

FINANCIAL REVIEW

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HD Chinese eye Top End rail investment
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China's influential National Development and Reform Commission has asked the federal government for a shortlist of priority projects - including rail infrastructure - as part of a big push into northern Australia.

TD The move is likely to inflame debate about foreign ownership in Australia, especially by state-owned companies, and whether there should be higher hurdles imposed by the Foreign Investment Review Board.

With the federal government's Northern Australia Investment Forum wrapping up in Darwin, Trade Minister Andrew Robb said he hoped to top up the \$5 billion in concessional loans to potential projects in the Northern Territory, Western Australia and Queensland.

"It is the first instalment as far as I'm concerned," Mr Robb told 350 delegates on Monday night.

Mr Robb also revealed investors had started preliminary discussions on seven to eight potential deals during the forum, which is trying to unlock the economic potential of the Top End.

"These are the sorts of deals that take a long time to consummate. They are not just thought bubbles. These are people with multibillion-dollar cheque books," he said.

Austrade chief executive Bruce Gosper confirmed representatives of China's National Development and Reform Commission had been briefed on projects.

It is understood the NDRC wanted a priority project list for consideration by Chinese companies and is particularly interested in key infrastructure developments such as rail in the Top End.

Mr Robb met with representatives with the NDRC during a recent strategic economic dialogue in Canberra.

A government spokesman said the two countries had established a working group involving a range of agencies to assess options for promoting investment. There is also the possibility for looking at Aus-Sino investment co-operation in third countries.

The Northern Territory government and the Commonwealth have been criticised over the \$500 million sale of the Port of Darwin to Chinese-owned company Landbridge that was not required to go through the formal FIRB process.

Landbridge chairman Ye Cheng told The Australian Financial Review on Monday the company was keen to boost its investments in Northern Australia, including oil and gas.

Northern Australia Minister Josh Frydenberg announced on Monday the federal government would offer \$5 billion in concessional loans to investors for significant projects north of the Tropic of Capricorn.

Mr Frydenberg rejected criticism of the loans, which some investors privately have compared to subsidies to car manufacturers that were scrapped by the former Abbott government.

"The point about the car industry is it was facing international competition which made it very difficult to be economic and competitive in Australia," he said. "The \$5 billion loan facility is about investing in economic infrastructure in partnership with the private sector and with the support of the state and territory governments. It's that infrastructure that will act as a catalyst for further job creation and growth in key sectors. That's the key difference. It's not a grant, it's a loan, which imposes commercial discipline."

West Australian Regional Development Minister Terry Redman warned issues of land and water tenure needed to be resolved to bring investment dollars into the region.

"We are all focused on more secure tenure so we can get these developments going. In the northern part of Western Australia it's mostly pastoral leases, which are 49 years. For institutional investors that's not long enough. We're working on fixing that," he told the AFR.

Mr Redman said he supported the \$5 billion in concessional loans provided it was done properly, adding he did have some concerns it was only going to be used for very large projects.

"We don't want to fund white elephants. There are a lot of tyre-kickers in this who don't understand the environment they are investing in," he said.

"I'd much rather turn away or turn down a business than have one come in and be unsuccessful. It's important to have a good understanding about what the processes are."

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