

Committee Secretariat  
Joint Standing Committee on Electoral Matters  
via email: [jscem@aph.gov.au](mailto:jscem@aph.gov.au)

**RE: Submission to Inquiry into the funding of political parties and election campaigns.**

Dear Chair,

Thank you for the opportunity to provide a submission to the Committee's Inquiry into the funding of political parties and election campaigns. I would like to apologise for this late submission and thank the Committee for graciously accepting it after the closing date.

**Introduction**

A great many GetUp members are looking to this Parliament for major campaign finance reform to instill new confidence in our political system.

Recent campaign finance reform in NSW and QLD present welcome steps forward for electoral reform in Australia. They are not without flaws - and these are examined in detail in our blueprint - but included in the initiatives for the first time in Australia are:

- donations caps on individuals, corporations and entities;
- expenditure caps on political party and candidate campaign expenditure;
- registration schemes for third parties participating in election expenditure;
- expenditure cap on such third parties;
- increased public funding for election campaigns;
- more equitable schemes of administration funding for political parties; and
- enhanced regimes of compliance measures.

Notwithstanding these reforms, the current system of campaign finance lets Australians down, because:

- it is expensive to run;
- taxes fund much of this cost with very little evidence that this money is well spent;
- despite the large amount of public money put in to the process, little reporting or transparency comes out of it;
- large donors and large third party spenders can disproportionately influence the process, and potentially the outcome of the election; and
- it varies in quality from jurisdiction to jurisdiction.

Our blueprint examines the NSW and QLD reforms, identifying areas that must be improved, and proposes a options for a unified national system of campaign finance regulation for adoption by both the Federal Government and the States.

I have excerpted the recommendations of the blueprint below.

**Recommendations**

**I. A Truly National Scheme**

1.1 We believe that a system of campaign finance regulation cannot be truly effective until it is uniform and national.

1.2 Such a scheme should include local government levels in all jurisdictions.

1.3 A properly resourced national campaign finance authority is best placed to not only enforce such a scheme, but to collect and disseminate data on its operation.

## **II. An Open and Transparent Scheme**

2.1 We believe that transparency is vital for ensuring elections remain free and fair of corruption and undue influence.

2.2 The national campaign finance authority should have responsibility for collecting declared donations and reporting on donations and donors. This reporting must be in a form that is conducive with the principles of Government 2.0, to allow parties, candidates, third parties, the media and researchers to be able to adequately inspect, analyse and police the data. The authority may form part of the AEC, a separate office within it, or be completely separate, as is deemed most administratively practical.

2.3 A three-tiered scheme for donation reporting is envisaged -

- small anonymous donations
- donations above the anonymous threshold but below the transparency threshold, and
- donations above the transparency threshold up to the top of the donations cap. This is outlined in subsequent articles below.

2.4 In the interests of promoting openness and transparency, it should be unlawful for anonymous donations to be made or received below a very low threshold, at \$50. Recipients should keep records of number of donations received and the amount collected via this means, and these figures must be regularly reported to the national campaign finance authority.

2.5 Where donations are received between the anonymous donations threshold (\$50) and the transparency threshold (at \$500 or \$1,000) recipients should be forced to collect and retain donor names to ensure the integrity of the donations cap is not breached, and for audit purposes. Donations at this level should be reported individually by value to the national campaign finance authority, but donor names need not be disclosed.

2.6 The threshold for transparency (when a donor's name must be declared and reported to the national campaign finance authority with the amount received so that both can be published) should be low, at \$500 or \$1,000. Donors donating above the threshold amount must have their names reported against each donation for publication by the national campaign finance authority.

2.7 Donations should be made electronically into designated accounts held for that purpose by the party or candidate (for example by donor entry and payment through the recipient's secure website). It should be mandatory for amounts received by non-electronic means to be lodged through the account to create an electronic record. Where donations are over the anonymous donation threshold and cannot be made electronically, parties or candidates receiving the donation must receipt the donation to the donor and retain a copy for later electronic lodgement, accounting, declaration and auditing purposes.

2.8 If the bulk of donation transactions are electronically lodged, in principle they should be reported close to real time, or if that is not possible, quarterly outside of election campaigns and then weekly during the formal election campaign period.

2.9 It is highly desirable that small donations be encouraged, but it is also recognised that small donations bring a higher administrative cost per dollar received, and that transparency obligations outlined above create administrative burden.

2.10 As much of this system as possible should therefore be automated, and the national campaign finance authority should pay for parties' development of necessary software and produce a generic software product for other candidates, micro-parties and third parties.

### **III. A System of Donations Caps**

3.1 We believe that a system of donations caps can effectively serve to dilute the influence attached to big-money donation by dispersing the source of the donations. We support the principle of allowing small private donations as a means of party support. Small donations should be encouraged because they provide funding, without problems of (or perception of) influence-buying.

3.2 The cap threshold should be low at \$1000 per donor per party or unaffiliated candidate. Consideration could be given to the need for a lower cap at the local government level.

3.3 Membership fees should be excluded from the cap at a low level of \$500 to \$1,000, but accurate records of who is a member must be kept.

3.4 Affiliation is a form of group membership. In line with the exclusion of reasonable membership fees, affiliation fees should be excluded from calculating the donation cap.

3.5 In order to provide a level playing field, instead a separate cap on affiliation fees charged by each party would be applied - providing each party with an exempt 'affiliation pool' of \$500,000. Parties could collect (or not, if that is their choosing) affiliation fees from affiliates up to the level of the cap, with the fee charged to each specific affiliate calculated according to the party's rules or constitution as it sees fit. Affiliation fees could not be collected above the level of the affiliation cap.

3.6 In order to encourage small donations and political activism, once the low donations threshold is installed the existing tax deductibility of political donations and memberships should be retained.

### **IV. Increased Public Funding for Campaigns and Administration**

4.1 We believe that public policy development and public policy debate in election campaigns are public goods, therefore public funds should be used to support these costs.

4.2 Previous increases of public funding have failed to stop the 'arms race' or to curb the appetite for big donations. A system of public campaign finance should not be called upon to meet exponential growth in costs. Failure to meet increasing cost demands is not in and of itself a reason for increased public funding.

Rather than increasing public funding permanently, we believe a more effective use of taxpayer resourcing is to give ongoing public funding for party administration and to increase public funding for campaigns for a 5 year transitional period to help parties adjust with re-targeting their donations gathering (towards smaller donations) and their campaigning (away from broadcast). The case for ongoing funding should be reviewed at the end of this time.

4.3 A NSW-style system of party administration funding, including the policy development fund for new entrants and micro parties, should be adopted nationally.

4.4 Unlike the NSW system, consideration should be given to tying a portion of the party administration funding to some form of appropriately measured activity-based funding in order to provide an incentive to party activism. It should also include a requirement for minimum standards of internal democracy, including a written constitution and rules.

4.5 Public funding should not be introduced for local government campaigns.

4.6 The national campaign finance authority should recommend the formula, calculate, pay and report on public funding and review and report ].

## **V. Expenditure Reduction Mechanisms**

5.1 We believe that expenditure reduction mechanisms are necessary to prevent political parties from over spending their budgets and returning to Parliament for further increases in public funding.

5.2 Electronic broadcasting remains the most expensive item of campaign costs. As much as 70% of public funding for political parties is transferred to broadcast licence holders in exchange for advertising time.

Given the public owns the broadcast spectrum and controls broadcast licence conditions, the taxpayer-funded 'buy back' for access to its own spectrum is an extremely inefficient use of public money. Accordingly we believe capping this would go a long way towards capping the overall escalation of campaign costs.

5.3 An expenditure cap should be established for a 'controlled expenditure period', usually a six month period prior to the election, with four components:

- An overall 'non-broadcast electoral expenditure' cap, defined by what is not electoral expenditure by parties,
- An electorate level 'local electoral expenditure cap' for candidates, including a premium for independents without access to party funds,
- A 'broadcast communication expenditure cap' to deal with the issue of spiralling costs by capping the total component that can be devoted to broadcast, and
- Within the 'broadcast communication expenditure cap', a 'broadcast market' cap for parties as a subset that limits the amount that can be expended in a single media market.

5.4 The 'controlled expenditure period' is calculated as follows:

- For jurisdictions with fixed terms - the period beginning six months from the date fixed for polling day OR in an extraordinary election, the issuing of the writs, whichever is the sooner.

- For jurisdictions with three year non-fixed terms - the period beginning two years and six months from the previous polling day, OR the announcement of an election OR the issuing of writs, whichever is the sooner.
- For jurisdictions with four year non-fixed terms - the period beginning three years and six months from the previous polling day, OR the announcement of an election OR the issuing of writs, whichever is the sooner.

5.5 The 'broadcast communication expenditure cap' could operate by capping the amount that each individual campaign organisation (political party or third party) is permitted to spend on this activity within the controlled period.

5.6 Alternatively it could operate at an aggregate level by capping the total amount that can be spent by publicly funded political parties on electronic broadcasting (whilst leaving those political parties who are not receiving public funding and third party campaigners subject to a proportionate cap). Under this alternative model:

- The national campaign finance authority would determine in advance the total amount in dollars to be spent on electronic advertising by publicly funded political parties in the controlled period leading up to and including the forthcoming election campaign.
- The total amount available for electronic broadcasting would be expressed as a proportion of the total amount of public funding for political parties which is provided in relation to the forthcoming campaign (estimated at 70 per cent above).
- The national campaign finance authority would be charged with progressively reducing this proportion over several electoral cycles.
- The national campaign finance authority would be required to consult with stakeholders in setting the total amount available for electronic broadcasting.
- The national campaign finance authority is to allocate to those political parties receiving public funding an entitlement to a share of this electronic broadcasting amount. Entitlements are to be allocated on a formula to be determined via consultation, but the type of factors this could include are size of the party's existing parliamentary representation, the numbers of candidates to be fielded, and size of membership.
- No other political advertising is to be permitted during the controlled period by a party accepting public funding. Political parties (and third party campaigners) not receiving public funding would not be banned, but subject to reasonable and proportionate caps.
- The national campaign finance authority as the effective sole purchaser of political advertising by publicly funded political parties is to negotiate purchasing arrangements of air time with commercial broadcasters including volume discounts.
- Political parties participating in the scheme would negotiate advertising space arrangements with individual broadcasters according to their separate need. It would be the publicly funded political party's exclusive responsibility to monitor their burn rate and ensure they do not breach their allocated spends.
- After the election, broadcasters are to invoice the national campaign finance authority who would then pay broadcasters from the available public funds. That is, public funding for this aspect of campaign costs is provided to the national campaign finance authority for payment to broadcasters, not to the individual parties. The proposal 'cuts out the

middle men', the parties, who have not demonstrated a serious capacity to control their spending of public funding, and who cannot co-operate to achieve the combined volume discount.

- Publicly funded parties that opt not to use their full allocation may convert unused advertising allocations into cash for spending outside of TV broadcasting. However, they may not be traded and conversion may only be sought by the party direct from the national campaign finance authority.
- Parties and candidates not publicly funded or third parties which are too small to receive meaningful advertising allocations would be entitled to access 'free time' on the national broadcaster and/or community radio, determined by barrel draw. Should publicly funded parties wish to access free air time on the national broadcaster, they may trade part of their allocation in commercial equivalent cost to do so.

## **VI. Third Party Campaigner Regulation**

6.1 We believe that third parties have a legitimate role to play in participating in electoral debate, but accept that it is not desirable or healthy for democracy to increase their relative strength by placing fetters on contesting parties while leaving third party campaigners free of them.

6.2 Accordingly, third party campaign expenditures must be regulated and participating third party campaigners registered. Bearing in mind that third parties have other functions which could be caught by simply regulating the broad category of 'electoral expenditure', the type of expenditure to be regulated should be 'electoral communication expenditure' of the type captured in the NSW scheme.

6.3 Third parties wishing to incur campaign expenditure in elections of more than \$5,000 (or for local government elections \$2,500) should be registered and made to establish campaign accounts so that donations and expenditure can be tracked.

6.4 The low donations caps applicable to political parties and candidates (outlined above) should be applied to third party campaigners, where those donated funds are for the purpose of participating in campaign expenditure during the 'controlled expenditure period'. Outside of this period it is not proposed to regulate expenditure.

6.5 Expenditure caps calculated for political parties at V above should be applicable to third parties, but at 1/10th the rate.

## **VII. Restrictions on use of Incumbency to secure unfair advantage**

7.1 We believe that those governments and parliaments of Australia who have not already adopted adequate controls on government advertising and parliamentary entitlements should do so.

7.2 Government campaign advertising should be banned during the 'controlled expenditure period', unless the advertisement has the explicit support of both the Leader of the Opposition and the Electoral Commissioner (or at local government level, unanimous support of Council).

7.3 Parliamentary entitlements should either have a definitive ban on use for electioneering purposes, or be suspended from issuing of writs to day after the poll, or should be included in the calculation of 'local electoral expenditure cap' outlined above.

### **VIII. Strong enforcement mechanisms**

8.1 We believe that the scheme outlined above will not be truly effective unless it is performed by a national campaign finance authority with strong enforcement powers and compliance measures backed up with adequate funding.

8.2 Such a model should include strong anti-collusion and anti-avoidance measures to prevent circumvention.

8.3 It should also include a mechanism of enforceable undertakings, similar to the NSW scheme.

8.4 To avoid the proliferation of secretive front entities to avoid scrutiny, parties should be forced to nominate associated entities, which would then be added to regulations. The benefit in doing so is that parties can continue to use legitimate investment vehicles with unlimited transfer, but are liable for ensuring their responsibilities regarding donations are met.

### **Conclusion**

Australia has always been a pioneer of electoral reform, but in the 21st Century our electoral system is in need of serious reform. We look to the Committee for a series of strong and clear recommendations for major campaign finance reform.

Yours Sincerely,  
Sam McLean  
Deputy National Director, GetUp!