



April 19, 2017

Brussels

Re: Stapled Structures Submission

We value the opportunity to respond to the Stapled Structures Consultation Paper dated March 2017. This submission aims to provide a broader global background to the submissions you will receive on a national, or sector specific level.

While we understand the rationale to address abuse of any regulation, or system, we would like to work with the Australian Government to ensure that essential traditional, or core, infrastructure investment in Australia is not impeded by any potential amendments.

As you are aware, various organisations estimate huge amounts of capital are required over the next 15 years, to develop and maintain essential global infrastructure. For example, McKinsey estimate that US\$49 trillion is required at a global level.¹ Since 2008, infrastructure investment as a proportion of GDP has decreased in many developed countries. As essential global infrastructure investment needs have never been more prevalent, it is clear, that national governments need to ensure they maintain, or introduce regulation, or structures, to attract additional institutional private investment in an attempt to address the 'funding gap'.

Australia has been a leader in infrastructure investment for decades. Macquarie Bank (approximately US\$95 billion in Assets Under Management (AUM)) remains the largest investor in infrastructure, on a global basis. Additionally, Australian listed infrastructure companies comprise just under 3% of the GLIO infrastructure coverage and have an

Market	MC \$bn	MC Wgt	FF MC \$bn	FF Wgt	Yield
USA	952,457	46.5%	838,704	50.3%	3.1%
Canada	233,086	11.4%	218,970	13.1%	3.4%
Japan	102,646	5.0%	100,697	6.0%	1.3%
UK	105,916	5.2%	94,880	5.7%	4.7%
Spain	106,579	5.2%	81,731	4.9%	4.0%
Hong Kong	148,129	7.2%	72,833	4.4%	2.8%
Italy	104,393	5.1%	68,300	4.1%	4.2%
Australia	57,834	2.8%	46,630	2.8%	4.7%
France	57,609	2.8%	34,855	2.1%	6.3%
South Korea	30,375	1.5%	21,743	1.3%	3.9%

important role to play (see table). However, Australia runs the risk of firstly losing market share, and secondly, and even more alarmingly, 'global investor relevance', should potential changes adversely affect investor's appetite for Australian listed infrastructure groups, including stapled entities. GLIO is concerned

that adverse changes to an internationally recognised stapled structure may result in Australia falling from 'leading' to 'trailing' in a global context. Subsequently, this could lead to reduced investment both at local and international levels.

Going against the trend?

Most governments around the world are debating how they can attract addition capital to meet their infrastructure investment funding gap. In March 2017, the Belgian government issued draft legislation to allow listed real estate companies to invest in infrastructure

¹ <http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infrastructure-gaps>



assets under the current Belgian REIT structure.² In recent years, India introduced a similar structure for infrastructure.³

Moreover, GLIO is currently working on a white paper to promote the potential of Infrastructure Investment Trusts (IITs) which will exist along similar lines to Real Estate Investment Trusts (REITs). We believe that REITs are well recognised and understood by global institutional investors, and a similar structure for infrastructure could attract trillions of dollars of essential capital in infrastructure over the long-term.

In addition, GLIO firmly believes that well understood, attractive listed and unlisted markets for infrastructure investment are fundamental for the future development of the global economy. Without the right framework, we will fall short of the estimated US\$49 trillion investment required in essential global infrastructure.

Investment Trends in Listed Infrastructure

Global listed infrastructure is increasingly accepted as a separate asset class. AUM has grown considerably over the past five years to over US\$60 billion in 2017. However, we believe this is only the start of the trend, as more institutional investors become familiar with the asset class. In fact, recent Imperial College research shows that institutional investors are increasingly viewing listed infrastructure as natural complement to direct infrastructure investment. Diversification, exposure to high quality assets, transparency, professional management, lower costs and liquidity are all cited as attractive benefits of listed infrastructure companies.

Sector	MC \$bn	MC Wght
Electric Utilities	665,031	32.5%
Oil & Gas Distribution	271,672	13.3%
Ground Freight	258,652	12.6%
Mult utilities	189,367	9.3%
Telecom & Satellites	136,687	6.7%
Ground Transportation Services	118,616	5.8%
Gas Utilities	107,832	5.3%
Highways & Railways	88,398	4.3%
Airports	100,517	4.9%
Water Utilities	68,933	3.4%
Marine Ports	30,705	1.5%
Construction & Engineering	5,746	0.3%
Environmental Services & Equip	4,565	0.2%
Grand Total	2,046,720	100.0%

Traditional, or core infrastructure which includes land, air and sea transport facilities, communications infrastructure, electricity generation, transmission and distribution facilities, gas and water utilities, deliver significant benefits to governments by funding critical infrastructure that connects communities to drive economic growth. These sectors form the basis of GLIO's global infrastructure coverage (see table). GLIO

believes that adverse changes to the recognised regulation and structures in which these companies operate, could result in multiple billions of capital being re-routed to more attractive countries, asset classes, or sectors.

We appreciate your consideration of these comments and look forward to working with you, cooperatively, as your consultation moves forward.

Yours faithfully,

Fraser Hughes, CEO

² <https://realestate.ipe.com/news/infrastructure/belgium-floats-changes-to-boost-infrastructure-investment/10018212.article>

³ <https://www.pwc.com/sq/en/publications/assets/aprea-in-realestate-infra-trusts.pdf>



About GLIO:

The Global Listed Infrastructure Organisation (GLIO) is an independent organisation established to represent the interests of the global listed infrastructure industry. GLIO supporters represent the listed companies, institutional investors and consultants. The GLIO coverage of listed companies is approximately US\$2 trillion of market capitalization, focused on core infrastructure. GLIO is a central portal for investor education, listed infrastructure research, plus national and international regulation issues.

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