

God's business

Some religious organisations are taking advantage of lax taxation regulations, to the cost of ordinary Australians. By Adele Ferguson

Religion is big business in Australia. If it were a corporation, it would be one of the biggest and fastest-growing in the country, accounting for more than \$23 billion in revenue in 2005, employing hundreds of thousands of staff (salaried and volunteers) and wielding unsurpassed political and social clout.

For more than 100 years, this hidden giant of the Australian economy has been allowed to expand its business interests — ranging from education, health, welfare, and employment services, to art galleries, business achievers conferences, parking lots, banking and finance, dry-cleaning operations and television studios — by winning a bigger and bigger share of government concessions and grants, getting tax-free status and operating virtually outside the control of the regulatory authorities. In the past year, religious groups have become more business-savvy, many of them applying to the Australian Prudential Regulation Authority (APRA) for exemptions to allow them to offer financial services and products to customers.

This situation could be about to change. In recent months, several initiatives have been set in motion by a political party, a few academics and APRA to make religious groups more accountable, particularly in their commercial enterprises.

The reasons are twofold: the Federal Government is transferring more money to religious entities, and the religious groups

themselves are becoming more conscious of business practice. The upshot is that the religious sector lifted its revenue almost 10% in 2005 as it continued to move into new business markets such as financial services, business directories, business conferences and motivational speeches.

Religious groups are not required to file income tax returns. They receive exemptions on income tax, GST, fringe benefits tax (of more than \$15,000 per employee), stamp duty on property transfers, payroll tax on non-commercial activities, land tax and rates. And unlike other countries, except for Israel and Hungary, religious groups in Australia do not have to pay tax on commercial businesses or pay capital gains tax on the sale of assets. And if they move into financial services, they are free of the strict regulations and compliance rules imposed on banks under the Banking Act. Better still, once an exemption is granted, there is no sunset clause or a review by APRA of its operations.

The 10 biggest religious groups, including the Roman Catholic Church, the Anglican Church, Uniting, Salvation Army, Baptist, Seventh Day Adventist and the Pentecostal churches, generated a staggering \$23.3 billion in revenue in 2005, up 8.2% on 2004. That does not include the hundreds of millions of dollars donated by the various congregations on the collection plates and credit card machines from the thousands of parishes last year. Nor does it include the money made from businesses outside the top 200 charities.

In the *BRW Charities* report, almost half the 200 organisations on the list are religious groups. The Catholic Church dominates the list, with 31 operations, and it took the lion's share of the revenue — 40.8% — with its vast operations spreading into education, hospitals, aged-care facilities and business ventures such as insurance companies, funds management and media. All up, it raked in more than \$16.2 billion in 2005, up 8.3% on the previous year. This includes the \$8.9 billion earned by organisations on the top 200 list and another \$7 billion from donations, health, welfare and other businesses such as mortgage broking. It also controls more than \$4 billion through various super funds that *BRW* could locate.

If the Catholic Church were a corporation, it would be one of the top five in the country. On *BRW's* list of the top 200 not-for-profit organisations, the Catholic Church has four operations in the top 10, nine in the top 20 and 16 in the top 50. The Catholic Church in Australia is believed to own assets worth more than \$100 billion. It is the largest property owner in Australia and owns schools, hospitals, parishes and land in prime locations across the country.

The next in size is the Uniting Church, which snaffled 11% of the revenue of the top 200 not-for-profits in Australia, or \$2.4 billion. These businesses are predominantly schools and health services.

The third biggest church is the Anglican Church, representing 9.3% of revenue on the top 200. The Anglican Church had revenue



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of \$2.03 billion in 2005, up 7.2% on the previous corresponding period. Businesses include schools, retirement villages, Anglicare, the Brotherhood of St Laurence and the aged-care operator Benetas. But the Anglican Church owns much more than this. It operates a huge super fund, counselling services and other businesses.

The Baptists expanded their revenue base faster than any other religious group, up 37% to \$606 million over the past year, largely due to the fund-raising efforts of the prominent Baptist minister Tim Costello. Affiliated organisations such as World Vision Australia, Baptist Community Services NSW and ACT and Queensland Baptist Care all enjoyed double-digit revenue growth. World Vision lifted its revenue 55% due to Costello's efforts raising money for the tsunami on Boxing Day 2004.

Church and state

The business of religion has never been bigger and stronger than under the Howard Government. Churches are given more than \$10 billion a year in government grants to fund church schools. They run public hospitals and residential aged-care and disability services. They also received a big annual cash injection in 1996 when the Howard Government eliminated the Commonwealth Employment Service and issued contracts worth hundreds of millions of dollars, mostly to faith-based services. More recently, contracts of similar size were awarded to the religious sector to provide counselling for parents involved in custody disputes under the new Family Law Act. Religious organisations will now receive \$20 million annually to provide abortion counselling services.

And earlier this year, the Federal and NSW governments announced they would each contribute \$20 million to the Catholic Church for the 2008 World Youth Day in Sydney, to be attended by the Pope.

The religious sector does a lot of good. Most volunteers are religious, and the services they offer fill gaps the government misses. But not everyone is happy about religious organisations gaining so much from governments. The Australian Democrats have put out a position paper on the role of religion and the state. It says: "This paper is a guide to the debate the Australian Democrats wish to motivate in respect to the role of religion and politics and the separation of church and state, and what, if any, policies we should pursue to ensure that Australia is a democratic society that respects and represents the views of all citizens."

It goes on: "The Australian Democrats are concerned about the influence the growing conservative neo-liberal religious right is having on public policy, the transfer of major government services predominantly to the religious sector, and the lack of transparency and accountability afforded to religious organisations. Specifically, we are concerned that democracy and the commitment to freedom, equality and tolerance are being compromised. And that, without the separation of church and state, governments are compromised in their duty to treat all citizens equally and to remain religion-neutral."

Although the Australian Democrats have lost a lot of political clout, they still have enough of a voice to get the debate going, something the coalition and Australian Labor Party have steered clear of for fear of upsetting the many religious voters.

The Democrats plan to do this by investigating several policy options to reform the sector, including implementing the Italian and Hungarian systems whereby citizens can opt for up to 1% of their taxable income to be donated to the charity of their choice.

Another option is to have a referendum, promote the establishment of a charities commission (as in Britain and New Zealand), establish a single specialist legal structure for the entities so that the multiple laws that now apply are streamlined, and make religious groups that receive taxpayer funds to provide social services agree to run secular programs, not use the money for religious worship, instruction or proselytising, and drop from their hiring policies all forms of religiously based discrimination.

The concern for the Australian Democrats and academics such as Max Wallace of the Australian National University is that provision of money to religious organisations can mean clients are denied services available elsewhere. Hospitals run by the Catholic Church, for example, will not conduct vasectomies, tubal ligation or abortions, although they are routine in other public hospitals. Wallace says: "People in many parts of Australia are discriminated against by not having an alternative hospital provider."

Wallace says the Government is, in effect, using public money to help religious groups to proselytise. He says that, because they are exempt from tax, they have a competitive advantage in contesting government contracts. The best example is Sanitarium Health Food Company, which belongs to the Seventh-Day Adventist Church and had revenue of \$275 million. But there are other examples. The YMCA (Young Men's Christian Association) offers services in the leisure industry, managing facilities for local government. Because it has a public benevolent institution status, it has access to tax benefits that even local governments do not have. This means in tenders for contracts with other commercial enterprises it often succeeds because these tax concessions mean it can undercut the prices competitors quote.

The shrinking parishes

Despite this growth in power and revenue, traditional churches such as the Catholic Church, Anglican Church and Uniting Church continue to lose their parishioners from old age, disenchantment with religion or a flight to a groovier brand of

Christianity such as that being offered by the Pentecostal churches. In the latest five-year period, the Catholic Church lost 13% of its members, Uniting 11%, Presbyterian 7% and Anglican 2%.

Researcher Ruth Powell, a founder of the authoritative National Church Life Survey (NCLS) research group, says Pentecostal churches now have the second largest church attendance — 198,000 — outstripping the Anglicans, Uniting Church, Baptists and Lutherans, but still far behind the Catholic Church, which at last count had 764,800 practising parishioners.

Powell says the changing pattern of church attendance is illuminating. Between 1996 and 2001, Catholic attendance has dropped 13%, while that of the Pentecostals has risen 30%. If the Catholic Church continues to lose members at this rate, and the Pentecostal attendances continue to grow as they have in recent years — and there is every sign that they will — they will be the country's biggest church within a decade. To put it into perspective, traditional churches have operated in Australia for more than 200 years, whereas the new Pentecostals really only got started in Australia in the 1960s and 1970s. This makes the Pentecostals a force to be reckoned with, particularly given the penchant of many Pentecostal leaders to mobilise their army of believers into politics and the business world.

Powell says the NCLS is busy sending out surveys to 750,000 church attendees to find out what is going on in the sector. "There are three-quarters of a million survey forms going out, and the results will be similar to what we saw last time: traditional churches are losing attendees and the Pentecostal movement is getting bigger."

But there is a social — and economic — cost associated with this shift from traditional churches to Pentecostal churches. Powell says surveys conducted by the NCLS reveal a strong correlation between church attendees from the traditional churches and volunteers. But as the number of attendees in traditional churches continues to decline, and the Pentecostal churches become the rising stars, there will be a gap in volunteerism. "Pentecostals don't volunteer. They are young and busy," she says. "Who will pick up the mantle? When things change, will all the churches continue in this sector or will they remodel themselves? Has the Government thought this through? Right now, the Government is outsourcing many

Community

The Catholic Church is not only the biggest religious group in the country, it is also the biggest non-profit organisation. In the year to June 30, total revenue grew 8.3% to \$16.2 billion as all sectors it operates in, including education, health and welfare, ballooned.

In health, the Catholic Church's share of beds is 11.8%, owning more than 49 private hospitals, 17 public hospitals, seven teaching hospitals, eight dedicated hospices and palliative-care services. In education, it operates 1700 schools and in aged care more than 485 aged-care homes and hostels.

Performance

Australia's top 10 churches represent about 2.5% of the country's gross domestic product. Together, they turn over more than \$23 billion in revenue. The biggest is the Catholic Church, followed by the Uniting and Anglican churches. But the stand-out performer was the Baptist Church, which lifted revenue 37% to \$606 million following the success of World Vision's fund-raising efforts for the 2004 tsunami. The only church with lower revenue was the Seventh-Day Adventist, due to a fall in its cereal business Sanitarium.

Growth

The rising stars of religion are the Pentecostal churches, which achieved double-digit revenue growth in 2005, to \$263 million. These churches are entrepreneurial, young and are all about branding and marketing the church. They have come from virtually nowhere in the past decade and now own schools, financial services operations, television studios, business directories and medical centres. The biggest and fastest growing is Hillsong, which lifted revenue by an estimated 23% to \$61.6 million in 2005, and the second-fastest growing was the Adelaide-based Paradise Community Church, which lifted revenue 17% to \$6.2 million.

things, such as employment services and counselling, but is that a sustainable plan?"

In a report, *C3i Australia Plantable Cities*, one of the biggest Pentecostal churches, Christian City, presents a comprehensive analysis of the best places to locate churches based on population, median age, number of Pentecostal Christians and age distribution. In other words, it is selecting cities

A BROAD CHURCH

Where the Catholic Church earned its revenue in 2005*

SECTOR	REVENUE 2005 (\$m)	CHANGE ON 2004 (%)
Education	5,700	7.8
Health	5,500	10.0
Welfare	1,800	20.0
Other	3,250	1.2
Total	16,250	8.3

* BRW estimates

GOD'S WORK

The top 10 churches, by 2005 revenue*

CHURCH	REVENUE 2005 (\$m)	CHANGE ON 2004 (%)
Catholic	16,250	8.3
Uniting	2,409	7.3
Anglican	2,033	7.2
Salvation Army	642	2.7
Baptist	606	37.1
Seventh-Day Adventist	537	-5.5
Lutheran	381	8.2
Pentecostal	263	10.5
Presbyterian	117	8.0
Mormon	103	3.0

* BRW estimates

CLAP HANDS

How the Pentecostal churches fared in 2005*

RANK IN TOP 200	ORGANISATION	REVENUE 2005 (\$m)	CHANGE ON 2004 (%)
55	Hillsong Community Church	61.6*	23.0*
57	Christian Outreach Centre	60.4*	7.8*
81	Christian City Church	42.0*	10.5*
185	CityLife Church	6.9	15.6
197	Paradise Community Church	6.2*	17.0*

* BRW estimates

with population weighted with children and youth. The national directors of the report, Gordon and Jo Moore, wrote: "The informed reader of this report cannot reach any other conclusion than that our nation has major cities outside the state capitals that are growing, youthful and ready for Christian City Churches to be planted in them." They go on to say: "If we are serious as a movement

about reaching our nation through church planting, we can no longer keep planting within our own cities and communities. We must see the bigger picture — the need of our nation.” It then does an analysis of each state in areas such as Albury-Wodonga, Dubbo, Armidale, Ipswich and Burnie. This is market analysis at its best.

The Pentecostal churches are busy establishing churches all over the world, as well as encouraging their members to open small businesses and become entrepreneurs. This explains the 14% growth in revenue of the top five Pentecostal churches in Australia in the past year. These churches — Hillsong Church, Christian Outreach Centre, Christian City Church, Paradise Community Church and CityLife — generated more than \$177 million in revenue, compared with \$155 million in 2004. Include Pentecostal schools and the figure blows out to \$263 million

Hillsong is the biggest church in the Pentecostal group, making an estimated \$61.6 million in the year to December 31, 2005, compared with \$50.1 million in the previous year. This mega-church is one of the most entrepreneurial churches in the country. It sells everything from T-shirts to mobile-phone tunes, and receives government grants and subsidies worth more than \$1 million. In its 2004 annual report, it revealed that it had property, plant and equipment valued at \$119 million.

Hillsong has been under scrutiny in recent months following allegations in Federal Parliament by a Labor Party backbencher, Ian West, that its main benevolent arm, Hillsong Emerge, was misappropriating Commonwealth grants for its own use instead of using the money for the people it was supposed to help: Aborigines.

Soon after his allegations, its government arm, Indigenous Business Australia (IBA), put out a press release in February saying: “IBA has decided it will not continue with current micro-enterprise development pilots being delivered by Hillsong Emerge. These pilots arose from an initial funding agreement between the former Aboriginal and Torres Strait Islander Commission (ATSIC) and Opportunity International. The move comes after a board meeting in Canberra. It follows an evaluation of the experience obtained through a number of pilots currently under way in Australia, as well as consideration of experiences in other developed economies.”

Hillsong denies any wrongdoing.



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Unaccountable

Most religious groups either do not know what they are worth or will not reveal it to the public. In an era of increasing corporate regulation, religious groups are virtually unaccountable. Unlike most other not-for-profit groups, religious groups do not have to file income tax returns and, contrary to the practice in most other countries, they do not have to pay tax on commercial businesses or pay capital gains tax on the sale of assets.

Despite getting all these tax exemptions, paid for by Australians in terms of lost revenue from taxation, groups such as the Church of Scientology, Christian City, Hillsong, Christian Outreach Centre and some of the Catholic operators, including the Sisters of Charity, refuse to reveal their revenue. For instance, Hillsong responded to a request from BRW by sending its 2004 report, even though its 2005 report is available. The media officer, Maria Ieroianni, refused to give the updated figures. Christian City’s media officer, Glenn Henry, refused to co-operate. After many phone calls, he told BRW to go to the Australian Securities & Investments Commission for any financial details. There are more than 60 separate business entities, most of which had no financial reporting, and those that did were not the ultimate holding company.

Even the business units of some of the churches refused to co-operate. For instance, the Seventh Day Adventist Church gave BRW the run-around before refusing to co-operate on the revenue figures for Sanitarium.

Sanitarium competes with the private sector, receives all the tax concessions available to a religious group, including FBT concessions, but does not have to reveal how big the business is or where the money goes. In the interests of budget honesty and transparency, experts believe taxpayers are entitled to know where the money is going. They say religious groups with commercial business arms should also give details of how the money from these businesses is being spent. This would make sure it is fully allocated to the underlying charitable and religious activities, rather than ploughed back into business expansion.

At least one religious group has decided not to take the religious exemption status for the business it operates, on the grounds that it is a global religion and does not get such exemptions overseas. Stephen Coy, the media spokesman for the Church of Jesus Christ of Latter Day Saints (Mormons), says the Mormons own an agriculture business in Australia, AgReserves. Coy says it is not making a profit but, when it does, it will pay tax on the business. The Mormons raise about \$103 million a year in revenue, mainly from tithing.

APRA has the financial services activities of religious groups on its radar. APRA has been inundated with requests from various church groups to give exemptions to allow them to offer financial services and products to customers.

Over the past decade, APRA has granted exemptions to 12 religious groups but has no idea of the size of the assets or the financial services that they offer.

In November last year, APRA twigged to the fact that some religious entities are offering many banking services. Some have cheque account facilities, automated teller machines, electronic funds transfer and other products. APRA is questioning whether this is appropriate.

In the past year, APRA received six applications from religious groups seeking exemptions from the Banking Act. Another 12 organisations contacted APRA about getting an exemption. APRA wrote to 30 church groups in November asking for details of the types of financial services they are offering. It followed up with various levels of consultation. It has completed the consultations and is now finalising a position.

A spokesman from APRA says there is no deadline on when the regulator will make a decision. ●