

## Submission to the 2024 Northern Australia Infrastructure Facility Statutory Review

The following submission is predicated on my view that the NAIF has significant potential to contribute to the ongoing development of northern Australia. I wish to acknowledge that since the quite critical 2019 ANAO performance audit, NAIF appears to have strengthened its governance and systems considerably, and for this it should be commended.

I would note however that as with any public sector institution, the risks of progressive degradation of the requisite internal culture on governance and effectiveness issues always exists, and thus there is a strong public interest in ensuring that the appropriate checks and balances exist and are strengthened. I am a strong advocate of transparency in the public sector as a primary mechanism for ensuring that public benefit is always at the forefront of organisational priorities (including the informal priorities that inevitably exist in any complex organisation). Accordingly, I would encourage the review to proactively consider **what opportunities exist for greater transparency in NAIF's operations**.

For example, it seems to me important that the legislative protections in favour of Board independence be maintained and perhaps strengthened. While it is also important that portfolio Ministers retain the right to veto Board decisions, this should be based on timely publication of their decision and the reasons.

Another example where greater transparency is required in my view relates to the publication of aggregate data on NAIF operations rather than (or in addition to) the current approach of publishing disaggregated information at the project level. For a specific example, while there is a degree of high-level public relations content relating to the required Indigenous engagement strategy for each project, I was unable to discern either on the NAIF website nor in key NAIF documents any summary assessment (let alone a rigorous evaluation) of the overall benefits arising from this requirement. NAIF could for example begin by reporting some core data metrics such as the levels of Indigenous employment derived from NAIFs project contributions.

Or to take another example, while the headline figure of \$7bn in available finance is always front and centre, there is very little accessible data available on the annual net cost of NAIF to the Commonwealth and nor is there accessible data on the annual projected revenue returns to the Commonwealth as interest on loans is repaid. NAIF and its portfolio agency could do much better on these fronts than they have to date.

In this context, I would also suggest that the Review Panel should look behind NAIF's (perhaps understandable) public relations gloss and focus on the direct impacts of NAIF financing in relation to jobs created (including Indigenous jobs) and

seek to ascertain and understand the terms of that employment. Clearly a full-time five-year job is not the same as a three-month casual part-time job. But NAIF's public relations unhelpfully conflates these data. Moreover, (perhaps understandably from a public relations perspective) NAIF invariably cites the projected public benefit of the whole project, and the numbers of jobs to be created by the whole project which are never wholly funded by NAIF loans or investments.

These statistical leaps of imagination implicitly assume that the projects funded by NAIF would never go ahead without NAIF funding. This is in my view not a realistic assumption. The overall effect of these statistical sleights of hand is to undermine the credibility of all NAIF's data efforts. Yet a realistic assessment is important to understand the real impact and outcomes of the Commonwealth's investment in NAIF. If the Review reaches the view that they haven't the time or resources to undertake such an exercise, then I suggest that you consider recommending **an independent impact evaluation of NAIFs operations** given that we are approaching the ten-year anniversary of its existence.

In relation to the mandatory Indigenous Engagement Strategy which proponents are required to prepare, **there are in my view significant limitations on the potential for this requirement to make a real difference to the social and economic status of Indigenous communities and people in northern Australia**. Not only are the outcomes of marginal significance when put beside the overall quantum of investments in projects, but there is a serious risk that the very existence of this requirement is implicitly used by NAIF, and the indeed the Commonwealth, as a rationale for ignoring the significant systemic bias in NAIF's legislative and operating framework against delivering benefits for northern Australian remote communities.

A case in point is the public relations spiel on NAIF's projects page regarding the upgrade of Connellan Airport at Yulara. The website page lists the project as social infrastructure whereas the upgrades of the NT airports' infrastructure and the Townsville airport infrastructure projects are all listed as 'transport and logistics infrastructure'. The real benefit of the airport upgrade was to the NT tourism industry, not to Aboriginal interests. The Indigenous Engagement Strategy for Connellan relates in its entirety to the ongoing operation of Yulara by Voyages (and not to the NAIF loan), and most if not all of the 'commitments' listed relate to initiatives which were already in place and underway prior to the airport upgrade being initiated. I know this as I was employed by the ILC in the period before the airstrip loan was approved. What we don't get in the project summary is any information on is how many Indigenous workers Downer Constructions (the contractor used in the airport upgrade) employed, and whether Downer utilised any Indigenous procurement in the upgrade. They may have, and I hope they did, but NAIF do not appear to be providing realistic information regarding the actual project that they funded. How can we trust the rest of NAIF's data and performance metrics in relation to the Indigenous Engagement Strategy requirement? Has there been **an independent**

**evaluation of the Indigenous Engagement Strategy requirement?** If not, perhaps the review should recommend one.

I am not arguing against the requirement for NAIF projects to have developed an Indigenous Engagement Strategy, but I am deeply sceptical that as presently formulated and implemented, it is anything more than window dressing. By all means retain the requirement, and ensure that it is focussed and substantive, but **it is more important (indeed essential) to fix the systemic bias built into NAIF's legislative and operating framework.**

The systemic bias I am referring to emanates from the legislated focus of the NAIF on economic infrastructure. Over time, the legislation and investment mandate have been broadened to include social infrastructure, but there is a problem. The majority of NAIF's loan portfolio is driven by private sector project proponents seeking access to either concessional finance or a higher loan to equity ratio than the banks are prepared to support. While NAIF's remit has been slowly broadened to allow NAIF to invest in or lend to social infrastructure projects, the reality is that it is state and territory governments which have responsibility for social infrastructure, and who thus must be the applicant for NAIF finance. Unlike commercial firms, these governments are oversighting hundreds of projects, and their most influential constituencies are dominated by mainstream interest groups. The result is that they have competing financial priorities which limit their interest in accessing NAIF to fund social infrastructure. **The unfortunate reality is that the states and the NT have failed to even look for a NAIF contribution to addressing these infrastructure deficits.** Just because those jurisdictions lack the imagination to seek policy solutions to these policy deficits is no reason for the Review, nor indeed for the Commonwealth, to follow suit.

After eight years of operation, NAIF's website lists, on my count, nine social infrastructure projects totalling 'up to' approximately \$606m and three of the six are relatively recent investments). Only two of the nine projects are in the NT, and none are in Western Australia. With committed loans currently totalling \$4.7 bn, the proportion of approved NAIF funds allocated to social infrastructure is thirteen percent of that amount. Undoubtedly, some Indigenous citizens will benefit from these projects as they are overwhelmingly mainstream health and education related projects in Queensland which provide access to all citizens whether Indigenous or not. Yet only one of these projects is directed to Indigenous controlled or Indigenous specific projects and even that single project — the Connellan airport upgrade — is arguably not directed to benefitting Indigenous community members (see above). NAIF's record in terms of allocating project funding towards benefitting Indigenous interests is extraordinary in its myopic narrow-mindedness, not least because infrastructure provision is such a crucial driver of poverty, inequality and arguably social dysfunction.

**The most serious infrastructure deficit in northern Australia is undoubtedly in the social housing sector.** These deficits are particularly serious in remote communities where the associated community infrastructure (water, power, sewerage) required to make housing viable is invariably degraded or non-existent. The most recent report of the *Economic Inclusion Advisory Committee* which advises the Government on budget priorities included a detailed report on remote housing ([link here](#)). Remote communities comprise some of the most socially and economically disadvantaged Australians, yet after eight years operation, NAIF, the major policy initiative directed at northern Australian infrastructure, has not made a dent in the outstanding housing and essential services needs of those communities.

I venture to say that the current pipeline of loan applications to NAIF is similarly bereft of any focus on these needs. It might be claimed by some that social housing is just that, a purely social priority. I disagree; basic housing (and education and healthcare) are core drivers of economic development and thus crucial to addressing deepseated disadvantage. Without access to housing, education, and good health, economic development is a chimera. Further, investment in these social infrastructure priorities has substantial and ongoing commercial benefits. The Aboriginal residents of northern Australia are permanent residents, whereas many (perhaps even a majority) of non-Indigenous residents will not remain in residence beyond ten years. **The economic development of the north will never succeed for as long as the Indigenous population is systemically excluded from access to core societal infrastructure.**

One ostensibly persuasive argument against extending NAIFs operations into financing remote social housing and essential services infrastructure is that the level of need exceeds NAIFs potential capability to contribute by several orders of magnitude. My response to such a critique would be two-fold:

- first, a relatively modest NAIF contribution sustained over time would eventually have a significant impact; and
- second, there are potential 'niche' sectors which NAIF could focus on such as the ongoing shortage of adequate staff housing in remote communities, or aspects of the renewable energy transition. These types of niche investments have the potential to have outsized impact.

It would be a tragedy if the potential embedded within the NAIF model to drive positive and long-lasting change in remote Indigenous communities across northern Australia was overlooked based on a lack of imagination and innovation by policymakers.

One solution to this systemic exclusion of social infrastructure, particularly Indigenous social infrastructure, in relation to NAIF's remit is to **adopt an alternative and proactive investment approach**. It would require NAIF (or some other government agency) to undertake a high-level needs analysis, and for NAIF to then set aside a proportion of its available capital for investment in that particular social

infrastructure need. The Commonwealth in its latest Ministerial Statement of Expectations (which requested NAIF to set aside \$500m for critical minerals projects) has established a precedent for identifying priority areas of focus within NAIF's remit. The NAIF could then approach state and territory governments and negotiate (or even auction) access to the concessional loans directed to the determined social infrastructure needs. NAIF has demonstrated with its approval of the project **Territory Infrastructure Loans** (which allows the NTG to on-lend funds to smaller infrastructure projects) that it is possible to allocate funds for infrastructure projects that are primarily state and territory responsibilities.

If the solution proposed above is not attractive to NAIF, an alternative solution would be to amend the legislation to allow Indigenous Business Australia and perhaps the ILC (both Commonwealth statutory corporations) to access up to say \$2bn in NAIF funds as an agent of NAIF (thus maintaining all of the NAIF project assessment criteria and administrative processes), with an additional requirement that any loans or investments must involve significant benefit to Indigenous communities in the north.

It is clear that the current outcomes do not need to persist. **There is no insurmountable obstacle to the Commonwealth taking the action required** to address the systemic exclusion of Indigenous interests from accessing the NAIF. Indigenous communities have the greatest social and economic infrastructure deficits, yet the Commonwealth has to date preferred to allocate concessional loans to commercial interests while allowing the Indigenous community infrastructure deficits to continue. It is not a matter of one priority over the other. There are sound economic social and political rationales for addressing both social infrastructure and other infrastructure priorities simultaneously. Not doing so would amount to maintain ongoing systemic and structural discrimination against the most disadvantaged members of the Australian community.

While it may be feasible for the first approach I proposed to be implemented administratively, I strongly suggest that the Review Panel recommend **legislative adjustments to the NAIF legislation to make clear that proactive investments in remote infrastructure needs are both necessary and desirable.**

Finally, it is my view that unless the systemic exclusion of Indigenous social exclusion within NAIF's remit is addressed, then the case for extending NAIF's investment sunset would not be made out.

**In summary, I suggest the Review Panel make the following recommendations:**

**First** and most importantly, ensure that going forward the Commonwealth and NAIF jointly eliminate the systemic exclusion of remote community infrastructure from the NAIF remit and importantly, from its operations. This would ensure the NAIF contributes to addressing the social housing and essential services infrastructure deficits across remote Australia.

**Second**, address the shortcomings evident in the way NAIF performance and data, and particularly the data related to the Indigenous Engagement Strategy requirement on proponents, is measured and reported upon. There appears to be strong grounds for an independent evaluation to be undertaken.

**Third**, recommend an independent impact evaluation of NAIF's operations over the eight years since its inception.

**Fourth**, recommend that NAIF (and the Commonwealth) take appropriate action to strengthen the independence of the NAIF Board and pay much greater attention to the transparency of NAIF operations not just in relation to internal government accountabilities, but in relation to the wider public.

Finally thank you for the opportunity to make a submission to the Review. I am happy for this submission to be made public.

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