Association for
Savings & Investment
South Africa

ASISA INFRASTRUCTURE STANDARD

Date of first publication: August 2020

Last updated:

1. OBJECTIVE

The objective of this standard is to facilitate the timeous and appropriate statistics submissions to the ASISA office by member companies of exposure to Infrastructure Investments as defined and classified in the document below. All raw data received by ASISA will be regarded as confidential, unless specifically specified within this standard that such data is available to ASISA members and/or the public.

2. MEMBER RESPONSIBILITIES

ASISA members shall ensure that all appropriate personnel have current copies of this standard and have full understanding of their requirements.

3. COLLECTION OF STATISTICS ON INFRASTRUCTURE INVESTMENT

3.1. These are annual statistics and should reflect a member's exposure to Infrastructure Investments as at the end of each calendar year. Members will receive the Data Gathering Template from ASISA at the end of December each year and members who have exposures to Infrastructure Investments must submit the completed template to ASISA within 1 months i.e. by the end of January. See the Data Gathering Sheet attached. The total exposure to Infrastructure Investments should also be expressed as a percentage of the total assets under management of the member.

3.2. The results are consolidated by ASISA and included in a media release.

4. DEFINITION OF INFRASTRUCTURE

The basic physical structures and systems (e.g. buildings, roads, power supplies, water supplies and communication networks) for the provision of utilities or services and constructed for public use or enjoyment.

5. CLASSIFICATION DESCRIPTIONS

5.1. Industry classification

The TICCS classification system has been utilised. The classifications are not explained in the document but are for the most part clear. If there are any queries in this regard, please contact us.

https://edhec.infrastructure.institute/wp-content/uploads/2018/10/TICCS_2018_light.pdf

5.2. Financial instrument classification

5.2.1. An **equity investment** is a claim on the investees residual cash flow after operations and financing, the opportunity to participate in the corporate decision-making process, and a claim on the company's net assets in the case of liquidation.

5.2.2. **Debt** is defined as an instrument that gives rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5.2.3. **Senior debt** is debt that has priority of payment over a tranche of junior or mezzanine debt. There may be different levels of priority within the senior debt category, but if there is a material level of debt that ranks below the instrument, it is classified as senior debt. Senior debt is often secured against assets; however, in the context of project finance in the infrastructure space, this is less relevant and thus not seen as an essential characteristic of senior debt.

5.2.4. **Junior or Mezzanine** is debt that ranks the lowest in priority of payment and is normally unsecured or has a reversionary right to security.

5.2.5. To avoid ambiguity, an instrument that exhibits a mix of the above characteristics shall be classified according to the present value of future payments at inception discounted at the relevant rate of return. For example, if an instrument derives 51% of its value from a right to participate in the residual income of a project and 49% from fixed payment of interest and principal, the asset will be classified as equity.

5.3. Stage of completion classification

5.3.1. **Construction (primary) infrastructure** investments are those made at the pre-operational or construction phase before most revenue is generated.

5.3.2. **Secondary infrastructure** investments apply to the operational stage of a project.

5.3.3. Greenfields or brownfields is defined as follows:

5.3.3.1. **Greenfield projects** involve an asset or structure that needs to be designed and constructed, where no infrastructure or building previously existed. Investors fund the building of the infrastructure asset and the maintenance when it is operational.

5.3.3.2. **Brownfield projects** involve an existing asset or structure that requires improvement, repair or expansion (i.e., land where a building or construction already exists). The infrastructure asset or structure is usually partially operational and may already be generating income.

5.4. Liquidity

5.4.1. Traditionally assets are divided into listed and non-listed assets, but considering the low level of trading of a lot of assets, we propose that the asset must meet the IFRS threshold of an active market to be classified as a listed asset.

5.4.2. The definition of an active market is as follows: A market in which transactions for an asset take place with sufficient frequency and volume to provide pricing information on an on-going basis.

5.4.3. If the market in which the instrument trades meets the definition above, it is classified as listed or liquid, and if it fails, it is classified as illiquid.

5.5. Market risk exposure

5.5.1. The TICSS classification system was also utilised for this, the definitions are included below.

5.5.2. **Contracted**: Contracted infrastructure firms enter into long-term contracts to pre-sell all or most of their output at a pre-agreed price. All or most of the market risk (price and/or demand) is transferred to a third party. Contracted has two subsections:

5.5.2.1. **Fully contracted income**: Fully contracted infrastructure firms enter into a long-term contract by which they will provide a service or product corresponding to the entirety of their activity with no market risk. Hence, they do not engage in any other activity during the life of the contract.

5.5.2.2. **Partially contracted income**: Partially contracted infrastructure firms commit to deliver a certain level of service or output below their full capacity level with limited market risk.

5.5.3. **Merchant**: Merchant infrastructure firms are mostly or fully exposure to market risk (price and demand risk).

5.5.4. **Variable income**: Merchant infrastructure firms collect fees and tariffs from end users as a function of the effective demand for service

5.5.5. **Regulated**: The regulator can set allowable limits on tariffs, rate of returns, or revenues. Also referred to as discretionary regulation.

5.5.6. **Rate of return regulation**: The regulator is expected to set tariffs high enough to cover the costs of an efficient firm, including operating expenses, funding costs, depreciation and a reasonable rate of return for equity providers.

5.5.7. **Price cap regulation:** The regulator sets a multiyear price cap typically defined in terms of the rate of inflation minus an expected rate of productivity improvement. Firms can increase their profits by cutting costs between regulatory reviews, thus creating incentives for efficiency gains.

5.6. Level of public access

5.6.1. **Tolled infrastructure** is defined as infrastructure for which a fee must be paid to access the infrastructure.

5.6.2. **Untolled infrastructure** is defined as infrastructure for which either no fee is charged for access, or a subsidised fee is charged for access.

5.6.3. **Untolled, special access infrastructure** will be defined as any infrastructure for which either no fee is charged for access, or a subsidised fee is charged for access and the infrastructure is only accessible to special disadvantaged or vulnerable groups.

HISTORY OF AMENDMENTS

Date	Publication / amendment
4 September 2020	Approved by ASISA Board

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