



# THE AUSTRALIAN LUNG FOUNDATION

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*"When you can't breathe...nothing else matters"™*

## **Submission by The Australian Lung Foundation to the Productivity Commission**

### **Contribution of the Not for Profit Sector**

Professor Robert Fitzgerald AM  
Presiding Commissioner  
Contribution of the Not-For-Profit Sector  
Productivity Commission  
GPO Box 1428  
Canberra City  
ACT 2601

29 May 2009

Dear Professor Fitzgerald,

Congratulations on your recent reappointment as a full-time Commissioner until 2014.

#### **Introduction and Background**

The Australian Lung Foundation is an incorporated not-for-profit organisation which does not receive any ongoing government funding for its core operations. Activities are financed by fundraising activities, donations and bequests. With representation in each State and Territory, we have in the region of 12,500 members who we endeavour to support through our activities

The activities of The Australian Lung Foundation include efforts to:

- promote lung health;
- elevate public awareness of the symptoms of lung disease;
- promote early diagnosis;
- provide support for all those affected by lung disease;
- advocate for further research and screening for lung disease; and
- sponsor medical and scientific research into lung disease.

We submit this submission for consideration by the Productivity Commission in its study surrounding the contribution of the not-for-profit sector, with a focus on improving the

measurement of its contribution and hopefully identifying ways of removing obstacles in order to maximise our contribution to society.

We were disappointed to learn that the contribution by volunteers has not been included in the terms of reference for this study. We find this puzzling given the enormous importance of volunteering in the sector.

There are approximately 700,000 not-for-profit organisations in Australia and these are served by literally millions of volunteers. Certainly, The Australian Lung Foundation would not be able to achieve a fraction of its work without the huge gift of time from our dedicated army of volunteers.

### **Measurement of Contributions by the Not-For-Profit Sector**

The Australian Lung Foundation fully supports the contention by the Centre for Social Impact at the University of New South Wales that Australia is a "long way behind" in establishing ways for measuring and assessing the contributions by the not-for-profit sector when compared to New Zealand, the United States and the United Kingdom.

The not-for-profit sector is currently regulated on a State based system but many organisations, such as the Lung Foundation, operate nationally.

There is an absence of any reporting standards for the sector and thus it is nigh impossible to compare and benchmark costs and benefits. This fractionated setting can also damage public confidence in the sector. The reporting and compliance burden required by governments is onerous and absorbs a considerable amount of not-for-profit organisations' scarce resources.

The 1995 Industry Commission Report recommended the introduction of an Accounting Standard for the not-for-profit sector should be introduced by the Australian Accounting Standards Board. We believe that this would be an onerous burden for many of the not-for-profit bodies and that consideration be given to introducing a Standard Chart of Accounts for both not-for-profit and charity organisations.

The Australian Centre for Philanthropy and Nonprofit Studies at the Queensland University of Technology in Brisbane (CPNS-QUT) has produced such a tool. The Standard Chart of Accounts developed by CPNS-QUT provides a common approach to the capture of accounting information by community organisations for use by the nonprofits, government agencies and other interested parties. It is a tool designed primarily for small to medium nonprofits which typically do not have an accounting department or a sophisticated accounting system. Larger nonprofits have adopted the data dictionary component of the standard chart of accounts aligning their systems to comply with a consistency across the sector.

The current lack of measurement tools in Australia has led to many organisations measuring processes rather than outcomes, clearly not an optimal situation.

### **Unnecessary Impediments to Efficient Operation**

As you will be aware there is currently approximately one not-for-profit organisation for every 430 Australians!

Obviously the majority of charities are born out of good causes. There are currently some 60 breast cancer charities in Australia. Even the relatively well-organised heart space has numerous players such as the Victor Chang Foundation, Baker Institute and Heart Research Foundation etc. The position is even more crowded in the respiratory space. While we all collaborate on health outcomes, there exists serious competition at the fundraising level.

The Rudd Government has advised that it is seeking a "new and transformational relationship with the Third Sector". The pre-election rhetoric included promises of a National Compact between Government and the Third Sector and there were hints at introducing an "Office for the Third Sector" and possibly even a Minister. Senator Ursula Stephens has done great work and has certainly supported the Lung Foundation in its endeavours; however the real powerbase lies with the Minister for Families, Housing, Community Services and Indigenous Affairs and the Minister for Social Inclusion where the majority of responsibility and power rests.

It also seems to us at the Lung Foundation that there needs to be more clarity around the difference between not-for-profit organisations and big social association charities which receive Government funding for service delivery.

### **Options for Improving Efficiency**

The 2008 Senate enquiry recommended a Single National Agency to regulate the entire sector. We believe that it would be difficult to regulate all of the 700,000 organisations in the Third Sector here in Australia. The UK has introduced a Charities Commission; however this would not necessarily work well in Australia, as a minority of the not-for-profit organisations are in fact charities.

- There are currently approximately 34 ways in which a not-for-profit organisation might qualify for tax exemption. However, only two of these relate to qualifying as a charity;
- There are currently approximately 47 means of being granted a Deductible Gift Recipient status for not-for-profit organisations.

Clearly, there are opportunities for streamlining the application processes and thus improving efficiency all-round

In recent times, there have been some spectacularly successful mergers of not-for-profit organisations in Australia. As an example, in 2004, Vision Australia was formed from the Royal Blind Society, Royal Victoria Institute for the Blind and the Vision Australia Foundation. If efficiency is to be improved, we think that further significant consolidation might need to be undertaken.

We believe that the establishment of a single National Agency, perhaps in the form of an Office for the Third Sector, with powers for registration and regulation might be the way forward.

As foreshadowed above, we believe that it would be too onerous to regulate all 700,000 not-for-profit organisations, but a single regulator could identify different levels of activity in the organisations and possibly differentiate those who are delivering public services on behalf of the government from the rest of us who are reliant on fundraising and bequests.

### **The Relationship between Government, Business and Community Organisations**

One key feature needed to underpin the success for improvement in efficiency for the Third Sector landscape in Australia will be "buy in" by the various church organisations. As commission members will be aware, the church has significant "political oxygen" in the debate and no doubt will need to be convinced of the merits of any change before supporting any new initiatives.

Another key area of interest for organisations such as the Lung Foundation has been the introduction of Prescribed Private Funds in 2001. The sector has grown enormously in the last seven years and from a starting point of funds totalling some \$78.6 million in 2001, there are now approximately 880 Prescribed Private Funds (PPFs) with wealth of more than \$1.2 billion.

There have been recent moves to increase the distribution requirements for PPFs to 15%. We do not believe this is conducive to the long-term health of the PPFs. As can be seen from the United States history in this area, these funds need to be permitted to grow over time developing a significant corpus of funds from which grants and other support offers in perpetuity can be made. Should the 'bar' be set at 15%, this will mean that funds may need to dig into capital each year. This could have the effect of reducing the long-term strategic opportunities for funding worthy projects.

### **Summary**

In summary The Australian Lung Foundation would like to recommend the following for consideration by the Productivity Commission:

- Create a single national agency to take over the current state based regulatory systems for the not-for-profit sector.
- Provide this body with powers to facilitate integration of organisations working in the same space.

- Ensure that this body has the powers to provide not only financial support but policy support for not-for-profit organisations.
- Provide some clarity on the difference between charities and other not-for-profit organisations.
- Develop a suitable matrix for reporting requirements for all 700,000 not-for-profit organisations which will effectively relieve the burden of onerous reporting requirements from the many small organisations who do not receive government funding.
- Develop a Standard Chart of Accounts for not-for-profit organisations in order that activities and outcomes can be measured and compared with more confidence allowing for outcomes rather than processes to be assessed and measured.
- Streamline the current 34 ways in which a not-for-profit organisation can seek tax exemption.
- Streamline the current 47 ways of being granted Deductible Gift Recipient status.
- Allow Prescribed Private Funds to grow organically enabling them to make donations to not-for-profit organisations in perpetuity.

Thank you for the opportunity to make this submission and we wish you well in your endeavours.

Yours sincerely

William Darbshire  
Chief Executive Officer