

THE NATIONALS

Submission

Electoral Reform Green Paper DONATIONS, FUNDING AND EXPENDITURE

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Introduction

The Nationals are dedicated to delivering future security, opportunity and prosperity for all regional Australians. The party provides a vital balance, ensuring the people living beyond the capital cities have a strong voice in Parliament.

We believe in strong representation of regional communities and the delivery of positive outcomes on issues that affect their lives and lifestyles. We believe in security for our communities and their families, through the preservation of decent health, safety, social and economic welfare standards. We believe in individual achievement, the importance of free choice and a fair go, reward for private enterprise and the need for equity investment and wealth generation.

Australia's democracy is the envy of many countries, but it is critical that we continue to examine ways to ensure the highest integrity in our electoral processes. The Nationals support continued refinement of Australia's electoral processes to enhance their integrity and to provide consistency between state and federal jurisdictions.

The Nationals are willing to consider genuine, bipartisan campaign finance reform, subject to the satisfaction of a number of important prerequisites. In this party's view, any funding and donation reform should:

- promote further public confidence and integrity in our electoral system;
- recognise the costs of communicating with voters and the constraints to cost-effective communication;
- be fair and equitable to all political parties and not restrict a candidate or party's ability to communicate with voters relative to another candidate, party or region;
- encompass "third party" participants in the electoral process, such as trade unions and GetUp!.
- provide a common regime across all State and Federal jurisdictions, and efficient and low-cost administration by participants in the electoral process; and
- be enforceable.

The Nationals welcome the opportunity to contribute some further issues to those raised in this Electoral Reform Green Paper (Donations, Funding and Expenditure). This process provides a valuable opportunity to further enhance the integrity of Australia's electoral processes and to finally achieve consistency between state and federal jurisdictions in the application of fair, efficient and effective campaign finance regulation.

Promoting public confidence and integrity in our electoral system

The Nationals believe any changes to campaign finance regulation should be considered collectively and, once agreed, progressed on a genuinely bipartisan basis and adopted collectively and uniformly across all (Federal and State) jurisdictions. Such an approach will provide genuine transparency and uniformity of regulation, as well as going a considerable way toward promoting further public confidence in Australia's electoral processes.

The Nationals do not support piecemeal progression of individual changes to the current rules for campaign finance ahead of, or independently from, a comprehensive examination of campaign finance such as that potentially provided by this Green Paper process. Our concern for a comprehensive and coordinated examination is compounded by the lack of such an approach to date in the Federal Government's attempts to advance a number of selective changes via its Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2008, as well as the separate inquiries and changes that have been undertaken by some States.

The costs and constraints of communication

The rising cost of election campaigning presents an increasing challenge to political parties and candidates on a range of fronts, some of which have been canvassed in the Green Paper.

The increasing cost of communication tools such as mail and advertising is making it increasingly expensive to communicate with voters. For instance, between the 2004 and 2007 election periods, advertising costs increased for television by 42 percent, metropolitan newspapers by 18 percent, key magazines by 15 percent and radio by 46 percent.¹ Over the same period, the CPI increased by 12 percent.

In regional Australia, the impact of these cost increases is compounded by the large and increasing size of many electorates. In itself, this has forced a greater reliance on paid advertising relative to metropolitan electorates that often cover just a few city suburbs and lend themselves to far readier access between candidates and voters. For example, at 56km² in size, the electorate of Griffith could be personally doorknocked, and possibly a number of times, within an election term. At 237,325km², and 4,238 times larger than Griffith, the same cannot be said for the electorate of Calare.

However, a further factor is the presence of multiple media markets within large regional electorates. For example, the Flynn electorate encompasses four television markets (three

¹ Source: MKC, Media Inflation 2003-2010

free-to-air, plus satellite), others such as Calare, Parkes, Kennedy, Capricornia and Riverina encompass three television markets, while a range of others encompass two television markets. The same issue applies for newspaper, radio and some magazine markets in these and other areas of regional Australia. Each market within an electorate multiplies the overall cost of communicating a message to voters in that electorate. The size of these electorates, the varying levels of access to highspeed internet services across them, and the continuing reliance of voters on “older” media such as television, newspapers, radio and mail means political parties and candidates remain reliant on those forms of communication in their electioneering.

Media consolidation and the expansion of news syndication have robbed many communities of a dedicated local news service. This restricts coverage of local political debate and the ability of political parties and candidates to use the media to communicate with voters in the electorate/s they contest. Much of the media coverage that is provided to an election campaign by these syndicated news services is focused on the national political contest rather than the local political contest within an electorate or region. This “headline” coverage focuses predominantly on the leaders of the two major political parties. In turn, this forces a further reliance by parties such as ours on paid advertising to allow communication with voters.

The rate of public funding, purportedly introduced to reduce reliance on private funding in contesting elections, falls far short of the actual cost of generating even modest communication with voters. Currently set at 224.851 cents per eligible vote, public funding is barely sufficient to cover the cost of a letter and postal voting application for those political parties or candidates offering this service to voters, let alone any other communication.

Finally, with the occasional aberration, there is clear evidence of a correlation between the amount of money invested in an election campaign and electoral success, providing further pressure on Parties and candidates to at least match their competitors.

In summary, any changes to the regulation of campaign donations and expenditure should not focus simply on some headline response to the so-called campaigning “arms race”. There are a range of other actors contributing to the rising cost of campaigning which must be fully considered, including the rising cost of advertising, media consolidation and news syndication, the practical constraints and added cost of campaigning in large regional electorates relative to small metropolitan electorates, and the rate of public funding relative to the real cost of communicating with voters.

Fairness and Equity

Any reform of campaign finance laws must result in fairness and equity for all participants in the electoral process, including political parties, candidates and third party participants.

This is critical to providing a level playing field; that is, elections that are truly a contest of ideas debated on the same terms, rather than a campaign to drown out an opponent's message or "brainwash" the electorate with sheer volume of communication. It is also critical to ensuring public confidence in the integrity of Australia's electoral processes and full confidence that elections truly serve to allow the expression of the wishes of the Australian people.

Fairness and equity may be jeopardised where changes are considered in isolation, or developed in a partisan manner. The Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2008 serves as an example of this. Further, while the Green Paper focuses on political donations and expenditure, little consideration is afforded to related issues such as the taxation treatment of third parties which, as the 2007 Federal election demonstrates, have become an increasingly significant participant in the electoral process.

For instance, the Government has sought to remove tax deductibility for political party membership within its Political Donations Bill. The current tax deductibility arrangements of party membership apply equally to all parties and candidates, so on the surface it may appear the removal of those arrangements would impact equally on all political parties. However, the Bill fails to apply the same provisions to the union movement. Individuals taking out union membership would continue to enjoy a tax deduction for that expenditure. The union movement is closely aligned to the Labor Party, a major source of Party's campaign financial and human resources. Therefore, the changes proposed by the government in its Political Donations Bill create an inequitable situation which favours the Labor Party and its supporters at the expense of other parties.

Further tilting the so-called "playing field" in the Labor Party's favour is the income tax exemption currently provided to trade unions (refer ITAA 1997 section 50-15). Trade unions are a major contributor to Labor's campaigning directly, via donations to the Party, and indirectly through their own campaigning against the Coalition parties. Thus, union donations to the Labor Party and associated entities and the union's own direct expenditure on political campaigns is tax-free.

The net effect of the exemptions provided to the union movement for income tax and membership fees is that a major source of the Labor Party's funding is pre-tax for the contributor.

The Nationals cite this example of the relative tax treatment of a major third party participant for the attention of this inquiry and to demonstrate the need for fair and equitable treatment of all participants in any campaign finance law reform. Any lack of fairness and equity will only damage public confidence in the reform process and fail to generate the bipartisan support required to achieve genuine change.

Encompassing "third party" participants

Issues such as those raised in the previous section promote the case to encompass third party participants in any campaign finance reform. However, a further ground for doing so is the increasing scale of intervention by third party participants in election campaigns, a trend that presents real risks to public confidence and the integrity of the electoral processes in this country.

While third party participation has long been a feature of Australian politics, the 2007 Federal election was unique in terms of the concerted and unprecedented intervention by third party participants in an election campaign. For instance, the union movement spent some \$37.6 million to assist the election of the current Labor Government. Other organisations, such as GetUp! participated extensively in the election campaign with scant scrutiny as a result of shortcomings in the existing disclosure requirements.

Organisations such as the unions and GetUp! are now investing sums in election campaigns that are at least comparable to those of the major parties and well in excess of smaller parties. On this basis alone, such third parties should require comparable scrutiny to political parties.

Accordingly, The Nationals maintain any campaign finance reform must include significantly enhanced scrutiny of third party participants, at least commensurate with political parties and candidates.

A common, efficient and low-cast regime

The Nationals support the principle of disclosure for political donations as a means of enhancing transparency. However, a fine balance exists between the public interest and individuals' right to privacy. Disclosure provisions should not be so onerous as to discourage individual participation in the political process. Nor should disclosure provisions impose unnecessary cost and administrative burden on political parties and candidates as is currently the case. For instance, the New South Wales model requiring disclosure details of each fundraising activity or function down to the level of a chook raffle imposes a ridiculously onerous administrative burden on parties.

The Nationals organisation relies on a small administrative team and many volunteer members in many hundreds of branches spread across the nation. Varying reporting requirements across Australia's Federal and State jurisdictions currently impose significant administrative burden on the Party's offices and volunteer members, and create the risk of confusion for donors and party members. The problem has been exacerbated by State Governments using campaign finance disclosure regulation as a political device. And while public scrutiny over disclosure has focused on the political parties' fulfilment of their responsibilities, attention should also be directed at the capacity of various electoral

commissions to fulfil their responsibilities. For example, The Nationals has, on occasion, been given conflicting advice by commissions, the result of which implicates the party rather than the agency at fault.

There is a clear need to harmonise disclosure provisions across all jurisdictions with a single disclosure system administered by a single electoral agency, most appropriately the Australian Electoral Commission (AEC). Such a system must be low cost, administratively efficient and cover all participants in the electoral process. An effective, harmonised system of donation disclosure by the recipient would also question the current requirement for donors to make duplicate disclosures.

Enforcement

Any campaign finance regulation must be backed by an effective enforcement regime to ensure compliance and ultimately, public confidence in the electoral process. However, such an enforcement regime should allow for distinction between deliberate contravention of campaign finance regulation and administrative error. This is particularly valid given the current absence of harmonised disclosure provisions and the impositions placed on a regularly-changing range of volunteers who may lack the specialist expertise of an electoral commission official.

Conclusion

This submission serves to provide further contribution to the Green Paper process, based on this Party's commitment to achieving genuine, bipartisan campaign finance reform. To that end, The Nationals support a funding and donation regulatory regime that:

- promotes further public confidence and integrity in our electoral system;
- recognises the costs of communicating with voters and the constraints to cost-effective communication;
- is fair and equitable to all political parties and not restrict a candidate or party's ability to communicate with voters relative to another candidate, party or region;
- encompasses "third party" participants in the electoral process;
- provides a common regime across all State and Federal jurisdictions, and efficient and low-cost administration by participants in the electoral process; and
- is enforceable.

The Nationals reserves the right to further consider any proposed changes to existing donations, funding and expenditure regulation during and subsequent to this Green Paper process.