Submission to Economic Reform Roundtable

Aware Super welcomes the opportunity to provide a submission to the Economic Reform Roundtable process. The proposals in this submission would make the superannuation system more efficient and unlock opportunities for institutional investment in key areas to support further productivity growth.

1. Investment in skills, training and jobs of the future

Australia is competing globally for skilled labour that can support the energy transition, and this competition will only continue to increase. Skills shortages (including the 45% national shortage in technicians and trades[1]) and increased labour costs will make projects more expensive and less certain, reducing investment feasibility for superannuation funds.

Recommendation:

Take meaningful steps to address the national labour and skills shortage, including:

- Attracting international skilled labour with energy sector expertise; and
- Expanding investment in schemes that support training for the jobs of the future, particularly the energy transition.

2. Boost housing supply for essential workers

A lack of affordable housing for essential workers in Sydney alone is costing individuals, employers and communities around $17.5 billion per year in opportunity cost.[2] Many essential workers are falling into a 'missing middle' – they can't afford to rent or buy at market rates, but are not eligible for subsidised affordable housing.

Most Government support is currently directed towards Social and Affordable Housing, and can only be accessed by Community Housing Providers (CHPs). Support for discount-to-market Essential Worker Housing (EWH) is inadequate. any funding arrangements, including the Housing Australia Future Fund, can only be accessed by CHPs, requiring complex structuring that reduces attractiveness to institutional investors.

The Queensland Government's Build to Rent Pilot Project shows how direct Government funding programs can work. By funding the rental gap for EWH dwellings, it successfully attracted private capital to deliver significant EWH supply.

Recommendations:

- Allow non-CHPs providing affordable housing (including EWH 'discount to market' providers) to access the same concessions and incentives as CHPs to reduce development costs. This includes expanding GST concessions via the nominal consideration rule and aligning income tax rates for affordable housing income to CHP rates.
- Amend Housing Australia legislation to allow lending to non-CHP entities.
- Consider direct funding arrangements to make EWH programs sustainable.

3. Eliminate administrative friction to accelerate super fund investment

Superannuation funds currently cannot restructure investment holdings without triggering CGT events, even when there's no change in ownership. Funds inherit legacy structures from mergers or may wish to restructure investments to separate businesses or to prepare them for sale. This inability to rationalise investment holdings is out of step with corporate groups, which access broader CGT rollover relief and benefit from the tax consolidation regime that ignores income tax consequences for intra-group transactions within consolidated groups.

The current restrictions increase compliance costs and tax deduction claims, slowing fund deployment and creating inefficiencies within the superannuation system as well as Government. Reform would strengthen budget sustainability as CGT would still crystallise on ultimate disposal of investments but other inefficiencies would be addressed.

Recommendation:

- Extend CGT rollover relief to super funds where beneficial ownership remains unchanged.

4. Strengthen coordination with private sector to deliver targeted investment

There is currently no formal process to re-evaluate proposed infrastructure projects and resource allocation based on private infrastructure investments. A co-ordinated approach would review pipeline projects when private investment may materially change the scale or necessity of Government investment, potentially reducing duplication and inefficiencies.

For example, Aware Super is investing $1.6 billion to deliver the Melbourne Intermodal Terminal (MIT) and surrounding precinct in the heart of Melbourne's existing northern industrial and logistics zone. The MIT is set to open in October 2025 and unlike proposed terminals at Beveridge and Truganina, the MIT requires no allocation of public funds.

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[1] Jobs and Skills Australia, November 2024

[2] 2023 EY analysis

Recommendation:

- Develop a process to trigger targeted reviews into projects under the national infrastructure program where potential areas of duplication are identified, to more effectively leverage private sector investment and unlock taxpayer savings.

5. Implement incentives to help speed up the energy transition

Using the existing energy distribution network more efficiently is the easiest and cheapest way to achieve Net Zero targets. However Distributed Network Service Providers can sometimes cause implementation delays given minimal incentives to connect battery projects to the grid in a timely way. It is possible for small scale generation and storage projects to go from concept to operation within 12-18 months, however sometimes this process can take up to three times as long (with a commensurate increase in cost). Unnecessary delays not only impact Australia's energy transition effort, but in some cases can result in investment being diverted to other sectors.

Recommendations:

- Continue to explore ways to fast track small scale, distributed energy network projects nationally.
- Implement incentives for energy distributors to accelerate distributed energy network project connection times, for example through:
  - Performance metrics in state licensing agreements;
  - Mandatory minimum response times and transparent, fixed-cost formulas for integration;
  - Required in-house engineering capacity at distribution networks to process applications efficiently;
  - Publicly available technical connection information for all enquiries; and
  - Options for industry-funded FTE support where needed to expedite battery connections.

6. Review superannuation regulations to unlock investment

The fee and cost disclosures required by ASIC's RG97 emphasise short-term fees, rather than long-term value creation through returns. The need to disclose materially higher investment fees is a contributing factor to investment decisions, particularly in venture capital and domestic residential property – even when these investments may result in higher net returns.

Recommendation:

- Consider options for more effective disclosures, which focuses on net returns rather than disclosing fees in isolation.

7. Remove superannuation system barriers for older workers

Superannuation members are unable to contribute directly to their pension account. This means that members who return to work after moving into retirement phase must maintain two accounts – today, 30% of our members with a pension account also hold an accumulation account. Allowing members to directly make contributions and/or 'top-up' an existing pension product would reduce the need for members to hold additional products or go through a complex process to commute and re-commence their pension.

Recommendation:

- Amend Account Based Pension rules to allow members to contribute directly into their retirement income account, subject to other rules including the Transfer Balance Cap.

8. Remove barriers to digital infrastructure deployment

Roadblocks to digital infrastructure deployment threaten to undermine potential productivity gains. Harmonising Commonwealth, State and Territory, and local laws would remove several existing barriers to the deployment of telecommunications networks.

Recommendation:

- Establish an inquiry into barriers to digital infrastructure deployment to identify potential reforms.

Aware Super would be pleased to provide additional detail on any of the above initiatives. If you would like to discuss any aspect of our submission in further detail, please contact s 47F [redacted]@aware.com.au).

About Aware Super

As one of Australia's largest profit-for-members funds, we are focussed on delivering strong retirement outcomes for over 1.2 million members. Aware Super, which currently manages $200 billion on behalf of its members, was awarded Fund of the Year in 2025 by SuperRatings and Pension Fund of the Year in 2025 by Chant West. We have a team of over 150 investment professionals globally and embedded relationships with distinguished investment partners.