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Front Door Taskforce
National Interest Framework Division
The Treasury
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By email: FrontDoorConsultation@treasury.gov.au

Dear Treasury

FSC Submission to the Treasury Consultation on Establishing a 'Front Door' for Major, Transformational Projects

Introduction

The Financial Services Council (**FSC**) welcomes the opportunity to provide feedback on the Government's consultation paper on establishing a 'Front Door' for major, transformational projects (**Front Door**).

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, financial advice licensees and investment platforms. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses.

The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange, and is one of the largest pools of managed funds in the world.

As the peak body representing fund managers and superannuation funds (collectively, **funds**), the FSC is committed to fostering a robust investment ecosystem that attracts both domestic and international capital to Australia.

The Front Door

The establishment of a Front Door as part of the Government's *Future Made in Australia* (**FMIA**) agenda, aims to maximise the economic and industrial benefits of the transition to net zero and secure Australia's place in the global economic landscape. This submission outlines the FSC's recommendations for improving the current investment ecosystem, the design features of the Front Door, and its implementation.

The FSC recognises that the badge of Australian Government support from recognition as a Front Door-supported project may help projects to attract international investment. The FSC supports the Front Door initiative in-principle and emphasises the importance of designing it to provide substantial value beyond existing government structures.

Maximising the available capital pool

As a practical matter, funds are driven by competitive forces – and in many instances, legal obligations – to pursue the highest possible risk-adjusted investment returns for their investors, subject to certain portfolio-related constraints (such as asset allocation and domicile).

In this context, the Front Door and broader FMIA policies will need to be carefully calibrated if they are to attract the “[s]ignificant amounts of private capital from domestic and international sources [which] will be necessary” to achieve the FMIA’s priorities.¹ The FSC therefore recommends extensive further consultation with investors and fund managers, as well as ongoing engagement with fund managers in the administration of a Front Door through an advisory board (see below).

To ensure buy-in from the widest possible cross-section of the funds management industry, the FSC strongly suggests that the important principle of competitive neutrality should be entrenched in the Front Door’s legislative framework. We consider the available capital pool will be maximised if the Front Door remains agnostic to whether a fund is large or small, global or domestic. Care should be taken to ensure the Front Door does not privilege particular types of funds over each other, aside from ensuring that they are capable of (individually or with proposed co-investors or other proponents) delivering a project and are not disqualified from consideration on public interest grounds, such as national security considerations or a history of legal non-compliance.

Improvements to the Current Commonwealth Investment Ecosystem

For global fund managers assessing investment options between jurisdictions, the complexity of Australia’s investment environment creates uncertainty which lowers its risk-adjusted returns and reduces Australia’s attractiveness as a destination for global capital. The Front Door has the potential to improve Australia’s global competitiveness and correspondingly expand its productive capacity and prosperity.

The current Commonwealth investment ecosystem presents several challenges that can deter investment in major projects by fund managers. These include:

1. *Fragmented Regulatory Processes*: Navigating the complex regulatory frameworks across Commonwealth, state, and local governments can be cumbersome and costly for proponents. This fragmentation can lead to delays and increased costs, discouraging investment in major projects.
2. *Multiple Entry Points*: The existence of various entry points for investment proposals can create confusion and inefficiencies. Proponents often face difficulties in identifying the appropriate government entity to approach, leading to delays and duplication of efforts.
3. *Coordination of Public Investment*: There is a need for better coordination among government entities to ensure investments benefit the broader community and are not hindered by duplicative processes. Implemented correctly, improved coordination can enhance the effectiveness of public investment and attract more private capital.

These are challenges which large domestic funds typically have the size, persistence and capabilities

¹ Treasury, *Consultation Paper: Establishing a ‘Front Door’ for major, transformational projects* (September 2024).

(including specialised teams) to navigate which smaller or less Australia-focused global funds may lack.

The FSC recognises the potential of the Front Door to be a valuable mechanism, especially for global and small to mid-sized funds. But to truly add value, it is essential that the Front Door operates as more than just an additional layer of government. For instance, given that existing agencies such as the Australian Trade and Investment Commission (**Austrade**) are already engaged in active investment attraction initiatives, the FSC does not support duplicating this function. However, the FSC is supportive of a Front Door model which provides information to funds considering investing in Australia to help them understand the potential government support avenues which exist and the best means of exploring them. This would be particularly valuable to small funds and/or global funds with limited experience in the Australian market.

In addition to the Front Door and its possible mechanisms for helping proponents to navigate the existing Commonwealth investment ecosystem, simplifying and harmonising regulatory frameworks to reduce complexity and costs for project proponents would increase Australia's competitiveness for global capital. This extends to initiatives to streamline processes between different layers of government.

It is also important to compare the Commonwealth investment ecosystem with global developments. The world is still adjusting to the implications of the US Inflation Reduction Act, and as other jurisdictions consider similar measures, Australia needs to ensure it remains an attractive destination for global capital.

Recommendation 1: *The FSC considers the Front Door should provide information to funds considering investing in Australia to help them understand the potential government support avenues which exist and the best means of exploring them, but should not play an active role in seeking out investments.*

Possible Design Features of the Front Door

Identifying and Prioritising Major, Transformational Projects

FSC members believe that the criteria for prioritising major, transformational projects through the Front Door should be transparent, objective, and consistently applied. Additionally, these criteria must be clear, flexible and not overly prescriptive to avoid discouraging investment, thereby increasing proponents' confidence in the process. Ensuring competitive neutrality is also crucial, as the Front Door should be open to proposals from all potential investors without favouring types of funds, investors or individual projects except through strict adherence to its objective and equitable prioritisation criteria.

Treasury is preparing sector assessments under the FMIA National Interest Framework and has prepared the Critical Technologies List. These resources have been designed to identify key sectors and projects which align with national priorities and have significant potential impact and should be leveraged to inform the prioritisation criteria.

Furthermore, a digital platform that integrates all Commonwealth Government services and sector-specific regulatory requirements could be developed to provide a one-stop-shop for investors in Front Door projects. Such a platform could streamline the process of accessing information and services, making it easier for investors to navigate the regulatory landscape and engage with relevant government entities.

A fast-track approval process for projects that meet certain criteria should be introduced to reduce the time and complexity of obtaining necessary approvals, making Australia a more attractive destination for investment. It is essential to ensure that domestic investors are not disadvantaged relative to global

investors, maintaining a fair and competitive investment environment. The Front Door should play a passive role, assisting investors rather than proactively picking winners, ensuring neutrality and non-interference with market dynamics. Separate agencies such as Austrade should continue to play a more active role in promoting Australia.

Recommendation 2: *The FSC advocates boosting investor confidence by ensuring criteria for government support are transparent, objective, clear, flexible and objectively applied.*

Recommendation 3: *The FSC advocates being open to all funding proposals without interfering in market dynamics or favouring any particular type of investor, fund, or proposal, while adhering to the transparent Front Door prioritisation criteria.*

Recommendation 4: *The FSC recommends leveraging Treasury's FMIA sector assessments under the National Interest Framework and the Critical Technologies List to identify and prioritise key sectors and projects.*

Recommendation 5: *The FSC suggests developing a one-stop-shop digital platform that integrates all Commonwealth Government services and regulatory requirements for investors.*

Recommendation 6: *The FSC proposes introducing a fast-track approval process for projects meeting specific transparent criteria to reduce approval time and complexity.*

Recommendation 7: *The FSC supports ensuring a level playing field for domestic and offshore funds to maintain a fair investment environment.*

Recommendation 8: *The FSC advises assisting investors passively, without proactively picking winners or actively seeking out investment, to ensure competitive neutrality and non-interference with market dynamics.*

Coordinating Government Engagement

To coordinate government engagement, the Front Door should adopt a blend of active case management for committed investments (eg ongoing case management services, tailored support services, etc) and light touch guidance for early-stage projects (eg maps of regulatory processes, investor-proponent matching services, etc). Active case management can assist investors in navigating complex processes once they have committed to a project, while light touch guidance provides initial support and information to proponents to help early-stage projects get off the ground and to investors to help them better understand regulatory requirements.

Establishing separate support teams within the Front Door for domestic and global investors is essential to tailor services appropriately due to these cohorts' different needs. These teams can offer specialised support, ensuring that the diverse needs of different types of funds are met effectively. Additionally, investment readiness programs should be offered to help early-stage projects become investment-ready. These programs would include business planning and financial modelling support, ensuring that projects are well-prepared to attract investment and succeed in the market.

If a one-stop-shop digital platform is created as part of the Front Door, the FSC supports incorporating

capabilities to match investors with suitable projects based on their investment criteria and preferences. Such a service would facilitate connections between investors and projects, increasing the likelihood of successful investments. Any such investor-proponent matching service could permit an investor to indicate their investment preferences/risk appetite/liquidity appetite/asset allocation/asset preferences with the platform using objective and transparent criteria to match them to proponents. Furthermore, setting up investment facilitation centres in key international markets could provide on-the-ground support to potential investors. These centres would promote Australia's investment opportunities and offer assistance to investors in their home countries, making it easier for them to engage with the Australian market.

Recommendation 9: *The FSC advocates making available options for active case management and light touch guidance, giving investors flexibility to choose which services to rely on.*

Recommendation 10: *The FSC recommends creating dedicated separate teams for domestic and global investors to tailor services appropriately.*

Recommendation 11: *The FSC suggests implementing investment readiness programs to help early-stage projects become investment-ready, including business planning and financial modelling support.*

Recommendation 12: *The FSC proposes that if a one-stop-shop digital platform is implemented, it should include investment matching capabilities.*

Recommendation 13: *The FSC supports establishing investment facilitation centres in key international markets to provide on-the-ground support and promote Australia's investment opportunities.*

Regulatory Facilitation

To make Australia a more attractive investment destination, it is essential to streamline foreign investment review processes. Simplifying and accelerating these processes can reduce barriers to entry, thereby attracting more foreign capital. At present, regulatory barriers create unnecessary obstacles to global investors which has adverse impacts on the Australian economy. For example, requirements for FIRB clearance to be obtained even for routine passive investment activities by global funds, such as interfunding arrangements, deters investment in Australia and discourages the exploration of more active, larger-scale investment projects. It is promising that the Government has announced some minor improvements to the regulation of interfunding arrangements to exempt them from the FIRB clearance process. Since these measures were first announced in the 2023-24 Budget, however, it is essential for more comprehensive measures to be put in place to urgently resolve barriers to routine interfunding transactions as well as passive investing more broadly.

Including advisory services within the scope of the Front Door is worth investigating further, as such services are likely to help set a level playing field to assist all investors – including smaller investors and/or global funds with limited familiarity with the Australian market, as they often lack the resources to navigate complex regulatory requirements. These services can offer valuable support and guidance. A level playing field permits all investors to benefit from more efficient intermediation processes which will accelerate capital investments.

Clear timelines and performance indicators can improve accountability and streamline processes. Implementing transparent key performance indicators (**KPIs**) for decision-making timeframes for Front Door projects and reporting would encourage timely and efficient decision-making by Front Door personnel and the agencies they would be responsible for coordinating.

Appointing senior case managers to coordinate different parts of the Treasury can help smooth over difficulties and provide high-level oversight, ensuring prompt resolution of issues. It will, however, be necessary to ensure that case managers have sufficient seniority to be able to keep other agencies on track to accomplish regulatory milestones within key timeframes. To add value to industry, it would also be highly beneficial for case managers to have deep sectoral expertise.

Establishing a regulatory sandbox is one means by which the Front Door might encourage investment in innovative projects. This would involve the adoption of relaxed regulations for a limited time on a trial basis, encouraging innovation and attracting cutting-edge projects to Australia. The trialling of different regulatory settings would also be an opportunity for regulators to experiment and develop potential improvements to existing practices. An example would be coordinating with a state or local government to trial a streamlined, integrated planning and environmental approval process with a reduced number of decision points. It would be important to maintain competitive neutrality and transparency within such an experimental framework.

Conducting regular regulatory impact assessments will help identify and address barriers to investment, ensuring a conducive regulatory environment. Combined with working towards regulatory harmonisation across Commonwealth agencies as well as states and territories to create a more unified investment environment, this would be aimed at reducing complexity and making it easier for investors to navigate the regulatory landscape.

Finally, tax reform is necessary to enhance Australia's attractiveness as an investment destination by making it more financially appealing and competitive on a global scale. In particular, tax complexities related to corporate collective investment vehicles (**CCIVs**) is an area which requires reform to attract global capital. The CCIV is currently not achieving its potential due to its reliance on trust rules and lack of rollover capital gains tax relief to allow a transition from other investment vehicles. CCIVs were established to provide a competitive investment vehicle that makes it easier to operate in Australia and is aligned to other global regulatory frameworks, but the lack of transition rules triggers capital gains tax liabilities and prevents funds from carrying over their performance record.

Similarly, the complexity of Australia's withholding tax settings is a key barrier to the export of our funds management expertise. There are also technical problems with their application in some contexts. The Asia Region Funds Passport is a multilateral instrument to reduce regulatory barriers to trade in financial services, enabling marketing of investment products across participating economies and increased capital flows from overseas into Australian funds. Australia's tax system is not competitive among Passport jurisdictions due to its complexity and high compliance costs. Australia's rules are comparatively complicated and difficult to explain, and foreign investors have a perception of high tax rates despite similar tax outcomes.

Recommendation 14: *The FSC advocates simplifying and accelerating foreign investment review processes to reduce barriers to entry and attract more low-risk foreign capital. Addressing regulatory barriers, such as FIRB clearance requirements for routine passive investment activities, can encourage larger-scale investments.*

Recommendation 15: *The FSC recommends investigating the inclusion of advisory services to set a level playing field, including but not limited to assisting smaller investors and global*

funds unfamiliar with the Australian market in navigating complex regulatory requirements.

Recommendation 16: *The FSC suggests establishing clear timelines and reportable KPIs to ensure timely, efficient, and accountable decision-making by agencies and performance by the Front Door.*

Recommendation 17: *The FSC proposes appointing case managers with sufficient seniority, authority, and sectoral expertise to coordinate different Commonwealth agencies and ensure regulatory milestones are met.*

Recommendation 18: *The FSC supports creating a regulatory sandbox to allow innovative projects to operate under relaxed regulations for a limited time, encouraging innovation, while including safeguards to protect competitive neutrality and transparency.*

Recommendation 19: *The FSC advises performing frequent regulatory impact assessments to identify and address barriers to investment, ensuring a conducive regulatory environment.*

Recommendation 20: *The FSC advocates harmonising regulations across Commonwealth agencies as well as states and territories to create a more unified investment environment, reducing complexity for investors.*

Recommendation 21: *The FSC strongly recommends pursuing serious tax reforms to make Australia a more competitive destination for global capital, including measures such as reforming the application of capital gains tax to Corporate Collective Investment Vehicles and simplifying the operation of withholding tax – especially for Asia Region Passport jurisdictions.*

Coordination of Public Financing

To enhance the coordination of public financing, the Front Door should adopt a passive role, assisting investors without proactively picking winners. This approach ensures neutrality and prevents interference with market dynamics. By maintaining a passive stance, the Front Door can provide support and guidance without distorting the competitive landscape.

Adding value by informing investors about lesser-known public funding avenues is another crucial aspect. Providing comprehensive information on available funding options can help investors access the necessary resources, thereby facilitating their investment decisions. This service would be particularly beneficial for small and/or global investors who may not be aware of all the funding opportunities available to them.

Recommendation 22: *The FSC does not support giving the Front Door a decision-making role concerning the allocation of public funding to individual projects or investors.*

Recommendation 23: *The FSC recommends that the Front Door be designed to provide comprehensive information to investors and proponents on potentially available public funding options.*

Implementation of the Front Door

The FSC supports the establishment of the Front Door but recommends a review of the scheme to ensure it operates as intended. Incorporating an advisory board would provide a dynamic feedback loop to keep the scheme on track. The FSC recommends designing the Front Door so that it has inbuilt and regular engagement with industry (including those yet to seek to use its services) on how to refine state and federal laws and government processes to enhance productivity and ensure investments in Australia are, risk-adjusted, highly competitive with those in other jurisdictions. This consultation could be used to inform any advice and recommendations to government and Cabinet/National Cabinet.

To ensure industry's ongoing trust and confidence in the Front Door, it would be necessary for the Front Door to public data showing the risk and return profiles associated with individual sectors and, where relevant, any support provided by government, as well as comparable returns in other jurisdictions. The design of such publications could be informed through ongoing consultation with industry.

Additionally, as stated above the policy should include clear, reportable KPIs for measuring success and facilitate transparent reporting on the status of large projects.

The implementation of the Front Door should be phased, starting with a pilot program to test the model and refine its operations. This approach allows for adjustments based on feedback and ensures that the Front Door can effectively meet the needs of investors.

Recommendation 24: *The FSC supports conducting periodic reviews of the scheme and consultation with industry to ensure it operates as intended.*

Recommendation 25: *The FSC recommends establishing an advisory board including investment industry representatives to provide a dynamic feedback loop and keep the scheme operating as intended.*

Recommendation 26: *The FSC recommends that the Front Door publish transparent sector-specific data showing risk and return profiles associated with individual sectors, government support and comparable returns in other jurisdictions.*

Recommendation 27: *The FSC proposes starting with a pilot program to test the model and refine its operations based on feedback during the phased implementation.*

Additional comments

Superannuation performance test

Due to the performance test, superannuation funds may be hesitant to risk investing large sums into individual FMIA projects. Superannuation trustees could be encouraged to do so if the performance test parameters were recalibrated so that if a superannuation fund invests in a FMIA project then that investment is assessed as having a minimum deemed return at CPI+X% for the purpose of administering the performance test. Alternatively, having a CPI+X% performance test applied to FMIA investments as a general benchmark would allow trustees more flexibility in their investment choices, including into emerging assets such as some types of ESG investments, without risking tracking error against prescribed benchmarks, while also holding trustees accountable to make an appropriate return

for their members.

There may be challenges with selecting the 'X%' amount, but this could be flexibly adjusted through the regulations and be selected based on market factors. The Government can choose an appropriate amount that would both provide members with sufficient returns, whilst not deterring investments. Other safeguards should also be put in place, such as a cap on the amount of assets (eg 5% of FUM). It would only be appropriate to allocate assets to this 'general benchmark' on a go forward basis, that is, current investments should not be allowed to be re-allocated. The trustee must also be able to demonstrate to the regulator that assets attributed to the general benchmark do not align to any of the specified benchmarks.

Recommendation 28: *The FSC proposes that to encourage investment in FMIA Front Door projects by superannuation funds, the superannuation performance test be subject to a CPI+X% modification (to be determined via further consultation).*

National Innovation Visa

As noted in the consultation paper, “[s]ignificant amounts of private capital from domestic and international sources will be necessary” to accomplish the FMIA’s priorities.² An important historical source of overseas capital with a track record of being used to advance government priorities is the investment pool from the Significant Investor Visa (**SIV**).

Since its inception in 2012, the SIV has contributed over \$15 billion in complying investments and an additional \$20 billion in other investments, stemming from only approximately 300 primary visas per annum. By 2022-23, SIV holders had paid a cumulative \$2.2 billion in taxes after gaining permanent residency. The independent Parkinson Review, commissioned by the former Minister for Home Affairs, acknowledged the SIV had strong economic benefits and could be retained to support innovative investments and venture capital.

The new National Innovation Visa (NIV) has the potential to deliver significant benefits for Australia, including nation-building investments in renewable energy, sustainable finance, healthcare infrastructure, and advanced manufacturing. The inclusion of an investment stream in the NIV could provide billions of dollars in future investments, supporting key government priorities outlined in the FMIA policy, such as the transition to net zero, clean energy technology development, and social and affordable housing. Additionally, the investment stream is essential for encouraging venture capital investment, with the SIV program having contributed 23% to 35% of Australia’s total compliant venture capital funding between 2017 and 2022.

Recommendation 29: *The FSC strongly supports the inclusion of an investor stream within the National Innovation Visa modelled off the former Significant Investor visa.*

Conclusion and Next Steps

The FSC supports the Front Door initiative in-principle and emphasises the importance of designing it to provide substantial value beyond existing government structures. This will be best accomplished through maintaining competitive neutrality, transparent and objective prioritisation criteria, recruiting and empowering senior case managers, and reforming tax and foreign investment law barriers to

² Treasury, *Consultation Paper: Establishing a ‘Front Door’ for major, transformational projects* (September 2024).

investment.

The FSC is keen to encourage the Front Door policy and looks forward to its implementation. However, it will be crucial to monitor the scheme through the publication of clear KPIs, to review the scheme periodically to ensure it operates as intended, and to incorporate an advisory board which includes industry representatives to help maintain a dynamic feedback loop. Such measures will help keep the Front Door effective and aligned with its objectives.

The FSC appreciates the opportunity to contribute to this consultation and looks forward to continued engagement with the Government on this important initiative. We would welcome the opportunity to meet with you or your team to discuss these issues in more detail and explore how we can work together to achieve these goals.

To arrange a meeting, please contact Jack Morgan, Director of Policy – Investment and Funds Management at jmorgan@fsc.org.au.

Yours sincerely

Jack Morgan

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