



21 August 2017

Ms Karen Chester, Deputy Chair
Ms Angela McCrae, Commissioner
Productivity Commission

Dear Deputy Chair, Commissioner

Re: Assessing Competitiveness and Efficiency

Thank you for the opportunity to provide commentary on the third stage of the inquiry – assessing competitiveness and efficiency within the superannuation system.

About SuperChoice

SuperChoice Services Pty Limited (“SuperChoice”) is a superannuation clearing house software as a provider to superannuation funds, large employers, payroll outsourcers and accounting software providers such as MYOB and Xero. Our software is used by employers and fund administrators to record and clear superannuation contributions and rollovers.

SuperChoice provides data and payment services that complements the operations of both employers and super funds. We provide technical solutions that enable employers and super funds to be able to engage electronically (SuperStream) and use e-commerce services to connect with ATO web services (such as SuperTICK, employerTICK, Fund Validation Service).

As a commercial provider of clearing house services, we are assessed on the value our services provide to our clients - employers and superannuation funds.

SuperChoice interest in Stage 3: Assessing Competitiveness and Efficiency

SuperChoice has a keen interest in the financial and operational health of the superannuation industry and is uniquely placed as one of the largest providers of superannuation services to both employers and superannuation funds.

Our interest has been raised by the “re-litigation” of a centralised clearing house administered by the ATO. Previously ruled out by Treasury, ATO and the then Labor government at the time of the Stronger Super measures (within which SuperStream was included), this option is not a solution that supports the administrative requirements that operate within the Australian system.

The focus on a central clearing house to remove the ‘administrative burden’ experienced by small business is not relevant to the superannuation system of today (and tomorrow).

Our position is clear - a single central clearing house will not introduce efficiencies over and above the current clearing house operators in the market.

And importantly for the operation of the system a single clearing house provides a single source of failure – which if this was to occur would be an economy wide disaster. A distributed network of commercial clearing houses provides significant safe guards to the operation of the broader superannuation system.



Clearing house operations

SuperStream has resulted in a significant change in the role that clearing houses perform within the superannuation industry. Clearing houses retain a focus on simplifying the data and payment processes associated with making contributions and rollovers but with the introduction of SuperStream the provision of e-commerce services to employers and super funds has become a core element.

For example, commercial clearing houses provide multiple solutions that enable all employers to access e-commerce services – whether this is sending contributions electronically to all super funds through a single point of entry, electronic distribution of associated contribution payments, receiving electronic response messages from super funds and the ATO or providing access to new ATO web services.

Creating the SuperStream Transaction Network that supports electronic messaging between employers, funds and the ATO is of national significance and provides all employers with the opportunity to engage in e-commerce across not only superannuation but Single Touch Payroll and e-invoicing.

Significantly, commercial clearing houses facilitate this access and provide effective and efficient technology solutions for employers.

A centralised clearing house will not provide services for employers that are as innovative in scope as the private sector. Nor will a centralised clearing house develop solutions that move beyond the boundaries of superannuation to bring employers with integrated and efficient solutions that provides electronic solutions to meet their business needs – not just a superannuation requirement.

Default funds and ‘no cost’ clearing house services

Many super funds facilitate access to a commercial clearing houses for ‘sponsored’ employers on a no-cost basis – that is employers who have nominated the super fund as their default.

Super funds provide this service to build engagement with these employers and by extension to provide services that benefit their members (by simplifying how their employer can make employer contributions to the super fund).

Often white labelled in the super fund name, the majority of employers interact with the clearing house employer portal that enables them to send through all contribution data and payments for all super funds – including self-managed funds.

Employers value the service for simplifying the processing of superannuation. Super funds value providing this service as it provides opportunity to actively engage contributing employers and ensures a simple process to send employer contribution data and payments.

Role of the ATO Small Business Superannuation Clearing House

The ATO is currently a provider of clearing house services to small business (19 or fewer employees or an aggregated turnover less than \$10 million). The service is marketed as a free service – which it is for the small employers that use the service.

But the small business superannuation clearing house (SBSCH) is far from a free service with a budget appropriation of approx. \$6 million per year.

Of more interest to an inquiry into efficiency, considering the introduction of a central clearing house, is the per transaction cost base of the SBSCH. The per transaction cost of the SBSCH is significantly higher than generally available commercial rates.

It is our view that the current operation of the SBSCH though effective in providing a low tech, low cost service to small employers is not cost effective when assessed against commercial clearing house operators.



From our perspective, the government should consider an open market assessment of the services and cost base of the SBSCH. A market assessment will drive greater efficiencies (both monetary and service delivery) with operating the clearing house and is much worthier of consideration than a centralised clearing house.

Technical evolution of payrolls provides opportunity to simplify employer super requirements

Of all the recent changes, the introduction of Single Touch Payroll (STP) and the drive to push employers to have the ability to engage in e-commerce from within their payroll provides significant opportunities.

Significant because STP builds on the technical framework delivered by SuperStream and creates the opportunity for payroll providers to develop software that provides employers with a fully integrated SuperStream and STP experience.

Commercial clearing houses are providing partnerships to payrolls to facilitate technical delivery of the data and payments associated with these messages. The future for employers is a fully integrated digital experience that supports their business practices.

The key to this process is the access that commercial clearing houses provide to the SuperStream transaction network that supports the secure delivery of contribution data to any fund and payments to their bank account.

To reaffirm our position in closing – we do not agree that a centralised clearing house administered by the ATO provides any real efficiencies or significantly improves the employer superannuation experience.

There are other much more worthwhile considerations that should be assessed by Government when determining how employers can be better supported in making superannuation contributions.

I look forward to your consideration of the above thoughts and would welcome the opportunity to have a more in-depth conversation with you and your team.

Regards,

Chris Denney
Head of Government Engagement
SuperChoice Services Pty Limited