



FIA submission on ACCC's preliminary view of Australia Post's draft price notification

July 2008



We exist to make the world a better place by advancing professional fundraising through:

- *advocacy of standards*
- *professional development pathway*
- *measurable credentials*

so that our members achieve best practice

PO Box 642, Chatswood NSW 2057

Phone: 61 2 9411 6644

Fax: 61 2 9411 6655

Email: admin@fia.org.au

Web: www.fia.org.au





4 July 2008

Mr Anthony Wing
General Manager—Prices Oversight
Australian Competition and Consumer Commission
GPO Box 520
Melbourne Victoria 3001

Dear Mr Wing,

FIA welcomes the opportunity to comment on the Australian Competition and Consumer Commission's preliminary view of the Australia Post draft price notification.

FIA is the national peak body for professional fundraising with a membership of approximately 1,600 individuals and over 80 organisations with an annual turnover of \$1 billion (See appendix 1). We therefore represent the interests of our members who are professional fundraisers who engage in direct mail campaigns to raise funds and to keep their donors informed.

FIA notes the ACCC does not object to Australia Post's proposed price increases. FIA does not oppose the price increases but asks that consideration of the increased cost burden of increases to charity mail on nonprofit organisations and charities (see appendix 2 for FIA's previous submission to ACCC's issues paper). The proposed increase of 10.8% for charity mail is a significant increase to the one of the most popular methods for charities to communicate with their donors. The impact of retaining current pricing for charity mail would be negligible as charity mail currently represents slightly less than 3% of Australia Post's services.

Charity mail is only available for nonprofit organisations that are endorsed by ATO. There are currently 15,570 deductible gift recipient (DGR) entities, 9519 DGR funds¹ and approximately 44,000 income tax exempt companies (ITECs)² that are endorsed by the ATO. Based on

¹ ABN Lookup: Deductible Gift Recipients (DGR)

Link: [http://www.abn.business.gov.au/\(2vfawy452ef0zb45sjzktif0\)/content.aspx?page=dgrListing](http://www.abn.business.gov.au/(2vfawy452ef0zb45sjzktif0)/content.aspx?page=dgrListing)

Accessed: 4 July 2008

Note: Figures obtained by adding active DGR entities and DGR funds together. Figures are current for 4 July 2008.

² Australian Centre for Philanthropy and Nonprofit Studies, *Current Information Sheet* 2005/1 ATO Data: Income Tax Exempt Charities

Link : <http://www.bus.gut.edu.au/research/cpns/documents/2005%20ITEC10-QCFPhilProj.pdf>

Accessed: 4 July 2008

Note: These are 2005 figures.





these figures, only 9.9% of the estimated 700,000 nonprofit organisations³ in Australia are eligible to use the discounted charity mail service. The price increase for normal mail services used by nonprofit organisations not endorsed by the ATO could be as high as 16.7%.

Major Mail Users Australia's (MMUA) submission to Australia Post's issues paper for the draft price notification opposed any increase in the cost of charity mail. Their submission highlighted that the greatest fixed cost in a direct marketing package for a charity was the cost of postage and the cost of the postage account was larger than printing account. MMUA's submission also noted costs for charities, charity mail's 10.8% price increase, is compounded by the proposed 5% increase for reply paid mail⁴.

FIA also notes the US postal system offers a much greater discount for charities, up to 40% lower than the rate charged to commercial mailers.⁵

FIA strongly encourages the ACCC to consider retaining the current pricing regime for charity mail to ensure charities can continue to use an important information channel preferred by their donors.

Yours sincerely



Dr Sue-Anne Wallace FAICD MFIA
CHIEF EXECUTIVE OFFICER

³ *Giving Australia, Research on Philanthropy in Australia*, Australian Government Department of Family and Community Services, Canberra, October 2005. This project was led by The Australian Council of Social Services, with QUT's Centre of Philanthropy and Non-profit Studies, University of Technology, Sydney's Centre for Australian Community Organisations and Management, Fundraising Institute Australia Ltd, Roy Morgan Research PL and McNair Ingenuity Research PL. Page vii

⁴ Major Mail Users Australia *Submission to ACCC issues paper, Australia Post draft price notification*. pg 16
Link:

<http://www.accc.gov.au/content/item.phtml?itemId=825070&nodeId=24a1a120f1bf154d657b30edaef58913&fn=MMUA%20Submission%20to%20ACCC%20-%20Aust%20Post%20issues%20paper.pdf>

Accessed: 4 July 2008

⁵ Fritz, Joanne *How To Qualify For and Apply For Nonprofit Postage Rates*

Link: <http://nonprofit.about.com/od/nonprofitbasics/ht/postage.htm>

Accessed 15 April 2008.





APPENDIX 1 Fundraising Institute Australia Background

We exist to make the world a better place by advancing professional fundraising through:

- *advocacy of standards*
- *professional development pathways*
- *measurable credentials*

so that our members achieve best practice

Fundraising Institute Australia (FIA) established in 1968 is the national peak body for fundraising in Australia. FIA is a company limited by guarantee. As a nonprofit body, FIA is recognised as a charitable institution. The Library Trust Fund, a Deductible Gift Recipient, is run wholly through FIA.

Membership

FIA has approximately 1,600 members including over 80 Organisational Members with a turnover of \$1 billion. FIA engages with over five thousand fundraisers across Australia through its professional development programs.

What do charities do for Australia?

The Giving Australia report⁶ estimates the charitable sector is worth \$11 billion dollars to the economy in 2004. From figures taken from 1995/1996, Professor Mark Lyons estimates that “the third sector contributes 4.8% to the adjusted GDP”⁷ in Australia. The sector provides services to welfare and rights (51.6%), education (20.5%), cultural organisations (13.7%), health (4.5%), environmental (1.5%) and others⁸.

Professor Lyons notes that the contribution made by the charitable sector cannot just be measured economically. The services and social impact the charitable sector provides is immeasurable and invaluable.

⁶ *Giving Australia, Research on Philanthropy in Australia*, Australian Government Department of Family and Community Services, Canberra, October 2005. This project was led by The Australian Council of Social Services, with QUT’s Centre of Philanthropy and Non-profit Studies, University of Technology, Sydney’s Centre for Australian Community Organisations and Management, Fundraising Institute Australia Ltd, Roy Morgan Research PL and McNair Ingenuity Research PL.

⁷ Lyons, Mark *Third Sector: the contribution of nonprofit and cooperative enterprises in Australia* (Allen & Unwin, 2001) pp 198

⁸ Queensland University of Technology, Australian Centre for Philanthropy and Nonprofit Studies. Current Issues Information Sheet 2006/5: ATO Data Deductible Gift Recipients.

Link: http://www.bus.qut.edu.au/faculty/schools/accountancy/documents/CurrentIssues2006_5DGR2005.pdf

Accessed 17 April 2008

*Figures quoted are the percentage of organisations in each category.





APPENDIX 2 Australia Post's draft price notification issues paper

FIA welcomes Australia Post's invitation to comment on the draft price notification.

FIA does not support the proposed price rises because of the impact the proposed price rises will have on the delivery of charitable services. Research has shown direct mail is the second most popular method for charities to raise funds and keep their donors informed⁹. It is also a cost effective, measurable and personal method for the charities, big and small to reach their donors. Australia Post figures in 2002¹⁰ noted that charities make up the second biggest proportion of total direct advertising mail at 22% (behind the finance/banking/insurance sector). This data shows that direct mail services are central to the work of many non profit organisations, and the proposed price increase will significantly adversely effect these organisations' donor acquisition, information channels, and most importantly, vital fundraising income streams.

Information Channels

Choice Magazine's recent survey strongly suggests that it is becoming increasingly important for donors to have access to information about how their chosen charities use donations¹¹. Direct mail enables charities to provide their donors with detailed information about their charity's work in a personal and non-invasive fashion. Donors receive membership information, updates on their preferred causes and annual reports via direct mail. Should this method cease to be cost effective, many charities run the risk of losing donor confidence and ultimately donor relationships

⁹ Prime Minister's Community Business Partnership, Australian Council of Social Service (ACOSS), Centre for Australian Community Organisations and Management (CACOM), University of Technology, Sydney, the Centre of Philanthropy and Nonprofit Studies (CPNS) at the Queensland University of Technology, Roy Morgan Research (RMR), McNair Ingenuity Research and the Fundraising Institute Australia (FIA). 2005, Giving Australia Report. Link: http://www.fia.org.au/Content/NavigationMenu/EventFlyers/GIVING_AUSTRALIA_SUMMARY-2005.pdf
Accessed 15 April 2008

¹⁰ Ourcommunity.com.au, Introduction to Direct Mail
Link: http://www.ourcommunity.com.au/marketing/marketing_article.jsp?articleId=1469
Accessed 15 April 2008
Accessed 14 April 2008.

¹¹ Choice Magazine, <http://www.choice.com.au/viewArticle.aspx?id=106240>
Accessed 14 April 2008.





Fundraising Income Streams

Direct mail has been proven to be a method of donation solicitation preferred *by donors* over methods such as face to face solicitation. In the study *Reaching Consumers in the Information Age*¹², it was found that 34% of those surveyed preferred personally addressed mail, by far the preferred media for charity group members, donors and supporters to receive promotional information and advertising material. Australia Post research has shown 'nearly 15 times as many respondents would prefer to receive donation requests by mail rather than by e-mail'¹³.

From the donor perspective, direct mail is favourable because of its discreet and personal nature – it is one of the least invasive methods of soliciting donations. Considering donors' preference for direct mail communications, charities are more likely to engage and maintain happy donor relationships through the direct mail. Increased postage prices would significantly inhibit these relationships.

The proposed price increases will also adversely affect charities' stream of income by increasing the cost overheads for fundraising activities. The proposed pricing structure could add up to 16.7% (depending on the type of mail) to the cost of fundraising. In New South Wales, the *Charitable Fundraising Act 1991* prescribes a percentage of the amount charities can spend on fundraising costs. This ranges from 30% to 40% depending on what form of fundraising is used. To raise the cost of direct mail to up to 16.7% places an unreasonable burden upon charities. If a greater proportion of a charity's income must be allocated to necessary administrative costs like conducting direct mail, then a smaller proportion of donations can be applied to the organisation's charitable work, to the detriment of the charity's beneficiaries.

Donor Acquisition

For charities, donor acquisition is one of the most important and expensive activities they conduct to ensure the long-term survival of the organisation. Reaching new donors is a high-cost activity, with direct mailing being one of the most cost-effective methods. An increase in postage rates would considerably raise the financial burden upon non profit organisations seeking new donors.

¹² Australia Post , *Reaching Consumers in the Information Age* 2003
Link: <http://www.ourcommunity.com.au/files/Reachingconsumers.pdf>
Accessed 14 April 2008.

¹³ Australia Post *How Consumers want charities to communicate with them* 2003
Link: http://www.ourcommunity.com.au/files/Aus_Post_Charity_report.pdf
Accessed 14 April 2008.





International Examples

In the US, the US Postal Service offers a nonprofit standard mail rate that is approximately 40% lower than the rate charged to commercial mailers.¹⁴ This reduced rate takes into consideration the costs involved in soliciting new donors assisting charities reduce the costs of fundraising so that a higher proportion of the donations can go to charitable programs.

Whilst Australia does offer a discounted rate of approximately 10%, it is not yet in line with international practice of supporting charities, in order to ensure that they can make a difference to our society and environment.

¹⁴ Fritz, Joanne How To Qualify For and Apply For Nonprofit Postage Rates
Link: <http://nonprofit.about.com/od/nonprofitbasics/ht/postage.htm>
Accessed 15 April 2008.

