IMPROVING THE INTEGRITY OF PRESCRIBED PRIVATE FUNDS
THE TREASURY – DISCUSSION PAPER, NOVEMBER 2008

SUBMISSION BY BARR FAMILY FOUNDATION - December 2008

- We saw the establishment of a PPF as a way for our family to strategically engage with the community.

- We would not have established a PPF under the rules suggested by this Discussion Paper, in particular if PPFs are compelled to:

    - distribute as much as 15% of the closing value of the fund each year, effectively eliminating perpetuity; and
    - make their contact details available publicly.

- The proposal to distribute 15% per annum is inconsistent with the original rules under which our Foundation was established. We would consider this a breach of faith by the Government.

- The rules suggested in Treasury's Discussion Paper will likely:

    - close down the majority of existing PPFs within a 15 year period; and
    - result in very few new PPFs being established.

- One of the major reasons for establishing our PPF was for the family to engage with the community in a strategic way over a long period of time, hopefully including many generations. Depending on various assumptions, a distribution rate of 15% per annum will result in the Foundation having an immaterial corpus within approximately 10 years, resulting in the Foundation being closed.

- Philanthropy requires a long term approach to major issues facing the community. Lack of perpetuity will make this very difficult and certainly result in a short term focus.

- We agree that the current PPF Guidelines are ambiguous and we welcome the abolishment of accumulation plans. We further agree that for simplicity PPFs 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. We agree that this would provide greater certainty to PPF trustees and provide more consistency to giving by PPFs. We believe such clarity, at a distribution rate which allows perpetuity of the foundation, will also lead to an increase in the establishment of PPFs.

- We believe a reasonable distribution rate to be 5% per annum. This will ensure at least 5% of the corpus reaches the community each year and allow the Foundation to accumulate funds over a reasonable period of time so that the annual distribution can be meaningful in amount. This will maximise the long term benefit to the community. It is similar to the rate used in the USA.

- If PPFs are required to publicly provide their contact details we would be inundated with requests for funds. We understand that there are over 24,000 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. To minimise costs our Foundation does not employ staff, however, if the 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 the Foundation each year.

- We foresee this resulting in a significant waste of resources for charities. We would imagine that we will receive requests for many projects which fall outside the mission and scope of the Foundation.

- We should be encouraging families to commence traditions of giving, not discouraging them, as the proposals in the Discussion Paper will do.