

## Introduction

- 1.1 This inquiry by the Joint Standing Committee on Electoral Matters (the committee) into options to improve the funding of political parties and election campaigns follows a series of committee inquiries into Australia's political financing arrangements.
- 1.2 In its *First Report* in 1983, the Joint Select Committee on Electoral Reform (JSCER), a predecessor of the current committee, stated that:
- In Australia it is known that all the political parties have drawn attention to the high cost of elections and to their financial difficulties. In addition, there has been public disquiet about the influence of large donors or would-be donors...<sup>1</sup>
- 1.3 Evidence to the committee for this inquiry suggests that these issues remain significant almost thirty years later.
- 1.4 In 1984, public funding of election campaigns and laws governing the disclosure of political donations and electoral expenditure were introduced in Australia. This new system contained many of the recommendations made by the JSCER in its 1983 report, which also led to major electoral reforms in Australia outside the arena of political financing arrangements.
- 1.5 The *Electoral Reform Green Paper – Donations, Funding and Expenditure* (first Green Paper) outlined the three main approaches taken internationally for regulating donations and expenditure:
- (a) no regulation;
  - (b) detailed disclosure of financial transactions, but without regulation in the form of limits, caps or bans; and

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1 Joint Select Committee on Electoral Reform, *First Report*, September 1983, Commonwealth Parliament of Australia, p. 153.

- (c) regulation of receipts, expenditure and debt in concert with disclosure requirements.<sup>2</sup>

1.6 Australia's system of regulation of political financing is currently based on the second approach, with the disclosure of political donations and expenditure by political parties, Independent candidates, donors, third parties and associated entities, aimed at providing transparency of the movement of money in the political system, without imposing limitations on, for example, the amounts that can be spent and received.

## Scope

- 1.7 On 11 May 2011 the Senate referred to the Joint Standing Committee on Electoral Matters an inquiry into options to improve the system for the funding of political parties and election campaigns. In particular, the committee was to examine: issues arising out of the Government's *Electoral Reform Green Paper – Donations, Funding and Expenditure*; the role of third parties in the electoral process; the transparency and accountability of the funding regime; limiting the escalating costs of elections; relevant measures at the state and territory level; and relevant international practices.
- 1.8 The committee was aware from the outset that much work had already been done on the reasons for which advocates for change feel reform is necessary and the range of options available for regulating political financing arrangements.
- 1.9 On 25 May 2011 the Special Minister of State, the Hon Gary Gray AO MP, wrote to ascertain the views of the Joint Standing Committee on Electoral Matters on Senator Bob Brown's proposed amendment<sup>3</sup> to the *Commonwealth Electoral Act 1918*, to make it unlawful for political parties to accept donations from manufacturers or wholesalers of tobacco products, or their agents. The committee resolved to examine this matter as part of the wider inquiry into the funding of political parties and election campaigns.

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2 Commonwealth of Australia, *Electoral Reform Green Paper – Donations, Funding and Expenditure*, December 2008, p. 19.

3 Commonwealth Electoral Amendment (Tobacco Industry Donations) Bill 2011 is available at: <<http://www.comlaw.gov.au/Details/C2011B00102>>

## Conduct

- 1.10 On 13 May 2011 the Chair of the committee, Mr Daryl Melham MP, announced the inquiry. It was advertised nationally in *The Australian* newspaper on 18 May 2011, inviting members of the public to make submissions.
- 1.11 The committee also wrote to all Members and Senators and Senators-elect, state premiers and territory chief ministers, the Australian Electoral Commission, registered major political parties and relevant academics and interest groups.
- 1.12 During the course of the inquiry the committee received 37 written submissions (Appendix A). The committee received additional oral evidence at 7 public hearings in Canberra, Sydney and Melbourne (Appendix B). The submissions and transcripts of evidence from the public hearings are available on the committee's website at: [www.aph.gov.au/em](http://www.aph.gov.au/em).
- 1.13 A number of submissions made to the committee's inquiry into the conduct of the 2010 federal election and matters related thereto also covered relevant political funding matters.<sup>4</sup> The standard review of the 2010 federal election commenced in November 2010 and was well underway before this inquiry into political funding was referred. At its public hearings on 4 and 30 March, and 13 and 18 April 2011 for its previous inquiry, the committee also received evidence relevant to this inquiry into political funding.
- 1.14 On 21 September 2011 the Senate granted the committee an extension of its reporting date until 1 December 2011. A further extension was granted until 12 December 2011.

## Report structure

- 1.15 Australia's current political financing regulatory scheme involves a focus on transparency of funding sources and the movement of money between political actors. In this report, the committee examined the effectiveness of existing arrangements and options to improve the current system.

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4 In particular, see submissions 3, 16, 68, 86, 87 and 90. Submissions to the JSCEM inquiry into the conduct of the 2010 federal election are available at:  
<<http://www.aph.gov.au/house/committee/em/elect10/subs.htm>>

- 1.16 The committee also considered the desirability of a shift to a more detailed funding and disclosure model involving limitations on the receipt of funds and expenditure. The committee discussed the issues that need to be considered if such a regulatory shift is to be undertaken.
- 1.17 Chapter 2 covers key developments in political funding arrangements in Australia and recent moves to improve transparency and accountability in political funding and disclosure, including the government's electoral reform green paper process, relevant legislation and activities by the committee. The chapter also briefly noted relevant state and international reforms, which include a broader approach to regulation of political financing.
- 1.18 Chapters 3 to 9 each focus on a specific aspect of the political financing arrangements; private funding, expenditure, public funding, third parties and compliance. Each chapter contains an outline of the current arrangements, concerns about and challenges of this system, possible options for reform, committee conclusions, and where appropriate, recommendations to improve the funding of political parties and election campaigns.
- 1.19 Due to the complexity of private funding arrangements and reform options, the discussion of these issues have been separated into two chapters. Chapter 3 focuses on sources of private funding, and disclosure and reporting requirements. Chapter 4 explores options for reform to private funding arrangements, including caps, bans on types of donors, and limits on donations.
- 1.20 Chapter 5 covers political and campaign expenditure and options to improve the current regulatory system and to increase the regulation of political expenditure.
- 1.21 Public funding is discussed in Chapter 6. The chapter covers the background to the public funding scheme and the current arrangements. It then discusses options for increasing the fairness of the public funding system.
- 1.22 The role of third parties in the political and election processes is considered in Chapter 7, including their functions as donors and campaigners, how they are defined, and their reporting obligations as compared with political parties. The definition of associated entities is also discussed.

- 1.23 Chapter 8 considers the challenging issue of compliance with funding and disclosure schemes. The more complex the scheme the greater challenges it may pose to compliance with, and enforcement of, funding, expenditure and disclosure requirements.
- 1.24 Chapter 9 focuses on the relationship between state or territory and federal political financing arrangements, and considers whether greater harmonisation between the different levels is possible.
- 1.25 Chapter 10 contains other relevant issues not covered in the earlier chapters.