

Turnbull government to overhaul \$5b Northern Australia Infrastructure Facility



Genex Power's Kidston solar and pumped hydro plant at the old Kidston Gold Mine west of Townsville has applied for NAIF funding. **Supplied**



by **Mark Ludlow**

The Turnbull government will overhaul the [\\$5 billion Northern Australia Infrastructure Facility](#) after an independent review found its investment mandate was too restrictive and was holding back financial support for big projects in Queensland, Western Australia and the Northern Territory.

Amid growing frustration about the slow pace of NAIF investments – it has only made one investment since it was created two years ago – federal Resources and Northern Australia Minister Matt Canavan will on Thursday announce changes to NAIF's investment mandate to open up more opportunities and create more jobs in Northern Australia.

This will include leaving the door open for the commonwealth to take direct equity stakes in projects as part of the NAIF process which was previously only meant to be for concessional loans.

With both Prime Minister Malcolm Turnbull and Labor Leader Bill Shorten already making big spending promises on road and rail projects in recent weeks, the NAIF changes are expected to unlock billions of more taxpayer money on infrastructure projects ahead of the next election due later this year or early next year. Senator Canavan admitted there had been challenges with NAIF finalising infrastructure investments and the timeframes required to move projects through the pipeline.

But he said the changes would boost the flexibility of the NAIF to support projects in partnership with the private sector and state and territory governments, saying the current guidelines had held back investment.

"In particular, these changes will increase the proportion of a project that NAIF can finance and expand the types of infrastructure that will be eligible for NAIF finance," he said.

"These changes will ensure NAIF is in the best position to help drive the infrastructure investment, in partnership with the private sector and state governments, that delivers jobs in northern Australia."

The NAIF changes won't allow the infrastructure body to help fund [Adani's controversial \\$16.5 billion Carmichael mine](#) because the Palaszczuk government still has the power to veto any funding for the coal mine.

The key changes recommended by businessman Tony Shepherd include the removal of the 50 per cent cap on debt funding for individual projects; a loosening of the gap test; broadening the definition of infrastructure and a fast-tracking of projects into the latter stages of the NAIF investment pipeline.

Financial risk

The 50 per cent cap rule had limited NAIF finance to 50 per cent of total debt of the infrastructure component. The new changes will allow this amount to be increased to 100 per cent of a project's debt, while ensuring the commonwealth does not take the majority of the financial risk in a project.

Proponents must still be able to repay or refinance the loan, but the NAIF can provide them with finance on concessional terms, making more projects feasible and driving investment in the north.

The Shepherd review found the gap test – which required proponents to show NAIF funding was needed for a project to proceed – was unnecessary and onerous.

Senator Canavan said the government will further consider the Shepherd report's recommendation that the NAIF be able to take equity in projects as part of a broader scheduled review in 2019.

The NAIF, established by former treasurer Joe Hockey in 2015 to help boost development in the northern parts of Queensland, WA and the Northern Territory, has only made one loan recommendation – a \$16.8 million loan for the \$125 million Onslow Marine Support Base in WA. NAIF chief executive Laurie Walker told a parliamentary committee hearing in February the independent body was on track to meet its projected target of allocating money to three to five projects, worth up to \$2 billion, by June 30 this year.

There are 17 projects in the due diligence and executive phases, as part of 90 projects in the NAIF pipeline. These cover projects in energy generation, gas pipelines, transport, tourism, agriculture, manufacturing, water infrastructure and communications.

Genex's [\\$1 billion Kidston renewable energy hub](#) – which will include pumped hydro, solar and wind projects – has applied for NAIF funding.

Read more: <http://www.afr.com/news/politics/turnbull-government-to-overhaul-5b-northern-australia-infrastructure-facility-20180417-h0yvz6#ixzz5Cykythpy>

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