

SUBMISSION

Submission to Select Committee on Productivity in Australia

20 February 2026

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Select Committee on Productivity in Australia
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via email: productivity.sen@aph.gov.au

20 February 2026

Dear Sir/Madam

Select Committee on Productivity in Australia

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission to the Select Committee on Productivity in Australia

About ASFA

ASFA has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers.

We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians. ASFA's remit involves constructive engagement with regulators on reforms and improvements to the regulatory landscape to ensure that the superannuation sector is in a position to deliver on its core purpose and achieve the legislated objective of superannuation.

If you have any queries or comments in relation to our submission, please contact Andrew Craston, Economic Specialist, on 0401 016 587 or via email acraston@superannuation.asn.au.

Yours sincerely

James Koval
Chief Policy and Advocacy Officer

Productivity in Australia

This submission highlights elements of recent work undertaken by ASFA – in particular:

- a research paper on the *Impact and Opportunity of Superannuation on Australia's Productivity* – 13 July 2025 (https://www.superannuation.asn.au/wp-content/uploads/2025/07/ASFA_Superannuation_Productivity_July2025.pdf).
- a submission to ASIC on *Report 813 Regulatory Simplification* – 15 October 2025 (https://www.superannuation.asn.au/wp-content/uploads/2025/10/202534_ASIC_REP813-Regulatory-simplification_web-version.pdf).
- a discussion paper on *Towards an Energy Transition Accord* – November 2024 (<https://www.superannuation.asn.au/wp-content/uploads/2024/11/Towards-an-Energy-Transition-Accord-November-2024-004.pdf>).

Each of these can be accessed via the ASFA website.

Superannuation and Australia's Productivity

A modern understanding of productivity recognises that long-term gains stem from three interrelated, economy-wide processes:*

- Broad-based deployment and diffusion of new technologies: As new fixed capital replaces or augments existing fixed capital, new technologies spread throughout the economy.
- Alignment of workforce capabilities with evolving technologies: As the mix of skills across the labour market evolves to match the changing demands of a more technologically-advanced capital stock.
- Inter- and intra-institutional coordination of investment and innovation: Where businesses, investors and governments play different, critical roles – accommodative policy settings relate to (among many factors) investments in infrastructure and education, competition policy, and innovation support.

In this context, Australia's superannuation system is a key enabler of long-term productivity growth. The key channel by which superannuation contributes to Australia's productivity gains is via (largely indirect) funding for new fixed capital investment that replaces or augments the existing stock of productive capital.

New fixed capital investment is ultimately productivity-improving where changes to the capital stock lead to:

- more efficient production/provision of goods and services;
- new or better-quality goods and services;
- more efficient movement of goods, services and people (e.g. improved infrastructure including; toll-roads, airports, seaports, renewable energy generation facilities);
- more efficient facilitation of economic activity (e.g. improved commercial buildings including; office blocks, retail centres, industrial estates, logistical hubs); and
- greater integration of the impact of production on the value of natural capital, and thus future 'natural income' streams.

Given that much of the funding from superannuation for new fixed capital investment in the Australian economy is indirect, associated productivity gains largely are a consequence of decisions of entities that are recipients of that funding. The superannuation system also directs funding specifically to innovation activity – that may lead to the development and commercialisation of new technologies that ultimately are embodied in future new fixed capital investments.

*Measured labour productivity (hereon, productivity) is the amount of economic output generated per worker within a given time period, where economic output includes both the production of goods and the provision of services.

Superannuation as a source of funding for new fixed capital investment

Superannuation will remain a crucial source of new funding for the Australian economy, and so is integral to Australia's productivity conversation.

Currently, at the system level and including self-managed superannuation funds (SMSFs), superannuation assets stand at \$4.5 trillion – equivalent to around 160% of Australia's annual GDP – with around half of all superannuation investments domiciled in Australia (end of September 2025).¹ For the institutional segment of the superannuation system (that is, excluding SMSFs) total assets currently stand at \$3.3 trillion.*

Looking ahead, total superannuation investments are expected to keep growing for decades to come – though projections are subject to significant uncertainty. The trajectory for total investments will depend on a number of factors, including; investment returns, rates of employment and wages growth (which largely determine compulsory contributions), the quantum of voluntary contributions and the tax treatment of contributions and investment earnings. It is expected that total system assets will reach around \$11 trillion by 2043, or around 190% of annual GDP.² Thereafter, total system assets will continue to grow, and are not expected to decline in absolute terms – that is, when total outflows exceed total inflows – before 2060.

This implies a rising flow of new financial capital from the superannuation system that will need to be allocated to new investments. Presently, just for institutional superannuation, new financial capital in the order of \$40 billion needs to be deployed to new investments each quarter, on average.

Given the rising magnitude of future (potential) funding from the superannuation sector for the Australian economy, the manner by which this funding is allocated will be a key determinant of Australia's future productivity performance.

Allocation of superannuation funding is affected by policy and regulatory settings

The economy-wide process – whereby new fixed capital investment replaces or augments existing capital – reflects the decisions of individual entities – businesses, governments and even households. In particular, and of crucial importance, is the capacity of entities to formulate and undertake (fixed capital) investments that have the greatest potential to generate high, sustainable economic returns. The core, complementary role of Australia's financial system – of which superannuation is a major component – is to allocate funding and risk efficiently, and so facilitate the flow of funding to its most productive ends.

For government, a key challenge will be to ensure that policy and regulatory settings facilitate, rather than hinder, this process. From the perspective of superannuation, and the financial system more broadly, this includes addressing (and avoid imposing) unnecessary impediments to the efficient allocation of funding across the economy, but also implementing policy to address consequential long-term challenges facing Australia and guide funding accordingly.

¹ APRA, *Quarterly Superannuation Statistics*, September 2025 (<https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-for-september-2025>); ABS, *Australian National Accounts*, September quarter 2025 (<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/sep-2025>); and ASFA.

² Deloitte 2024, *Dynamics of the Australian Superannuation System: the next 20 Years to 2043* (<https://www.deloitte.com/au/en/Industries/financial-services/perspectives/dynamics-australian-superannuation-system.html>).

**The 92 institutional superannuation funds comprise 75 funds that are regulated by the Australian Prudential Regulation Authority (APRA) and 17 "exempt public sector superannuation schemes". The latter are not regulated by APRA, but are supervised by the relevant state government or by the Commonwealth Government.*

Recommendations

ASFA's paper on the impact and opportunity of superannuation on Australia's productivity included a number of recommendations. These recommendations – which have been revised to reflect recent developments – are below.

1. Codify policy stability for long-term investment vehicles

As a general point, stable superannuation policy settings help support superannuation's role in funding the Australian economy. Policy stability provides funds with greater confidence when undertaking long-term investment decisions, and reduces the risk to investment returns from unforeseen policy change. That said, specific to the superannuation sector, there are a number of reform areas that would help facilitate the efficient allocation of funding (below).

2. Reform the annual superannuation performance test

The Government is currently considering potential reform to the superannuation performance test regime.

Over the past five years, the performance test regime has delivered significant benefits. In particular, the performance test has improved transparency for members and accountability for industry, removed underperforming products from the market and enhanced member confidence in the system.

However, the current framework applies a single benchmark-driven test to a wide range of products and investment styles. This risks a bias in strategic asset allocation towards asset classes with (relatively) representative benchmarks – listed equities for example – at the expense of other asset classes such as unlisted infrastructure and venture capital. This is particularly relevant to Australia's energy transition, where the test risks constraining allocations to real energy-transition assets.

ASFA supports the need for an objective test that assesses the performance of superannuation products, but also a test that can better support industry innovation and align with shifting community expectations.

ASFA considers that reforms to modernise the performance test focus on generating benefits for members of superannuation funds as the paramount outcome, while strengthening regulatory oversight and facilitating a more efficient allocation of capital for the Australian economy. In this regard, design of the performance test should seek to reduce distortions to funds' investment decisions and provide funds with greater flexibility to allocate superannuation capital.

3. Potential reforms to the regulation of private markets should not unduly hinder participation by superannuation funds

ASFA notes the recent work undertaken by ASIC in respect of Australia's evolving private markets, and their growing role in complementing public markets. Strong, well-functioning public and private markets support Australia's economic growth – by facilitating the efficient allocation of financial capital to its most productive ends in the real economy.

For private markets, prudent reforms can both facilitate market development, and promote confident, informed participation by investors and businesses. For public markets, modernisation and innovation will help ensure that those markets remain competitive and attractive to investors (both domestic and international) and corporates. Potential reforms also should look to reduce regulatory burden and costs on issuers in particular – in ways that do not undermine market integrity and confidence in those markets.

With respect to superannuation, potential reforms should recognise the superannuation industry's robust (and improving) investment governance practices and sophisticated approach to investment decision making, including with respect to private markets.

4. Reform stamp duty disclosure under RG97

For superannuation funds, the requirement to disclose stamp duty under ASIC's Regulatory Guide (RG) 97 reduces the attractiveness of direct investment in Australian property relative to investments via listed structures and international property.

With respect to residential property, for the superannuation system as a whole, the current disclosure requirements mean that flows of superannuation capital to direct investments in Australian residential property are likely to be lower than otherwise would be the case. Within the context of the significant shortfall in Australia's housing stock, a likely impact of the current disclosure requirements is to impair development of the Australia's nascent build-to-rent (BTR) market.

ASIC is currently undertaking a consultation process on proposed changes to stamp duty disclosure in RG97.

For details of ASFA's response to the consultation see *Submission to ASIC – Stamp duty and portfolio holdings disclosure requirements for superannuation funds*.

5. Governments should seek to create structured pathways for public-private investment coordination, including streamlined approvals and co-investment mechanisms for nationally significant projects, particularly for Australia's energy transition

Australia's productive capital stock has evolved over time – reflecting, among other factors, a growing population that has shifted geographically, continual changes to the structure of Australian industry, and technological advancement. Over the next few decades, the key driver of changes to Australia's capital stock – and the required new fixed capital investment – will be our energy transition.

Australia's journey to achieving net zero emissions will require a fundamental transformation of Australia's capital stock – such that the emissions generated from the production of all goods and services in the economy (in a given period) nets to zero, and all within a timeframe of little more than a single generation.

In this regard, accommodative policy settings will be crucial in facilitating superannuation fund investments. Aside from relevant reforms to the superannuation performance test (above), other reforms include:

- a greater role for government in coordinating public and private development and investment
- better coordination of government funding mechanisms for private sector projects
- streamlining of approvals processes – that can involve different levels of government – for new projects

For details, see the ASFA discussion paper *Towards an Energy Transition Accord* (<https://www.superannuation.asn.au/wp-content/uploads/2024/11/Towards-an-Energy-Transition-Accord-November-2024-004.pdf>).

6. Consider modernisation of taxation arrangements for capital gains tax (CGT), which would reduce inefficiencies and facilitate the flow of financial capital

Superannuation funds are currently unable to restructure investment holdings without triggering CGT events, even when there is no change in beneficial ownership. This restriction limits post-merger integration, prevents trustees from rationalising legacy structures (in members' best interest), and increases compliance costs – all of which are sources of inefficiency. Reform would comprise rollover relief and CGT neutrality for internal restructures and mergers where beneficial ownership remains unchanged.

7. Address regulatory duplication

ASFA recently provided a detailed submission to ASIC in response to its regulatory simplification report.

- For details see *ASFA Submission to ASIC – Report 813 Regulatory simplification* (https://www.superannuation.asn.au/wp-content/uploads/2025/10/202534_ASIC_REP813-Regulatory-simplification_web-version.pdf).

ASFA sees considerable opportunity to improve the current regulatory approach to superannuation. As a sector, superannuation is weighed down by regulatory duplication, with overlaps and inconsistent definitions across regulators. Some of this reflects the overlay of superannuation specific requirements on top of more general financial services regulation – requirements that may appear reasonable in isolation become burdensome or duplicative when the regulatory environment for superannuation is viewed holistically.

A lack of materiality in many regulatory requirements also means immaterial issues can be treated with the same weight as significant ones. All of this costs extra time and extra resources – both which could be put to more productive uses to benefit superannuation members and the broader economy.