



Ecological Sustainability - Social Justice - Peace and Non-violence - Grassroots Democracy

24 June, 2011

Mr Daryl Melham MP
 Chair of the Joint Standing Committee on Electoral Matters
 Parliament House
 CANBERRA ACT 2600

Dear Mr Melham

Thank you for the opportunity to make this submission to the latest inquiry of JSCEM on the issue of reforms to funding for political parties and election campaigns. The Australian Greens welcome this inquiry as the further stage of the agreement between the ALP and our Parliamentary Party, specifically to:

- a) *Seek immediate reform of funding of political parties and election campaigns by legislating to lower the donation disclosure threshold from an indexed \$11,500 to \$1,000; to prevent donation splitting between different branches of political parties; to ban foreign donations; to ban anonymous donations over \$50; to increase timeliness and frequency of donation disclosure; to tie public funding to genuine campaign expenditure and to create a 'truth in advertising' offence in the Commonwealth Electoral Act.*
- b) *Seek further reform of funding of political parties and election campaigns by having a truly representative committee of the Parliament conduct a national inquiry into a range of options with the final report to be received no later than 1 October 2011, enabling any legislative reform to be dealt with in 2012.*
 - i. *The Parties note that the Greens are predisposed to a system of full public funding for elections as in Canada.*

The Australian Greens believe that improving the fairness, equity, transparency and accountability of funding arrangements is essential to advancing the integrity and accessibility of Australian democracy.

Accordingly, this submission, which was also made to the Special Minister of State, the Hon Gary Gray MP, on 15 April this year, addresses some of the key reforms in electoral funding the Australian Greens consider necessary to achieve those goals.

In addition, I would also draw the attention of the Committee to the Australian Greens' support for Senator Bob Brown's recently introduced *Commonwealth Electoral Amendment (Tobacco Industry Donations) Bill 2011*. The proposed bill amends the *Commonwealth Electoral Act 1918 (the Electoral Act)* and contains provisions to make unlawful the receipt of a gift by political parties from manufacturers or wholesalers of tobacco products; and introduces new offences related to this measure.

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While both the Australian Greens and the Australian Labor Party have a policy against accepting donations from the tobacco industry, it remains legal for this to occur and other political parties continue to accept such donations. Political donations from tobacco companies are particularly insidious, given the deadly nature of the product they produce and the Australian Greens support legislation to ban such donations in the future.

Yours sincerely,

Derek Schild
National Convenor

AUSTRALIAN GREENS SUBMISSION

JSCEM Inquiry into the funding of political parties and election campaigns

24 June, 2011

Recommendations

The Australian Greens recommend that:

1. The model adopted for public funding of political parties should be comprehensive, and include funding mechanisms for both election campaigns and for the on-going operational and administrative costs of political parties throughout the electoral cycle.
2. The Canadian electoral funding model be given primary consideration, as it includes:
 - i. restrictions on donations (including a ban on corporate donations and caps individual donations);
 - ii. caps on election campaign expenditure;
 - iii. reimbursement for election expenditure based on percentage of vote;
 - iv. payment of an annual allowance (adjusted for inflation) to political parties for operational and administrative costs;
 - v. limits on third party expenditure;
 - vi. spending limits on political broadcasting; and
 - vii. effective mechanisms for transparency and accountability of public funds.
3. The introduction of a national electoral funding system which will overcome the complexity and variety of electoral systems across the state, territory and federal jurisdictions.
4. A review is conducted by the ACCC into the political activities of industry and corporate lobbyists to assess whether their activities constitute those of a 'third party' with recommendations to address this situation in the context of additional limitations on third parties.
5. The introduction of fixed term elections at state, territory and federal level.

Introduction

The Australian Greens believe that improving the fairness, equity, transparency and accountability of funding arrangements for political parties and election campaigns is essential to advancing the integrity and accessibility of Australian democracy.

The purpose of our political system is to build a strong, vibrant, participatory democracy, with an active and informed civil society. Electoral reform in regard to funding of political parties and election campaigns should be directed towards that goal.

A number of the key points raised in this submission have previously been outlined in our submissions to the *Electoral Reform (Donations, Funding and Expenditure) Green Paper* in February 2009 and the *Electoral Reform Green Paper – Strengthening Australia's Democracy* in

November 2009. The funding related recommendations presented in those submissions include:

1. A ban on political donations by corporations, associations and groups.
2. Individual donations to be capped at \$1,000.
3. Enhanced disclosure requirements to be applied to all sources of private funding.
4. Mechanisms for continuous disclosure of electoral funding to be investigated.
5. Truth in political advertising to be legislated.
6. Public funding for election campaigns to be set at a level that ensures proper democratic participation by voters, candidates and political parties.

As outlined in the Agreement between the Australian Greens and the Australian Labor Party, the Greens welcome the measures proposed in the *Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2010* including to lower the donation disclosure threshold from an indexed \$11,500 to \$1,000; to prevent donation splitting between different branches of political parties for the purposes of disclosure; to increase timeliness and frequency of donation disclosure; to ban foreign donations; to ban anonymous donations over \$50; and to tie public funding to genuine campaign expenditure. These measures contribute substantially towards our goal of lifting the standard of our electoral processes.

This submission elaborates on the key issue of public funding for political parties and electoral campaigns. It outlines a number of broad recommendations which should be subject to greater analysis and further exploration by JSCEM's inquiry.

A comprehensive public funding model

The Australian Greens believe that the model of public funding operating in Canada since 2004 provides one of the best examples upon which to base our electoral funding system. The Canadian system supports public funding to political parties based on votes received for campaign expenditure (through a reimbursement mechanism) as well as an annual allowance paid to political parties through quarterly instalments for activities throughout the electoral cycle. Additionally, the Canadian model provides incentives for individuals to donate to political parties and candidates through a tax credit system.

This funding model enhances both the conduct of individual election campaigns plus the advancement of democracy more generally by supporting the operation of political parties in between election campaigns. The advantage of this comprehensive approach to public funding is that it generates greater participation and broader representation, which strengthens the democratic process.

The need for expenditure caps

The Australian Greens believe that the current system of electoral funding, which allows political parties to actively seek donations of any size, especially from corporate donors, engenders cynicism and distrust of political parties, which is harmful to democracy.

It is generally accepted that the ability of candidates and political parties to attract large donations provides opportunities for actual and perceived occurrences of undue influence and corruption.

Currently, election campaigning has become an 'arms race', in which political parties race to raise and spend the most on election advertising. Apart from the problems outlined above, this is a situation in which small and emerging parties find it difficult to compete.

The Australian Greens strongly advocate for a cap on individual donations and a ban on corporate donations. However, these measures can only work effectively in the interests of all political parties if there is a corresponding limit on electoral expenditure. A cap on campaign expenditure removes the excessive dependence on donation funding. Models for capped election campaign expenditure operate effectively in Canada and in New South Wales for state elections.

Donation and expenditure restrictions should also apply to third parties. For example, in Canada, there is a cap on election advertising expenditure of third parties. A similar approach in Australia would ensure that third party advertising could not be used to circumvent the reform measures recommended above.

The Australian Greens also propose that the ACCC undertake a review of the political activities of industry and corporate lobbyists to assess whether such activities constitute those of a 'third party'. Such a review would make recommendations about how this should be addressed in the context of further limitations on third parties.

Building our democracy - the need for operating funding

The current federal electoral funding system has provided some opportunity to support the development of growing political parties, like the Australian Greens and other new parties, based on the extent of their vote and their level of expenditure during election campaigns. It is possible for political parties to adopt a conservative approach to campaign expenditure and, depending on the strength of the vote achieved, secure an amount of funding over expenditure which can be used by the party for future campaigns or administrative and developmental purposes.

However, the receipts based measure in the bill, which ties electoral funding from elections to actual campaign expenditure for specified items during a defined campaign period, would have a detrimental impact on political parties, if it were to proceed without other comprehensive changes. Without a concurrent change to a system of public funding, along the lines adopted in Canada, the measure will leave political parties with the challenge of financing their non-reimbursable campaign activities and general operating costs throughout the political cycle. Without public funding to support these activities political parties become increasingly reliant on independent sources of funding including donations, membership fees, fundraising and investments. Under such a system the smaller and emerging parties are at a distinct disadvantage.

A more comprehensive approach to public funding beyond expenditure reimbursement would further support political parties to meet ongoing expenditure requirements without the pressure to pursue significant donations or having membership fees at levels which exclude many people from participation in their activities.

The Canadian system of a publicly funded annual allowance to political parties, paid in quarterly instalments is a preferable option. In Canada political parties are entitled to an annual allowance of C\$1.75 per vote received, provided the candidate endorsed by the party received at least 2% of the vote in the election or 5% of the vote cast in the constituencies in which the candidate stood. The payment is made quarterly to the party at a rate of around 45 cents per vote adjusted annually for inflation.

Considerations should be given to the application of this model to ensure it would not limit the opportunities for small parties to grow. An alternative funding formulae that could be considered in support of new and emerging parties is a dollar amount per annum per primary vote received at the last federal election payable to all federally registered political

parties with no minimum threshold vote required.

The need for funding certainty

Uncertainty around electoral funding has a disproportionately detrimental effect on smaller and emerging political parties under the current system. The following measures could also be considered to address the need for greater funding certainty:

- Introducing fixed parliamentary terms.
- Extending the period over which reimbursable campaign expenditure may be incurred to a year long cycle.
- Providing for expenditure reimbursements up to a fixed amount provided a minimum vote is achieved, ie. all parties exceeding the minimum vote are entitled to the same level of reimbursement subject only to their level of expenditure.
- Broadening the scope of campaign expenditure available for reimbursement to include continuous campaigning and essential operational purposes.
- Providing for public funding which is explicitly for operational and administrative purposes of all political parties based on the proportion of their vote.

The need for consistent federal and state funding systems

Under the existing system, political parties are required to deal with a complex array of electoral funding regimes which vary from state to state and federally. These include states which have no funding for state elections such as South Australia and Tasmania, through to states which have expenditure reimbursement models with variations in claimable expenditure items, caps and no caps on donations and claimable expenses, and varying proportions of expenditure which are claimable. This is in addition to the current federal system for general funding on a rate per vote basis as well as accommodating the variations in electoral cycles involving three and four year terms and fixed and unfixed election dates.

A simple and consistent national system across all jurisdictions would be cost efficient for both political parties and for the state and commonwealth bodies that administer electoral systems. A consistent approach would significantly improve the efficiency and effectiveness of political parties in the organisation of their financial affairs and campaign activities across jurisdictions.

Providing the electorate value for money

The Australian Greens believe that in addition to the introduction of spending limits on political broadcasting, as apply in Canada, there should be increased mechanisms for transparency and accountability for all public funding for elections.

The so-called 'arms race' in federal election campaigns to spend massive amounts on advertising campaigns is generally condemned for demeaning the political process. In so far as these advertising campaigns, which are at times negative or misleading, are supported directly or indirectly by public funding, taxpayers can rightly feel disappointed.

Elections are an opportunity for political accountability and it is critical that representations are accurate and honest. Under the current system, it is possible for advertising that contains misrepresentations and outright false statements to go unchallenged and without penalty. To that end, the agreement between the Australian Greens and the Labor government of September 2010 specifies that the *Commonwealth Electoral Act* will be amended to include a

'truth in advertising' offence.

Clearly, the Australian Greens are concerned that public funding is available to support such advertising as an expense eligible for reimbursement, and as such we would propose that the offence in this instance is subject to both a fine and loss of reimbursement funding.

Party Management

The Australian Greens believe a system of greater accountability is essential to ensure the management and operation of political parties meets the high standard required by a full public funding system.

These accountability measures could include evaluation of management systems, the extent of engagement with party membership and the electorate, and the quality of policy development processes and outcomes.

Consideration should also be given to political parties having to produce general purpose financial reports for public disclosure along the lines of those required by public companies.