

SUBMISSION

IMPROVING THE INTEGRITY OF PRESCRIBED PRIVATE FUNDS THE TREASURY

DISCUSSION PAPER, NOVEMBER 2008

The Discussion Paper includes a number of sound suggestions in terms of improving the management of PPF's which we believe will result in an expansion of the philanthropic sector in Australia along the lines of the arrangements in the USA.

In particular, the abolishment of accumulation plans is welcomed. Requiring PPFs to distribute a minimum amount each year based upon the market value of the PPF's net assets at the close of the previous financial year is desirable and will provide greater certainty to PPF trustees and more consistency to giving by PPFs.

Our main concern is the proposal requiring PPF's to distribute 15% of the closing value of the fund each year. We believe this is inconsistent with the rules under which our Foundation was established and we would consider the implementation of such a proposal a breach of faith by the Government.

One of the major reasons for establishing our Foundation was for the family to engage with the community in a strategic way over a long period of time, hopefully including multiple generations. We estimate a distribution rate of 15% per annum will result in our Foundation having an immaterial corpus within approximately 10 to 15 years, depending on the assumptions, and as a result our Foundation will be closed.

We saw the establishment of a PPF as a way for our family to strategically engage with the community, hopefully, over many years. Our children, who are now in their early twenties, have shown considerable interest in the Foundation and its objectives since it was established approximately 2 years ago. However they have indicated that if the corpus was to be substantially dissipated over 10 to 15 years their interest would be significantly reduced.

Philanthropy requires a long term approach to major issues facing the community and the potential lack of perpetuity will make this very difficult to achieve.

We believe a reasonable annual distribution rate is 5% of the closing value of the fund. This will allow our Foundation to accumulate funds over a reasonable period of time so that the annual distribution can be meaningful in amount. In our opinion this will maximise the long term benefit to the community. We understand this rate is similar to the rate used in the USA where my partner and our children are citizens.

A further concern is that if PPFs are required to provide their contact details we will be inundated with requests for funds. We understand that there are over 20,000 deductible gift recipients ('DGRs') in Australia. Notwithstanding that a proportion of these may be ineligible to receive gifts from a PPF, once a list of PPF addresses is made publicly available we would expect a vast number of these DGRs would likely write to each PPF seeking funding. In order to minimise costs our Foundation does not employ staff, however, if our Foundation was to be inundated with funding requests it is likely that

staff would need to be employed to manage this process. This would have a material adverse impact on grants made by our Foundation each year. We foresee this resulting in a significant waste of resources as we would receive requests for many projects which fall outside the mission and scope of our Foundation.

Our family established our Foundation approximately 2 years ago with an initial corpus of \$500,000 with the intention of expanding this corpus to \$2 million over time. Setting the minimum size of a PPF at \$500,000 and requiring 15% of the closing value of the fund to be distributed each year is likely to result in us closing down our Foundation in the next few years which would be contrary to our original intentions.

In conclusion, we believe requiring PPF's to distribute 15% of the closing value of the fund, disclosing contact details of PPF's and requiring a minimum PPF size of \$500,000 will severely reduce the development of the philanthropic sector in Australia. In our experience development of the philanthropic sector in the USA has occurred without these restrictions and we would not support these restrictions set out in the Discussion Paper which we believe are in breach of previous commitments by the Government.