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Royal Flying Doctor Service

Productivity Commission

Royal Flying Doctor Service Australia submission - 5 May 2023

Background

Royal Flying Doctor Service (“RFDS Group”)

The RFDS Group is a federated not-for-profit health service organisation which continues to provide a Mantle of Safety across regional, rural and remote Australia through a range of services including:

- emergency aeromedical evacuation services supporting rural and remote communities;
- primary health care clinics in communities that would otherwise not have any medical service or a very limited service;
- inter-hospital patient transfer services in most states (all other than New South Wales and Victoria) and Northern Territory;
- medical chests supported by 24/7 telephone / radio/ internet access to doctors;
- dental services in Bass Strait islands;
- truck based dental services to regional and remote communities that would not otherwise have a dentist;
- wellbeing services to regional and remote communities including mental health support services.

The RFDS Group includes six Operating Sections and the Australian Council, which is the national representative body. The Australian Council holds the funding agreement with the Commonwealth, to support primary evacuation, primary health care, dental and medical chest services in conjunction with each of the Operating Sections. It coordinates and delivers national strategies, national procurement arrangements and national fundraising.

The Operating Sections are the operational bodies which deliver the health services own the assets, and employ the majority of the staff to deliver the services. The Operating Sections also hold funding support agreements with the various State and Territory governments for the delivery of inter hospital transfer services and other state-based health services.

Each of the RFDS Group entities is a registered charity. Each is endorsed by the ATO as income tax exempt (“ITE”), as a Public Benevolent Institution (“PBI”) and as a Deductible Gift Recipient (“DGR”).

Each of the RFDS Group of entities qualifies for the following tax concessions:

- Income tax exemption;
- FBT exemption concession; and
- GST concessions

Further information about the RFDS Group is available on our website: <https://www.flyingdoctor.org.au>

Information request 1

Defining philanthropy and the inquiry’s scope

The Commission is seeking views and information on the following.

- *Philanthropic activities that should fall within the scope of this inquiry.*

- ***Ways of recognising different definitions, perspectives and norms relating to philanthropy among different cultures and communities, including but not limited to:***
 - *Aboriginal and Torres Strait Islander people*
 - *culturally and linguistically diverse communities*
 - *faith-based groups*
 - *younger and older Australians.*

RFDS Group submission

Philanthropy encompasses a broad range and includes

- donations by individuals during their lifetimes of cash, assets and time
- bequest by individuals through their gifts in will
- establishment of Private Ancillary Funds and Public Ancillary Funds (“PAFs”) by those individuals or entities that create the initial fund
- donations by those PAFs to DGR 1 entities
- corporate support

Philanthropy has to fill the cracks that the Government cannot fix.

Many of the social services funded today by governments were first funded by philanthropy and as the values of those social services were able to be measured, governments were able to undertake the long-term delivery of those services.

Philanthropy is an important part of the history of the RFDS Group.

A bequest by Hugh McKay the inventor of the Sunshine Harvester provided the seed funding for Rev John Flynn to be able to employ the first doctor and lease the first aircraft, commencing in Cloncurry in May 1928.

Almost ninety-five years later, philanthropy remains an essential enabler of services for the RFDS Group to allow the RFDS Group to continue to deliver its services and to be agile and innovative in the delivery of services into the future.

Information request 2

Vehicles, trends and motivations for giving

The Commission would welcome the following.

- ***Any data, in addition to what is publicly available, on giving by donors who have different characteristics, such as age, gender or income.***

RFDS Group submission

The RFDS Group experience on the profile of donors includes:

- Donors who are of limited means, but who value the service that RFDS Group provides and so will make donations which might be of small dollar amounts but are significant allocation of their limited resources.
- Donors who have reached a stage of their life where they are financially stable, have completed the costs of raising and supporting families and choose to give back to society through supporting the charities of their choice.
- High net wealth individuals who wish to support charities of their choice with both personal donations and for some support from trusts and foundations that they have established.

Our experience is that age is not specific but more about when the financial achievements occur. Similarly, gender is a neutral factor.

An example is a simple analysis of the donations received the RFDS Central Operations Section (covering South Australia and Northern Territory) - donations from individual donors for the year ended 30 June 2022 totalled \$3.7million; with 12,250 individual donors this equates to an average of \$302 per donor.

RFDS has observed that the younger demographic will more likely support a cause not an organisation.

The Commission would welcome the following:

- ***Australian-specific data, case studies or other insights regarding motivations of donors who have different characteristics, including elasticities of giving if available.***

RFDS Group submission

We have included under the heading Information request 4 a list of possible motivator categories for donors.

General observations include

- Donors who are prepared to provide more substantial support are increasingly sophisticated in the analysis of how their contribution will be applied. This expectation is usually focused on outcomes, not just outputs.
- Many trusts and foundations are more likely to offer a seed capital support to underwrite a new initiative or new service and many individual donors are also looking for a connection to the outcomes. The dental truck outlined below is an example.
- Charities need to introduce new initiatives ideally with new service offering that connect with the supporters.

An example - in June 2022 the RFDS Qld Section sought donor support under the message “Lighting the Lanterns”. RFDS Qld Section had developed a new lantern design to safely and economically light remote airstrips for emergency retrievals at night. Donors were offered the option to donate sufficient funds for the RFDS to provide a single lantern, up to a full box of lanterns that would support a complete airstrip. Donors including a strong urban contingent embraced the campaign with almost all airstrips requiring lantern sets funded within a short time period; donors were enthusiastic to know which airstrip their set of lanterns were allocated to. A strong connect.

- There is also benefit if small amounts can be collected from many. Two examples
 - Ergon Energy Retail is an electricity provider covering much of Queensland other than the south east corner. Ergon offers its customers the opportunity to add a tax-deductible donation to the RFDS of say \$5 on each electricity account. In April 2023, this partnership of Ergon collecting donations for the RFDS celebrated 23 years and having raised \$18million. Small tax-deductible amounts from many.
 - During a select period of time (last year two weeks) Woolworths in Queensland offers its customers to round up their purchase to the next whole dollar with the amount to be a donation by the customer to the RFDS Qld Section. The 2022 campaign ran for two weeks across Queensland raising in excess of \$200,000. Small amounts that add up to something significant albeit all individually below the \$2 threshold.

The Commission would welcome the following.

Data on the costs to not-for-profit (NFPs) organisations of sourcing revenue through different approaches, including:

- ***data on the rate of return of these different methods***
- ***data comparing fundraising costs with costs of other funding sources, such as securing grants from governments or corporate partnerships***
- ***how these costs are changing over time.***

RFDS Group submission

Data regarding costs is hard to collate on a broad cross section basis.

The RFDS Group submits that each charity has to develop their own strategy on how to generate their funds to deliver services and the necessary costs / investment required to implement that strategy.

RFDS Qld has access to an analysis based on sixty charities across Australia. It is worth noting that charities that have art unions as a major source of their funds will refrain from including that activity income and expense. Hence the minimal income shown from the lotteries category.

Category	Cost as % of income	% of total revenue
Events & Community Fundraising	36%	7%
Direct Marketing for Gifts	29%	52%
Major Gifts	12%	11%
Trusts and Foundations	11%	3%
Lotteries	60%	<1%
Bequests	5%	19%
Corporate	12%	5%
Sales of Product & Commercial Revenue	57%	1%
General / Other	153%	<1%
Total		100%

The analysis highlights the benefits from a cost to achieve bequests and major gifts compared to regular donations and events. The cost ratio for bequests is very difficult to measure as there can be a significant time delay between a decision by an individual to include a bequest in their will and the bequest becoming active.

The Commission would welcome the following.

Information on the advantages and disadvantages of philanthropy as a source of revenue for NFPs compared with other funding streams, such as government grants, and whether these advantages and disadvantages differ:

- *between different types of organisations, such as Aboriginal Community Controlled Organisations*
- *according to deductible gift recipient status or the organisational structure of charities*
- *according to size or whether they are newly-formed.*

RFDS Group submission

Each member of the RFDS group have a DGR registration and can only base the comparison on comparisons of donor led funding compared to government grants / funding.

In preparing this comparison under the heading of philanthropy, we are including regular donations, bequests, donations from trusts and foundations.

Advantages of philanthropy as a source of revenue

- Allows a charity to provide services that would otherwise not be able to provided

- Allows a charity to establish a new and / or innovative service to test if the service can be delivered and if the service will be used by those targeted
- This allows a new concept to be proven and the new service offering to be de risked
- Many trusts and foundations embrace the concept of seed capital to underwrite new initiatives so that when the data is able to support the outcomes the service / project can be suitable to funded in an ongoing capacity by a government grant
- Donor led programs can provide a quick and timely response to the needs of a community
- Donor led programs can also provide a tailored response to match the identified needs of a community
- Flexibility in the design and the manner of delivery of service programs
- Communities can have self-empowerment of the service programs, increasing the impact and effectiveness of the program itself

Disadvantages of philanthropy as a source of revenue

- Limited resources of philanthropists
- Limited number of philanthropists
- The ability of a charity to identify a philanthropist to match their service aspirations
- A project may need many supporters to become a reality

Advantages of government grants as a source of income

- Potentially sustainable funding into the future
- Capable of a scale beyond philanthropy

Disadvantages of government grants as a source of income

- Government is traditionally risk averse and before awarding a grant the decision makers will require evidence to support the expected outcomes, not just conjecture.
- Bureaucrats can sometimes be distanced from the actual recipients of the service under the grant and those bureaucrats can struggle to accurately identify the community's needs
- Government contracts can be for short term resulting in a start/ stop/ change direction service delivery
- Rigidity of government funding and associated service guidelines
- Government contracts can be put out to tender and changes in service provider impacting on the connection between the recipient and the service provider
- Government priorities can change and services withdrawn to apply new priorities

The RFDS Group has a number of instances where a health service need has been identified, a philanthropist has provided the seed capital to initiate the service and document the health outcomes so that government can provide ongoing funding with confidence. That is, the philanthropist has been able to de risk the new health service.

A prime example is the mobile dental service currently operating in several states that was initiated in Queensland. RFDS Qld Section had identified a health need - the doctors at the remote clinics were concerned that for so many individuals their general health could not be managed until their oral health was improved.

A philanthropist offered to provide the RFDS Qld Section with a substantial donation of \$1million per annum for three years to provide a mobile dental service; this support established a semi-trailer with two dental chairs and an x-ray unit to visit communities that do not have any access to dental services.

The data collected over the three years evidenced the improved health outcomes for these communities and provided the Commonwealth Government with the necessary data to fund the ongoing operation of the truck in Queensland as well as establishing a second truck in Western Australia.

This evidences how philanthropy can provide the seed capital to de risk the initiative and allow government to provide financial support.

A second prime example is the fundraising support to the RFDS Qld Section by the charity RideWest. Every two years RideWest coordinates a bicycle ride from Amberley RAAF airbase to Longreach, a distance of 1,352 km. Sponsors cover the administration and ride operation costs and riders are required to secure tax deductible donations.

All of the donations generated by RideWest are passed to RFDS Qld Section where the RideWest funds are used to support the donor funded program Wellbeing Out West - a program with a strong mental health focus. In 2022 RideWest handed over a cheque for \$565,000.

The support by RideWest in earlier years provided the seed capital to start the Wellbeing Out West program as a donor led service and recent rides have allowed the expansion of the service to more communities. The fundraising by RideWest relies on the tax deductibility of donations.

Information request 3

Role of government in philanthropy

The Commission is seeking views and information on the following matters.

- *The role of philanthropy, including where it can be a substitute for, or complement to, government funding or provision of services.*
- *The reasons why government should (or should not) support philanthropy and whether or how this may vary between causes and various types of philanthropic giving.*
- *The extent to which government policies can increase, impede or distort philanthropic giving, including data to support those views where possible.*
- *The extent that existing government support for philanthropy aligns with good policy design and community priorities, and examples where it may no longer align with community expectations.*

RFDS Group submission

Philanthropy fills the cracks that the Government cannot fix.

It allows charities in particular to identify needs within the communities and to establish solutions. These charities de risk the design process allowing government to have a higher certainty of effectiveness of taxpayer funds in the long term.

In health it is not a substitute but rather complements by designing and establishing the effective solution.

Government should support philanthropic giving.

Information request 4

The Deductible Gift Recipient (DGR) framework

The Commission is seeking views and information on the following.

- *The costs and benefits of the DGR framework as a way to incentivise donors to give to particular organisations or whether other policy levers would be more efficient, effective, or equitable.*

The cost of a DGR framework for a charity can be considered under three headings:

- The cost to acquire the donor
- The cost to maintain the relationship with the donor; and
- The administration cost of receiving and processing the actual donations.

Donors who select a cause that they wish to support through donations might base that selection on a number of factors including:

- a personal experience that they or a close relative have encountered (Example an individual is airlifted to safety by the RFDS Group and a family relative wished to donate to express their gratitude)
- a personal belief in the service or changes that a charity delivers (Example an individual supports an organisation that is seeking to change the community in the environmental issues or social values)
- a personal desire to support those less fortunate and / or who find themselves in difficult circumstances such through homelessness, domestic violence etc. (Example supporting a community housing project or dv support service)
- that they may potentially need the particular service or support that a charity provides (Example a person who travels or plans to travel into rural and remote areas is aware that if they have a medical issue they may need the support of the RFDS Group)
- to support an organisation that a colleague or associate is impacted by (Example a work colleague is diagnosed with leukaemia and their workmates donate to support further research into a cure for leukaemia)
- to support a cause that they have not previously known about but are spurred into action after becoming aware of it in the media, at an event or similar (Example a person attends a function at which schools in Africa are profiled)
- To support those impacted by a major event such as bushfires, floods, etc (Example large scale funds in response to the 2020 bushfires, the 2021 floods)

The cost to acquire a donor will vary between entities, the cause that those entities represent and the timing.

The RFDS Group benefits from a recognised brand that is trusted and benefits from a broad awareness particularly in the regional rural and remote communities. A smaller charity to support a narrow-focused cause may struggle to attract donors; instead it may focus on potential donors around those impacted by the cause and consider innovative fundraising activities.

Cost to acquire

All RFDS Group charities have DGR status. The operating section in each state employs staff to facilitate general donations, support of external groups and individuals who are doing events and activities fundraising for the RFDS. Each operating section also has staff to support major gifts.

Since 2021, the RFDS Qld Section has embarked on a campaign to expand the donor base by engaging advisers and professional donor acquisition teams. There is a cost to undertake these campaigns with the focus to engage a donor into a regular giving format and measure the retention percentage as a key performance indicator. The RFDS Qld Section analysed the cost / benefit as part of the decision-making process

Cost to maintain

The cost to acquire a donor will also vary between entities. Most charities welcome the opportunity to maintain contact with the donor on a frequency encouraged by the donor.

Most charities connect with previous donors (and search for new donors) in May and June in the lead up to end of financial year, highlighting the importance to the donor of the income tax deductibility.

Administration cost

All DGR holders are required to ensure that their administration is consistent with the requirements of the income tax legislation for DGR including Division 30 of the ITAA 1997.

This includes the issue of receipts that comply with the law. Failure to issue the correct format of receipt places the DGR registration of the entity at risk which appears to be a very harsh penalty.

Charities welcome the opportunity to communicate with the donor with a donation receipt as this can provide the base for maintaining a link with the donor to build a relationship and seek future support.

The Commission would welcome the following.

The policy rationale and objectives of the DGR framework, including whether it is:

- *sufficiently clear*
- *consistent with promoting the welfare and priorities of the Australian community.*

RFDS Group submission

The RFDS Group considers the policy and rationale of the DGR framework to be the encouragement of philanthropy through gifts that are from tax deductible with the outcome that the recipient organisation is able to support the needs of society in a manner that would otherwise not happen.

Recent announcements related to the DGR reforms enhance the accountability and supervision of those entities that hold a DGR registration.

The RFDS Group supports these positions.

There is commentary from time to time suggesting that all charities should receive access to be a DGR. RFDS Group considers it is appropriate to separately qualify those entitled to the DGR registration.

The Commission would welcome the following.

The efficiency, effectiveness, and equity of the DGR framework, including whether its design and administration:

- *is clear, transparent and fit-for-purpose for its intended objectives, and result in any unnecessary costs (including forgone tax revenue) or risks to the Australian community*
- *results in any inequities, inefficiencies, or perverse outcomes.*

RFDS Group submission

The effectiveness of the DGR framework is of enormous significance to the RFDS Group - without the support through donations the RFDS Group would not be able to continue to provide the services that it does.

A snapshot of the key financial statistics for the aggregated revenue of the RFDS Group for the year ended 30 June 2022:

Description	Aggregated amount \$
Commonwealth grants	116,621,075
State & Territory grants	199,448,726
Other Non-government grants	11,660,781
Fundraising income incl donations	91,414,552
Total income from all sources	490,673,083
Overall surplus of income	8,431,324

These amounts were drawn from the audited financial statement for the year ended 30 June 2022.

It should be noted that under Australian Accounting Standards grants received that are to support the acquisition of a capital asset are reflected as income and the expenditure on the new capital item as an asset.

Non-government grants are from corporate sponsors trusts and foundations. Most fundraising income is from regular donations and major gifts.

These numbers highlight the substantive contribution that the RFDS receives on an annual basis due to the DGR framework.

The Commission would welcome the following.

- *The extent to which the DGR framework encourages giving to charities and other eligible entities, and the donors or causes for whom it is particularly effective (or not effective).*

RFDS Group submission

Recent changes to the law require all non-government entity DGRs to be registered charities. As a consequence, all non-government entity DGRs will be subject to the governance rules required of a charity and be subject to oversight by the ACNC.

This assist in ensuring the public (and the government) can have confidence in the regulation of those entities that have DGR registration.

The RFDS Group considers that the current DGR framework supports the current framework.

The Commission would welcome the following.

Alternative models to the DGR framework that could be adapted to the Australian context. The Commission would also welcome information on whether models used elsewhere, such as tax rebate or contribution schemes, may or may not be suited to the Australian context.

RFDS Group submission

The RFDS Group does not support any concept of a rebate in place of the existing deduction regime for donations.

In the experience of the RFDS Group, an important issue for the majority of donors is whether the recipient is a DGR. The ability to claim a deduction and the extent of that deduction are both relevant.

The RFDS Group is confident that a tax rebate rather than an income tax deduction would act as a disincentive for all donors whose marginal rate of tax was higher than the rebate level.

Top marginal taxpayers provide the majority of donations (assessed on a total funds basis). The NFP sector relies heavily on the contributions of top marginal taxpayers. These taxpayers should continue to be provided with incentives to contribute wealth to the sector. A rebate regime would make raising funds from top marginal taxpayers more difficult.

Conversely, the RFDS Group considers that a potentially higher tax incentive for lower income earners will not necessarily lead to those low-income earners donating more than they already do (nor donating enough to counter any reduction in donations from higher income earners) because lower income earners have a lower capacity to donate.

The RFDS Group is heavily dependent upon community donations and believes that the deductibility of donations is a key driver in encouraging people to donate.

A tax-deductible based approach is also more easily implemented as a component of workplace giving regimes.

The RFDS Group also submits that it believes that a rebate compared to a tax deduction will produce a negative reaction for those whose income is subject to significant fluctuation between years changing the percentage of deduction available.

Many businesses require their brand obtain recognition in return when they provide financial support to a charity and, this may result in their contribution no longer qualifying as a gift under the income tax rules. The relationship between the business and the charity then becomes one of sponsorship where the expense is claimed for income tax purposes under the standard Section 8-1 of the ITAA 1997 rather than the gift rules.

A rebate approach would therefore create an inconsistency where an entity claims an amount as a deductible outgoing, such as a sponsorship instead of a donation. In such circumstances, the entity would enjoy a deduction at its marginal tax rate however the same amount, if claimed as a donation would only result in the rebate.

The RFDS Group' experience is that the existing regime which provides for a deduction for donations is important to individual taxpayers.

Information request 5

Other tax concessions for not-for-profit organisations

The Commission is seeking views and information on the following.

- *The role and effectiveness of tax concessions (other than those available under the DGR framework – see above) in supporting the operation of not-for-profit organisations and philanthropy.*
- *Anomalies and inequities in the operation and application of particular concessions.*
- *Unintended and adverse consequences arising from compliance with concession eligibility criteria, including those applicable in Australian States and Territories.*
- *The efficiency, effectiveness and equity of tax concessions in supporting not-for-profit organisations, and how they compare with alternative approaches to providing government support for not-for-profit organisations*

RFDS Group submission

The reference to tax concessions is a very sweeping and broad statement. At the Commonwealth level the tax concessions in addition to the DGR concessions include:

- Income tax exemption;
- FBT exemption concession; and
- GST concessions.

Income tax exemption is provided to NFPs under two broad headings-

- Those organisations whose activities are within the specific exemption categories contained in Division 50 of the ITAA 1997 including,
- Those organisations who are required to apply for income tax exemption (ITEC).

Division 50 prescribes requirements that must be met to retain income tax exemption by a charity.

As a registered charity, pursuant to Subsection 50-5 of the ITAA 1997 each member of the RFDS Group is income tax exempt provided it continues to meet two broad requirements and three specific tests at all times.

The broad requirements for Australian based charities are:

1. The entity must have a physical presence in Australia and, to that extent, incurs its expenditure and pursues its objectives principally in Australia (paragraph 50-50(1)(a))
2. The entity must be endorsed as exempt from income tax by the ATO

There are separate requirements for charities

- That meet the requirements of Item 1 of 30-15 (the DGR rules);
- Is a prescribed institution located outside Australia and is income tax exempt in its country of residence; or
- Is a prescribed institution based in Australia but incurs its expenditure and pursues its objectives principally outside Australia.

The three specific tests are

1. Comply with all the substantive requirements in its governing rules (paragraph 50-50(2)(a))
2. Apply its income and assets solely for the purpose for which the entity is established (paragraph 50-50(2)(b)); and
3. Continue to be recognised as a registered charity by the ACNC (Section 50-47)

For those NFPs that do not qualify for full income tax exemption, and are required to lodge income tax returns most can access the mutuality principle with the result that income derived from members of the NFP is not assessable.

Each charity in the RFDS Group has ITEC status.

The RFDS Group generates income under various headings including:

- Activities funded in full or in part by Federal or State government grants
- Activities where it can generate cost recoveries
- Donations received
- Bequests
- Corporate sponsorships
- Fundraising activities

The RFDS Group applies all of the funds generated to further the objects of each organisation. To do this it is submitted that this cannot be measured in a single year. In fulfilling its activities, the RFDS Group uses assets that are held for long periods of time such as real estate, assets that are held for medium periods such as aircraft, medical equipment and shorter life assets. In addition, it incurs expenditure of an operational basis such as salaries and wages.

The RFDS Group has been providing support to rural, regional and remote areas of Australia since 1928. During this time technology and many other changes have meant that the manner in which the services are provided has changed and the services themselves have changed in line with changes in demographics, transport and community expectations.

If the RFDS Group is to continue to embrace these changes into the future it needs to plan and prepare both operationally and financially. Governments have supported the delivery of medical services to these regions and the RFDS Group continues to enjoy government support in the delivery of its services. However, the history of the RFDS Group contains constant examples of where the RFDS Group has initiated new services to meet a community need, or to acquire additional resources (fixed assets and people) where the assets funded under the government resourcing are insufficient to meet the needs.

If the RFDS Group was required to pay income tax, this amount would diminish the amount of reserves retained and would immediately restrict the ability to deliver services. If the RFDS Group was required to pay income tax, new services such as those outlined above will be more difficult to implement and may not occur at all.

The introduction of the annual return for non-charity income tax exempt NFPs will over time provide the regulatory structure for the Federal Government as the controller of the income tax legislation, to be satisfied that those who have access to the income tax exemption remain qualified to receive access to that tax concession.

State and Territory tax concessions for charities include land tax and duty discounts or exemptions, with rules varying between jurisdictions. In a similar manner to the income tax exemption the object of these concessions is to allow the charity to better deliver its purpose.

Any benefits to the charity from these State and Territory concessions are subject to the ACNC governance rules and the income tax rules - that is any benefit must be applied solely to the purpose of the organisation.

The ACNC has provided that oversight of charities since 2012.

This process will protect the integrity of the tax concession.

Competitive neutrality

In the lead up commentary on page 19 of the Productivity Commission document is the statement:

These types of concessions can increase the ability of charities to compete with other organisations and businesses that are unable to access them and can raise competitive neutrality concerns.

The RFDS Group submits that it is inappropriate to consider the question of competitive neutrality by reference in isolation to whether an NFP has an income tax exemption.

The income tax exemption must be considered alongside other factors that equally impact on the competitive neutrality with many of those other factors placing the NFP at a disadvantage.

These other factors include:

- Access to capital
A NFP can only source capital from borrowings and accumulated reserves. A NFP does not have a shareholder base that it can go to for capital. Whilst it can ask donors for support for a particular project, the lead time for these is usually substantial and the outcome uncertain.
- For profit enterprises can apply more flexibility in the reward and remuneration of their key personnel, including employee share schemes, performance rights and options. These are not available to a NFP.
- For a NFP to maintain its income tax exemption it must comply with the strict requirements of Division 50 of the ITAA 1997 - if the pursuit of a commercial activity becomes the major focus of the organisation there is a strong risk that the organisation is no longer applying all income and all assets to the purpose.
- For larger charities they are required to lodge their financial statements with the ACNC and these financial statements are available for free public access. The financial statements of a private enterprise are not required to be lodged with any organisation unless it falls within the category of a large company. The financial position of the charity may be visible to the private enterprise entity with no reciprocal visibility of the financial statements of the private enterprise.

The Productivity Commission considered this question in 2012 and the RFDS submission to that review is attached as Attachment 1

Information request 6

Unnecessary regulatory barriers to philanthropic giving

The Commission is seeking views and information on the following.

- *The costs and benefits of options for reducing any unnecessary regulatory restrictions and burdens, their effect on philanthropic giving and on policy objectives, such as consumer protection, but would not detract from the policy objective the regulation is meant to serve, such as, consumer protection or public safety.*

RFDS Group submission

Fundraising regulation is a state-based system. It remains a significant barrier and cost for NFPs especially those NFPs that operate in multiple state jurisdictions.

One of the current uncertainties is whether the use of a website by a NFP located in one state requires registration in all states simply because it can be accessed by persons in all states.

It is acknowledged that the Statement by the Assistant Minister in February 2023 is a positive step by establishing some guiding principles.

However, reform is required in the aspects such as registration in one state or territory to allow recognition in all states and territories, consistent single set of art union rules, universal reporting requirements, etc.

The Commission would welcome the following.

- *The effectiveness of existing regulations, including those that apply to public and private ancillary funds and other types of foundations and philanthropic entities, including any issues that may arise under state or territory laws.*
- *Unnecessary or inconsistent restrictions or regulations relating to requirements like police or working with children checks when volunteering or engaging volunteers.*

RFDS Group submission

The RFDS Group accepts that there remains a need for working with children accreditations of employees and volunteers. Consistent formats between states and territories would be an advantage and as would be recognition of interstate cards that are current.

The Commission would welcome the following:

- *Emerging risks or regulatory gaps, including in areas such as cybersecurity, privacy and donor protection associated with certain of modes giving, such as peer-to-peer donations or crowdfunding, fundraising or marketing.*

RFDS Group submission

Crowdfunding options including GoFundMe pages are a regular feature with request for financial support for a myriad of requests. Amounts raised do not appear to be subject to any regulatory oversight such as ensuring that the funds raised are used for the purpose advertised.

There is also the question of whether those who contribute are under a mistaken belief that the amounts contributed are a tax-deductible gift in Australia.

The RFDS Group have invested in IT resources to manage the risk of cyber threats to cover all aspects of the organisation including donor records.

The RFDS Group is conscious to comply with community expectations, the current Australian privacy legislation and the potential implications if Australia chooses to follow the European model.

The management of the cyber risk and the privacy constraints are now just a part of doing business in Australia.

The Commission would welcome the following:

- *Regulatory barriers that may limit donor choice and flexibility, such as rules and taxation arrangements for bequests and the distribution of superannuation death benefits to charities.*

RFDS Group submission

There is currently a mechanism by which an individual can establish their affairs so that amounts that upon death may remain in their account in a superannuation fund can be applied as a bequest to a nominated charity. A superannuation fund member can nominate their estate as their beneficiary and the superannuation becomes an estate asset, then controlled by the deceased's will.

Information request 7

Consumer information on the effectiveness of not-for-profit organisations

The Commission is seeking views and information on the following.

- *The role of government and the non-government sector in providing additional information to donors.*
- *The policy rationale, costs and benefits of government provision of specific data sources to inform donors' choices about where to give.*
- *Information donors would value on the effectiveness of not-for-profit (NFP) organisations, but cannot access and why.*
- *Data sources that are most beneficial to donors and examples of data that is provided by government to donors (directly or indirectly) overseas that could have net benefits to the community if applied in Australia.*

The Commission would particularly welcome views on measures used by NFPs to assess and communicate how they perform against their objectives, including views on the following.

- *Weakness or gaps in existing data sources relating to the effectiveness of NFPs that limit their reliability and usefulness or create perverse incentives by focusing on metrics that may be easier to collate but do not provide an accurate measure of effectiveness.*
- *The extent to which providing information on the effectiveness of NFPs influences decisions made by donors, including decisions not to give.*
- *Any overseas policy responses to measuring effectiveness which may be relevant, including the use of accounting standards and other reporting tools.*

RFDS Group submission

There is an increasing focus by NFPs and charities on reporting outcomes as compared to no reporting or merely reporting outputs. In New Zealand there is now increased mandatory reporting by NFPs for the first year and this is being monitored by the accounting bodies for the Australian context.

The RFDS Group experience is that donors, trusts and foundations are welcoming more sophisticated reporting. This also assists the NFP to measure its own effectiveness for setting its strategic direction.

The RFDS Group has commissioned a number of reports.

Launched recently is the "Best for the Bush" a summary of the current health status of those living outside the urban areas across Australia and the opportunities to improve health outcomes in those areas.

RFDS Qld Section commissioned a report on the mobile dental van to quantify the economic return that the dental service provides and highlight the opportunity for further extensions to the activity.

RFDS Qld Section also commissioned a report on the economic contribution that the RFDS Qld Section provides to the Queensland economy, which assisted the section in establishing a partnership arrangement with Queensland Health.

In the health space many outcomes have to be measured over the longer term.

Information request 8

Other measures to support potential donors

The Commission is seeking views and information on the following.

- *Steps governments can take do to better equip professional advisers to advise their clients on philanthropic giving.*
- *Aside from those mentioned so far, any other opportunities for government to improve philanthropic giving in Australia.*

RFDS Group submission

In the commentary on the term philanthropy under Information request 1 RFDS Group offered the comment “Philanthropy has to fill the cracks that the Government cannot fix”.

RFDS Group submits that it is important that philanthropy can continue to fund charities who then support the needs of our society, to establish innovative services and de risk options that the levels of government can consider.

Information request 9

Cost-effectiveness of public data sources

The Commission is seeking views and information on the following.

- *Critical data and information gaps about philanthropic giving and how these impede policy development and decision making.*
- *Effective ways to collect information that balance the costs and benefits, including where:*
 - *current information collection is unnecessary or unduly onerous*
 - *there is duplication of data provision to different government bodies, or it is in different formats for different purposes*
 - *more streamlined collection would make the data more useful, and if relevant, more comparable with other data, such as international sources.*
- *Risks and other factors to consider in expanding or changing information reporting requirements and processes.*
- *Who should pay for any new information collection and be the stewards of current and any new information.*
- *Any additional data-related considerations for:*
 - *organisations run by Aboriginal and Torres Strait Islander people or that provide services to Aboriginal and Torres Strait Islander people*
 - *small or newly-formed not-for-profit organisations*
 - *organisations that operate across States and Territories, and internationally.*

RFDS Group submission

The RFDS Group needs more time to be able to analyse data to assist with this information request.

There needs to be a balance between any regulations around reporting requirements to ensure that the reporting does not stifle philanthropy. Many philanthropists wish to do provide their financials and volunteer support in a private manner and not seek publicity.

Information request 10

Public strategies to increase the status of giving

The Commission is seeking views and information on the following.

- *Public strategies or initiatives that have proven cost-effective in increasing philanthropy in other countries and evaluations conducted on those initiatives.*
- *Developments in behavioural economics and other social experiments in ‘nudging’ and engaging new donors and volunteers.*
- *Other approaches that could be used to attract new donors and different demographics into philanthropy*

RFDS Group submission

The RFDS Group submits that government and society in general should encourage positive recognition of philanthropists.

In Queensland the Queensland Community Foundation hosts annual Philanthropy awards recognising various categories of philanthropist from emerging to corporate.

To celebrate their contribution.

Periodically there are commentaries questioning the wealthy people who make substantial donations to charitable causes of interest to them. The RFDS Group submits that governments and society should celebrate those donations as this is people's private wealth that they are donating and the amounts contributed are funds that government does not have fund.

The RFDS Group also submits that there should be no change to the \$2 threshold for the income tax deduction for donations. To do would create a barrier to small donations and potentially interfere with the regular giving and workplace giving programs that are now commonplace.

For the RFDS Group a review of the donor profiles a couple of years ago identified that approximately one quarter of the number of donations received by the RFDS were in the range of \$2 to \$25.

Information request 11

Identifying and assessing reform options

The Commission is seeking views and information on the following.

- *The costs and benefits of reforms most likely to increase giving in Australia, including:*
 - *empirical evidence from other countries that have adopted similar reforms*
 - *previous research modelling the effects of the proposed (or similar) reforms.*
 - *Evidence on the costs and benefits associated with reform options to increase levels of giving, including:*
 - *impacts on government expenditure*
 - *impacts on the quality of service delivery*
- other benefits, including intangible benefits such as enhancing social capital.*