



9 February 2024

Dear Commissioners

I am writing to express my concern in response to the recent recommendation by the Australian Productivity Commission in its draft report, *Future Foundations for Giving*, to remove DGR status for building funds from independent schools.

I believe every child in Australia should have access to an outstanding education, regardless of their socioeconomic status, location or family circumstances.

An essential part of any first-rate educational experience is the provision of infrastructure which inspires learning, sparks curiosity, and provides a safe and practical working space for students and staff alike.

School buildings are much more than collections of classrooms. The best are purpose-built, highly functional spaces designed to support educational imperatives and the relationships between the people within it. They serve as a reflection of the culture of a school and what is important to it, most commonly subliminally providing students with an inherent understanding of the importance and value of learning. This results in a long-term benefit to our society that cannot be underestimated.

Therefore, I am very concerned about the Productivity Commission's recommendation of the withdrawal of Deductible Gift Recipient (DGR) status for School Building Funds.

About Melbourne Grammar School

For almost 170 years, Melbourne Grammar has been a place where the pursuit of excellence is celebrated in a culture underpinned by respect, humility, responsibility and service.

We offer a holistic educational program to students from Prep to Year 12. Our primary school campus enrolls both girls and boys. Our secondary school campus, and our Boarding Houses, enrol boys only.

Our role is to teach students how to think, learn and reflect, so they may go on to lead meaningful lives in the service of humanity.

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Inclusivity is important to us. With a robust First Nations program and a range of access scholarships, we enrol a diverse cohort of students. We also extend the use of our facilities to others in our community. This includes regularly holding conferences and seminars for staff and students across the sector, offering public lectures and opening up our buildings and sporting facilities for shared use.

Capital funding sources at Melbourne Grammar

Melbourne Grammar School has not received any form of capital grant funding from the government since 2008. The School is not eligible for capital grants available through the Victorian Government Building Fund for Non-Government Schools in which funds are provided by the State Government and administered by Independent Schools Victoria.

Given the diverse nature of families at our School, we do not include a voluntary Building Fund contribution option on school fee accounts.

However, like many independent schools, Melbourne Grammar is fortunate to have a strong philanthropic culture and we rely heavily on the generosity of our School community to financially support major building projects. Last year, our donor profile was alumni 54%, parents of current students 15%, parents of alumni 6%, staff 7%, bequests and legacies 5%, and other 13%.

While our donors overwhelmingly prefer tax-deductible giving opportunities – chosen by more than 95% of our donors – it reflects their commitment to sustaining and enhancing the School. After speaking with many of our donors, evidence suggests that they give to the School because of their strong and abiding connection to it and education. It is my informed view that donors to our School, and probably many others, are unlikely to shift their philanthropic interest to another not-for-profit entity so, rather than growing philanthropy across Australia as intended, the proposed shift in DGR status will reduce it.

In summary, and quite simply, without the tax-deductible status, the funding available for capital projects will be substantially reduced at Melbourne Grammar and for many schools across the entire sector, without a comparable increase in other philanthropic areas. The proposed change ultimately benefits no-one.

Further, given our commitment to providing Melbourne Grammar students with an exemplary educational experience, alternate revenue sources for capital works will be needed should the Productivity Commission's recommendation be upheld. There are limited options available to us, none of which are attractive.

Our student cohort is far more diverse than many people realise. We are increasingly investing in strategies which enable aspirational students to attend Melbourne Grammar regardless of their location, socio-economic circumstances, or family background. Therefore, raising parent fees to cover building projects is not our preferred option. Similarly, we would be reluctant to draw funding away from essential learning, pastoral care or student support programs for this purpose. I imagine this is similarly the case for many independent schools across Australia.

If school fees were to be increased, this is likely to result in a transfer of students from independent and catholic schools to government schools which would result in a much higher combined cost to State and Federal Governments to educate those same students.

Supporting enrolment growth

Rather than expecting government schools to be able to grow to meet demand associated with the projected enrolment growth in school children across Australia, independent schools will play a key role in absorbing some of the growth, ultimately saving the government (and the taxpayer) money.

However, schools are likely to need higher levels of infrastructure for this to occur. I believe the capacity to meet this need will be compromised should the proposed change to DGR status be realised.

A new option for increasing philanthropy in Australia

The stated objective of the Productivity Commission's report is to increase philanthropy in Australia. In addition to removing the recommendation of the withdrawal of Deductible Gift Recipient (DGR) status for School Building Funds, to further strengthen philanthropic giving, I would like to propose the automatic provision of DGR status to all not-for-profit independent schools and school-related foundations.

Currently, schools face the challenge of seeking DGR endorsement for various funds on an individual basis. Granting automatic DGR status to schools would not only liberalise fundraising opportunities but also align Australia with international norms, where schools and universities enjoy similar charitable status, fostering increased philanthropic giving.

I urge you to reconsider the proposal to withdrawal of DGR status for School Building Funds, recognising the profound impact it will have on students and their families, current and future, across all schools within Australia.

Yours faithfully

Philip Grutzner
HEADMASTER