

NAIF Opening Statement – Senate Estimates 25 October 2018

Introduction

I would like to take the opportunity to update you on NAIF's current status.

The NAIF Corporate Plan last year identified years FY 18-19 onwards as being where NAIF will be able to make the biggest difference to date and that is still anticipated to be the case.

I am pleased to report that NAIF is continuing to deliver projects to benefit our north. As of 24 October 2018, the total value of NAIF loan commitments in its six Investment Decisions and four conditional approvals is \$1.035bn, with an estimated total capital value of those projects of \$2.333bn. The amount of public benefit forecast to be generated by those projects is more than \$1.9bn (noting this does not yet capture all the benefit from the conditional approvals). Over 2,870 direct jobs are currently forecast to be generated across these projects through construction and operation phases. Not included in these forecasts are the many additional indirect jobs (including jobs across project supply chains) that will be generated.

Since we last gathered in early June 2018, right across the north from Queensland, to the Northern Territory to Western Australia NAIF has made significant progress including support for:

- world class education in Queensland, with a \$98m Investment Decision for James Cook University (JCU) in Townsville to develop a Technology Innovation Complex targeting science, technology, engineering and maths specialists for the tropics;
- increased tourism and better export facilities for fresh agricultural and aqua cultural products in the Northern Territory, via loans totalling \$177.5m for airport upgrades, cold storage and export hub facilities, solar energy farms, an offsite multi-user battery and contractor accommodation.
- development of a mineral sands project in the Kimberley, associated processing facilities, port and transportation infrastructure and public road upgrades to aid mining of one of the world's largest lithium ore deposits in the Pilbara with loans totalling \$114.5m.

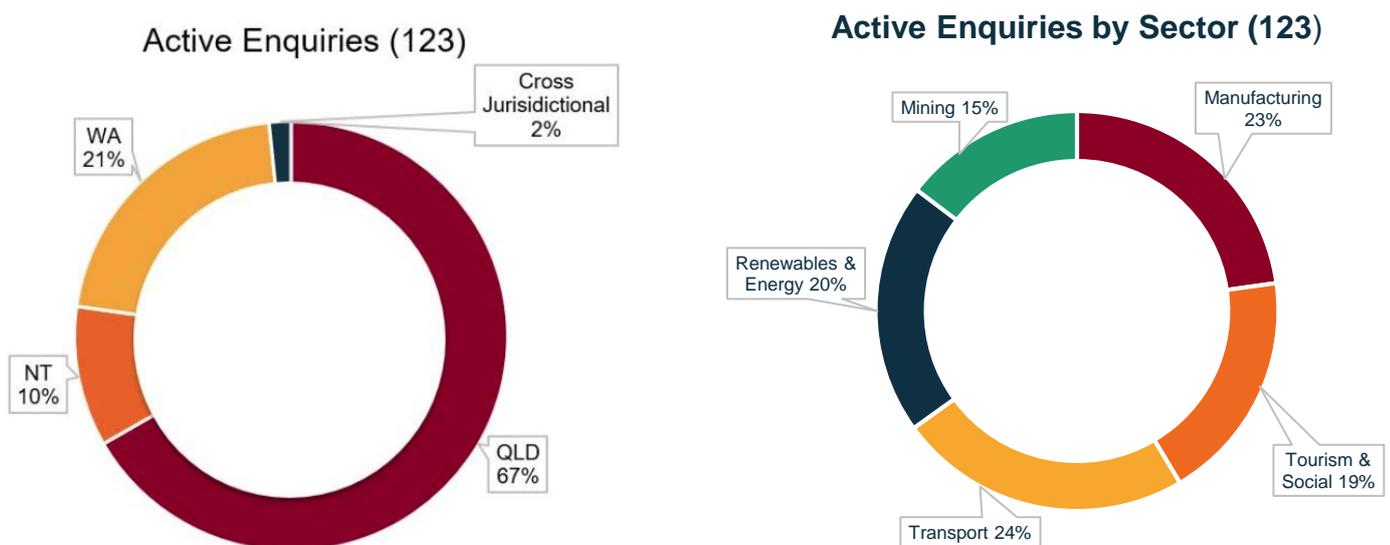
Each of NAIF's northern Australia jurisdictions has benefited with the total number of Investment Decisions and conditional approvals for each being four for Western Australia and three for each of Queensland and the Northern Territory. The total of NAIF loan amounts in those categories was respectively \$211m for Western Australia, \$639m for Queensland and \$185m for the Northern Territory. The total project size for all projects in those categories was respectively \$707m for Western Australia, \$1,284m for Queensland and \$342m for the Northern Territory.

A range of outcomes for Indigenous participation, procurement, employment and ownership will be delivered from the NAIF financial assistance. These include for JCU project targets of three Indigenous Full Time Equivalents (FTEs) during the design phase, three percent minimum Indigenous employment in the construction phase and three percent of ongoing staff. Another project has a target of three to five percent of goods and materials from companies that are 50 percent or more Indigenous owned and for a construction employment target for Indigenous people to be more than 10 percent of the workforce. In another example an Indigenous joint venture, has already been sub-contracted on preliminary roadworks.

Momentum

The momentum in the NAIF transaction pipeline has been strong. In the FY 17-18 period the number of active project enquiries increased by 130 percent to 115; the number of projects in due diligence, the final stage of NAIF's assessment process prior to an Investment Decision being made, increased by 220 percent. Active enquiries in each jurisdiction increased significantly by respectively 93 percent for Western Australia, 192 percent for Queensland and 120 percent for the Northern Territory.

I can report that as at end of September 2018 there are 123 active project enquiries across a diverse range of sectors and geographies. This represents a seven percent increase in active enquiries over the first quarter of the FY 18-19.



As at 24 October 2018 there are 23 projects in due diligence, including nine in Queensland, two in the Northern Territory and twelve in Western Australia.

Investment Mandate changes

A key factor in NAIF's ability to achieve its vision is the Investment Mandate changes announced by the responsible Minister the Hon. Matthew Canavan, Minister for Resources and Northern Australia in April 2018 following an independent expert review by Mr Anthony Shepherd AO.

NAIF is now able to finance a broader range of infrastructure asset classes and lend up to 100 per cent of the debt for that infrastructure giving NAIF tremendous breadth to finance projects which incorporate assets *'associated with the establishment or enhancement of business activity in a region'*.

NAIF Board

Since my last appearance at Estimates, Professor Khory McCormick, a foundation Board Member, was appointed Chair (having been acting Chair since 10 May 2018). NAIF has also welcomed Mr Ross Rolfe to its Board of Directors. Both appointments were made by the responsible Minister effective 1 August 2018.

Accounting and Budget

The Australian National Audit Office (ANAO), NAIF's external auditor, confirmed that NAIF's FY 17-18 financial statements are fully compliant with Australian Accounting Standards and the *Public Governance, Performance and Accountability (PGPA) (Financial Reporting) Rule 2015* and issued an unmodified audit opinion.

NAIF's operating expenditure during that reporting period was \$8.847 million. This is in line with the operating budget allocated including carried forward amounts from FY 2016-17.¹

The year ahead

NAIF looks forward to the FY 18-19 and the opportunities to further deliver on the NAIF's mandate. Our expectation is that during this period NAIF will deliver between at least five to ten Investment Decisions. Our Corporate Plan outlines how we will build on the initiatives and relationships developed during our first two years of operations.

Conclusion

NAIF is making a difference in the north. Together we want to ensure NAIF can help unlock the North's economic potential. We look forward to continuing to work with you and your colleagues in the months ahead.

Thank you.

¹ Allocation via Portfolio Budget Statement