

## \$5 BILLION NORTHERN AUSTRALIA INFRASTRUCTURE FACILITY COMMENCES

SHAUN MCGUSHIN and PETER SHAW, DIRECTORS, May 2016<sup>1</sup>

The Australian Government's plans to develop Northern Australia have been set in motion, with the *Northern Australia Infrastructure Facility Act 2016 (Cth)* (**Act**) being passed into law on 3 May 2016 and commencing operation on 1 July 2016.

Although no loans will be granted prior to 1 July 2016, the NAIF has already begin considering applications for financing. Proponents of infrastructure projects in Northern Australia should begin reviewing their projects to see whether it falls within the parameters of the NAIF concessional loans. Discussions with the Export Finance and Insurance Corporation (**Efic**) should commence as soon as possible so that their applications can be considered in advance to avoid unnecessary delay.

### Background

The Act establishes a \$5 billion Northern Australia Infrastructure Facility (**NAIF**) to provide concessional loans and finance to supplement private sector investment. It is the first step in the Australian Government's plan to develop Northern Australia over the next 20 years and is overseen by the Minister of Resources, Energy and Northern Australia, The Hon Josh Frydenberg MP. The NAIF will be based in Cairns.

Ash Street published an article in December 2015 which sets out the NAIF's functions and powers in some detail. A link to the previous article can be found [here](#).

### The Board

The Australian Government has announced the independent board of the NAIF:

- Ms Sharon Warburton (Chairperson);
- Mr Barry Coulter;
- Mr Justin Mannolini;
- Mr Khory McCormick;
- Dr Sally Pitkin;
- Mr Bill Shannon; and
- Ms Karla Way-McPhail.

The Chairperson has commenced working in collaboration with Efic and the Department of Industry, Innovation and Science to identify potential projects which may be eligible for NAIF financing. The rest of the board will step into their roles with the commencement of the Act, on 1 July 2016.

### The Export Finance and Insurance Corporation (Efic)

Efic is a part of the Department of Foreign Affairs and Trade, and is Australia's export credit agency. Its primary purpose is to support the growth of Australian companies in international activities, by providing financial solutions where private markets are constrained. It's expertise in responsible lending makes it an invaluable resource to advise the NAIF.

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## The Investment Mandate

The Investment Mandate has 7 Mandatory Criteria and 2 Non-Mandatory Criteria:

### Mandatory Criteria

- the proposed project involves construction or enhancement of economic infrastructure;
- the proposed project will be of public benefit;
- the proposed project is unlikely to proceed, or will only proceed at a much later date, or with a limited scope, without financial assistance;
- the proposed project is located in, or will have a significant benefit for Northern Australia;
- the NAIF's loan monies are not the majority source of debt funding;
- the loan will be able to be repaid, or refinanced, and
- the project includes an Indigenous engagement strategy.

### Non-mandatory Criteria

- the proposed project is seeking financing from the NAIF for an amount of \$50m or more;
- the project has been identified through a previous Commonwealth, State or Territory assessment process, pipeline, or priority list.

Proponents of a project must satisfy the mandatory criteria when applying for a concessional loan with the NAIF, and while it is not strictly necessary to meet the non-mandatory criteria, the NAIF will give preference to projects that do so.

“Northern Australia” is defined to include all of the Northern Territory, as well as the sections of Queensland and Western Australia which lies north of the Tropic of Capricorn. Nevertheless, proposed projects need not be entirely within these boundaries, so long as they produce “significant benefits” for Northern Australia.

## Final Deadline

The last day for the NAIF to grant financial assistance is 30 June 2021. However, financial assistance may still be provided after the cut-off date, so long as the decision to provide financial assistance was made in time.

If you are a proponent of an infrastructure project in Northern Australia, now is the time to start thinking about whether you might be eligible for an NAIF concessional loan. If you need assistance in assessing your project or preparing a project finance application, please let Ash St. know.

## CONTACTS



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Shaun leads the Ash St. Projects & Finance team. He is one of Australia's most experienced advisers on infrastructure and finance, including buying and selling infrastructure and other assets, public private partnerships, joint venture arrangements, project finance, corporate finance, acquisition finance, capital markets and workouts.

Formerly a partner of both Freehills and Corrs, Shaun has over thirty years' experience advising local and international corporates on a wide range of transactions with particular focus on the infrastructure, power, energy and resources industries and public private partnerships. He has a reputation for successfully completing major transactions, no matter how complex, and is sought for his strategic and negotiating skills.



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Peter heads the Corporate & M&A team. He is a leader in providing corporate and commercial advice to local and international clients on public and private M&A, equity capital markets, private equity, strategic joint ventures and corporate governance. He also advises on capital raisings including IPO's, rights issues, share purchase plans, convertible note issues and private placements for listed and unlisted companies as well as employee incentive schemes.

A former partner of Clayton Utz and more recently Maddocks, Peter has over 20 years' experience. He also advises substantial private companies, investors and family offices and for a broad range of start-ups and early stage companies developing a diverse spectrum of intangible assets, from high tech and biotech to retail brands.