

4th August 2017

Committee Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: economics.sen@aph.gov.au

Dear Chair

RE: Governance and operation of the Northern Australia Infrastructure Facility

The Northern Regional Development Australia Alliance welcomes the opportunity to make a submission to the Senate Economic References Committee into the *Governance and operation of the Northern Australia Infrastructure Facility*. Regional Development Australia (RDA) is an Australian Government initiative that brings together all levels of government to enhance the development of Australia's regions. A national network of 55 RDA committees has been established to achieve this objective.

The Northern RDA Alliance comprises eight RDAs whose regions make up Northern Australia. This network, representing the Gascoyne in Western Australia to Gladstone in Central Queensland, has been collaborating and providing input to the Australian Government on the development and delivery of the White Paper on Developing Northern Australia. Our aim is to inform and support policy development and its implementation, and to prioritise investment opportunities to ensure the sustainable development of Northern Australia. Further information on the Northern RDA Alliance priorities and activities is attached for your information and available here – www.northernrdaalliance.com.au

Our submission provides brief comment on the relationship and interactions between the Northern Australia Infrastructure Facility (NAIF) and the Northern RDA Alliance; makes general comment on the governance arrangements of the NAIF and provides brief statements against relevant elements of the Terms of Reference of the inquiry.

Northern RDA Alliance and the NAIF

The NAIF is a cornerstone initiative of the Northern Australia White Paper, it is within this context that the Northern RDA Alliance had had multiple interactions and engagements with the NAIF.

From pre-establishment, establishment and operational phases the Northern RDA Alliance have had discussions with the NAIF regarding:



- Potential projects and proponents in each of the eight RDA areas across the north including advising and supporting site visits to the Pilbara, Broome, Darwin, Mackay, Townsville, Far Nth Qld, Rockhampton, Gladstone;
- State and Territory policy and regulatory processes, issues and opportunities that may impact on potential projects including vegetation management, water, tenure, infrastructure planning, project support programs etc;
- Internal policy development including public benefit policy and requirements regarding an Indigenous Engagement Strategy, including linking the NAIF with key Indigenous organisations and leaders for advice;
- Matters outside the scope of the NAIF that may impact on its operations for example, the level of well-developed project proposals; and,
- Interactions and relationship to other relevant programmes including the Clean Energy Finance Corporation, the Regional Investment Corporation (notably the \$2B National Water Infrastructure Loan Facility), and other elements of the Northern Australia White Paper.

The Northern RDA Alliance has access to local context with these matters and extensive networks of stakeholders, and could be more effective as a conduit to projects and information with additional support. This would ultimately improve the use of the NAIF and support our local communities and industries.

General Comment - Governance Arrangements of the NAIF

The NAIF is governed by the *Northern Australia Infrastructure Facility Act 2016* (Cth) (the NAIF Act), the Northern Australia Infrastructure Facility Investment Mandate Direction (the Investment Mandate) and operates under the parameters of the *Public Governance, Performance and Accountability Act 2013* (Cth) (the PGPA Act). The PGPA Act deals with matters relating to Commonwealth entities, including reporting and the use and management of public resources.

The Northern RDA Alliance notes the suite of policies regarding the NAIF's internal corporate government practices and controls, and policies to inform and guide decision making. These are listed below and available at <http://www.naif.gov.au/>

<i>Policy</i>	<i>Date Released</i>
Environmental and Social Review of Transactions Policy	November 2016
Public Benefit Guideline	June 2017
Confidentiality Policy	
Conflicts of Interest Policy	
Freedom of Information Policy	
Privacy Policy	
Staff Securities Trading Policy	
Incident Reporting Policy	
Public Interest Disclosure Policy	
Anti-Corruption Policy	

Specific Comment – Terms of Reference

The Northern RDA Alliance has had positive and productive engagements with the NAIF and makes the following brief comment to the Terms of Reference of the inquiry.



- a) *The adequacy and transparency of the NAIF's governance framework including its project assessment and approval processes;*

The governance framework as established by the NAIF Act, Investment Mandate, policies and the PGPA Act, including the project assessment and approval process as outlined on the website, is adequate and sufficiently transparent for the effective delivery of the functions of the NAIF – specifically to invest in Northern Australia economic infrastructure to grow the economy, create jobs and stimulate population growth in Northern Australia.

- b) *The adequacy of the NAIF's Investment Mandate, risk appetite statement and public interest test in guiding decisions of the NAIF Board;*

The Investment Mandate provides sufficient direction regarding parameters of potential projects which the NAIF may consider investing in, ensuring there are overarching public outcomes and that Native Title, social and environmental considerations are effectively made as part of the decision-making process.

Clause 12 of the Investment Mandate requires the NAIF to develop a Risk Appetite Statement. There is no requirement for the Risk Appetite Statement itself to be made public. The NAIF has a detailed Risk Management Framework on their website. It is our understanding that financial institutions communicate their Risk Management Frameworks but not their specific Risk Appetite Statements which appear to be treated as strictly internal documents. As a Corporate Commonwealth entity the NAIF also needs to comply with the *2014 Commonwealth Risk Management Policy* requiring a review and alignment of risk management frameworks and systems with the Policy as a matter of good practice (<https://www.finance.gov.au/sites/default/files/commonwealth-risk-management-policy.pdf>). Section 17 of the NAIF Act compels the NAIF to have regard to both the Australian best practice government governance principles as well as the Australian best practice corporate governance for Commercial Financiers.

The Public Benefits Guideline provides specific direction to the NAIF Board regarding consideration of public benefit - critically projects must have a net public benefit, which must be clearly demonstrated to the satisfaction of the Board. The Guidelines provides specific detail on the manner of substantiating and quantifying the public benefit of projects.

The Investment Mandate, Risk Management Framework and Public Benefits Guideline provide sufficient guidance to the NAIF Board in making decisions.

- c) *Processes used to appoint NAIF Board members, including assessment of potential conflicts of interest;*

The process for Board appointments is clear under section 15 of the NAIF Act which details the types of expertise required to ensure the Board has sufficient capacity to deliver its functions. The Conflicts of Interest Policy provides direction to NAIF Board members and staff in relation to the appropriate management of any conflicts of interest.



- d) *The transparency of the NAIF's policies in managing perceived, actual or potential conflicts of interest of its Board members;*

As noted above the operation of the Anti-Corruption Policy and Public Interest Disclosure Policy further regulate the appropriate behaviour and decision making of NAIF staff and Board members.

- e) *The adequacy of the Northern Australia Infrastructure Facility Act 2016 and Investment Mandate to provide for and maintain the independence of decisions of the Board;*

The NAIF has been established with clear parameters on its operations and the independence of its decision-making noting that section 14 of the NAIF Act provides the Minister for Northern Australia with an approval power on Board investment decisions and further that Clause 15 of the Investment Mandate likewise provides that the relevant State or Territory Government **must** approve the proposed investment decision of the NAIF.

The Northern RDA Alliance considers this approach to be appropriate to deliver the Federal Government's Northern Australia agenda and to ensure State/Territory interests are considered and met in the delivery of investment decisions to achieve this agenda.

- f) *The status and role of State and Territory Governments under the NAIF, including any agreements between States and Territories and the Federal Government; and*

The Northern RDA Alliance is aware that there are agreements between the NAIF and the Northern Territory and Queensland Governments but not yet with the Western Australia Government who has indicated its interest in securing an agreement. In Queensland, there is a cross-departmental working group to provide an effective engagement mechanism with the NAIF.

Clause 15 of the Investment Mandate clearly provides that the relevant State or Territory Government **must** approve the proposed investment decision of the NAIF.

- g) *Any other related matters*

The Northern RDA Alliance appreciates the importance of striking the right balance between confidentiality and transparency. We note that commercial-in-confidence discussions with prospective proponents is critical to establishing and maintaining the appropriate transactional relationships between the two parties. In addition, we understand the importance of thorough assessment processes to ensure decisions are sound and meet prescribed requirements, which all take time.

We suggest consideration of 'companion' mechanisms and initiatives to build 'around' the NAIF to assist in providing a more comprehensive and effective approach to supporting and facilitating the sustainable economic and social growth of the north, to better inform and target Federal Government investment.

Potential additional initiatives to support the NAIF and delivery of the Northern Australia White Paper initiatives could include:



1) Project development phase support

To assist in project development, a pool of funding to support the development of quality, prefeasibility, feasibility and/or business cases could be established for potential private sector projects meeting a set of specific guidelines. Funding could be co-contributed by the Federal, State and Territory Governments. The Northern RDA Alliance acknowledges the absence of detailed business cases and feasibility studies is a key challenge to progressing proposals beyond the conceptual phases.

Targeted project development support would enable the NAIF to identify the projects that would best meet its criteria and enable referral of other projects to alternative potential sources of support and investment.

2) Strategic Planning – infrastructure investment opportunities and priorities

More robust identification, assessment, prioritisation and planning processes in relation to infrastructure would significantly improve on the current process of seeking ‘lists of projects’ from State and Territory Governments to deliver:

- Clarity on Government infrastructure investment responsibilities and priorities (local, State, Territory and Federal Governments);
- Clarify partnership opportunities between the private sector and Government in relation to infrastructure projects; and
- Clarify potential ‘stand alone’ private sector investment opportunities.

The Northern RDA Alliance suggests the consideration of:

- a) Regional Infrastructure Plans;
- b) A Northern Australia Infrastructure Plan – informed by an updated Northern Australia Infrastructure Audit; and an,
- c) Integrated Private Sector Project List.

This would more effectively identify those projects suitable to access NAIF support and demonstrate their ‘need’ (currently a non-mandatory requirement under the Investment Mandate).

The Audit and Plans would enable long term, strategic investment to deliver infrastructure priorities across the north to maximise the opportunities for private sector partnerships and project investment.

3) Investing in improved assessment and approval processes

To strengthen and effectively align Territory and State Government assessment and approval processes the Northern RDA Alliance proposes greater investment in the Major Projects Facilitation Authority to effectively operationalise, among other things, the EPBC Assessment Bilateral Agreements by providing tangible support for proponents through assessment processes. This will not only provide clear pathways and more manageable timeframes but increase compliance with various legislative requirements.

4) Communication

Early communication regarding the operational parameters of the NAIF could have assisted in better understanding around the loan and concessionality functions of the facility and what that means in relation to “Government investment/support” for projects. Misperceptions regarding NAIF’s ability and agenda to



provide 'free money' to projects have been unproductive to the general debate regarding the appropriate pathways to develop and grow northern Australia - through and beyond the Northern Australia White Paper.

We support more effective and ongoing communication through media, via website and face-to-face to ensure clarity of messaging around NAIF activities and operations; to build understanding and support for NAIF operations and objectives; and to target potential proponents to engage in the process.

Greater engagement with a wider set of stakeholders with an interest in securing outcomes for Northern Australia and its communities would build a shared common purpose and strengthen the successful delivery of the NAIF, and the other Northern Australia White Paper initiatives, including the additional measures suggested above.

Concluding comments

As a cornerstone initiative of the Federal Government's Northern Australia White Paper, the NAIF is under considerable pressure to deliver investment outcomes that not only comply with its legislative and policy framework, but also achieve the Federal Government's development and growth agenda for Northern Australia— as well as meet community and industry expectations regarding the growth of Northern Australia. The Northern RDA Alliance supports the NAIF as a key initiative to drive investment and development outcomes in Northern Australia.

The Northern RDA Alliance will continue in its advocacy, communication and brokering role across the north with external stakeholders including industry, community, local and State/Territory Governments – and internally with the Office of Northern Australia, the NAIF, the Department of Infrastructure and Regional Development and the other delivery agencies of the Northern Australia White paper initiatives.

In conclusion, the Northern RDA Alliance believes the governance arrangements and operation of the NAIF to be appropriately transparent while key issues remain regarding public expectations around government investment in projects. We look forward to working with the NAIF into the future in a greater capacity to assist delivering this important initiative. For further information in relation to this submission please contact Jann Crase CEO, RDA FNQ&TS – ceo@rdafnqts.org.au – 0458 388 080.

Yours faithfully



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NORTHERN RDA ALLIANCE



The Northern RDA Alliance (NRDAA) comprises eight RDAs whose regions make up Northern Australia. This network, representing the Gascoyne in Western Australia to Gladstone in Central Queensland, has been collaborating and providing input to the Australian Government on the development and delivery of the White Paper on Developing Northern Australia. Our aim is to inform and support policy development and its implementation, and to prioritise investment opportunities to ensure the sustainable development of Northern Australia.

Key points about RDAs in the Alliance:

- Independent, apolitical, not for profit organisations.
- Funded by the Australian Government to deliver regional economic development activities and outcomes.
- Facilitate activities across government boundaries and portfolios.
- Flexible, adaptive, efficient and effective at delivering new initiatives.
- Committee members and staff have been appointed on the basis of their extensive networks across governments, industry and communities.
- RDAs regularly contribute to regional planning in partnership with key stakeholders.
- On-the-ground knowledge of how to facilitate and advocate for outcomes in Northern Australia.

The NRDAA continues to assist the Australian Government's policy delivery on Northern Australia. Our focus is to drive the key reforms and investments needed to secure our future through the implementation of initiatives in the White Paper on Developing Northern Australia, catalysing innovative ideas and solutions.

In collaboration, the NRDAA are already delivering:

The Inland Queensland Roads Action Plan (IQ-RAP)

This is a bipartisan project funded by 49 organisations including 33 local governments and five RDA Committees to drive economic development across regional Queensland.

The IQ-RAP is a planning and decision-making tool for investment into the strategic road network that supports all rural industries and communities to achieve benefits such as better safety outcomes, job creation, productivity gains, more resilient connectivity and investment attraction.

This project is led by RDA Townsville and North West Queensland and supported by RDA Far North Queensland and Torres Strait, RDA Fitzroy and Central West and RDA Mackay-Isaac-Whitsunday.

Mid and North Western Australia Investment Portfolio 2016

This project has delivered an investment prospectus for projects across mid and north Western Australia. The approach and format used in developing the prospectus could be used as a model for Northern Australian investment attraction.

The project was led by RDA Pilbara and supported by RDA Kimberley and RDA Midwest Gascoyne.

Investigation of Alternative Solutions to Shortfalls in Regional Telecommunications

This initiative has delivered a High-Speed Wireless Technology Pilot project to test the potential of long-distance point-to-point microwave links as a low-cost strategy to expand the benefits of existing fibre infrastructure.

This project has been led by RDA Northern Territory and supported by RDA Kimberley.

Other priorities for the NRDAA include:

Development of a Northern Australian Energy Strategy

This project seeks to formulate effective pathways to smooth the transition to a low carbon energy future in collaboration with industry and community across Northern Australia. It strives to deliver secure, reliable and affordable energy across the whole of Northern Australia.

The project is being led by RDA Far North Queensland and Torres Strait.

Development of a Northern Australian Water Security Program

This initiative would involve working with stakeholders to deliver secure, quality water supplies across Northern Australian regional centres and communities.

Improving productivity and growing key industries across the North

This initiative recommends developing a framework for creating incentives and reducing barriers for private capital investment in Northern Australia.

The NRDAA remains committed to working with communities and industry to deliver sustainable economic development outcomes in Northern Australia.

Northern RDA Alliance

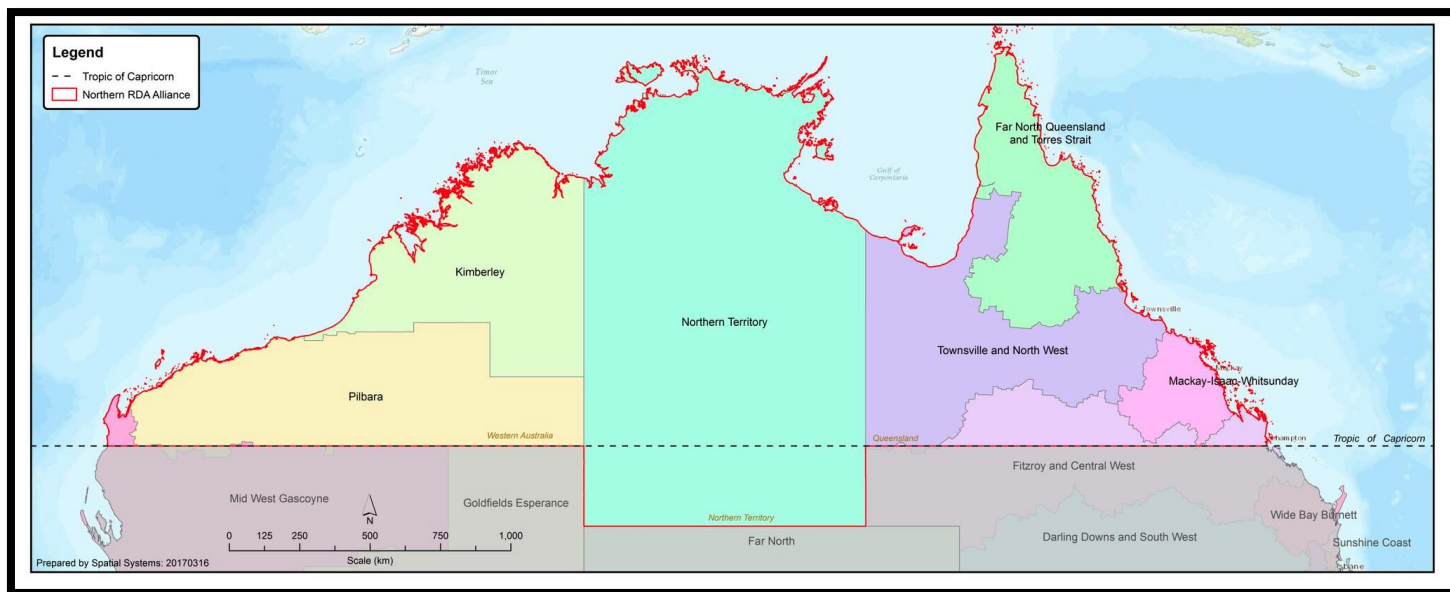
Infrastructure

Industry

Investment



NORTHERN RDA ALLIANCE



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