Australian Government

Northern Australia Infrastructure Facility

Public Benefit Guideline

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1. Purpose

The Board of the Northern Australia Infrastructure Facility (the **Board**) can only approve Projects that will be of Public Benefit (refer to Mandatory Criterion 2).

This Guideline provides guidance to Project Proponents and other stakeholders preparing due diligence material to address the Public Benefit Mandatory Criterion 2 and other requirements of the NAIF Act (including Section 3 objectives) and Investment Mandate (including considerations for financial concessions).

This Guideline should be read in conjunction with the NAIF Environmental and Social Review of Transactions Policy.

2. Definitions

Board is the NAIF Board.

Cost Benefit Analysis (CBA) is a method of evaluation that estimates and compares benefits and costs of a Project. It accounts for effects on the community and economy, not just the direct impact on the Project Proponent. The benefits and costs must be valued in monetary terms where possible, or a qualitative assessment included.

Executive Management means all senior positions within NAIF including NAIF's Chief Executive Officer (CEO), Executive Directors, General Counsel, Chief of Staff, Chief Financial Officer and Chief Credit Officer and any other NAIF staff that may be delegated as Executive Management from time to time.

Investment Mandate refers to the *Northern Australia Infrastructure Facility Investment Mandate Direction 2018.*

Investment Decision has the meaning given in the Investment Mandate.

Investment Proposal has the meaning given in the Investment Mandate.

Mandatory Criterion 2 means mandatory criterion 2 in Schedule 1 of the Investment Mandate.

NAIF Act refers to *the Northern Australia Infrastructure Facility Act 2016 (Cth)*

Northern Australia has the meaning given in the NAIF Act.

Outside of the Proponent refers to individuals, businesses, government, communities and economies outside of the Project Proponent and associates of the Project Proponent.

Public Benefit means net benefit produced by a Project after all potential costs are deducted i.e. the forecast benefits of the Project are greater than the costs.

Project has the meaning given in the Investment Mandate.

Project Proponent has the meaning given in the Investment Mandate.

3. Background

There are certain provisions of the NAIF Act and Investment Mandate to be considered in relation to Public Benefit.

3.1 NAIF Objectives

Section 3(1) and (2) of the NAIF Act outline the objects of the NAIF Act and provide that NAIF financial assistance is for the construction of infrastructure that:

- provides a basis for economic growth in northern Australia; and
- stimulates population growth in northern Australia.

3.2 Mandatory Criterion 2

This criterion states:

> *"The proposed Project will be of public benefit.*
>
> *The Board must be satisfied that the Project will produce benefits to the broader economy and community beyond those able to be captured by Project Proponent.*
>
> *In assessing public benefit, the Board may, without limitation, consider whether the Project will have the capacity to serve multiple users (either immediately or during the expected life of the Project)."*

Therefore, pursuant to Mandatory Criterion 2 to be eligible for NAIF financial assistance:

(a) the Project being assessed must be of Public Benefit; and

(b) the Board must also be satisfied that the Project will produce Public Benefit Outside of the Proponent.

3.3 NAIF Concessions

Section 9 (1) of the Investment Mandate also requires that:

"In determining any concession to be granted in an Investment Decision, the Board must have regard to:

> *(a) the extent and mix of all concessions necessary for the Investment Proposal to proceed; and*
>
> *(b) the extent of the Project's public benefit."*

4. Policy

4.1 General

In applying the various provisions of the NAIF Act and Investment Mandate the following policy approach will be adopted.

The Board will only approve Projects that are forecast to be of Public Benefit. The Board must also be satisfied that the Project will produce Public Benefit Outside of the Proponent.

In establishing Public Benefit, the Board will consider Public Benefit from the Project for Australia generally, including, in line with Section 3(1) and (2) of the NAIF Act, objectives of NAIF - to support infrastructure that promotes economic growth and stimulates population growth in northern Australia.

In quantifying the Public Benefit of the Project, both the direct effects on the Proponent and on those Outside of the Proponent should be estimated. When considering Proponent benefits and costs, the additional operating revenue and costs (including investment costs) associated with the Project should be quantified. Annexure 1 includes examples of benefits and costs which may be generated by the Project Proponent or Outside of the Proponent. Forecasting or estimating future benefit and costs requires judgement. The Board may seek advice from independent experts on the analysis provided for the purpose of applying this policy.

The extent of estimated Public Benefit will be considered by the Board when determining whether to provide financial assistance to a Project and the level of any financing concession to be granted. It is expected that a Project which has the capacity or potential to serve multiple users - and thus a broader segment of society or industry – will generate greater Public Benefit, but it is not a mandatory requirement that a Project is multi user.

For each Project the analysis should be summarised into the high level categories of benefits and costs outlined in Annexure 2. Essentially there are two parts of analysis which may be required:

> **Part A**: Cost Benefit Analysis – Part A is only required where a CBA is required by this Guideline or will be used by a Proponent to support assessment of Public Benefit; and
>
> **Part B:** additional considerations of Public Benefit not factored into Part A – Part B is always required.

Part A and B must separately identify benefits and costs for the Project Proponent and those Outside the Proponent which the Board will consider for the purpose of satisfying itself as to the requirements of Mandatory Criterion 2, Section 3(1) and (2) of the NAIF Act and Section 9(1) of the Investment Mandate as appropriate.

For both Part A and B it is preferable that the benefits and costs are quantified in present value terms. In some cases, not all benefits or costs of a Project can be quantified. In these circumstances, qualitative assessments on how benefits and costs of a Project will be realised can be included. However, failure to quantify the benefits and costs of a Project may impact the concessions available to the Project.

The rationale for the Part B analysis is that there may be benefits and costs of a Project which are not captured under a Part A CBA methodology. These include benefits and costs which are generated for Australia generally or estimates of the impact of a Project on the regional economy and employment specifically in relation to NAIF's mandate to generate economic and population growth in northern Australia. The Board may wish to consider those items in applying Section 3(1) and (2) of the NAIF Act and/or Section 9(1) of the Investment Mandate. The Part B analysis should not include impacts that have been included in a Part A CBA. See below for further guidance in preparing the summary.

4.2 NAIF financial assistance (under A$50m)

For a Project where NAIF's proposed financial assistance is below A$50m Public Benefit must be clearly demonstrated to the satisfaction of the Board. ACBA is not mandatory except where a Project requires significant concessions, or where there are existing or likely competitors to the Project who may be materially impacted, the Board may require a CBA which is prepared by a third party expert. That will be a matter for the Board to determine in its discretion.

4.3 NAIF financial assistance (A$50m or greater)

For Projects where the proposed NAIF financial assistance is A$50m or greater, the Board requires a Cost Benefit Analysis (CBA) which must be prepared by a third-party expert.

At a minimum, the following types of impacts, where they generate benefits and/or costs, must be included in the CBA:

- **Impact on the Project Proponent.** Examples include project costs and revenues.
- **Impact to those Outside the Proponent** including**:**
    - **Impacts on the economy and productivity**. Examples include the value of capacity and operating cost savings that flow from the Project to business and the value of improvements in reliability of infrastructure services. The costs to other business (e.g. likely competitors) of the project going ahead.
    - **Impacts on individuals**. Examples include accessibility and connectivity impacts, or improved employment, health, safety and security outcomes.
    - **Impacts on the community**. Examples include positive and negative environmental and social impacts during the construction and operation of the Project.

The CBA should consider a range of possible scenarios in addition to the base case. Sensitivity analysis on the assumptions that underpin the CBA outcome, for example discount rates applied to estimate benefits and costs in present value terms, must also be provided.

Where relevant, Project Proponents and their advisors should utilise guidance from Infrastructure Australia's Assessment Framework (available on Infrastructure Australia's website) when preparing their CBAs.

4.4 NAIF financial assistance (greater than A$100m)

Under Section 14(1) of the Investment Mandate, where financial assistance being sought is for an amount greater than A$100m, NAIF must consult Infrastructure Australia. This will include seeking feedback from Infrastructure Australia on the analysis presented to NAIF by the Project Proponent and the assumptions and methodology used in the CBA. The CBA should be developed with regard to Infrastructure Australia Assessment framework (available on Infrastructure Australia's website).

4.5 Other Consultation

Under Section 14(2) of the Investment Mandate, NAIF may also consult, as appropriate, with Government stakeholders, including Commonwealth and State/Territory departments on any potential Public Benefit or benefits Outside of the Proponent of a Project.

4.6 Extent of Public Benefit and NAIF concessions

As noted in Section 3.3, under Section 9 1(b) of the Investment Mandate, the Board must have regard to the extent of the Project's Public Benefit when determining any concession to be granted. When assessing the extent of the Public Benefit in relation to the granting of a concession the Board will employ a risk based assessment of the various categories of benefits and costs that have been presented in the Part A and B analysis.

4.7 Reuse of analysis

In some cases, a Project Proponent may have already conducted a public benefit analysis or a CBA to meet Government approvals for the Project. In these cases, it may be appropriate that the Project Proponent use those assessments in its Investment Proposal to the NAIF Board to reduce duplication. NAIF will consider the information provided but may request further analysis to support the NAIF Investment Proposal.

5. Publishing Public Benefit outcomes

Following an Investment Decision by the NAIF Board to offer financial assistance, NAIF will work with the Project Proponent to publish information regarding the forecast Public Benefit of the Project. NAIF will also work with the Project Proponent to monitor and report on Public Benefit that is realised. This may be by way of case studies, short stories and other articles.

6. Review

This Guideline is reviewed annually, or more frequently if required, by or on behalf of the Executive Management, to ensure it remains aligned with governing legislation and best practice.

The Board approves all material amendments and reviews this Guideline at least every two years.

Annexure 1 – Examples of benefits and costs

Project Proponent benefits and costs are generally well understood when preparing a CBA and may include some of the productivity and economic impacts listed in the table below.

The table also provides examples of Outside of the Proponent benefits and costs that could be included in Public Benefit analysis.

Category	Type of Impact	Analysis
Productivity and economic impacts	Reliability impacts	The value of improvements in reliability for business and/or government users.
	Land use changes	The value of changes in land due to the Project. For example, property value impacts and the productivity impact of greater density of use.
	Long term employment impacts	The value of the (indirect) sustained increase / decrease in employment caused by the operation of the Project. For example, employment of otherwise unemployed or underemployed people by the Project.
	Travel time impacts	The value of travel time benefits / costs to business and /or Government.
	Operating cost savings	Reduced expenditure due to savings in operating, maintenance, compliance and investment costs, and the direct economic benefits of reduced operating costs.
	Capacity increase	Capacity increase that enables greater opportunity/access to infrastructure services.
	Resilience	Value of improved economic resilience to adverse events. For example, a lower probability, or frequency, or impact of adverse events.
	Accessibility and connectivity benefits	Value of accessibility and connectivity improvements, including any induced demand (i.e. arising from price/quality improvements).
Impacts on individuals	Non-business reliability impacts	The value of improvements in reliability (e.g. travel time variability on the transport network or electricity network resilience) for non-business users.
	Traveller travel time impacts	The value of reduction in travel time for non-business travellers (for example other members of community including local residents and tourists).
	Service improvement impacts	The value of greater amenity from improved services.
	Health, safety and security	The value of an increase / reduction in the number of accidents, deaths and/or security incidents.
	Environmental impacts	The value of positive or negative environmental impacts of the Project.
Community impacts	Social impacts	The value of positive or negative social impacts of the Project. This may include considerations of equity or the distribution of benefits or the types of groups/individuals impacted as a result of the Project.
	Impacts during construction	Costs incurred during construction. For example, noise, delay, disrupted services, congestion.
	Network significance of Project	Value of wider "network implications" of the Project. For example, broader network travel time savings or impact on existing Projects.
Network impacts	Avoided costs	Costs that would be incurred under a 'do minimum' option, but which are avoided in the option considered.
Other	Other	Other potential sources of benefit or costs

Annexure 2 – Summary template for categories of benefits and costs

1. Public Benefit Act and Investment Mandate Guidance
1.1 The NAIF Investment Mandate, Schedule 1, Mandatory Criteria 2 ('MC 2') requires: • the proposed Project will be of public benefit; and • the Board must be satisfied that the Project will produce benefits to the broader economy and community beyond those able to be captured by Project Proponent and associates of the Proponent ('**Outside of the Proponent'**). • in assessing public benefit, the Board may, without limitation, consider whether the Project will have the capacity to serve multiple users (either immediately or during the expected life of the Project). 1.2 In establishing public benefit, the Board will consider net public benefit from the project for Australia generally including in line with Section 3 (1) and (2) of the NAIF Act which outlines that NAIF financing is for the construction of infrastructure that: • provides a basis for economic growth in northern Australia; and • stimulates population growth in Northern Australia. 1.3 The concept of public benefit is also used in the Investment Mandate, Section 9.1(b) which provides that in determining any concessions to be granted in an Investment Decision, the Board must have regard to the extent of the project's public benefit (which should consider all components of net public benefits under Parts A and Part B).
2. Analysis of Public Benefit
To establish public benefit, as outlined in NAIF's Public Benefit Guideline, consider all components of net public benefit under Parts A and Part B as follows. • **Part A**: a cost benefit analysis (CBA) could be used, and is mandatory for projects requiring >$50M of NAIF funding, however if a CBA has been produced then Part A should be completed. The CBA should show a net benefit (benefits > costs) to establish that the project is of net public benefit. The CBA may show that there is net public benefit 'Outside of the Proponent'. • **Part B:** The Board will additionally consider other net public benefit which has not already been factored into Part A for Australia generally including economic and population growth impacts of the Project for northern Australia. As relevant in Part A or Part B also identify opportunities for the project to serve multiple users.
Part A: Project Commentary
Part A: CBA Analysis A Cost Benefit Analysis must identify benefits net of costs.

Benefits	
Proponent	
'Outside of Proponent'	
Total Benefits	
LESS	
Costs	
Proponent	
'Outside of Proponent' excluding Cost of NAIF concessions	

Total Costs	
Total Net Benefit / (Cost)	
'Outside of Proponent' Net Benefit (Cost)	

Details for items taken into account in the CBA are provided below

(If "Outside the Proponent' shows a net cost, there should be factors identified in Part B, that are not captured in the CBA which may allow the Board to form a view that the project "will produce benefits to the broader economy and community".)

Part B: Other net public benefits not factored into Part A (quantify where possible otherwise provide qualitative description)

Part B: Project Commentary

B1. Qualitative (unquantified) benefits and costs

Benefits:

Costs:

B2. Quantified benefits accruing to the public

The assessment also identified the following benefits:

Jobs Data	
Jobs during construction phase	
Jobs during operational phase	
Other benefits (not financial)	
Tailor for Project Specifics	
Other financial benefits	
Corporate & Income tax	
Royalties	
Milestone payments	
Productivity improvements	
Total	

The composition of those quantified benefits is summarised below.

Make-up of B.2 Benefits Outside the Proponent

B3. Quantified costs imposed on the public

The assessment also identified the following costs:	
Tailor for Project Specifics	
Greenhouse gas emissions	
Travel time impacts during construction	
Loss of revenue by competitors	
Total	

The composition of those quantified costs is summarised below.		
Make-up of B.3 Costs Outside the Proponent		