



4 April, 2012

Mr Gary Banks
Chairman
Productivity Commission
LB2 Collins St East
Melbourne VIC 8003

**RE: PRODUCTIVITY COMMISSION REVIEW OF DEFAULT SUPERANNUATION FUNDS
IN MODERN AWARDS**

Dear Mr Banks,

Infrastructure Partnerships Australia (IPA) welcomes the opportunity to contribute to the Productivity Commission's Review of Default Superannuation Funds in Modern Awards on behalf of Australia's infrastructure sector. I have summarised our high-level views below and attach our submission to the 2010 Cooper Review which provides more detail.

IPA is the nation's peak infrastructure body. Our mission is to advocate the best solutions to Australia's infrastructure challenges, equipping the nation with the assets and services we need to secure enduring and strong economic growth and importantly, to meet national social objectives.

There is a clear synergy between Australia's infrastructure investment task, estimated at \$770 billion, and our pool of national retirement savings estimated at \$1.3 trillion. Superannuation seeks the type of long-run, stable and strong returns which infrastructure assets provide but only around 6 per cent is currently committed to infrastructure. The Cooper Review provided a timely opportunity to examine the match between superannuation savings and investment in the nation's infrastructure stock.

IPA welcomed the Cooper Review reforms to deliver the MySuper product, drive amalgamation of smaller funds and focus on managing longevity risk. The Review's support for the further consolidation of smaller, inefficient superannuation funds to promote more highly skilled and efficient investors will naturally support further investment in emerging asset classes, including infrastructure. The industry also welcomed the report's opposition to mandatory investment in any asset class.

The Productivity Commission's ongoing work in this area including through the February 2012 issues paper *Default Superannuation Funds in Modern Awards* is important and strongly supported by the nation's infrastructure sector. IPA urges the Productivity Commission to continue to support a longer term investment approach which encourages greater investment in infrastructure.

The Productivity Commission must also be mindful of any changes to the regulatory structure that results in greater 'churn' and could work against the stability required to make illiquid and longer dated assets attractive. Changes under consideration could put greater pressure on liquidity requirements as a result of fund and investment choice as well as base funds flow as an increasing number of people reach retirement and start to draw on their superannuation.

The Review must consider potential impacts on asset allocation resulting from any proposed changes and look to recommend counter-measures to encourage investment in defensive, long term, stable assets such as infrastructure.

The attached submission *the Role of Superannuation in Building Australia's Future* outlines these issues in more detail.

I look forward to the release of the Draft Report in June and would welcome the opportunity to present a more detailed submission.

Yours sincerely,

BRENDAN LYON
CHIEF EXECUTIVE OFFICER