

**RSPCA AUSTRALIA  
SUBMISSION TO THE PRODUCTIVITY COMMISSION ON THE CONTRIBUTION OF THE  
NOT FOR PROFIT SECTOR  
4 JUNE 2009**

RSPCA Australia makes this submission on the contribution of the not for profit sector on behalf of its members, RSPCA ACT, RSPCA Darwin, RSPCA NSW, RSPCA QLD, RSPCA SA, RSPCA TAS, RSPCA VIC and RSPCA WA. We welcome the opportunity to contribute to this important research.

Our submission is arranged in line with the issues and questions identified in the Issues Paper.

**RSPCA IN AUSTRALIA**

The RSPCA is one of Australia's most enduring charities, widely respected by governments, industry groups and the general public. Our mission is to prevent cruelty to animals by actively promoting their care and protection.

The RSPCA delivers essential services at a local level, benefiting both animals and humans, and contributes to a strong and safe society. Ninety eight per cent of the Australian community know who we are and knows that we protect and speak for animals.

We play a leading educative role in relation to responsible pet ownership. Our programs and activities that support keeping people and their pets together enrich the lives of individuals. Our cruelty prevention work through the policing of animal welfare legislation and the delivery of humane education across different settings is highly regarded. Our contribution to government and industry policy development is well respected. In essence, through our work protecting animals, the RSPCA makes a vital contribution to the strength of our community. We know that the way in which a society treats its animals is a strong indicator of how it treats people.

To date, the RSPCA's substantial operations have been built through fundraising and the generosity of individual members of the public. The RSPCA has services in every State and Territory of Australia. Last year alone the RSPCA provided shelter for 162,000 dogs, cats and other animals in our 40 shelters and with our hundreds of foster carers. Our Inspectors investigated 49,500 complaints of animal cruelty. We directly delivered education to more than 100,000 school students and 25,000 pet owners and pets attended behaviour training courses. We provided animal welfare science and policy input to numerous government and industry processes focused on improving the welfare of production, companion and recreational animals. Tens of thousands of other Australians contacted the RSPCA in some capacity for information about animals, heard the RSPCA's animal welfare messages or saw our information that is widely available in the community.

The first Australian Royal Society for the Prevention of Cruelty to Animals was formed in Victoria in 1871, with similar organisations established in other state and territories in subsequent years. Each organisation is governed by a volunteer Board.

Together, the various state and territory organisations formed RSPCA Australia in 1980 in order to give the Australian RSPCA movement a national identity and to effect commonality and facilitate the policies, direction and activities of the state and territory RSPCA bodies. RSPCA Australia's only members are the state and territory RSPCA bodies (termed the 'member Societies') and representatives from each of those bodies make up RSPCA Australia's Board.

All nine organisations are separate legal entities, varying in their legal structure, their financial turnover and the number of staff they employ. Two Societies are companies limited by guarantee and the remainder Incorporated Associations under their relevant jurisdictions.

Despite being different entities, the work of the organisations is based on the same philosophy and all adhere to a common set of policies.

### **How big are the operations of the RSPCA?**

The RSPCA has atypical characteristics when compared to many of Australia's charities. The RSPCA police prevention of cruelty to animals legislation in each State and the ACT in addition to a wide range of direct animal care, education and support services.

The following provides a snapshot of the size and scope of the RSPCA in Australia:

- Operational budget of \$81 million last financial year with the following key areas of expenditure:
  - 13% on Inspectorate (policing the prevention of cruelty to animals legislation in each State and ACT)
  - 30% on direct animal care in shelters
  - 10% on veterinary care
- Annual income for the RSPCA is generated from the following broad areas:
  - 60% from fundraising activities, direct donor appeals, bequests and investments
  - 23% from adoption fees and other services for animals
  - 2% from governments (\$29,000 from the Commonwealth and \$1.7m from State/Territory Governments)
- We operate 40 animal shelters in all States and Territories as well as work with hundreds of animal foster carers based in the community.
- Last year we received 161,994 dogs, cats and other animals into our care (up 12% from the previous year).
- We reunited or rehomed 69,737 animals.
- Last year we sadly investigated 49,494 complaints of cruelty (up 15% from the previous year).
- We employ approximately 1,100 people, around half of whom are involved in direct animal care.
- We employ approximately 100 Inspectors who have powers authorised under State/Territory legislation.
- We benefit from the support of around 7,000 volunteers each year.
- 98% of the Australian community know the RSPCA and that we work for animals.
- 30% of the Australian community believe that we are funded by the government (in fact, out of our budget of \$81 million, we receive less than \$2 million from governments across the country).

### Focus of the study

The RSPCA supports the wide definition of not for profit organisations (NFPs) included in the study. It is important that the value of the entire sector is reflected in the report.

We see particular value for public policy makers in segmentation not only based on the source of the majority of funding, but also by broad activity area. For example, getting a sense for the scale of social services, health, sport and recreation, arts and cultural, environmental and animal welfare etc. activities carried out with donor rather than government funds (whether it is grant or contracted) will help policy makers develop new respect for these organisations and what they are able to achieve, remove barriers to self initiated activity and innovation and value more highly their expertise and contribution to our civil society.

While we appreciate that Table 2, *Activities usually included within the not for profit sector* (p10) reflects an international classification, in our view animal protection and welfare is not just an environmental activity. Pet animals enrich the lives of individuals in the community and in doing so play a vital health and social role. Sixty three percent of Australian households have one or more pets. For many of these households, the pet is an integral member of the family and they can tell heartfelt stories about their antics and unconditional love. Pets provide comfort and company, they help teach children love, respect and responsibility and they improve your health. A longitudinal study based on the fiscal year 1999-2000 estimated that \$3.86 billion was saved due to pet ownership<sup>1</sup>.

Cruelty to animals particularly by children and teenagers can be an indicator of a potential pathway to violence against people. While this is a complex interaction and animal cruelty by these individuals can be motivated by many factors, the work of charities such as ours can be a vehicle for early intervention in high risk areas in partnership with other not for profits and the government.

In Australia there are around 582 million animals raised for the production of food and fibre. There are significant animal welfare issues in most of these industries and the RSPCA is spending an increasing amount of time working with commodity groups, food industry and retailers and raising awareness of consumers about these issues as the catalyst for change.

The protection and preservation of native wildlife is rightly categorised as an environmental activity. In some parts of Australia the RSPCA provides direct animal care for wildlife and nationally we are increasingly being called on for advice on the management of both native and introduced species, particularly in locations where ecosystems are out of balance or where the species is believed to be causing damage to agricultural activities or risking human life.

## MEASURING THE CONTRIBUTION NOT THE NOT FOR PROFIT SECTOR

### *The nature of the contribution of not for profit organisations*

#### *What makes not for profit organisations different?*

We agree entirely with the comments in the Issues Paper (p19).

*How do not for profit organisations contribute?*

To the categories of service delivery, advocacy, connecting the community and enhancing the community endowment the RSPCA *recommends* adding the category of education.

We believe that education - both community and school/tertiary based, at an individual and group level is a key activity of many not for profit organisations across all sectors. It is a growing area of our work and is focused on proactively preventing cruelty to animals. A key avenue for achieving this at the schools level is through values education - teaching kindness and empathy. We recommend differentiating education from advocacy as these two areas of activity usually have different target audiences and so require different delivery strategies.

*The conceptual framework for measuring the contribution of the sector*

The RSPCA supports the proposed framework for measuring the contribution of the not for profit sector as outlined in Figure 2 (p22) and notes the challenges that will be involved in measuring this contribution.

The RSPCA grapples with this same issue of articulating outputs vs outcomes and impacts. Indicators related to outputs are substantially easier to define and measure. For example, despite our good work over years particularly in the areas of community education and advocacy, many animal welfare issues are caused or not prevented by legislation or the slow change of legislation. This could be the lack of state and local regulations related to desexing and microchipping your pet, loopholes that allow the docking of animal tails in some States, Territory Governments that still allow the backyard use of fireworks, intensive farming regulations that allow significant confinement of animals such as layer hens in battery cages and pigs in sow stalls to name a few.

Sometimes, the value of the not for profit sector is discussed in terms of financial information and reporting. This leads to suggestions regarding a common and mandatory financial reporting structure for not for profits, and particularly charities. It is believed that such reporting will allow members of the public to compare how organisations use donated funds by using simple measures such as percentage spent on administration versus percentage spent on direct service delivery. In reality, however, such measures are of limited value.

Firstly, how such categories of expenditure are defined and measured would need to be very clearly prescribed - a difficult and complex task to achieve. Secondly, even if accurate and consistent measures were achieved, they do not alone, necessarily give a useful picture of the organisation's effectiveness. For example, a charity might choose to spend funds on employing a volunteer coordinator - an administration cost. While this might be a responsible and successful strategy to ensure best utilisation of volunteer resources it might also make the charity's administration costs seem high in comparison to service delivery costs.

There is also a risk that pressure on minimising administrative costs can cause organisations to skimp on areas such as occupational health and safety. Not for profits need to be mindful of fulfilling their obligations as employers and there are costs associated with this.

## ENHANCING THE EFFICIENCY AND EFFECTIVENESS OF THE NOT FOR PROFIT SECTOR

### Access to human resources

The RSPCA is fortunate that the awareness within the general public of our brand and what we do results in people being interested in working for us due to their love and passion for animals and alignment with our values.

Relatively low salaries and lack of access to preferential tax treatments similar to other charities with Public Benevolent Institution or Health Promotion Status which increase employee benefits, can be an impediment to attracting suitably qualified workers. People who are committed to, and have skills relating to the NFP sector may first choose an employer through whom they will have access to preferential tax treatment. Alternatively, the RSPCA is asked to match the employee benefits in cash which is very difficult when you rely almost solely on the public for income. For those who are committed to animal welfare and accept a role with reduced wages (in comparison to what they may be offered elsewhere), retention then becomes a focus as restricted funds can result in limited development, training and salary review opportunities. In some regional areas we also experience limitations in being able to access the skills we require within those market places.

We are concerned about the impact of the Modern Award System. In particular, that RSPCA employees will be party to the same Award that charities that have PBI or other preferential tax treatment are party. This will place RSPCA at a distinct disadvantage in regard to attraction and retention of employees as we may have increased costs under the Award, without the legal ability to match other parties' employment offering.

Additionally, the increased union activity that may result from the Fair Work Australia legislation may well distract our leaders from a focus on positive people policy and efforts to dealing with any union who wishes to engage with RSPCA staff. This could be overcome by revising the legislation to restrict union activity with NFP organisations to those unions who have members within the NFP organisation.

While most employees receive intrinsic rewards relating to animals from their work, the emotive nature of some of this work can result in compassion fatigue. The RSPCA is aware of these mental health risks and works to minimise these as well as the physical risks employee experience in law enforcement, rescue and animal management.

The RSPCA agrees fully with the pre-requisites for success in building organisational capacity as identified by McKinsey and Company (2001) and outlined on p26. It was a strong internal organisational capacity that helped RSPCA Victoria for example, have the flexibility and capacity to react appropriately to the emergency situation surrounding the recent Victorian Bushfires.

The development of good management and leadership practice to build and sustain capacity could be supported by increased and improved access to education and training through government sponsorship, such as an allocation of places to the NFP sector in government funded / run training programs. Alternatively, employees of NFP organisations could be provided with reduced or no cost tertiary education opportunities.

### *Volunteers*

All of our Societies have formal volunteer programs in place and many are able to take advantage of individuals and businesses who offer specific expertise. The RSPCA as a whole and individual animals benefit greatly from the efforts of these individuals.

While corporate volunteering programs are very worthwhile for both the receiving organisation and the employees of the business, our Societies prefer to take a strategic approach. Developing, planning and delivering worthwhile activities for such groups is a time consuming and therefore resource intensive task for the charity, and can sometimes result in cost exceeding the benefit to the charity if not approached strategically. Unfortunately we expect many charities from time to time are placed in the difficult situation of being offered a group of volunteers at short notice but the charity doesn't have the resources available at the time required by the corporation in order to accept the offer.

In our case, impediments to corporate volunteer programs include the imbalance between the interest of the corporate employees to engage with animals and the needs of the RSPCA, which may include general maintenance, gardening and other non-animal specific work. Also, working with some animals requires training and so doesn't lend itself well to one-off sessions.

The coordination of an effective and efficient volunteer program that provides the support and feedback (essential to volunteers) is something that we are working hard to achieve however, it requires paid staff.

### *Corporate partnerships*

The RSPCA nationally has a number of successful corporate partnerships. Hill's Pet Nutrition for example, provides all of the food for dogs and cats available for adoption in our shelters. They also provide assistance with animals often in long term care and rehabilitation which have been seized from their owner and part of a cruelty prosecution.

### *Access to financial resources*

Australians are extraordinarily generous in their support of charitable works across a wide range of sectors and issues. These donations are essential to enable the charitable sector to operate.

Tax treatment of financial donations by individuals, businesses and other organisations as well as goods that will be used for the charity to raise funds or support their mission in some way (directly or indirectly) must be retained in the review of Australia's taxation system. We have recommended to the Review that these eligible tax deduction provisions should be expanded to include the donation of services for example, accounting, legal and advertising services, that support the work of a charity by a business.

Currently there is an unfair system of tax concessions for charities delivering direct services to the community and the employees of those charities. There are differing concessions particularly in the areas of fringe benefits tax. Providing benefits to some charities and not to others infers that some charitable purposes are more worthy than others. Making a judgement on the contribution of one charity or charitable sector over another is a judgement based on individual values rather than being underpinned by a system of procedural fairness.

This inequity also creates distortions in the charity employment market and places higher hurdles on raising funds for some. The salary package of an employee of a charity that is also a public benevolent institution for example, has a higher employee benefit than the same salary package of an employee of the RSPCA, an organisation that is widely recognised as providing direct delivery of essential community services. For the RSPCA to match the employee benefits of the salary package of a PBI or HP employee, would mean that the RSPCA would need to raise substantial additional funds from the public creating an unfair burden.

We have recommended in the Review that the new taxation system should ensure procedural fairness and equal taxation benefits across all employees of charities (as defined under Recommendation 13 of the *Report of the inquiry into the definition of charities and related organisations June 2001*<sup>2</sup>) whose primary role is the direct delivery of services to the community (as opposed to a charity's primary role being community education, coordination of volunteer efforts or campaigning on issues to change public policy or community behaviour).

Creating a fair system may mean that the Government foregoes some taxation income. However, the return on this investment for the Government is far outweighed by the benefits of the work of charities directly delivering services to the community. This current study by the Productivity Commission will help us quantify this return on investment.

We are very concerned that there appears to be a move to restrict the income tax free status of funds raised by charities through commercial activity operation. Such a move will be detrimental to the ability of the RSPCA to raise essential funds for our work. It is imperative that all activities undertaken by a charity for fundraising purposes remain income tax free, provided those funds flow back to assisting the charity to complete its key charitable objectives.

Our submission to the Henry Review also recommends that the new taxation system should minimise the administrative burden to charities and that processes should be simple and streamlined.

Another way to reduce organisational costs is providing NFP organisations access to subsidised or free assessments for staff and volunteers if they are to be working with or having contact with children.

#### **Capacity to innovate and use resources to best effect**

The RSPCA supports mechanisms that provide formal and informal opportunities for not for profit organisations to share knowledge. We have observed that many organisations operating in our sector are happy to share capacity building, governance and service delivery information and experiences however, sharing information on successful fundraising initiatives is much more difficult because of the perceived if not real competition for donor dollars.

See also our comments in relation to financial reporting above.

#### ***Regulatory environment***

The RSPCA supports the view that regulation of the not-for-profit sector should be reformed with the establishment of a single regulatory entity at the national level. The current variety of legal

models for not-for-profits creates inconsistencies in requirements, both for categories of not-for-profits and from jurisdiction to jurisdiction. Organisations which undertake fundraising in more than one state or territory also need to contend with different regulatory requirements for fundraising in each jurisdiction and meeting these can be onerous. An Australia-wide regulatory system to encompass all not for profit groups in the area of legal structure and fundraising would reduce inconsistencies and would ideally streamline reporting.

A national regulatory system should recognise and allow for the diversity across the not for profit sector. There are broad differences between groups such as charities, industry associations, sports/recreation clubs, community groups, educational institutions, churches and hospitals, and even great diversity within each of these groups. Consequently, requirements should vary in accordance with the type and size of the group. For example, many large not-for-profits are currently companies limited by guarantee and therefore registered with ASIC so the requirements for such groups under a regulator should be comparative to that those under ASIC.

#### **TRENDS AND DEVELOPMENTS**

We agree with the trends identified in the Issues Paper.

In addition, the RSPCA is concerned that changes in Australia's economic outlook and climate will reduce the disposable income of 'middle Australia' and consequently reduce the amount of money available to be donated to the RSPCA and other charities.

Like others, we have seen an increase in demand for our services nationally compared to the previous 12 months. There are likely many factors that are contributing to this situation such as: an increased awareness about animal cruelty and willingness to report; changes in household accommodation and limits that are placed on pet ownership in some higher density and rental accommodation; and changes in individual economic circumstances.

A growing community awareness of issues around animal cruelty is a positive trend for our organisation, but has also led to increased community expectations regarding response to such issues. This is particularly true of the demand on our Inspectorate services which, in some parts of Australia, has increased substantially in the last two to three years.

Similarly the community has greater expectations regarding the professionalism and transparency of not for profit organisations. Again, we would regard this as a positive trend, but it is one which demands greater resources.

With an increasing recognition by governments and industry bodies of the importance of consultation and collaboration in developing policy, new ideas and approaches, we are being asked to contribute formally to various processes and discussions via submissions and participation in committees and working groups. This puts a strain on our resources and can be very frustrating if the group doesn't want to take on board feedback and a commitment to improvements. This current financial year RSPCA Australia has written 19 submissions to government processes at a national level. We sit on 15 different national committees. Each State and Territory RSPCA Society contributes similarly at a State/territory level.



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ENDNOTES

<sup>1</sup> Headey, B., Grabka, M., Kelley, J., Reddy, P., Tseng, Y., 2002. Pet ownership is good for your health and saves public expenditure too: Australian and German longitudinal evidence. Aust. Soc. Mon. 5, 93-99.

<sup>2</sup> Charitable purposes shall be:

- The advancement\* of health, which without limitation includes:
  - o the prevention and relief of sickness, disease or of human suffering;
- the advancement\* of education;
- the advancement\* of social and community welfare, which without limitation includes:
  - o the prevention and relief of poverty, distress or disadvantage of individuals or families;
  - o the care, support and protection of the aged and people with a disability;
  - o the care, support and protection of children and young people;
  - o the care and support of members or former members of the armed forces and the civil defence forces and their families;
- the advancement\* of religion;
- the advancement\* of culture, which without limitation includes:
  - o the promotion and fostering of culture; and
  - o the care, preservation and protection of the Australian heritage;
- the advancement\* of the natural environment; and
- other purposes beneficial to the community, which without limitation include:
  - o the promotion and protection of civil and human rights;
  - o the prevention and relief of suffering of animals.

\* Advancement is taken to include protection, maintenance, support, research, improvement or enhancement.