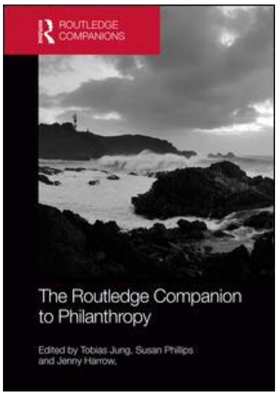

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Vignette: The intersections of philanthropy and public policy Muddy waters

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Part IV

The intersections of philanthropy and public policy

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Vignette: The intersections of philanthropy and public policy

Muddy waters

Difficulties in the relationship between philanthropy, the private and the public sectors

Diana Leat

The delicate and complex nature of the boundaries between philanthropy and the public and private sectors frequently becomes apparent when the 'normal' order is upset, when a crisis occurs or a disaster happens. Such instances also throw into sharp relief the difficult and different ways in which relationships across these areas are negotiated. This is prominently illustrated in the case of the natural disaster that hit Queensland in late December 2010 and early January 2011. At the time, significant flooding occurred; three-quarters of the state were declared as a disaster zone. Perspectives on, and approaches to, helping the victims did however differ markedly across different stakeholder groups, as is evident from the post-disaster timeline of activities. This vignette demonstrates the extent and intricacies of these differences, drawing on cited media reporting and public documents.

Coming to the rescue

To help those affected by the Queensland flooding, the State Premier, Anna Bligh, quickly set up a disaster relief appeal: The Premier's Flood Relief Appeal. Launched on 29th December 2010, the Appeal was described as a Trust Fund to assist those who suffered loss due to the disaster. It stated that '[a]ll money raised by the fund will be directed to address the greatest need'. To this end, the Queensland government made an initial donation of $11 million; by 19th January 2011, the Appeal had raised over $100 million with substantial donations from businesses, the Commonwealth and several state and foreign governments. A Distribution Committee was announced, chaired by Dr. David Hamill AM, Chairman of the Australian Red Cross Blood Service and a former Queensland state Treasurer. Alongside this Fund, charities were making their own fundraising appeals. These included the Salvation Army and St Vincent de Paul, and in mid-January, supermarket chain Woolworths Australia announced that it would match donations, dollar for dollar, made to the Salvation Army Flood Appeal through Woolworths stores.

On January twentieth, three weeks after the creation of the Premier's Appeal, the distribution committee announced the release of the first round of appeal funds. Targeting people 'most affected by this disaster' and 'who will find it hard to recover from the impact of the floods without financial assistance', payments of $2,000 per adult and $1,000 per child were to be made (Media release qld.gov.au twentieth January 2011). Dr. Hamill said that the hope was that first payments on straight forward applications would be made within ten days of receipt of the application.

On the same day as Hamill's announcement, Prime Minister Julia Gillard flagged the possibility of a one-off federal government 'levy' to pay for flood damage in Queensland and other parts of the country. The Leader of the Opposition, Tony Abbott, immediately opposed a levy as an 'unnecessary tax' by a government engaged in 'indulgent spending' (www.theage.com.au/business/pmflags-oneoff-floods-tax-20110120). The possibility of a tax sparked what was to become an increasingly heated debate about responsibility, charity and government. The following comment was fairly typical of one strand. Having pointed out that people chose to buy houses on a flood plain, one member of the public said: 'I am sorry that they have lost everything, however, they should not expect others to pay for it all …. We donate and donate, and pay tax and pay tax …'.

Disagreement and disjointment across and within the sectors

Relations between the insurance industry and the federal government became increasingly fraught. The Insurance Council of Australia had agreed that home owners and businesses would not have automatic flood cover for flood damage in Brisbane and nearby Ipswich; customers in other parts of the state would have cover where damage was a result of storm water rather than flooding, the latter not being automatically covered by most insurers. The Queensland Treasurer warned the companies that they could face a competing government insurance scheme if they failed to insert a standardized flood clause into all policies and if flood cover was not offered to all policy holders. Unsurprisingly, the insurance industry was opposed to any such government scheme.

By the end of January 2011, cracks in the relations between sectors were beginning to widen. For example, on 24th January 2011, the Community Council of Australia (CCA) issued a statement protesting that community organizations could not understand why they were ineligible to receive recovery grants that were available to other organizations, such as small businesses and primary producers (CCA media release 24/1/11).

Then the insurance industry started its own, internal, squabbles. On 25th January the CEO of RACQ, a large 105-year-old mutual with 1.2 million members, announced the launch of a $20 million dollar assistance package for victims of the Queensland floods. The $20 million would be allocated between the Premier's Disaster Relief Appeal ($2 million), a new RACQ charitable foundation to support communities rebuilding across the State and other charitable purposes ($8 million), plus $10 million for 'compassionate financial assistance to those RACQ Insurance house and contents customers who were victims of the floods'. The package was to be funded from RACQ's reserves, and by waiving the payment of a dividend from the insurance company. RACQ's decision was explained as follows: 'RACQ cannot pay claims where there is no insurance cover. Without reinsurance and premiums to cover flood, the company is simply unable to fund the payment of claims where the customer has not taken the option of flood cover. However, RACQ is a proud Queensland citizen and wants to be as compassionate as possible without compromising the ongoing viability of the club and its insurance company for the benefit of all its members'.

The new charitable foundation was not to support individuals. Rather, it was 'to support the recovery of community facilities across the State affected by the flood disaster as well as other charitable purposes'.

On 27th January, three major insurance companies announced that they would consider claims individually, but make payments according to policies. Allianz said that its home policies 'clearly indicate' that river flooding was not covered; '[i]t would be unfair to other policyholders if their premiums were used, or had to be increased, to pay a claim that was not covered under a policy and towards which no premium contribution had been made'. RACQ Insurance CEO Bradley Heath commented that the issue of moral hazard – whether ex gratia payments encourage people not to take special flood insurance – was always a risk (*Courier Mail* 27th January 2011 Special payouts 'unfair to others').

Then on 30th January, the Commonwealth Bank Group announced a $57 million package for flood affected customers. For CommInsure home insurance customers who were not covered under their policy for river flooding, there would be $50 million to provide financial assistance as a gesture of 'compassion'. Of this, $5 million was set aside for community groups.

Opposition to Prime Minister Gillard's proposed levy was now growing. Who should pay it? Who should be exempt? If you had donated or volunteered, should you pay again? If you were a flood victim, should you pay? Then, stories started to emerge 'that people who were previously working hard to raise money for the floods have now decided there is no point, because the Government is going to tax them anyway'. It was claimed that Gillard's flood tax was 'undermining our community … crowding out civil society' (www.menzieshouse.com.au/?p=3705).

Meanwhile the Premier's Appeal continued to raise money – $220 million by 24th February 2011 – but the distribution committee was encountering problems. At this stage, the committee had distributed $12 million to around 5,000 residents. Now it was reported that the committee was being slowed down by ineligible or fraudulent claims – an estimated 10,000 such claims out of a total of 18,000. 'The number of claims would appear to be significantly above the number of properties we know to be affected by the floods or the cyclone' (*Brisbane Times*, 23rd February 2011).

The following day, 25th February, *The Courier Mail* weighed in. Pointing out that the Premier had 'very personally associated herself with the fund-raising efforts' the paper called for equal close personal attention to the distribution of the funds. Hamill, the chair of the distribution committee, was 'well qualified to oversee the proper accounting of large amounts of money' but 'this is far more than an accounting exercise', it is a matter of 'extreme urgency' and they 'simply cannot afford to wait until some extended, but no doubt thorough, bureaucratic process is completed'. The article went on to note that 'only three Queensland public servants are working full time on the appeal'. The job requires 'empathy, compassion and plain-speak', 'not always apparent in the make up of those who become treasurers. Now is not the time for thinking of reasons why money cannot be distributed …'. Of course 'it is complex and due process needs to be followed, but red tape cannot take precedence over common sense and compassion. Unfortunately that appears to be the case' (Bligh needs to act quickly on fund delivery *The Courier Mail* 25/02/2011). David Hammill commented that the volume of applications – 1,000 per day in the last two weeks – was making the job 'challenging'.

That night, Premier Bligh announced that a 'large team' of public servants, said to be over 100, from the Communities Department would now be deployed to help fast track cash payments within 72 hours of claim approval. Dissatisfied with the speed of the distribution, Bligh had asked her department to discuss new arrangements with Centrelink, the Australian Government Department of Human Services' payment and service provider.

On 4th March 2011, *The Australian* newspaper reported that Prime Minister Gillard had agreed to rewrite the terms of the Commonwealth's 30-year-old natural disaster relief and recovery arrangements. The amount of funding given to states after a catastrophe would now be contingent on their insurance arrangements. This was the condition of Senator Xenophon's crucial vote, needed to get the $1.8 billion flood levy passed. Queensland Deputy Premier Paul Lucas said this would come as 'a major kick in the guts to the taxpayers and ratepayers of Queensland, and a major win to overseas insurance companies (www.theaustralian.com.au/news).

By the end of May, the Premier's Appeal was clearly still struggling to distribute the money raised. It was announced that the charity St Vincent de Paul would distribute $10 million from the Premier's Disaster Relief Appeal. Premier Bligh said that the move meant that people who may not meet the eligibility criteria for Appeal funds, or who are waiting on insurance pay outs, can apply to St Vincent de Paul. She continued: 'St Vincent de Paul is an experienced community based organisation with a well-established internal accountability structure and a strong network of over 8,000 trained volunteers across the State. These are the people on the ground in our flood and cyclone affected communities working to help people rebuild their lives' (Queensland Government, Media Statement, Wednesday 25th May 2011).

'St Vincent de Paul will have flexibility regarding the amount allocated per household and its purpose' the Premier said, 'Today's decision recognises that devastation is not uniform. It doesn't follow criteria and it can affect families and individuals in ways that no guidelines, no matter how generous, can always capture' (Queensland Government, Media Statement, Wednesday 25th May 2011).

Reflections

The state government had a clear political imperative to address both the widespread need, and widespread public demand, for action. These appear to be the perfect conditions for taxation. However, for the state government there were already issues about taxation and public spending. Perhaps equally important was that if the state government started to tax it would be treading on insurance industry toes, possibly alienating those who had paid insurance and potentially encouraging more insurance 'free-riding' in the future.

Creation of a 'charitable' fund may have appeared to offer a solution. In other words, the State government used a nonprofit form, i.e. a voluntary donation scheme, as way of: raising revenue/providing services; channeling/corralling good will without taxing; without encroaching on the principle of insurance as in the private market domain, i.e. maintaining flood cover as a matter for the market.

So, one interpretation is that the State government used the mechanisms of third party government to reconcile the need and desire for public services without apparently either increasing revenue raising or state apparatus, and at the same time, maintaining insurance as a private market matter. Arguably, one problem was that the State government did not increase the state apparatus, but still tried to maintain control and identification, whereas third party government involves a degree of letting go and farming out. So, the State government attempted to run a huge and complicated 'benefit' system without increasing apparatus and, initially, without farming out. This appears to have had two consequences: lack of administrative capacity led to crucial delays in distribution which were probably compounded by an assumption that distribution would be conducted according to standards and processes of public sector provision; using public sector rules and processes – standards, fairness, procedure etc. – predictably led to unfavourable comparisons with the 'flexibility' and speed of voluntary sector responses.

Meanwhile, parts of the insurance industry used a nonprofit form – the grantmaking foundation – to reconcile demonstrating compassion and good corporate citizenship and, at the same time, preventing the movement of flood relief from a private to a collective good, i.e. a charitable foundation was used as a way of demonstrating compassion and maintaining individual responsibility to insure, and avoiding likelihood of free riding in the future.

In some respects, the Federal government was the only major player that behaved entirely true to sector. The Federal government did what government does – meets needs/provides collective goods (infrastructure) by taxing (and, in this case, by also maintaining the responsibility of states to insure). The problem was that this collided with the public perception that giving and tax are alternatives not complements.

Further research is required to establish how key players within the nexus of philanthropy and the private and public sectors in especially challenging times perceive what they are doing. On what do they really base their strategies? What are the considerations and assumptions, especially concerning proactivity or reactivity, organizational collaboration, or independence? To what extent are their actions strategic, problematically emergent, or simply a matter of muddling through?