

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation and Science Portfolio
2016-17 Supplementary Budget Estimates
20 October 2016

DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

TOPIC: Board and staffing arrangements:

REFERENCE: Written Question – Senator Ketter

QUESTION No.: SI-138

1. How does the NAIF Board make investment decisions?
2. It has been widely reported that the independent board of the NAIF will make the investment decisions. However, it is also my understanding that the Minister will have the final sign-off before a project is granted a loan. Who is making the decisions?
3. Could the Minister decide to approve a project rejected by the NAIF?
4. What capacity is there to alter Board appointments?
5. Schedule 2 of the NAIF Investment Mandate Direction sets out the non-mandatory eligibility criteria for financial assistance. I note that it specifies preference will be given to projects seeking financing for an amount of \$50 million or more.
 - a) What is the basis for this funding threshold?
 - b) What analysis and/or modelling was done to justify this decision?
 - c) What consideration will be given to projects seeking financing for less than \$50 million? What would be the consideration of projects worth \$10 million/\$2 million?
6. Are any of the Government's election commitments being paid for by the NAIF?
7. Have any Northern Australia electoral commitments progressed?
8. How many staff are employed by the NAIF?
9. How many of these appointments are based in Cairns?
10. How many of these appointments are based in Canberra?

ANSWER

1. NAIF's investment decision process is governed by the *Northern Australia Infrastructure Facility Investment Mandate Direction 2016* (Investment Mandate) and the [Northern Australia Infrastructure Facility Act 2016](http://naif.gov.au/application-process/investment-proposal-process/). A high level summary of that process is available at <http://naif.gov.au/application-process/investment-proposal-process/>

These requirements will be reviewed by the NAIF Board regularly and are subject to change.

2. The NAIF Board will make investment decisions. The Minister does not have the power to direct the NAIF Board to make any investments.
3. No.
4. In accordance with Section 15 of the NAIF Act, members of the Board are appointed by the Minister by written instrument.
5.
 - a) The non-mandatory preference for projects seeking finance of \$50 million or more reflects a number of considerations including:
 - i. the NAIF is aimed at transformative economic infrastructure projects of scale;
 - ii. the involvement of the NAIF can also be expected to have some cost and/or timing implications for a project arising from various matters such as any additional due diligence and legal costs associated with the NAIF financing. Such impacts are generally fixed in nature rather than being proportionate to the size of the project and therefore may significantly offset any benefits arising from smaller projects.
 - iii. similarly, the level of NAIF resources that are required for a project below the preferred threshold may not be significantly lower than required for much larger projects. As such, in circumstances where the NAIF may have a number of concurrent approaches by both smaller and larger projects, NAIF may dedicate internal resources to larger projects in preference to smaller projects.

It should be noted that groups of smaller projects may be aggregated together to reach the non-mandatory \$50 million financing size. Single projects below the threshold can still be considered given this is a non-mandatory criteria.

- b) During the NAIF's design phase, public consultations on the draft eligibility criteria specifically sought feedback from stakeholders regarding this non-mandatory criteria. This feedback was broadly positive and noted that the \$50 million amount is appropriate for encouraging transformative economic infrastructure. Feedback also welcomed the flexibility provided through the ability to aggregate smaller projects and through the non-mandatory nature of the criterion.
- c) NAIF is led by an independent board which makes investment decisions in accordance with the *Northern Australia Infrastructure Facility Investment Mandate Direction 2016* (Investment Mandate).

The NAIF Board will consider all projects against the mandatory and non-mandatory eligibility criteria outlined in Schedules 1 and 2 of the Investment Mandate.

The eligibility criterion that the proposed project is seeking financing for an amount of \$50 million or more is a non-mandatory eligibility criteria.

The Board will give preference to projects which meet one or both of the non-mandatory eligibility criteria in Schedule 2 to the Investment Mandate, but projects which only meet the mandatory criteria may still be funded.

6. No.
7. Yes, progress is being made on all of the election commitments made in northern Australia.
8. As at 6 February 2017, there are seven FTE staff supporting the NAIF. Four staff are employed by the NAIF and three FTE are Efic staff seconded on a full time or permanent part time basis to NAIF. In addition NAIF is supported by other Efic staff on an as needs basis.
9. As at 6 February 2017, there are six FTE staff based in the Cairns office, three of the NAIF staff and three NAIF Policy staff from the Department of Industry, Innovation and Science.
10. As at 6 February 2017, no NAIF staff are based in Canberra.