



AUSTRALIAN INDUSTRY  
GROUP

27 April 2001

Review of Certain Superannuation Legislation  
Productivity Commission  
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BELCONNEN ACT 2616

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Dear Sir/Madam

The Australian Industry Group (Ai Group) is the national employer organisation representing some 10,000 companies primarily engaged in the manufacturing, construction, telecommunications and information technology sectors.

Ai Group is a major participant in public policy development in Australia, particularly in relation to important social and economic issues. As such we have been actively involved with government, the major political parties and specialist industry bodies in past reviews of retirement incomes and superannuation standards.

In this context we have noted and considered the current Productivity Commission Review of the Superannuation Industry (Supervision) Act 1993 and Certain Other Superannuation Legislation including the Issues Paper of March 2001.

Our interest in this Review is also influenced by the extensive involvement of our member companies in the provision of superannuation benefits for their employees. These arrangements apply through corporate funds, industry funds and master trusts and are areas in which we have considerable experience.

As a matter of long standing policy, Ai Group supports the need for a meaningful, equitable, secure and economically sustainable standard of minimum retirement income for Australians generally. Within this framework we believe that occupational superannuation should ultimately play the dominant role. Further we consider that the existing legislative arrangements, including the requirement for Superannuation Guarantee contributions, is generally appropriate to establish and secure benefits for the workforce. However, a reasonable balance must clearly exist between the level and adequacy of benefits on the one hand, and the related economic capacity to fund such benefits and their regulatory compliance costs on the other.

Given the specific scope of this Review, which is directed only towards "those parts of the legislation that restrict competition, or that impose costs or confer benefits on business", our submission is confined to the undernoted observations and recommendations:-

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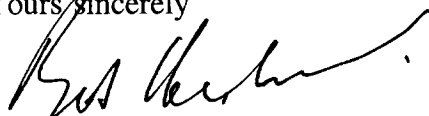
1. There is considerable concern by employers and trustees with the growing complexity and compliance cost of the superannuation system. Obvious and cogent examples of this are to be found in:-
  - 1.1 The continued operation of the superannuation surcharge which imposes significant compliance costs on funds, substantially applying to members who are not and will probably never be subject to the surcharge. Whilst this issue is outside the terms of reference of this review it is nonetheless illustrative of the adverse impact of ill conceived and unnecessary regulation.
  - 1.2 Recent new regulatory proposals relating to:-
    - Financial Services Reform Bill (CLERP 6)
    - Financial Sector Legislation Amendment Act (No.1) 2000 (including new **criminal** penalties).
    - Custodian Requirements for APRA Supervised Entities (including **indirect** custodial arrangements).
    - Privacy Legislation.

The foregoing is indicative of **the need for more extensive and genuine consultations by policymakers and regulators with the major stakeholders, including representative organisations such as Ai Group, whose members are required to fund the superannuation benefits.**

2. The role of trustees as the responsible entity for superannuation funds is well established and in our opinion should be maintained. Whilst acknowledging the related need for effective supervision of such arrangements, statutory penalties for breach of trustee duties and obligations must be reasonable to the circumstances. In this regard the recent move towards the general introduction of strict liability appears to be an excessive and unwarranted response to an extremely limited number of deficiencies being identified under present regulation.
3. The respective roles and responsibilities of the various regulators are particularly complex and confusing and certainly raise the potential for duplication, uncertainty and unnecessary cost.

While it is not our intention to appear at the public hearings, our responsible Director, Mr Grahame Willis, would be pleased to assist you should you require further information.

Yours sincerely



R N HERBERT  
CHIEF EXECUTIVE