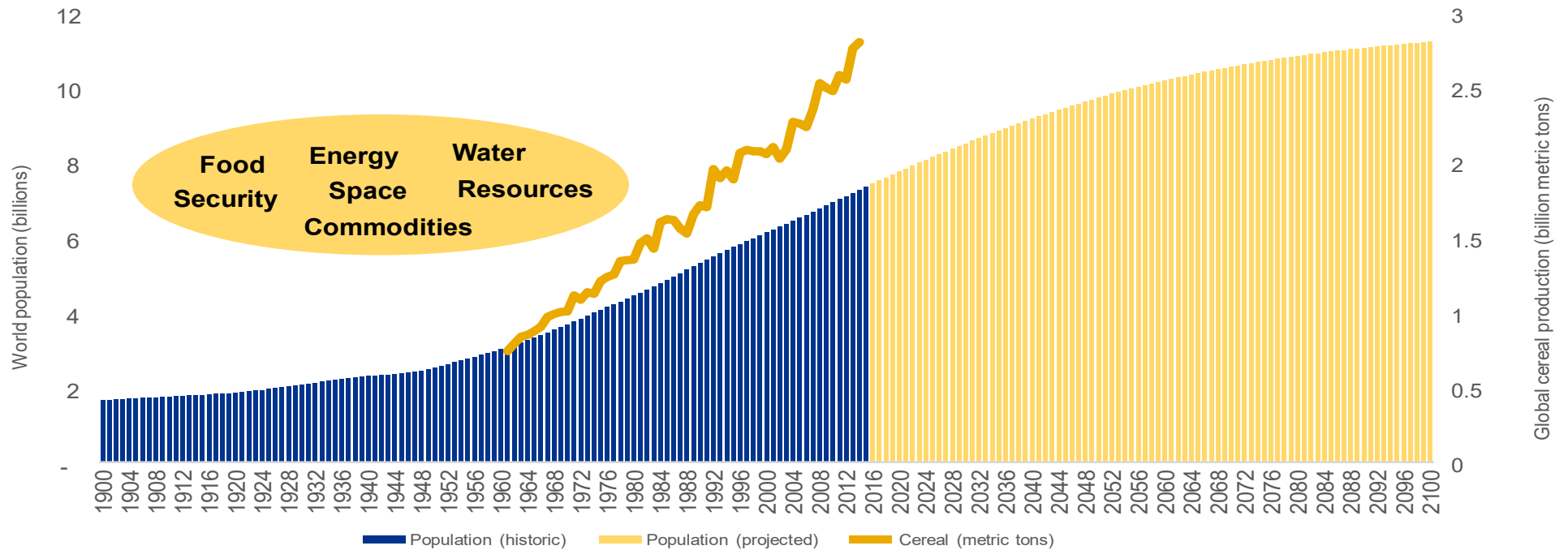


Northern Australia can help meet the world's needs*

2007-15 total real value of Australian agricultural exports increased every year.

2015-16 Japan, Hong Kong and China were Australia's largest export markets for citrus.

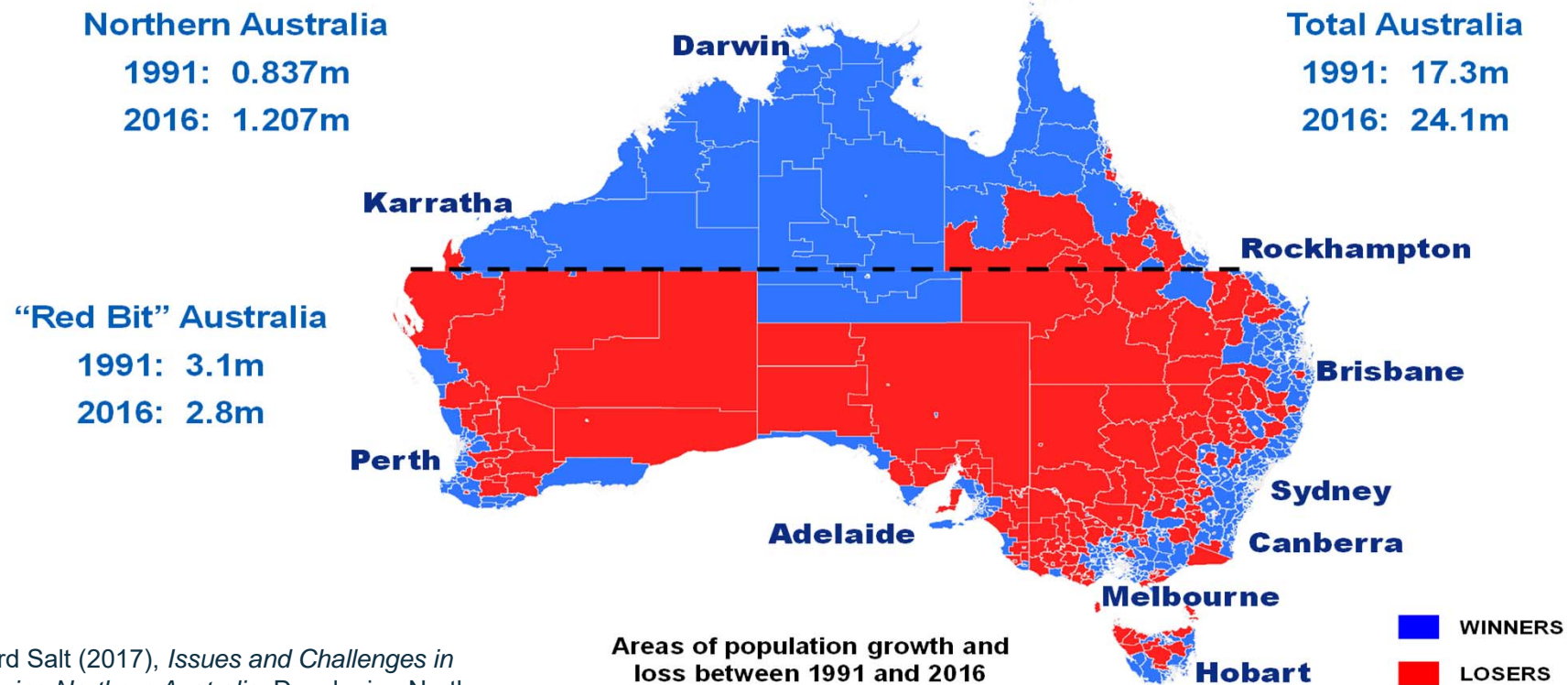
2017-18 Australian citrus exports forecast to be one third higher than in 2015-16.



Global population 1900-2100 and global cereal production 1961-2014

*Bernard Salt (2017), *Issues and Challenges in Developing Northern Australia*, Developing Northern Australia Conference, KPMG

Northern Australia is a growing part of Australia*



*Bernard Salt (2017), *Issues and Challenges in Developing Northern Australia*, Developing Northern Australia Conference, KPMG

NAIF a brief history

“The facility will address gaps in the infrastructure finance market for northern Australia and is an integral part of the government's plan for northern Australia.”

- Established **1 July 2016**
- **\$5 billion of loans available** for infrastructure development
- **Independent Board** makes investment decisions
- **Strong collaboration** with all arms of Government (Federal, States (WA and QLD) and Northern Territory)
- Available for approval **until June 2021** (can be 30 year tenor)
- NAIF aims to **‘crowd in’ private sector** financiers
- Can provide NAIF debt **on concessional terms**

NAIF is seeking

‘Bankable’ infrastructure projects

Proponent can be public or private sector (not NAIF)

Capable of servicing a sustainable capital structure of debt and equity

NAIF debt may be on concessional terms

Aim to accelerate a project or enable a project that otherwise would not happen

NAIF's Vision

Transformation of Northern Australia

What does success look like for NAIF?

**Infrastructure
development**

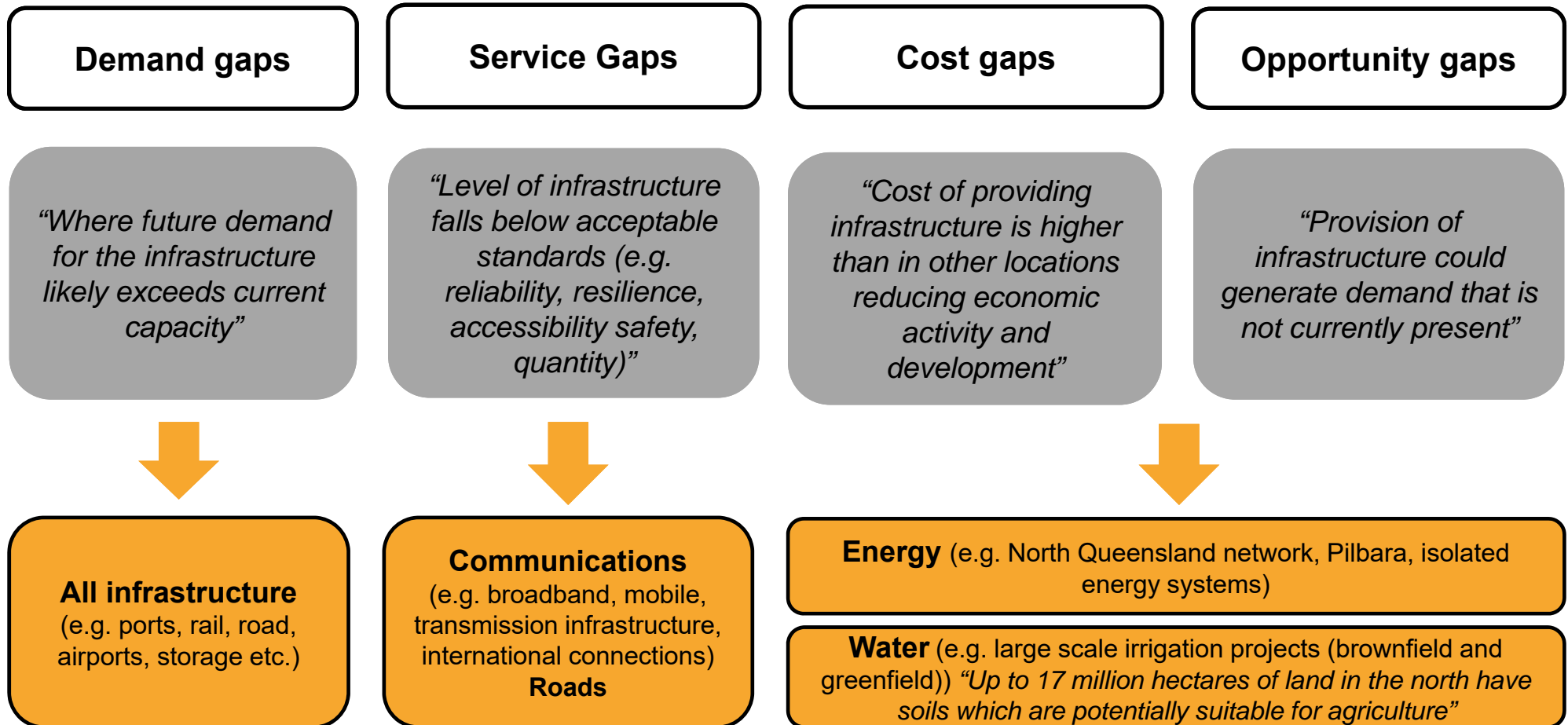
**Generation of public
benefit**

**Growth in population
and economy of
northern Australia**

**Greater participation of
private sector finance in
northern Australia**

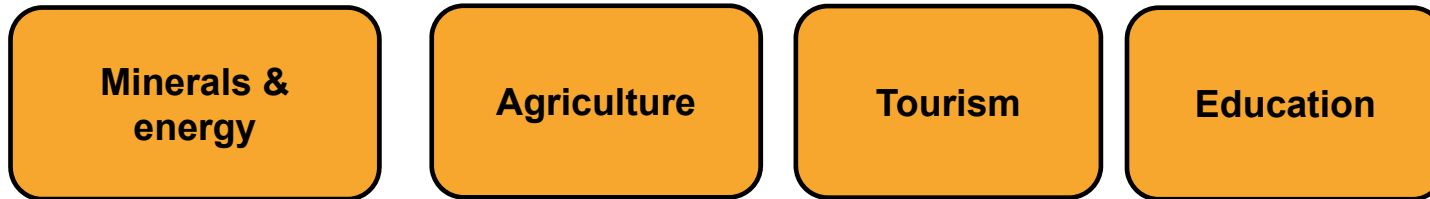
**Sustainable Indigenous
participation, procurement &
employment**

Types of infrastructure gaps NAIF is looking to help close

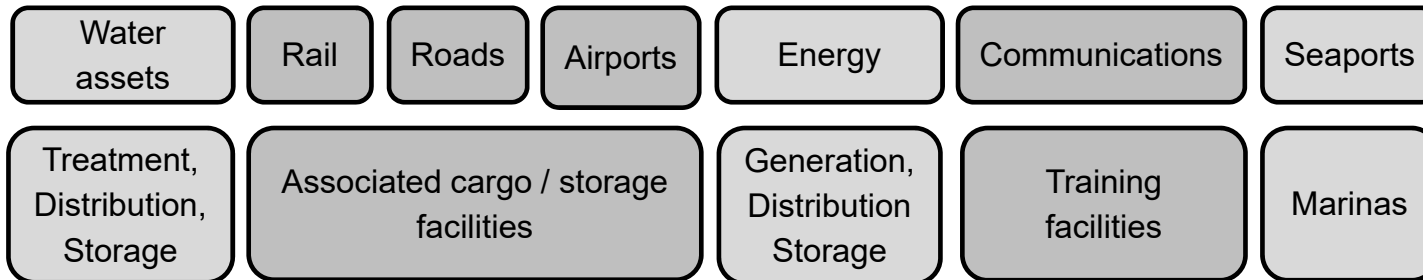


Types of infrastructure

Industry sectors



Types of infrastructure NAIF can support



- Project can incorporate infrastructure and non-infrastructure components. e.g. associated infrastructure for large-scale agricultural projects
- Single user, but preference for multi-user
- Greenfield projects and/or enhancements to infrastructure

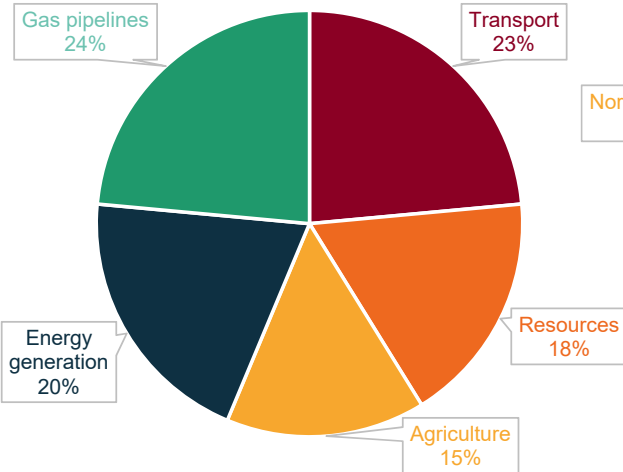
NAIF can meet financing challenges

Equity Capital	Can be domestic or foreign . NAIF does not provide equity.
NAIF Product: senior debt to 'quasi-equity'	Project must source at least 50% of infrastructure debt from private and/ or public sector financiers (e.g. lenders, bond market, export credit agencies or other (e.g. government grants)). NAIF aim is to 'crowd in' private sector rather than compete
Gap Financier	NAIF financing is limited to the amount necessary to enable a project to proceed , or to proceed much earlier than it otherwise would.
Concessions (minimum required for a project to proceed)	NAIF can provide concessional terms , but concessions will have regard to the extent of the public benefit generated. Relative to other lenders financing terms may: <ul style="list-style-type: none">• Have longer tenors (up to 30 years)• Have lower interest rates (not below the Commonwealth bond rates)• Be more patient (e.g. extended periods for interest capitalisation or deferral of loan repayments)• Have different fee structures• Be subordinated in security or cash-flow.
Mechanism	NAIF provides loans, with the project required to demonstrate the ability of the loan to be repaid or refinanced .
Size	Flexible - but preference for investments of \$50 million or more .

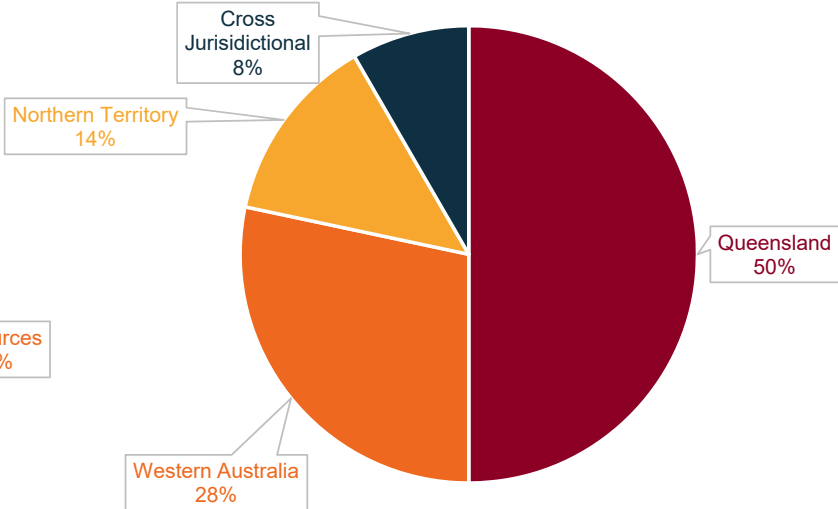
Strong diversified pipeline of potential transactions

Enquiries	No
Transport	27
Resources	22
Agriculture	18
Energy generation	24
Gas pipelines	28
Construction	
Telecommunications	
Tourism and water	
Total	119

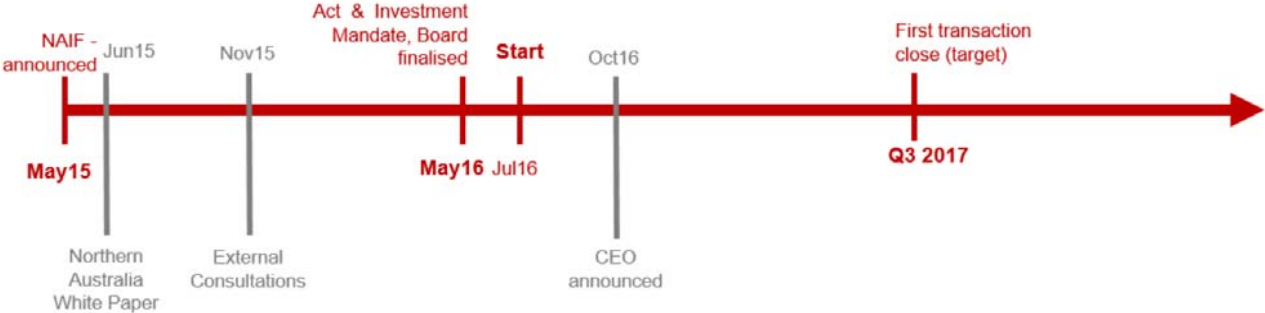
All enquiries (119) by Sector



Active enquiries (60) by region



NAIF



Four transactions in due diligence
First close targeted ca Q3 CY2017

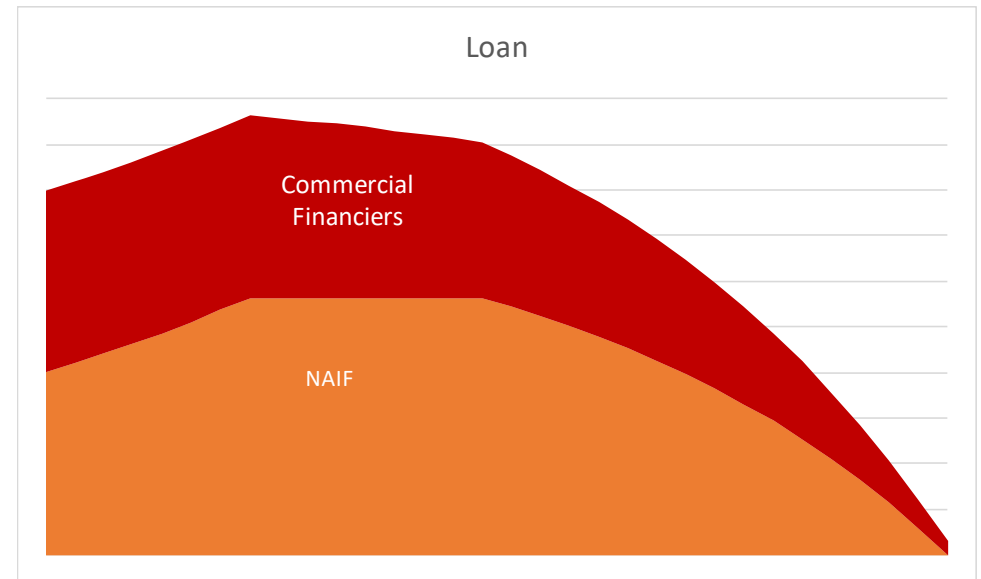
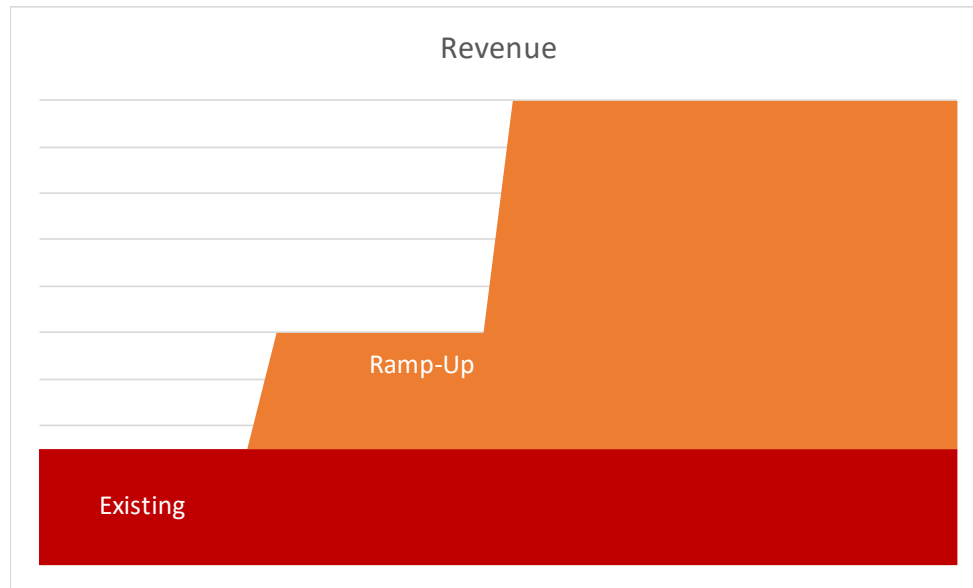
How does NAIF envisage it can help?

NAIF's optionality through its concessions is a new way of supporting the development of Northern Australia:

- Assist development of **new, more resilient** or **reliable supply chains**
- Assist in overcoming **diseconomies of scale** and **first mover disadvantage**
- Better use of infrastructure by encouraging **co-sharing, reducing costs, enhancing to create broader benefits, bring forward**
- NAIF's risk appetite has a high tolerance to factors that are unique to investing in Northern Australia economic infrastructure including but not limited to:
 - **distance**
 - **remoteness**
 - **climate**
- Use risk appetite to encourage private sector participation by looking to:
 1. better **match revenue ramp up and life cycle of new projects** with debt servicing
 2. absorb element of **merchant risk** where uncertain utilisation/ pay back period
 3. mitigate **project cost premium**
 4. scale up **technology**
 5. credit risk of **end producer/off-taker**
 6. provide **liquidity to meet capital need**
 7. assist in **mixed infrastructure/non infrastructure projects** with NAIF infrastructure debt e.g. operating or production assets

Leveraging risk appetite to encourage other financiers

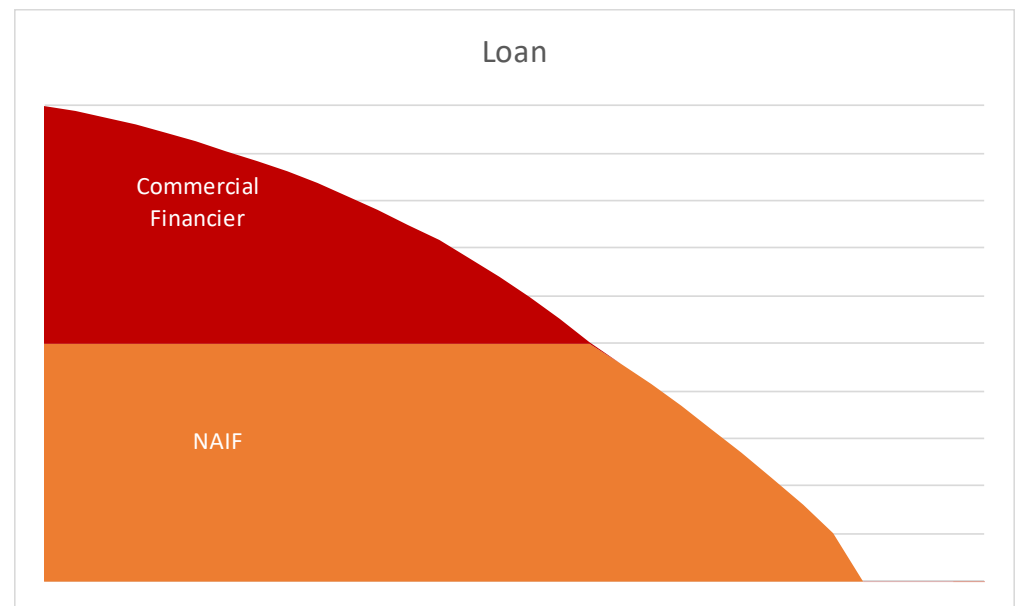
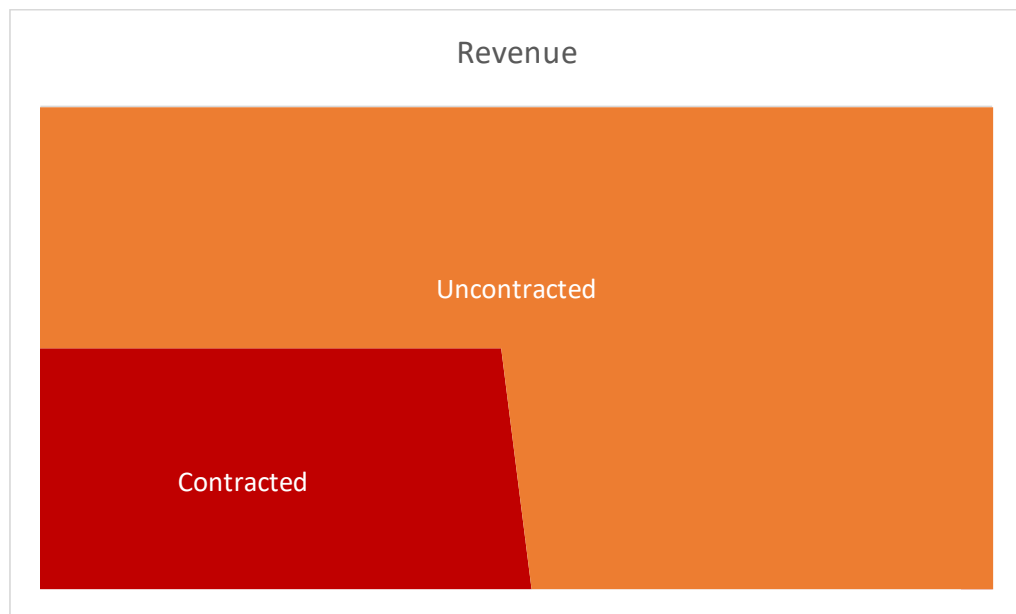
To support new market entrants and better match revenue ramp up and life cycle of new projects Commercial Financiers may want more certain revenues. NAIF may allow interest capitalisation and interest only periods during ramp up before repayment to support new market entrants.



Indicative only for illustrative purposes. Actual concessions determined on a case by case basis.

Leveraging risk appetite to encourage other financiers

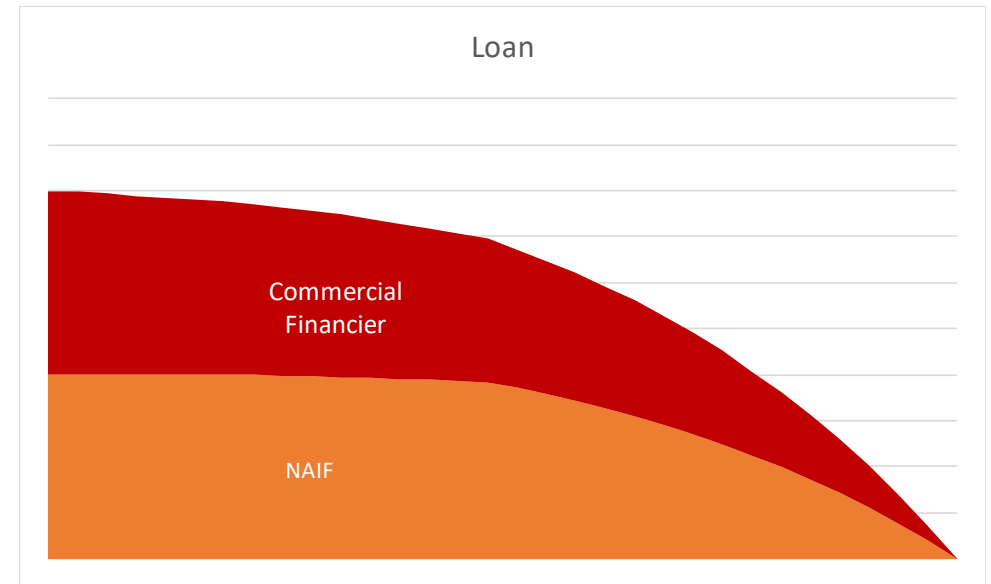
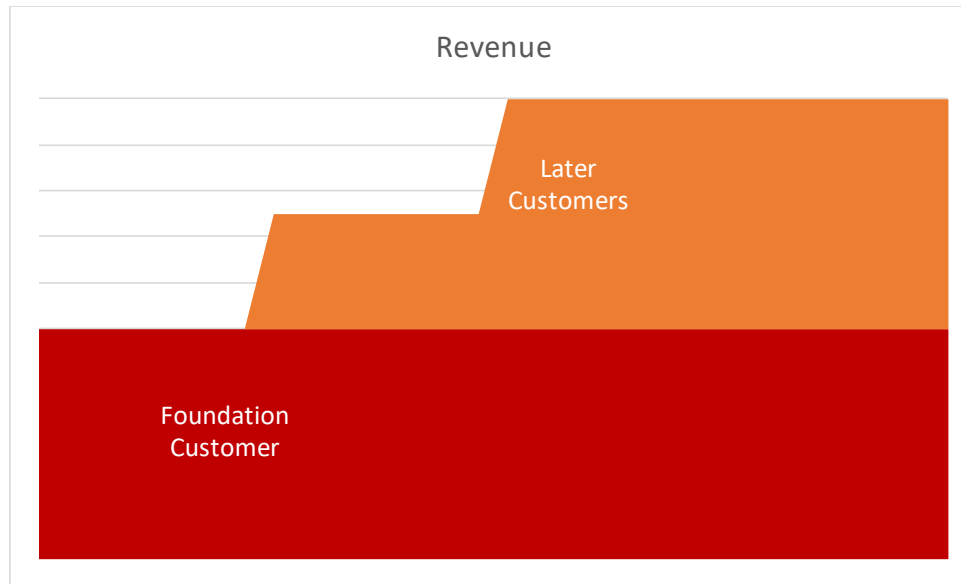
NAIF may absorb element of merchant risk where uncertain utilisation/ pay back period
Commercial Financiers consider contracted revenue. NAIF may consider expected uncontracted revenue over the project life.



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Leveraging risk appetite to encourage other financiers

NAIF objective is to facilitate multi user infrastructure.
Commercial Financiers may only consider foundation customer revenues. NAIF may take into account future customers that may begin operations after construction of project.

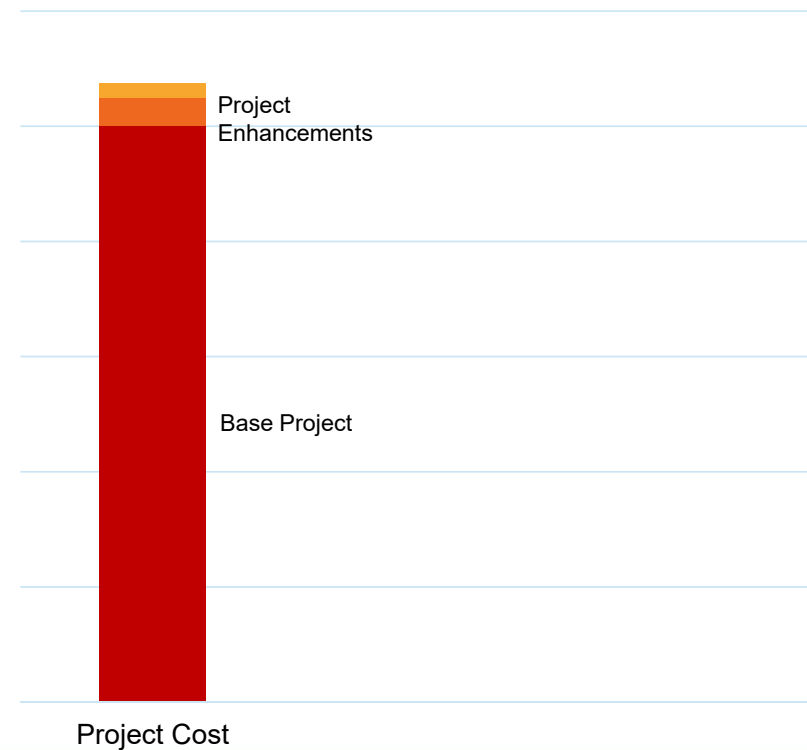
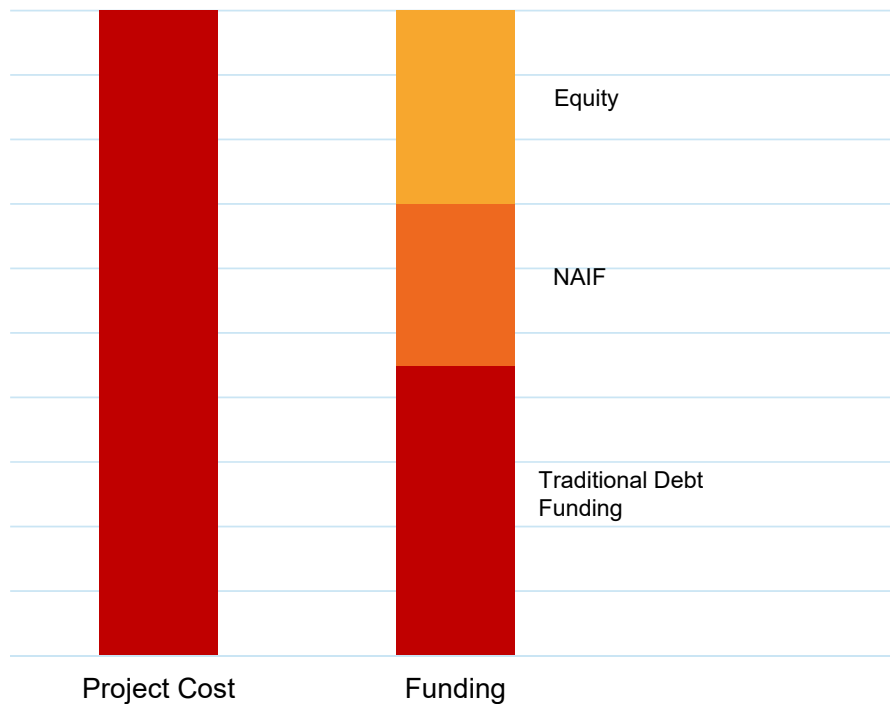


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“Filling the Gap” Funding

Liquidity: insufficient debt market capacity
Project life versus initial loan life

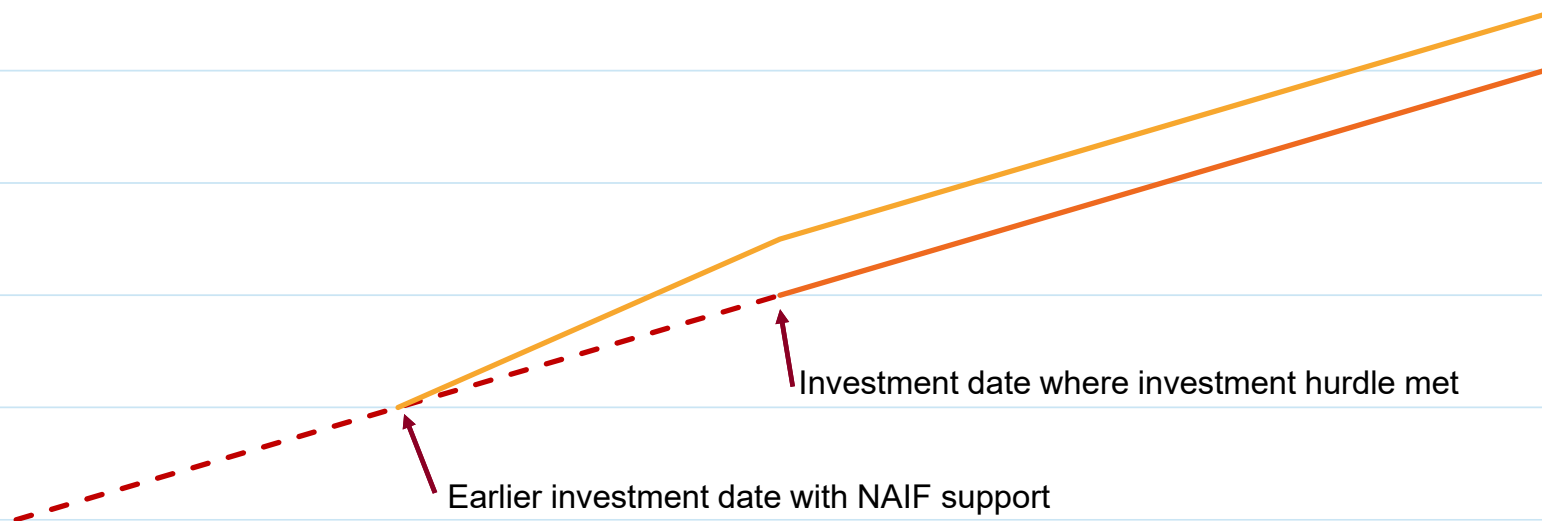
Enhance projects to provide
community benefits where the
incremental returns would not justify
the additional investment by sponsor



Indicative only for illustrative purposes. Actual concessions determined on a case by case basis.

Project Acceleration

Projects which can provide positive economic benefits prior to the date when a developer's return thresholds would be met



Indicative only for illustrative purposes. Actual concessions determined on a case by case basis.

Thank you

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Appendices

Northern Australia Economic Infrastructure

Section 3 of NAIF Act

“(1) objective of this Act is to provide financial assistance to the States and Territories for the **construction** of Northern Australia economic infrastructure

(2) **Northern Australia economic infrastructure** is **infrastructure** that:

- (a) provides a **basis for economic growth** in Northern Australia; and
- (b) stimulates **population growth** in Northern Australia” involve construction or enhancement of economic infrastructure

Mandatory Criteria

To obtain NAIF finance projects must:

- involve construction or enhancement of economic infrastructure
- be of public benefit
- be unlikely to proceed, or only at a much later date or with much limited scope, without NAIF assistance
- be located in, or will have a significant benefit for Northern Australia
- ensure that NAIF loan monies are not more than 50% of the project debt funding
- be able to repaid or refinanced i.e. it is not a grant
- include an indigenous engagement strategy

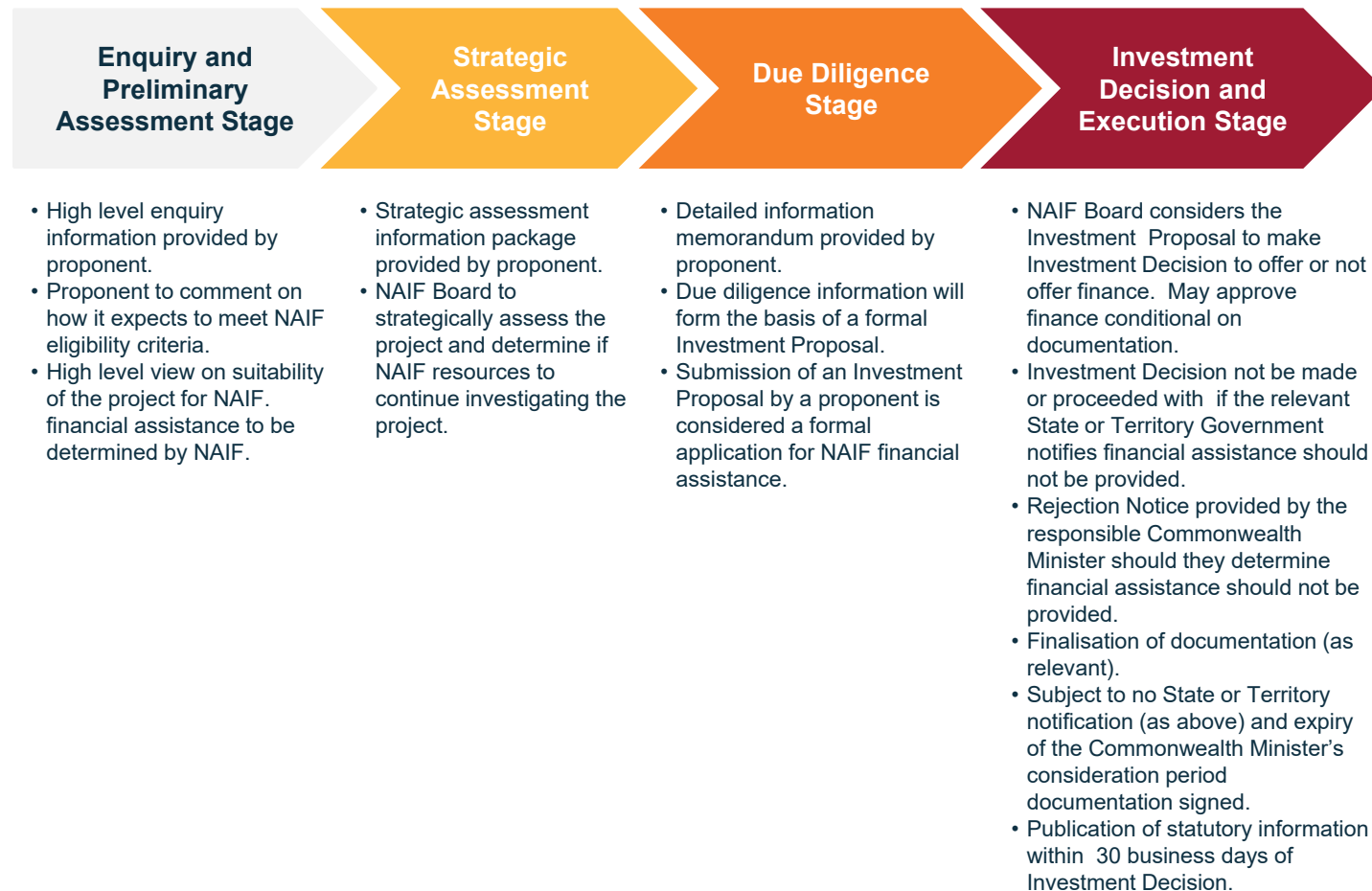
Non-mandatory criteria (Board is flexible):

- NAIF financing is for an amount of \$50 million+
- an identified need for the proposed project

Infrastructure Sector Analysis

Infrastructure Assets	Examples	Industries				
		Resources	Agriculture	Livestock	Tourism	Education
Land Transport	Roads					
Sea Transport	Seaports					
	Marinas					
	Cargo holding					
Air Transport	Airports					
	Cargo holding					
Energy	Generation					
	Transmission/ distribution					
	Storage					
Water	Supply/ treatment					
Communications	Cables					
	Transmission					
Supply Chain	Storage facilities					
Social Infrastructure	Hospitals					
	Training Facilities					
	Accommodation					

Application and Approval Process reflects evolving state of information



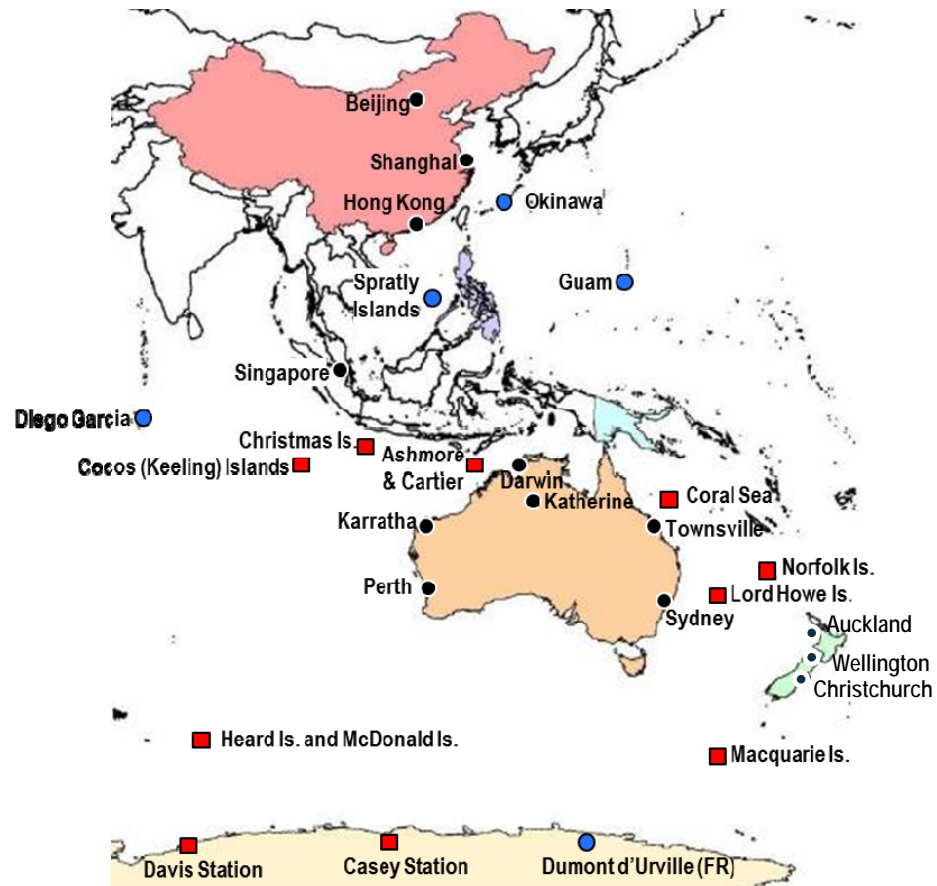


Developing Northern Australia Conference 2017

Moving north: issues
and
challenges in
developing
tropical Australia



Strategic issues will shape the Indian Ocean in the 21st Century*



*Bernard Salt (2017), *Issues and Challenges in Developing Northern Australia*, Developing Northern Australia Conference, KPMG

Northern Australian cities respond to economic opportunity*

1954		
1	Sydney	1,863
2	Melbourne	1,524
3	Brisbane	502
4	Adelaide	484
5	Perth	349
6	Newcastle	178
7	Hobart	95
8	Wollongong	91
9	Geelong	72
10	Launceston	49
11	Ballarat	48
12	Toowoomba	43
13	Rockhampton	41
14	Townsville	40
15	Ipswich	39
16	Bendigo	37
17	Broken Hill	31
18	Canberra	28
19	Blue Mountains	23
20	Kalgoorlie	23

2016		
1	Sydney	5,005
2	Melbourne	4,642
3	Brisbane	2,350
4	Perth	2,067
5	Adelaide	1,326
6	Gold Coast – Tweed	638
7	Newcastle–Maitland	439
8	Canberra - Queanbeyan	429
9	Sunshine Coast	308
10	Wollongong	296
11	Greater Hobart	223
12	Geelong	191
13	Townsville	182
14	Cairns	150
15	Greater Darwin	144
16	Toowoomba	115
17	Ballarat	102
18	Bendigo	95
19	Albury - Wodonga	90
20	Launceston	87

2050		
1	Sydney	7,688
2	Melbourne	7,670
3	Perth	4,633
4	Brisbane	4,188
5	Adelaide	1,797
6	Gold Coast - Tweed	1,225
7	Canberra - Queanbeyan	722
8	Newcastle-Maitland	588
9	Sunshine Coast	503
10	Wollongong	384
11	Townsville	340
12	Geelong	301
13	Greater Hobart	265
14	Cairns	225
15	Greater Darwin	209
16	Toowoomba	197
17	Mackay	193
18	Ballarat	181
19	Bendigo	161
20	Rockhampton	142

*Bernard Salt (2017), *Issues and Challenges in Developing Northern Australia*, Developing Northern Australia Conference, KPMG

Central Coast is excluded from the SUA rankings as it falls into GCCSA of Sydney

Source: Based on data from the Australian Bureau of Statistics; relevant State Government planning authorities; KPMG Demographics

China's middle-class wants to go on a holiday*

	City	Population M	
		2015	2000
1	Shanghai *	24	14
2	Beijing *	20	10
3	Chongqing *	13	8
4	Guangzhou *	12	7
5	Tianjin	11	7
6	Shenzhen *	11	7
7	Wuhan *	8	7
8	Chengdu *	8	4
9	Dongguan	7	4
10	Nanjing *	7	4

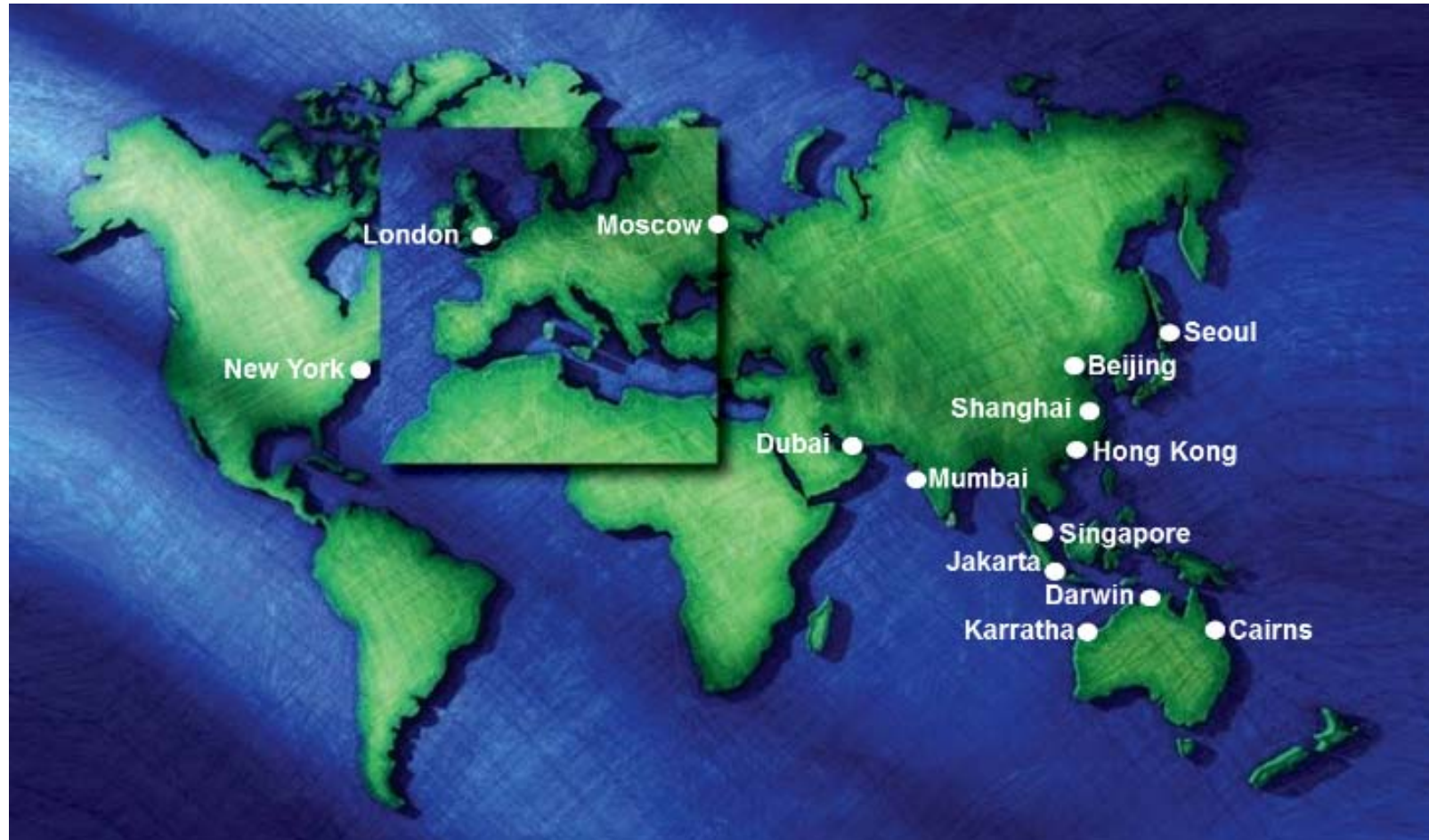
	City	Population M	
		2015	2000
11	Hong Kong *	7	7
12	Foshan	7	4
13	Hangzhou *	6	3
14	Shenyang	6	5
15	Xi'an *	6	4
16	Suzhou	5	2
17	Haerbin	5	4
18	Qingdao *	5	3
19	Dalian	4	3
20	Xiamen *	4	1

Top 20 cities in China at 2015 and 2000

*** Cities connected into Australia**

*Bernard Salt (2017), *Issues and Challenges in Developing Northern Australia*, Developing Northern Australia Conference, KPMG

Northern Australia will benefit from rise of “The Dubai Effect”*



*Bernard Salt (2017), *Issues and Challenges in Developing Northern Australia*, Developing Northern Australia Conference, KPMG