

SUBMISSION: NORTHERN AUSTRALIA INFRASTRUCTURE FACILITY

FEEDBACK ON DRAFT INVESTMENT MANDATE DIRECTION

29 March 2016

Introduction

Townsville Enterprise is broadly supportive of the Investment Mandate, including the updated eligibility criteria. However, we believe that the current drafting of the geographic diversity requirement in clauses 7 and 12 does not accurately reflect Northern Australia’s economic profile or infrastructure needs and may produce unintended consequences.

Subclause 7(4)

According to the Explanatory Statement, a purpose of subclause 7(4) is to ensure the NAIIFs overall project portfolio is geographically diverse. We agree with the principle of geographic diversity. However, we believe that geographic diversity should not be synonymous with a spread of projects across each of Queensland, Northern Territory and Western Australia.

The current wording of subclause 7(4) implies that geographic diversity should be determined by political boundary, rather than based on economic, population, social, geographic and other factors. Economic development will be best fostered where the Board’s portfolio is spread across the urban and regional centres of Northern Australia – which do not neatly coincide with State / Territory borders.

As the following table demonstrates, the three jurisdictions which make up Northern Australia are not homogenous. Accordingly, infrastructure needs, project opportunities and sources of private investment will not be spread evenly across them.

Subject	Major differences between Northern Australia’s jurisdictions
Population	North Queensland makes up almost 75% of Northern Australia’s population, and is projected to grow at 1.9% to 2031 (higher than the average growth projected for both Western Australia and the Northern Territory). ¹
Geographic area	The Northern Territory comprises around 1.4 million square kilometres of Northern Australia’s landmass whereas North Queensland and Northern Western Australia constitute 0.9 million square kilometres and 0.7 million square kilometres respectively. ²
Economic growth	Economic growth patterns and projections differ across the three jurisdictions. For example, Infrastructure Australia has identified Northern Australia’s major economic development regions as the Pilbara (Western Australia) and Townsville, Gladstone and Cairns (North Queensland). See Figure 1 below.
Major urban centres	Northern Australia’s major urban centres – being Townsville, Cairns, Mackay and Darwin – are not evenly spread across the three jurisdictions, with greater urbanisation in Queensland and the Northern Territory. ³ The ABS recognises that there are five urban

¹ Northern Australia Infrastructure Audit Report, p.58.

² Australian Bureau of Statistics 2012.

³ *White Paper on Developing Northern Australia* (2015), p.134.

	centres or localities (UCLs) in the Northern Territory and seven in Northern Western Australia, compared with 31 in North Queensland. ⁴
Growth industries	The industries identified in the White Paper (2015) as having strong growth prospects – being food and agribusiness; resources and energy; tourism and hospitality; international education; and healthcare, medical research and aged care – are spread across the various regions of Northern Australia, but not equally as between the two States and Territory. ⁵
Infrastructure gaps	The critical economic infrastructure gaps identified in Infrastructure Australia’s Northern Australia Audit across transport, energy, water and communications infrastructure are not evenly split between the two States and Northern Territory.

Additionally, Infrastructure Australia has recommended that the Government “prioritise” investment in regions where the “population is growing quickly and where the bulk of our regional economic growth can be found”.⁶ As the above table summarises, regional growth areas are not equally spread across Northern Australia’s States and Territory. In order to permit the NAIF to follow Infrastructure Australia’s recommended approach and maximise its ability to catalyse economic development, the NAIF must be allowed to make its investment decisions free of any requirement to select projects based on their jurisdiction.

Subclause 7(4) – Proposed Solution

For the above reasons, we propose altering the wording of subclause 7(4) as follows:

“The Board, in making an Investment Decision, must consider a preference for a diversified portfolio, including with respect to industrial and geographic spread across ~~the States and Territory that comprise~~ Northern Australia.”

If an alternative, more functional, definition was preferred, the subclause could instead be altered to refer to diversity across Northern Australia’s subregions, or its constituent ABS statistical divisions – being the Pilbara; Kimberley; Darwin; NT - Balance; Far North (Qld); Northern (Qld); North West (Qld); Central West (Qld); Mackay; and Fitzroy. See Figure 2 below.

Subclause 12(2)

Consistent with the above, we do not believe there is any justification for State / Territory borders to be the touchstone for geographic diversity for the purposes of the Board’s Risk Appetite Statement. Investment risk can be managed through spreading investments across the urban and regional centres that make up Northern Australia. As explained above, such an approach will also best support economic development across the north.

Accordingly, we propose deleting the words “the States and Territory that comprise” from subclause 12(2).

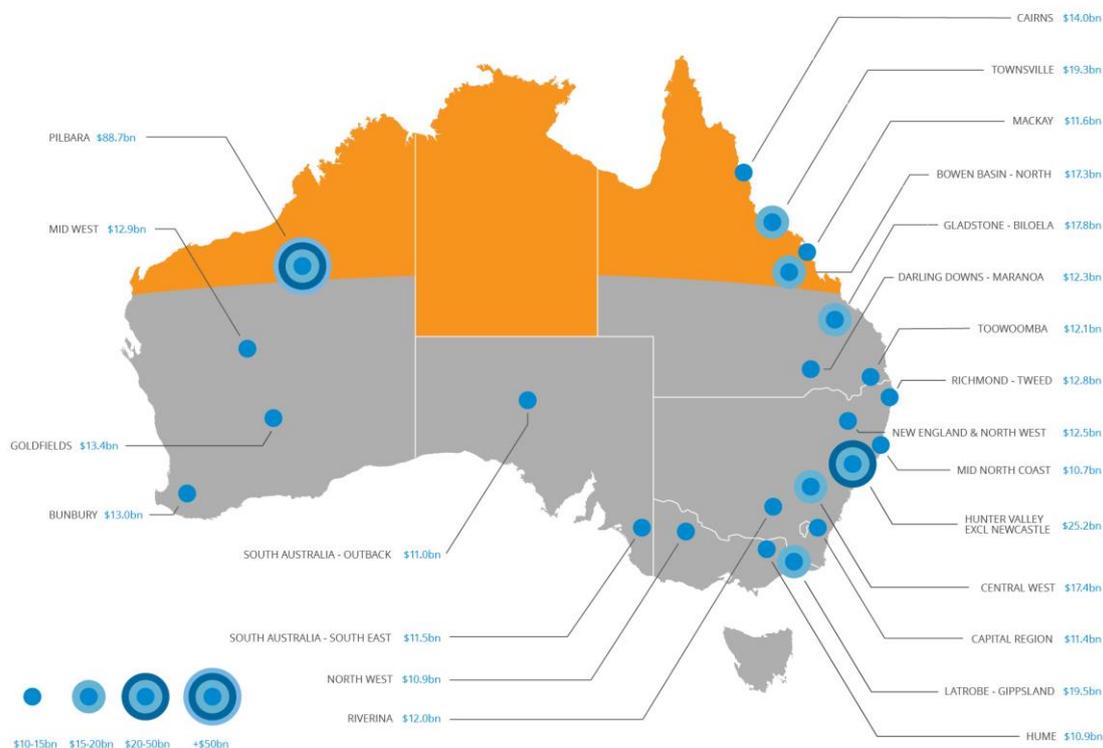
For completeness, we note that it may also be appropriate for the Board’s Risk Appetite Statement to consider other ways to balance risk – for example by ensuring that obligations under financial assistance contracts do not all fall due at the same or similar times. A requirement to have regard to the time horizon for its various portfolio projects may be more relevant from a risk-management perspective than a requirement to consider jurisdictional spread based on political boundaries.

⁴ Northern Australian Infrastructure Audit 2015, p.51

⁵ *White Paper on Developing Northern Australia* (2015), pp. 56-58.

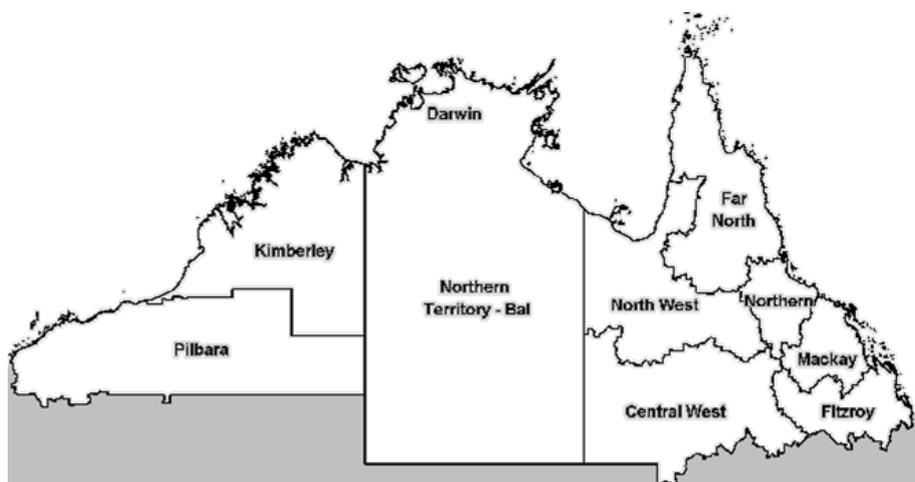
⁶ Australian Infrastructure Plan 2016, Recommendation 4.2.

FIGURE 1: Projected gross regional product for major regional centres in 2031



Source: Adapted from Australian Infrastructure Plan 2016

FIGURE 2: Subregions of Northern Australia



Source: Adapted from Australian Bureau of Statistics, North Australia Unit 2009