

**A submission in response to the Australian Government's
ELECTORAL REFORM GREEN PAPER
DONATIONS, FUNDING AND EXPENDITURE**

This submission comprises an introduction and then a series of numbered points relating to various parts of the Green Paper, starting from the Message from the Special Minister of State' up to Chapter 10. The discussion points summarised in Chapter 11 are addressed throughout this submission as they arise. Some issues recur in different sections making the order of points somewhat arbitrary.

Thank you for the opportunity to reply to the Green Paper, which is an excellent basis for discussion, and I hope the ensuing reform is of the same high standard.

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WOOLLOOMOOLOO, NSW 2011*

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Introduction

By world standards Australia has a stable, functional political system, and is well served by its politicians. I fully agree with Senator Faulkner's introductory message however, that in recent years the political process has been increasingly influenced by a financial imperative causing a funding 'arms race', a changing media participation and role, and increasing 'third party' issues including funding loopholes. These problems have created public cynicism and suspicion of bribery and corruption, which are impairing the "profoundly democratic" process whereby Australia was founded, making political funding reform timely.

This submission aims to make the case that the minimal requirements for electoral donations, funding and expenditure reform are:

1. The removal of large private donations from the political funding equation.
2. Public funding that is sufficient and indexed to inflation.
3. Online, ongoing funding disclosure.
4. A broad, unambiguous definition and firm regulation of all 'third parties'.

If these minimum standards are not reached, funding scandals will recur into the future, as they have in virtually every comparable democracy around the world in the past. As the Green Paper states, 'money, like water, will always find a way'. History repeatedly demonstrates the consequences of having tempting large donations potentially available, and of course, human nature is not about to change. We need a system where voters are assured their elected representatives are competing on a level playing field and acting in the electorate's best interests.

The principals of genuine democracy are not complex. However, as with taxation, human ingenuity is limitless to reinterpret or bend regulations for self-interest, especially in the competitive world of politics. Politicians should gain power by virtue of policies and ability, elected by well informed voters. The slickest advertising team, the biggest budget, the best spin doctors, the backing of powerful factions should not decide elections.

With the backdrop of the global world financial crisis, sensible legislation to rein in the arms race of electoral spending is opportune. It is consistent with Prime Minister Rudd's recent publication on the revitalised role of social democratic governments as responsible regulators, whilst being careful not to restrict opportunity or free enterprise. Law reform should be pragmatic, watertight and easily understood to help compliance. There is a strong case for simplicity and spirit of reform, rather than legislating every loophole.

The principles and problems of electoral funding are often common to both federal and state governments, hence my submission draws examples from federal and state governments, especially NSW with which I am most familiar.

Specific Points I would like to make:

Points Relating to the 'Message from the Special Minister of State':

1. The need for a federal model

With overlapping governments in Australia, there is a wide variation in legal requirements in the electoral funding and disclosure process between federal, state and territory governments, with some states having no requirement for political donation disclosure at all. No one state is ever going to lead the others towards meaningful reform. It makes so much more sense for federal leadership to provide clear democratic standards for the states to follow. For example, NSW Premier Rees has pledged an overhaul of political donations policy '*that cleans it up once and for all*', but at the same time he was adamant that NSW could not go it alone. <http://newmatilda.com/2008/11/20/electoral-reform-could-be-rees-best-friend> With a sound federal model in place, it would make it hard for Premier Rees to renege on his pledge.

2. Voters cannot correct funding problems at the ballot box

The argument that the political voting process obviates the need for regulatory restrictions of electoral funding is a myth, for several reasons. Firstly, there is widespread public ignorance of the financial workings of political parties. Secondly, unlike the citizens of New York (<http://www.abc.net.au/rn/nationalinterest/stories/2008/2214402.htm>), no voters anywhere in Australia currently have all the relevant information about private donations to candidates when they cast their vote. The best they can hope for is to find out 3 months later, by which stage it's too late. Thirdly electoral reform is only one of multiple issues for voters' consideration, and most are busy enough just living to grasp this issue fully. They are dependent on the honesty and good intent of government to act in their best interests.

Points relating to Green Paper PART 1 Chapter 1

3. Difficulties with third party terminology

Paragraph 1.12 and its associated foot-notes, illustrate the difficulty in determining where money really comes from. The definitions and classifications of 'third parties' between governances, and the differing standards of disclosure for different money sources, make a clarifying federal model essential. A good federal model would encourage standardisation of electoral funding and disclosure procedures, definitions and classifications, throughout the States and Territories, while fully maintaining States' autonomy. In the future, electoral data from throughout Australia could be readily available, compared and analysed online, with ongoing huge economic benefits for all governments.

4. Setting public funding levels

The figures for escalating public funding in paragraphs 1.13 and 1.14 are significant in light of the fact that, despite the blow-out, public funding has not lessened the dependence on an ever-increasing private income. This apparent insatiability makes electoral expenditure limits necessary. Limits should be moderately generous and indexed to inflation, so that all reasonable expenses for a good campaign are met. Importantly, political parties and candidates will be reassured that they cannot be significantly outspent by their rivals, hopefully allowing them to redirect their efforts towards ideas and policies and away from constant fund-raising.

5. Political Donations Bill

As outlined in paragraph 1.19, the Federal ALP's Political Donations Bill clearly demonstrates the government's good intent and I hope these measures are implemented soon. It would be unfortunate however, if the Political Donations Bill is seen as anything other than an interim measure, as it alone will not solve systemic problems.

Points Relating to Green Paper PART 1 Chapter2:

6. Society values and priorities.

On the question of values, I would like to draw attention to our similarity to Canada, and how this could alter our priorities. We share English origins, a similar size, population and geography, a Westminster government, and democratic socialist moral values, but we also both share the mixed blessing of living in the cultural and financial shadow of the USA. In Australia, we often gradually adopt American trends, and our electoral arms race and changing media role are examples of this.

The USA has just held an extraordinary election where the presidential candidates raised over \$1 billion for the first time ever, and one candidate had over a third of a *billion* dollars more money than his opponent. In contrast, in an Elections Canada survey in 2006, 60% of Canadians were in favour of retaining the ban on all corporate and union political donations, while only 5% were against. So while US politics is awash with money, Canadians overwhelmingly don't want big donations in the mix.

In 2008, I canvassed 77 Sydneysiders on their attitudes to public funding and I found the same 60% figure were in favour of public funding, if it meant big donations could not buy political influence. I believe Australia's value system is much more closely allied to Canada's than that of the USA. Australians and Canadians believe that public funding of political parties is an investment in democracy.

The path we choose will be determined by the system we put in place, and fairness and democratic values should have priority over privacy.

Points Relating to Green Paper PART 1 Chapter 3:

7. Candidates with dual citizenship.

As an offshoot of Paragraph 3.18, whilst I agree that candidates for parliament must be Australian citizens, I see no reason for those holding dual nationality to be required to relinquish their other citizenships, as is currently the case. In my experience neither loyalty nor contribution is compromised by dual citizenship, in fact, retained international ties bind and strengthen mutual understanding.

8. Broad definition of third parties

Paragraph 3.25 introduces the problem of classifying ‘third parties’, which are not defined in the Electoral Act. I believe a broad definition of ‘third party’ is needed, to include any person or group which financially assists a political party or politician, the key criterion being their functional result. There must inevitably be some fine print in any legislation reform, but the principles to strive for are simplicity and the spirit of the law. In the Canada Elections Act, any person or a group can be a ‘third party’, where the definition of ‘group’ includes any ‘group of persons acting together by mutual consent for a common purpose’. Such a broad definition, impartially applied by independent watch-dogs, is a good starting point for firm third party regulation.

Our current lack of clear legal definitions creates problems and potential loopholes, for example, when an associated entity such as The Free Enterprise Foundation (paragraph 3.16), raising funds for the Liberals, is classified, and hence audited, quite differently from, say, a contracted fundraising company performing an identical function.

9. ‘Issue-orientated’ groups

Re paragraph 3.27, firm regulation of third parties would not be incompatible with ‘issue-orientated’ groups (such as Greenpeace), campaigning for their specific issues at election time. The line is crossed when these groups become politically aligned, a distinction which could be satisfactorily legislated.

10. The donation disclosure threshold

Paragraphs 3.37 to 3.53 collectively show the wide variations in disclosure requirements between Australian governances, allowing loopholes (such as donations to multiple divisions of a political party), disclosure delays sometimes for years, and varying donation disclosure thresholds, if present at all.

Any actual reforms introduced may initially be somewhat arbitrary since there may be no proven guidelines. For example, the choice of a donation disclosure threshold could perhaps range between \$500 and \$1,500. The principles however remain: the figure chosen must be indexed to inflation, and sufficiently small to not be a corrupting influence. Any

disclosure system should be ongoing, online and fully transparent, which will require an initial IT investment, but will be highly cost effective on the long-term, especially if such IT could also be adopted by willing States and Territories.

11. Electoral expenditure caps

Paragraph 3.71, on the subject of duration of the electoral expenditure caps in New Zealand, makes the interesting point that the expenditure caps apply from 1 January in any NZ election year. Australia would benefit from a lengthy definition of the 'election period', though currently this is logistically difficult.

In the three Australian federal elections from 2001 to 2007, Crosby-Textor internal polls show the Coalition began advertising blitzes as early as March, for elections held between 9 October and 24 November. <http://www.onlineopinion.com.au/view.asp?article=6836> This illustrates the growing trend for incumbent governments to start electioneering increasingly early, in fact, some would argue that electioneering never really stops. Only an extended 'election period' would cover such abuses of federal advertising money as shown in the Crosby-Textor poll. Yet as long as the election date remains unknown, it is hard to commence an 'election period'. Any definition of 'election period' would be undermined by the incumbent's ability to call a snap election.

Fixed parliamentary terms would make the 'election period' far easier to sensibly regulate.

12. Failure of current disclosure process

In discussion point 3.89, the question is raised whether we need 'double disclosure' by both donor and recipient. Having spent many hours examining disclosure data, one overwhelming impression got from double disclosure is just how different and frequently contradictory donor and recipient data can be. This can be due to ignorance of rules (many donors don't know their obligations), delay in reporting (it may be months to years between donation and disclosure) or poor organising skills (information just gets lost or forgotten), though the reporting system itself must take much of the blame.

The truth in NSW is that the disclosure system has never worked satisfactorily. The EFA makes the data available in trolley loads of hand-written, often illegible folders which are later scanned as pdf documents, complete with typing and spelling errors, multiple names for some companies and uncertainty as to where the donation really originated. Data resembles a non-alphabetical encyclopaedia with no index. Whether double disclosure is retained may become a non-issue, if a first-class disclosure system were introduced.

Providing disclosure data is also fraught with problems. I was informed at ALP headquarters at Sussex St, Sydney, that for the last NSW election, of the 93 NSW ALP candidates disclosure returns, 92 were initially deemed inadequate by their ALP agents and returned for amendment! (Only John Della-Bosca got it right the first time!). How could so many candidates get it wrong? This is clearly a system fault.

The bottom line is that we need standardised, online, ongoing data collection, and once the data bank is functional, the message would be simple:

You make or receive a donation, you declare it.

Like doing a tax return, it's easier if all the data is properly collected, complete and organised.

13. The principles of third party regulation

On discussion point 3.90 (and expanding on Point 8 above), regulation of third parties is a challenge but the principles are clear:

- Broad definition with registration and disclosure obligations.
- Transparent structure, function and auditing.
- Indexed, sensible expenditure caps which allow satisfactory campaigns (\$50,000 has been suggested as a starting point).
- Clear distinction from 'issue-orientated' groups like Greenpeace, with the line being drawn at political involvement.
- Legislation should be especially careful to avoid some of the proven problem areas overseas, such as 'parallel campaigning' (which has plagued New Zealand in recent times), and such groups as the USA's '527's (which are often well financed interest groups exerting strong influence from outside the system, being unregulated by the Federal EC and not subject to contribution limits like PACs).

14. Limiting private donations to individuals only

Discussion point 3.92 (and elaborating on point 6 above), mentions Canada's decision to accept donations from individuals only.

I believe the introduction of this measure is of crucial importance, if our electoral system is to remain corruption free in future years. Of democracies comparable to Australia, only Canada has successfully removed big private donations from the equation. Ironically, Canadian Prime Minister at the time, Jacques Chretien, introduced reform in response to intra-party factional fighting rather than any altruistic reasons. One aspect of the current Canadian political crisis, where parliament was suspended in late 2008, is the threatened re-introduction of large private donations by the new Conservative Party minority government, which stands to gain the most income by reverting to the previous system, to the detriment of smaller parties. Since 60% of Canadians favoured the ban on direct donations from corporations and unions, whilst only 5% were opposed, the reintroduction of such donations would be highly undemocratic.

The influence of large political donations is the major political funding issue undermining public confidence. History repeatedly shows that wherever large private donations to politicians or political parties are permitted, there will inevitably be recurring bribery and corruption, either real or alleged. Allegations are often very hard to corroborate, suggesting that fully-blown, proven scandals are just the tip off the corruption iceberg.

A London School of Economics report from 2004 on political funding corruption in western European nations concluded that no western style government (except Iceland!) has been free from corruption and funding scandals in recent decades
<http://www.google.com.au/search?hl=en&q=London+School+economics+western+democracies+scandal+funding&btnG=Google+Search&meta=>

Throughout 2008 in NSW, political funding controversy was never out of the news. The general public is understandably sceptical when NSW Premier Nathan Rees states: *‘Let me be quite clear about this, the making of donations does not, and should never, influence Government decision making’*, while at the same time, criminal charges were being laid against ALP officials in the ‘Wollongong scandal’. The Premier’s statement undermines the credibility that he needs to be a respected leader.

Problems of corruption and/or lack of transparency are clearly worse in longstanding governments like Howard’s Coalition and the current NSW ALP. When left unchecked the final result can be a truly toxic government such as that of Bjelke-Petersen in Queensland.

There is a catch-22 inherent in donation reform. Incumbent governments get the lion’s share of political donations, creating a disincentive for them to remove big money donations from the electoral funding equation via caps or bans. The rhetoric of pre-election promises, opposition parties and contrite governments caught in funding scandals is full of ‘donation bans’ and ‘increased transparency’. But when governments come to power, the issue of reform becomes a threat to the financial advantage of incumbency, and good intent is sacrificed to expediency.

Australia needs a Federal Government that places democracy ahead of political self-interest. It is rare worldwide for a government to do this and if the current Federal ALP succeeded, it would be a triumph for Australian democracy and fairness, and an example to the world.

15. Donation patterns and party organisation.

Discussion point 3.95 raises the issue of regulation altering with flow-on effects for party organisation. A glance at disclosure data in NSW from the ‘double disclosure’ system, reveals that many donors assume their donations are directed at, say, a particular politician, when that politician makes no corresponding disclosure. I attribute this discrepancy to donor misunderstanding or intra-party money movements. The former could be corrected by education and a functional disclosure reporting system, while the latter will probably continue no matter what regulations are introduced. Parties may need to re-organise themselves to comply with regulation, however if all sides are equally effected, I see no problem with this.

Points Relating to Green Paper PART 2, Chapter 4

16. Principles guiding public funding

Suggested principles guiding public funding options:

- (Paragraph 4.1) The 4% threshold seems satisfactory, having been tried and tested. A lower rate of 2% for first time parties and new independents would encourage political participation.
- Whatever the value per vote, it should be indexed to inflation and aimed at providing a reasonable budget for satisfactory campaigning. Public funding should not remove the incentive for parties and candidates to court individual donors and party members (and has not done so in Canada[paragraph 4.46])
- (Paragraph 4.5) A reimbursement scheme would eliminate any potential profit making.(The Pauline Hanson clause)
- (Paragraph 4.9). Public funding should cover all reasonable electoral expenses, including additional staffing and justifiable travel.
- If public funding largely replaced private donations, ongoing review and flexibility of public funding amounts may be useful in these highly unstable economic times, where returns from party assets and investments may fluctuate greatly.

17. Politicians and constant fundraising

Paragraph 4.13, makes the very valid point that public funding could relieve parties of ‘the constant round of fundraisers’. The electioneering arms race, which began in the 80s, has received much publicity, however less emphasis has been placed on the changing demands of politics on politicians. For example, prior to the arms race when former NSW Premier Askin resigned in the mid 70s, only five NSW politicians were ‘full time’, the remainder having ‘day jobs’. Politicians now work extraordinary hours, under great pressure and with unrelenting scrutiny. It is unreasonable, counter-productive and poor allocation of time to require them to raise money also. Now more than ever, politicians need time to do their demanding jobs. They also need and deserve quality rest time, both to counter burn-out and to attract the top people into politics.

Politicians must remain close and answerable to their electorates, but the relationship between politician and voter is different to that between politician and donor. The former is ideally one of mutual respect and teamwork, while the latter may involve an unhealthy ingratiation, with unwritten obligations attached.

18. Public funding arguments

Paragraph 4.14 raises arguments against public funding.

Of the few studies coming out of the Clean Election Movement in the USA, public funding has not been found to reduce competitiveness nor entrench incumbents. In Canada, since quarterly public funding was introduced and corporate and union donations banned, there has been no decline in parties’ need and commitment to engage the electorate and seek its support via both donations and membership.

In the USA, there is deep suspicion of anything that resembles socialism (at least before the global financial crisis), hence in Arizona, for example, public funding is financed by such measures as voluntarily ticking a box on a tax return and/or applying a surcharge on civil and criminal fines, effectively taxing the poor when they're really down! This is another example of the differing community values between Australia and the USA, and I strongly disagree with the USA approach. I believe that public funding is an investment in fairness and democracy, and hence provides excellent value for money.

Furthermore, when I surveyed 77 Sydney voters on their attitudes to public funding, those who were against it made such statements as "*I don't want the politicians to get my money*" or "*they get enough money already*" reflecting more on their view of politicians than any assessment of public funding.

In the USA, there have been instances where public funding laws have been abused by making charges against a rival candidate, in order to tarnish them with impending litigation during the election period. The election period is not the appropriate time for litigation. (http://www.brennancenter.org/content/resource/public_funding_the_good_the_bad_and_the_ugly/) Where candidates or parties break electoral regulations, such as exceeding caps or accepting money from non-legitimate sources, appropriate post-election penalties via proper channels, including the power to remove the offender from office, need to be in place. An example in Australia of disruption caused by inappropriate threatened legal intervention occurred during the last federal election in the seat of Wentworth, where Mr Turnbull used his large personal resources to advertise a possible technical breach of electoral procedure by his opponent in a close and crucial electorate. Turnbull's threatened action probably influenced the voting and may have won him the seat.

19. Sources of public funding

Many paragraphs in Chapter 4 relate to the amount and method of public funding. In considering public funding options, I would like to make some suggestions for possible revenue sources or for doing things more cheaply:

- When examining the Howard Coalition's advertising budget (estimates range up to \$2 billion in total) tens of millions were spent on unaudited, clearly political 'information' campaigns. There are potential large savings from impartial auditing.
- (paragraph 4.29) Public funding federally reached \$49 million in 2007 of which over 80% goes to the two major parties where it comprises about a fifth of those parties' annual expenditures, during an election year. If donation restrictions such as those in Canada, were introduced here and public funding made up only part of the shortfall, it could significantly reduce overall party budgets. An absolute drop in funds however, may be less of a disadvantage than a relative drop when compared to their opponents. In other words, both major parties would be in the same boat, but the cake would be smaller. Canada spends comparatively less than Australia on the whole election process, suggesting Australia may not suffer greatly if parties had less to spend (though Canada does have only one elected chamber). Very few voters would be disappointed if neither party could afford as many negative, saturation, 'attack' advertisements as were shown in 2007.
- The increasing use of the internet and digital media in electioneering, information dissemination and organisation is a potential huge saving, and requires innovative

research as to its best application. The Obama campaign is likely to profoundly change future electioneering, with full implications yet to be seen.

- (paragraph 4.44) Allocation of broadcast time on non-commercial radio and TV may aid genuine information dissemination at low cost. These broadcasts should be policy statements rather than overt advertising, meaning significant savings in production expenses and most probably a better quality of information. In Canada, commercial broadcasters also are required to make a certain amount of time available for purchase, should parties wish to use it. Time is allocated for an election in advance by a Broadcast Arbitrator, and this system has wide support. Combined with their public funding formula, this system has allowed some smaller parties air space for the first time.
- The Canadian public funding formula currently stands at around \$2.90 per vote per year, paid quarterly. Hence over a three year period (i.e. one full Australian federal parliamentary term) in Canada, each vote yields \$8.70. The down side however is that at the recent Canadian election only 59% of those eligible voted, reducing possible public funding amounts proportionately. (Australian federal election turnout in 2007 was 95%).
- Any above-threshold anonymous donations, overseas donations, donations which are truly altruistic or not properly disclosed could be added to the public funding pot.

20. Incumbency when combined with private donations

Paragraph 4.43 raises the possibility that incumbency plus the lion's share of the public funding could give too much advantage to the party in power. I believe however that incumbency combined with the lion's share of private donations is a more threatening combination, since the latter is subject to far greater variation. To date the two major parties in Australia have received similar amounts of public funding, which has therefore not bestowed a significant advantage on one or other party, both major parties receiving around 40% of the pot.

It is commonly seen with corporate donations, for example, that the larger sum is donated to the party in power and a lesser amount to the opposition, perhaps to have a 'bet each way'. An example of the inequality of large private donations comes from the Hotels lobby which has donated over \$3 million to NSW ALP in the seven years to 2005, compared with \$1.2million to the Liberals www.onlineopinion.com.au/view.asp?article=5899. This was at a time when important decisions regarding gambling and smoking in pubs and clubs were being made by state government. I believe this imbalance raises justifiable suspicions of attempting to influence decision making (not to mention AHA lobbyist John Thorpe's blatant and pretty stupid admission of such!).

To reduce the theoretical risk of too much public funding going to an incumbent government, a cap on the maximum percentage (45 to 50% perhaps) given to any one party could easily be introduced, as a safety net, though there has been no need for this as yet.

Points Relating to Green Paper PART 3 Chapter 5:

21. The other sources of private funding

Paragraph 5.2 looks at the ‘private funding’ which provides 60% of the major parties’ funds. The Electoral Act should, as a minimum, require these sources to be fully transparent. There is a need for clarity, uniformity and a broader definition of a ‘donation’, for example, when someone buys a seat at a fundraising dinner for say \$10,000 per person, this is functionally a donation and should be defined as such.

There is merit in the NSW system (paragraph 5.17) and the key to its successful adoption federally would once again be a straight-forward online, ongoing disclosure process. I would anticipate that many of the purchases mentioned here such as raffle or entry tickets, would fall below a reasonable minimum threshold of donation disclosure anyway.

Regarding paragraph 5.23, items purchased at a fundraiser should be classified as ‘donations’ since that is their purpose and intent. Secondly the market value of any auctioned item is the price it sells for (it’s just an atypical market!). Similarly (paragraph 5.24) if the money goes to a party, it functions as a donation (even if the dinner itself is poor value).

22. Encouraging grass-roots donors

On discussion point 5.39, all Australians should be encouraged to support a party of their choice, both financially and with policy ideas. Financial support must be capped at a level not sufficient to be a corrupting influence. A tax rebate or tax credits system on donations would encourage grass-roots political involvement. There should be no limits to giving volunteer labour.

Points relating to Green Paper PART 3 Chapter 6

23. Electronic data collection

Many of the points of argument concerning disclosure data in this chapter would be permanently solved with an investment in a world’s best practice electoral data base (paragraph 6. 64 to 6.68). Why would Australia introduce anything less than an optimal system, such as that which is currently working well in New York? This will require an IT investment to enable online, ongoing data collection. Declarations could be made within a time period of, say, 5 to 10 working days, and perhaps daily in the fortnight before an election.

In NSW it is fair to say that the recent ‘Wollongong crisis’ and the high profile of donation corruption throughout 2008 is underpinned by the Greens’ donation disclosure data bank, which, after thousands of hours of volunteer labour collating disorganised data, finally allowed all the facts - exactly when and who gave how much to whom - to be instantly available. The Greens’ figures constantly recur in articles and arguments about donations, and it is difficult to dispute hard facts. It is a valid argument that the EFA has, to date, not been fulfilling its charter of proper disclosure, as their raw data is inadequate for analysis without a massive amount of searching, and of course data that is up to a year old is pretty useless

anyway. I do not wish to criticise the pleasant, hardworking but under-resourced staff of the EFA, but it is unsatisfactory that such a fundamental job should fall to volunteers.

Hence the need for timely electronic reporting. Anything less would not provide voters with the data they require to cast their vote. Once up and running, I do not believe disclosure will be onerous, in fact, it is often harder to recall data when compiled many months later. Careful design of disclosure forms, using drop-down menus and leading questions with full donor contact details, greatly facilitate both data collection and analysis. At some stage in the future, full, immediate electronic reporting will be the norm, at which stage we may wonder how we ever got by without it. Let's just get on and do it!

24. Membership and affiliation fees

Paragraph 6.2 discusses membership and affiliation fees as a private income source for parties. These fees (other than from a political party membership) should no longer be unquestioningly directed to a particular party, as the traditional links between politics, social class, wealth and occupation are losing relevance. These fees mainly reflect historical ties and need reviewing, since unionists, say, could easily vote for either major party today, as both major parties compete for the middle ground. It is a disgrace that gun licence fees help support the Shooters party, as many recreational shooters do not want their money directed there, and I suspect others are not aware of this cosy deal.

25. Transparency of all private income sources.

In Paragraphs 6.43 and 6.46, mention is made of the 75% of private party income that is not from donations. I presume that this comes from fundraisers, investments, trusts and various assets, as well as from third parties such as associated entities. If parties have assets which provide an income stream, I see no problem with this provided the basic principles of expenditure limits, full transparency and approximate equality between parties are maintained. Such resources may reduce the need for public funding. However it defeats the purpose of any donation disclosure legislation at all, if these 'private income' sources provide an invisible path of entry for undeclared income. (Paragraphs 6.69 to 6.72) Without full transparency the public has no way of knowing how much money is coming from whom.

26. Donation threshold and the right to privacy

Re Paragraphs 6.73 and 6.74, people should have both a right to vote and to donate privately, providing the amounts involved are sufficiently small to not influence recipients. However the risk of corruption has priority over privacy and the larger the sum, the greater the temptation to corruption and hence suspicion. There is no magic point where the two meet, but Mr Howard's current \$10,900 is far too high and Senator Faulkner's \$1,000 seems very safe and hence reasonable to me. If \$1,000 becomes the threshold, it should be indexed to inflation to make it durable.

27. Political party balance sheet disclosure.

Paragraph 6.47, questions the requirement for political parties to publish their balance sheets to allow the general public to assess their financial health. This information should be available to the public as the financial health of political parties is important information, parties receive taxpayers' money, and donors and party members have a particular right to know as it involves their own money. As this information is presumably collected already, it would be a minimal expense to make it public.

Points relating to Green Paper PART 4 Chapter 7.

28. Third party transparency

Paragraph 7.2 (and point 25 above) returns to the issue of third party transparency and again the principle must be that all money can be traced to its source, whether it goes via a third party or not.

29. Some aspects of public funding

Paragraph 7.12 raises the theoretical prospect of political parties or candidates having to do more fundraisers if they need a greater number of small donations to be adequately funded. Firstly, public funding could be flexible to respond to altered party needs (and possibly if the global financial crisis causes lower returns on assets). Secondly in Canada there remains a healthy balance between public funding and courting individual donations, and this latter has not become onerous. Thirdly in Arizona when current US Homeland Security Secretary Janet Napolitano ran a campaign using public funding, she found the nature of contact she had with her electorate was much more rewarding, since it was based on discussing issues rather than wooing donors.

Public funding flexibility could theoretically relieve pressures on parties to expand their membership, (as suggested in paragraph 7.14), though I doubt that this pressure will develop in the first place. Voters will get involved if they are genuinely consulted, listened to and aren't made to feel helpless or irrelevant.

30. Donation bans from all except individuals

Paragraphs 7.16 to 7.18 return to the single most important issue of donation reform, namely getting big money out of the equation. The Canadian approach of banning all donations other than from individuals up to an indexed \$1,000, has been field tested and proven very popular with an overwhelming majority of Canadians. If a similar approach is not adopted in Australia, I believe reform will fail. This would mean more committees convened in the future to struggle with the same old problem of tainted governments and bribery scandals. The 'two part test' (mentioned in paragraph 7.28) for justifying an infringement on freedom

(i.e. banning some donations), seems a long-winded way to say that there needs to be a good reason, which there clearly is as it reduces corruption.

31. Distinguishing between types of donors

To start distinguishing between types of donors, as suggested in paragraph 7.22, is asking for loopholes. A developer, for example, could channel a donation through their in-house lawyer, architect, subsidiary company or family trust, amongst other options!

32. Ongoing party public funding

Paragraph 7.41 raises the issue of ongoing party funding outside of the election period. If the Canadian model (quarterly funds proportional to primary votes gained) were adopted in Australia, I believe it would be beneficial by:

- Being a reliable income which allows forward planning, including for electioneering and especially if parliamentary terms were fixed.
- Relieving the burden of fundraising, leaving the politician free to do their work, and concentrate on issues rather than wooing donors.
- Uniting and hence simplifying, 'election' funding and 'party' funding, also making the concept of the 'election period', with its associated problems of definition, much less relevant.
- Further reducing dependence on private donations and other private income sources.

The reliable income from quarterly public funding in Canada, has greatly helped some of the smaller parties, such as Bloc Quebecois and the Greens, by enabling forward planning and increased staff, purchasing broadcast time and raising their profile with voters. This is a healthy development for Canadian democracy

Points on Green Paper PART 4 Chapter 8

33. Expenditure caps

The principle of a level playing field makes expenditure caps essential, in view of the difficulty in achieving complete transparency of third party activities. It is also an important aspect of curbing the electioneering 'arms race' hence I concur with the arguments in paragraphs 8.7 and 8.11, that capping is a 'legitimate end'.

To some extent disclosure and regulation of income as well as expenditure caps is a belt and braces approach, however at present expenditure caps are necessary for a level playing field, because not all private party income is transparent.

Expenditure limits should be sufficiently generous to allow a satisfactory campaign without being too frugal, and to allow parties which have expanded their grassroots

involvement, and hence their individual donor base, (assuming donations are restricted to small sums from individuals only) to benefit by spending these extra funds earned.

Paragraph 8.34 asks whether higher campaign spending, associated with fewer or no expenditure caps, strengthens the connection between community and candidate. I would question this in light of the tendency for large sums to be spent on negative advertising. Negative ads are unfortunately effective and hence hard to counter, but higher campaign spending is certainly not the answer.

Points on Green Paper PART 5, Chapter 9

34. Financial disclosure compliance

Some ideas to improve financial disclosure compliance:

- The introduction of full, effective electronic disclosure has the advantage that it can refuse to accept declarations that are inadequately filled out.
- Make tax deductibility or tax credits on donations dependent on satisfactory disclosure and documentation thereof.
- Education campaign for donors and recipients.
- Effective penalties for compliance failure.
- Disclosure to include the full contact details of the donor, who accepts responsibility for the accuracy of data.
- Funds not correctly disclosed could go to the public funding pot.
- The measures adopted by Canada as outlined in paragraph 9.8 seem sensible.

CONCLUSION

In considering electoral funding reform, the evidence for the corrupting effect of money is abundantly clear, hence big money must be removed from the funding mix. Combine this with electronic data collection, public funding and third party transparency and Australia could be justly proud of its democracy.

Many Thanks

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