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Developments in aspects of social contribution in the time since I was at University

It is amazing to realise that it is now 42 years since I enrolled at this university as an undergraduate student in commerce and law.

I came to enrol from a family who had consciously about 10 years earlier given up the comfortable lifestyle of South Africa to head into the new world of Australia because of concerns about social unrest and social injustice in South Africa. My late father, who was a brain surgeon, had also inculcated into my mind that just being a businessman was not a great achievement and my pride in what he did every day in helping others with disease permeated strongly in my thinking.

As a consequence I chose the University of NSW for two reasons –

a) It had been the university who had opened its arms to my family when we arrived here in 1961 and which, even at the age of 18, as I enrolled I could see was continuing to open its arms to people of different colours, creeds and standings in life, and,

b) the law school which was exactly one year old, advertised extensively that not only would it teach through the Socratic method (namely by using smaller discussions groups rather than large lectures) but would teach law with an eye to social justice and to improvements in the community.

The world of 42 years ago was very different in so many ways to what it is today and I thought that I would base my lecture today on describing some of the aspects of social contribution way back in 1972 and following over the last 40 or so years the developments that have occurred to where we are today.
Philanthropy

In 1972 personal philanthropy in Australia was not well developed.

This was abundantly clear by walking round this campus where very few buildings were named after donors and very few donations were received at all. The exception I should mention was Basser College. This had been developed from a gift given by Adolf Basser in the mid-1950’s of £40,000. There were efforts occurring at the time to establish Shalom College by private donations and although the backers were ultimately successful I know it was a struggle.

Back in 1972 Australia was governed by the 1948 Tax Act – the philosophy was that you pay your taxes and government will look after health, welfare, etc. So many parts of that tax legislation embodied that philosophy no doubt based on the British concept of the times that the State needs to look after the people and that let the people in general off the hook in looking after others. At this time Australians were subject to both State and Federal death duties. These were removed in 1978. I should note here that at that time I was half way through a Masters Degree at another university specialising in death duty – needless to say continuing that Masters was not of much point. The existence, however, of death duty and more particularly the ability to reduce them through donations had had the result in Victoria of quite substantial donations over the years such as the Felton bequest etc but because of slight differences in legislation and maybe the fact that more industry existed in Victoria than here, in NSW, big donations were not really heard of.

Back in 1972 the fortunes in Australia were really illiquid. Those who were rich with real estate hadn’t sold the real estate – we didn’t have big property trusts etc. at that time. The same was the case in relation to our mining sector. With some exceptions like the Poseidon boom mining moguls still had their resources tied up in the land. This should be compared to the rivers of money that those in America were receiving from oil and other operations giving them one might say the ability to donate, etc.
It is interesting to look at the 1948 tax act which I might say applied in this regard right through to 2002 (30 years) and to get an idea of the thinking of the time. Under the act –

a) The establishment of charitable foundations by individuals and families was almost impossible and if it was done had to be done as a public fund which meant that the trustees had to be independent of the family and that there was public reporting. This stopped most who felt philanthropic in their tracks.

b) Bequests made to charities were not dealt with any differently to bequests to anybody else and as a consequence when capital gains tax came in 1985 non-cash bequests to charity became taxable.

c) Donations by salary earners resulted in the tax deduction only being refunded up to 18 months after the donation was made.

d) You couldn’t carry forward losses so if your donation exceeded your taxable income in a particular year you lost the tax deduction. Hence charities raised most of their money in June of each year as people knew then what their income would be for that year.

And this was just part of it. A clear statement through the taxation act of the view from 1948 through 1972 and indeed to 2002 that government will look after you and that facilitating donations was not the name of the game. I should also add that inherent in 1972 was no special association or entity for not-for-profits and the risk of sitting on a not-for-profit in terms of liability was the same as sitting on a for-profit based company. Accounting requirements for not-for-profits was the same as the accounting requirements for BHP and there was no special commission to deal with not-for-profits, the companies office dealt with them if they were companies and the tax office decided who would get tax deductibility.

At that time there were no special courses at the university for social impact and indeed our university had just implemented the concept of Gen Eds to ensure
that our science, engineering and medical students did something broader and even more interestingly when the concept of commerce/law arrived it was felt that we didn’t need to do Gen Eds!

Over the last 42 years a lot has happened. The rich in Australia have been able to liquefy their wealth. We have joined the world – with our dollar being traded regularly and with our stock exchange being watched and well supported. The difference between the haves and the have nots has got even wider than the situation in 1972 but there has been a realisation at all levels including within government that philanthropy is essential for a socially just environment.

It is essential because –

a) It can assist in breaking down the barriers between the rich and the poor.

b) Government is like an aircraft carrier – it is big and can’t fund specific enterprises etc. without funding the whole of Australia – the philanthropist however can be like a frigate darting into a bay funding it and either making significant changes and/or bringing the cause to prominence for later governmental assistance.

The structure of our tax act has also recognised all of this

a. From 2002 the concept of the wealthy establishing private philanthropic funds has not only been permitted but encouraged. Since 2002 more than a thousand now called Private Ancillary Funds have been established which together have in them around $3 billion and by law have to donate 5% of that amount namely $150 million per annum.

b. Donations of non-cash items to charities in Wills are now welcomed and are tax free.

c. Even though so many not-for-profits call you up in June saying do you want to make a last minute donation there is no imperative to make a donation in June as you can carry forward the losses from such deductions against future year income.
d. The Australian Charities and Not-For-Profits Commission has been established to assist not-for-profits and with a mantra to help them in the specific matters that affect them rather than business generally. Unfortunately this organisation is now under threat as the present government believe that it should be abolished. It is to be hoped that it doesn’t get abolished and if it does that the new government establish something in its place. The thesis for its abolition is that it causes red tape. If it does I would suggest it should be directed to reduce the red tape but its existence providing specialist service and understanding to the not-for-profit section be preserved.

e. There still is no special association or entity for no-for-profits but work has been done to reduce the risks of sitting on a not-for-profit board. Unfortunately this is also being repealed. This is very unfortunate and it is to be hoped that something happens. A “safe harbour” provision which allows a person who has no conflict of interest and acts honestly not to be liable and particularly for insolvency. The concept of being liable personally for the debts of the not-for-profit where it trades in insolvency is very sad and not in my opinion commensurate with the want to encourage people to take on these roles.

f. One of the most significant changes is what is known as work place giving. The laws have been changed to allow salary earners to give to charity and receive the tax deduction immediately rather than waiting for a long time. This has resulted in not an avalanche of giving but an improvement in giving by salary earns and I will mention this later in this address.

The result of the above and specifically the encouragement particularly of the Howard government have seen a significant increase in philanthropy in Australia.

I believe Australians have always been generous and this has been particularly manifest in their giving of time (the best examples of which are the Surf Lifesaving movement and the volunteers at the Sydney Olympics in
The giving of money has had a slow start but certainly has picked up in recent years.

What is changing but has not totally changed is the giving by the very rich. The Petre Foundation sponsored some very good work into this which demonstrated that the rich as a percentage of their capital and wealth give significantly less in Australia than they do in America. Recent announcements like that by the Packer family of their $200 million foundation; the late Paul Ramsay in gifting his entire Estate of $3.5 billion to a foundation and the announcement by Frank Lowy that over the last 10 years he has given away $350 million are all encouraging and augur well for the future.

The establishment of the Centre for Social Impact by the Howard government at this university also I suggest is a significant step forward. I do so wish that it existed when I was here 42 years ago. I have no doubts I would have done courses there as part of my business schooling and it would have helped me in my quest to ensure that I was a broad businessperson understanding the social challenges and what can be done in the not-for-profit sector.

As I complete this part of the speech on philanthropy I want to specifically note the following –

a. I mentioned earlier Adolf Basser. Regularly in discussions with donors I ask particularly our Alumni whether they know the name Basser. They all do as the name of an important and well respected college here. My next question is who was Adolf Basser and no one knows of the man who was one of the richest people in Australia in the early 1950’s. No one knows of his activities as an optician and jeweller; no one knows that he was the owner of two Melbourne Cup winners; no one knows that he sold his business for a very large price to Angus and Coote the jewellers. Some know that he donated money more widely than our university but this underlines the fact that a man who sought to achieve a lot as an immigrant to Australia achieved recognition and indeed assisted in changing lives way beyond his own life by philanthropy – the giving to this university of what was not an inconsiderable amount in the
50’s. Interestingly you can make the same point about Getty and about Carnegie. Both people with questionable reputations in the United States so many years ago but remembered so fondly through the Getty Museum and the Carnegie Hall.

b. This brings me to the question which so many ask, is it within the Australian psyche to give philanthropically and to put one’s name all over the place. My firm view is that one of the marvellous things about philanthropy is that it is a personal thing and therefore if a donor doesn’t want to get to be known that is entirely a matter for them. However, I do feel that philanthropy has two aspects. The first is obvious, namely, providing financial assistance for a worthwhile cause. The second is providing backing by use of one’s name and example for that cause. I urge so many donors to put their name and not donate anonymously. It is my contention that seeing people’s names on building and research projects etc. inspires others to join them and has as we call it in business “the multiplier effect”. I should note my ambition for this campus which is already being realised that very rarely will tutorial rooms be known as tutorial room 2.01 or lecture rooms “the central lecture block” but rather that they will bear the name and history of people who have given monies or done things to advance this university in both cases setting an example and embracing our campus.

c. People like Bill Gates and indeed Warren Buffett have set incredible examples for the whole world of philanthropy and the importance of it. Gates is giving away $77 billion by the time of the 20th anniversary of his death. The joy that he has in doing it and achieving outcomes of social good are manifest both in his speeches and in his writings and this is a joy I believe others can have even if it be on much more moderate terms.

d. Gates believes the best way to get the rich to give is to re-implement death duties. I don’t agree. To me that is too drastic a solution and
my interrupted studies on the subject clearly showed that in general the rich planned around those taxes anyway.

e. Philanthropy for me has allowed me to believe that over the 42 years since I enrolled here conscious of turning my back on the medical side of my family – that my contribution has been broader than just lining my own pocket. And I truly believe that the example of philanthropists, the teachings of places like the Centre for Social Impact, the expansion of courses here at the university of NSW to think more of the social impact aspect, all produce a more rounded person and a better society.

Corporate Social Responsibility

When I arrived at the Law School in 1972 the general law was that directors owed their principle duty to benefit shareholders.

As a consequence most companies were operated for profit and the maximisation thereof. If a company could reduce its tax legally it was expected to do so. Staff generally stayed for almost all their career with the one company, the company was assumed to look after the staff member but not really to nurture them. Communities accepted a lot of what big business did realising that they had much less resources to fight it and much less knowledge. Also there was a reverence rightly or wrongly for those who ran particularly the big companies.

The essence of what the new Law School as it then was was questioning was whether the duty of a lawyer and of companies generally was not broader. The Dean of the Law School, Hal Wootten QC, was the embodiment of a person who could make lots of money acting for big corporations but instead chose to use his enormous skill to fight for those less privileged in the community and to question the gap that was developing between those who have and those who have not.

The prescience of those who established the Law School I still find remarkable.
As a practitioner of Law throughout the 80’s I watched an incredible period of greed in the commercial area. We saw a slavish love of profits and excess, we saw the wholesale exploitation of many groups within the community and indeed Australia’s resources generally. Throughout this I confess to have felt very uneasy – the pendulum was swinging too far to one side. Whether it was for moral reasons or, as is the case in my thinking, because of a belief that the repercussions would be enormous, many of us in business worried that the plot was being lost. The 1987 share crash was a terrible experience for everyone in business but like a lot that is terrible it also was an enormous wakeup call.

Commentators began questioning whether the responsibility of directors really was just to make profit and to assist shareholders or was it rather to build a strong and viable company for the long term. The latter involved the concept (which I confess was fairly new in the late 80’s) of sustainability. Through the 90’s this concept of sustainability became part of the norm and now in the 2000’s and beyond it has become wired into most of the large companies and indeed corporate life generally.

There has been a realisation. Firstly, that younger members of staff are looking for more than just making money. They are not as slavishly loyal to one company. They are looking (in my opinion correctly) to be proud of what they are doing and this involves being proud of the organisation in which they work.

Second we are seeing more power in the hands of consumers. Whether it be because of the internet; wide television offerings, etc., the consumer is much more knowledgeable now than 42 years ago and much more likely to question (and have the ability to do so) whether they wish to take the services of particular corporations if what they are doing is against the views of the consumer. As Chairman of the group that owns SPC Ardmona, I saw a demonstration of this 8 months ago when consumers realised that if they buy foreign food products the Australian food industry will be non-existent. It was absolutely wonderful to see through concepts like “SPC Sunday” which was not started by our corporation but by individuals how the consumer was prepared to get behind an Australian company in order
to achieve the result of fruit being picked and canned here in Australia.

The concept of what the consumer wants is not limited to them. Today suppliers often have rules as to who they will deal with and communities have expectations of what they want from their banks, mining companies, etc. Large investors such as the Norwegian Sovereign Fund have rules for the companies they invest in and proscribe what they require from them in terms of community objectives and sustainability.

The law has indeed also echoed this change with the realisation that directors are entitled and indeed must look at the concept of stakeholders more broadly than just preferring shareholders.

The manifestation of all of this is –

a. Most of the big companies provide their shareholders and other stakeholders with a sustainability report on a regular basis.

b. Most of the large companies have CSR projects where they involve their staff, their resources and their thinking on assisting the communities in which they work.

c. Recent Australian Institute of Company Director numbers show that the vast majority of corporate directors are also on boards of not-for-profits giving their time to good causes but at the same time broadening their minds from just corporate matters to the wider campus of society.

d. Most larger companies have embodied a workplace giving program where they often match the donations of their employees to particular organisations and indeed provide employees with paid time which they are entitled to use in pursuit of the operation of the not-for-profits they choose.

e. Some companies have established a foundation to permit them to give gifts to not-for-profits and to perhaps provide a higher professional
standard in how they give and what are the KPI's for their giving.

With all of this the thinking round the board table has changed in 42 years. It is certainly not a badge of honour to reduce ones income tax excessively and it most definitely is a badge of honour to be associated with good for the communities in which the companies work. This extension has come with some interesting problems. Some of these are as follows –

a. How far does the obligation of companies go in doing good and being perceived to do so? The best example of this is in relation to large investors investing in for example manufacturers of tobacco. There could be good opportunities for making money in that area but should a superannuation fund; bank or indeed quasi government enterprise which is there to assist the Australian community indirectly be backing something that brings enormous cost to our health system and great injury to our population. I don’t know the perfect answer to something like this but what I do know is that boards in this predicament now discuss it whereas before they probably didn’t. Where I have been we have chosen not to invest in cigarette manufacturers as one cigarette can kill – however following that decision one usually gets representations not to invest in coking coal, etc., and these issues become much more difficult.

b. Can a listed public company give away money as philanthropy? I must say that although I absolutely believe that corporations should give and be involved in their communities just giving money to good causes generally may not of itself be acceptable for corporates. This is why so many companies have started foundations. They want to give philanthropically and they can justify it by the goodwill it brings to communities, staff and shareholders through the use of the name of their foundation and its acceptance in the market place. To me it is much more meritorious for a company to choose concepts which have some direct bearing to the communities in which the company is working; to the staff that are working with them and maybe to the endorsement of the products that they are trying to sell. As Chairman of the ANZ Bank I am very proud of the work that the bank is doing on financial
literacy. This has a direct link to the operations of the bank and to its standing. Giving money to organisations involved in this area seems well justified and good for both them and indeed for the sustainability of our banking standing and business.

c. Can a corporation give anonymously? I have great difficulties in a corporation giving anonymously unless it is to match a staff member or it is known to a group who are important to a company. The concept of anonymous giving doesn’t promote the company directly and indeed has shades of underhanded dealings – why does the company not want to sing loudly that it has made that donation.

The standing of business in the community is very fickle and able to be influenced very quickly by social media and other newer devices. Aloofness by a business as was the case in 1972 doesn’t work and businesses have to understand that the more involved they are in the community the more there is a chance that their side of a story will be accepted as reasonable rather than as not in tune with the community.

I do wonder as I get older how remote top CEO’s and directors can become from what is going on in society. This is not a criticism it is a fact and I might say a sign of age. The involvement of CEO’s and directors generally in not-for-profits personally should greatly be encouraged. There are many who believe that CEO’s should spend all their time running the company they are usually well paid to do. My own view is that every CEO should have some involvement in something in the not-for-profit field. I can attest in my own life to having had my ideas broadened and my thinking improved by being involved in the various areas of not-for-profit that are available particularly to those with a business background.

I have not dealt with government relations. One of the sadness’s of the last 42 years is how governments both left and right wing have found it more politically feasible to lampoon business than to embrace it. This is undesirable. The two sectors must work together in harmony and respect and without blame. I strongly believe in a well-balanced career moving from government to non-government enterprises and vice versa is desirable. The sustainability of business therefore involves having access to government and one
of the best ways of doing that is to be accessing them and knowing them because one is doing good work within the community rather than furthering the profit motive of ones day to day life.

Finally, I believe a product of my choice to go to the Law School at this university has been my joy in being involved in the community more generally. I love the fact that our Law School has the Kingsford Legal Service within it and so many outreach programs. I love the fact that the Centre for Social Impact exists in our Business School. If I am accused of not being the true businessperson for this then I would say to the accuser you are out of date. The best way forward in all aspects of life is to have tolerance and communication within people and the best way for the businessperson to do that is to have an eye and indeed an ear open to the social realities that surround them and their business.

**Fundraising**

I don’t want to end this speech without giving some observations on fundraising for not-for-profits.

I have looked up the amount that this university was raising from donors in the early 70’s and it was a very small number.

Today the raising of the university is still by U.S. standards small but is much bigger than it was 42 years ago.

The essence of what has occurred over the period is not just that philanthropy has increased nor that business has realised the importance of being involved in its community. The fact is that fundraising has become more professional.

When Warren Buffett agreed to give his enormous fortune to the Gates Foundation the reason he gave is that he saw himself as a very good investor but not somebody who understood and indeed knew how to give the way Bill Gates and his team did. This was an amazing realisation for me and most who heard this great man’s words. What he was saying in my opinion is very clear. So many people in life know how to make money and indeed accumulate it during their lives. Most don’t know how to give it away. There are obviously exceptions to this but in my experience so many businesspeople argue,
scrimp, save, etc., to make a million dollars in their business and then, because they think they should, give away a million dollars without the same care, KPI and judgements which they brought to making the money in the first place.

I believe that over the last 42 years the donors have become more sophisticated in their expectations and the fundraisers for charity have improved.

What is very clear is that fundraising has become extremely important for not-for-profits and is a science in itself. The great fundraiser realises that they are selling a vision just as much as someone selling a piece of real estate, a process or an idea, etc. They need to understand what drives the donor; they need to produce value for the donor and above all they need to produce a roadmap both for the giving and for the expectations that the donor has and will receive. I might say that the not-for-profit seeking the donation also has to improve its offering, assuming all sizes fit does not work in 2014. This then relates back to universities such as this, as we need to educate people who come to the fundraising role with the necessary prerequisites.

I learnt very early in my not-for-profit fundraising career that it wasn't hard to ask people for money because I took the view that I was offering them an opportunity – an opportunity which hopefully had value for them but if they didn't take it that was their choice and not a slight on me.

Traditional fundraisers who merely push the same envelope, approach the same people and do it in the same means I think overtime will cease to be useful. The use of new technologies such as crowd funding, social media generally, exciting people to commit to bequests in their Wills, etc, are exciting in this regard and need to be understood and implemented where appropriate.

Fundamentally the good fundraiser knows that it is a long term relationship that the organisations and the potential donor have to build. Most big gifts are from people who have given smaller gifts before. Good fundraisers can bring both good returns for the organisations that they work for but also in my opinion can open windows for individuals into areas that will
give them enormous happiness and which they may well not be aware of.

**Conclusion**

As I said earlier 42 years is a long time. It is therefore not surprising that a lot has changed in both philanthropy; corporate social involvement and the fundraising community.

I would put it to you that in general terms it is a good news story in Australia. The tide has come a long way since 1972.

I am particularly proud that this university has been involved in that tide and it is my hope that centres such as the Centre for Social Impact and that the concept of being involved in one’s community is inherent in all faculties here at the university. Indeed I dream that those enrolling this year in courses at the university will be able to have the joy of being involved in their societies and will look back in 42 years and see Australia as the involved, giving and socially aware nation that I believe it can be.