

The roads less noticed

by Mike Pinggera

Some investments come with a story you could tell at a dinner party: a catalogue of hit songs, a fleet of aircraft leased to airlines. Toll roads, airports and landfill sites do not. That might be the most interesting thing about them.

Transurban · Vinci · Aena · Waste Management

The Invisible Machine

Consider what happens when you drive through a toll booth. In that fraction of a second, a private company collects a government-licensed fee, on a publicly necessary piece of infrastructure, with no meaningful competition, and a useful life measured in decades. The car behind you does the same. So does the one behind that. Thousands of times a day, every day, regardless of what markets are doing.

It isn't exciting. It's a mechanism. And mechanisms don't need to be exciting to work.

"The dullness is not incidental: it is the product. These assets were engineered by governments to be essential, monopolistic, and built to last."

What Royalties and Runways Have in Common

A music catalogue earns a royalty every time a song is played, streamed or licensed. Predictable cash flow, an irreplaceable asset, and a very long life. Aircraft leasing works in a similar way: essential equipment, long contracts, and airlines that need the aircraft but would rather not own them. Both are the kind of investment people enjoy talking about.

Strip away the glamour, and our current holdings are the same idea in different clothes. Transurban owns the roads Sydney and Melbourne cannot function without. Its core corridors have few viable parallel routes, a geographical and regulatory fact baked into the concession terms, not a commercial accident. Aena operates airports serving hundreds of millions of passengers a year, on routes that cannot simply relocate. Vinci's concessions span bridges and motorways across several continents. Waste Management has built a network of landfills, transfer stations, and recycling facilities that took decades and billions to establish; the permitted airspace it controls is finite, non-renewable, and impossible to recreate from a standing start.

The barriers here are geography, time, and government permission. They tend to last.

Essential

Assets that communities rely on every day, whatever the economy is doing

Decades

Typical concession life

CPI+

Common tariff escalation mechanism

The Storytelling Problem

The problem isn't the quality. Their virtues, consistency, longevity, predictability, are the same qualities that make them hard to write a compelling slide about. Nobody lies awake thinking about rubbish collection tariffs the way they once thought about whether a new album would increase the value of a music catalogue.

But consider the investor who understood in 2002 that mobile phone tower leases were dull, reliable, and structurally protected. Or the one who recognised that regulated electricity networks, boring to the point of embarrassment, would compound quietly for twenty years while more exciting sectors cycled through booms and busts.

The pattern is consistent: assets that generate the least excitement in the press release quietly generate reliable cash over time. Excitement, in infrastructure investing, is often a warning sign.

"Boring isn't the absence of a story. It's a specific kind, one that tends to have a very long second act."

The Broader Message, Reframed

The question for investors isn't whether these assets fire the imagination, but what the imagination is actually for. If it's for identifying where value is durable, protected, and compounding, then a Chilean toll road or a Spanish airport runway is at least as interesting as a song catalogue. More so, perhaps, because fewer people have noticed.

Worth being clear, though, about what this argument is not. It isn't a claim that exciting investments are bad ones, or that dull ones are automatically good. The point is that excitement and quality are different things, and markets regularly confuse the two. A compelling story attracts capital early, sets expectations high and leaves little room for disappointment. A business nobody talks about can compound quietly for years before anyone looks again. The dullness isn't the reason to own these assets. It is often the reason the opportunity is still there.

The interest isn't in rubbish trucks and tarmac. It's in assets governments need to exist, that citizens need to use, that inflation strengthens rather than erodes, and that competition can't easily threaten. We've simply found that description in places that don't make for a compelling pitch.

For long-term investors, the best investments are rarely the ones with the most interesting story at the point of purchase. They tend to be the ones still telling the same story, unchanged, twenty years later.



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