



Australian Government
Infrastructure Australia

4 June 2014

Ms Lyn Beverley
Committee Secretary
Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Ms Beverley

Inquiry into the Asset Recycling Fund Bill 2014 and the Asset Recycling Fund (Consequential Amendments) Bill 2014

Thank you for your letter of 30 May 2014 inviting Infrastructure Australia to make a submission to the Senate's inquiry into the *Asset Recycling Fund Bill 2014 and the Asset Recycling Fund (Consequential Amendments) Bill 2014*.

Infrastructure Australia supports the passage of the Infrastructure Asset Recycling Fund Bill 2014 to facilitate the Australian Government's infrastructure investments under the Asset Recycling Initiative and other infrastructure priorities.

The asset recycling initiative is a very important area of policy reform that works to address two current issues in the infrastructure sector.

First, there is a significant infrastructure gap in Australia. Without addressing this gap Australia will face increasing capacity constraints, higher congestion costs and less competitive industries.

Asset recycling recognises that many greenfield infrastructure projects in Australia will require Government involvement and funding of some form in order to be built. It also recognises that State Governments, who are responsible for the delivery of many of these projects, currently face fiscal constraints which limit their ability to support beneficial infrastructure proposals.

The second issue is that State Governments continue to hold large infrastructure assets that could be owned and operated by the private sector. Historically this was necessary given the lack of private sector infrastructure investors and the lack of appropriate regulatory frameworks to protect users from non-competitive behaviour by monopoly infrastructure owners.

However in recent decades there has been the emergence of private sector infrastructure investors such as superannuation funds and appropriate regulatory frameworks to manage privately owned infrastructure with monopoly characteristics. Therefore there is now little need for many publicly owned infrastructure assets to be owned by the public sector.

The transfer of these assets to the private sector can generate substantial benefits – including separation of the potentially conflicting roles of regulator and asset owner, the efficiency and accountability benefits of private equity and debt financiers, greater transparency in the costs of community service obligations and access to private sector capital where necessary for efficient economic expansion.

Asset recycling is a method of resolving both these issues. It involves transferring some of our publicly owned infrastructure to more appropriate private sector owners including superannuation funds and using these funds to support State Government efforts to invest in new infrastructure and narrow Australia's substantial infrastructure gap.

Yours sincerely

John Fitzgerald
Infrastructure Coordinator