



April 23, 2023

NSW Toll Review

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Dear Professor Allan Fels AO and Dr David Cousins AM

**Re: NSW Toll Review**

We value the opportunity to respond to the NSW Toll Review released on March 11, 2024.

**Background – Growth of listed infrastructure assets/funds under management**

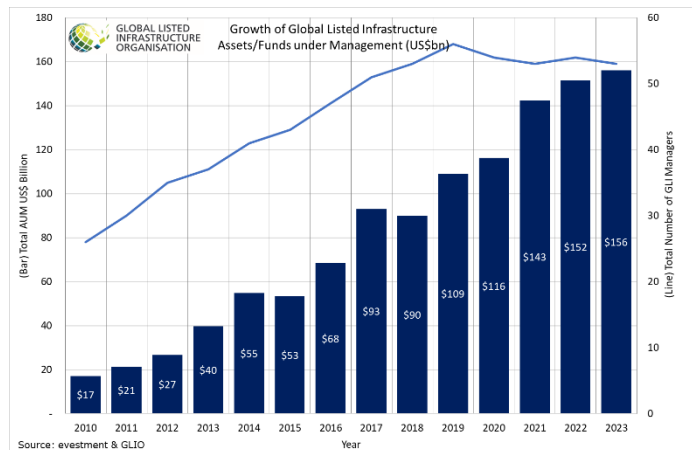
The Global Listed Infrastructure Organisation (GLIO) was established in 2016 to represent the collective interests of listed companies operating in the following sectors:

- regulated electric, gas, water utilities, and renewable energy
- transportation infrastructure – toll roads, railroads, airports, and marine ports
- energy transportation & storage
- communications infrastructure – telecom towers, cables, and satellites

At a global level, this covers approximately, 200 companies, representing over US\$3 trillion in market capitalization, or well over US\$4.5 trillion in enterprise value. Companies like ASX listed Transurban are an important part of this universe.

Equally, GLIO represents the interests of the specialist-listed infrastructure investment managers who invest in this universe of companies.

GLIO tracks the total assets, or funds under management (AUM) of the 50+ specialist listed infrastructure managers globally. Since 2010, listed infrastructure AUM has grown from US\$17bn to just under US\$155bn at the end of 2023. The chart displays this year-on-year growth.<sup>1</sup>



We believe AUM growth has taken place because institutional investors’ target allocations to infrastructure have increased considerably over this period, and listed infrastructure companies are an attractive stable home for this capital. We believe this trend will continue providing that national regulations remain attractive for domestic and international investors.

<sup>1</sup> This AUM figure does not include pension fund/SWF listed infrastructure allocation managed in-house.



### **Toll reform offers other opportunities**

The NSW toll review represents a genuine opportunity to improve the customer experience for drivers on Sydney's roads and deliver long-term benefits for the NSW community more broadly. While this is an important and meaningful ambition, any changes that are made must be done without altering existing contracts, which would not only be detrimental to NSW's standing as a safe place to invest but would also diminish Australia's overall standing among institutional investors mentioned above.

### **Australia has been an attractive place to invest**

Australia has long been an attractive place to invest for many reasons. It has stable governments, a dynamic and vibrant economy, and a growing population. These factors have helped to attract enormous investment in infrastructure from both foreign and domestic institutions. Companies like Transurban and its partners have benefitted from this capital and together they have invested more than A\$37Bn over two decades in assets in Queensland, New South Wales, and Victoria.

At a national level, in the 2022-2023 financial year alone, almost A\$70Bn of private capital was invested in infrastructure projects across transport, energy, telecommunications, and water sectors. This investment has provided the critical services that would otherwise draw on government resources, or simply not be provided.

### **This has provided significant benefit**

Investment from the private sector has helped deliver vital transport solutions to communities in Australia and globally. However, budget-constrained governments continue to grapple with the challenge of how to maintain and develop critical infrastructure, plus how they can attract additional domestic and international capital to meet their infrastructure investment funding gap. Effectively, governments are competing with each other to attract capital to close the funding gap.

Traditional, or core infrastructure sectors that attract private investment, including transport facilities, communications infrastructure, electricity generation, transmission and distribution facilities, and gas and water utilities, deliver significant benefits to governments by funding critical infrastructure that connects communities and drives economic growth. These sectors form the basis of the FT Wilshire GLIO global infrastructure index (see table below) and are tracked by investors worldwide.



Global Infrastructure Sectors	Mkt Cap Size \$USD Bn	Index Weight
Utilities	1,251	49.4%
Transportation	549	21.7%
Energy Transportation	348	13.7%
Renewables	199	7.9%
Communications	186	7.3%
<b>Total</b>	<b>2,533</b>	<b>100.0%</b>

As of March 31, 2024

### **This is under threat**

Australia has historically been a leader in enabling and attracting private infrastructure investment but is facing increased competition globally, including from North America, where the attractiveness of the investment opportunity has nearly doubled in the space of two years.<sup>2</sup>

GLIO believes that adverse changes to the recognized regulations and structures in which these companies operate could result in multiple billions of capital being rerouted to more attractive countries, asset classes, or sectors. This is a serious risk.

The suggestion alone that governments should consider legislating themselves out of contracted obligations would be deeply troubling and would seriously damage the trust institutional investors have in Australia as a stable and predictable place to do business, with far-reaching consequences. Injecting a level of regulatory uncertainty and volatility will damage capital allocations in the country.

### **We have seen examples of this in other industries**

The energy and manufacturing industries have been earmarked by the federal government as key opportunities for the government and private sector to work together to bridge the gap that exists in funding for critical objectives, such as the transition to renewable energy. However, the past 12 months have seen increasingly frequent direct interventions in the energy market, resulting in significantly reduced investor appetite to invest.<sup>3</sup>

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<sup>2</sup> [Australian Infrastructure Investment Report 2023](#)

<sup>3</sup> [Australian Infrastructure Investment Report 2023](#)



**In conclusion**

Global infrastructure investors require regulatory stability to deploy long-term capital. Governments worldwide are competing to attract this long-term capital and bridge their infrastructure fund gaps. Australia has proven to be an attractive destination for international infrastructure capital over recent decades, and this has played an important role in the A\$37 Bn that Transurban and its partners have invested in the Australian road system. Changing the regulatory playing field, and creating unnecessary uncertainty could stop further investment in its tracks. I struggle to see who benefits from this.

We would welcome the opportunity to answer any questions you may have, and we are happy to discuss this matter further if you wish.

Yours faithfully

Fraser Hughes  
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**GLOBAL LISTED  
INFRASTRUCTURE  
ORGANISATION**

**About GLIO:**

The Global Listed Infrastructure Organisation (GLIO) is the representative body for the \$3 trillion market capitalization listed infrastructure asset class. Specialist-listed infrastructure managers make up a significant part of the membership, along with banks and advisors. The specialist managers have approximately \$155bn in assets under management.

GLIO is a central portal for investor education, listed infrastructure research, and national and international regulatory issues.

For more information visit: [www.glio.org](http://www.glio.org)