

## **Submission to the Green Paper of Electoral Reform: Donations, Funding and Expenditure**

When discussing the issues surrounding donations, funding and expenditure for political parties, a paradox becomes apparent. In order to increase the access that the general public have to political parties and the power they hold, you need to limit the ways in which influence may be bought.

The Australian Centre for Democracy and Justice (ACDJ) has the firm belief in the importance of the Australian citizenry being able to influence governments and political parties. However this influence should not have a relationship to the financial status of the individual or group attempting to influence government.

The way in which donations, funding and expenditure is regulated will directly affect the way political parties, and in turn, governments, operate. Therefore this review is a unique opportunity to "level the playing field". It is also an opportunity to create a system that moves away from the intrenchment of the two party system and encourages the major political parties to engage with their grass roots again.

Australia has probably the most relaxed system of monitoring political influence in the developed world. Because Australian's have the ability to buy political influence, debate has been restricted in Australia and political parties have been able to ignore the concerns of their rank and file members. Why look to support from your members when you can just receive a handful of large donations from large donors?

What follows are the major points we feel need to be made in order to correct this balance.

### **Restrict Electoral Funding**

We believe that the most effective method of reducing undue influence is to restrict the amount political parties can spend on electoral funding. In doing so, much of the incentive to receive large donations is removed.

This has the flow on effect of leveling the playing field for smaller parties and enables them to compete with the amounts spent by the major parties.

The amount able to be spent by a political parties during an election should be calculated according to a national campaign, with an additional allowance for each electorate (in both the Senate and the House of Representatives) that a candidate or party is running in.

The amount a political party or independent candidate can spend if they are contesting every electorate in an Australian federal election should be capped at about \$8,000,000 then indexed at each election.

The maximum amount allowed to be spent on an election campaign would be calculated with an equation such as this:

$$\text{\$\$ for National Campaign} + \text{\$\$ per number of House Seats Being Contested} + \text{\$\$ per number of States/Territories being contested in the Senate} = \text{Total Election Campaign Expenditure (to a maximum of \$8,000,000)}$$

By doing this, we are able to reduce the amount spent on elections thereby opening them up to more candidates and political parties.

### **Centralisation of System**

In order to establish ease of compliance and to establish a more realistic reflection of political funding, we believe it is important that there is an increase in the centralisation of the systems that monitor political expenditure.

The Australian Centre for Democracy and Justice sees two key ways the system needs to be centralised. Firstly, the various state and territory branches of a political party should report as a unified body. It is currently too easy to mask the activities of political parties and their contributors by spreading these activities over the various state and territory branches of a political party.

For example, under the current system where only donations over \$10,500 are declared it is possible that someone wishing to make a large contribution without having to disclose that contribution could donate \$10,499 to the federal branch of a political party, as well as all its state and territory branches. This would enable the donor to donate \$94,491 without having to declare it. A system that allows such a simple method of circumvention is in dire need of reform.

The second way the current system should be centralised is to merge all the state and territory regulatory bodies (ie the Victorian Electoral Commission, the Election Funding Authority in NSW and so on) into the Australian Electoral Commission. Alternatively, an agreement could be made whereby the various state and territory bodies simply have the expenditure lodgments that are sent to the AEC forwarded on to them. This also has the effect of standardising reporting.

This would decrease the regulatory burden on both political parties and their donors as well as providing a more accurate picture of who is contributing to political parties or candidates.

### **Donations to Political Parties**

With the exception of small donations from individuals, limited to \$500 per annum per person, all donations to political parties should be banned. Their influence is corrupting but more importantly it skews the political system to one where influence can be

bought by those that can afford it. Those that can afford it generally already command far more influence than most.

In particular we are concerned about donations from corporations. Corporations represent narrow sectional interests. Unlike membership-based organisations such as community groups and Unions, corporations have no democratic mandate. Therefore their ability to influence the political climate should be limited as much as possible so that governments govern for those that have given them their democratic mandate.

While a ban on donations from business would be an important step, as long as unlimited donations from other entities are allowed, a simple loophole will exist whereby funds can be funneled through non-profit organisations or “associated entities”.

In order to close this loophole, the simplest solution is to ban all donations except those from individuals and then to limit the amount an individual can donate in any given year.

### **Public Funding**

Within the confines of limited political expenditure, the ACDJ believes it is important to make public funding available to political parties and candidates in order to limit their reliance on private donations and to level the playing field in terms of political parties with less resources.

The amount of public funding available should be dependent on the level of support a political party has. The most effective way to determine this is the number of first preference votes a party or candidate receives. However, this leads to a situation where parties trying to enter the political race for the first time will be at a significant disadvantage.

In order to overcome this, we can draw on the New Zealand model where the membership numbers and polling in opinion polls are also taken into account in the first instance to determine the funding levels a party would receive. In addition to allowing new comers to enter the political race, it also protects against fake political parties being set up to influence the outcome of a political contest.

We believe the the current public funding rates are about right with political parties receiving \$2.18940 for every first preference vote they received provided that they received at least 4% of the primary vote.

In addition to this, we can see some merit in public funding being provided to political parties on a quarterly basis in accordance with the Canadian model.

Finally, it is vital that we avoid a situation like the one faced when Pauline Hanson who received \$199,886 in public funding during an election campaign but only declared \$35,426 in

campaign expenditure.<sup>1</sup> Public funding of elections should not be able to be used as a means of generating funds for personal or party gain. Therefore, all public funds received should be accounted for.

There is some discussion about public funding being provided on a reimbursement system. While there is merit in this, it means that new comers to the political stage will be disadvantaged as they will lack the financial backing that is required to enter the political race for the first time.

Therefore all political expenditure should be accounted for and, should a candidate have received public funds above what was spent on a campaign, the remainder would have to be returned.

To level the playing field further, as well as reducing the total amount spent on election campaigns, equal free air time should be granted to all those eligible for public funds.

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1 Pauline Hanson's Wikipedia entry ([http://en.wikipedia.org/wiki/Pauline\\_Hanson](http://en.wikipedia.org/wiki/Pauline_Hanson)) accessed 21 Feb 2009