

## LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

### WRITTEN QUESTION

Mrs Lambley to the Treasurer:

#### NT Infrastructure Development Fund

1. Please give a detailed explanation as to why the Board of the Infrastructure Development Fund and the NT Government have been unable to find an appropriate investment for the Infrastructure Development Fund over the past 2½ years?
2. Has the Treasurer considered getting different expertise on the Board to drive the investment of the NT Infrastructure Development Fund?
3. Why did the Labor Government reduce the amount allocated to the Infrastructure Development Fund from \$300m to \$200m when it came to Government in 2016? Please provide details.
4. What did the Labor Government spend this \$100m that was redirected out of the Infrastructure Development Fund? Please give details.
5. The Infrastructure Development Fund website gives a “Timeline of Significant Events” in which the amount of investment by the CLP Government was \$200m. Is this a mistake on the website?
6. Who manages the Infrastructure Development Fund website?
7. Has the Board of the Infrastructure Development Fund bought any investment proposals to the NT Government for consideration since August 2016?
8. Do all investments made by the Infrastructure Development Fund have to have to get the final approval of the NT Government?
9. Will the NT Government definitely scrap the Infrastructure Development Fund if no investments are made before the end of 2018?
10. Has the NT Government considered seeking expert advice on how to get the NT Infrastructure Development Fund fully functioning as it was intended?
11. If so, what will the Government spend the \$200m on, that is currently allocated to the Infrastructure Development Fund?
12. Will the NT Government consider replacing the Board if they are unable (for whatever reason) to identify a suitable investment for the Fund by the end of 2018?
13. What more could the Government do to ensure the Infrastructure Development Fund does not fail?
14. Is the NT Government fully committed to ensuring the success and continuing operation of the NT Infrastructure Development Fund?
15. How much did the NT Infrastructure Development Fund cost to establish in 2015?

16. How much did / does the NT Infrastructure Development Fund cost to operate in 2015/16, 2016/17 and projected for 2017/18?
17. How many staff does the NT Infrastructure Development Fund employ and at what cost in 2016/17?
18. How much has the NT Infrastructure Development Fund spent on consultancy fees in 2016/17? Please give specific details to whom and for what?

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## RESPONSE

1. ***Please give a detailed explanation as to why the Board of the Infrastructure Development Fund and the NT Government have been unable to find an appropriate investment for the Infrastructure Development Fund over the past 2½ years?***

The Northern Territory Infrastructure Development Fund was fully established in December 2016, so has been fully active for a little over one year.

While no projects have been finalised as at 16 February 2018, there are several potential investments that have reached advanced stages of due diligence and commercial negotiations.

2. ***Has the Treasurer considered getting different expertise on the Board to drive the investment of the NT Infrastructure Development Fund?***

The Board of the Northern Territory Infrastructure Development Fund is highly experienced with significant expertise in investment, and comprises:

- Mr Les Fallick as Board Chair, Principal of Granite Capital
- Mr Bill Moss, former Macquarie Bank executive
- Mr James Paspaley, Executive Director, Paspaley Pearls
- Ms Jodie Ryan, Northern Territory Government representative
- Mr Mark Burgess, former Managing Director of the Future Fund

The Northern Territory Infrastructure Development Fund has been established as a fully independent fund. As such, the Northern Territory Government has one representative on the board, but aside from this does not have any other direct control over the composition of the Board.

3. ***Why did the Labor Government reduce the amount allocated to the Infrastructure Development Fund from \$300m to \$200m when it came to Government in 2016? Please provide details.***

The former Government had originally proposed to establish the Northern Territory Infrastructure Development Fund with \$200 million in capital. This had bipartisan support from the Labor party in opposition at the time.

In the former Government's final Budget for 2016/17, the amount of funding allocated to an investment in the Northern Territory Infrastructure Development Fund was increased to \$300 million. The increased commitment to the Northern Territory Infrastructure Development Fund was not supported by the Government when in opposition.

This amount was never invested in the Northern Territory Infrastructure Development Fund as it was not yet fully established at the time.

When the Northern Territory Infrastructure Development Fund was fully established in December 2016, the (new) Labor Government committed to the investment of \$200 million that it had supported. This amount is considered sufficient for the fund to develop a portfolio of infrastructure investments.

**4. *What did the Labor Government spend this \$100m that was redirected out of the Infrastructure Development Fund? Please give details.***

The additional \$100 million was never invested in the Northern Territory Infrastructure Development Fund, as the fund was not yet established at the time. A commitment to the additional \$100 million was included in the former Government's final Budget. This was redirected in November 2016 to support Labor's infrastructure related election commitments to stimulate the economy over 2017-18 and 2018-19.

**5. *The Infrastructure Development Fund website gives a "Timeline of Significant Events" in which the amount of investment by the CLP Government was \$200m. Is this a mistake on the website?***

The timeline states that in October 2015, "*The Northern Territory Government announces the creation of the NTIDF, using \$200 million from the sale of the Territory Insurance Office (TIO) as a financial cornerstone of the fund*".

This information is correct. The former Government had originally intended and announced that the Northern Territory Infrastructure Development Fund be established with a \$200 million investment from the Northern Territory Government. It was only in the former Government's final budget that an increased commitment to \$300 million was announced (but never paid as the fund was not established at that time). The new Government then invested \$200 million as originally supported.

**6. *Who manages the Infrastructure Development Fund website?***

As a fully independent entity, Northern Territory Infrastructure Development Fund is responsible for its own website.

**7. *Has the Board of the Infrastructure Development Fund bought any investment proposals to the NT Government for consideration since August 2016?***

The Northern Territory Infrastructure Development Fund is an independent fund. As a significant investor in the fund, the NT Government has one representative on the Board of the fund.

**8. *Do all investments made by the Infrastructure Development Fund have to have to get the final approval of the NT Government?***

No. The Northern Territory Infrastructure Development Fund is a fully independent infrastructure investment fund. The Board makes its own decisions and is not required to obtain Government approval.

Although the NT Government has a representative on the Board of the Northern Territory Infrastructure Development Fund, the NT Government does not have the power to veto projects or otherwise unduly influence or direct the Board.

**9. Will the NT Government definitely scrap the Infrastructure Development Fund if no investments are made before the end of 2018?**

As noted in response to question one, there are several potential investments at advanced stages that are currently under assessment by the Northern Territory Infrastructure Development Fund Board and Investment Manager.

**10. Has the NT Government considered seeking expert advice on how to get the NT Infrastructure Development Fund fully functioning as it was intended?**

The Northern Territory Infrastructure Development Fund was established under the structure originally proposed by the former Government. It operates as an independent infrastructure fund in the manner intended by the former Government.

**11. If so, what will the Government spend the \$200m on, that is currently allocated to the Infrastructure Development Fund?**

See response to Question 9.

**12. Will the NT Government consider replacing the Board if they are unable (for whatever reason) to identify a suitable investment for the Fund by the end of 2018?**

See response to Question 9.

**13. What more could the Government do to ensure the Infrastructure Development Fund does not fail?**

Aside from one representative on the Board, the NT Government has little direct control over the Northern Territory Infrastructure Development Fund. This is consistent with how infrastructure funds of this nature operate in practice.

In line with the structure selected by the former Government, the Northern Territory Infrastructure Development Fund is established and operates as a fully independent infrastructure investment fund, with all investment decisions made by a professional investment manager in conjunction with an experienced, independent Board.

The Board, as outlined on the Northern Territory Infrastructure Development Fund website, is bound by an investment mandate which is underpinned by the key objective of building a diversified portfolio of infrastructure investments that supports the long-term economic growth and development of the Territory.

**14. Is the NT Government fully committed to ensuring the success and continuing operation of the NT Infrastructure Development Fund?**

As a significant investor in the Northern Territory Infrastructure Development Fund, the NT Government wants the fund to succeed.

**15. How much did the NT Infrastructure Development Fund cost to establish in 2015?**

The Northern Territory Infrastructure Development Fund was not fully established until December 2016. However costs incurred in 2015-16 to establish the fund were \$0.7 million.

**16. How much did / does the NT Infrastructure Development Fund cost to operate in 2015/16, 2016/17 and projected for 2017/18?**

As noted above, in 2015-16 the Northern Territory Infrastructure Development fund incurred costs of \$0.7 million towards establishment.

As per the Northern Territory Infrastructure Development Fund's 2017 Annual Report, the fund reported a total loss of \$1.42 million for the period 5 December 2016 to 30 June 2017. This reflects the establishment and ongoing operational expenses of the fund.

It is estimated that the Northern Territory Infrastructure Development Fund's ongoing operational expenses will be in the order of \$2 million per year, although this will vary depending on the number of projects under due diligence and ultimately under management.

Operational expenditure is generally a matter for the independent Board, although under the structure of the Northern Territory Infrastructure Development Fund a professional trustee has been appointed to ensure the assets of the trust are managed in the best interests of the unit holders of the trusts (the fund's investors).

**17. How many staff does the NT Infrastructure Development Fund employ and at what cost in 2016/17?**

Although not directly employed by the Northern Territory Infrastructure Development Fund, the independent investment manager, Infrastructure Capital Group, established an office in Darwin staffed by two full-time investment managers dedicated to work on the Northern Territory Infrastructure Development Fund.

The cost of these employees is a matter for Infrastructure Capital Group.

**18. How much has the NT Infrastructure Development Fund spent on consultancy fees in 2016/17? Please give specific details to whom and for what?**

The Northern Territory Infrastructure Development Fund is established as a fully independent infrastructure investment fund. The fund is managed by Infrastructure Capital Group under a commercial arrangement.

The Northern Territory Infrastructure Development Fund is likely to require specialist legal, accounting and commercial advice related to projects under consideration. This amount is likely to vary depending on the projects under assessment. The Territory Government does not have a role in the engagement of consultants by the Northern Territory Infrastructure Development Fund.

As per the Northern Territory Infrastructure Development Fund's 2017 Annual Report, consulting fees were \$76 533.