



# **Australian Government Department of Industry, Innovation and Science**

## **Submission to the Review of the Northern Australia Infrastructure Facility**

December 2019

# About the Australian Fresh Produce Alliance

The Australian Fresh Produce Alliance (AFPA) is made up of Australia's key fresh produce growers and suppliers. The members include:

- Costa Group,
- Perfection Fresh,
- Montague,
- One Harvest,
- Pinata Farms,
- Fresh Select,
- Mitolo Group,
- Mackay's Banana Marketing,
- Driscoll's,
- 2PH Farms,
- LaManna Premier Group,
- Rugby Farming,
- Freshmax, and
- Fresh Produce Group.

These businesses represent:

- half the industry turnover of the Australian fresh produce (fruit and vegetables) sector - \$4.5 billion of the \$9.1 billion total,
- a quarter of the volume of fresh produce grown in Australia - 1 million of the 3.9 million tonne total,
- more than a third of fresh produce exports - \$410 million of the \$1.2 billion export total,
- more than 1,000 growers through commercial arrangements, and
- more than 15,000 direct employees through peak harvest, and
- up to 25,000 employees in the grower network.

The key issues the AFPA is focusing on include:

- packaging and the role it plays in product shelf life and reducing food waste landfill,
- labour and the need for both a permanent and temporary supply of workers,
- market access to key export markets for Australian produce,
- product integrity both within and outside of the supply chain,
- pollination and research into alternative sources, and
- water security, including clear direction as to the allocation and trading of water rights.

The AFPA's aim therefore is to become the first-choice fresh produce group that retailers and government go to for discussion and outcomes on issues involving the growing and supply of fresh produce.

Products grown by AFPA Member companies include:

Apples	Blueberries	Cherries	Nectarines	Raspberries
Apricots	Broccoli	Fioretto	Onions	Salad leaf
Asparagus	Brocolini	Green Beans	Oranges	Spinach
Avocado	Brussel Sprouts	Herbs	Peaches	Strawberries
Baby Broccoli	Butternut	Lemons	Pears	Sweet Corn
Baby Corn	Pumpkin	Lettuce	Pineapples	Table grapes
Bananas	Cabbage	Mandarins	Plums	Tomatoes
Beetroot	Cauliflower	Mango	Potatoes	Water Cress
Blackberries	Celery	Mushrooms	Cucumber	Wombok



## Executive Summary

Northern Australia includes a wide range of key growing regions for Australia's fruit and vegetable production. Seasonal vegetable production in Northern Australia complements production in southern states while seasonal tropical fruits are grown across Northern Australia.

The Australian Fresh Produce Alliance (AFPA) members collectively employ nearly 4,000 people in peak harvest across the Queensland regions of the Atherton Tablelands, Tully and the Burdekin. While in the Northern Territory, AFPA members collectively employ more than 400 people directly during peak harvest. Indirect employment by farmers who supply product to AFPA members is also significant across Northern Australia.

The unprecedented drought across Australia is highlighting the importance of infrastructure to store and transport water. Given ongoing climate change and weather variability there is a strong argument that targeted investments in water infrastructure should be considered a priority to support economic and population growth consistent with the mandate of the Northern Australia Infrastructure Facility.

Improved water infrastructure to both store and transport water in different regions of Northern Australia would provide greater certainty and reliability of access to water, encouraging private sector investment in the fresh produce industry (and broader agriculture development), and support for population growth in Northern Australia.

The AFPA recommends that the NAIF renew the focus on new investment for water infrastructure in the following areas:

- large scale off stream flood harvesting in existing fresh produce and agricultural production areas,
- expansion of existing water storage and irrigation schemes to support residential, commercial, industrial and agricultural use, and
- new dams and pipelines which are integrated into regional economies and social infrastructure.

The NAIF must consider equity investments in new water infrastructure which support economic and population growth in Northern Australia. Additional eligibility criteria may be required for equity investments in water infrastructure but that should not be a hindrance to establishing new water infrastructure investment.

## Recommendation

As significant investors and commercial operators in Northern Australia, Australian Fresh Produce Alliance members recommend that the Northern Australia Infrastructure Facility:

- remain focussed on investing in key economic infrastructure for Northern Australia,
- focus on water infrastructure,
- consider equity investments over long time horizons to support the construction and development of projects with long lead times, and
- ensure that new projects are integrated into regional economies and social infrastructure, particularly with regard to any new equity investments.

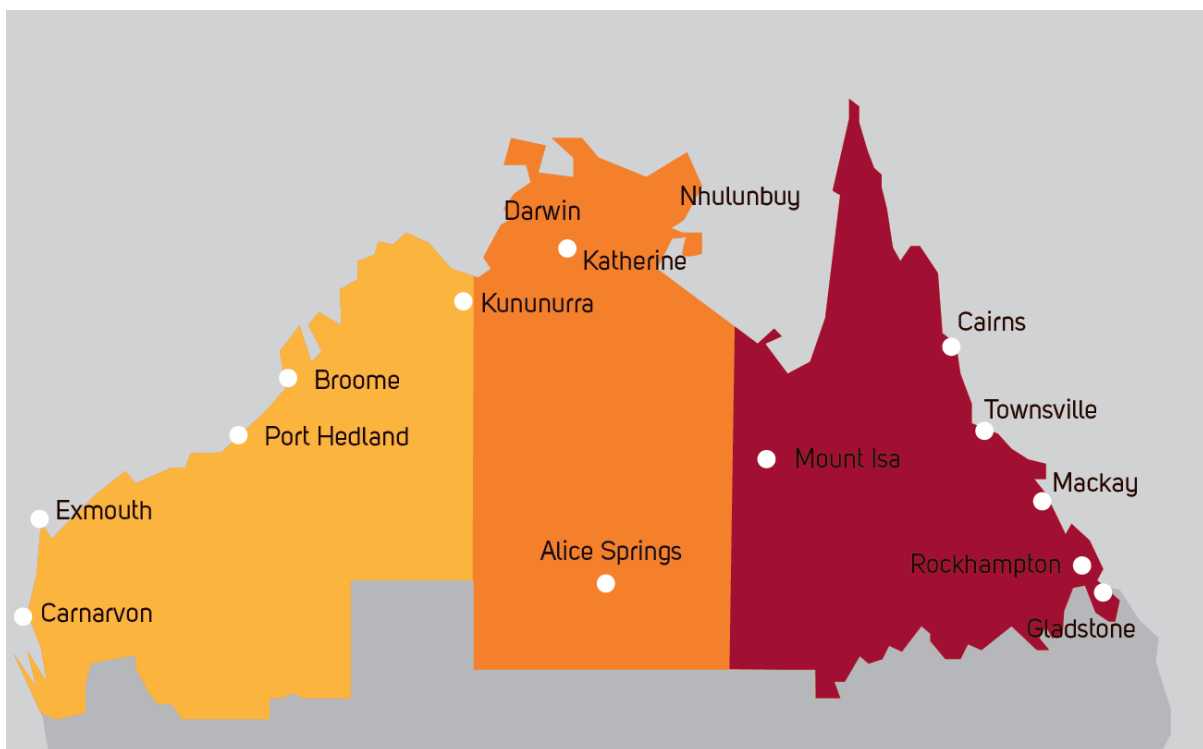


## Fresh Produce in Northern Australia

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### Areas eligible for investment by the Northern Australia Infrastructure Facility



<https://naif.gov.au/about-naif-finance/naif-key-facts/>

The Tully region produces the vast majority of Australia's banana crop, while Australia's mango crop is grown primarily in Katherine, Northern Territory and the Burdekin, Queensland. The Atherton Tablelands is home to significant berry, avocado and tropical fruit crops which are supplied to consumers all over Australia. Key vegetable growing regions are Carnarvon, WA; Atherton Tablelands, QLD; Burdekin, QLD and the Bowen-Gumlu area, QLD.

Australia's key fruit and vegetable production regions across Northern Australia are characterised by the following factors:

- Climatic conditions suitable for fruit or vegetable production,
- Soils appropriate for the particular product grown,
- Consistent and reliable access to quality water at an affordable price,
- Infrastructure to support production,



- Located near location population centres to support access to people to work in the industry, and
- Good connectivity to domestic markets, and increasingly international markets, to allow rapid transport of product to consumers.

Telecommunications, transport, logistics, water, energy, and social infrastructure are key to the current development and ongoing success of the Australian fresh produce industry operating in Northern Australia.

## The operation and review of the Northern Australia Infrastructure Facility

The stated purpose of the *Northern Australia Infrastructure Facility Act 2016* is to provide grants of financial assistance to the States and Territories for the construction of Northern Australia economic infrastructure. In the Act economic infrastructure is defined as infrastructure that provides a basis for economic growth in Northern Australia and stimulates population growth in Northern Australia.

The NAIF Investment Mandate sets out five mandatory eligibility criteria requiring that project proposals must:

1. involve construction or enhancement of northern Australia economic infrastructure;
2. be of public benefit;
3. be located in, or have a significant benefit for, northern Australia;
4. demonstrate the ability to repay or refinance the loan;
5. have an Indigenous Engagement Strategy.

As of 24 October 2019, the NAIF Board had made a total of 13 Investment Decisions and one conditional credit approval, committing over \$1.4 billion of the \$5 billion pool available under the Act. The 13 Investment Decisions span all three jurisdictions (QLD, WA and NT) and include investment in the logistics, power generation, resources, education and agriculture sectors.

The stated scope of the review of the NAIF is to consider whether the established legislative framework is an effective mechanism to support investments in transformative infrastructure that provides for economic or population growth in northern Australia, and whether it supports the government's broader agenda to develop the north, particularly in regional areas.

## A Way Forward

The unprecedented drought across Australia is highlighting the importance of infrastructure to store and transport water. Given ongoing climate change and weather variability there is a strong argument that targeted investments in water infrastructure should be considered a priority to support residential consumption and industry development.

Improved water infrastructure to both store and transport water in different regions of Northern Australia would provide greater certainty and reliability of access to water, encouraging private sector investment in the fresh produce industry (and broader agriculture development), and support for population growth in Northern Australia.



Fruit and vegetable production in Carnarvon, Western Australia; Katherine, Northern Territory; and Bowen, Queensland may benefit from larger scale off stream flood harvesting. These existing production areas rely on a combination of natural high rainfall, and water pumped from rivers and underground aquifers. The current drought has increased the pressure on underground aquifers - there is potential for large scale off stream flood harvesting to take pressure off underground aquifers in particular and potentially provide water for other users.

Separately, existing water storage and irrigation schemes such as the Burdekin Dam, Tinaroo Dam and Fairbairn Dam, may present opportunities for new investment to increase water storage and support more efficient use. This new investment has the potential to benefit the entire community that relies on these water storages for water for residential, commercial, industrial and agricultural use. Examples of new investment include pipelines for residential use, raising dam walls to increase storage capacity, and investments to improve the efficiency of water delivery (such as pipelines for agricultural use).

Lastly, there are a range of proposals and proponents of new dams which should be considered for their benefits to Northern Australia through the existing eligibility criteria.

The NAIF must consider equity investments in new water infrastructure which support economic and population growth in Northern Australia. Additional eligibility criteria may be required for equity investments in water infrastructure but that should not be a hindrance to establishing new water infrastructure investment.

## Recommendation

As significant investors and commercial operators in Northern Australia, Australian Fresh Produce Alliance members recommend that the Northern Australia Infrastructure Facility:

- remain focussed on investing in key economic infrastructure for Northern Australia,
- focus on water infrastructure,
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- ensure that new projects are integrated into regional economies and social infrastructure, particularly with regard to any new equity investments.



# AFPA Response to Questions outlined in the Issues Paper to the Statutory Review of the Northern Australia Infrastructure Facility Act 2016

## 1.1 Could the NAIF eligibility criteria be altered to improve infrastructure investment in northern Australia? If so, how?

**AFPA Response** - Given the use of taxpayers the eligibility criteria appear appropriate to ensure that any public funding is used for public good, does not crowd out private investment, and is focussed on achieving a specific outcome. While some may consider the relatively low level of investment (\$1.4 billion) against the funds available (\$5 billion) an opportunity to widen the eligibility for potential projects it is important to recall the impact of the national and global economic environment.

Weak economic conditions have been accompanied by the increased availability of credit which have lowered the cost of borrowing. The relatively low level of investment by the NAIF must be viewed against these factors but we must also remember the high thresholds for the expenditure and investment of public funds in any consideration of changing eligibility.

## 1.2 Should the NAIF actively target specific sectors or categories of infrastructure and what would be the pros and cons of this approach?

**AFPA Response** - The unprecedented drought across Australia is highlighting the importance of infrastructure to store and transport water. Given ongoing climate change and weather variability there is a strong argument that targeted investments in water infrastructure should be considered a priority to support residential consumption and industry development.

Improved water infrastructure to both store and transport water in different regions of Northern Australia would provide greater certainty and reliability of access to water, encouraging private sector investment in the fresh produce industry (and broader agriculture development), and support for population growth in Northern Australia.

Some may argue that the private sector should invest in water infrastructure but there is a demonstrated lack of investment and lag on new projects. There is a clear role for the use of public funds to support investment in water infrastructure in Northern Australia.

## 1.3 Should the government consider if the NAIF legislation could be amended to permit equity investment by the NAIF? Why/why not?

**AFPA Response** - The use of taxpayer funds for equity investment in business and infrastructure often presents a range of challenges including crowding out private investment and funding 'white elephant' investments which generate no return and are dislocated from the broader economy and society. In the case of water infrastructure in Northern Australia, there is a case for the NAIF taking equity positions in particular investments.

The CSIRO Northern Australia Water Resource Assessment considered investment in water infrastructure and irrigation schemes across specific regions in Western Australia, Queensland and the Northern Territory. While the large scale greenfield investments in this area may be beyond the scope of the current mandate and funding of the NAIF there is opportunity to build water infrastructure.



CSIRO highlighted the opportunities for off stream flood harvesting whereby water storage (dams) are constructed alongside major rivers and large volumes of water are pumped into those dams during the floods that occur across Northern Australia. This approach has significant benefits in reducing the environmental impact of dams in stream and better managing the extraction of water from a particular system.

Greenfields investment in off stream flood harvesting and new irrigation schemes requires significant investment and creates a level of uncertainty which presents risk to commercial and public investors alike. Another way of adopting this approach is to consider investment in existing production areas. Along the Queensland coast, some vegetable growers have installed small 'ring tanks' as water storage for off stream flood harvesting – this small scale investment has been successful in reducing grower's reliance on underground aquifers, increasing the quality of water available, and diversifying their water assets.

Fruit and vegetable production in Carnarvon, Western Australia; Katherine, Northern Territory; and Bowen, Queensland may benefit from larger scale off stream flood harvesting. These existing production areas rely on a combination of natural high rainfall, and water pumped from rivers and underground aquifers. The current drought has increased the pressure on underground aquifers- there is potential for large scale off stream flood harvesting to take pressure off underground aquifers in particular and potentially provide water for other users.

Separately, existing water storage and irrigation schemes such as the Burdekin Dam, Tinaroo Dam and Fairbairn Dam, may present opportunities for new investment to increase water storage and support more efficient use. This new investment has the potential to benefit the entire community that relies on these water storages for water for residential, commercial, industrial and agricultural use. Examples of new investment includes pipelines for residential use, raising dam walls to increase storage capacity, and investments to improve the efficiency of water delivery (such as pipelines for agricultural use).

Lastly, there are a range of proposals and proponents of new dams which could be considered for their benefits to Northern Australia through the existing eligibility criteria.

With regard to whether the NAIF should take equity positions, new investments in water infrastructure have the potential to be long term projects through the design, preparation, construction and commissioning phases. While the low cost of commercial funding is a potential avenue for funding, the long timelines for new water infrastructure at a time of broader economic uncertainty creates a reluctance for commercial investment.

The NAIF must consider equity investments in new water infrastructure which support economic and population growth in Northern Australia. Additional eligibility criteria may be required for equity investments in water infrastructure but that should not be a hindrance to establishing new water infrastructure investment.

## **2.1 Should the NAIF's focus be changed to reflect current market conditions? If so, how?**

**AFPA Response** - While some would point to weaker economic growth and the relatively low level of funding utilisation under NAIF to radically change the focus, eligibility and funding disciplines of the NAIF however removing all investment constraints presents significant risks. Removing appropriate disciplines risks wasting taxpayer funds, and supporting poorly defined and uncommercial projects.





As outlined above, the AFPA argues that the NAIF should focus on investments in water infrastructure as a priority, with a focus on projects aligned with existing agricultural regions first, with an amended mandate to allow equity investments with appropriate criteria.

## **2.2 Are project proponents in Northern Australia sufficiently aware of the NAIF to consider it as a finance option?**

**AFPA Response** - AFPA consider that the NAIF has sufficient profile to ensure that it is considered as a finance option.

## **2.3 What are the gaps in the infrastructure investment market that inhibit development of Northern Australia?**

**AFPA Response** - As outlined above, fresh produce production across Northern Australia is located in regions with the following characteristics:

- Climatic conditions suitable for fruit or vegetable production,
- Soils appropriate for the particular product grown,
- Consistent and reliable access to quality water at an affordable price,
- Infrastructure to support production,
- Located near location population centres to support access to people to work in the industry, and
- Good connectivity to domestic markets, and increasingly international markets, to allow rapid transport of product to consumers.

New commercial investment in the fresh produce industry across Australia is heavily reliant on the water, transport and energy infrastructure available in that region. Improved infrastructure investment for water, transport and energy will support the continued the development of the fresh produce industry in Northern Australia.

## **2.4 Do the characteristics of Northern Australia mean that the public benefit of small-scale infrastructure projects is more significant and could the NAIF be better structured to support such projects?**

**AFPA Response** - Recalling the role of taxpayer or public funding to support the public benefit for Australian society, the NAIF has been setup to consider investments to support economic and population growth in Northern Australia.

The characteristics of Northern Australia with a large landmass populated by a relatively small number of people in a natural environment subject to highly variable climate and weather events can mean that large scale infrastructure projects can be difficult to implement. The risk with small scale infrastructure projects is that the public benefits may be limited with the value captured by a small number of private parties.

Recalling the earlier argument for a focus on investment in water infrastructure, it is anticipated that a review of water storage in rural communities (such as local councils) would reveal a lack of infrastructure which limits the growth of regional communities and industries. Any consideration of investment in small scale infrastructure projects should ensure that the benefits are broadly applicable to the public in the relevant community.



### **3.1 In what ways is the NAIF delivering outcomes for Aboriginal and Torres Strait Islanders?**

**AFPA Response** - The AFPA is not in a position to comment specifically on outcomes for Aboriginal and Torres Strait Islanders but supports requirements for indigenous employment in new investments, and encourages the NAIF to consider proposals from indigenous communities across Northern Australia which support economic development.

### **3.2 What more could the NAIF do to support Indigenous outcomes in northern Australia?**

**AFPA Response** – As above in 3.1

### **3.3 Is the NAIF the appropriate vehicle to deliver for indigenous businesses?**

**AFPA Response** – As above in 3.1

### **4.1 Is the approach to risk in the legislation fit-for-purpose?**

**AFPA Response** – If the NAIF adopted a greater focus on water infrastructure in particular the approach to risk will need to be reviewed to ensure that the legislation, risk framework and operational approach is consistent with the stated policy objective.

### **5.1 Is the NAIF's current governance framework fit-for-purpose?**

**AFPA Response** – not in a position to comment.

### **5.2 Does the NAIF have appropriate governance arrangements in place to support public accountability and transparency standards?**

**AFPA Response** – not in a position to comment.

### **6.1 Is the current framework for engagement between the Commonwealth, state and territory governments and the NAIF fit-for-purpose?**

**AFPA Response** – not in a position to comment.

