

30 April 2013

Manager
Corporate Tax Unit
Corporate and International Tax Division
The Treasury
Langton Crescent

PARKES ACT 2600

Dear Sir/Madam,

ARA SUBMISSION – TAX LOSS INCENTIVE FOR DESIGNATED INFRASTRUCTURE PROJECTS

The Australasian Railway Association (ARA) welcomes the opportunity to provide a submission to the Treasury on the exposure draft Tax Loss Incentive for Designated Infrastructure Projects legislation.

In essence, the ARA, on behalf of its members, supports the proposed new tax scheme that will promote private investment and involvement in public infrastructure. The ARA believes that measures such as this will help unlock projects that have long been in Infrastructure Australia's pipeline but are yet to receive public funding. Initiatives such as this are essential to allow Australia to build the infrastructure that will keep it competitive in the 21st Century.

This initiative, however, is only one element of a very complex picture. There are other barriers to private investment in infrastructure that should be overcome. According to the recently released, *Financing Australia Infrastructure's Needs: Superannuation Investment in Infrastructure* report by the Financial Services Council (FSC), these barriers include the lack of a clear project pipeline and Government commitment, as well as inconsistent, complex and expensive bidding processes and regulatory pressures. This proposition by the FSC also resonates with other private investor sectors. The ARA believes that it is important for the Treasury to work together with relevant Federal Departments in addressing these barriers and achieve the optimal environment for private investor funding.

Taking unnecessary regulatory burden as an example, at present there are close to 150 pieces of environmental legislation and regulations in Australia that rail operators operate within. These complex regulatory requirements imposed by the Federal and State Government have cost the industry about \$30 million per year in direct costs and approximately \$100 million per annum in indirect costs. It is important that the Government reduces these regulatory burdens in order to create a more conducive environment for private sector investment.

Other measures the Government can introduce to allow the private sector to help meet our infrastructure demands include:

1. the implementation and execution of the proposed National Infrastructure Construction Schedule. This is a good step forward as it focuses on projects that require physical construction in the medium-term,
2. the review of existing frameworks governing infrastructure provision and use across all classes of infrastructure, including reviewing access regulation, and

3. the development of mechanisms to encourage superannuation funds or other funds such as the Australian Real Estate Investment Trusts to invest in public infrastructure and to simplify public-private partnership processes (bidding processes and procurement costs).

The benefits of private investment in infrastructure are paramount. Not only does private investment allow the Government to retain asset ownership, it also allows the Government to set appropriate standards that are of public interest. Private investment can provide billions of dollars of new infrastructure funding while leveraging funds provided by State and Federal Government. It also provides greater value for money as private sectors can bring greater efficiencies at a lower cost to the procurement of infrastructure assets and services. Moreover, the use of private capital allows Government to avoid taking on increased debt to fund projects and direct the funds to finance other goods and services such as health and education.

The challenges faced by Australia in maintaining and updating its current infrastructure have been an outstanding issue for the Australian Government for some time. Public funds are simply not sufficient to meet all of Australia's infrastructure needs and additional sources of capital are necessary to fill the gap. The ARA supports the proposed tax loss incentive for designated infrastructure projects legislation. This initiative is one important element of securing private investment to fund infrastructure. The ARA commends the Government for taking this initial step. However, more needs to be done to secure a brighter future for Australia. The ARA is willing to work with the Government in developing future mechanisms to ensure greater private sector involvement in infrastructure.

Should you wish to discuss this submission further please do not hesitate to contact Rhianne Jory, Associate Director Environment and Regulation on 02 6270 4504.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Bryan Nye', written in a cursive style.

Bryan Nye
Chief Executive Officer
Australasian Railway Association