

## **JOHN TODD: SPEECH TO PHILANTHROPY NZ CONFERENCE**

**THURSDAY, 3.15 PM, 19 MARCH 2009**

**Topic: Why I give and what I hope to achieve**

Thank you. My talk today will cover why my family gives and what we hope to achieve – and I'd also like to share with you some of the lessons we have learned and are still learning in 40 years of giving.

Why do we give? I suppose it's simply about wanting to help out. There's nothing heroic or even unusual about this; almost everyone does something to help others when they can. If our giving is noticed, it is probably because we give money and we are fortunate to have the resources to do so on a moderately large scale.

A secondary reason is that giving as a family is helpful for family unity. Each year, all Todd family members vote to donate a portion of our business returns to our foundation, and one of our stated family values is to act with "Generosity of spirit and caring for and contributing to our community".

To explain this, let me tell you a bit about my family. For a start, there are rather a lot of us. At last count - 186. We are all direct descendents of my grandfather Charles Todd, his wife Mary and their seven children, and we all have stakes in the family business he founded, and in the Todd Foundation. Charles started his first business in 1884, 125 years ago this year, as a stock and station agent in Heriot in Otago. He later fell in love with that radical innovation of the time, the automobile, and, after initially being a Ford dealer in Otago, obtained his first national dealership for an American car called the Gray. You probably haven't heard of it. It didn't last long. As a memo from my father to the Gray Company complained, in only slightly more polite language, it was a "horribly thrown together bag of nuts and bolts". But lessons were learned and we went on to motor vehicle assembly and distribution through Todd Motors, petroleum product marketing under the Europa brand (incidentally the sale of this company in the 1970's to BP helped create the capital base for the Todd Foundation), oil and gas exploration and production as well as electricity generation through Todd Energy, and capital investment through Todd Capital.

With such a large family owning the businesses and involved in the foundation, we need mechanisms to ensure good communication and fair representation. We signed up to shared values, including giving, and created a family council, whose role includes overseeing philanthropy. And, while giving is woven through many of our activities ( - as an example, Todd

businesses support the Young Enterprise scheme, emerging writers, composers and dancers, the Festival of the Arts, WOMAD and many other activities), it is through family philanthropy, unfettered by branding considerations and customer expectations, that we are best able to just “help out”.

And what do we hope to achieve? Like most families, we are especially interested in the wellbeing of children and young people; they are our future and we need to look after them. While we currently provide some support for the environment, the majority of the Todd Foundation's funding is aimed at one of the following three stated goals:

- Support families and communities to provide safe and nurturing environments for children
- Help children to actively participate in school and Early Childhood Education
- Support young people to develop their potential and to contribute to their community.

All our funding applications are actively assessed on the degree to which they meet one of these three goals.

As an example of what we hope to achieve, I was deeply impressed recently when a group of young people from Porirua's Streets Ahead programme came to visit us. They told their stories of drugs, alcohol, gangs and families who don't care, and how, through opportunities, responsibilities, a positive peer group and adults who care, they had turned their lives round. Here, our funding is supporting those who give their personal time to help others, often without reward, to make a difference in the lives of our children and young people. And this giving of **time** is in many ways more valuable than the giving of money and the PM referred to this yesterday. Each of us has only a limited allocation of time - we can't accumulate it, or save it for future use as we can with money. The gift of personal time, given freely and unstintingly to people who need it most, deserves our admiration and support.

So what are we learning? First, as there has been considerable interest at this conference in how to survive a recession, let me add my two cents to the debate, although I don't pretend to have all the answers. I started my working life in 1946 as a car assembler at Todd Motors, and in the last 60 years I've seen many financial glitches, but no real disasters. The depression of the 1930s is more relevant, and I have to say that because my grandfather had over-invested in wool futures, our business almost went bankrupt at that time. We survived – just. We survived by coming up with a plan, persuading the bank to support us, working hard and weathering the storm until the economy recovered. There was a recovery then and there will be now, these cycles are part of the nature of things. Determining how to manage and persevere through tough times in the knowledge that things will inevitably improve – eventually - is an invaluable strength.

Don't think, by the way, that we stopped taking risks. Gas and oil exploration is not risk free. Good grant-making is not risk-free. We did however learn to ring-fence risk so that one failure doesn't bring down everything else with it.

On a more topical level, there is current debate about whether to make grants from capital when investment returns are low, as many if not most grant-makers will have lower income. And how do we mitigate this downturn? This depends on your horizon. Some trusts are set up with a finite lifetime and the express intention of spending down both capital and income until it is gone, and we heard yesterday about the 50-year span of the Gates Foundation. Now, when community need is rising, may be a good time to make grants from your capital base if your trust deed allows this. But, of course, there is a problem; many trust assets are in marketable securities and we know what has happened in the market. Should a trust give away its depreciated assets? It is a dilemma and I don't know the answer. But we all need to find other ways of making our grant-making budget go further.

Taking advantage of the new tax laws on giving is another way of leveraging funds. In our case, we added 33% to the donation to the Todd Foundation – this had the same net impact on our business earnings and allows us to at least maintain and possibly increase the level of grant-making this year. Again, the PM spoke of this. (On a personal note I'd like to thank Philanthropy NZ for their role in helping to push through this legislation; it's been a long time coming – in fact I had begun to doubt that it would ever arrive. Now it's here – let's use it well.) And I was encouraged to hear the PM say that government is considering how the imputation credits on dividends may be passed on to charities.

Finally, the constraints on funding means that it is more important than ever that we are keenly focused on making the most difference with the funds we have. We need to do more with less. Again, I don't pretend we have the answers, but here are some of the lessons we've learned in trying to maximise the difference we make:

- First, we've learned to focus more on what changes our funding should and could contribute to. When we began the foundation in 1972, our giving was very broad-based. Over time we've narrowed our focus to the three goals for children and young people I mentioned earlier; these sit underneath our vision for Aotearoa New Zealand and are supported by identifying target areas for funding – and we now have a structured and focused framework for our giving.
- We also use a two step process where applicants provide a brief Expression of Interest; then, after consideration by a trustee sub-committee, a relatively small number of applicants are asked to provide a full proposal. This has several advantages. It cuts down the amount of paperwork - which I have to say is my least favourite aspect of philanthropy. (And who likes paperwork?) More importantly though,

it cuts down grant-seeking time. There is no point, in my opinion, in asking an organisation to write a full proposal unless they have a realistic chance of receiving the funding they need. Now, more than ever, we need our community organisations out there on the front-line helping out, not form-filling.

- We now give fewer, larger, longer grants. When we started we would receive 600 – 700 applications a year and from these provide 200 – 250 small one-off grants. We were part of the scattergun school of grant-making. We then changed tactics and for the last ten years or so our main fund has given fewer than 40 grants a year from a rising grant budget, and our average grant has grown to almost \$50,000. This is better, but because most grants were for one year, we found we had graduated from scattergun grant-making to the “hit and run” school of grant-making, with no continuity for grantees and little time for follow up or evaluation before the next funding round was upon us. So, we further modified our policies and last year almost half our grant recipients were starting or part way through a multiple year programme to cover ongoing needs. This year we are considering modifying this approach again to provide what we are calling “partnership funding”. This involves providing untagged, multiple year grants to organisations closely aligned with our goals; these grants are then combined with our increased ongoing support and collaboration in the development of their plans, a plus in the goal of “helping out”. Our staff are currently refining how this will be implemented and we look forward to experimenting with this new approach.
- On the topic of staff, another thing I’ve learned is that you need the right people involved. In this area I’ve been both lucky and clever. I have a small but highly skilled staff. I’ve been clever in their selection – and lucky that they are so effective – but only as expected.
- Partnerships with other funders is another area we’re learning about, and working together in tough times is particularly important. I briefly touched on environmental funding before, and, as an example, we were pleased to embark on our first major joint venture with another funder last year when we joined forces with the Tindall Foundation to create the Hikurangi Foundation. This new foundation is set up to address climate change and sustainability issues and has been seeded with \$250,000 per year from each of our foundations for three years. I’d add that the process has been easy and collegial, and the new foundation is currently embarking on a range of innovative initiatives.

In summary then, we give because we want to help out. In particular we want to help out children and young people, to join forces with the people on the ground working with our kids, to be involved. We’re learning how to do this better, and no doubt we will continue to learn. Our children are our future. Their wellbeing and potential must be protected, nurtured and

realised, and we all have a role to play in this. And it has never been more important.

Thank you.