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Principal Adviser  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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Dear Manager

### **Submission to the consultation on proposed financial industry levies for 2013-14**

This submission from the Association of Superannuation Funds of Australia (ASFA) is in response to the request for comments on the *Proposed Financial industry Levies for 2013-14* (the Consultation Paper).

We note that the proposed levy collection for 2013-14 with respect to superannuation funds is the same as for 2012-13, but with a downward variation in the values for the restricted rate, the maximum and the unrestricted rate.

### **ABOUT ASFA**

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. We focus on the issues that affect the entire superannuation system. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

### **GENERAL COMMENTS**

The paper states that the levy arrangements are consistent with the requirement on *Financial Management and Accountability Act 1997* (FMA Act) agencies and relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies to comply with formal government cost recovery guidelines. Those cost recovery guidelines are designed to improve the consistency, transparency and accountability of Commonwealth cost recovery arrangements and to promote the efficient allocation of resources.

The guidelines reflect a set of Government adopted key principles, including the following, which ASFA considers are particularly relevant to the collection of financial industry levies:

- Cost recovery should not be applied where it is not cost effective, where it is inconsistent with government policy objectives or where it would unduly stifle competition or industry innovation.
- Any charges should reflect the costs of providing the product or service and should generally be imposed on a fee-for-service basis or, where efficient, as a levy.
- Portfolio Ministers should determine the most appropriate consultative mechanisms for their agencies' cost recovery arrangements, where relevant.
- All agencies with significant cost recovery arrangements will need to prepare Cost Recovery Impact Statements (CRIS). A CRIS will not be required where a Regulation Impact Statement (RIS) that also addresses cost recovery arrangements against the guidelines has been prepared.
- Agencies are to review all significant cost recovery arrangements periodically, but no less frequently than every five years.

We note that a basic requirement of both a CRIS and an RIS is to transparently document how an agency's fees and charges comply with the cost recovery policy and demonstrate that charges reflect the cost of providing the product or service.

In this context we note the intention of the Australian Prudential Regulation Authority (APRA) to merge its current levy review process with the development of a comprehensive (CRIS) as part of the process for setting the 2014-15 levies.

While welcoming the announcement of the CRIS process we note that this is with respect to an annual supervisory levy which has been imposed since 1998 and which has been subject, since 2002, to the Guidelines' requirement to produce a CRIS and review cost recovery arrangements no less frequently than every five years.

We are aware that Treasury and APRA are currently conducting a review of the methodology behind the determination of the financial industry supervisory levies. As part of this review a discussion paper was released in April 2013 seeking submissions on the design and operation of the levy methodology.

We welcome the recognition in the Consultation Paper of the issues identified in industry submissions to the levy methodology review and in particular the statement that the full range of issues raised will be considered and a formal response and position paper issued by Treasury in due course. The Consultation Paper indicates that, as part of finalising the review, further consultation will be undertaken with stakeholders, with a view to responding to identified issues in the context of the 2014-15 levies process. ASFA welcomes this approach and would be happy to participate in further consultation with respect to this important matter.

With respect to the specifics of the proposed financial industry levies for 2013 - 2014, we note with some concern that the funding required with respect to SuperStream (\$99.5 million) represents an amount which is approximately 86% of the operating costs for all of APRA (\$115.6 million). We query how this can possibly be the case.

APRA is responsible for the prudential supervision of Authorised Deposit Taking Institutions (ADIs), General Insurance, Superannuation and Life Insurance and Friendly Societies. As at 30 June 2011 it employed over 600 Full Time Equivalent (FTE) staff. We query how the SuperStream costs for 2013-14 can be roughly equivalent to the cost of running a department of over 500 FTE.

When it comes to the costs with respect to the superannuation industry in 2013-14, the costs for APRA are \$34.1 million; ATO \$7.3 million; ASIC \$12.0 million and DHS \$4.4 million, totalling \$58.7 million. In this context the SuperStream levy represents 1.7 times the total of all of the other costs with respect to superannuation combined.

It appears as though the SuperStream IT costs are over \$311 million. Of this \$1.9 million will be provided to the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education with respect to VANguard and \$0.1 million to Treasury for annual evaluations, meaning \$309 million will be provided to the ATO. While we welcome the Treasury annual evaluations of the SuperStream initiative, given the magnitude of the amount of the SuperStream costs, especially with respect to IT, we would submit that an independent, comprehensive review of these costs be performed and published as a matter of urgency.

In 2012 – 2013 the restricted maximum was increased from \$260,000 to \$2 million to accommodate the recovery of a portion of the SuperStream levy from the restricted component. We query the appropriateness of this.

We note that the Consultation Paper states that: -

*“For the purpose of levies modelling pooled superannuation trust assets are included in the sub total for superannuation entities. For APRA’s statistical publications pooled superannuation trust assets are not included in asset totals as these assets are already recorded in other superannuation categories”<sup>1</sup>.*

There is a significant concern about the application of the levies to pooled superannuation trusts which we raised in our submission to the levy methodologies review. We are pleased that the Consultation Paper notes this as one of the issues for consideration and would be happy to be involved in any consultation on this matter.

In summary:

- we strongly urge that the current review of the levies setting methodology address the matters raised in our submission to the April 2013 discussion paper;
- we strongly recommend that an independent, comprehensive review of the SuperStream costs be performed and published as a matter of urgency;
- the appropriateness of effectively recouping a portion of the SuperStream costs from the restricted component through the indirect mechanism of increasing the maximum should be reviewed; and
- the application of the levies to pooled superannuation trusts be the subject of further consultation.

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I trust that the information contained in this submission is of value. We would be pleased to meet with you to discuss our submission.

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If you have any queries or comments regarding the contents of our submission, please contact me on (03) 9225 – 4021 or [fgalbraith@superannuation.asn.au](mailto:fgalbraith@superannuation.asn.au) or our principal policy adviser, Robert Hodge on (02) 8079 0806 or via e-mail to [rhodge@superannuation.asn.au](mailto:rhodge@superannuation.asn.au).

Yours sincerely



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