

In responding to the Productivity Commission's draft report Public Infrastructure: Provision, Funding, Financing and Costs ASFA:

- Concurs with the Productivity Commission's draft finding that there is no shortage of capital to finance public infrastructure in Australia.
- Identifies that superannuation face constraints investing in infrastructure due to liquidity but believes that in the short to medium term these constraints will not impinge on the ability of superannuation funds to invest in infrastructure at a scale that will meet supply. ASFA believes that the issue of liquidity should be addressed from a superannuation system perspective through the Financial System Inquiry.
- Believes that superannuation funds are not looking for taxation incentives to invest in infrastructure. The issue for superannuation funds is not just the rate of return on an investment, but whether to invest or not. In this regard a major factor that influences superannuation investment is the stability of the regulatory environment. In a world where governments are likely to be fiscally constrained, government support should be regarded as a scarce commodity. Government support can be used not just to make a project commercial by providing capital but to address investors' core issues around risk. As investors embrace higher yielding investment in a low yield environment the need for credit enhancement may change over time and should be constantly monitored.
- Believes that there is likely to be future demand by long term investors to invest in greenfield infrastructure. There have been well publicised commercial toll road projects that have resulted in losses to superannuation funds. In the aftermath of the Global Financial Crisis there was also an aversion to investing in riskier projects. However ASFA believes that where projects are well structured, including greater transparency around governance and patronage risks that superannuation funds will be prepared to invest.
- Supports governments privatising assets. ASFA understands that privatisation can lead to community concern about how assets will be managed in the future. Australian superannuation funds have a long track record of investing in infrastructure. As long-term investors, superannuation funds are interested in achieving long-term sustainable investment returns. Our interests align with those of the community and governments that are interested in ensuring that assets are managed responsibly for the long-term benefit of society. Whilst ASFA is supportive of governments privatising assets we believe that it is critical that there is public support for privatisation of specific assets.
- Supports broadening the funding base of projects. Changing demographics mean that there are limits on the financial burden that workers will be able to bear. This is particularly important in relation to toll roads. Many workers do not have control over their working hours. This has impacts where it is proposed that congestion charges be introduced to reduce congestion at peak times. ASFA supports user pays principles and believes that user charges are an important way of funding infrastructure. If accompanied by betterment charges the burden on working Australians is partly reduced.