Northern Australia Infrastructure Facility
Investment Mandate Direction 2018

I, Matthew Canavan, Minister for Resources and Northern Australia give the following
Direction under subsection 9(1) of the Northern Australia Infrastructure Facility Act
2016.

Dated 24 April 2018

MATTHEW CANAVAN
Minister for Resources and Northern Australia
PART 1 – PRELIMINARY

1. Name

This Direction is the Northern Australia Infrastructure Facility Investment Mandate Direction 2018.

2. Commencement

This Direction commences the day after registration.

Note: Section 42 of the Legislation Act 2003 (which deals with the disallowance of legislative instruments) does not apply to this Direction: see section 9(1) of the Act.

3. Authority

This Direction is made under subsection 9(1) of the Northern Australia Infrastructure Facility Act 2016.

4. Definitions

In this Direction:

- Act means the Northern Australia Infrastructure Facility Act 2016.
- Board has the same meaning as in the Act.
- Commercial Financier means a private sector body that provides finance or investment into infrastructure projects.
- Facility has the same meaning as in the Act.
- Financing Mechanism means a loan or any grant of financial assistance as determined by the responsible Minister in accordance with section 11 of this Direction.
- Infrastructure Australia is an independent statutory body established by the Infrastructure Australia Act 2008.
- Investment Decision means a decision by the Board to offer, or not to offer, a Financing Mechanism.
- Investment Proposal means the application submitted by a Project Proponent.
- Northern Australia has the same meaning as in the Act.
- Northern Australia economic infrastructure has the same meaning as in the Act.
- Project means the project the subject of the Project Proponent’s Investment Proposal which incorporates Northern Australia economic infrastructure.
- Project Proponent means the entity responsible for a Project.
- Risk Appetite Statement means the statement approved by the Board outlining the risk strategy that will guide the Facility’s Investment Decisions.
5. **Purpose**

The purpose of this Direction is to direct the Facility in relation to the performance of the functions of the Facility as set out in section 10 of the Act.

**PART 2 – DIRECTIONS**

6. **Making Investment Decisions**

   (1) The Board must make Investment Decisions.

   (2) When the Board makes an Investment Decision, the Facility must notify the Project Proponent whether or not their Project will receive financial assistance as soon as practicable after an Investment Decision has been made.

7. **Matters to be considered when making Investment Decisions**

   (1) Before making an Investment Decision to offer a Financing Mechanism, the Board must be satisfied:

      (a) the Investment Proposal has met all mandatory criteria in Schedule 1 to this Direction; and

      (b) that any return will cover at least the Facility’s administrative costs, and the Commonwealth’s cost of borrowing.

   (2) In making an Investment Decision, the Board must have regard to:

      (a) the extent of any concession that may be offered to a Project Proponent, in accordance with section 9 of this Direction; and

      (b) the potential effect of the Project on other infrastructure; and

      (c) the potential effect of the Financing Mechanism on the Australian infrastructure financing market; and

      (d) the potential of the investment to encourage private sector participation in financing a Project.

   (3) The Board, in making an Investment Decision, must consider a preference for:

      (a) a diversified portfolio, including with respect to industrial and geographic spread across the States and Territory that comprise Northern Australia; and
(b) Projects that address an infrastructure need identified through a Commonwealth, State or Territory assessment process, pipeline, or priority list such as the *Northern Australia Infrastructure Audit.*

8. **Discretion**

The Board maintains the discretion to decline to offer a Financing Mechanism for an Investment Proposal.

9. **Determining concessions**

(1) 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.

(2) The Board must limit the concessions offered to the minimum concessions the Board considers necessary for the Investment Proposal to proceed.

(3) The Board may propose contract terms which may reduce the concessions over time. This may include, but is not limited to:

   (a) removing or relaxing concessions provided;

   (b) having the ability to seek early exit from an investment.

10. **Loan conditions**

(1) Loans will be the default Financing Mechanism considered for all Investment Proposals.

(2) The Facility may propose, but is not limited to, the following loan concessions:

   (a) longer loan tenor than offered by Commercial Financiers, not exceeding the longest term of Commonwealth borrowings;

   (b) lower interest rates than offered by Commercial Financiers, which must not be lower than the rate at which the Commonwealth borrows;

   (c) extended periods of capitalisation of interest beyond construction completion;

   (d) deferral of loan repayments or other types of tailored loan repayment schedules;
(e) lower or different fee structures than those offered by Commercial Financiers;

(f) ranking lower than Commercial Financiers for cash flow purposes.

11. **Alternative Financing Mechanisms**

(1) The Board may consider using alternative Financing Mechanisms to a loan where:

   (a) it may be more appropriate for a specific Project; or

   (b) it is necessary to encourage private sector participation in financing a Project.

(2) All sections and schedules to this Direction apply to any alternative Financing Mechanisms, other than section 10.

(3) Where the Board considers that an alternative Financing Mechanism is preferable to a loan, the Board must write to the responsible Minister seeking agreement and outlining:

   (a) why the alternative Financing Mechanism is preferable; and

   (b) the estimated commercial value of any concession proposed with the alternative Financing Mechanism; and

   (c) the impact the alternative Financing Mechanism will have on the Risk Appetite Statement (see section 12 of this Direction) and on the Facility’s appropriation.

(4) The responsible Minister will seek the agreement of the Treasurer and the Minister for Finance prior to determining if the alternative Financing Mechanism will be provided, and will consult with the relevant jurisdiction.

(5) The Facility will not offer an alternative Financing Mechanism that would provide for equity to be provided for any Project.

12. **Investment risk**

(1) The Board must satisfy itself that:

   (a) the Facility is not the sole holder of financial risk in each Project; and

   (b) there is a reasonable allocation of risk for each Project between the Facility and other sources of finance for the Project; and

   (c) it can appropriately manage the Facility’s risk exposure to each Project; and
(d) its due diligence also identifies the total exposure of the Commonwealth to a project so as to prevent the Commonwealth overall having the majority financial risk in a project.

(2) The Facility will develop a Risk Appetite Statement to guide its Investment Decisions, in consultation with the responsible Minister and the relevant Northern Australia jurisdictions.

(3) In order to drive economic development in Northern Australia, the Risk Appetite Statement must have regard to a preference for a diversified portfolio, including industry and geographic spread across the States and Territory that comprise Northern Australia.

(4) The Risk Appetite Statement may have a high risk tolerance in relation to factors that are unique to investing in Northern Australia economic infrastructure, including but not limited to, Northern Australia’s:

(a) distance; and

(b) remoteness; and

(c) climate.

(5) The Risk Appetite Statement will be reviewed annually to address emerging risks, changes to existing risks, and changes to Government policy.

13. **Consultation**

(1) The Facility must commence consultation with the relevant jurisdiction as soon as practicable after receiving an Investment Proposal.

(2) The relevant jurisdiction is:

(a) the State or Territory the infrastructure Project is located in for single jurisdiction Investment Proposals; or

(b) for Investment Proposals that cross jurisdictions, it is all jurisdictions where the Project takes place.

(3) Consultation with the relevant jurisdiction is to commence by providing them with a notification of assessment (‘assessment notification’), which includes:

(a) an outline of the details of the Project; and

(b) the Investment Proposal.
(4) The Facility must not make an Investment Decision if at any time the relevant jurisdiction provides written notification that financial assistance should not be provided to a Project.

(5) The Project Proponent will be informed of a decision not to progress an Investment Proposal within five (5) business days of the Facility receiving written notification, in accordance with subsection 13(4) of this Direction.

14. **Relationship with other Government entities**

   (1) Where an Investment Decision is greater than $100 million, the Facility must consult Infrastructure Australia.

   (2) As appropriate, the Facility consults with relevant government stakeholders including Commonwealth departments.

15. **Regulatory and environmental approvals**

   (1) The Facility may make Investment Decisions conditional upon the Project Proponent obtaining all relevant regulatory, environmental and Native Title approvals and arrangements as required by the relevant jurisdiction.

   (2) The Facility must not provide financial assistance to Projects that have not received all relevant regulatory, environmental and Native Title approvals.

16. **Reputation**

   The Facility must not act in a way that is likely to cause damage to the Commonwealth Government’s reputation, or that of a relevant State or Territory government.

17. **Corporate governance**

   (1) The Facility must have regard to Australian best practice government governance principles, and Australian best practice corporate governance for Commercial Financiers, when performing its functions, including developing and annually reviewing policies with regard to:

   (a) environmental issues; and

   (b) social issues; and

   (c) governance issues.

   (2) Within 30 business days of an Investment Decision, the Facility must publish information regarding the Investment Decision on its website, subject to commercial confidentiality, including:
(a) the name of the Project Proponent; and
(b) the goods/services involved; and
(c) the location; and
(d) the type of Financing Mechanism; and
(e) the amount of the Financing Mechanism.

(3) The Facility must publish guidance on its website on:
   (a) the format of an Investment Proposal; and
   (b) Investment Decision processes; and
   (c) any other matters it considers necessary.

18. Application of Australian Industry Participation (AIP) Plans

   The Project must comply with the Commonwealth’s AIP Plan policy, before the Board can make an Investment Decision on the Investment Proposal.

19. Repeal of previous Direction

   The Northern Australia Infrastructure Facility Investment Mandate Direction 2016 made on 4 May 2016 is repealed.
To be eligible for financial assistance, the Board must be satisfied that the Investment Proposal meets all of the following mandatory criteria:

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<th>Mandatory criteria</th>
<th>Description</th>
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| **1. The proposed Project involves construction or enhancement of Northern Australia economic infrastructure.** | The Board must be satisfied that the Project incorporates (in whole or in part) construction or enhancement of physical structures, assets (including moveable assets) or facilities which underpin, facilitate or are associated with:  
   (a) the transport or flow of people, goods, services or information; or  
   (b) the establishment or enhancement of business activity in a region; or  
   (c) an increase in economic activity in a region, including efficiency in developing or connecting markets; or  
   (d) an increase in population.  
   The Project must bring new capacity online either through the construction of new infrastructure or by materially enhancing existing infrastructure.  
   The refinancing of existing debt that does not involve the creation of new capacity is ineligible. |
| **2. 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). |
| **3. The Project is located in, or will have a significant benefit for, Northern Australia.** | Northern Australia is defined in the Act. It includes all of the Northern Territory, and those parts of Queensland and Western Australia above the Tropic of Capricorn.  
   It also includes areas which intersect with the Tropic of Capricorn and the regional centres of Gladstone (Queensland), Carnarvon (Western Australia) and Exmouth (Western Australia), as well as the Local Government Areas of Meekatharra and Wiluna which have boundaries that intersect with the Tropic of |
Capricorn. Territorial seas up to twelve nautical miles offshore adjacent to these areas are also included in the definition.

Projects do not need to be entirely within these boundaries if they produce significant benefits to Northern Australia. For example, a Project that enhances north-south connectivity may be eligible.

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<td><strong>4. The loan will be able to be repaid, or refinanced.</strong></td>
<td>The Project Proponent must present comprehensive financial modelling to demonstrate the ability of the Project to repay the debt in full and on time, or refinance, based on assumptions acceptable to the Board. A relevant substitute for this criterion should be used for assessing Projects which request alternative Financing Mechanisms, as determined by the Board.</td>
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<td><strong>5. Indigenous engagement strategy.</strong></td>
<td>The Project Proponent must provide a strategy which sets out objectives for Indigenous participation, procurement and employment that reflect the Indigenous population in the region of the proposed Project.</td>
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