

SANE Australia welcomes the draft report of the Productivity Commission into the not-for-profit industry, and especially those recommendations which would promote simpler and more effective regulation, transparency, and efficiency in delivering services.

Regarding Chapter 7: Not-for-profit funding, we wish to make two further comments for consideration by the Commission in preparing final recommendations.

- 1 The Report comments on the range and complexity of tax concessions, which it notes is ‘complex, inequitable and costly to administer.’

We agree that streamlining is desirable, especially regarding harmonisation of endorsement at Commonwealth and State levels. In relation to tax concessions, however, the Commission should be wary of recommending any change whereby a reduction in a particular concession was compensated for by an increase in direct government funding. It should be noted that not all charities are in receipt of government funding (those not providing contracted services, for example), and so would suffer a severe financial penalty in this case.

2. Improved regulation of fundraising is certainly required, in order to engender public trust as well as to promote good practice. In consideration of this topic, however, there is often discussion of ‘fundraising costs as a proportion of turnover’ as a crude rule-of-thumb to estimate efficiency of charities. This is an important principle. Nevertheless, it would be naïve to believe that ‘one size fits all’ on this issue, and there will often be genuine reasons why some organisations need to spend a greater proportion of their turnover on fundraising.

For example, the cost of raising funds is clearly lower when there is a) economy of scale, b) a membership base, and c) an unambiguously ‘appealing’ cause. In other words, a large animal welfare charity, with a huge organisation, thousands of members all over the country, and puppies to put on a fundraising letter, is going to find it much easier to raise funds than a small organisation with a narrower appeal - the proportionate fundraising cost for the latter is then going to be much higher to get the same result.

Related to this is the fact that organisations differ in how significant donations are as a proportion of total income. In the case of SANE and some other NGOs, there is no core government funding and so a greater proportion of turnover needs to be spent on fundraising which is a major income stream.

We hope these comments are helpful, and look forward to receiving the final Report.

**Dr Paul Morgan**

Deputy Director

SANE Australia – A national charity working for a better life for Australians affected by mental illness.