

# FUNDS SHOULD GEAR TO TAP INTO U.S. INFRASTRUCTURE GROWTH

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Last week, investors from all over the world gathered in Washington for the annual SelectUSA Investment Summit. Despite what were sometimes pessimistic headlines, the message they heard was clear: America is open for business and Australian investors cannot afford to miss the opportunity.

Investment from overseas is extremely important to the U.S. economy. In 2015 more than US\$42 billion came from Australia alone. The U.S. has the world's greatest untapped potential for private investment in infrastructure. As a country in which only one major airport is privately owned and operated, and where a similar dearth of private investment can be found across other asset classes, the U.S. is years, perhaps decades, behind the rest of the world in its embrace of innovative approaches to infrastructure finance and delivery.

This represents a tremendous opportunity for Australian investors, particularly retirement and pension funds looking for responsible ways to maximise returns. Infrastructure offers stable returns that can outpace traditional investments such as stocks and bonds. These returns are tied to long lived, tangible assets that can be depended on to provide predictable cash flows well into the future.

To date, Australia's superannuation funds have invested approximately US\$45 billion in a range of assets including highways, desalination plants, freight railways, and ports. The investment market Down Under for such assets is mature and an expansion of the U.S. market for private sector infrastructure investment could offer more potential returns for cashed up sophisticated investors.

But in addition to infrastructure investment, U.S. policymakers are also increasingly looking abroad for innovative solutions to America's most vexing challenges. Just as in the case of goods and services, this trade in ideas can be mutually beneficial. Australia must seize the opportunity to trade intellectual capital for influence.

Take the example of the federal government's asset recycling initiative. Prominent U.S. leaders including Vice President Mike Pence, transportation secretary Elaine Chao and national economic council director Gary Cohn have suggested that this concept could be one way to address the intractable infrastructure funding challenges in the U.S.

The U.S. has some limited experience with asset recycling. During a recent visit to Sydney, the Mr Pence reportedly compared the Australian initiative to his own experience as governor of Indiana, where a concession of the Indiana Toll Road yielded hundreds of millions of dollars to make infrastructure improvements throughout the state.

But executing an asset recycling program on a large scale is enormously complex — both as a matter of policy and politics. The U.S. has much to learn from the way in which Australian policymakers accommodated the interests of various stakeholders while championing this forward thinking approach.

There are also high profile Australian examples of what not to do, as has occurred in Queensland where supporting recycling of existing assets now amounts to political suicide.

U.S. policymakers are eager to listen — and not just in the Trump administration. Leaders in both chambers of congress have a keen focus on infrastructure, and are eager to learn from those with "real world" experience.

This week's summit is just one of what officials on both sides of the Pacific hope will be many exchanges of expertise on asset recycling and other innovative concepts.

The mutual advantages of trade in ideas are why it is so exciting and important that Australia's delegation to the SelectUSA Summit includes representatives of some of the country's leading superannuation funds. They can speak to both the "nuts and bolts" of an infrastructure recycling initiative, as well as to the appetite among Australia's investment community.

It can sometimes be fashionable in Washington to be pessimistic about the U.S. government's ability to achieve anything of significance. However, compelling experiences from abroad make the case for optimism — and underscore why the marketplace for the exchange of ideas between the US and Australia should likewise be open for business.

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