

7 June 2013

Mr Tim Bryant
Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: economics.sen@aph.gov.au

Dear Mr Bryant,

Re: Senate Economics Legislation Committee Inquiry: Tax Laws Amendment (2013 Measures No. 2) Bill 2013

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

Our submission to this inquiry will only address Schedule 2, which is the tax-loss incentive for designated infrastructure projects.

In October 2011, AIST joined with IFM and ISN to produce a submission that endorsed this measure. However, as we pointed out at the time, the proposed uplift of carried forward tax losses by the long-term government bond rate does not reflect the true cost of capital of investors in infrastructure projects and does not fully compensate for the erosion of the real value of early stage tax losses of an infrastructure project.

We recommended in that submission that the rate by which unutilised tax losses are uplifted should be increased to better reflect private investors' true cost of capital. The equity market risk premium for operating assets is typically 6% above the long-term government bond rate, excluding any additional risk premium associated with greenfield projects.

We applaud the detail around how projects will be designated as DIPs (designated infrastructure projects), however would welcome more detail about the approval process.

AIST is pleased to support this measure, however as we pointed out in our submission, we would encourage a dialogue around the broader issues that affect infrastructure investment by superannuation funds.

If you have any further questions regarding this submission, please contact Richard Webb, Policy & Regulatory Analyst on 03 8677 3835.

Yours sincerely,

Tom Garcia
Chief Executive Officer