Australian Government

The Treasury

Mr Daniel Craig
A/g Executive Director
Office of Impact Analysis
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Email: helpdesk-OIA@pmc.gov.au

Dear Mr Craig

Impact Analysis – Ban on advertising of superannuation funds during employee onboarding – Second Pass Final Assessment

I am writing in relation to the attached Impact Analysis (IA) prepared for the ban on advertising of superannuation funds during employee onboarding.

I am satisfied that the IA addresses the concerns raised in your letter of 15 March 2024. Specifically, it:

- Provides additional information on other seemingly viable options to solve the stapling issue and incorporates adjusted stapling rules as a complementary method of reducing the creation of unintended duplicate accounts.
- Specifies detailed methods used to estimate the net benefit of two options, being a full ban on superannuation advertising during onboarding or a limited ban (see Appendix A of the IA for how costs were calculated) and incorporates a clear rationale and decision rule using the greatest net benefit to identify the best option as the limited ban on advertising. Quantitative impacts are estimated where possible using a range (low to high) reflecting uncertainty, and qualitative evidence is also provided. The net benefit of each option is outlined below.
- Describes in detail why the requirement for the Australian Taxation Office to establish an employment relationship is leading to implementation issues that encourages employers to avoid stapling (see Background). Employers are finding it difficult to establish the employment relationship using existing methods, including because some employers require the employee's superannuation fund details before being able to generate the first Single Touch Payroll event.
- Clarifies the estimate of the regulatory burden associated with each option and how it was calculated. The regulatory burden of each option is outlined below.

Section 4 analyses the costs and benefits for each option, including the likely outcomes for affected stakeholders and the economy:

- Option 1, which is a ban on superannuation funds advertising during onboarding, has an estimated cost of between \$8.6 million to \$234 million per year in increased onboarding costs for employers. It is estimated that employees will benefit by between

Australian Government
The Treasury

$16 million to $280 million per year in increased savings from fewer duplicate accounts and between $17 million to $117 million per year from avoiding being influenced into joining underperforming products.

- Option 2, which is a limited ban on advertising, has an estimated cost of approximately $4.8 million per year for employers. The benefit to employees is estimated at between $3.3 million to $56 million per year in increased savings from fewer duplicate accounts and between $17 million to $117 million per year from avoiding being influenced into joining underperforming products.

The regulatory cost of Option 1 is estimated to be:

- a one-off cost of about $40,000 to $180,000 for the five onboarding service providers based on changes to business processes, such as updating websites and software.
- a one-off cost of about $440,000 to $2.6 million across all superannuation funds, as they will be required to change business processes, such as advertising strategy, existing contracts with onboarding service providers, systems and policies.

The regulatory cost of Option 2 is the same as Option 1, with the addition of:

- an ongoing cost of between $440,000 to $880,000 per year across all superannuation funds, for ongoing monitoring to ensure compliance with the limited ban.

As stated in the IA, compared with the status quo, the net benefit of Option 1 is estimated to be between $24 million to $163 million per year, with one-off regulatory costs of between $480,000 to $2.8 million. The net benefit of Option 2 is $20 million to $167 million per year (including an ongoing regulatory cost of $440,000 to $880,000 per year), with one-off regulatory costs of between $480,000 to $2.8 million. On balance, Option 2 is recommended, having regard to the estimated net benefit of the two options as well as the regulatory costs and disruption to industry.

Accordingly, I am satisfied that the IA is consistent with the six principles for Australian Government policy makers as specified in the *Australian Government Guide to Policy Impact Analysis*.

I submit the IA to the Office of Impact Analysis for formal final assessment.

Yours sincerely

Brenton Philp
Deputy Secretary, Markets Group
Department of the Treasury
22 July 2024