



FIA Submission on Australia Post's Draft Price Notification September 2009



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

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Mr Anthony Wing
General Manager—Transport and General 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 1,400 individuals and roughly 50 organisations with an annual turnover of \$1 billion. We 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 wishes to draw attention to the increased cost burden of increases to charity mail on nonprofit organisations and charities. In the most recent quarter (March – June 2009), overall the Consumer Price Index increased by 0.5%. From June 2008 – June 2009, the Consumer Price Index increased by 1.5% (Source: Australian Bureau of Statistics.) The proposed increases for mail range from 15.8% for local delivery of medium letters between 125g – 250 g to 2.4% for small barcoded reply paid mail. The median increase is between 7% – 8%. All increases are well above the Consumer Price Index. Further, Australia Post increased its prices in 2008 by similar amounts. Thus, in two years, if these changes are approved, Australia Post will increase its prices by about 20%. This is highly inflationary and does not reflect the realities of the current financial situation in Australia. To increase prices takes away the onus on Australia Post to be more competitive in the market place, and will potentially reduce its market share further, to the detriment of the charity sector.

The proposed increase in mail pricing is a significant cost 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 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 9%.

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.

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

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.

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.





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. Further, FIA recommends Australia Post consider a pricing and eligibility structure that enables all nonprofit organisations to benefit from the charity mailing rate.

Yours sincerely

CHRIS MCMILLAN
CHIEF EXECUTIVE OFFICER

Fundraising Institute Australia

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- *advocacy of standards*
- *professional development pathways*
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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 1,400 members including roughly 50 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

“Given the pivotal role charities play in reducing the tax burden on the wider community via lessening the requirement for governments to spend in these areas [the proposed increase]





would have a larger impact than [simply] to individual charities.” Heart Research Centre, Royal Melbourne Hospital

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.

Australia Post’s draft price notification issues paper

FIA welcomes the Australian Competition and Consumer Commission’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

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.

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.





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.

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.

"While Australia Post predicts a decrease in mail delivery, this is not the case for most charities. In the case of the Mental Illness Fellowship our 5 year Fundraising plan clearly recommends increases in mailing to increase revenue." Mental Illness Fellowship Victoria

"This proposed increase in postage costs is forcing Greenpeace to review the communications we send to supporters. The irony is that an increase in postage costs would see a reduction in the volume of mail we circulate thereby depriving Australia Post of revenue - exactly the opposite of what Australia Post is hoping to achieve." Greenpeace Australia Pacific

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

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_Charities_report.pdf
Accessed 14 April 2008.





Although Australia Post predicts a fall in the expected volume of mail lodged in 2010-2012, direct mail continues to be the preferred choice of donors and organisations report that they intend to continue or increase their direct mail activities.

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.

“Comparisons between current Australia Post prices and the proposed increases have been completed. The additional costs to maintain current levels of mailed communication to our supporters and maintain the same low level of addressed mail acquisition from previous years would be circa \$55k-\$60k. Accordingly our plan to increase mail usage will lead to further increased postage costs.” Surf Life Saving Foundation

“Postage costs account for the largest proportion of expenditure in our mailing packs. Any increase in postage costs directly reduces our ability to campaign for a green and peaceful future. Quite simply the more we have to spend on postage costs, the less we have available to fund our campaigns.” Greenpeace Australia Pacific

“As so much of our work is done by post, an increase will have a material and deleterious effect on our ability to help people with epilepsy and their carers.” Epilepsy Foundation of Victoria

“The Australian Conservation Foundation relies heavily on Australia Post for several key elements of its fundraising mix, including postal receipts, Direct Mail Appeals and distribution of hard-copy supporter information and engagement tools. Postage costs account for hundreds of thousands of dollars in expenditure, and any future price increases will be felt in our reduced campaigns budget, and could result in an inability to undertake a number of vital environmental projects as a result.” Australian Conservation Foundation

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 mail services to up to 8.1%, the second increase in less than two years, 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.

“As a ‘young’ fundraising body, we are still in a major acquisition mode of engagement. Addressed acquisition campaigns have delivered the greatest returns for our organisation however, it is also by far the most expensive.

Our plans are to increase our addressed mail campaigns however, in light of the proposed postage cost increases, we may be forced to resort to seeking less expensive forms of acquisition. This will ultimately decrease our returns and subsequent funding to volunteer services.” Surf Living Saving Foundation

This experience is common to many organisations, whose vital donor acquisition activities will be adversely affected by the burden of increased costs.

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 18%, 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.

Recommendation

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.





In order to minimise adverse consequences of such a price increase for charities, FIA recommends Australia Post do not raise the mailing rate for charities.

Additionally, FIA and its members would welcome a proposal from Australia Post that supports both the current activities of nonprofit organisations and the further growth and viability of this valuable communication tool. At present, less than 10% of nonprofits in Australia are eligible for the charity mailing rate. FIA recommends Australia Post extend the availability of this rate to all nonprofit organisations.

