

2025 Economic Reform Roundtable
Treasury
Langton Cres
Parkes ACT 2600

Via Email: ReformRoundtable@treasury.gov.au

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Australian Retirement Trust (ART) is one of the world's largest investors with over \$350 billion in Funds Under Management - of which \$180 billion is invested in Australia - on behalf of our 2.4 million members.

We welcome the opportunity to participate in the Economic Reform Summit process on behalf of our members and believe there is opportunity through this engagement and associated policy reform for the funds we steward – as well as those of our peers – to further improve the Australian way of life.

Our submission focuses on two areas: boosting productivity through accelerating the velocity of efficient public and private capital deployment in productive assets and optimising the capital injection of retirement savings back into the economy through streamlining the retirement transition for Australians.

We believe both these measures will help strengthen Australia's economic resilience and prosperity and improve the financial wellbeing and security of more Australians now and in retirement.

Accelerating the velocity of public and private capital deployment in productive assets

Financing models

Models of financing that include both public and private capital can improve productivity and meet critical investment tasks in areas like energy, digital infrastructure, transport, and housing.

National financing models which underwrite or otherwise minimise development risk can accelerate private capital formation. Enhanced, efficient use of public balance sheets to reduce commercial risk in initial stages of large-scale infrastructure development can facilitate the return profile required for final investment decisions as well as the entry of private capital from superannuation funds.

More mechanisms like the Commonwealth Government's Capacity Investment Scheme, for example, would be welcomed.

Public development fund

A public development or seeding fund with a commercial investment mandate whose funding allocations are not hindered by the onerous processes or non-financial obligations routinely required in public financing could assist with the pace and cycling of capital into investment opportunities through an established framework.

The Commonwealth's Future Fund Management Agency, for example, could oversee such a fund, which would see critical infrastructure investment tasks accelerated and supported by private capital investment (reducing the call on the public balance sheet to fund entire projects), as well as deliver a positive budgetary outcome which over the long term can sustain future investment and reduce the requirement for additional public funding.

Regulatory certainty: Time and quality

Responsibly improving the predictability and timeliness of government approvals removes a barrier to the flow of private capital, without compromising necessary safeguards. The range of approvals global and domestic investors face across local, State, Territory and Commonwealth government adds cost, complexity, and risk. Uncertainty around regulatory decisions and protracted decision-making timeframes affects future earnings and asset values, especially in sectors that require long-term planning such as housing, infrastructure, and clean energy.

Deemed approvals and the central coordination of regulatory approval processes – which are progressively being established in State jurisdictions – are key desirable features to address supply challenges, especially in residential housing.

Build to Rent

With respect to housing infrastructure investment in particular, the alignment of the GST treatment on development costs for Build to Rent projects in line with Build to Sell developments, as well as the alignment of disclosures of stamp duty under RG97 across listed and unlisted assets, would attract and facilitate greater superannuation capital investment, and build upon reforms which have reduced withholding tax barriers.

Injecting retirement savings back into the economy through streamlining the transition to retirement

Accumulation to retirement

When the superannuation system was established, the focus was on putting in place structures for wealth accumulation to support a dignified retirement, not wealth preservation.

Unlike our global peers who oversee Defined Benefit Schemes, Australian superannuation funds currently provision for potential lump sum payments to members beyond preservation age, as the regulatory regime permits. To provide prudent liquidity headroom for this, investment in more liquid, less productivity-enhancing assets such as cash or short-term debt is required.

There are therefore economic benefits in promoting the consumption of retirement income savings. Where more superannuants are in retirement income products, those members are better supported to fund their retirement (rather than accumulating balances within funds only), and there is a positive impact on liquidity management (that can promote productive investment over less productive asset allocation). Shifting members from an accumulation phase to a retirement (income-generating) phase of more reliable income streams will unlock capital for productive investment and encourage spending back into the economy.

Default options

We currently invest over \$71 billion on behalf of members who are aged 65 or older, but only slightly more than half (~57%) of those funds are in the pension phase where members are drawing down on their retirement savings.

There is a policy schism between the directive nature of the MySuper accumulation rules and Trustee directions and the relatively lower, less directive nature of regulatory rules or Trustee directions within retirement. The consequence is that many member accounts remain in accumulation beyond

retirement age, often in the default MySuper product. It should be easier for people to enter the retirement phase by reducing the complexity and barriers to commencing income streams.

There is a significant potential role for a 'suggested' product (opt-in soft default) to support the uptake of retirement income solutions and encourage spending superannuation savings in the economy. Reform that prompts or nudges a member towards an age-based conversion to an income generating payment (pension) account should be pursued. Such reform could obligate funds to offer members a default retirement solution which includes a longevity solution (an example is ART's Lifetime Pension product), which research shows provides better utility outcomes for members (they spend more).

Tax concessions

We have previously indicated we are supportive of limiting tax concessions for superannuation accounts when they do not further superannuation's legislated purpose of generating retirement income in a sustainable and equitable manner. The policy rationale for preserving and giving tax preference to holdings beyond the purpose of providing for retirement income is one that should be maturely and rationally debated given the overall fiscal and economic context.

If reforms are not implemented to motivate retirees to use their superannuation savings, the system may fail to meet its objectives, placing a greater financial strain on both a shrinking workforce and government budgets as the Australian population ages.

Mark Bellaver, National Director - Public Policy and Government Relations, at ART, is the primary contact regarding our submission and can be contacted at mark.bellaver@art.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Fraser', with a stylized, cursive script.

Andrew Fraser
Chair, Australian Retirement Trust

Economic Reform Proposals

1) Accelerate the velocity of efficient public and private capital investment in productive assets

National adoption of financing models that promote capital redeployment – for example, through underwriting development risk - will accelerate capital formation and boost productivity. Equally significant are mechanisms that accelerate approval time. Together initiatives with these goals can materially accelerate productive capital formation and enhance economic outcomes.

Investing is informed by the type of capital to be deployed – who owns it, what return is required over what timeframe, and how to realise value. In investment models the entry and the exit are critical determinants of value. The pace of deployment of pools of public and private capital can be a critical determinant of productivity.

ART believes that models of financing that include both public and private capital can improve productivity *and* meet critical investment tasks in areas like energy, infrastructure and housing. The time between project approval for capital allocation and actual commencement after regulatory approval is one of the key drags on value.

The investment thesis that underpins the NSW Pre-sale Finance Guarantee is an exemplar. Under this program, the NSW Government commits to the purchase of off-the-plan dwellings in eligible residential developments to help developers secure lenders' approval efficiently and commence construction sooner. By committing \$1 billion to the program, the government is assisting more residential construction projects to start sooner, and more homes to be delivered faster, as well as providing certainty to financiers. Critically, the government can recoup its investment in each transaction and create a virtuous cycle of investment with a relatively small risk (and attractive returns, alongside the policy aim of household construction being fulfilled).

Another example is the Commonwealth's Capacity Investment Scheme: a program designed to encourage new investment in renewable energy and storage projects to ensure a reliable electricity supply. It does this by offering revenue underwriting to projects, effectively creating a 'floor' and 'ceiling' for their revenue. This helps projects secure funding and provide security of supply by underwriting operations when spot / wholesale electricity prices are insufficient to support supply.

In these two examples, broader public policy goals (supply of housing and electricity) are promoted by an efficient use of public balance sheet capacity. Importantly, the public capital is not deployed just once and then sunk, it is redeployed through various projects (in the housing example) and shares in the upside and downside (in the capacity investment scheme). In both instances, the focus is on crowding-in private investment by reducing uncertainty at key points in the planning and construction stages.

The iterations of such financing models are many. The underwrite of new tolled infrastructure (such as tunnels or bridges) is another example where the public balance sheet can be temporarily deployed to promote new supply after which that can then be swapped out at pre-determined thresholds. The public balance sheet is deployed for two reasons: the public good nature of infrastructure and the advantages of the public balance sheet (size, efficient cost of funds). Critically, once the supply of new infrastructure is delivered the public capital can be swapped out for other pools of suitable capital once an investable economic return profile has been established. Australia's pool of superannuation capital is a prime, lead candidate for this role.

Case study – Digital infrastructure

Digital infrastructure is an example of an emerging sector of productivity-enhancing infrastructure where private capital has successfully supported the upgrade or development of new national infrastructure.

Mobile phone towers, data centres and digital registries represent critical infrastructure that will support Australia's productivity for future generations. Significant infrastructure has been delivered, with commercial outcomes achieved for the providers of profit-seeking capital like ART.

This infrastructure offers attractive, consistent, long-term revenues to private investors, playing an important role in diversified investment portfolios. Digital infrastructure is capital intensive, and private capital plays an important role in providing capacity to productivity-enhancing industries to enable a continued focus on high productivity investment.

One of ART's first major digital infrastructure investments was participating in a consortium led by the Future Fund to invest in Amplitel, the provider of the mobile phone tower network that supports the Telstra network. From ART's perspective, mobile phone towers represent a stable asset with reliable tenancy and consistent income. For mobile network operators, leasing towers frees up capital from their balance sheet to invest in future innovation and growth that can deliver higher return on equity to shareholders.

From an economic perspective and taking into account the national interest in the ownership and security of critical infrastructure, productivity enhancing digital infrastructure which supports services expected or required by the community and industry is delivered and maintained in ownership by domestically domiciled, secure capital meeting legislated national interest requirements.

A significant challenge for the deployment of public capital is that public finance allocations are generally subject to broader non-financial demands than private finance allocations. Processes with public agencies to allocate funding can be inefficient due to process requirements (which may or may not be proportionate) and the impact of non-financial requirements layered upon return hurdles.

One structural reform which has proven successful with state investment agencies is to create a development or seeding fund with a commercial mandate to support particular programs of investment. Such a structure can assist with the pace and cycling of capital into investment opportunities through an established framework that is not hindered by the (non-financial) requirements of other alternative allocative programs.

Management of such a fund would not (and should not) require a creation of a new government agency at the national level. Given the recent reforms to enable direct investment, the discipline and investment horizon of the Commonwealth's Future Fund Management Agency gives it the capacity to manage a development fund for government through existing investment infrastructure under a new, dedicated mandate.

Numerous successful examples of state government agencies successfully implementing similar programs exist, including the Queensland Venture Capital Development Fund managed by QIC on behalf of the Queensland government. Here commercial models crowd in private investment alongside public allocations which levers the returns for investors.

Where government has a direct economic stake in project delivery or other investment, there is the additional benefit of an aligned economic incentive to ensure that regulatory frameworks are fit for purpose to enable investments to support projects that boost productivity. The government as co-investor is incentivised to ensure that the government as regulator acts efficiently and effectively.

For government the benefits include:

- Critical investment tasks in areas such as housing, infrastructure and energy are accelerated and supported by private capital investment, reducing the call on the public balance sheet to fund entire projects;
- Government contributions to development projects can be managed to achieve a commercial outcome, improving the returns to government on its investment; and
- Implemented successfully, the near-term budget outcome is generally neutral, and – executed well - the long-term outcome is positive with the development fund capable of sustaining future investment with a minimal or reduced requirement for additional public funding, easing the burden on future generations of Australians.

Responsibly improving the predictability and timeliness of government approvals removes a barrier to the flow of private capital, without compromising necessary safeguards. The range of approvals global and domestic investors face across local, State, Territory and Commonwealth government adds cost, complexity, and risk. Uncertainty around regulatory decisions and protracted decision-making timeframes affects future earnings and asset values, especially in sectors that require long-term planning such as housing, infrastructure, and clean energy.

Case study - Australian airports

Submissions generally point to problems and solutions rather than exemplars of better practice. There is a strong case that since the 1990s, airport investment in Australia demonstrates how infrastructure and services can be improved alongside providing attractive investment returns for investors.

ART has over \$5 billion invested in Australian airports. A viable airport sector adds depth and diversity to Australia's economy and is vital to the economic and social wellbeing of all Australians.

The regulatory regime for Australian airports (proposed by the Productivity Commission in 2002) is an example of an efficient and effective regulatory framework that has attracted significant private investment.

As part of this regime, major Australian airports are subject to a competition framework centred upon the monitoring of aeronautical and non-aeronautical prices, operational performance, costs and profits to ensure that its market power is not improperly exercised to the detriment of passengers and the community. Price monitoring is performed by the ACCC under Part VIIA of the Competition and Consumer Act 2010. Related provisions in the Airports Act require the airports to provide the ACCC annual financial accounts, which the ACCC publishes.

The ACCC considers that an important determinant of an airport's operational performance is the extent to which it is undertaking prudent and efficient investments in aeronautical infrastructure to meet the current and future needs of users, comprising airlines and passengers. Prudent and efficient delivery of this essential infrastructure has been achieved under a regulatory regime that facilitates commercial outcomes in a transparent and commercially sound manner.

This regulatory regime facilitated Brisbane airport's new runway that opened on 12 July 2020, one of the largest aviation construction projects undertaken in Australia. It has been estimated that by 2035 the new runway will lead to the creation of 7,800 new jobs and contribute an additional A\$5 billion in annual economic benefit to the region. Passengers also benefit from a greater choice in airlines, destinations and flight times.

While all stakeholders may not endorse the regulatory regime for Australian airports (for legitimate but self-interested reasons), the better question to consider is what we can learn from the investment incentivising regime that has transformed Australia's aeronautical and aviation infrastructure since the 1990s and supported economic activity and employment for the benefit of all Australians.

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Streamlined assessment and approval processes have been established by the States. Recently the South Australian Government passed the State Development Coordination and Facilitation Act 2025, a major legislative reform aimed at responsibly streamlining approvals for strategic projects and boosting economic development across the state. This legislation finds its genesis in a long-established framework in Queensland first introduced in 1932.

Key features of the legislation:

- **Coordinator-General's Office (CGO):** A new central authority established to coordinate and facilitate projects, including having powers to responsibly expedite processes, call certain decisions in, review decisions, and attach conditions to them. It acts as a single point of contact for proponents navigating complex regulatory systems.
- **State Development Areas (SDAs):** Designated "go zones" pre-assessed for environmental and economic suitability. These zones allow for faster approvals and infrastructure planning.
- **Expedited Approvals:** The CGO can issue facilitation certificates for projects that meet regulatory requirements, enabling quicker decisions.
- **Wide-Ranging Powers:** The CGO can:
 - Call in and decide on approvals for designated projects.
 - Review decisions made by other authorities.

In NSW, the Housing Delivery Authority was established in late 2024 as a deemed approval framework, with three Departmental Secretaries (Premier and Cabinet, Planning, and Infrastructure NSW) able to recommend that the planning minister approve developments valued greater than \$60 million. As a result, more homes were approved for construction by NSW's Housing Delivery Authority in five months than were completed by NSW in all of 2024. Deemed approvals and central coordination of regulatory approval processes are key desirable features to address supply challenges, especially in residential housing.

Case study – US Build to Rent (BTR) and Multi-Family homes

The US saw a multi-family development boom in the 1970-80s with a focus on smaller-scale, affordable multi-family dwellings. A housing crisis prompted the federal government at the time to provide low-cost, stable and consistent financing such as through their securitisation programs (Freddie Mac and Fannie Mae loans). Following which, private developers got on board and the industry became an asset class that was institutionalised.

The supportive regulatory environment has seen ART's exposure to grow to have \$1.9 billion invested in US accommodation designed for rent (usually known as multi-family – buildings designed for tenanting by many households in the one development). ART has invested in this sector over the last 8 years and continues to see US multi-family as an opportunity for strong investment returns for its members. There are also tax advantages for offshore pension funds (such as ART) to undertake such investments, which further supports the attractiveness of the asset class.

For investors, there is more liquidity in the US multi-family market given the market is much deeper and institutionalised, compared to Australia where BTR is still a nascent sector with few secondary sales to support a long-term exit strategy. Here the role for government in supporting underwriting mechanism set out above could be catalytic to increasing supply.

How can we accelerate BTR in Australia?

Unlike the regulatory approach to Australia's airports, BTR (and Build to Sell or BTS) in Australia are constrained by a restrictive regulatory framework particularly impacting the supply of affordable land for housing leading to relatively high land (pre-construction) costs. Long development approval processes lead to uncertainty of the commencement of projects, impacting the economics for investors.

It is important to acknowledge that the Treasurer's Investor Roundtable played a significant role in removing a key investment barrier relating to the Managed Investment Trust (MIT) withholding tax rate. The MIT withholding treatment for BTR had the effect of BTR being taxed at a materially higher tax rate compared to other commercial real estate investments (such as office, retail, and industrial). The MIT withholding tax rate for BTR was since reduced to be consistent with other commercial real estate sectors on the 10th of December 2024.

It is relevant to investors that BTR projects pay GST on construction whereas other property development like BTS developments do not. This adds an additional 10% to the cost of BTR development that is not recoupable (through input credits) and makes for a relative investment disadvantage (to other forms of property which do not incur this cost or are able to recoup it).

Possible actions that can be taken to ease the regulatory burden on the Australian housing construction sector include:

- Simplify the planning approval system and planning rules, and consider shifting more power from local councils to state governments with deemed approvals and step-in coordination powers;
- Replicate and evolve models such as the NSW Pre-Sale Finance Guarantee set out above and consider long-term capital solutions to fund mortgages like the success of the securitisation programs in the US backed by government-sponsored entities such as Freddie Mac and Fannie Mae. The Commonwealth's initiatives in reforming and establishing Housing Australia and the HAFF provide the platform for further evolution and participation in support of housing investment;
- Consider aligning the GST treatment on development costs for BTR development in line with BTS developments in any broader tax reform program that includes the GST; and
- Aligning the disclosure of stamp duty under RG97 to be consistent across listed and unlisted investments will attract more superannuation capital to support the development of housing.

2) Default retirement plans boost superannuation returns for individuals and the economy

The size and maturity of the superannuation savings pool relative to the size of our economy means there is an economic imperative in ensuring superannuation capital is optimally deployed. Relevantly, demographic movements (especially the age profile of the population), existing and proposed taxation settings and the maturity of our retirement incomes system (as it moves from an accumulation phase into a balance between accumulation and retirement income payments) all have fiscal consequences.

Funds currently provision for potential lump sum payments to members beyond preservation age, as the regulatory regime permits. To provide prudent liquidity headroom for potential lump sums, investment in more liquid, less productivity-enhancing assets such as cash or short-term debt is required.

In contrast, large, sophisticated international defined benefit pension funds have consistent and predictable retirement income outflows to their member base. As a result, funds such as the Canada Pension Plan Investment Board and other large North American and European funds, can maintain much higher investment allocations to productivity enhancing (less liquid) assets such as venture capital, infrastructure and private credit. In an Australian context, when members open retirement income accounts, there is greater predictability in member behaviour and consequently funds can match their members' liquidity needs by investing in long-term productive assets.

As such, there are potential economic benefits in promoting the consumption of retirement income savings. Where more superannuants are in retirement income products, not only are those members better supported to fund their retirement (rather than accumulating balances within funds only), there is also a positive impact on liquidity management that can promote productive investment over less productive asset allocation.

Without further reform to encourage members to draw down their superannuation balances as income throughout retirement, there is a risk that superannuation will not fully realise its legislated purpose and an increasing economic burden will fall to a shrinking workforce in the future. Importantly, shifting members from an accumulation phase to a retirement (income-generating) phase of more reliable income streams, unlocks capital for productive investment and encourages spending back into the economy.

The 2020 Retirement Income Review highlighted that by 2060, 1 in every 3 dollars paid out of the super system will be part of a bequest. The introduction of the Retirement Income Covenant was a positive regulatory change, but further reform can align superannuation with its legislated purpose to preserve savings to *deliver income* for a dignified retirement, alongside government support, in an *equitable and sustainable way*.

Over 2.5 million Australians are retiring in the next decade and as the Australian population ages a greater burden will be imposed on a relatively smaller workforce to support a relatively larger pool of retirees. Reform is needed to empower Australians to confidently use their superannuation savings to enjoy a dignified retirement, take pressure off the aged pension, mitigate the productivity reducing implications of Australia's ageing demographic and unlock further investment in productive assets.

ART proposes making it easier for people to enter the retirement phase by reducing the complexity and barriers to commencing income streams. When the superannuation system was established, the focus was on putting in place structures for wealth accumulation to support a dignified retirement, not wealth preservation. These structures have been successful with Australia now seen as the global exemplar in terms of designing a high performing and inclusive defined contribution pension system.

As the system has matured, and with the purpose of superannuation now legislated, the industry has a collective responsibility to all Australians to work collaboratively to design solutions that will overcome the structural and regulatory impediments to the conversion of members from accumulation to income generating payment accounts (pension accounts).

Our view is that non-contributing accumulation accounts for members beyond a legislated threshold age should convert via a “soft default” to pension accounts on an “opt-in” basis, reflecting the expectation that superannuation should by design generate income into the hands of the retiree, not just remain within the fund.

There is a policy schism between the directive nature of the MySuper accumulation rules and Trustee directions and the relatively lower, less directive nature of regulatory rules or Trustee directions within retirement. The consequence is that many member accounts remain in accumulation beyond retirement age, often in the default MySuper product. There are fiscal and economic consequences that flow from this lack of direction into retirement, with member savings that could and should be recirculated into the economy being retained in superannuation accounts.

We currently invest over \$71 billion on behalf of members who are aged 65 or older, but only slightly more than half (~57%) of those funds are in the pension phase where members are drawing down on their retirement savings. We actively engage with our members who we believe are eligible to draw down, prompting them about their options. This highlights a significant issue existing today with the system.

Default options play a significant role in retirement decisions and can be utilised to improve the retirement outcomes for many retirees. ART utilises a lifecycle glidepath in its default MySuper accumulation investment option, that adjusts investment risk as members age, thereby managing risks such as sequence risk by default. It also allows the Fund to take an appropriate enhanced investment risk for members at younger ages before reducing risk in preparation for retirement. Extending the default framework to apply to and through retirement in the form of a soft default member journey to a pension account when certain conditions are met would improve retirement outcomes for the individual and enhance productivity.

ART supports the Government’s Delivering Better Financial Outcomes (DBFO) package to further allow superannuation funds to provide advice, guidance, nudges, and prompts to their members. We believe that these changes, along with further changes to data sharing between superannuation and the Government, will improve people taking active decisions to commence drawdown strategies.

We see advantages for individuals and for the Australian economy in improving the flow of money *from funds to retirees* (and back into the economy). We actively engage with our members who we consider are eligible to draw down on their accumulated savings, prompting them about their options.

In addition, we believe there is a significant potential role for a ‘suggested’ product (opt-in soft default) to support the uptake of retirement income solutions and encourage spending superannuation savings in the economy. Reform that prompts or nudges a member towards an age-based conversion¹ to an income generating payment (pension) account should be pursued.

We further believe that such reform could obligate funds to offer members a retirement solution which includes a longevity solution (an example is ART’s Lifetime Pension product). Research has consistently shown that including longevity protection in a retiree’s portfolio provides better utility outcomes for members who choose to do so, i.e. they spend more resulting in great economic productivity.

We have previously indicated we are supportive of limiting tax concessions for superannuation accounts when they do not further superannuation’s legislated purpose of generating retirement income in a sustainable and equitable manner. The policy rationale for preserving and giving tax preference to holdings beyond the purpose of providing for retirement income is one that should be maturely and rationally debated given the overall fiscal and economic context.

¹ Other conditions would also need to be met, principally the account was no longer receiving contributions, i.e. the member had ceased working and receiving compulsory super contributions.