

## Electricity infrastructure like Ausgrid is a safe bet for super funds

Written by The Conversation

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The latest bid for a share of the New South Wales electricity distributor, Ausgrid, from two big Australian superannuation funds is part of a wider investing trend where infrastructure is the new black.

AustralianSuper and IFM Investors announced an unsolicited offer of [a reported A\\$10 billion](#) after two much larger bids from Chinese interests were controversially disallowed by Treasurer Scott Morrison [on national interest grounds](#).

When big infrastructure assets come up for sale in Australia now, there are increasingly only three types of bidders: Chinese state-owned firms, large Canadian pension plans and local superannuation funds.

Superannuation funds have traditionally invested the bulk of their members' contributions in the share market. The most profitable companies are usually those listed on stock exchanges and holding shares is widely seen as the best way to ensure long term investment success.

But stock markets can also go down, bringing down superannuation balances with them, as many Australians discovered for the first time during [the global financial crisis](#). Investing in infrastructure has developed as an increasingly popular alternative to holding most of a superannuation fund's investments in shares.

The returns available in infrastructure are comparable to those available on the share market but they have the added advantage of being more stable. Airports, toll roads, ports and utilities (including electricity infrastructure) [have become key targets for superannuation fund managers](#), both in Australia but also increasingly in Europe, North America and Asia.

## Who are AustralianSuper and IFM Investors?

With an investment portfolio of more than A\$100 billion, AustralianSuper is the country's largest

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superannuation fund. Formed in 2006 after the merger of the Australian Retirement Fund (ARF) and the Superannuation Trust of Australia (STA), AustralianSuper has a long history of investment in infrastructure.

Long-term ARF and STA trustee (and former ACTU secretary) Bill Kelty is a particular advocate of infrastructure investment. As AustralianSuper CEO Ian Silk acknowledges, much of AustralianSuper's investment success can be ascribed to [Kelty's emphasis on infrastructure](#)

Pairing up with AustralianSuper is IFM Investors. Managing more than A\$72 billion worth of infrastructure assets, the super fund is the country's leading player in the infrastructure sector.

IFM was formed in 2004 (as Industry Funds Management) and is the successor to the Development Australia Fund (DAF). It is owned by 29 industry superannuation funds and [invests on a global scale](#)

DAF was launched in 1991 by the ACTU in collaboration with the AMP Society and the Australian Chamber of Manufacturers. Chaired by Ian Court, the head of Cbus (the building and construction industry superannuation fund), DAF led the push of the industry funds into infrastructure investment. On behalf of the industry funds, [DAF partnered with AMP in the privatisation](#) of airports, purchased toll road companies and invested in the renewable energy sector.

Like other businesses owned by the industry funds, IFM is run on a cut-price "all profits to members" basis. It buys up infrastructure assets on behalf of the industry funds, allowing their millions of members to profit from government privatisations.

## Super funds leading infrastructure investment

The Canadians have only recently cottoned on to the idea that investment in airports, shipping terminals and electricity assets is ideal for retirement-savings schemes. Members of superannuation funds expect their nest eggs to grow over the 30 years or more of their working lives. Infrastructure investments match long term financial returns with the long term investment

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horizon needed by a pension or superannuation fund.

Rather than being sold to foreign firms or wealthy investors, the involvement of the industry funds in infrastructure privatisations means that all working Australians can benefit.

However the movement of the industry funds into infrastructure has been widely criticised by Coalition politicians. In 2007, the then [Treasurer Peter Costello dismissed infrastructure investments](#) as “union pet projects...like rats eyeing the grain silo”.

Infrastructure privatisations are controversial. But selling electricity distributors to superannuation funds means that everyday Australian workers can profit from owning them. Unlike investing in derivatives and bonds, infrastructure investment is a form of direct ownership.

*Bernard Mees consulted for the Australian Institute of Superannuation Trustees and is also a member of the consultative committee for UniSuper.*

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