

Australian Labor Party (National Secretariat)

**Supplementary Submission to the Joint Standing Committee of Electoral
Matters**

Inquiry into the Funding of Political Parties and Election campaigns

November 2011

1. Introduction

The Australian Labor Party (National Secretariat) has already made one submission to this Inquiry outlining the views of the ALP on the reform of the *Commonwealth Electoral Act 1918*.

In our original submission the ALP provided detailed information on a series of reforms that would strengthen the integrity of Australia's political regulation, in light of the significant changes that have occurred in the management and regulation of political activity since the last significant reforms were implemented in 1984.

The ALP is now making a further, supplementary, submission on one further aspect of electoral regulation in Australia. This supplementary submission will deal exclusively with the issue of the financing and administration of political parties, including the laws surrounding disclosure and public funding for party administration.

This supplementary submission should be read in conjunction with the previous submission of the ALP.

The ALP hopes that this submission assists *JSCEM* in its deliberations around how best to strengthen the integrity of the financing and disclosure regime and ensure that the democratic franchise is enhanced for the future.

Changes in the political environment

Since the introduction of the finance and disclosure regime in 1984, the operations of candidates, parties and their representatives have changed considerably.

Public perceptions have also altered over time, with a growing perception that corporate and institutional donors exercise influence over political decision-making.

As has been demonstrated in academic studies, the Green Paper process and through previous hearings of this Committee, the incidence of political influence from a donor culture have been virtually non-existent.

Despite this, the perception remains and in a number of jurisdictions parliaments have taken steps to increase public financing for political parties and candidates, to lessen the impact of private or institutional donations and contributions.¹

Australian democracy has also changed since the 1980s. We remain a stable democracy, however new challenges from Third Party groups and extreme politics always remain threats to the fundamental principles of electoral democracy.

Candidates and political parties stand for elections. They put forward candidates seeking a mandate and they are ultimately held accountable in government and opposition for their decisions.

Australian Labor firmly believes that a fundamental source of the strength of the Australian political system has been our strong party-based democracy with support for political activity from public funding and open and transparent accountability through political disclosure.

The Australian Labor Party supports reform to the *Commonwealth Electoral Act 1918* in both these areas to further strengthen Australian democracy.

Disclosure and Transparency

Labor continues to be a strong supporter of disclosure of all donations made into the political system.

Labor opposed the changes to the *Commonwealth Electoral Act 1918*, implemented in 2006, that raised the disclosure threshold above \$11,000. The ALP continues to believe that there is a strong public interest in there being public scrutiny of all significant donations to political parties.

After the amendments to the *CEA 1918*, more than 35% of Liberal Party donors were hidden from public view. The ALP has continued to voluntarily disclose all donations above a \$1,000 threshold, despite our political opponents failing to do so.

Strengthening Australia's system of disclosure and transparency should be a primary focus for any reform of the *CEA 1918*.

Disclosure is the cornerstone of political transparency in the Australian system. Disclosure serves to inform the public, through the media, about the nature of each party or candidate and the type of support they receive. It also informs shareholders or stakeholders about the support that a company or institution

¹ See extensive commentary in S Young and J Tham (2006): *Political finance in Australia: a skewed and secret system*, School of Social Sciences, ANU, pp30-34.

offers to the political process. Further, disclosure effectively deters any tacit or secret attempt to influence decision making.

Disclosure currently covers a number of areas for both political parties and donors. Parties are required to disclose annual amounts expended and also total receipts and debts. The real value of the Australian disclosure regime remains transparency around individual donations and receipts, over the threshold amount. This applies to both parties and donors in a system that highlights the size and frequency of individual donations.

The ALP believes that a lower disclosure threshold combined with reforms to increase the frequency of reporting and the banning of certain categories of donors would improve Australia's disclosure regime.

Australian Labor supports comprehensive reform of the disclosure system to:

- Lower the disclosure threshold to \$1000. The ALP believes that the disclosure threshold should be lowered and indexed each year to CPI. This will ensure that donations over a small amount are disclosed.
- Increase the frequency of reporting. The ALP believes that the frequency of annual reporting is insufficient to provide the public with information on electoral donations, particularly in election years. The ALP supports disclosure on a 6 monthly basis, with weekly reporting during a campaign period.
- Ban foreign donations. The ALP believes that foreign domiciled entities should not be permitted to donate into the Australian political system.
- Disclose all source donations. The ALP believes that the laws around the disclosure of source donations should be tightened. Currently, fundraising arms can aggregate donations on behalf of political parties. The ALP supports full disclosure of all source donations.

Public financing

Australia's system of political financing for political parties and candidates led the world in the 1980s. It has served as a model for other democracies as a recognised public good and as a source of stability. Now, almost all democracies have a system of public financing in place for election campaigning.²

Public financing was first introduced in New South Wales in 1981. Public financing has existed in Australia at a national level since 1984. Since then it has spread to almost all jurisdictions.

Academics have cited five reasons why public funding constitutes a public good;

² S Young and J Tham (2006), p35

- it removes the necessity or temptation to seek funds that may come with conditions imposed or implied;
- it helps parties to meet the increasing cost of election campaigning;
- it helps new parties or interest groups to compete effectively in elections;
- it may relieve parties from the 'constant round of fund raising' so that they can concentrate on policy problems and solutions; and
- it ensures that no participant in the political process is 'hindered in its appeal to electors nor influenced in its subsequent actions by lack of access to adequate funds'.³

In the modern electoral environment, increasing pressure is placed on political parties to raise funds from private sources. As election expenses have increased, so too has the pressure on political parties to increase donations.

Across the major political parties, politicians have questioned the pressure fundraising has placed on elected representatives. In 2005, then Minister Joe Hockey questioned the time spent attending fundraisers.⁴

Now, the pressure on political parties to raise funds applies not only to electioneering but also to the administration of parties themselves.

The cost and burden of administration and compliance is already significant and would in our view justify the consideration of public funding for party administration as has already occurred in some Australian states. Increasing administrative costs associated with Australia's electoral laws becoming more restrictive and placing increased burdens on political parties in terms of reporting and disclosure would have the effect of significantly adding to these pressures. The ALP welcomes these developments, however current levels of party financing will not accommodate the increased compliance burden of these changes.

In response to this challenge Australia has begun the process of moving towards the provision of administrative financing alongside a system of election financing for political parties.

New South Wales experience

In New South Wales a Political Education Fund (PEF)⁵ was established in 2006 that funded political parties, reaching over a 4 percent vote threshold. This funding was provided for the posting of written materials and information to members and supporters. This Fund, along constituency funds, has now been

³ S Young and J Tham (2006), p35.

⁴ Michelle Grattan, 2005, 'Our political guns for hire', *The Age*, 25 May, p21.

⁵ For details of the previous Political Education Fund see:

http://efa.nsw.gov.au/registered_political_parties/political_education_fund

replaced in New South Wales by a comprehensive system of party administration funding.

This course was recommended as part of the inquiry into electoral reform in New South Wales and was supported by extensive research from Australia's leading electoral academics.⁶

The *Election Funding and Disclosures Amendment Bill 2010* introduced a new system of administration funding for New South Wales. Under this system, parties with representation in the New South Wales Parliament are able to apply for administrative funding on an annual basis. These amounts are paid on the basis of demonstrated expenditure and an entitlement for a political party is based on:

1. \$80,000 for each member elected from the party; or
2. \$2,000,000 per party, whichever is the lesser.

Amounts are adjusted for inflation periodically by the NSW Election Funding Authority.

Parties that are not eligible for payments under the Administration Fund may apply for a secondary form of annualised payment through a Policy Development Fund. The maximum amount payable to an eligible party is 25 cents for each first preference vote received by any candidate at the previous State election who was endorsed by that party. This form of funding is specifically designed to assist new parties and smaller parties, and it may only be claimed by a party for a maximum of eight years.

The Administration Fund has now made its first payments to New South Wales political parties.

The Queensland experience

Queensland followed a similar reform path to New South Wales introducing an *Electoral Reform and Accountability Act 2011*.

Under this reform Act, Queensland parties are eligible for administration funding if they are registered with the electoral commission and have members elected to the parliament who maintain their membership of the party.

Funding is calculated on the lesser of either the total electoral district amounts for each elected member receiving at least 4% of the vote, or a state wide amount.

Funding is allocated on a six monthly basis to parties and CPI is applied to the amounts through a formula based on current and past years.

⁶ See recommendations in: J Tham (2006): *Towards a more democratic political funding regime in New South Wales*, A report prepared for the New South Wales Electoral Commission, p73.

As in New South Wales, the Queensland scheme makes allowance for independent members who may apply for administrative funding as well.

The Queensland and New South Wales Acts provide a solid foundation for discussion of federal administration funding for parties.

International experience

In many jurisdictions around the world, financing for the administrative costs of political parties are supported by grants and financing from the state.

In Canada, extensive grants have existed in the past for political parties to conduct their administrative functions. \$10.4 million was provided to the Conservative Party in Canada in the last cycle, with the Liberals receiving \$7.3 million, the New Democratic Party \$5 million and the Bloc Québécois \$2.8 million.

In Europe, public financing of both election activity and party administration has been a feature of politics for decades. Germany, Netherlands, France, Portugal, Spain, Sweden, and Italy all have public funding programmes for political parties. This has included reimbursements for electoral expenses, as occurs in Australia, but also extensive party administration grants in many countries.

All these experiences should inform the work of JSCEM in its consideration of the current state of public financing and specific consideration of administration funding for parties at the federal level.

A federal system of party financing

As public funding for election campaigns has evolved since the 1980s, so too should the federal jurisdiction learn from the experience in New South Wales and Queensland in relation to administration funding.

Federally, Labor believes JSCEM should consider the extension of public funding for administration particularly if increased disclosure and transparency for political party operations are to be considered.

Former Special Minister of State, Kim Beazley, said when introducing the original system of public funding to the House in 1983:

“An essential corollary of public funding is disclosure. They are two sides of the same coin. Unless there is disclosure the whole point of public funding is destroyed.”⁷

⁷ K Beazley MP, Second Reading; COMMONWEALTH ELECTORAL LEGISLATION AMENDMENT BILL, Wednesday, 2 November 1983.

The increased administrative burden of the proposed changes to the disclosure regime outlined in this submission provides further reason for the provision of administrative funding for political parties.

Australian Labor supports a system of administration funding that:

- Provides a level of certainty for parties with quarterly payments to those parties achieving more than 4% of the vote over a three-election cycle, or that have five or more seats in the House of Representatives. The ALP believes that existing political parties represented in the current Commonwealth Parliament should qualify for funding under any extension of public funding for party administration.
- Creates a central Administrative Fund based on the total number of voters enrolled with a set dollar amount per voter. The ALP believes that a central administration fund provides the best model from the experience in state jurisdictions for party administration funding.
- Allocates funding based on the proportion of the popular vote received by a political party, over a three-election cycle. The ALP believes that the popular vote is the best reflection of the standing of a political party, particularly when applied over a three election cycle. As stability is a key objective of party administration funding, this would ensure that funding reflects enduring electoral appeal for a party.
- Supports independent members of parliament and smaller political parties. The ALP believes that Independent members and smaller parties should be recognised under any extension of public funding, as has occurred in state jurisdictions.

Conclusion

The ALP is committed to extensive reform of Australia's electoral laws to ensure that the franchise is protected and enhanced where possible.

In previous submissions we have outlined the case for far-reaching reform of campaign expenditure and regulation of donations and Third Party activity.

This submission provides additional information on two further areas that would strengthen the *Commonwealth Electoral Act 1918*.

Should JSCEM require further information in relation to this submission, please contact the ALP National Secretariat.