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PARLIAMENT OF NEW SOUTH WALES

PROGRESS REPORT

FROM THE

JOINT COMMITTEE

OF THE

LEGISLATIVE COUNCIL AND
LEGISLATIVE ASSEMBLY

UPON

PUBLIC FUNDING OF
ELECTION CAMPAIGNS

TOGETHER WITH

THE MINUTES OF PROCEEDINGS

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MEMBERS OF THE COMMITTEE

Mr E. N. Quinn, M.P. (Chairman)

Legislative Council

The Honourable D. M. Grusovin, M.L.C.

The Honourable W. L. Lange, M.L.C.

The Honourable H. J. McPherson, M.L.C.

Legislative Assembly

P. T. Anderson, M.P.

The Honourable J. C. Bruxner, M.P.

R. M. Cavalier, B.A.(Hons), M.P.

M. R. Egan, B.A., M.P.

T. A. Fischer, M.P.

B. J. McDonald, A.S.T.C., Dip.T.C.P., M.P.

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1. INTRODUCTION

1.1 On Tuesday, 20th November, 1979, on a Notice of Motion by the Premier, the Honourable N. K. Wran, Q.C., M.P., the Legislative Assembly resolved—

“(1) That a Joint Committee be appointed to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That, in making its recommendations, the Committee shall have regard to:

- (a) the manner in which such a system could most equitably divide available public funds between competing parties and individuals;
- (b) whether there should be compulsory disclosure of, and restrictions on, electoral expenditure whether public or private in respect of political parties and candidates;
- (c) whether there should be compulsory disclosure or contributions and gifts to political parties and individuals;
- (d) the extent of public commitment suitable for the operation of any such scheme as the Committee might advise be established;
- (e) the right of new political parties, small parties, parties of special interest and independent candidates to participate in any scheme of election campaign funding and expenditure; and
- (f) such other matters as the Committee believes relevant to the generality of its task.

(3) That such Committee consist of seven members of the Legislative Assembly and three members of the Legislative Council ‘and that, notwithstanding anything contained in the Standing Orders of either House, at any meeting of the Committee, any five members shall constitute a quorum, provided that the Committee shall meet as a joint committee at all times’.

(4) That Mr Anderson, Mr Bruxner, Mr Cavalier, Mr Egan, Mr Fischer, Mr McDonald and Mr Quinn be appointed to serve on such Committee as the members of the Legislative Assembly.

(5) That the Committee have leave to sit during the sittings or any adjournment of either or both Houses, to adjourn from place to place, and to make visits of inspection within the State of New South Wales and within the other States and Territories of Australia.”

1.2 Following agreement to this resolution in the Legislative Council on Thursday, 22nd November, 1979, the Committee was established with the following membership.

Mr E. N. Quinn, M.P. (Chairman).

Mr P. T. Anderson, M.P.

The Honourable J. C. Bruxner, M.P.

Mr R. M. Cavalier, B.A., M.P.

Mr M. R. Egan, B.A., M.P.

Mr T. A. Fischer, M.P.

Mr B. J. McDonald, A.S.T.C., Dip. T.C.P., M.P.

The Honourable D. M. Grusovin, M.L.C.

The Honourable W. L. Lange, M.L.C.

The Honourable H. J. McPherson, M.L.C.

1.3 The Committee held its first meeting on 27th November, 1979, and elected Mr E. N. Quinn, M.P. as Chairman.

1.4 The Committee resolved to advertise for written submissions from all interested persons and organizations and advertisements were placed in the major dailies circulating in New South Wales. In addition, letters inviting submissions were sent to all Members in both Houses of Parliament, the three parties represented in Parliament and to the departments of political science at each university in New South Wales. Submissions closed on 25th January, 1980.

1.5 The Committee is mindful that its schedule made it necessary to ask interested persons and groups to work on their submissions during the Christmas–New Year holiday period. We are grateful to those people who put in much time and trouble to assist the Committee in its inquiry.

1.6 Evidence was taken for the first time on 5th February, 1980. The Committee heard four academics from the Department of Government and Public Administration of the University of Sydney explain the submission they had forwarded. The four academics each gave a supplementary statement and were questioned by members of the Committee. The press and public were present at the taking of evidence.

1.7 Arising from this day of evidence and some problems encountered by the range of questions, the Committee on 28th February resolved to interpret the Terms of Reference in the following manner:

“The Terms of Reference impose upon the Committee the obligation of considering a scheme involving public funding of campaigns for elections to the Parliament of New South Wales.

The recommended scheme should specify the extent of public funds to be made available and the manner in which the funds could be equitably divided between all political parties and candidates who might contest an election.

Consideration should be given to, whether there should be compulsory disclosure of, and/or restrictions on, all electoral expenditure, and to whether there should be compulsory disclosure of contributions and gifts to political parties and individuals.

The rights of independent candidates and new or small political parties should be considered, as should any other matters the Committee believes to be relevant.

The question as to whether or not such a scheme should be introduced is not a question the Parliament has sought recommendations upon and, as such, is outside the Terms of Reference of the Committee.”

1.8 Subsequently, the Committee has set aside full days for the hearing of evidence from the two major political parties. On 11th March, 1980, the Committee heard the General Secretary of the Liberal Party of Australia (New South Wales Division) and on 12th March, 1980, heard the General Secretary of the Australian Labor Party, New South Wales Branch.

1.9 This oral evidence and the written submissions have been augmented by a wealth of material from the diplomatic missions of many countries which have a form of public funding. The Committee now has a considerable volume of documents and transcripts to examine.

1.10 Many of the submissions dealt mainly with the question of whether or not Election Campaigns should be funded by the public. Others addressed themselves to the general matters which the Terms of Reference required the Committee to consider. Some of those submissions will be referred to later in this progress report.

1.11 Some people have the opinion that Public Funding of Elections already exists in New South Wales. They point to such things as compulsory enrolment, compulsory voting and the cost of maintaining the Office of the Electoral Commissioner. However, Public Funding of the nature envisaged by the Terms of Reference does not exist anywhere within the States or Territories of the Commonwealth of Australia.

1.12 The experiences of those foreign countries that have introduced public funding is a very important area of investigation for the Committee. The list—by no means exhaustive—includes Austria, Canada, Denmark, the Federal Republic of Germany, Finland, Italy, Norway, Sweden and the United States of America.

2. THE MAJOR SUBMISSIONS

2.1 Some of the submissions contained Systems of Public Funding which could possibly be adopted in whole or in part by the Committee when preparing recommendations for its Report.

2.2 Witnesses in support of three submissions have been examined by the Committee. Further witnesses and submissions will be examined on future occasions. Reference is made below to only the submissions examined to date. Selected extracts of three submissions are quoted. The complete submissions will be contained in the Minutes of Evidence which will be presented with the final Report.

A. ACADEMICS FOR PLURALIST FUNDING

2A.1 Four members of the Department of Government and Public Administration of the University of Sydney made a submission to the Committee under the group name of "Academics for Pluralist Funding".

2A.2 The four members were—

Professor Henry Mayer—Professor of Political Theory.

Associate Professor Kenneth Turner.

Dr Ernest Chaples—Senior Lecturer.

Mr Alexander Watson—Principal Tutor.

2A.3 The Committee reproduces this submission at length because it provided in detail a possible scheme for funding at every stage.

"8. A scheme for New South Wales

8.1 We recommend that the Committee support a system of election financing which establishes three separate funds, all supported by the State Treasury:

- (a) A *Statewide Fund* based on a cents-per-eligible-voter formula and to be divided among eligible political parties and candidates according to their vote in the Legislative Council poll;
- (b) An *Electorate Fund* equal to one-half the total amount appropriated for the Statewide Fund and for distribution to eligible parties and candidates within each of the New South Wales Legislative Assembly constituencies; and
- (c) An *Election Research Fund* one of whose tasks would be to create a non-partisan Election Research Institute and which would allocate grants to eligible parties and groups for the advancement of election-related policy research and for the communication of such research to party leaders, parliamentarians, candidates, election workers and interested citizens.

9. The Statewide Election Fund

9.1 The *Statewide Election Fund* should be distributed to political parties which are registered with the State Electoral Office and to individual candidates who do not represent a registered political party but who are otherwise eligible to receive a campaign subsidy.

9.2 To be recognized as eligible to apply for a State subsidy from the Statewide or Electorate Funds, a political party should be required by law to register with the State Electoral Office. Each party should be required to lodge their party name, constitution, by-laws and current policy with the Electoral Office as a condition of registration, and all future changes in constitutional provision, by-laws and policies should be filed with the Electoral Office to maintain said registration.

9.3 Any candidate for State Parliament who did not stand for office as an endorsed candidate of a political party currently registered with the Electoral Office should only be considered for election assistance as an individual candidate.

9.4 Eligible political parties and candidates should be able to receive Statewide election funds under either a prior election provision or a retroactive provision.

9.5 *Prior election provision for eligibility:* Parties or candidates should be eligible to apply for an election subsidy pro rata to their total first preference votes in the Legislative Council poll at the previous state election, provided that they receive a minimum of 2 per cent of the total first preference, formal votes in said poll.

9.6 *The Retroactive Provision:* If a party or candidate does not qualify for funding under the prior election provision, they should still be eligible to qualify for retroactive funding if they receive 2 per cent or more of the total first preference, formal vote in the specific election in question. Parties or candidates that become eligible under this provision should receive financing in proportion to their total Statewide vote in the Legislative Council poll and equal to two-thirds the amount they would have received if they had been eligible under the provisions of the prior election provision.

9.7 Funds should be granted under both the prior election provision and the retroactive provision after application to the Treasury and after the applicant has been certified as eligible for such funds by the State Electoral Office. Parties and candidates eligible under the prior election provision should be able to apply for and receive funds as soon as the State Parliament has been dissolved and a specific election date has been announced. Parties and candidates applying under the retroactive provision should only be allowed to receive a subsidy if the State Electoral Office certifies that they would not have been eligible for funds under the prior election provision. Groups certified under the retroactive provision should apply and be certified for funds within three months of the date when the election in question is declared.

9.8 Political parties and candidates that only contest Legislative Assembly seats will be eligible for subsidies from the Electorate Fund as discussed below. Appendix A shows how moneys from the Statewide Election Fund would be distributed under the prior election provision at the next state election.

10. The Electorate Fund

10.1 The Electorate Fund should be equal to one-half of the moneys available in the Statewide Election Fund. The Electorate Fund should be divided into equal parts based on the Legislative Assembly districts (currently 99 districts) for distribution to all eligible candidates in each Legislative Assembly district. The distribution of funds in each Assembly district should be determined on the first preference vote in said districts in the previous election as in their prior election for the Statewide Fund or on a retroactive provision based on performance in the election itself for those not eligible under the prior election provision. Moneys in the Electorate Fund, however, should be divided within each Assembly district according to the vote in the Legislative Assembly poll in each individual district (see Appendix B).

10.2 Where district boundaries are altered between elections, election subsidies available to political parties registered with the State Electoral Office should be determined on the basis of the performance by said parties in the last election within the current (new) election boundaries. Individual candidates, however, should have their eligibility determined under the prior election provision according to their vote in the Assembly district as those boundaries existed at the time of the prior election.

10.3 Eligible political parties which seek moneys from the Electorate Fund should be required to apply for their subsidies as locally-constituted campaign organizations. Those who are not endorsed candidates of a registered political party should be permitted to apply for funds from the Electorate Fund as individual candidates.

11. Determining Eligibility for Statewide and Electorate Funding

11.1 We realize that political parties and individual candidates who would otherwise be eligible might prefer not to accept public election moneys. This should be their right. Such parties or candidates need not apply for

Funds. Parties or candidates which do not choose to accept public campaign funding, however, would still be covered by all funding disclosure and reporting provisions outlined in section 15.

12. Determining the Size of the Statewide and District Funds

12.1 We recommend that the size of the State election funds be determined on a cents-per-eligible-vote basis and that the total of the statewide and electoral funds together be set so as to provide approximately two-thirds of the moneys which the Parliament can reasonably determine are needed for all candidates adequately to contest a state election for both houses of Parliament.

12.2 This ratio must be maintained and updated by the Treasury so as automatically to allow for inflation, and this review should consider changed campaign circumstances and other factors which increase campaign costs as well. This review should be required before the second State budget following each State election. Such additional factors as unreasonable campaign expenditures and atypical election circumstances need not be taken account of in determining a budget for the public financing of the next state election.

12.3 We envisage an initial Statewide Fund of approximately \$1,543,000 (50 cents per voter) and an Electorate Fund of approximately \$772,000 (25 cents per voter) for the next election. Since the life of a State parliament is normally three years, the cost would average 25 cents per voter per annum for both the Statewide and Electorate funds combined after the scheme was implemented.

13. Should There Be a Ceiling On State Campaign Spending?

13.1 We believe that the public subsidy for State elections should be based on a realistic estimate of what is required for all parties and candidates adequately to inform and educate the electorate without discouraging personal or organizational initiative. We do not, however, believe that it is administratively responsible to attempt to place a legal limit on what any party or candidate should be allowed to spend in any election, provided that all campaign contributions are made public.

13.2 Our opposition to such legal limits on spending is based on an observation that such limits are very difficult to determine in a non-partisan way and very difficult to supervise adequately. The State government must not unnecessarily expand the number of State employees needed to administer the Act or unduly increase the cost in time, energy and money needed by parties, and candidates to comply with the provisions of the Act. Circumstances change too rapidly in specific elections as do techniques of campaigning. Honesty in elections is more likely to be encouraged by requiring public disclosure of campaign contributions and expenditures rather than by having government attempt to set limits and conditions on such fund raising and expenditure. Public disclosure will not require a new expansion of state bureaucracy.

14. An Annual Fund for Election-Related Research

14.1 West Germany, the Netherlands and Austria have adopted legislation which provides funds for continuing political and election-based research and for communication of this research. In the Netherlands state aid is provided for party research institutes and for political education efforts by the parties. In Austria, subsidies are provided for the establishment of political academies which are charged with the upgrading of the information on which political decisions can be made. In West Germany, research and educational institutes are connected to each party and are heavily subsidized from government funds at both the State and national levels.

14.2 We recommend that the third element in the State campaign finance legislation be the creation of a non-partisan *New South Wales Election Research Institute*. This Institute should have as its goals—

- the political funding of party research efforts;
- the researching of problems associated with this Act;
- the sponsorship of research projects which explore alternative courses of action on policy questions;
- the encouragement of a public dialogue on election-related questions and issues; and
- the communication of such research to relevant groups and individuals on a non-partisan basis.

14.3 The Institute should be closely linked to the Parliament. We recommend that it be associated with the Parliamentary Library so as to ensure its non-partisan and service character. The Institute should have its own independent, professional staff so that it can process proposals for research and organize a system for communicating this research to the media and the community.

14.4 There are several aspects of this proposed legislation that need to be examined by the Election Research Institute after the law is enacted.

They include—

- analysing the party and candidate reports on contributions and expenditure;
- examining the effect which public financing has on total election spending and whether an eventual ceiling will need to be included in the legislation;
- examining the effect of disclosure on the creation of party front groups created to avoid disclosing contributions;
- developing uniform reporting procedures for all parties and candidates;
- determining the adequacy of the disclosure procedures for public companies and unions;
- determining whether by-elections need to be funded under this Act.

15. Disclosure and Reporting Provisions

15.1 Self-regulation combined with full and adequate disclosure are joint principles for the oversight of electoral expenditure. These principles will make the electoral process more equitable and democratic. The aim of disclosure provisions is not to tell parties and candidates what they can do, but to require them to tell the public what they are doing.

15.2 Self-regulation is recommended, within broad limits, because the way funds are spent on election campaigns is the province of parties not of Parliament. Further, self-regulation will prevent the creation of new bureaucracies.

15.3 Full and adequate disclosure is essential. Elections are of public interest. The public and the media have a right to know what is done in elections and who is paying for them.

15.4 One pre-eminent factor here must be the practicality of any law. The law must be broad and clear in its intent. It must be designed to encourage reporting rather than to invite potential donors to seek loopholes in the legislation. It is important to note that the only penalty we recommend in this submission applies to the failure fully and adequately to report income and expenditure. Such a failure to report and disclose must also lead to exclusion from eligibility for public funding.

15.5 *Public Funds*: Disclosure of income from public sources to parties and individual candidates should be a requirement. Access to all such reports is essential. Public election funds require full and public accountability. In this way the public and the media can satisfy themselves as to the use to which public moneys have been put.

15.6 *Private Funds*: In order to improve public confidence in the integrity of our parties and to ensure that public officeholders cannot be influenced by private contributors, all private contributions to election campaigns must, in principle, be disclosed. The people of New South Wales have a right to know who is paying for the election of its public officials.

15.7 Disclosure should apply to all election contributions of \$100 or more per election from any single source. Contributions of \$100 or more per election must be paid by cheque. They may be in money, services, goods or in kind; if in kind they are to be assessed at full market price.

15.8 Expenditure of campaigns funds must also be fully and adequately disclosed for reasons given in item 15.6 above.

15.9 No upper limit on contributions is recommended at this stage. Limitations are most likely to lead to a search for loopholes rather than function as a genuine restriction on spending. We recommend, however, that the Election Research Institute should be instructed to monitor the effect that this Act has on total state election spending.

15.10 One likely consequence of disclosure laws on election contributions may be the creation of ad hoc pressure groups and front organizations, usually formed around single issues. This is not necessarily undesirable as it would allow issues to be raised which major parties do not regard as relevant to the election. We recommend that the Election Research Institute should monitor the contributions and expenditures of such groups and report on how this affects the conduct of elections in the future.

15.11 Accounts detailing total campaign income and expenditure of all parties and candidates must be filed with the Electoral Office within three months of the declaration of the poll. They should be certified by a qualified accountant. For the first election under which this takes effect, the form of such accounts should be left to the parties and candidates. After this, the Election Research Institute should examine the advisability of adopting standardized reporting forms and procedures.

15.12 The obligation to report donations and contributions is on the recipient of such funds. Special cases also require an obligation to disclose contributions by the donor. For unions and public companies the interests of minority members and shareholders must be protected and require that all such contributions be fully reported and subject to approval at annual or special general meetings.

15.13 Failure to adhere to disclosure and reporting provisions must lead to exclusion from all such funding.

15.14 All materials to be filed are to be placed with the Electoral Office. These include campaign donation, income, expenditure, party policies, constitutions, by-laws, and union and corporate donations. They must be easily and freely available for public scrutiny. A set of copies of all these materials must be lodged in all New South Wales public libraries.

15.15 Failure to observe fully and adequately the obligation to file items listed in 15.14 above should be punishable by a fine.

15.16 The Election Research Institute should prepare and communicate a summary of total income and expenditure for each election campaign as soon as possible after each election. They should report on the adequacy of the proposed disclosure provisions after two elections have been contested under this Act.

B. THE LIBERAL PARTY OF AUSTRALIA (NEW SOUTH WALES DIVISION)

2B.1 Mr Gregory Bartels, the General Secretary of the Liberal Party of Australia (New South Wales Division) presented evidence in support of his party's submission.

2B.2 The Liberal Party has stated unequivocally that it is opposed to the introduction of any kind of public funding. Its Submission and the evidence by its General Secretary affirmed that opposition many times. Nonetheless, some conditional statements were made about the form of public funding if the Committee should decide to recommend its introduction.

2B.3 The Submission made comments in this regard as follows:

"2.2 Guidelines, Safeguards Necessary:

Nevertheless, if the Joint Committee feels compelled by the terms of reference set for it by the Government to recommend a system of public funding without giving its attention to the underlying question of the general merits of such funding, we urge that the following guidelines and safeguards be applied.

2.3 Supplement, not Replace Voluntary Funds:

If public funds are to be made available they should be used only to supplement, not to replace, private voluntary contributions to Parties and candidates. Under no circumstances should there be any denial of the right of individuals and groups to support the Parties and candidates of their choice. This is an essential form of political participation and expression."

2B.4 The Liberal Party was concerned, as well, that public funding may be detrimental to voluntarism and participation by the party memberships. The Party fears that "a party that became dependent upon a State subsidy would have little need of the voluntary contributions of time and money by its members and supporters".

2B.5 Any system devised would have to overcome these problems. The submission put forward as possible counter-balances the following forms of public funding:

“2.10.1 Tax Credits

A system of tax credits for contributors to Parties or candidates.

2.10.2 Matching Membership

Dollar for \$ subsidies matching individual (i.e., not affiliated) membership fees received. This would encourage the Parties to recruit new and active individual members and reduce their dependence on affiliated interest groups.

2.10.3 Matching Donations

Dollar for \$ subsidies matching private donations (perhaps under a given ceiling). This would encourage the Parties to stimulate participation in the form of voluntary private contributions”.

2B.6 The Liberal Party does not oppose disclosure of public funds by those parties that opt to receive them; indeed, a high standard of accountability is expected.

2B.7 The Party does oppose, however, any disclosure of private funds. It opposes disclosure for the following reasons.

“4.1.1 Extortion, Intimidation and Reprisals

Forced disclosure would open new opportunities for political extortion and a reverse spoils system. Possible contributors to challengers could be subjected to serious pressures from unscrupulous governments. Such a government could use the weapon of its knowledge of contributions to starve its opponents of necessary campaign funds. Similarly, there are very real dangers of organizations such as the more irresponsible of the trade unions using knowledge of contributions to intimidate their members and to take reprisal actions against employers.

4.1.2 Bureaucracy

Compulsory disclosures of contributions can be unwieldy and time-consuming, necessitating an inflated bureaucratic apparatus and a mountain of paper work. What is more, it can have the self-defeating purpose of increasing campaign costs. The disclosure provisions of recent American reforms have resulted in their being termed ‘lawyers’ and accountants’ full employment laws’. The requirements of the U.S. Federal Election Campaign Act of 1971 generated more than half a million pages of reports in 1972, and much more is expected during the forthcoming American elections.

4.1.3 ‘Laundered’ Money

It would probably be impossible to draft fair and reasonable compulsory disclosure provisions which would not enable contributors to launder their money through intermediate agencies. Again, the American experience illustrates the problems thrown up by compulsory disclosure laws. Many months have been spent in the U.S. Congress over the past year dealing with the problem of P.A.C.’s (political action committees) through which contributions are increasingly being made to election candidates. In 1978, these non-party committees gave \$25 million to candidates for the U.S. House of Representatives. Such committees, however, are only one means through which multiple contributions can be made—especially in a Federal system.

4.1.4 ‘In Kind’ Contributions

It would be very difficult, if not impossible, to provide a formula for disclosure the value of ‘in kind’ contributions, but these can have exactly the same implications as cash gifts. It would not be possible, for a party accurately to assess the value of the time given by performers in a voluntary concept in aid of a campaign, by specialists in certain policy areas, by technical experts in promotional fields, or other ‘in kind’ contributions”.

2B.8 The Liberal Party also stated that acceptance of public funding should be optional, that funds declined should return to Consolidated Revenue, and that funds should not be used to protect incumbents. The Submission made the following points in those areas:

“2.4 Optional

Public funding should be optional. No Party or candidate with a moral or other reasonable objection to this use of public moneys should be compelled to accept public funds for campaigns or other political activities.

Every candidate should retain the right to fund his campaign from his own resources and those of his supporters. The same right should apply to political Parties and other voluntary associations of individuals. Indeed, this should remain the normal system of funding political activities. If public funds are to be made available at all, they should merely be a limited option available for those Parties and candidates unwilling to raise all their own funds.

2.5 Declined Funds

No system of public funding should be designed in a way that would enable other Parties or candidates to benefit from the moral decision of those who decline to use public moneys in this way. If a Party or candidate declines the option of using a share of public funds that share should return to general revenue and not be distributed among other parties and candidates.

2.6 Incumbency Protection

Public funds should not be used to protect incumbents. This would certainly be the effect of any system that subsidized a Party's campaign on the basis of its performance at the previous election or the proportion of seats that it occupied in the Parliament.

C. AUSTRALIAN LABOR PARTY, NEW SOUTH WALES BRANCH

2C.1 The Australian Labor Party, New South Wales Branch, supports the introduction of public funding and prepared a submission that included a scheme for introduction.

2C.2 The Australian Labor Party summarized its scheme as—

- “(a) Public Funds to be made available for major Political Parties which poll 6.25 per cent of the total vote in the preceding Legislative Council poll.
- (b) Public Funds to be made available for Independents and Minor Parties which poll 6.25 per cent of the total vote in any Legislative Assembly seat.
- (c) Public Funds to be made available to the Parties for Research/Education/Organizational tasks.
- (d) The creation of an Electoral Funds Commission to administer the disbursement of Public Funds. The Commission would consist of a Chairman and four (4) part-time Commissioners. Of the four (4) part-time Commissioners, one Commissioner would be nominated by the Premier and one other by the Leader of the Opposition.
- (e) The closest possible scrutiny of the manner in which the Parties expend Public Money. The Parties should be required to keep Public Funds in separate bank accounts which would be subject to audit by staff of the Electoral Funds Commission.
- (f) Establishment by legislation of ceilings for media time purchased by or made available to the Parties. Legislation should also establish a ceiling on the total amount of money expended by the Parties within any political campaign.
- (g) The public disclosure of all sources of private donations to the Political Parties. Disclosure ought to start at donations of \$100 or more”.

2C.3 The Australian Labor Party supports the establishment of an Electoral Funds Commission “to administer and oversee the Public Funding of Political Parties”. This Commission would be responsible to Parliament. The Australian Labor Party provided the Committee with details on the composition, workings and powers of this Commission. They were as follows:

- “1. The Commission should consist of a Chairman, appointed by the Parliament for a statutory term of office and four (4) part time Commissioners. One of the four (4) Commissioners should be nominated by the Premier of New South Wales and one other by the Leader of the Opposition. The Commission's independence and authority should be guaranteed by statute.
- 2. The Commission should report annually to the Parliament, reviewing its activities and the manner in which public moneys have been disbursed. Its report should be made public and given the widest possible circulation in the

general community. Further, once the base figure/formula for Public Funding has been established by the Parliament, the Electoral Funds Commission should be in a position to recommend changes in respect of the levels of assistance to the Parties.

3. The Commission should compile a register of all participating Political Parties, constitutions and rules. A consequence of Parties applying for Public Funds ought to be that they must register with the Commission and submit such details as the Commission requires to enable it to fulfil its responsibilities.

4. The Commission should be afforded the necessary administrative, research and accounting staff to enable it to work effectively. However, the A.L.P. envisages that such staffing requirements would not entail the creation of anything akin to the mammoth bureaucracy spawned in the United States by the American Public Funding system. The Commission support staff would be relatively few in number, though a high degree of professionalism and expertise would be required.

5. Once established the Commission should embark upon a comprehensive advertising/education programme to acquaint the New South Wales electorate with its functions and responsibilities and the manner in which it will be operating.

The Commission ought to be aiming to attain that widespread public acceptance which the Electoral Office has achieved."

2C.4 The Australian Labor Party recommends that funds be provided in four broad areas—

- (1) Central campaign funds (principally media).
- (2) By-election and referenda campaign funds.
- (3) Constituency Party campaign funds.
- (4) Research/Education/Organization funds.

2C.5 The Australian Labor Party believes that public funds for central purposes should be disbursed using a formula relative to each party's vote at the preceding Legislative Council poll. The minimum vote required for public funds would be 6.25 per cent of the total.

2C.6 A discretion is to remain with the proposed Chairman about funding referenda and by-elections, although the same formula for disbursement in general elections could apply to an individual seat at a by-election.

2C.7 The Constituency Party Campaign Funds would "be made available to the Central Officer of the Parties for disbursement in those electorates considered especially significant by the Parties".

2C.8 The Australian Labor Party believes that the proposed Commission should establish broad requirements. Its Submission states—

"The Commission ought to take into consideration such factors as—

- (a) The electoral pendulum
- (b) The significance of the seat to the Party concerned
- (c) Local and/or regional factors

The Parties should be required to report to the Commission on the manner in which the funds have been expended. The funds would be employed in a number of areas in local electorate campaigning. Such areas would include, advertising in suburban or provincial media outlets, printing of local campaign leaflets and the equipping and staffing of local campaign offices.

For all the purposes listed above a block grant should be made available by the Commission to the Parties."

2C.9 The Australian Labor Party proposes that funds be made available for research that will assist in policy formulation and the methodology of campaigning. The Party asks for funds to cover the costs of an annual State-wide poll of 2 000 electors.

2C.10 The Australian Labor Party proposes that full accountability will be made to the public. Auditing will be carried out by the proposed Commission's staff. All funds received must be expended.

2C.11 The Australian Labor Party seeks limitations upon the amount of media time available and total campaign spending. The Party supports disclosure of funds from all sources, beginning with a minimum donation of \$100.

3. FUTURE AREAS FOR INQUIRY

3.1 The Committee recognizes that there is no agreement about what method of public funding should be introduced.

3.2 The Committee, therefore, proposes to study during the forthcoming Recess major problem areas. As decisions are made in these areas, the basic principles of a system of public funding will be determined.

3.3 The Committee believes that the following areas need exhaustive investigation.

- (1) Independents and New Parties—The right of independents to contest elections and the opportunity for new parties to emerge without encouraging frivolous candidatures, extremists and groups with little community support.
- (2) The Threshold—The related consideration about the minimum number of votes (or threshold) above which public funds are attracted. The figure differs from country to country. The Committee will need to decide whether any minimum should apply at all.
- (3) What is an Election Campaign—The definition of an election campaign. This decision will determine whether funds are available over a large period of time on a continuing basis for a wider range of party and election activity, or whether they shall be restricted to the final weeks of an election that is in legal process following the issuing of writs.
- (4) Research—That definition will largely determine whether and to what extent basic research may be funded and what form it shall take.
- (5) Limitations upon Expenditure—Limitations upon expenditure—either total or media or some other part—are a matter of disputation.
- (6) Administration—Policing that sort of requirement raises the question of the size of a permanent or seconded staff to administer public funding. A major criticism of the United States model is the excessive bureaucracy and form-filling that is involved. The Committee will need to examine whether the administration of public funding should be the responsibility of the present New South Wales Electoral Office, or some other authority. The independence of its administration is not in dispute: the best safeguard for independence from either governmental or party political influence will require attention.
- (7) Autonomy of Parties—The extent to which the administration of public funding may intrude upon the day-to-day activity of political parties, both at central and constituency level, is a problem area. Parties are traditionally autonomous in Australia and, while recognizing the duty of accountability for public funds received each differs sharply about any further investigation into their fund raising or decision making activities.
- (8) Privacy Claims—In this regard, the Committee will need to consider the claims made that private donations to parties are a private affair and public disclosure is an interference with political freedom. Against that is the view that giving money to a party to assist in its pursuit of public office is an involvement in the electoral process and that the electorate has a right to know who is providing funds for parties and candidates seeking their votes.
- (9) Front Groups—Disclosure laws may cause the proliferation of front organizations that are created especially to plead the policy of a political party or the favoured aspect of a party's policy. In anticipation of this, the Committee will need to consider whether its decisions on disclosure and spending limitations should extend to private organizations that are seeking to influence the electorate in support of a party or party's policy.

- (10) Assistance in Kind—Besides money, the Committee will need to decide what constitutes assistance in a campaign, if that assistance should be disclosed or limited in any way, and in what manner should a party or candidate quantify the value of that assistance in kind.
- (11) Assistance: Central versus Local—The disbursement of funds to either a party's central office or its local constituencies raises major questions of principle. It is argued that granting funds to a central office vests power at the centre and may kill voluntarism and participation by the party membership. Conversely, it is argued that funding constituencies directly may lead to a breakdown in party discipline and provide funds in areas where they will be wasted.
- (12) Party Splits and Mergers—A party split or merger of parties may require special provision in whatever scheme is adopted to ensure that funds are provided to the candidates and the party that enjoy a genuine level of electoral support rather than just bear the label of a party that once enjoyed that level of support.
- (13) Incumbency Advantages—Advantages have been claimed for incumbency—both for Members of Parliament against their local opponents and for the Government against the Opposition. The Committee will need to consider whether public funding should be employed to diminish the advantages claimed for incumbency.
- (14) Costing—The Committee will need to examine the projected costs of a contemporary campaign and determine what proportion of those costs should be met by public funding. The Committee will need to consider whether it will recommend to Parliament a formula for assessing disbursements to parties and the size of the Appropriation required.
- (15) Sanctions—Finally, the Committee will need to examine what sanctions will be required, if any, for those persons or parties in breach of laws regarding public funding.

4. CONCLUSIONS

4.1 The systems of public funding of election campaigns that are operating in foreign countries require closer study by the Committee. The Committee believes it would be better qualified to assess the conflicting claims about the weaknesses and strengths of existing systems if it could investigate them first-hand.

4.2 The Committee proposes to extend its receipt of submissions until 31st May, 1980, and will take evidence from other witnesses as required.

4.3 The Committee will report to Parliament as soon as is practicable after its Inquiry is completed.

E. N. QUINN, Chairman.

26th March, 1980.

**EXTRACT FROM THE VOTES AND PROCEEDINGS
OF THE LEGISLATIVE ASSEMBLY**

ENTRY NO. 12, VOTES AND PROCEEDINGS NO. 31, 20 NOVEMBER, 1979

PUBLIC FUNDING OF CAMPAIGNS FOR ELECTIONS.—Mr Wran moved, pursuant to Notice (*as amended*)—

(1) That a Joint Committee be appointed to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That, in making its recommendations, the Committee shall have regard to:

- (a) The manner in which such a system could most equitably divide available public funds between competing parties and individuals;
- (b) Whether there should be compulsory disclosure of, and restrictions on, electoral expenditure whether public or private in respect of political parties and candidates;
- (c) Whether there should be compulsory disclosure of contributions and gifts to political parties and individuals;
- (d) The extent of public commitment suitable for the operation of any such scheme as the Committee might advise be established;
- (e) The right of new political parties, small parties, parties of special interests and independent candidates to participate in any scheme of election campaign funding and expenditure; and
- (f) Such other matters as the Committee believes relevant to the generality of its task.

(3) That such Committee consist of seven members of the Legislative Assembly and three members of the Legislative Council "and that, notwithstanding anything contained in the Standing Orders of either House, at any meeting of the Committee, any five members shall constitute a quorum, provided that the Committee shall meet as a joint committee at all times."

(4) That Mr Anderson, Mr Bruxner, Mr Cavalier, Mr Egan, Mr Fischer, Mr McDonald and Mr Quinn be appointed to serve on such Committee as the members of the Legislative Assembly.

(5) That the Committee have leave to sit during the sittings or any adjournment of either or both Houses, to adjourn from place to place, and to make visits of inspection within the State of New South Wales and within the other States and Territories of Australia.

Mr Mason moved, That the question be amended by leaving out all words after the word "inquire" in paragraph (1) with a view to inserting the following words instead thereof—

"Into the desirability or otherwise of introducing a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That if the committee establishes a need for public funding based on community demand and acceptance, then in making its recommendations, the committee shall have regard to:

- (a) The manner in which such a system could most equitably divide available public funds between competing parties and individuals;
- (b) Whether there should be compulsory disclosure of, and restrictions on, electoral expenditure whether public or private in respect of political parties and candidates;

- (c) Whether there should be compulsory disclosure of contributions and gifts to political parties and individuals;
- (d) The extent of public commitment suitable for the operation of any such scheme as the Committee might advise be established;
- (e) The right of new political parties, small parties, parties of special interests and independent candidates to participate in any scheme of election campaign funding and expenditure; and
- (f) Such other matters as the Committee believes relevant to the generality of its task.

(3) That such Committee consist of eight members of the Legislative Assembly and four members of the Legislative Council.

(4) That Mr Anderson, Mr Bruxner, Mr Cavalier, Mr Egan, Mr Fischer, Mr McDonald, Mr Maddison and Mr Quinn be appointed to serve on such Committee as the members of the Legislative Assembly.

(5) That the Committee have leave to sit during the sittings or any adjournment of either or both Houses, to adjourn from place to place, and to make visits of inspection within the State of New South Wales and within the other States and Territories of Australia."

Question proposed, That words proposed to be left out stand part of the question.

Debate ensued.

Mr Flaherty moved. That the Question be now put.

Question put—"That the Question be now put."

Ayes, 58

Mr Akister	Mr Gabb	Mr O'Connell
Mr Anderson	Mr Gordon	Mr O'Neill
Mr Barnier	Mr Haigh	Mr Petersen
Mr Bedford	Mr Hills	Mr Quinn
Mr Booth	Mr Hunter	Mr Ramsay
Mr Brereton	Mr Jackson	Mr Renshaw
Mr Britt	Mr Jensen	Mr Robb
Mr R. J. Brown	Mr Johnson	Mr Rogan
Mr Cahill	Mr Johnstone	Mr Sheahan
Mr Cavalier	Mr Jones	Mr Stewart
Mr R. J. Clough	Mr Keane	Mr Wade
Mr Crabtree	Mr Kearns	Mr F. J. Walker
Mr Day	Mr Knott	Mr Webster
Mr Degen	Mr McCarthy	Mr Whelan
Mr Durick	Mr McGowan	Mr Wilde
Mr Egan	Mr McIlwaine	Mr Wran
Mr Einfeld	Mr Maher	
Mr Face	Mr Mair	<i>Tellers,</i>
Mr Ferguson	Mr Mallam	Mr Bannon
Mr Flaherty	Mr Mulock	Mr Ryan

Noes, 33

Mr Arblaster	Mrs Foot	Mr Rozzoli
Mr Barraclough	Mr Freudenstein	Mr Schipp
Mr Boyd	Mr Healey	Mr Singleton
Mr Brewer	Mr McDonald	Mr Smith
Mr Bruxner	Mr Maddison	Mr Taylor
Mr Cameron	Mr Mason	Mr West
Mr Caterson	Mrs Meillon	Mr Wotton
Mr Clough	Mr Moore	
Mr Dowd	Mr Murray	
Mr Duncan	Mr Park	<i>Tellers,</i>
Mr Fischer	Mr Pickard	Mr Hatton
Mr Fisher	Mr Punch	Mr Osborne

And it appearing by the Tellers' Lists that the number in favour of the motion, being a majority, consisted of "at least thirty Members"—

Question put—That the words proposed to be left out stand part of the question.

The House divided.

Ayes, 58

Mr Akister
Mr Anderson
Mr Barnier
Mr Bedford
Mr Booth
Mr Brereton
Mr Britt
Mr R. J. Brown
Mr Cahill
Mr Cavalier
Mr R. J. Clough
Mr Crabtree
Mr Day
Mr Degen
Mr Durick
Mr Egan
Mr Einfeld
Mr Face
Mr Ferguson
Mr Flaherty

Mr Gabb
Mr Gordon
Mr Haigh
Mr Hills
Mr Hunter
Mr Jackson
Mr Jensen
Mr Johnson
Mr Johnstone
Mr Jones
Mr Keane
Mr Kearns
Mr Knott
Mr McCarthy
Mr McGowan
Mr McIlwaine
Mr Maher
Mr Mair
Mr Mallam
Mr Mulock

Mr O'Connell
Mr O'Neill
Mr Petersen
Mr Quinn
Mr Ramsay
Mr Renshaw
Mr Robb
Mr Rogan
Mr Sheahan
Mr Stewart
Mr Wade
Mr F. J. Walker
Mr Webster
Mr Whelan
Mr Wilde
Mr Wran

Tellers,
Mr Bannon
Mr Ryan

Noes, 33

Mr Arblaster
Mr Barraclough
Mr Boyd
Mr Brewer
Mr Bruxner
Mr Cameron
Mr Catterson
Mr Clough
Mr Dowd
Mr Duncan
Mr Fischer
Mr Fisher

Mrs Foot
Mr Freudenstein
Mr Healey
Mr McDonald
Mr Maddison
Mr Mason
Mrs Meillon
Mr Moore
Mr Murray
Mr Park
Mr Pickard
Mr Punch

Mr Rozzoli
Mr Schipp
Mr Singleton
Mr Smith
Mr Taylor
Mr West
Mr Wotton

Tellers,
Mr Hatton
Mr Osborne

And so it was resolved in the affirmative.

Original question again proposed.

Mr Flaherty moved, That the Question be now put.

Question put—"That the Question be now put."

The House divided.

Ayes, 58

Mr Akister
Mr Anderson
Mr Barnier
Mr Bedford
Mr Booth
Mr Brereton
Mr Britt
Mr R. J. Brown
Mr Cahill
Mr Cavalier
Mr R. J. Clough
Mr Crabtree
Mr Day
Mr Degen
Mr Durick
Mr Egan
Mr Einfeld
Mr Face
Mr Ferguson
Mr Flaherty

Mr Gabb
Mr Gordon
Mr Haigh
Mr Hills
Mr Hunter
Mr Jackson
Mr Jensen
Mr Johnson
Mr Johnstone
Mr Jones
Mr Keane
Mr Kearns
Mr Knott
Mr McCarthy
Mr McGowan
Mr McIlwaine
Mr Maher
Mr Mair
Mr Mallam
Mr Mulock

Mr O'Connell
Mr O'Neill
Mr Petersen
Mr Quinn
Mr Ramsay
Mr Renshaw
Mr Robb
Mr Rogan
Mr Sheahan
Mr Stewart
Mr Wade
Mr F. J. Walker
Mr Webster
Mr Whelan
Mr Wilde
Mr Wran

Tellers,
Mr Bannon
Mr Ryan

Noes, 33

Mr Arblaster
Mr Barraclough
Mr Boyd
Mr Brewer
Mr Bruxner
Mr Cameron
Mr Catterson
Mr Clough
Mr Dowd
Mr Duncan
Mr Fischer
Mr Fisher

Mrs Foot
Mr Freudenstein
Mr Healey
Mr McDonald
Mr Maddison
Mr Mason
Mrs Meillon
Mr Moore
Mr Murray
Mr Park
Mr Pickard
Mr Punch

Mr Rozzoli
Mr Schipp
Mr Singleton
Mr Smith
Mr Taylor
Mr West
Mr Wotton

Tellers,
Mr Hatton
Mr Osborne

And it appearing by the Tellers' Lists that the number in favour of the motion, being a majority, consisted of "at least thirty Members"—

Original question put.

The House divided.

Ayes, 59

Mr Akister	Mr Gabb	Mr Mulock
Mr Anderson	Mr Gordon	Mr O'Connell
Mr Barnier	Mr Haigh	Mr O'Neill
Mr Bedford	Mr Hatton	Mr Petersen
Mr Booth	Mr Hills	Mr Quinn
Mr Brereton	Mr Hunter	Mr Ramsay
Mr Britt	Mr Jackson	Mr Renshaw
Mr R. J. Brown	Mr Jensen	Mr Robb
Mr Cahill	Mr Johnson	Mr Rogan
Mr Cavalier	Mr Johnstone	Mr Sheahan
Mr R. J. Clough	Mr Jones	Mr Stewart
Mr Crabtree	Mr Keane	Mr Wade
Mr Day	Mr Kearns	Mr F. J. Walker
Mr Degen	Mr Knott	Mr Webster
Mr Durick	Mr McCarthy	Mr Whelan
Mr Egan	Mr McGowan	Mr Wilde
Mr Einfeld	Mr McIlwaine	Mr Wran
Mr Face	Mr Maher	<i>Tellers,</i>
Mr Ferguson	Mr Mair	Mr Bannon
Mr Flaherty	Mr Mallam	Mr Ryan

Noes, 32

Mr Arblaster	Mr Fisher	Mr Punch
Mr Barraclough	Mrs Foot	Mr Rozzoli
Mr Boyd	Mr Freudenstein	Mr Schipp
Mr Brewer	Mr Healey	Mr Singleton
Mr Bruxner	Mr McDonald	Mr Smith
Mr Cameron	Mr Maddison	Mr Taylor
Mr Caterson	Mr Mason	Mr West
Mr Clough	Mrs Meillon	Mr Wotton
Mr Dowd	Mr Murray	<i>Tellers,</i>
Mr Duncan	Mr Park	Mr Moore
Mr Fischer	Mr Pickard	Mr Osborne

And so it was resolved in the affirmative.

Ordered, on motion of Mr Wran. That the following Message be sent to the Legislative Council—

Mr PRESIDENT—

The Legislative Assembly having this day agreed to the following resolution—

"(1) That a Joint Committee be appointed to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That, in making its recommendations, the Committee shall have regard to:

- (a) The manner in which such a system could most equitably divide available public funds between competing parties and individuals;*
- (b) Whether there should be compulsory disclosure of, and restrictions on, electoral expenditure whether public or private in respect of political parties and candidates;*
- (c) Whether there should be compulsory disclosure of contributions and gifts to political parties and individuals;*
- (d) The extent of public commitment suitable for the operation of any such scheme as the Committee might advise be established;*
- (e) The right of new political parties, small parties, parties of special interests and independent candidates to participate in any scheme of election campaign funding and expenditure; and*
- (f) Such other matters as the Committee believes relevant to the generality of its task.*

(3) *That such Committee consist of seven members of the Legislative Assembly and three members of the Legislative Council and that, notwithstanding anything contained in the Standing Orders of either House, at any meeting of the Committee, any five members shall constitute a quorum, provided that the Committee shall meet as a joint committee at all times.*

(4) *That Mr Anderson, Mr Bruxner, Mr Cavalier, Mr Egan, Mr Fischer, Mr McDonald and Mr Quinn be appointed to serve on such Committee as the members of the Legislative Assembly.*

(5) *That the Committee have leave to sit during the sittings of any adjournment of either or both Houses, to adjourn from place to place, and to make visits of inspection within the State of New South Wales and within the other States and Territories of Australia."*

And the Legislative Assembly requests that the Legislative Council will appoint three of its members to serve with the members of the Legislative Assembly upon such Joint Committee.

Legislative Assembly Chamber,

Sydney, 20 November, 1979.

**EXTRACT FROM THE MINUTES OF THE PROCEEDINGS
OF THE LEGISLATIVE COUNCIL**

ENTRY NO. 7, MINUTES OF PROCEEDINGS No. 30, 22 NOVEMBER, 1979

PUBLIC FUNDING OF CAMPAIGNS FOR ELECTIONS (*Assembly's Message proposing Joint Committee*).—Upon the Order of the Day being read Mr Landa moved—

(1) That this House agrees to the Resolution embodied in the Legislative Assembly's Message of 20 November, 1979, relating to the appointment of a Joint Committee to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That the representatives of the Legislative Council on the Joint Committee be the Honourable D. M. Grusovin, the Honourable H. J. McPherson and the Honourable W. L. Lange and fixes Tuesday, 27 November, 1979, at 12 noon in Legislative Assembly Committee Room No. 1 as the time and place for the first meeting.

Debate ensued.

Mr Willis moved. That the Question be amended by the omission of all words after the word "That" where firstly occurring with a view to the insertion in their place of the words—

"a Joint Committee be appointed to inquire into the desirability or otherwise of introducing a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That if the Committee establishes a need for public funding based on community demand and acceptance, then in making its recommendations, the Committee shall have regard to:

- (a) The manner in which such a system could most equitably divide available public funds between competing parties and individuals;
- (b) Whether there should be compulsory disclosure of, and restrictions on, electoral expenditure whether public or private in respect of political parties and candidates;
- (c) Whether there should be compulsory disclosure of contributions and gifts to political parties and individuals;
- (d) The extent of public commitment suitable for the operation of any such scheme as the Committee might advise be established;
- (e) The right of new political parties, small parties, parties of special interests and independent candidates to participate in any scheme of election campaign funding and expenditure; and
- (f) Such other matters as the Committee believes relevant to the generality of its task.

(3) That such Committee consist of six Members of the Legislative Council and six Members of the Legislative Assembly; the Members from each House to consist of three Members supporting the Government and three Members supporting the Opposition.

(4) That Mr Turner, Mr Thompson and Mr Melville, being Members supporting the Government, and Mr Lange, Mr Holt and Mr Kennedy, being Members supporting the Opposition, be the Council Members of the Committee.

(5) That the Committee have leave to sit during the sittings or any adjournment of either or both Houses, to adjourn from place to place, and to make visits of inspection within the State of New South Wales and within the other States and territories of Australia.

Debate continued.

Question put—That the words proposed to be omitted stand part of the Question.

The House divided.

	Ayes, 17	
Mrs Anderson	Mrs Isaksen	Mr Turner
Mr Baldwin	Mr Kaldis	Mr Unsworth
Mr Dyer	Mr King	Mr Watkins
Mr French	Mrs Kite	<i>Tellers,</i>
Mrs Grusovin	Mr Landa	Mr Burton
Mr Healey	Mr McPherson	Mr Melville
	Noes, 14	
Dr Bryon-Faes	Mr Holt	Mr Sandwith
Mr Calabro	Mr Kennedy	Mr Willis
Mrs Chadwick	Mrs Lloyd	<i>Tellers,</i>
Mr Doohan	Mr MacDiarmid	Mr Philips
Mr Duncan	Mr Orr	Mr Pickering

And so it was resolved in the affirmative.

Question then—That this House agrees to the Resolution embodied in the Legislative Assembly's Message of 20 November, 1979, relating to the appointment of a Joint Committee to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

(2) That the representatives of the Legislative Council on the Joint Committee be the Honourable D. M. Grusovin, the Honourable H. J. McPherson and the Honourable W. L. Lange and fixes Tuesday, 27 November, 1979, at 12 noon in Legislative Assembly Committee Room No. 1 as the time and place for the first meeting.

The House divided.

	Ayes, 17	
Mrs Anderson	Mr Kaldis	Mr Turner
Mr Burton	Mr King	Mr Unsworth
Mr French	Mrs Kite	Mr Watkins
Mrs Grusovin	Mr Landa	<i>Tellers,</i>
Mr Healey	Mr McPherson	Mr Baldwin
Mrs Isaksen	Mr Melville	Mr Dyer
	Noes, 14	
Dr Bryon-Faes	Mrs Lloyd	Mr Sandwith
Mr Calabro	Mr MacDiarmid	Mr Willis
Mrs Chadwick	Mr Orr	<i>Tellers,</i>
Mr Duncan	Mr Philips	Mr Doohan
Mr Kennedy	Mr Pickering	Mr Holt

And so it was resolved in the affirmative.

Whereupon Mr Landa moved, That the following Message be forwarded to the Legislative Assembly:

Mr SPEAKER—

The Legislative Council having had under consideration the Legislative Assembly's Message, dated 20 November, 1979, agrees to the Resolution embodied therein relating to the appointment of a Joint Committee to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

And the Council appoints the Honourable D. M. Grusovin, the Honourable H. J. McPherson and the Honourable W. L. Lange as its representatives on the said Joint Committee, and fixes Tuesday, 27 November, 1979, at 12 noon in Legislative Assembly Committee Room No. 1 as the time and place for the first meeting.

Legislative Council Chamber,

Sydney, 22 November, 1979.

Mr Willis moved,—That the Message be amended by the addition at the end thereof of the words—

“At the same time the Council agrees on this occasion to waive its claim to equal representation on the Joint Committee and requests that its action in so doing should not be drawn into a precedent.”

Debate ensued.

Question—That the words proposed to be added be so added—put and passed.

Original Question (*as amended*) put and passed.

**EXTRACT FROM THE VOTES AND PROCEEDINGS
OF THE LEGISLATIVE ASSEMBLY**

ENTRY NO. 25, VOTES AND PROCEEDINGS NO. 33, 22 NOVEMBER, 1979

JOINT COMMITTEE UPON PUBLIC FUNDING OF CAMPAIGNS FOR ELECTIONS.—Mr Speaker reported the following Message from the Legislative Council:

Mr SPEAKER—

The Legislative Council having had under consideration the Legislative Assembly's Message, dated 20 November, 1979, agrees to the Resolution embodied therein relating to the appointment of a Joint Committee to inquire into and make recommendations on the introduction of a system involving public funding of campaigns for elections to the Parliament of New South Wales.

And the Council appoints the Honourable D. M. Grusovin, the Honourable H. J. McPherson and the Honourable W. L. Lange as its representatives on the said Joint Committee, and fixes Tuesday, 27 November, 1979, at 12 noon in Legislative Assembly Committee Room No. 1 as the time and place for the first meeting.

At the same time the Council agrees on this occasion to waive its claim to equal representation on the Joint Committee and requests that its action in so doing should not be drawn into a precedent.

*Legislative Council Chamber,
Sydney, 22 November, 1979.*

JOHN JOHNSON,
President.

Ordered, on motion of Mr F. J. Walker, That the following Message be sent to the Legislative Council:

Mr PRESIDENT—

The Legislative Assembly agrees to the time and place appointed by the Legislative Council in its Message, dated 22 November, 1979, for the first meeting of the Joint Committee upon Public Funding of Campaigns for Elections.

*Legislative Assembly Chamber,
Sydney, 22 November, 1979.*

**EXTRACT FROM THE MINUTES OF THE PROCEEDINGS
OF THE LEGISLATIVE COUNCIL**

ENTRY No. 4, MINUTES OF PROCEEDINGS No. 31, 27 NOVEMBER, 1979

MESSAGES FROM THE LEGISLATIVE ASSEMBLY.—The President reported and read the following Messages from the Legislative Assembly:

* " * * * * *

(2) Public Funding of Campaigns for Elections—

Mr PRESIDENT—

The Legislative Assembly agrees to the time and place appointed by the Legislative Council in its Message, dated 22 November, 1979, for the first meeting of the Joint Committee upon Public Funding of Campaigns for Elections.

*Legislative Assembly Chamber,
Sydney, 22 November, 1979.*

L. B. KELLY,
Speaker.

* * * * *

**PROCEEDINGS OF THE JOINT COMMITTEE OF THE
LEGISLATIVE COUNCIL AND LEGISLATIVE ASSEMBLY
UPON PUBLIC FUNDING OF ELECTION CAMPAIGNS**

TUESDAY, 27 NOVEMBER, 1979

At Parliament House, Sydney, at 12.00 noon.

MEMBERS PRESENT:

Legislative Council

Mrs GRUSOVIN
Mr McPHERSON

Mr LANGE

Legislative Assembly

Mr ANDERSON
Mr BRUXNER
Mr CAVALIER
Mr EGAN

Mr FISCHER
Mr McDONALD
Mr QUINN

Mr P. R. Leeds advised Members of his appointment as Clerk to the Committee.

Extracts from the *Votes and Proceedings* of the Legislative Assembly and from the *Minutes of Proceedings* of the Legislative Council relating to the appointment of the Committee were tabled by the Clerk to the Committee and noted by members.

On motion of Mr Anderson, seconded by Mr Egan. Mr Quinn was called to the Chair. The Chairman made his acknowledgements to the Committee and briefly outlined the functions to be performed by it.

On the motion of Mr Bruxner, seconded by Mr Egan, the following series of resolutions relating to the functioning of the Committee were agreed to:

1. That arrangements for the calling of witnesses and visits of inspection be left in the hands of the Chairman and the Clerk of the Committee.
2. That, unless otherwise ordered, parties appearing before the Committee shall not be represented by any member of the legal profession.
3. That, unless otherwise ordered, the press and public (including witnesses after examination) be admitted to the sittings of the Committee.
4. That departmental officers and/or persons having special knowledge of the matters alluded to in the Terms of Reference may be invited to assist the Committee.
5. That press statements concerning the Committee be made only by the Chairman.
6. That, unless otherwise ordered, transcripts of evidence taken by the Committee be not made available to any person, body or organization: Provided that witnesses previously examined shall be given a copy of their evidence.
7. That the Chairman and the Clerk to the Committee be empowered to negotiate with the Premier for the provision of funds to meet expenses in connection with travel, accommodation, advertising and approved incidental expenses of the Committee.
8. That this Committee requests the Premier to approve payment of the following:
 - (i) A daily allowance to each member when he attends a meeting of the Committee on a day on which the House is not sitting, and for each day he is present at an official visit of inspection;

- (ii) A living-away-from-home allowance for Mr Lange and Mr McPherson when attending a meeting of the Committee on a day on which the Legislative Council is not sitting.
 - (iii) The cost of air travel for visits of inspection when other modes of transport are impracticable.
 - (iv) The cost of air travel between electoral district or place of residence and Sydney for Mr Bruxner, Mr Fischer, Mr Lange and Mr McPherson when necessary, for the purpose of attending meetings of the Committee.
9. That the Clerk be empowered to write to interested parties requesting written submissions within the Terms of Reference.
 10. That the allowances for the Chairman and Members be paid at the end of each calendar month.
 11. That upon the calling of a division in either House, during a meeting of the Committee, the proceedings of the Committee shall be suspended until the termination of the division and the return of members.
 12. That the Chairman and the Clerk make arrangements for visits of inspection by the Committee as a whole and that individual members wishing to depart from these arrangements be required to make their own.

The Committee then deliberated.

The Committee adjourned at 12.44 p.m. *sine die*.

TUESDAY, 5 FEBRUARY, 1980

At Parliament House, Sydney, at 9.30 a.m.

MEMBERS PRESENT:

Mr E. N. QUINN, M.P. (in the Chair)

Legislative Council

Mrs GRUSOVIN
Mr LANGE

Mr McPHERSON

Legislative Assembly

Mr ANDERSON
Mr CAVALIER
Mr EGAN

Mr FISCHER
Mr McDONALD

An apology was received from Mr Bruxner.

Minutes of the previous meeting, as circulated, were confirmed.

The Committee deliberated.

The press and public were admitted.

By direction of the Chairman, the Clerk read the Committee's Terms of Reference and Legislative Assembly Standing Order No. 362 relating to the Examination of Witnesses.

HENRY MAYER, Professor, KENNETH IRVING TURNER, Associate Professor, ERNEST ALONZO CHAPLES, Senior Lecturer, and ALEXANDER WATSON, Principal Tutor, all of the Department of Government and Public Administration, the University of Sydney, were called as witnesses and made the affirmation.

Each witness acknowledged receipt of a summons under the Parliamentary Evidence Act, 1901.

The witnesses were examined by the Chairman and members of the Committee.

Following the luncheon adjournment, at which point Associate Professor Turner withdrew, the examination of witnesses continued.

Evidence not completed, the witnesses were requested to attend at a later date.

The Committee adjourned at 4.34 p.m. *sine die*.

THURSDAY, 28 FEBRUARY, 1980

At Parliament House, Sydney, at 11.30 a.m.

MEMBERS PRESENT:

Mr E. N. QUINN, M.P. (In the Chair)

Legislative Council

Mrs GRUSOVIN
Mr LANGE

Mr McPHERSON

Legislative Assembly

Mr ANDERSON
Mr BRUXNER
Mr McDONALD

Mr EGAN
Mr FISCHER

Minutes of the previous meeting, as circulated, were confirmed.

The Committee deliberated on a draft interpretation of its Terms of Reference.

Moved by Mr Egan, seconded by Mr Anderson, that the draft interpretation of the Committee's Terms of Reference be now adopted by the Committee.

Debate ensued.

Mr Lange moved, seconded by Mr McDonald, that this debate be adjourned until independent legal advice be sought.

Question put.

The Committee divided.

Ayes 4

Mr Bruxner
Mr Fischer
Mr Lange
Mr McDonald

Noes 4

Mr Anderson
Mr Egan
Mrs Grusovin
Mr McPherson

And the numbers being equal, the Chairman gave his casting vote with the Noes and so it passed in the negative.

Mr Cavalier joined the Committee.

Original Question again proposed.

Mr Cavalier moved, seconded by Mrs Grusovin, that the motion be amended by inserting after the word "Committee" where secondly occurring, the words "paragraph by paragraph".

Debate ensued.

Question put and passed.

Original Question, as amended, proposed.

Question put and passed.

Paragraph 1 read and amended.

Paragraph, as amended, agreed to.

Paragraph 2 read and amended.

Paragraph, as amended, agreed to.

Paragraph 3 read and agreed to.

Paragraph 4 read and agreed to.

Paragraph 5 read.

Question proposed, that Paragraph 5 stand.

Debate ensued.

Question put.

The Committee divided.

Ayes. 4

Mr Anderson
Mr Cavalier
Mr Egan
Mrs Grusovin
Mr McPherson

Noes, 4

Mr Bruxner
Mr Fischer
Mr Lange
Mr McDonald

And so it was resolved in the affirmative.

The Committee adjourned at 12.32 p.m. until Tuesday, 11 March, 1980, at 10.00 a.m.

TUESDAY, 11 MARCH, 1980

At Parliament House, Sydney, at 10.00 a.m.

MEMBERS PRESENT:

Mr E. N. QUINN, M.P. (In the Chair)

Legislative Council

Mrs GRUSOVIN
Mr LANGE

Mr McPHERSON

Legislative Assembly

Mr ANDERSON
Mr BRUXNER
Mr CAVALIER

Mr EGAN
Mr FISCHER
Mr McDONALD

Confirmation of the minutes of the previous meeting was deferred.

The press and public were admitted.

GREGORY BARTELS, General Secretary, Liberal Party of Australia, New South Wales Branch, called as a witness and sworn.

The witness acknowledged receipt of a summons under the Parliamentary Evidence Act, 1901, presented a supplementary submission and was examined by the Chairman and members of the Committee.

Following the luncheon adjournment, examination of the witness continued.

Evidence not completed, the witness was requested to attend at a later date.

The Committee adjourned at 4.26 p.m. until Wednesday, 12 March, 1980, at 10.00 a.m.

WEDNESDAY, 12 MARCH, 1980

At Parliament House, Sydney, at 10.00 a.m.

MEMBERS PRESENT:

Mr E. N. QUINN, M.P. (in the Chair)

Legislative Council

Mrs GRUSOVIN
Mr LANGE

Mr McPHERSON

Legislative Assembly

Mr ANDERSON
Mr BRUXNER
Mr CAVALIER

Mr EGAN
Mr FISCHER
Mr McDONALD

The press and public were admitted.

GRAHAM FREDERICK RICHARDSON, General Secretary, Australian Labor Party, New South Wales Branch, called as a witness and sworn. The witness acknowledged receipt of a summons under the Parliamentary Evidence Act, 1901.

The witness was examined by the Chairman and members of the Committee.

(Mr Richardson was attended by Mr Stephen Loosley, Assistant General Secretary, Australian Labor Party, New South Wales Branch, and Mr Rodney Wise, Education and Research Officer of the same organization).

Evidence concluded, the witness withdrew.

The Committee adjourned at 4.26 p.m. *sine die*.

TUESDAY, 25 MARCH, 1980

At Parliament House, Sydney, at 8.00 a.m.

MEMBERS PRESENT:

Mr E. N. QUINN, M.P. (in the Chair)

Legislative Council

Mrs GRUSOVIN	Mr MCPHERSON
Mr LANGE	

Legislative Assembly

Mr ANDERSON	Mr EGAN
Mr BRUXNER	Mr FISCHER
Mr CAVALIER	Mr McDONALD

Minutes of the meetings held on 28 February, 11 and 12 March, 1980, as circulated, were confirmed.

A draft Progress Report, as circulated to members, was brought up by the Chairman.

The draft Progress Report was then considered by the Committee.

Clauses 1.1 to 1.12 read and agreed to.

Clauses 2.1 to 2C.11 read and agreed to.

Clause 3.1 read and agreed to.

Clause 3.2 read and agreed to.

Clause 3.3 sections 1 to 8 inclusive read and agreed to.

Clause 3.3 section 9 read.

Mr Lange moved, seconded by Mr McDonald, that the section be amended by inserting after the word "policy", where lastly occurring, the words "and the possible effect this may have on freedom of association".

Question proposed, that the words to be inserted be so inserted.

Debate ensued.

Question put.

The Committee divided.

Ayes, 4	Noes, 5
Mr Bruxner	Mr Anderson
Mr Fischer	Mr Cavalier
Mr Lange	Mr Egan
Mr McDonald	Mrs Grusovin
	Mr McPherson

And so it passed in the negative.

Clause 3.3 section 9 agreed to.

Clause 3.3 sections 10 to 13 inclusive read and agreed to.

Clause 3.3 section 14 read and amended.

Clause 3.3 section 14, as amended, agreed to.

Clause 3.3 section 15 read and amended.

Clause 3.3 section 15, as amended, agreed to.

Clause 4.1 read and amended.

Question proposed, that Clause 4.1, as amended, be agreed to.

Question put.

The Committee divided.

Ayes, 5	Noes, 4
Mr Anderson	Mr Bruxner
Mr Cavalier	Mr Fischer
Mr Egan	Mr Lange
Mrs Grusovin	Mr McDonald
Mr McPherson	

And so it was resolved in the affirmative.

Clause 4.2 read and agreed to.

Clause 4.3 read and agreed to.

The Committee adjourned at 9.43 p.m. until Wednesday, 26 March, 1980, at 8.00 p.m.

WEDNESDAY, 26 MARCH, 1980

At Parliament House, Sydney, at 8.00 p.m.

MEMBERS PRESENT:

Mr E. N. QUINN, M.P. (in the Chair)

Legislative Council

Mrs GRUSOVIN
Mr LANGE

Mr MCPHERSON

Legislative Assembly

Mr ANDERSON
Mr BRUXNER
Mr CAVALIER

Mr EGAN
Mr FISCHER
Mr McDONALD

Minutes of the previous meeting, as circulated to members, were confirmed.

The draft Progress Report, as agreed to, was brought up by the Chairman.

Resolved, on motion of Mr Anderson, seconded by Mrs Grusovin, That the draft Progress Report be the Progress Report of the Committee.

Whereupon the Chairman signed the Progress Report.

The Committee then deliberated on future dates for meetings.

The Committee adjourned at 8.20 p.m., *sine die*.

MINUTES OF EVIDENCE

TAKEN BEFORE

THE JOINT COMMITTEE

UPON

PUBLIC FUNDING OF ELECTION CAMPAIGNS

AT SYDNEY ON TUESDAY, 5 FEBRUARY, 1980

The Committee met at 9.30 a.m.

Present:

Mr E. N. QUINN (Chairman)

Legislative Assembly

Mr P. T. ANDERSON
Mr R. M. CAVALIER, B.A.(Hons)
Mr M. R. EGAN, B.A.
Mr T. A. FISCHER
Mr B. J. McDONALD, A.S.T.C., Dip. T.C.P.

Legislative Council

The Hon. D. M. GRUSOVIN
The Hon. W. L. LANGE
The Hon. H. J. McPHERSON

HENRY MAYER, Professor of Political Theory, Department of Government, University of Sydney, residing at 18 Sofala Avenue, Lane Cove, and

KENNETH IRVING TURNER, Associate Professor, University of Sydney, residing at 34 Cripps Avenue, Kingsgrove, and

ERNEST ALONZO CHAPLES, Senior Lecturer, University of Sydney, residing at 2/6A Greenknowe Avenue, Elizabeth Bay, and

ALEXANDER WATSON, Principal Tutor at the University of Sydney, residing at 3 James Lane, East Balmain, on affirmation, examined as under:

1. CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act, 1901?—A. (*all witnesses*) I did.

2. Professor Mayer, I believe that you are to be the chief witness?—A. (*Prof. Mayer*) Not really. We are

jointly responsible for the submission. We have divided the material in the major work. I worked mainly on small parties and on the research institute. Professor Turner is to be in charge of general production.

3. The Committee has received a submission signed by the four of you. Is it your wish that the submission be included as part of your sworn evidence?—A. (*Prof. Turner*) Yes. There are one or two inelegancies which it might be appropriate to correct, although it seems pointless to do it now at this meeting. Perhaps I could send a corrected copy. They are details to which I am referring. (*Prof. Mayer*) I am afraid our grammar failed the test on occasions.

4. Mr LANGE: They are not inaccuracies?—A. No, rather it is clumsiness, slight errors in grammar.

5. CHAIRMAN: You will be given the opportunity to correct the evidence after the printed proof has been prepared.—A. (*Prof. Turner*) With that proviso we would like this document to be the submission.

SUMMARY OF MAJOR POINTS IN THIS SUBMISSION

1. This is a submission from a group of political scientists known as the Academics for Pluralist Funding. This group was formed after the New South Wales Joint Committee on the Funding of Election Campaigns wrote to the Department of Government at the University of Sydney requesting views on the Committee's terms of reference. The members of the Academics for Pluralist Funding include:

Professor Henry Mayer, Professor of Political Theory.
Associate Professor Ken Turner, Head of Department.
Dr Ernest A. Chaples, Senior Lecturer.
Mr Lex Watson, Principal Tutor.

2. Principles of the Academics for Pluralist Funding

We support a scheme for the public funding of election campaigns, based on the following principles:

- equity in funding for major parties, minor parties and independent candidates;
- self-regulation of funds for parties and candidates with minimal bureaucratic surveillance but with easy public access to all required information on campaign donations and expenditure;
- a system of funding which provides for a reasonable distribution of moneys to both central party organizations and to local organizations and candidates;
- a system which has a strong election research and public education component which can encourage more party research and which will lead in the long run to an improvement in the quality of election campaigning.

3. Public Campaign Funding in Western Democracies

Our review of the relevant literature and of the laws relating to campaign finance in other democracies has revealed that the public funding of election campaigns is much more common in democratic systems that is generally realized in Australia. Substantial public funding of campaigns at both the national and state/local levels occurs at present in West Germany, Sweden and the United States. Several other countries—including Australia, Canada, Denmark, Finland, France, Italy, Japan and Norway—provide significant public campaign moneys for national elections.

In countries like the United Kingdom and Australia, where direct public funding has not yet been adopted, there is still a significant amount of indirect aid to parties and candidates from the government. In Australia, indirect aid includes the maintenance of the compulsory voting system (which frees parties and candidates of the time and cost of registering voters) and provisions for access to public broadcasting facilities by major parties.

4. Opposition to Public Funding

There are several perennial themes which are stressed by opponents of public funding. These include the cost of such schemes, the intervention of bureaucrats in the conduct of elections, the manipulation of funding formulae by parties-in-power, and the tendency of such schemes to strengthen minor or extremist parties and groups. While problems can develop if a public funding programme is not well thought out, we are impressed with:

- the degree of public support for existing programmes in the vast majority of countries where they are operating;
- the support such schemes have received from groups on both the left and right as well as from moderate and good government groups;
- the desire of both conservative and progressive politicians in most countries which have such programmes to maintain and expand the public funding of election campaigns.

5. Our Proposal for New South Wales

The scheme of the Academics for Pluralist Funding is based on the following points:

- it provides funds based on the votes a party or candidate received at the prior state election;
- it distributes public moneys in proportion to the actual votes received in the prior election;
- it provides funds for both statewide performance (based on votes in the Legislative Council poll) and for local electorate performance (based on votes in individual Legislative Assembly seats);

it has a threshold of 2 per cent of the total formal vote for eligibility, i.e., to qualify for funds on a statewide basis a party or candidate would need at present about 55 000 Council votes and a local Assembly party or candidate would need about 620 votes in any electorate;

it includes a retroactive provision which would allow new parties and candidates to qualify for two-thirds of the proportionate funding after the election if they were not previously eligible and if their performance warranted such funds;

it requires the registration at both the State and Assembly electorate level of all parties wishing to become eligible for public funds;

it is based on voluntary participation in the funding provisions but on compulsory disclosure of all funding, private and public, by all parties and candidates contesting New South Wales elections;

it does *not* include any provision for a ceiling on spending but does require compulsory reporting of all election spending and easy access by the media and public to this information;

it is intended to provide about two-thirds of the campaign moneys needed to contest a state election and includes a provision which would periodically adjust the funds available to maintain this ratio of public funding to total campaign spending in the State;

it includes the establishment of a New South Wales *Election Research Institute* which would operate on a non-partisan basis and which would provide funds for upgrading the quality of election campaigns in New South Wales.

6. Cost of Our Scheme for New South Wales

Our funding scheme would cost the voters of New South Wales a total of \$2.3 million for the 1981 State election or 75 cents per eligible voter. After the first election, the cost of the funding scheme would average 25 cents per eligible voter per year as the life of a State parliament is normally three years.

INTRODUCTION

Our submission contains suggestions relevant to most of the Committee's terms of reference, but there are a few main issues whose urgent consideration we especially commend to the Committee.

(i) In order that public confidence be maintained in the legitimacy of parliamentary democracy, we stress the vital and wide-ranging role our political parties need to play in ensuring that the public is politically informed, encouraged to participate, provided with effective representation, and given an opportunity for a choice in public affairs. While our parties do their best, often working on a "shoestring", it is our contention that their performance urgently and increasingly needs improvement.

(ii) In particular, we are anxious to improve the quality of political campaigning. Campaigning is a continuous process involving research, communication and political education. Elections are the dramatic culmination of this process. Hence the adequate funding of election campaigns will indirectly improve the quality of our campaigns.

(iii) Public funding of campaigns will improve the performance of parties, will provide a more equal opportunity for small parties and will strengthen public confidence in parties by ensuring that the public can see that there are no hidden strings attached to political contributions.

(iv) Finally, we wish to emphasize here the case for the wide and free competition of ideas. Current barriers to the entry of new ideas into the arena of public debate are too high. This does not necessarily mean that it should be made easier for new groups to win parliamentary representation, but it does mean that the widest discussion of views is central to liberal democracy and should be facilitated by public support. Public funding of elections is one important means to this end.

1. Improving Electoral Performance

1.1 Many western democracies now find it proper and necessary to provide campaign funding for elections, parties and candidates. Public campaign funding has been introduced by both the right and the left in other countries. It was introduced by the Liberal Democrats in Japan, the Christian Democrats in West Germany and Italy and the Social Democrats in Sweden. Public funding was enacted in the United

States by a bi-partisan majority in Congress and signed into law by a Republican President. In addition to the countries just mentioned, public campaign finance has been enacted in one form or other in Canada, Austria, France, the Netherlands, Norway, Denmark and Finland. The major reasons why these countries have enacted public campaign finance laws are the rising costs of politics, the quasi-public nature of political parties, the fear of political corruption and the desire to equalize more fully political opportunities among parties and candidates.

1.2 *Costs:* Inflation and the dramatic rise in the cost of modern campaign techniques have led to increasing concern that electoral victory may be bought rather than earned and that worthwhile viewpoints may be excluded from public discussion. Some countries have become more worried about adequate minimal financial support for candidates and parties rather than with controlling the upper limits of campaign spending. Private funding in many countries, even when encouraged by tax concessions, has proved inadequate to ensure that all serious parties get a chance to be heard. As a result, public funding of parties, candidates and elections has become essential, especially given the need for access to mass communications in contemporary politics. Thus state funding was initially considered in Sweden partly as a way to rescue the newspaper industry, which is closely associated with the Swedish political parties. In the United Kingdom, the Houghton Report, which recommended public funding, was partly a response to the strain of campaign expenses caused by two elections in 1974 and the anticipated expenses connected with the European Parliament and possible devolution.

1.3 *Vital functions:* That political parties should perform their tasks adequately is crucial to modern democratic societies harassed by massive demands upon government, intransigent economies and problems of legitimacy and "ungovernability". Such parties are quasi-public organizations, constituted as private associations, but they also carry out key public functions. Clearly elections are not simply private events. Although their role is rarely defined constitutionally, democratic party systems are usually assigned wide-ranging tasks which include:

- permitting a meaningful choice of representatives through the nomination of candidates trained for office and competition among rival recognized groupings;
- providing a stable basis for government, and for the scrutiny of government by an opposition;
- contributing to the electorate's political education by public discussion of issues;
- facilitating participation, providing a channel of communications linking citizens to those in office;
- shaping public opinion around party goals for formulation into public policy.

1.4 The achievement of such ambitious and wide-ranging aspirations obviously cannot be guaranteed simply by providing more money for parties. Yet democratic societies too often try to have their politics "on the cheap". The current gulf between goals and performance is indefensibly great. Without increased funds, the gap can only become greater. The unique public importance of political parties distinguishes them from all other voluntary political organizations. Hence, there is a special case for funding parties which does not apply in the same way to other political groups.

2. Why Public Funding for Elections?

2.1 *The Inadequacy of the Usual Sources:* Parties have generally been unable to increase their incomes from traditional sources to meet the problems associated with rising costs, let alone to improve their performance. They spend far too much of their energy struggling to cope financially or even to get out of debt, especially when elections come suddenly or close together. Failure to correct this would mean 'stacking the cards' in favour of the parties with the wealthiest supporters and accepting inadequate performance of vital functions. Such sources as levies on party functionaries and increased membership charges seem inadequate solutions and are likely to discourage membership in the long run.

2.2 *Strings:* Increased donations from supporters, even when encouraged by tax concessions, do not furnish adequate support for parties and elections. While it is desirable to increase the number of people participating in politics, in practice increased donations tend to lead to greater dependence on a small number of wealthy backers or powerful unions. Some have defended this as a way of ensuring that parties remain sensitive to the wishes of their supporters, but the risk of such "strings" has been a major factor in inducing countries like West Germany, Japan, Canada and the U.S. to move towards greater public financing of elections. When forming the Liberal Party of Australia, R. G. Menzies found

it desirable to ensure that it would not suffer the inconveniences and disrepute suffered by its predecessor, the United Australia Party, because of too much dependence on outside institutional support. Others have often expressed fears about "outside control" of the Labor Party, because of its institutional ties with the unions. Beyond a certain point such problems do bring parties into some disrepute and may make them dependent on dangerously limited and inadvertent sources of funds.

2.3 *Scandals:* The preference for open public financing was given urgency in the 1970s by the desire to end or avoid such scandals as Watergate, the Italian and Japanese parties' "tapping" of public enterprises or charges of clandestine outside influence. Fortunately, such scandals are not an immediate problem in New South Wales. Nevertheless, in the interests of maintaining public confidence in our democratic institutions and irrespective of whether state subsidies are introduced, candidates for public office should be made to follow procedures of disclosure sufficient to ensure that campaigns can be seen to be free of strings and scandals. Secrecy breeds suspicion.

2.4 *The Principle of Public Supplementation:* If enough alternatives are not available to support adequate electoral performance, there must be public supplementation. Indeed, where no direct subsidies exist, the principle is often accepted implicitly. British parties, for example, receive substantial indirect aid, such as free postage, cheap public meeting places, and access to broadcasting facilities. Compulsory voting and enrolment save New South Wales and Australian parties huge amounts of time and money. Public funds have also been provided to universities to prepare materials for voters, for example for the YES/NO cases in the New South Wales referendum on Sunday trading and on New States. If these kinds of indirect aid are considered, there are very few democracies, including Australia, which do not get involved in substantial subsidization of parties and elections.

2.5 *Direct State Subsidies:* In recent times increasing recourse has been made to giving direct state subsidies to parties and elections. The experience with these schemes in such countries as West Germany, Sweden, the U.S., Canada, Japan and Italy suggests that public funding is effective and workable. It is also generally recognized that public funding has become widely acceptable to the parties and the public in the countries where it has been tried. Indeed the U.K. Houghton Report (p. 47) concluded:

We were impressed, for example, with the apparent efficiency of the German and Swedish parties and their interest in stimulating political debate at all levels. Party morale was high and they had the resources to enable them to compete on equal terms with other institutions. The introduction of subsidies had produced few adverse side-effects. Other forms of income, other than donations from industry, had not fallen and party membership had in fact risen appreciably. Great care had been taken in all the countries we visited to ensure that the subsidies were distributed fairly, usually on the basis of the parties' electoral performance at the preceding general election. This had undoubtedly contributed greatly to the general acceptance of the subsidies by the parties and the public generally.

2.6 *Apprehensions About State Aid:* The most common fears about public campaign funding seem to be:

- that parties may become too dependent on the state;
- that grant formulae may be manipulated unscrupulously;
- that total campaign spending may become irresponsibly high;
- that schemes may be involved and costly to administer;
- that there may be undue bureaucratic intervention in the processes and priorities of the parties;
- that the public will not want to pay for election campaigning, recognizing neither that they already do pay indirectly nor what is lost because of the inadequacies of parties in the existing system;
- that such schemes may entrench fading parties, unduly strengthen party machines, and destroy the political chances of small parties and independents—or alternatively may provide artificial stimulus to small groups.

These fears are not inevitable consequences of the public funding of elections. Deliberate attempts, however, do need to be made to counter these fears and to correct such misapprehensions.

The Houghton Report (p. 322) summarizes the basic principles of the Swedish scheme:

- (a) aid should be given only to those parties which have

demonstrated in general elections that they can command a significant level of support;

- (b) the subsidies are to be calculated and allocated according to fixed rules in order to rule out the possibility of preferential treatment;
- (c) the amount of support should be related to the relative electoral strengths of the parties; and
- (d) there should be no public control over the ways in which the parties use the support.

In addition, some people have a moral objection to funding parties which they find totally repugnant, but in a modern, pluralist democracy, taxpayers cannot opt out of subsidizing functions or activities of which they disapprove. If they could, the political system would be faced with chaos.

3. What is Needed in New South Wales?

3.1 There is a good case for funding election campaigns and hence for supporting parties and candidates which contest such elections in this State. To make a party's or candidate's public funding dependent upon recent electoral performance rather than upon the clout of one's backers is certainly desirable. Such a scheme builds in a monetary advantage for the recent winners as a reward for their success.

3.2 *How Much?* There is no obvious way to determine the correct amount of money needed adequately to contest an election campaign. It will be one of the Committee's tasks to make the political judgment about what the total amount of such a fund needs to be. After some discussion with party representatives and parliamentarians, our best estimate of what is currently needed to contest a New South Wales election by all parties is \$3.5 million and this does not take account of the argument that the word 'campaign' should be given a wider connotation. We suggest that an initial amount of money approximating \$2.3 million be recommended. After the first election at which this scheme was introduced, the amount needed to implement our programme would be \$770,000 per year, or about 25 cents per voter per year.

3.3 *General or Specific Support?* We wish to minimize the need for red tape or for government to interfere in the internal priorities of political parties in New South Wales. We recommend, therefore, that public funding take the form of a block grant to parties and eligible candidates with no conditions attached as to how this money is to be spent. Reporting of what is done with public and private campaign moneys is required in our scheme as is easy access to such information for the media and the public. The Swedish and Danish funding schemes accept this basic principle of block grants and internal party accountability. Some other countries such as West Germany and Austria, for example, do require fuller accountability for public campaign funds.

3.4 *Improving the Quality of Campaigning:* As parties in New South Wales are even less organized than British parties to carry out research including the servicing of policy committees, the preparation of briefs, the provision of information services, keeping in touch with research elsewhere and the stimulation of new research on relevant issues, the quality of campaigning in this State suffers. We suggest that the Committee recommend the creation of a New South Wales Election Research Institute which would perform the following functions: The partial funding of party research efforts, the sponsorship of research projects which explore alternative courses of action on policy questions, the encouragement of public dialogue on election-related questions and issues and the communication of such research to relevant groups and individuals on a non-partisan basis. The Committee should take a close look at similar institutes in the Netherlands, West Germany, and Austria. The Netherlands, for example, has supported party research institutes since 1972, and educational institutes for politics since 1975. The annual grant for election research institutes in the Netherlands was \$1,670,000 in 1976.

3.5 *Should there be an Overall Expenditure Limit?* A Canadian report (*A Comparative Survey of Election Finance Legislation*, Commission on Election Contributions and Expenses, Ontario, 1978) outlines the administrative and judicial hassles into which the Canadian and U.S. governments have fallen in attempting to enforce controls over total spending in elections. The main problem in both these countries has been in enforcing the law. Whose expenses are to be limited and what are to be classified as "expenses"? What is to be done about the volunteer services of a musician, the loan of a car or aeroplane, the travel of a member ostensibly on public duties but largely travelling to campaign, outside "advertising"

in party journals? Evasion and the use of "fronts" are invited so that such laws lose the respect of the public and the parties or become continually more complex and interfering. The problems of runaway increases in campaign expenditure and of election scandals do not seem serious enough at present in this State to necessitate trying to enforce such a limit. It seems simpler to rely upon the mechanisms of audit and disclosure to control such abuses.

4. Why Should Minor Parties and Individual Candidates Be Funded?

4.1 It is necessary to distinguish the funding of minor parties from their parliamentary representation. Parties which may have no place in parliament owing to lack of support still have an important place in the education of the electorate and in broadening democratic choice.

4.2 The hammering out of issues, the raising of new ideas which may be in advance of the time, the representation of specific, intense or newly emerging interests, the constant reminder to large parties that, of necessity, they must be compromisers and cannot be "pure"—all these functions the better minor parties perform. They play an important role.

4.3 Minor parties, in spite of some being very tiny and very odd, function as a testing ground or sieve for innovative ideas: This is a function which benefits the major parties, though they might deny it. Major parties regularly and to the chagrin of the minor parties pick out some of their best ideas and, perhaps in watered-down form, adopt them. But they cannot do the job of minor parties very well. That job is innovating, generating ideas and policies, and giving them a rough trial run or pre-test. Given the inevitable rigidity, discipline and hierarchy of major parties this generating function is much harder for them to accomplish.

4.4 With the increasing costs and complexity of elections the job of all parties is becoming much harder, but that of minor parties and individual candidates is hardest. Major parties, though often irritated by minor parties have a long-run interest in encouraging their ideas and policy generating functions.

4.5 It is of course true that there are some minor parties which are mere relics of the past. But no government can define which parties are no longer useful. The few minor non-innovative parties should be seen as quaint relics or monuments perhaps worth preserving. In any case they are but a minor and inevitable cost of stimulating new ideas among novelty-generating parties and it is very unlikely that any of these outdated groups will poll the required threshold vote of 2 per cent in the future needed to receive funds from the scheme we propose here.

5. Policy Dissemination and Representation

5.1 Many fears about public funding of small parties arise from failure to distinguish between funding the dissemination of ideas and policies and making parliamentary representation much easier.

5.2 It is true that, for major parties, these two functions often go together. But this need not be the case for minor parties and independents. One can, therefore:

- make both policy dissemination and representation easier;
- make representation easier, but not policy dissemination;
- make policy dissemination easier but not representation.

For minor parties our main stress is on the third alternative above. Funding which would increase the diversity of policies in the electorate but not necessarily increase their strength in parliament is our objective. In West Germany this distinction is very clear—the ratio between the support needed to get policy dissemination money and that needed to get parliamentary representation is 10:1—one needs only 0.5 per cent of the "list" votes to cross the threshold for funding but 5 per cent of list votes to cross the threshold for representation.

5.3 Once the distinction is made and is made clearly it can be seen that many of the fears—about "ratbag" parties in Parliament, or about preference deals—are not realistic: Such fears assume that if you give small parties some money, they will grow to the extent of getting representation. This is not necessarily the case. Where it does happen in a democracy, then that must be taken to mean that their policies are seen as having merit in the parliamentary sphere.

5.4 At least three nations give small parties (and, it seems, independents) public money without representation in the legislature:

- (a) West Germany where one gets money with 0.5 per cent of the "second" or list votes or 10 per cent of of the constituency votes but is still denied parliamentary seats. Note that it was the West German Federal Constitutional Court which cut the original minimum for funding from 2.5 per cent of the vote to 0.5 per cent rather than the Parliament.
- (b) Sweden where one gets access to the national election fund with 2.5 per cent of the vote.
- (c) The U.S. where Presidential candidates are entitled to public funding if they get 5 per cent of the vote, but such candidates require a plurality of the final electoral college vote to win election.

6. Independent Candidates

6.1 Direct aid to candidates is given in Canada, France, Japan, Italy and U.S.A. In Germany payment was originally intended only for parties, but the Federal Constitutional Court overruled this on 9th March, 1976. It declared that independents are also entitled to public moneys. It stated: "Although the parties take part in the formation of policy by the nation, they have no monopoly to perform such national decision-making." The mere opportunity for equal participation by an independent candidate may ensure that the "parties do not deviate too far from the wishes of the electorate". In general, individual candidates have even less of an organization than do small parties. Such candidates are entitled to support as outlined in section 10.

6.2 We would support a related reform that increased the number of nominating signatures needed to qualify for election to State Parliament to 100 signatures.

7. "Ratbags", "Extremists" and "No-Hoppers"

7.1 "Ratbags", and "extremists" are labels stuck on parties and people one does not like. Sections of the Liberal/N.C.P. apply them to the A.L.P. and vice versa. Large parties tend to label small ones as "no-hoppers". One's first reaction is to deny that there is a problem.

7.2 But there is a genuine problem. It is not, in itself, of great importance. But it is more important when one considers this would be a new law for which it is desirable to get maximum support. The Parliament then is entitled to legislate against supporting "frivolous" candidates, against people who run merely to publicize their business and against parties which have run for a long time but cannot attract any support. It is entitled to do so, however, after and only after the general idea of funding small parties and independents has been made law. The general principle is clear: "The general democratic principle of equal opportunity for all lawful competitors in politics" (Houghton Report, p. 29).

7.3 There are a number of measures which can be taken either solo or in combination to control the number of parties or independents considered to be "frivolous" by the government of the day:

- (a) to start with a low threshold as to the proportion of votes needed to be entitled to funding, and then if the number of frivolous parties or independents is seen as "excessive" to raise the threshold;
- (b) to link funding with saving one's deposit and controlling the proportion of votes needed to do this and/or the amount of the deposit;
- (c) for small parties to reach a specified number of candidates or number of electorates contested before being entitled to funding;
- (d) to specify the number of elections a party or candidate must contest before receiving public funding.

We favour the first of these; alternative (a).

7.4 There are conflicts between some basic principles here. There will have to be compromise to resolve this. Any scheme for limiting minor parties and independents ought to have in mind (a) equity, (b) some kind of incentive to assist entry but discourage frivolous attempts, and (c) a threshold of minimal electoral support.

8. A Scheme for New South Wales

8.1 We recommend that the Committee support a system of election financing which establishes three separate funds, all supported by the State Treasury:

- (a) a *Statewide Fund* based on a cents-per-eligible-voter formula and to be divided among eligible political parties and candidates according to their vote in the Legislative Council poll;
- (b) an *Electorate Fund* equal to one-half of the total amount appropriated for the Statewide Fund and for distribution to eligible parties and candidates within each of the N.S.W. Legislative Assembly constituencies; and
- (c) an *Election Research Fund* one of whose tasks would be to create a non-partisan Election Research Institute and which would allocate grants to eligible parties and groups for the advancement of election-related policy research and for the communication of such research to party leaders, parliamentarians, candidates, election workers and interested citizens.

9. The Statewide Election Fund

9.1 The *Statewide Election Fund* should be distributed to political parties which are registered with the State Electoral Office and to individual candidates who do not represent a registered political party but who are otherwise eligible to receive a campaign subsidy.

9.2 To be recognized as eligible to apply for a State subsidy from the Statewide or Electorate Funds, a political party should be required by law to register with the State Electoral Office. Each party should be required to lodge its party name, constitution, by-laws and current policy with the Electoral Office as a condition of registration, and all future changes in constitutional provisions, by-laws and policies should be filed with the Electoral Office to maintain said registration.

9.3 Any candidate for State Parliament who did not stand for office as an endorsed candidate of a political party currently registered with the Electoral Office should only be considered for election assistance as an individual candidate.

9.4 Eligible political parties and candidates should be able to receive Statewide election funds under either a prior election provision or a retroactive provision.

9.5 *Prior election provision for eligibility:* Parties or candidates should be eligible to apply for an election subsidy pro rata to their total first preference votes in the Legislative Council poll at the previous State election, provided that they receive a minimum of 2 per cent of the total first preference, formal votes in said poll.

9.6 *The Retroactive Provision:* If parties or candidates do not qualify for funding under the prior election provision, they should still be eligible to qualify for retroactive funding if they receive 2 per cent or more of the total first preference, formal vote in the specific election in question. Parties or candidates that become eligible under this provision should receive financing in proportion to their total Statewide vote in the Legislative Council poll and equal to two-thirds the amount they would have received if they had been eligible under the provisions of the prior election provision.

9.7 Funds should be granted under both the prior election provision and the retroactive provision after application to the Treasury and after the applicant has been certified as eligible for such funds by the State Electoral Office. Parties and candidates eligible under the prior election provision should be able to apply for and receive funds as soon as the State Parliament has been dissolved and a specific election date has been announced. Parties and candidates applying under the retroactive provision should only be allowed to receive a subsidy if the State Electoral Office certifies that they would not have been eligible for funds under the prior election provision. Groups certified under the retroactive provision should apply and be certified for funds within three months of the date when the election in question is declared.

9.8 Political parties and candidates that only contest Legislative Assembly seats will be eligible for subsidies from the Electorate Fund as discussed below. Appendix A shows how moneys from the Statewide Election Fund would be distributed under the prior election provision at the next state election.

10. *The Electorate Fund*

10.1 The Electorate Fund should be equal to one-half of the moneys available in the Statewide Election Fund. The Electorate Fund should be divided into equal parts based on the Legislative Assembly districts (currently 99 districts) for distribution to all eligible candidates in each Legislative Assembly district. The distribution of funds in each Assembly district should be determined on the first preference vote in said district in the previous election as in the prior election provision for the Statewide Fund or on a retroactive provision based on performance in the election itself for those not eligible under the prior election provision. Moneys in the Electorate Fund, however, should be divided within each Assembly district according to the vote in the Legislative Assembly poll in each individual district (see Appendix B).

10.2 Where district boundaries are altered between elections, election subsidies available to political parties registered with the State Electoral Office should be determined on the basis of the performance by said parties in the last election within the current (new) election boundaries. Individual candidates, however, should have their eligibility determined under the prior election provision according to their vote in the Assembly district as those boundaries existed at the time of the prior election.

10.3 Eligible political parties which seek moneys from the Electorate Fund should be required to apply for their subsidies as locally-constituted campaign organizations. Those who are not endorsed candidates of a registered political party should be permitted to apply for funds from the Electorate Fund as individual candidates.

11. *Determining Eligibility for Statewide and Electorate Funding*

11.1 We realize that political parties and individual candidates who would otherwise be eligible might prefer not to accept public election moneys. This should be their right. Such parties or candidates need not apply for funds. Parties or candidates which do not choose to accept public campaign funding, however, would still be covered by all funding disclosure and reporting provisions outlined in section 15.

12. *Determining the Size of the Statewide and District Funds*

12.1 We recommend that the size of the State election funds be determined on a cents-per-eligible-vote basis and that the total of the statewide and electorate funds together be set so as to provide approximately two-thirds of the moneys which the Parliament can reasonably determine are needed for all candidates adequately to contest a state election for both houses of Parliament.

12.2 This ratio must be maintained and updated by the Treasury so as automatically to allow for inflation, and this review should consider changed campaign circumstances and other factors which increase campaign costs as well. This review should be required before the second State budget following each State election. Such additional factors as unreasonable campaign expenditures and atypical election circumstances need not be taken account of in determining a budget for the public financing of the next state election.

12.3 We envisage an initial Statewide Fund of approximately \$1,543,000 (50 cents per voter) and an Electorate Fund of approximately \$772,000 (25 cents per voter) for the next election. Since the life of a State parliament is normally three years, the cost would average 25 cents per voter per annum for both the Statewide and Electorate funds combined after the scheme was implemented.

13. *Should there be a Ceiling on State Campaign Spending?*

13.1 We believe that the public subsidy for State elections should be based on a realistic estimate of what is required for all parties and candidates adequately to inform and educate the electorate without discouraging personal or organizational initiative. We do not, however, believe that it is administratively responsible to attempt to place a legal limit on what any party or candidate should be allowed to spend in any election, provided that all campaign contributions are made public.

13.2 Our opposition to such legal limits on spending is based on an observation that such limits are very difficult to determine in a non-partisan way and very difficult to supervise

adequately. The State government must not unnecessarily expand the number of State employees needed to administer the Act or unduly increase the cost in time, energy and money needed by parties, and candidates to comply with the provisions of the Act. Circumstances change too rapidly in specific elections as do techniques of campaigning. Honesty in elections is more likely to be encouraged by requiring public disclosure of campaign contributions and expenditures rather than by having government attempt to set limits and conditions on such fund raising and expenditure. Public disclosure will not require a new expansion of state bureaucracy.

14. *An Annual Fund for Election-Related Research*

14.1 West Germany, the Netherlands and Austria have adopted legislation which provides funds for continuing political and election-based research and for communication of this research. In the Netherlands state aid is provided for party research institutes and for political education efforts by the parties. In Austria, subsidies are provided for the establishment of political academies which are charged with the upgrading of the information on which political decisions can be made. In West Germany, research and educational institutes are connected to each party and are heavily subsidized from government funds at both the State and national levels.

14.2 We recommend that the third element in the State campaign finance legislation be the creation of a non-partisan *New South Wales Election Research Institute*. This Institute should have as its goals:

- the partial funding of party research efforts;
- the researching of problems associated with this Act;
- the sponsorship of research projects which explore alternative courses of action on policy questions;
- the encouragement of a public dialogue on election-related questions and issues; and
- the communication of such research to relevant groups and individuals on a non-partisan basis.

14.3 The Institute should be closely linked to the Parliament. We recommend that it be associated with the Parliamentary Library so as to ensure its non-partisan and service character. The Institute should have its own independent, professional staff so that it can process proposals for research and organize a system for communicating this research to the media and the community.

14.4 There are several aspects of this proposed legislation that need to be examined by the Election Research Institute after the law is enacted. They include:

- analysing the party and candidate reports on contributions and expenditure;
- examining the effect which public financing has on total election spending and whether an eventual ceiling will need to be included in the legislation;
- examining the effect of disclosure on the creation of party front groups created to avoid disclosing contributions;
- developing uniform reporting procedures for all parties and candidates;
- determining the adequacy of the disclosure procedures for public companies and unions;
- determining whether by-elections need to be funded under this Act.

15. *Disclosure and Reporting Provisions*

15.1 Self-regulation combined with full and adequate disclosure are joint principles for the oversight of electoral expenditure. These principles will make the electoral process more equitable and democratic. The aim of disclosure provisions is not to tell parties and candidates what they can do, but to require them to tell the public what they are doing.

15.2 Self-regulation is recommended, within broad limits, because the way funds are spent on election campaigns is the province of parties not of parliament. Further, self-regulation will prevent the creation of new bureaucracies.

15.3 Full and adequate disclosure is essential. Elections are of public interest. The public and the media have a right to know what is done in elections and who is paying for them.

15.4 One pre-eminent factor here must be the practicality of any law. The law must be broad and clear in its intent. It must be designed to encourage reporting rather than to invite potential donors to seek loopholes in the legislation. It is important to note that the only penalty we recommend in this submission applies to the failure fully and adequately to report income and expenditure. Such a failure to report and disclose must also lead to exclusion from eligibility for public funding.

15.5 *Public Funds:* Disclosure of income from public sources to parties and individual candidates should be a requirement. Access to all such reports is essential. Public election funds require full and public accountability. In this way the public and the media can satisfy themselves as to the use to which public moneys have been put.

15.6 *Private Funds:* In order to improve public confidence in the integrity of our parties and to ensure that public office-holders cannot be influenced by private contributors, all private contributions to election campaigns must, in principle, be disclosed. The people of New South Wales have a right to know who is paying for the election of its public officials.

15.7 Disclosure should apply to all election contributions of \$100 or more per election from any single source. Contributions of \$100 or more per election must be paid by cheque. They may be in money, services, goods or in kind; if in kind they are to be assessed at full market price.

15.8 Expenditure of campaign funds must also be fully and adequately disclosed for reasons given in item 15.6 above.

15.9 No upper limit on contributions is recommended at this stage. Limitations are most likely to lead to a search for loopholes rather than function as a genuine restriction on spending. We recommend, however, that the Election Research Institute should be instructed to monitor the effect that this Act has on total state election spending.

15.10 One likely consequence of disclosure laws on election contributions may be the creation of ad hoc pressure groups and front organizations, usually formed around single issues. This is not necessarily undesirable as it would allow

issues to be raised which major parties do not regard as relevant to the election. We recommend that the Election Research Institute should monitor the contributions and expenditures of such groups and report on how this affects the conduct of elections in the future.

15.11 Accounts detailing total campaign income and expenditure of all parties and candidates must be filed with the Electoral Office within three months of the declaration of the poll. They should be certified by a qualified accountant. For the first election under which this takes effect, the form of such accounts should be left to the parties and candidates. After this, the Election Research Institute should examine the advisability of adopting standardized reporting forms and procedures.

15.12 The obligation to report donations and contributions is on the recipient of such funds. Special cases also require an obligation to disclose contributions by the donor. For unions and public companies the interests of minority members and shareholders must be protected and require that all such contributions be fully reported and subject to approval at annual or special general meetings.

15.13 Failure to adhere to disclosure and reporting provisions must lead to exclusion from all such funding.

15.14 All materials to be filed are to be placed with the Electoral Office. These include campaign donations, income, expenditure; party policies, constitutions, by-laws; and union and corporate donations. They must be easily and freely available for public scrutiny. A set of copies of all these materials must be lodged in all New South Wales public libraries.

15.15 Failure to observe fully and adequately the obligation to file items listed in 15.14 above should be punishable by a fine.

15.16 The Election Research Institute should prepare and communicate a summary of total income and expenditure for each election campaign as soon as possible after each election. They should report on the adequacy of the proposed disclosure provisions after two elections have been contested under this Act.

APPENDIX A

New South Wales Legislative Council, First Preference Votes (1978) and the Proposed Allocation of Monies from the Statewide Fund.

Ballot group	Party name	1st preference votes	Percentage of 1st preference votes	Percentage of threshold vote ¹	Allocation from Statewide Fund ²
E	A.L.P.	1 508 078	54.91	56.68	\$ 874,477
F	Liberal/Country Party	996 463	36.28	37.45	577,790
A	Communist Party of Australia	79 794	2.91	3.00	46,285
G	Australian Democrats	76 369	2.78	2.87	44,279
D	Family Action Movement	36 076	1.31	....	....
B	Marijuana Party	25 055	0.91	....	....
C	Grouped Independents	14 033	0.51	....	....
..	Ungrouped Independents (7)	10 753	0.39	....	....
	Totals ..	2 746 621	100.00	100.00	1,542,831

Notes:

¹ Based on a total formal vote of 2 660 704 for the four groups surpassing the 2 per cent threshold.

² Based on 50 cents per eligible voter at the 1978 state election. The total eligible vote in 1978 was 3 085 661.

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APPENDIX B

New South Wales Legislative Assembly, First Preference Votes (1978) in Selected Districts and the Proposed Allocation of Monies from the Electorate Fund.

Candidate and party	1st preference votes	Per cent of 1st preference votes	Per cent of threshold votes	Allocation from Electorate Fund ¹
<i>Fuller</i> —(No. of electors, 1978: 32 683)—				
R. M. Cavalier (A.L.P.)	16 049	53.34	53.34	\$ 4,358
W. P. Coleman (Liberal)	12 470	41.45	41.45	3,387
S. S. Berg (Aust. Dems)	1 569	5.21	5.21	426
Totals	30 088	100.00	100.00	8,171
<i>Gloucester</i> —(No. of electors, 1978: 27 872)—				
L. A. Punch (Country Party)	14 265	55.38	55.38	3,859
R. P. Aiken (A.L.P.)	9 551	37.08	37.08	2,584
B. MacKenzie (Independent)	1 942	7.54	7.54	525
Totals	25 758	100.00	100.00	6,968
<i>Lane Cove</i> —(No. of electors, 1978: 32 310)—				
J. R. A. Dowd (Liberal)	15 025	52.24	52.24	4,220
E. A. R. Bishop (A.L.P.)	11 359	39.49	39.49	3,190
J. C. Newton (Aust. Dems)	2 380	8.27	8.27	668
Totals	28 764	100.00	100.00	8,078
<i>Manly</i> —(No. of electors, 1978: 32 102)—				
A. G. Stewart (A.L.P.)	14 670	51.35	52.20	4,190
G. A. Ashley (Liberal)	12 489	43.72	44.43	3,566
J. D. McGruer (Aust. Dems)	948	3.32	3.37	270
A. F. Dorney (Independent)	460	1.61	....	....
Totals	28 567	100.00	100.00	8,026
<i>South Coast</i> —(No. of electors, 1978: 33 684)—				
J. E. Hatton (Independent)	21 895	70.50	70.50	5,937
P. T. Ryan (Liberal)	9 160	29.50	29.50	2,484
Totals	31 055	100.00	100.00	8,421
<i>Waverley</i> —(No. of electors, 1978: 28 675)—				
S. D. Einfeld (A.L.P.)	15 649	65.64	66.74	4,784
M. A. E. Davis (Liberal)	6 543	27.45	27.91	2,001
M. N. Levy (Independent)	647	2.71	2.76	198
M. K. Smythe (Aust. Dems)	607	2.55	2.59	186
C. L. Allen (Independent)	393	1.65	....	....
Totals	23 839	100.00	100.00	7,169

Notes

¹ Based on 25 cents per eligible voter in the district at the 1978 election and on existing boundaries.

6. CHAIRMAN: Do you wish to add to or elaborate upon your submission?—A. (*Prof. Turner*) Yes. We thought it might be appropriate if we drew attention to the things we felt most important and had most contributed to the submission. My role is to talk about two things: first, one emphasis that may not emerge sufficiently clearly from the submission is that we are anxious that public funding should not be thought of as simply for the campaign in any narrowly conceived sense. We do not want people to conceive that we are supporting the spending of \$2.3 million in an hysterical last minute campaign on television. Although this is in the submission but perhaps not sufficiently highlighted, we would like to stress that we see campaigning as a long-term patient process of political education involving research and communication.

We would hope that the parties, following their own priorities, as I believe they will—would feel that the added money was not for a splash on television but so that they would better perform other functions that we feel are not being performed well enough at the moment. It seems that the costs of campaigning are the first costs that any party must meet. Therefore, other things required go by the

board. If you have not enough money to do all things you must do the campaigning. We are trying to say that this added money be not spent in a last minute hysterical campaign; we would prefer it to be for campaigning in a wider sense, in a long patient process of education.

It is important to stress the functions of parties of course include campaigns, but they include also this process of research and communication, which is much harder and not as successfully done as the campaigning itself, in the narrow sense.

The second point is spending limits. We chose to stress that there should not be spending limits. In American experience, and to some extent Canadian experience, obviously one of the main thrusts of public funding has been to limit total expenses. That is understandable in the United States. The lengthy period of campaigns, particularly presidential campaigns, is inordinately expensive and they have to get out the vote. So more needs to be spent in frantic campaigning. It was true that presidential campaigns in particular were getting out of hand, and for America it may be that attempts to limit total spending were essential. Those attempts have worked to some extent, but at considerable costs. I feel those costs are in terms

of legalism and excessive bureaucracy with the necessity constantly to improve the administration of the Act, with the word improve in inverted commas, with more intervention in fiddling detail and the courts finding ways to see people do not evade this legislation. That has been a very difficult problem for both Canada and the United States.

By contrast, we felt that the purpose of public funding is not so much to provide a ceiling beyond which no one should spend but to provide a floor, a minimum amount, which will make the parties able to be more effective in performing their widest range of functions. We are not concerned about limiting the amount of spending but with seeing there is more spending not with campaigns in the narrow sense but on the campaigning education process in its widest sense.

In Australia the problem of ceilings is not yet important enough to warrant attempts to introduce limits. It could get to be, and this is one of the things we would like to see the research institute, which will be taken up by others, investigating. If it is proved after a period of time that excessive spending was occurring in the final campaign period, it might be necessary to change the legislation and take some of the risks or the costs involved in attempting to impose limits. It is our judgment at the moment that this is not the major problem; it seems more important to provide a floor rather than worry about the ceiling. That is the second of the two main points I wish to make.

(Prof. Mayer) I wish to speak on two major points: the general question of minority parties and the proposed Election Research Institute. Before I do that, I want to make one point that all of us discovered after having done our homework. Due to the lack of interest in the Australian media and Australian political parties in overseas models—European and otherwise—we were surprised to find how much public funding existed round the world, both direct and indirect. We were also surprised to find what here has been taken as an ordinary function of the state since the 1920's—enrolment and voting, getting people to the vote, which is considered part and parcel of public funding by other communities. One of the important points which came out of this examination is that the concept, the idea, of public funding of parties is much less novel if and only if you included indirect funding. That is the general point I would like to make.

I come now to our particular submission. This is a submission from people with different political views and it was not pre-arranged. We all found it a profitable exercise. What we have tried to do overall is to encourage a number of compromises, or trade-offs, between various apparently incompatible principles. One of them is you must not weaken the central body or central party machine, but you must also give encouragement to local candidates.

We have done this by a scheme that Doctor Chaples will outline concerning two separate funds, a State-wide and a local fund. We were most concerned with a point that Prof. Turner made, which is important and deals with the administration of the scheme to see that it is kept as simple as possible. The notion of public disclosure, rather than detailed prescription, as to what the parties might do with the moneys if they get them, would be much more defensible.

The third point I raise relates to my own personal view in an effort to take care of the fears of parliamentarians that if they fund small parties or do anything about very small parties Parliament itself will be swamped by small organizations which might make government unstable. We have made a distinction, which is important, between funding of ideas and funding representation. That exists in West Germany where in order to get into Parliament

you have to have 5 per cent of the votes, but in order to be funded publicly you had for a long time 2½ per cent of the votes. After this it went to a federal constitutional court and it was reduced to ½ per cent. I have not been able to get a copy of the judgment which dealt with that matter; I would like to know upon what grounds the decision was made.

That distinction once made between the dissemination of ideas and representation of ideas in terms of parliamentary organizations should do a great deal to diminish, if not eliminate, what to me are quite proper fears about the whole Parliament being split into small organizations. One can change as one politically wishes the threshold to enter Parliament as distinct from getting public funding. They are not necessarily connected. There is no inherent connection. If one of our small parties is unable to capture enough votes—and not many would at the present time—in due course the limit for that could be made higher than 2 per cent.

Let me refer to the case relating to small parties. The general case for small parties, in my view, does not rest on the merits or demerits of a single party. One of my hobbies is reading the publications of many organizations and I would not wish to claim for a moment that many or most of them are repositories of brilliant new ideas. But as a totality, leaving out particular organizations, the spectrum which they represent is an innovative mechanism which feeds bad, good and silly ideas into the political arena. When funding small parties it is a mistake that is bound to happen that you think about particular parties: what you should be thinking about is the whole spectrum of the organizations. All persons represented here on both sides of the House are from parties which at one time were small. In the case of Labor it took a long time to become respectable. Support for a small party grows and eventually it becomes part and parcel of the establishment.

The second point is that when you look at the actual voting pattern that Dr Chaples has done you can raise and lower the percentage limit. We have not claimed in our submission that our 2 per cent figure is a natural or God-given figure. The figure is derived from overseas experience and it is neither too high nor too low. If it is wished to encourage small parties further you can lower it and if it is wished to discourage small parties you can make it higher. The novelty innovation proposal can go somewhat wild. It has the effect of the small party's good ideas are pinched by larger parties.

The second point I would like to speak about is the research institute. I knew about Germany but not about Austria and the Netherlands. We have not been able to discover greater details about the institutes. We know roughly what they do. The institutes fund independently research by parties which is related to the purpose of the particular Acts. If an institute were established here what it would do as one function is that the parties would come to it and say, "We have some research going on here". In my view, and I think my colleagues share this view, an institute would not fund material or research which was purely organizational. If one of you gentlemen wanted to have six organizers funded the institute would say no. If it could be related to some notion of improving or widening the range of ideas for elections that might be eligible. It is obvious and self-evident to us that the division of that kind is a difficult one. We do not claim it is easy to make. We think it ought to be made.

The first thing is to encourage what seems to me is the rather poor policy projection and policy investigation by both major and minor parties in New South Wales. We realize that at the level of State government parties are not issue oriented, but if their research functions were en-

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couraged the general quality of political life on all sides of the House, both inside and outside the House, would be improved. Why it is difficult for parties to engage in research is because of the constant stream of elections. As soon as one election has finished they have to start raising money for the next election and it is a continuous process and is done in absurd ways by conducting fetes and other things which are not sufficient. We would expect the general quality of party policy to be improved.

The second thing the institute would do would be to look at some of the consequences of this Act, assuming it becomes law, and to research those things which are not predictable, such as by-elections. It should look at the whole question of whether our present assumption, which is based on overseas experience about limits to spending, is correct. The Act ought to have constant monitoring. We originally thought that the electoral office might do that. It was not our original idea to propose an Institute, because fairly obviously it is going to be called "jobs for the academics". We thought the electoral office should do it, but when we looked at what the New South Wales electoral office actually does and its self-imposed limitations, we felt it would not wish to do it. We would be perfectly happy if the electoral office did similar jobs. We do not think its whole organization or purpose is structured in such a way that they could fulfil the functions. Speaking for myself, I want to make it clear that one must anticipate the question of "jobs for the academics". I am interested in the function being fulfilled and I happen to think it would be better fulfilled through the institute.

The third thing it would do, apart from looking at the consequences of the Act, would be to report to sections of the interested public and to the media—which hopefully would spread all the information—the results of party and its own research. They would have problems with confidentiality, which can be solved with goodwill. It would make fairly certain those results were presented so that you would have the results of works done by parties and candidates in a single publication, in other words not simply Liberal, Labor or Democratic publications.

I wish to stress the importance of combining central and local. If such an institute were set up—and we have not had the chance to discuss it fully between ourselves, and my colleagues may not agree with my view—but if some local electoral council approached the institute and wanted some local research done, that would be given all the conditions stated earlier within the general principles that we have for the scheme as a whole. It is a two-tier principle—centralization and localization. In my view it should be applied to research efforts so it would not be entirely a question of headquarters. The research institute is a proposal which requires more working out and if it were possible more time should be given to considering the situation overseas. We have done the best under the circumstances.

7. On the last point you raised, would you like more time to prepare something on the research institute?—
A. It really needs a personal look by people from the Committee at some of the research institutes overseas.

8. You think the Committee should travel abroad?—
A. Yes, I do; I think it is perfectly sensible. (*Dr Chaples*) I would like to elaborate briefly on the scheme for New South Wales which is outlined in pages 11 to 15 of the proposal. First of all relating to the amount of funds, we have recommended an estimated figure of approximately \$2.3 million, given current costs, and based on the best we could do in the short period of time we had to research what is reasonable to expect an election campaign to cost in New South Wales for all the parties that get involved in contesting such an election. We would

not pretend, given our minimal resources, that this figure is the last figure and I think the Committee has to look carefully at establishing a realistic estimate. The point I would like to make is that our scheme advocates a State campaign fund that would equal something approximating two-thirds of what the Committee finds it would cost to contest an election for both the Legislative Council and the Legislative Assembly. Our estimate of that cost was approximately \$3.5 million and that is why we have recommended \$2.3 million. We are encouraging the Committee to not fully fund and therefore to not eliminate all private contributions. We are encouraging the Committee to recommend to Parliament a fairly hefty portion of the election funding for the campaign period itself of all interested parties be included in the moneys that are appropriated from the State Treasury.

We are also recommending that there be a regular review of that figure, that after each election campaign a committee similar to this one take a careful look at how the previous campaign has gone, how inflation and the cost of things like the media have changed that total figure, and that this should be done well in advance of the time at which the next State election is expected. The figure should then be revised accordingly so that the various parties that could be expected to contest such an election would know what they could expect to receive well before the election was called.

The second point I want to make concerns the distribution of funds. As Professor Mayer has said, an examination of several schemes in other countries reveals that one of the regular contentions is that State funding of political campaigns increases the tendency towards centralization. We have tried to meet this by suggesting that there be a division of funds in the State election campaign fund between funds that are appropriated for central parties and central party organizations and as we are lucky in New South Wales to have a Statewide constituency for Legislative Council elections, the amount of funds appropriated to State organizations be based on the vote in the Legislative Council elections. We are suggesting also that a rather substantial sum—half of that appropriated for the Statewide fund—be divided among parties and candidates for the Legislative Assembly.

We think it is important to maintain the viability of parties and candidates at the local level. We suggest that the moneys be both applied for and accountable by these local organizations and candidates in what we have called the electorate fund. We hope that this would encourage the continuing viability of local organizations, local issues and local interests. We would not place all of the power that comes with money directly into the hands of Statewide organizations and Statewide parties.

The third point I want to make is that we are suggesting that there be two ways in which parties and candidates become eligible for funds from a State election campaign fund. The major way would be through something we call a prior election provision. This would mean that the moneys that were available in the State election campaign fund for local candidates and Statewide candidates and parties be based on the vote in the previous State election and that the distribution of those funds be made in accordance with the opinion of voters in the previous State election. Appendix A and Appendix B in our submission indicate something of what those funds might look like if we were basing such a distribution on the previous State election. This is a fairly widespread practice in other countries in terms of division of funds and we have seen no major criticism of it. Of course it rewards the winners more than the losers, but I think there are good points to be made for that. It means that the losers

will have to work a little harder to raise a more substantial part of the funds that they would like in order to reverse the results the next time round. Really I think it is the only sensible provision that can be made for deciding who gets how much in what sort of circumstances.

The fourth point I want to make concerns qualification for continuity. At present there is no provision for the registration of political parties in New South Wales. I think it should be made clear that if something like the prior election provision were instituted under some type of law, there would have to be a registration of political parties so that candidates in the following election could be eligible for the funds to which they were entitled according to the previous performance of those parties.

We are suggesting also that anyone who is not a candidate of a registered political party should still be eligible for funds as an individual candidate. This would prevent him from being eligible under a provision for continuity. In other words, an individual candidate—like for example Mr Hatton from South Coast—could apply only for funds that he himself had become eligible for because of his prior election performance. He could not nominate someone to receive his funds if he should choose to retire from Parliament as an independent.

The fifth point I want to make is that we have also a provision for retroactive funding. We have done this quite consciously in order to encourage new candidates and new parties to enter elections where they feel that they have new issues and new positions to present to the voters. Funding under the retroactive provisions would not be the same full funding that one would receive under the prior election provision, but it could allow a candidate who had not been eligible for funds or a party that would not be eligible for funds because it had not contested the previous election to receive after the election roughly two-thirds of the funds that were received under the prior election provision if its vote was high enough to justify that. By receiving that number of votes, that candidate or party would become eligible for the next election. This is consistent with our desire to broaden the dialogue within the community, to encourage candidates who have a following in the community to put forth their ideas and to try to ensure that people are not excluded from elections in New South Wales simply because they cannot raise the funds in order to put their case to the voter.

(*Mr Watson*) The last section of our submission deals with the term of reference about disclosure and reporting. On this point the submission recommends that there should be full and adequate disclosure of all income of political parties and candidates in elections and all expenditure. It is important that both detailed income and detail of how it is spent be laid out. We have suggested further on that, that both public and private sources of income should be detailed and the expenditure of those should be detailed. The case for public income being detailed as far as expenditure is concerned seems to me to be fairly clear, in that the public has the right to know—if parties and candidates are getting election funds—what use that money is put to.

But we recommend also that any expenditure of private funds be made a matter of public record so that people can see what is being done now. On the subject of income, we recommend that all income be disclosed provided that it exceeds \$100 from any individual source for any individual election, but we do not ask that \$10 and so on be disclosed. We have recommended that disclosure be an obligation on the person who receives the donation rather than on the donor, with two major exceptions. We have recommended that where organizations have some public status and wish to donate to elections, that they should also have to disclose that fact and get approval

from their members or shareholders to do so. That covers particularly public companies listed on stock exchanges, trade unions and other organizations of that type.

We are concerned that many contributions are being made now by organizations of this type and their members, shareholders, part-owners—whatever they are—who are unaware of what is being done. So that is part of the provision. At this stage we have not recommended that disclosure be extended to front organizations, pressure groups and other organizations which might effectively spend money on campaigns in the interests of political parties, but we have recommended that that matter be looked at by the institute which we recommended elsewhere, to see whether it becomes a problem—whether funding starts being spent in markedly different ways in order to avoid the disclosure provision and whether it may be desirable therefore to extend it into that area.

We have said two further important things, I think, in detail. One is that at this stage we do not want the proposed legislation to spell out in great detail how this disclosure should be made. We do not want massive regulations. We want the normal report that an auditor might make on expenditure of campaign funds to a central party committee to be disclosed. Again, if that disclosure proves inadequate it might be necessary to spell out in more detail, but we want it to be self-regulation as far as possible. We want also to ensure that the availability of such material is real and not difficult. We have therefore recommended that all reports of disclosure be given to the electoral office which should arrange for them to be openly and freely available in all public libraries within the State to anybody who cares to look at them.

That particular point was made, incidentally, because some parliaments in Australia now have availability recommendations about reports of this type, but they are effectively far too extensive for anybody to find out what is going on. There is red tape that hedges it around. That is broadly the detail of what we wanted to do, with one exception which is that this section of the report recommends the only positive sanction and the only creation of an offence in the entire submission. We are recommending that it should become an offence subject to a fine to fail to report and disclose adequately. We have recommended an additional sanction that any political party or candidate failing to disclose adequately and fully should not be eligible for public funding. Other than that there are no sanctions anywhere else in the submission.

It might be worth saying a couple of brief things about the principle behind this. We have said right through our report—and I think it is particularly important to emphasize it at this point—that elections are public activities and really should not be regarded in the same light as many other activities of private individuals and organizations; therefore the expenditure of funds by groups, unions and voluntary organizations of one type or another on certain things aimed at the voter is a matter of public concern and interest and should be a matter of public record.

Further, we think that sufficient allegations are made—not often in New South Wales but certainly in Australian politics and elsewhere—about the potential of corruption and the potential of buying political parties and candidates, that the argument in favour of making public who is spending money where and where it is coming from and where it is going to should be an unassailable principle, to use the words of a *Sydney Morning Herald* editorial. In principle, it seems to us to be clearly unassailable. It seems to be vital in the interests of democracy to remove doubt and to increase public confidence in what all our political parties and candidates are doing. That is the principle behind which disclosure recommendations are made. We say right through our report that the interests

Witnesses—H. Mayer, K. I. Turner, E. A. Chaples, and A. Watson, 5 February, 1980

of democracy and equity must be served by legislation of this type in a way in which they are not being served now.

May I make one final point that applies to the whole of our submission, I think, but particularly to the disclosure section. People have said that there are defects in legislation of this type. There may well be. Almost certainly there will be. The institute that we have recommended is part of an ongoing review process to try to minimize those defects, but while we recognize the defects we say that there are even greater defects in the existing situation that we tend to ignore. We tend to ignore the fact that a number of other governments have adopted funding recommendations and that most Australian governments—but not the New South Wales Parliament—have some degree of disclosure and reporting legislation now. The Commonwealth Electoral Act contains extensive disclosure and reporting provisions that are not enforced, but the legislation is there. The principle that we are recommending is not new. In many ways it has been tried because other governments have found major defects in the type of situation that currently prevails in New South Wales. In the interests of democracy—to use a fairly grand and rhetorical ending—we believe that legislation of this type is vital.

9. CHAIRMAN: Thank you, gentlemen, for the elaboration of your submissions which have provided interested reading and will be of great value to members of the Committee in their deliberations when fulfilling the terms of reference of their inquiry. I note that mention has been made of many oversea countries where public funding takes place; is your list complete or incomplete?—A. (*Mr Watson*) There is at least one country which is not mentioned, Puerto Rico. We make no guarantee that it is a complete list. (*Prof. Mayer*) That list is provided on the basis of material available to us within the time permitted to compile it. It is a list of all the major ones.

10. I had in mind the question of Puerto Rico.—A. (*Mr Watson*) That is one country. As well, there may be others.

11. No doubt, if there are others, the Committee will locate them in one way or another. Is your proposed scheme based upon any particular oversea country or a mixture of many?—A. (*Prof. Mayer*) It is really correct to say that we all read the basic material available and we had a division of labour and functions. We met three or four times and we looked at what had happened in other countries and tried to learn from their mistakes and weaknesses, especially dealing with the question of growth of population. We tried to devise a mixture of self-regulation in schemes which, I think, can be combined in public funding of elections although usually one finds self-regulation and government regulation opposed to each other. It is fair to say our scheme is partly novel and partly based on what we consider to be the best of overseas experience.

12. You seem to be impressed with certain oversea countries and the experience encountered there, for example, Austria?—A. That has to be worked out in a bit more detail. (*Prof. Turner*) Our judgment on that is derived mostly from the Houghton report which contained some information about Austria and West Germany, their educational and research institutes, but we did not have enough detail. We did not know enough about how they were working. Often these things appear to be running better on paper than they actually are, and we hesitated to say more without having further investigation which was necessary to see whether they worked in the way

claimed. We cannot guarantee that. (*Prof. Mayer*) If I might add a little further on this point; all these institutes are developments of the 1970's. I have a report made in 1976 based upon field investigation by the British government which was performed generally in 1975. We are seeking to encourage the Committee to take a comprehensive look at those institutes at this time, right now. No English speaking country seems to have looked at those institutions within the last five years and sufficient time has elapsed to reveal their weaknesses or strengths. It would be a good opportunity to look at how well those institutions have developed within that period of time.

13. Which countries are you referring to?—A. I refer to Germany, West Germany, Austria and the Netherlands which have the most well developed institutes, those which are most complete and ambitious.

14. I do not wish to traverse everything that has been put forward in submissions here today but I would like to refer to page 12, section 9, dealing with the statewide election fund. You say that in order to be eligible for a State subsidy a political party should be required by law to register with the State electoral office their party name, constitution, by-laws and current policy as a condition of registration, and all future changes in constitutional provisions, by-laws and policies should be filed with the electoral office to maintain the registration. Do you think all those requirements are necessary?—A. (*Dr Chaples*) The Committee needs to take a fairly close look at that. Some of us, including myself, feel that there must be accessibility to public information about political parties. It is an important asset to have that public information. We do not want governments or bureaucracies having a direct influence in what a party's constitution or policy might be, but because of the important function parties perform in our community the public has a right to know these things. It is an important public asset and an extremely useful principle. The registration to secure public funds would allow accessibility to information such as this. The other point is that the information should be up to date. In order to maintain its eligibility to public funding a party should keep the public informed of any changes in the way it operates and any important policy changes. Since the media is interested in that information it is made accessible to the public through media dissemination. It would prove a major asset to the public in terms of what they would like to know.

15. At election times party leaders prepare policy speeches for each particular election. Do you think that such a policy speech should be lodged with the electoral office along with the other matters you have mentioned?—A. (*Mr Watson*) It is certainly not a secret document. I do not think there would be any objection to having that done.

16. Do you think there should be any requirement to have it lodged?—A. Personally, no. (*Dr Chaples*) I differentiate between the leader's policy speech and policies such as those adopted by conferences or whatever means the party uses for determining its official policy statement. That is what the public has the right to know. It is the official policy statement which is of interest to the public, and which parties should reveal to the public in order to be eligible to collect public money.

17. What is your view about individuals and candidates who prepare some form of policy in order to try to become elected? Do you think those policies should be lodged?—A. Personally, I would have no objection to that but I do not think the necessity is as great there because

what we are talking about here is the need to establish continuity of policy between elections and how policies change over periods of time. Parties may be seeking substantial amounts of funds from the Treasury and the public needs to have accessibility to the policies of those groups. Individual candidates only maintain eligibility if they run themselves as individual candidates and come within the terms of our submission. (*Prof. Mayer*) Might I add to that that I would agree with what Dr Chaples has said but we do not wish to swamp the electoral office with too much documentation. At the same time I should hope that at least a small percentage of people would look at those documents. Certainly, the local media would observe them with interest. There should be moral pressure, as distinct from legal pressure, for major speeches to be also lodged but hopefully without a vast quantity of material so that the policies would be immediately apparent. Perhaps it is a long range matter, one which in the short range would have little function.

18. In order to obtain funds from the statewide election fund you propose several schemes, but in order for a party or an individual to get those funds they must have been a party or a candidate at the former election and then be the party or candidate again?—A. (*Dr Chaples*) Under the prior election provision for eligibility parties or candidates should be eligible to apply for a subsidy relative to their total first preference votes in the Legislative Council poll at the previous State election, provided they receive a minimum of 2 per cent of the total first preference, formal votes in that poll. Under this provision if, over a period of time, registration has lapsed, there should be eligibility under the retroactive provision to receive funds after an election.

19. I am looking at your suggestion of how this should be established. Perhaps all the funds available could be exhausted by parties or candidates who have contested previously, and further parties or candidates who had not contested previously or who had failed to reach the threshold of previous election may then become eligible for funds under the retroactive provision. Where would those additional funds come from?—(*Dr Chaples*) Speaking realistically one would not expect the situation to develop in this State because one would expect in New South Wales, since there are not a great number of parties in the field, that they would get most of the money. But you will note that we recommend that the amount of funds should be determined on the basis of eligible voters, although there are always a minority of voters who do not show up at the polls. There will be votes for parties and candidates which do not reach the threshold of 2 per cent of the voters and they could provide a pool of funds to be so distributed—this is always assuming that all parties register from the prior election. You will note that we are also recommending that this scheme be voluntary. It may be that not everyone who would be eligible would in fact seek funds from the State Treasury under this provision. There would be a small pool of funds available for the parties, perhaps in limited amounts, which would be used for those who became eligible under the provision.

20. You do not think it likely that the additional amount would be very large?—A. I cannot see how it could be, under the provision.

21. What would be the amount?—A. (*Mr Watson*) You would have to work it out on the basis that 2 per cent of the Legislative Council election would bring a party about \$30,000 and on a retroactive basis that would be about \$20,000. It is hardly likely that a party non-existent at a prior election would get much more than 2 per cent of the vote, but let us say 5 per cent was the

maximum obtained on its first run. That is still pretty small. It would rarely happen. On that basis you can see the sort of figure that would be involved. (*Prof. Turner*) The West Germany scheme involves paybacks. If the major parties do not live up to the voters' expectations, they have to pay back some of the amount. If the whole life of parliament is a four year period and 40 per cent is paid back because of a drop in voters' support, then immediately after the election those who do not live up to expectations must pay back the amount. We did not ignore the payback system but because it is complicated we have not included it. It is something to be borne in mind. (*Prof. Mayer*) The other reason why we did not include a payback figure is that one has to decide who pays back and who does not pay back. One has to have a scheme functioning as smoothly as possible and the material about the payback system in West Germany is somewhat murky. (*Dr Chaples*) There is a payback provision effective from the next election. Rather than withholding a certain amount of funds—because a party will not be aware of its percentage of the vote until after the election—when there is a drop in the vote at the next election there is a payback.

22. You do not see any real financial problems as far as your retroactive provisions are concerned?—A. I think it would involve a small amount of money. In Denmark there was a party which came to contest an election for the first time and received 20 per cent of the vote some years ago. It is hard to imagine that that would occur in New South Wales, and if it occurred it would involve several thousands of dollars which the Treasury would be obliged to pay.

23. How did you arrive at the provision of the whole pool into two-thirds for the statewide fund and one-third for the local fund? Did you have any basis or background reasons that led you to suggest it in that particular way?—A. Frankly, there are several other countries, such as Italy, Germany and Sweden, that have pools that are divided at a national and State level, or between administrative expenses and election expenses. We looked at several of those. We tried to determine what seemed to be a reasonable expectation—central pool headquarters for New South Wales versus the expectations for local expenditure. We talked to local candidates about this and it seemed to us, in the interest of simplicity, that something like a two to one ratio was proper.

I would point out that we had only a few weeks to look at this; I think the Committee, over a period of time, might like to ask itself whether the two to one ratio is an appropriate ratio. It appears to us at this time that this is a reasonable sort of beginning. (*Prof. Turner*) This is also comparable to the Houghton report. (*Mr Watson*) This is a rough distribution of spending that now exists. This was established by inquiries. We are talking about how much gets spent; how much is raised by candidates and gets spent by candidates in their electorates. This seems to be the order of expenditure.

24. You go on on page 13 to say that the electorate fund, which is one-half of the statewide fund, should be divided into equal parts for Legislative Assembly districts. You say there are currently 99 districts. I take it from that that you mean you would divide the fund by 99?—A. Yes.

25. It does not appear that way when one examines appendix B?—A. (*Dr Chaples*) I prepared appendix B. We have had a new law, which is to be implemented for the next election. If we were operating under the old law this provision would have to be looked at more care-

fully but now it seems that electorates will be much more even in terms of size. It seems that in terms of simplicity it should be based on the one vote one value principle. We are not privy to the report that is to be made on the new electorates, or on the final decision, so it did not seem wise to go through the kind of work necessary and figure that out until those electorates are known. Appendix B was an attempt, on existing electorates—which, as you will know, are uneven in many ways—to see, if those provisions had been applied to the last election figures, how they would come out. We would be glad, after those electorates are finalized and the boundaries are finalized, to take more time to do this sort of detailed analysis that would be required. But it does not seem possible to do that right now.

26. I am sure every member of the Committee would welcome any assistance you can give in that regard in the future. Your scheme actually intends that the same amount of funds be available for each individual electorate?—A. Yes.

27. In spite of a variation in the number enrolled?—A. (Mr Watson) On the expectation that electorates will be very much the same size. (Prof. Mayer) We expect the range to be smaller. (Dr Chaples) I do think that in large country electorates there is a case for considering whether or not supplements should be made out of that fund, because it seems to me that there are travel requirements and other problems associated with some of the very big western electorates that just do not occur in the city. But, again, we did not have time to research those sort of things in the period of time available to make the submission.

(Short adjournment.)

28. CHAIRMAN: We concluded on the 99 equal amounts for the various electorates. Is it your opinion that the cost of campaigning is equal in all electorates in New South Wales?—A. That was the point I was making briefly before. I do not have personal experience in all the electorates in New South Wales, but I cannot imagine that the cost would be equal. Obviously there would be travel, and electorates in which there were several newspapers in which to advertise, or possibly several news media sources. That would be something that we would encourage the Committee to collect information on. It was not possible for us to do anything about it in the limited amount of time available to prepare the submission.

29. You have recommended equal amounts, and the Committee may perhaps vary that if it adopts your scheme almost entirely. That amount could be varied without upsetting your scheme?—A. There would be a base amount in all individual electorates and then a supplement where certain circumstances when data would indicate that the costs were substantially higher than in the average electorate. (Mr Watson) One other consideration might come in: fairly obviously, in a safe seat for either party less would be likely to be spent than in a marginal seat. As happens with parties now, it is easier for parties to raise money in safe seats than in marginal. It is up to the party if it wants to send some off to another electorate; that is a decision for them. As long as it is announced where the funds have gone and how expended, it is a matter for the party in a particular electorate to decide it will go to another electorate for campaigning.

30. There would be no problem receiving funds and transferring them to head office or other electorates?—A. (Prof. Mayer) Provided there is our one major weapon: we have stuck to the idea of minimum legalism and bureaucracy and provided publicity and self-regulation is applied. Then the answer is we would see no problem.

31. As I understand your scheme, you expect that the parties or candidates would raise one-third and what they get from the fund would in effect be two-thirds of the actual cost?—A. It is the other way round; we arrived at two-thirds because we made an estimate after telephoning and talking to people about what the present costs are. That estimate may not be correct because no-one knows precisely. It is based on talking to journalists and party organizers.

32. Presuming that in a particular electorate \$3,000 was estimated for the campaign and under the scheme they were to get \$6,000. Would you expect them to raise the additional \$3,000, holding that they are only going to spend \$3,000? Would they have to have a pool in their own little organization before they could transfer any funds to another electorate?—A. (Dr Chaples) It is important in our scheme that those individual arrangements be left to the individual parties and candidates at the central and local levels. We are not proposing anything like the American system of matching funds. Parties are not expected to raise one-third before they apply for the two-thirds that the state would provide. We are suggesting an averaging type of scheme over all electorates but once the moneys become the right of the individual parties and candidates it is up to them, within the reporting provisions of our recommendation, to do with that money what they see fit—as long as they tell the voters what they have done.

(Mr Watson) Certain parties who get this two-thirds, in inverted commas, maybe do not have the money at all now. Other parties may get more money and this two-thirds, again in inverted commas, on our estimate of what it costs, may be one-quarter of their total expenditure. That is something we did not seek to regulate.

33. Did you arrive initially at the size of the funds by inquiry of parties?—A. (Prof. Turner) Not quite. I went and talked to people, but I did not wish to be too prying. I asked them to give me the kind of figure that they thought was reasonable for a campaign over-all of all the parties at the moment in New South Wales. I was interested to find that the major parties suggested a good deal more than the minor parties as the total amount needed. We thought the major parties figure was more realistic, and it fitted with our rough guess that we started with. That figure has no real magic, there is nothing scientific about it. Rather it is an attempt to get a commonsense figure. We thought the sensible way to provide money was by relating it to the cost of campaigning, in the narrow sense of the word campaigning. The \$2.3 million is related to the \$3.5 million only as a convenient way to get an amount to be spread. We hope that it will not be spent as part of the final three weeks' campaign. We hope that it will make possible spending for a wider range of functions of the parties. We do not want \$2 million more useless television advertisements in the last two or three weeks of an election.

34. On that point, is there any reason why you did not recommend some of the other overseas systems by making the money available to the parties annually during the Parliament prior to the election?—A. We looked at West Germany and one or two other countries where this sort of thing is done. It is possible that such a scheme

might be necessary if it turned out that the self-regulation of the parties did not work and if in fact they were using all the money on an hysterical last minute campaign rather than the broader concept of campaigning that we are recommending. We felt in the first instance the parties should be trusted to use the money according to their own priorities. There was an important preference there which deserved to be held. Certainly from my talking to them I had the idea they would like to spend more money on the wider notion of campaigning. If it did not happen I would be looking at schemes like in West Germany to see whether we might extend the spending over the whole period of the Parliament's life and not just over three weeks of hysterical campaigning.

(*Prof. Mayer*) Given the fact that this particular way of doing things has not been tried before in Australia, the whole scheme must be subject to some future revision. If the revision is done in the ordinary way by the major parties themselves in Parliament, that is one thing. We should get into the scheme, in whatever particular form is chosen by the institute, some element of relatively detached thinking which is not yet isolated from the parties. The institute is long range and policy oriented, not an isolated university body. If something like that can be done the kind of issue which is bound to be raised can be looked at much more calmly after the first election or the first two elections. One thing we wished to do was to make our scheme as simple as possible. Maybe it is too simple. Also, the kind of detailed control which in some cases we thought quite desirable tends to escalate into a gigantic form-filling exercise and if one puts in too many details the parties would be thinking too much about forms.

35. I refer now to by-elections. Naturally there is no need to hold a by-election for the Legislative Council, but it is a different matter in the Legislative Assembly. You have made no real recommendation other than it be looked at by the proposed institute. You know what applies overseas?—A. I do not think that we have anything on that.

36. Do you know what was recommended in this regard by the Houghton Committee?—A. (*Prof. Turner*) From memory they avoided the problem too—but that is not a very good memory. We found it difficult to find anybody who had a scheme that covered by-elections. It does not seem to be so important really. One is talking about a single seat. Most parties would be able to find enough to engage in quite sufficient campaign expenditure. I do not think that is quite as important as providing an overall amount large enough to ensure that parties can carry out their broad range of functions.

37. I would be interested to learn what funds have been spent at the present time?—A. It is hard not to feel that on some by-elections the spending is excessive.

38. You recommend the establishment of an institute. Do you see that as a watchdog?—A. (*Prof. Mayer*) As I said, on the institute we have not got as many details from overseas as we would like. It would be fair to say that we four people, an ad hoc group, differ somewhat on the function of the institute, partly because we have not had time to discuss it fully at length. I stress that my view might not be the same as that of my three colleagues. My own view is the essential function of the institute is really to inject a long range thinking element into the party system which is crucial. It ought to be in between the nitty-gritty of daily party work and the academia. It needs links with both. If it is purely university it is isolated and if it is purely party it will become absorbed in the ad hoc daily party work. I would not

have used the word watchdog; I would have used the term monitoring—to monitor the particular legislation and to look at the kinds of problems raised. (*Dr Chaples*) I think the watchdog in New South Wales is the electoral office. The watchdog's functions remain in that office. There may be some research done by the institute which would assist in changing the Act in the future. But what I understand to be watchdog function is the administration of the Act and would be done by the electoral office.

(*Prof. Mayer*) We are getting into a muddle because we are differing about the term watchdog. I agree with Dr Chaples and I have misunderstood your question. To me what it would do is issue position papers on the results of the legislation and on the questions which cannot be totally explored in an objective and detailed way and it would be up to Parliament to act on the information. It would not be intended to administer the Act.

39. Do you see the institute making annual reports?—A. Yes. I see the institute making reports and all the arguments about publicity which applies to parties must apply fairly obviously to the institute. They would have to make reports and be available for inquiries. It would be a difficult thing to run because being on a tight rope it might tend to get too academic. We would want to be sure that the institute is not set up in the Department of Government at the university and never seen again.

40. Do you see any lines of control?—A. My own view is it has to have some kind of association with the Parliamentary Library. We have left the word association vague. It ought to be as autonomous as possible, subject to regular accountability and reporting to the Parliament. We have not discussed it in detail and my colleagues may differ in their opinions. (*Prof. Turner*) I doubt if we do differ. We all agree there are two major things we want to see done by such a body. One is to monitor the effects of the funding legislation and to report to Parliament about that; the second would be to assist the parties through channelling funds in improving their own research potential. That is an important task which they would also welcome. It would need to be a body which was able to communicate with those wishing to pay attention to the research being done. We would not like to see the stuff locked away in the library and never seen again.

We all felt that the body needed some of the cloak of Parliament behind it in order to do what it needs to do. It should include a considerable number of parliamentarians and people from the Parliamentary Library and some outside people. It has to be a creditable advisory body to the Parliament with enough independence to be able to stand aside and take its time, and draw attention to the performance of parties under the Act. It should be able to communicate with party organizations and encourage them in their activities.

(*Prof. Mayer*) If I might add one point: it is a difficult concept because it would have some kind of connection, which we have not worked out, to parties and organizations which are not yet in Parliament which apply for policy research. It would not be purely an arm or instrument of the parliamentary body. The whole concept of what we have is designed to give a fair chance to establish organizations and give new bodies, which we do not expect to be very numerous, assistance. My own view is changes will not be major. It will apply to individual candidates and so on. The details of that are something that the committee ought to look at because we have not got detailed information of what overseas bodies do. We cannot get it.

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(*Mr Watson*) It may be if your committee does not get the chance to visit some of those institutes overseas I might get the chance to visit those in the Netherlands and in Germany later in the year. I may be able to provide some information for the committee.

41. The disclosure of donations from outside. It is a paramount thing that they must be donations?—A. Yes, that is correct.

42. The absolute penalty for failure to disclose is to be not eligible for any further public funding?—A. Yes, plus a fine. (*Prof. Mayer*) That is the only fine. (*Prof. Turner*) It is the only offence we have created.

43. How big do you think the fine should be?—A. (*Mr Watson*) That is something we have not discussed. I have a sneaking feeling that I would like to see a fine of the same size as the amount not disclosed, but that has not been discussed by us.

44. I was thinking of a particular party due to the receive \$1,000,000 from the fund and they fail to disclose a donation and they are fined \$100?—A. The fine is not getting \$1,000,000 next time. I think the mere loss of that sort of money next time is punishment enough.

45. Who do you see making that decision that a particular party should lose those funds?—A. I would think the election office. If that party had not registered and provided the materials required—I would have assumed the Act included this meant not being eligible next time—the electoral office would report that this party had not complied.

46. Let us take your submission that there should be a fine and that the party be declared not eligible for further funds. Following that process, do you see that the electoral officer should report to a court and the court determine whether the party had failed to disclose, impose its fine, be it small or indifferent, and being an automatic thing, they are then not eligible for further funds?—A. (*Prof. Mayer*) We have not discussed that, but it is not there a Court of Disputed Returns and could not that handle it? (*Dr Chaples*) My own view is no. The major advantage of disclosure is it makes available information on what is going on in elections and the major thing that happens to parties is that they do not disclose funds. I would not get involved in a court action in this regard unless it became obvious, after a certain period of time, that the open disclosure provisions were not working.

47. Who is going to determine that one party has failed to disclose?—A. The electoral office. You have to give an investigative arm to the electoral office so it can check these with reasonable accuracy. It is not a responsibility of the Parliament or the State Government to try to get into the business of a very detailed checking on what after all are internal sorts of matters.

48. Do not you see that as trial by bureaucrats?—A. (*Mr Watson*) Any fine, if it were to be part of the legislation, would have to be a fine and a decision made by a properly constituted court. What Dr Chaples is saying, with which we all broadly agree, is we are trying not to get into a massive checking bureaucracy. It may become a matter dealt with by the Corporate Affairs Commission who would have on one level the job where public companies are concerned of scrutinizing annual reports to ensure that the auditor has properly accounted for all the money and reported that company X gave a donation of

so many dollars. If the Corporate Affairs Commission picked up a discrepancy they would report it.

We have also said—and it is important—that they must report both expenditure and income. Expenditure is relatively easy to check on. The two must then square—the source of income and where it has gone. If discrepancies start becoming apparent they would be pursued in that fashion. This is one of the reasons why we dodged completely the question of maximum ceilings on expenditure, whatever the arguments in favour or against it. The technicalities of enforcing it become so monumental we are not sure it is practical, even if desirable on paper. This is an area where we start getting into that sort of thing—and because of the principle we consider it to be absolutely vital—and it deals with the question of source of income. It is technical and it is difficult to enforce, but we think it has to be faced. We are trying to use a form of public sanction rather than a heavy legal approach to it. There may come a point where that became part of the process.

Bearing in mind that if a political party wants to disclose only half its expenditure and wants to disclose only half its income, then it may have problems in terms of funding. (*Prof. Mayer*) When we started I said right throughout the scheme all of us were aware that there is a clash between what is ideally desirable, which would be complete self-regulation, and the need to enforce any given rules, whatever the rules happen to be.

Obviously the point is well taken that if you enforce rules you have to have a certain mechanism that tends to escalate. What we tried to do—I am sure it is not perfect: it cannot be perfect—was to keep the rules to a minimum and constantly to have in mind the point that whatever is done should be done with an eye to minimizing needless filling in of forms and of bureaucratization. Your point was well taken, if I may say so. I had not thought of that. It immediately makes it more difficult. Obviously there will be trade-offs and compromises. We thought out about 98 per cent of the scheme and obviously not every little point. However, that is an important point. (*Prof. Turner*) One way to minimize the problem might be to spend quite a bit of time working on a proper format for reporting. The Houghton report included an example of what were thought might be methods of reporting and disclosing. If there were a regular format in which these things were to be reported, it would then be fairly simple for an officer like the electoral officer to say that some party or candidate has not fulfilled that requirement.

You might still wish to have an appeal mechanism. That is another matter. But I think the more precautions that are taken in advance to prepare a satisfactory formula for reporting, the less trouble there will be in applying the process and the less room for discretion you will be making for some bureaucrat to decide whether or not someone has complied. That is one of the points in which a good deal of thought might be invested and the Houghton report might be looked at. In our report we recommended that eventually such a formula may be evolved from the research institute, but we could not recommend what it might be from the beginning. We are hoping, perhaps too optimistically, that self-regulation and good will be the order of the day and penalties and so on will not be needed. We should like to try that principle first. If it does not work, we shall then have to think about penalties and more regulation but I suspect the regulation problem could be overcome in some such way, by having a form which you expect the parties to use and the electoral officer could decide whether it has been complied with.

49. Mr McDONALD: Why did you choose the name Academics for Pluralist Funding?—A. (*Prof. Mayer*)

because we thought it would be useful to have a name. We wanted to express the general notion that the type of funding that we advocate is not intended merely to shore up existing major parties. It is also intended to provide for a plurality of ideas in the community. Pluralism is general jargon that we political scientists use for that type of notion—diversity in democracy. It seemed to be a reasonable term. I like it better than my colleagues do.

50. Earlier in your evidence you described yourselves as an ad hoc group?—A. Yes.

51. Does it plan a continuing existence? Has it any other activities in mind or will it now self-destruct?—A. We have not discussed that really. (Prof. Turner) We would hope to self-destruct. We all have lots of other things to do. It depends upon whether issues arise that are interesting. That is one point. It is partly because I have done this before in another committee and when I spoke to people I found we had similar ideas and it was much easier to share the research burden. We enjoy the fun, despite the haste with which we did this. We now have more sympathy for journalists. But we do not expect to continue to exist, except that we are colleagues who work together all the time.

52. Do you expect that Academics for Pluralist Funding will be absorbed in the election research institute that you suggest be brought into existence?—A. No.

53. You said that the group was not prearranged. I take it it was formed after the Joint Committee sought views and submissions?—A. It was formed after I was invited to give the submission.

54. Have any of the members of the group previously researched and written on party funding and disclosure or any of those aspects?—A. (Prof. Mayer) Generally speaking, Professor Turner has taught a course on the theory of parties. Dr Chaples has done research on parties. Mr Watson has done research on minor parties but not on funding. We found that not much research had been done. We were aware especially of American funding. I was aware of West German funding. But, as I said earlier, we were surprised when we got the material to discover how many democracies had funded organizations.

55. Dr Chaples has done something on disclosure?—A. (Dr Chaples) My interest in the American situation goes back to when I was a legislative assistant in the American Congress in the mid 1960's, so I have written and researched and maintained this interest for about fourteen years now.

56. But there was no public funding in the United States of America?—A. No, but there were related provisions. In particular, the American law on disclosure is about fifty years old and there have been continual changes in the reporting and disclosure conditions for candidates for Congress in the U.S.A. going back well beyond that period of time. A member of Congress for whom I worked in New York became interested in changing the law and I worked on an amendment for him in 1966.

57. Have any members of the group been involved in any fund raising or spending or political activities for parties?—A. (Prof. Turner) I have, as a low-level branch member of a party, but never with any real influence in the process. (Dr Chaples) Not in Australia.

(Mr Watson) I have been involved in the campaigns for a couple of independent candidates, including the fund raising activities, on that basis—not for formal parties.

58. You have been involved in fund raising and political activities for people?—A. Yes. (Dr Chaples) Also I have done some research as I wrote the chapter on political parties and we did involve ourselves in the United States party campaigns and party budgets, but it did not get written because we decided that the material was too thin at this stage to write on.

59. I propose to continue to traverse your submission, dealing first with the summary and then moving to some matters of particularity, and then to leave to other members of the Committee matters that they may wish to deal with. Dealing with paragraph 1 of your summary, what are the conditions applying in countries that have adopted public funding that do not apply in Australia? I am referring to the part which says there is growing concern in major parties about corruption, voluntary voting and so on?—A. (Prof. Mayer) I am not sure what you are asking.

60. In the first paragraph of the summary you mention that it is common in other countries to have substantial funding at the national, state and local levels?—A. Yes.

61. You have referred to West Germany, Sweden and the United States of America?—A. Yes.

62. What were the conditions that applied which created the schemes?—A. (Prof. Turner) One reason for its growth in the 1970's was inflation, particularly the inflation of costs of things like television. That has been a general reason throughout most of the countries where they looked at it, but there were also more specific reasons. Some of them were mentioned in passing. In the case of West Germany, for example, the constitution included provision that parties have to play a certain role in that disclosure must be brought in, so some of their scheme relates back to the historical experience of Nazism and worries about that type of thing, efforts to enshrine political parties in competition and real reporting and so on.

In Sweden one specific reason was the near collapse of the newspaper system and as it was tied so closely to the parties the government introduced subsidies in the first instance in order to assist the newspapers and it grew from that basis. This, I think, was true of Finland also. So there are slightly different problems in different countries. In West Germany—and I think to an extent in Sweden—they were worried about support from industry and wanted in some way to limit that. Part of their legislative burden was to reduce the strings that might be attached to that sort of giving. In other places, like Italy, the thing that was worrying people most was the general corruption of the system and particularly the way in which public corporations were being milked by parties in power for their party funds. Funding was a way to avoid that type of thing.

In America a series of problems—partly the Watergate type problem of corruption—had certainly aided some swing to the demand for public funding, but also the special problem they have that campaigning for presidential elections particularly is so lengthy and so drawn out that it becomes incredibly costly. Perhaps it is partly an American characteristic, but that helps to explain that characteristic. Perhaps the fact is that it is necessary to spend more to grab attention when the votes are voluntary. As has been said, you have to 'get the vote out'.

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63. But different conditions apply in this country where there is compulsory voting?—A. Yes.

64. You made reference to that earlier in your submission when you spoke about getting out the vote in the United States of America?—A. Yes.

65. Is the most important point about the situation in Australia that it is atypical of the rest of the world in that it has compulsory voting?—A. It does mean certainly that the indirect aids given to Australian parties are fairly substantial. They would be comparable with Britain.

66. Has your group attempted to quantify the value of that aid at the national or State level?—A. No. (*Prof. Mayer*) You could not do that. (*Prof. Turner*) There is a problem of measuring what the amount going out from governments is saving parties in various countries. One realizes that something is given out through the subsidy, but how can one quantify it? How does one quantify the amount in Holland, given by broadcasting and television time allowed to the parties? It may be substantial, but how does one quantify the amount of money a party receives through the registration of voters being done by the State rather than by party as it is in the United States of America? The Houghton report made an attempt to do that in Britain. It gave a figure of \$2 million a year that the parties might be saving in that way.

We are suggesting that even with indirect aids to our party system it still seems clear that the parties have not the finance to do the range of functions they should be doing and are generally expected to do. They must campaign in the ordinary short run electioneering sense. Because their money is spent almost exclusively on that they are inadequate in their performance of the other sort of functions—general long-term political education, community participation, political training of people inside the parties—that type of thing. That is my own major concern, to emphasize that the party system has a long-term wide range of functions—electioneering in the narrow sense is an important one of those and one that is not so openly paid for at the moment. But money is needed not only for that. For small parties it can be needed for that but for other parties it is needed much more for a wide range of functions.

67. We are talking about taxpayer funding for election campaigns. In view of the fact that taxpayers obviously have no idea what it costs them by way of the indirect funding that goes on in both federal and State elections, do you see justification for clear quantification of that and the amounts that may have been available indirectly in free air time and television time and the like and the provision of staff that is available to incumbents? Do you think it should be clearly indicated to the taxpayers how much it is really costing them to have their political parties in power?—A. I would like to see it done but it is a long and detailed exercise. It would not be easy to calculate how much is saved but I would be interested to see the research done.

68. Obviously, the whole situation favours the incumbents, whether in government or opposition, against those challenging?—A. Certainly it does at the moment, almost exclusively. We are hoping this will slightly reduce the favouring of incumbents, allowing the smaller parties to get a little more access to public support. (*Prof. Mayer*) Two major things exist in those countries which also exist in Australia and New South Wales. First, the increasing cost of electioneering and more important, or equally important, the constantly escalating costs which

make election participation by all parties much more difficult and give increased advantages to whatever government happens to be in power. The conditions under which parties compete are changing. The second point which seems equally important but cannot be quantified is the increased complexity and difficulty of government and governing in contemporary modern society so that the fairly relatively simple and crude functions of parties are facing constantly increasing costs. When parties were perceived as private their functions were similar but the complexity of those functions and the professional and technical equipment provided to fulfil them was not so costly. As with all things in nature the cost has been constantly increasing. These two points seem to apply equally to a major State such as New South Wales but I would not stress their importance in a State the size of Tasmania. After all given the population of this State and the complexity of government here these points hold quite strongly.

69. I am certain there are interested taxpayers who wish to become fully aware of what their costs would be to place people in government. They might develop a higher respect for their politicians, or, alternatively, might hold a different attitude at a time when they must face the ballot box. Each time it is a question of cost. A statement was made by a federal Minister, Mr McLeay, that the cost was something in the order of \$50 million. I have not the slightest idea as to how he arrived at that figure. Presume for the moment that it might be correct; if it were, and the voters were to understand that, they might take a quite different attitude and be much harsher in judgment of their politicians if they were aware of the indirect costs as well as the direct costs?—A. (*Dr Chaples*) I place myself on record as being in agreement with that. As an exercise it is a difficult one to quantify. If it is done correctly, it would be a real advantage and in time a different attitude could develop among the public. (*Prof. Mayer*) It would take a major job to do that. It would be really a full-time job over a long period of time.

70. I would like to move on to other matters but still deal with subparagraph 4. Reference is made to perennial themes. Do you reject the perennial themes stressed by opponents? And if so, why?—A. (*Prof. Mayer*) I think that what we generally say is that public funding is relatively a new theme. In speaking of perennial themes in other countries, in the work and study we have done we have not found anything to justify that. We have not found one perennial theme which we have found justified. In our scheme we have tried to avoid the risks of bureaucracy. Generally speaking, whether you look at the Houghton report or the German, Swedish or Canadian material, to make comparative studies, these general fears have not been realized. I do not think they are unreasonable fears to have, as such, but on the whole I think the evidence has not justified them. Let me put it more moderately and objectively, let me say they are not a necessary consequence of public funding.

71. Even though the Chairman picked up that fear in you with his question about disclosure?—A. All you are saying is that no scheme is perfect, and I will agree with that. (*Prof. Turner*) Many of these apprehensions are about things that could go wrong and in some sorts of schemes might go wrong. In many ways we sought to avoid these risks which are perhaps to do with increasing centralism. But one can build into a formula certain devices to check that, certain ways seeking to avoid these risks. It is necessary to be aware of the risks in order to avoid them.

72. Are there any additional apprehensions other than those you have referred to?—A. (*Mr Watson*) The list of apprehensions appears at page 5. (*Prof. Mayer*) On page 5 we have made a full list in the major submission. (*Mr Watson*) There is further comment dealing with those. (*Prof. Turner*) A few of those are ones which could become problems, for example total campaign spending could become irresponsibly high. If that did eventuate as a problem, although we do not think it is at the moment, you would have to draw attention to it and perhaps the government would have to adopt legislation and do something about ceilings. I do not think it is a major factor at the moment. At this time it is a problem of the floor rather than the ceiling.

73. In that paragraph you say you are impressed by three things, the first you deal with concerns the degree of public support. Do you regard public support as important?—A. (*Prof. Mayer*) Yes. Public support arises once a scheme exists. It must be seen to be working. If people have no experience about a matter—if you put an abstract proposition to the public of which they have no prior experience then most of them would say yes or no, but the answer would be uninformed.

74. A public survey conducted by the *Sydney Morning Herald* revealed that more than 70 per cent of people throughout Australia are, generally, in opposition to taxpayer funding.—A. But if you repeat the same poll in a year's time you would have a different figure. People's opinions on issues fluctuate up and down tremendously with time. The second point is that if you take public opinion polls upon material with which people are not familiar, Australians, being conservative people, tend to have deep seated opposition to anything new.

75. Studies have been taken overseas, both before and after?—A. I am not sure about that. (*Dr Chaples*) Certainly. First, on these questions one must be fairly careful. These are hypothetical questions, subject to manipulation. In Italy, where research has been done before and after, there has been virtually a total reversal from a position of roughly two-thirds being opposed to public funding to one where something over 60 per cent has been in favour after the operation of such a scheme for some time. In the United States—

76. I understood that in the United States of America it was an exact reversal and that there is declining support in Italy?—A. No. It is not the Italian experience.

77. CHAIRMAN: I do not want to interrupt but the terms of reference are not to inquire whether things ought to be done but, if they might be done, as to how they should be done. I do not want to spend a lot of the time of the Committee in discussion as to whether these things should be done.

78. Mr McDONALD: There has been significant reference made to the Houghton committee's report and recommendations in the United Kingdom. The Houghton committee was set up by the Labour Party in the United Kingdom to consider whether parties should be subsidized for elections. The witnesses have referred to the findings of the Houghton committee and it is on that approach I considered it relevant to Australia and, particularly, New South Wales.

79. CHAIRMAN: That would be relevant to our inquiry if we had to report on whether, but it is not one of our terms of reference. I cannot allow the question as to whether things should be done or should not. It is just

what might be done with which we are concerned. It is not a matter of whether or not they are desirable.

80. Mr McDONALD: Whether or not there are any attitudes in oversea countries or studies that would indicate change of attitude, the Committee is not interested?

81. CHAIRMAN: We should deal with the terms of reference as given to us by Parliament.

82. Mr McDONALD: A submission has been made by this group. I was analysing that submission and drawing them out. The submission has been received. We have had much comment from the ad hoc group itself and, therefore, we seek the right to be able to question them as to the correctness or looseness of the submission they have made.

83. CHAIRMAN: I would ask you to restrain your question to the terms of reference given to us by Parliament.

84. Mr McDONALD: Then clearly this submission should not be received unless it identifies chapter by chapter with the fundamental points of the terms of reference. In view of the fact that the submission does not do that there is no alternative but to traverse it fully.

85. Mr FISCHER: Particularly as it is a question from the chair on the statement as a whole.

86. CHAIRMAN: You are attempting to deal with the submission that has been given to us.

87. Mr McDONALD: It is part and parcel of the submission.

88. CHAIRMAN: I ask you to contain your question to the terms of reference given to us by Parliament.

89. Mr McDONALD: Should New South Wales proceed with taxpayer funding or public funding of election campaigns and if there is not overall support in the State and, as an additional rider, if there is not unanimous major party support, what is your view?—A. (*Prof. Mayer*) Are we supposed to answer that or not? I am quite happy to answer it if you let me. My answer to question number one is yes, it should proceed; my answer to question number two is also yes, it should proceed. (*Prof. Turner*) My answer to that would be yes, it should proceed. But I would like to see much more effort made to inform the public of the issues. There has been some discussion but the parties need to do a great deal more to spell out the implications. The functions the parties are supposed to perform must be spelled out. This itself might permit the public to know, or might point out to the electorate how they are already supporting funding in indirect forms. This is not such a particularly novel idea. But to ask a poll where people have not been already given an idea of the implications, might only provide a meaningless answer. I would be happy to see an extensive discussion publicly so that the public might be informed and take an informed attitude. They could then be asked for their views because they would be interested in the issues.

90. Rather than having it forced on them?—A. I think at the moment, to ask them out of the blue when they have not considered the issue and no-one has attempted to educate them on the issue, will attract a response which is almost meaningless; it is likely to be a different response in a week's time.

91. Should there be a referendum on the subject?—A. I do not think there should be a referendum on anything new that comes in, but I think there should be a campaign of explanation. You do not have to have a referendum to do that.

92. But it gives a fairer test than having surveys?—A. (*Prof. Mayer*) That depends on the questions in the referendum. (*Prof. Turner*) The issue ceases to be an issue. You have all sorts of red herrings dragged in, and that can cease to be a rational debate. I would be happier if public opinion was based upon some effort by the parties to show what is involved—and there has not been that so far.

(*Mr Watson*) When you have a political system such as ours you are selecting certain issues for referendum treatment. Most policy issues are not treated that way. Certain constitutions say that certain issues have to be treated as referendum issues. When there is significant opposition from one of the parties it demands a referendum from the people who are recommending action. I do not see any argument as to why this issue should be treated in a different way from any other policy issue before the Parliament. (*Prof. Mayer*) If there were a double referendum on the costs of compulsory voting and they were certified, and the savings of the taxpayers pointed out, and a double referendum on how much they are paying already, and they were shown how that would cancel this, they would be much happier.

93. That is an interesting thought. In an era of large swings, would the previous election be any guide as to how funds should be allocated three years later?—A. (*Prof. Turner*) Probably the best available guide. It does have a disadvantage and an advantage. It has the disadvantage that the party which won last time starts with an edge on its opponents. I have some sympathy with oppositions, I think that every effort should be made to ensure that oppositions get an even chance.

94. In some countries there is a suggestion that perhaps oppositions should get a disproportionately higher amount?—A. I would prefer that to be done in Parliament rather than at the level we are talking about. The role of Parliament is to provide opposition and there is the place for greater support facilities to be given to the opposition. I think this is an incentive to the party that lost last time to do a little better. I cannot think of any other way than to relate it to electoral success. If it turns out you were wrong, then the party that does not live up to the votes it expected to get will be penalized in the next election. So there is a kind of a pay-back situation.

If you were worried about this you could have the sort of pay-back scheme that the Germans have; if a party lost popularity and got more money originally than it was subsequently entitled to, it would have to pay it back when it did not deliver the goods in terms of votes. The party that got 48 per cent rather than 43 per cent would not necessarily do better in a campaign. It seems to me that the relationship between campaign spending and the number of votes is not that close. It is important that parties have an adequate amount to enable them to put their view, but having 2 per cent, 3 per cent or 4 per cent more than another party does not seem to be crucial to the major parties.

95. You make provision in relation to state-wide performance in relation to the Legislative Assembly; what about those allocations to parties that run a joint ticket? I am referring to your summary recommendation about the

provision of statewide performance in the Legislative Assembly. What happens for those that run on a joint ticket?—A. (*Dr Chaples*) They would be entitled to certain funds and it would be their responsibility to divide those funds between them. A requirement would be that they would have to jointly report to the people of New South Wales.

96. Professor Mayer, you made reference to the threshold of 2 per cent and you said it was not naturally set or God-given in your suggestion?—A. (*Prof. Mayer*) No threshold is.

97. Why have a threshold at all if one of the goals is to be equitable?—A. That is a very good question, because on the whole the fear of encouraging all kinds of racketeers and idiots is not totally unjustified. You get people who run for Parliament to advertise their business. A particular person ran in about eight or nine different constituencies last time. There are people like that who advertise their business. Something ought to be done about the taxpayers' money which is at stake and, subject to encouraging variety, a pluralism, you ought to have some kind of threshold limit. What that ought to be is a matter of opinion. I was surprised to find the German courts going down from 2½ to a half. I would like to see the judgment and find out on what grounds it did that.

98. I have not seen the judgment of that. But the situation in the Scandinavian countries is 2.5, in the United States it is 5 per cent and in Canada 15 per cent. So it is all terribly arbitrary?—A. (*Dr Chaples*) Yes. It depends on a serious electoral effort. It seems to me the provision of funds has to be based on electoral performance. We were obviously not trying to suggest a threshold that would encourage new groups and new ideas to be presented to the electorate. If one wanted to discourage that, one would increase the threshold.

99. It would not be equitable if one group got just below the threshold and another got just above it?—A. (*Prof. Mayer*) That is the nature of human life; there is always somebody below the line. (*Mr Watson*) The 2 per cent mark can be justified simply in terms of looking at what does tend to happen. You have three parties who succeed in getting people in; you have one party above the 2 per cent mark, at the moment the Democrats; you have a small handful of parties which attain round that mark and it is worth funding most of them, but not total no-hopers who are not going to get anywhere. But there are parties who persist around the 1 to 2 per cent over a number of elections and they ought to be part of a scheme like this. So if you set it at 5 per cent you knock out everybody except the three parties who are in the New South Wales Parliament, and probably the Democrats. That seems to me to be too narrow on the clearly empirical basis. There are other parties who ought to have a reasonable chance to get into the act too. (*Dr Chaples*) By setting a 2 per cent threshold you are not providing large funds; 2 per cent of the vote gets you \$250.

100. Did you consider at all whether the 6.25 per cent threshold level for the upper House might have been a more obvious figure to have chosen?—A. (*Prof. Mayer*) In that case, why have it at all? It would exclude everyone except the two major parties. That is not pluralist funding. I would be utterly opposed to that. We have tried to make it clear from the beginning that we are not here simply to shore up the major parties. (*Prof. Turner*) We have tended to emphasize the need for diversity of

dissemination of ideas, although we did not want to see a multiplicity of small parties getting into Parliament. But the funding mechanism has a fairly low level of threshold to not get into Parliament still. We felt pretty confident that a committee of parliamentarians would be well aware of the nuisance value of small groups, and we were anxious to point out the value of small groups.

(*Prof. Mayer*) In terms of funding in New South Wales, not in terms of representation in Parliament. They are quite distinct. (*Mr Watson*) We did discuss, but did not recommend, the possibility of tying the threshold for funding to the same percentage as loss of deposit. So you put a dis-incentive on people running provided they cannot get more than whatever it is, and then you put an incentive over that and you can tie these together. We did not recommend it, but it is a thought and a possibility.

101. Why would you not have suggested—and perhaps you did consider this—that there be a dollar for dollar incentive scheme so that if you raised an amount it would be matched equally by the taxpayers' funds? Did you look at that?—A. (*Dr Chaples*) That is another alternative. It seems to me probably not as simple and direct as the scheme involved here. (*Mr Watson*) It also puts the emphasis on something that we are not putting the emphasis on. We are putting the emphasis on funding on ability to attract votes, not ability to collect money for your campaign. We are funding people on their ability to do that critical function that they know they must do to gain the votes. (*Dr Chaples*) It creates a bureaucracy and a proliferation of bureaucracy. (*Prof. Mayer*) We tried to avoid that.

102. I wish to deal with one specific question about disclosure and return to that also. Why require a disclosure for those parties that do not accept public funding?—A. (*Mr Watson*) We require disclosure on contributions because we argue that elections are something of a public activity and the people have the right to know who is funding the people trying to win their votes. Also there is the whole question of the potential of corruption and peoples' confidence in political parties. Such concern is quite independent of public funding. There is a case for disclosure which is quite independent of the case for public funding. You could do one and not the other, as in America. We are supporting both. But the case for disclosure, particularly of income, relates to those sorts of concerns much more than to the case of public funding. It seems to me essential that if there is to be public funding that the parties should be obliged to report to the Government and to the public at large how they are spending public moneys given to them.

103. But if a group were to elect not to take up public funding, why should there be any mandatory disclosure? For example, I understand that presidential candidate Connolly has taken that stand?—A. (*Dr Chaples*) He has to adhere to all disclosure provisions of the law. When you are seeking votes and seeking funds you have a responsibility to the public; you have to let the public judge. That is another reason, when we were talking about disclosure, we would not put heavy investigatory machinery or heavy fines in the Act. Ultimately it is the public that judges the candidates and the parties. (*Prof. Mayer*) They must be able to know. (*Dr Chaples*) If you do not have disclosure provisions then the public cannot make an intelligent comment on that situation.

104. Professor Turner, in your supplementary comments this morning you said that your group sees no ceiling being required and you said you really rather

needed a floor. Why require any ceilings on spending if you have no ceiling?—A. (*Prof. Turner*) Reports on spending are to indicate who is doing the spending and who is supporting different groups. The point is that anybody standing for public office is engaged in a public act. It ceases to be a private association when you take part in public elections. What you are doing should be clearly seen. Apart from anything else, it is important in order to maintain confidence in the legitimacy of the whole operation.

105. You place tremendous burden on parties and candidates. In the United States they call it the Lawyers and Accountants Full Employment Act.—A. (*Prof. Mayer*) That is the very point of why our provisions are much simpler. (*Prof. Turner*) We are not saying that the total amount to be spent must be limited and therefore you have to keep track of everything, and have hassles over what are expenses. We are guarding against all the bureaucratic hassles and legal disputes that occur in the United States. By avoiding ceilings we will avoid most of the bureaucratic hassles. (*Prof. Mayer*) We are starting off with minimum control and opting for further controls if necessary.

106. Mr Watson in his supplementary comments with regard to the question of disclosure and reporting said that front organizations and pressure groups should not be required to disclose. We had front groups in 1972 and 1975. You feel that the consequential effects on campaigns by such groups and their effects on the political parties should not be reported upon?—A. (*Mr Watson*) Yes. A more recent case would be certain advertising in the last South Australian State election. We said this is an area which needs to be looked at very closely. There is a danger that people might start trying to channel money through other forms of expenditure in order to avoid maximum ceilings. If you have ceilings and reporting you face up to the problem of drawing lines about what constitutes election expenditure and what does not; whether certain sorts of advertisements in the newspaper are in favour of party X or party Y. There could be some argument whether the AMA campaign in New South Wales would constitute a campaign against the Labor Party or is merely a publicity campaign about a particular area. Given our tendency to try to avoid getting into hassles we have said to let us see whether it does proliferate and become a problem, in which case we may have to buy into it. (*Prof. Mayer*) Where we refer to front groups we refer to corporations and unions.

107. If a trade union group without reference to the ALP runs a campaign in support it opens up, either fully or otherwise, the whole problem of quantification, and whether one was seeking either legitimately or in an undercover way to obviate the requirements that may be laid out in the Act.—A. (*Dr Chaples*) Disclosure is a more important ingredient than reporting of expenditure because reporting of expenditure carries with it a lot of extra baggage that is difficult to enforce. We believe that if public moneys are used the reporting of how those moneys are spent is the requirement. The ultimate value of reporting spending is, first, a much more difficult creature that has to be looked at more carefully and, second, opens up a lot of problems that are just being touched on here. America has not solved the problems and proliferation of political action committees has occurred. It touches on the value of disclosure and what that provides in the way of public knowledge. It does not excuse public officials from reporting how public moneys are spent.

Witnesses—H. Mayer, K. I. Turner, E. A. Chaples, and A. Watson, 5 February, 1980

108. Since it has been said we are not considering whether we are to have public funding, but that we are going to have it and therefore what conditions should apply, I ask what would stop one of the major parties utilizing one of their advertising agencies out of the State?—A. (*Prof. Turner*) There is nothing, but it is for the political party concerned to report the expenditure of its funds.

109. But if it did not expend money within the State how would it report it?—A. (*Mr Watson*) It would be strange if the Liberal Party ran its entire campaign out of New South Wales.

110. I did not say the Liberal Party. The costs of political parties are picked up at the present time by research groups and others and paid for by mythical sources out of the State for work done within the State. I know that to be a fact. If what is being proposed is to apply only in New South Wales, one could obviate the whole circumstance by getting support externally?—A. Other States would need to do the same thing.

111. Then we are talking about a national scheme in order to make it effective?—A. No. (*Prof. Mayer*) Under Federalism ideals take a long time to mature. (*Mr Watson*) They must report on the cost of buying time on the media, space in newspapers and how-to-vote cards. They have to report also from where their money came. If that money comes from a firm or union outside this State, obviously the State legislation cannot enforce that corporation to report a donor, but it obliges political parties in this State to report as a recipient. (*Dr Chaples*) I commend to the Committee the Scandinavian schemes, none of which require reporting at all. The public grants are made as grants and it is up to the internal mechanism of the party to determine whether its expenditure have been properly determined. That is one aspect I find personally attractive.

112. I refer to the proposed research institute. Is there any reason why that should be established now, irrespective of whether we are to have taxpayer funding?—A. (*Prof. Mayer*) I do not see any reason. (*Prof. Turner*) It is an additional proposal rather than part of the proposal. (*Mr Watson*) One aspect is to encourage long-term campaigning by encouraging research to be over the three-year period. It is not entirely a separate proposal. (*Prof. Mayer*) You could do it without this legislation.

113. Do you think public cynicism about spending of political parties, whether it be the amount of \$2.3 million or more would be greater than if spending it on such noble areas as Meals on Wheel?—A. (*Prof. Mayer*) It depends how you put it. If you put it in the way that the *Sydney Morning Herald* put it, and we put it also in part, on the basis of a normal election sum of 25c a year per voter that would not attract cynicism, but if you talk about \$2.3 million it might. People have no idea of how much government costs. It is portion of the budget and portion of what taxpayer pay. I refer also to the average expenditure on gambling. The sum of 25c, which is per year, would not buy even a packet of cigarettes.

114. Would you see this proposal opened up also to local government?—A. We have not discussed that. Personally I would not like that. (*Prof. Turner*) The Houghton report envisaged that. The difference here is that local government has not the same range of functions.

115. You make no reference to periods of Parliament. Do you feel that the imposition of public funding may

well encourage elections to be more frequent than every three years?—A. (*Prof. Turner*) Firstly I doubt that. In most Parliaments there is a fairly strong no-new-election group. Even though this public money is available, it is not intended for this three weeks period. I do not think it would make a serious difference to the frequency of elections. If it turned out that it did and there was a never-ending series of elections—although I cannot imagine why—one would perhaps have to introduce some sort of scheme which involved making a certain amount of money available each year. We assume that the length of Parliament will be the normal three years. If that did not happen and it became an annual event, that is a different ball game and scheme. I cannot see why that would happen.

116. The leaders of both major parties have indicated that they would prefer to have an election every four years. Might a condition be put in to satisfy the public that we will go to four years and have this public funding?—A. (*Prof. Turner*) I have no great objections to a four years' period; I have no strong objection.

117. I appreciate that that is not one of the terms of reference. I want to go back to a point touched on by Prof. Turner regarding the allocation of funds to parties. You said it might be an annual basis. The strategic planning about which you talk appeals to me as a principle. In appendix A there is a figure of \$875,000 concerning the Labor Party. When would that be drawn down? Do you draw that down before or after the elections?—A. In a lump sum at that time when the Parliament is dissolved.

118. Prof. Turner said in his opening comments that campaigning should be on the long-term and be a patient process. If you draw down that sort of money on the top when an election is called in 1981, it does not achieve that at all, does it?—A. Yes it does because there are annual and election budgets to which every political party has to face up. If a party knows that a certain amount is to be available when the election is declared in order to meet a certain percentage of its election expenditure, it is much easier to budget for these ongoing functions. We would hope that party finance and management could be much more considered. We do not want a scheme that provides for all election expenses or party expenses; we want a scheme that provides a floor so major election groups can put on a reasonable campaign for the public. We want parties to continue to raise money, to continue to get subscriptions from individual members and contributors, so long as it is public knowledge. We want them to plan for the best use of the party organization and machinery.

119. Would you explain to me your retroactive provision. When do they get it, if they have not improved their position?—A. They will not have been eligible.

120. They do not get it until three years down the track?—A. They get it within ninety days after the election. As soon as the election is over and they have won the 2 per cent threshold, they then become eligible. (*Prof. Mayer*) And they file all their material.

121. What would happen, in your view, if two existing parties merged?—A. That is a good point.

122. Do they become a new party and then at the time only get two-thirds and your retroactive provisions apply, or would they get the aggregate?—A. One of the things we have not fully explored, because none of us is a trained lawyer, is to what extent there would have to be registra-

tion of parties, party names and so on. In one of the schemes, I think it was in Sweden, there are provisions for parties merging and splitting. (*Prof. Turner*) I would imagine parties splitting would be a bigger problem. A commonsense answer might be the two parties taking what they are entitled to by seats won at the last election.

(*Prof. Mayer*) In Germany the constitution declares parties officially to be organs which help to form the will of the people; we are arguing constantly that this is the de facto position in countries like Australia. The terms I have used are quasi-public institutions—not public and not private.

(*Dr Chaples*) It seems to me this is a problem for solicitors and courts. My own position is I take a tough stand on it. If new parties are formed and split and they have to be treated as a new party, they would not be eligible. If one of the major parties split and it could not be determined in the court that either of them really could lay claim to the standard of the party in the previous election, all the candidates should be treated as individual candidates and should only become eligible under the retroactive provisions. Any candidate who is not eligible as a member of a registered political party is still eligible as a registered political candidate.

(*Mr Watson*) The question of legal status of parties is one we have all ducked. Even though we wrote them into the federal constitution, that was done without worrying too much about the legal technicalities. (*Prof. Turner*) The German Act does attempt to define parties and their roles, but we thought it wise not to try and get into this but to leave it alone.

123. We have got away without having public funding and it might be well to leave that alone?—A. (*Prof. Mayer*) Some things ought to change and other things ought not to change.

(Professor Turner was excused from further attendance.)

(Luncheon adjournment.)

On resumption:

124. Mr McDONALD: I turn now to the main submission. In paragraph 1.1 you make reference to the bipartisan majority in congress enacting public funding in the United States of America and its being signed into law by a Republican President. Do you regard the principle of bipartisan support as important?—A. (*Dr Chaples*) I think it is very useful.

125. What was the structure of the parties at the time when that was brought into effect in the United States of America? Did not a Democrat national chairman insist on its being brought in because his party was heavily in debt? You suggest that a Republican President was forced to sign it.—A. I really think it is fair to say that in America in the post Watergate era there was serious interest in the plight of both parties in trying to get around some of the problems—

126. Excuse me, but was not this legislation introduced before Watergate?—A. The scheme was introduced by Senator Long, a Democrat senator from Louisiana, but it was not implemented until after Watergate. The legislation that is on the books today was implemented in the post Watergate era.

127. Was it not a rider to the President's tax reform bill and he agreed to sign it and set it aside until the next election?—A. Yes, but the rider had been approved with substantial Republican support in both the House of Representatives and the United States Senate.

128. Also in that paragraph of the submission you refer to the desire to equalize more fully political opportunities among parties and candidates. *Washington Post* columnist, David Broader has suggested that challengers should be subsidized more generously so that their opportunities can be equalized with the advantages of incumbency. Do you think there is any merit in such a proposal?—A. (*Prof. Mayer*) If the principle of more for the weaker is to apply, then of course it would apply even more for minor parties and independent candidates. They would have to get even more money than major candidates and against both major parties. If it were done consistently, not simply applied to a minority party, it would be possibly something worth examining. I should like to have notice of that question.

129. Would you agree that the government of the day has tremendous electoral advantages in that it sets the political agenda, the times, the benefits and so on? If it is important to equalize opportunities—whether it be for minor parties or independents—should not higher subsidies be given to oppositions?—A. I do not think in political life or in normal life you can equalize all opportunities. I think to expect a government of any kind to subsidize the major opposition more than itself is a somewhat idealistic stance that I do not see being realized in Australian political life.

130. Dealing with the question of disclosure, would you agree that disclosure of contributions increases the advantages of being in government? As an example, contributors may fear government reprisals and thus be discouraged from contributing to oppositions?—A. (*Mr Watson*) I do not think so, no. Governments surely know now who funds their own party or have some reasonably good idea about where in the community their support comes from. If governments wish to take reprisals on that basis they can do so already. The assumption that parties will stop funding or that there will be reprisals of that sort because party X or union organization X funds another party is an assumption that I do not think has been fulfilled in practice.

131. You say governments, but I can assure you that it does not apply to the Liberal Party parliamentary room at State or federal levels. There is a fundamental presumption on your part that that does apply. I can assure you that it does not apply.—A. That is an argument I cannot get into. I obviously have to take your word for it. But I think the point remains that it would be an illusion to suggest that the Liberal Party is not broadly aware of the sector of the community and the sort of people within the community that are sympathetic to its political position and fund it; just as the Labor Party is broadly aware of the areas within the community from which it gets its support. It may not be aware that organization X has given so many thousand dollars, but you will be aware of members of particular organizations, the people who are on various parts of the organization. I think it is an illusion to pretend that that is a secret to leaders of the Liberal Party, as it is an illusion to pretend that it is a secret to the leaders of the Labor Party.

132. I turn to paragraph 1.2 dealing with costs. In the second line you suggested that electoral victory may be bought rather than earned. Can you give an example in

Australia where electoral victory has been bought rather than earned?—A. Let me explain that statement as I understand it. I did not actually write it. What it means is simply this, that if money for election campaigns is worth anything—if it is worth spending \$1 million, it is based on the presumption that spending that \$1 million will get some return in terms of votes, not by handing it over to people at the bar of the local pub but in terms of campaigns. Parties regarded as important that they can get X thousand dollars in order to spend it. They regard the spending of large sums of money on media campaigns as being worth while as an investment, getting votes in return. That is what we meant by saying victory was bought rather than earned.

(Prof. Mayer) It is connected with the first line referring to the dramatic rise in the cost of modern campaign techniques. The buying refers to the increased necessity, even at the State level, to have access to electronic media, with costs constantly escalating. We are not suggesting that it is being bought directly. When we say it is being bought, the resources are becoming more crucial. It is more expensive to conduct campaigns, for the letter-box distribution and printing media are no longer adequate. I expect myself that with the increased sponsorship on coming ethnic radio, both parties will be compelled to try to take time on that and the costs are constantly escalating.

133. That is probably one of the reasons for your almost across-the-board approach to the split between statewide funds and individual candidates receiving funds and Dr Chaples said country areas may well need a higher level of funding because of distance. But in city areas probably in many cases there will be less access to television and radio than in country areas, for advertising in the country costs less than it does in the city. There are a whole host of problems that have been uncovered in the United States of America.—A. But some of these problems are problems of government, government funding. Our view is precisely because we wanted to keep the control of bureaucracy at the minimum that internal cost subsidies are a matter for parties to be fought in the party room.

134. That takes me to the next point. We have talked about adequate minimal financial support. Cannot that be provided without introducing bureaucratic control?—A. We have spoken at great length about that on page 3. It refers to the inadequacy of the usual sources and talks about stacking the cards in favour of parties with the wealthiest supporters. On the whole, what has happened is that we believe the effort needed to provide even minimal support is no longer possible because the minimal portion itself is not even sufficient. That is the important point. In terms of time, effort and money there must be a better way. There is no way I can think of in which it is possible to do this. Logically, I myself would prefer this to be done at private initiative, but it is not possible. My personal preference would be to let citizens take care of it. I think all the evidence goes to show that it is not possible and not feasible to do that.

135. Taking another section of that paragraph where you make reference to private funding and mention tax concessions, is not that a better way of providing funding because it would determine that those who deserve it would get the contribution?—A. I think you will remember that that was dealt with in some detail under the German scheme. There have been one or two oversea countries, and I think Germany may have been included, where this was dealt with in detail. A tax concession scheme was worked out and that moved into direct public funding. (Dr Chaples) It was the same in America where tax

credits were provided but they were really only available to those people who really pay enough taxes to make that sort of scheme desirable. (Mr Watson) And it still leaves a high factor of parties who have wealthy supporters getting the most reasonable prospects of government. (Dr Chaples) The really critical thing in our scheme is the point of what I may call returns. A party, in order to present its case to the electorate, has to have enough money to reach the point of making returns. That is the minimum point at which the public provide them with a reasonable campaign. Our contention is that in several cases in modern times all serious candidates have not had the opportunity to put their case. The people of New South Wales and Australia are reaching the point where during the 1970's we were approaching the basis of campaigning at that level, where all serious candidates were not able to put their cases properly before the public.

136. You have used the phrase that serious parties or candidates could have lost the chance to be heard but what examples can you give us in Australia, in any election, where this has happened?—A. It seems to me that the size and the deficit and the requirement for raising funds under emergency circumstances has occurred in both the State and federal sphere in the 1970's, given the number of elections that have been held, and their cost. That is a good indication that it may well be that serious parties have not been adequately heard, and, if they had been, this would have reflected in a different level of the voting.

137. You have not given one specific example at all. If there are any, would you enumerate them? Could it be that it was due to political ineptitude?—A. It is on the basis of having very limited funds to conduct a campaign and in the case of modern campaigning where there is considerable increase in costs of campaigning then, in recurrent circumstances, that problem can be only increased. (Prof. Mayer) May I supplement that? I will say that as campaigns of parties become more difficult and more complicated what was a reasonable effort once to raise money, perhaps 15 or 10 years ago, now becomes a constant preoccupation which diminishes and cuts away from any elective prospects. It diminishes more, so that within the major parties policy discussion takes place upon subjects not directly concerned with the immediate election but with raising funds to fight the election. You are chasing the mighty dollar. Other functions considered to be crucial are diminishing also. To say that they are in danger is perhaps a wrong word but they are being generally weakened. We are concerned with the serious long-range dangers. They are potential dangers to the whole democratic system.

138. Do any of the members of the group have any knowledge as to the size of membership of most political parties in Australia, both nationally and at state level? I am not speaking of parliamentary members.—A. I realize that. I would not take the membership numbers offered by any party as the official numbers to be correct. I would not take them seriously.

139. CHAIRMAN: In any event, that question is irrelevant to the terms of reference of this inquiry. Since lunch, Mr McDonald, your questioning appears to be directed again as to whether public funding is desirable or not. Our terms of reference do not include that section and although the submission given to us does cover a wide range of things that do, in some degree, refer to whether it is desirable or not, that is outside the terms of reference of this Committee. In view of the length of time that this Committee has listened to questions and answers coming from you and answered by the witnesses, I feel I

must now direct you to apply your further questions to the actual terms of reference of the Committee.

140. Mr McDONALD: With respect, I come back to my point I made before lunch. The fact is that we have had considerable additional input from members of the academic group and lengthy questions were put by yourself. We are left with no alternative except to traverse the submission in full. I was not asking whether the system is desirable but the point was being made that serious parties do not get a chance to be heard and, as a consequence, no details were given of that charge. It was an extremely loose statement. No reference was made to any parties in that situation. It is not a question as to whether it is desirable to have the system but, rather, a quantification as to whether individual support is important to membership, because membership of political parties often provides major funding.

141. CHAIRMAN: That is not part of the terms of reference of this Committee. The inquiry has to do with other aspects.

142. Mr McDONALD: Parties have to be actually funded and they have been funded in past election campaigns as a result of their membership and through additional memberships.

143. CHAIRMAN: It has nothing to do with the terms of reference of this inquiry which are quite lengthy. I am sure you are aware of them.

144. Mr McDONALD: I am well aware of them.

145. CHAIRMAN: I ask you to direct your further questions to the terms of reference.

146. Mr McDONALD: That means I am restricted from asking any specific question in relation to other aspects of this submission of the academic pluralist funding group?

147. CHAIRMAN: I have given my direction.

148. Mr McDONALD: Under paragraph 1.3, dealing with vital functions, do you regard voluntary participation as a vital function of political parties?

149. CHAIRMAN: That has nothing to do with the terms of reference.

150. Mr McDONALD: I beg your pardon but it seems that the point as to whether you have a voluntary scheme or compulsory scheme comes within the terms.

151. Mr FISCHER: I agree.

152. Mr McDONALD: It is an argument as to whether it is voluntarism or whether it is state aid. Certainly, state aid is a central part of the reference of this submission and, indeed, the central point of the whole of the terms of reference of this Committee.

153. CHAIRMAN: The terms of reference make no reference whatever to voluntary schemes. We are asked to inquire into and make recommendations upon the introduction of a system involving public funding of election campaigns. Having regard to points A, B, C, D, E and F, I am sure that to read them to you again would occupy considerable time but it can be done.

154. Mr McDONALD: I am grossly disappointed with your ruling. I do not think it sets a great standard for the conduct for the rest of the inquiry and the way in which we are going to consider the rest of this submission.

155. CHAIRMAN: I do not think you have been setting a high standard by your questioning. For a great length of time you have been questioning the witnesses on matters not within terms of reference.

156. Mr McDONALD: I seek to continue to examine the witnesses in light of the fact that if you cannot talk in terms of voluntarism at least there must be a comparison of the circumstances relating to Australia and those relating to other countries so that attempts can be made to draw out the different circumstances operating in this country. Particularly do I have in mind what is set out under paragraph 2.4 where mention is made of compulsory voting. There are many such aspects relating to that.

157. CHAIRMAN: You may ask questions only within the terms of reference of the inquiry.

158. Mr LANGE: On a point of law there is no doubt in my mind that the question of party membership is relevant to the terms of reference C. Obviously that covers membership subscriptions and the size of those subscriptions. The numbers of members of political parties would have a direct bearing on any recommendation we might make concerning reference C.

159. CHAIRMAN: I do not concede that point. I uphold my ruling.

160. Mr McDONALD: I should like to ask a question as to whether the academics might agree that public funding might discourage membership of political parties in the long run.

161. Mr ANDERSON: You have made your submission and the chairman has ruled against you. We have all read the terms of reference.

162. Mr McDONALD: So have I.

163. Mr ANDERSON: I do not think you have, with respect, or you would not have asked the questions you have put.

164. Mr McDONALD: At paragraph 2.3 you say that secrecy breeds suspicion. Could not disclosure breed more suspicion? Would not many journalists and academics try to draw unjustified links between policy decisions and known contributions?—A. (*Dr Chaples*) No contributions?

165. Known?—A. I think there is no doubt that we ought all to be above board about this. Some people who make contributions to the campaigns of political parties at this time would not do so if their contributions were going to be public knowledge, I would suggest, and anyone who finds himself in such a position is going to find himself in a much better position if the parties are funded in such a way that the contributions are not made known. (*Mr Watson*) It is perhaps true to say that no organization or individual is going to fund a political party whose likely policies, if they were in government, would be detrimental to themselves. We seem to be acting continually on the assumption that particular organizations continue to fund particular parties because of some altruism. They do not do that. It needs to be

recognized that there is a connection between their interests broadly and the policies of one or other of the various parties. (*Prof. Mayer*) I would like to add to that; I quite agree with that comment. Of course, some people are very cautious on both sides of politics.

166. Perhaps the academics are aware of what was known as the enemies list in the United States of America?—A. Of Nixon? Yes, I have heard of that.

167. That was achieved as a result of the availability of disclosure?—A. I do not think so. (*Dr Chaples*) The motivating factor for the people on the enemies list was that they were not there because of what they gave but because of what they had done.

168. Mr CAVALIER: Perhaps that is why Joe Namath was on it?—A. (*Prof. Mayer*) They were people who were largely opposed to him. (*Mr Watson*) There were also journalists who asked embarrassing questions. (*Prof. Mayer*) The same as some people do not like having Anne Summers on the aeroplane. Those people were there all the time.

169. Mr McDONALD: May I ask a question about the election research institute? I know that it has nothing to do with the terms of reference.

170. Mr FISCHER: A question was asked this morning which created a precedent for that.

171. CHAIRMAN: It is within the terms of reference.

172. Prof. MAYER: Might I comment on this. Since one of the functions of the proposed institute would be the monitoring of legislation whose total effect cannot be predicted with certainty at this time, and specific aspects for which sufficient experience does not exist, such as the question of by-elections, the setting up of such an institute would come within the general terms of reference.

173. CHAIRMAN: As I say, it is within the terms of reference.

174. Mr McDONALD: You list three functions of the electoral research institute. They are the political funding of party research efforts; the sponsorship of research projects which explore alternative courses of action on policy questions; and, thirdly, the encouragement of a public dialogue on election-related questions and issues; and, finally, the communication of such research to relevant groups and individuals on a non-partisan basis. With regard to the first two of those, could you explain to me how you could have, in an objective way and a non-party way, party research efforts and also with regard to analysing policy questions? That is because of secrecy provisions and the like. How would such an institute be able to function?—

A. (*Dr Chaples*) It seems quite simple that what needs to be available is the results of research so that the public dialogue can be broadened. Obviously, the research that will be undertaken under such provisions would be largely partisan and sponsored by political parties. It would be directed towards providing better policies and better alternatives in government for parties seeking public office. The one requirement we make here is that it is in the public interests that the information that comes out of such efforts is made available to all interested citizens and to all potential candidates. But party directed research is aimed at providing programmes, more informed candidates and better dialogue with the electorate.

(*Prof. Mayer*) Assuming there were funds available, of course you would get a number of applications for research where the line between plain ordinary political organizing and funding, which is in some way oriented to or connected with the party in the public interest, is difficult to draw. We all accept that. But that does not seem to be an obstacle which is sufficiently serious to affect the scheme. It will not be an easy thing to run. Constantly there will be some tension between becoming merely the creature of the parties on the one hand and the merely academic on the other; and since it is conceived from the beginning as something which is neither merely academic nor purely a party creature, it will live, I think, in a state of tension, which I think is a healthy tension. I think it is important that there should be some regular linkage between the more detached modes of analysis, which I hope we can do, and the ordinary party activities.

On the other hand there is a tremendous gap, for a number of historical reasons, as to reasonably well thought out research by parties and others, especially in State politics in New South Wales, which is a particularly great weakness. Even if you include, as one aspect, a partisan motive I can see in time, given some reasonable effort here, improvement which I think hopefully would be not improvement of a single party but an improvement of the party system. So the thing as it is conceived, it is trying to marry the interests and party motive, which must be present in politics, with something different or higher or more detached.

175. Would you not like to see something like a Brookings Institute?—A. Yes, I would love to see two major think-tanks, something like the American enterprise institute for policy research, which produces excellent, well-thought out conservative material. On the left you would have a number of possibilities.

176. Who funds those groups, the enterprise institute and the other groups you refer to?—A. (*Dr Chaples*) They receive funds from a wide variety of sources, some public and some private.

177. They do not come from a take-off from the State?—A. No. Both of them are eligible for government grants and in fact receive substantial grants. What we want is that the management of the electoral research institute be non-partisan. We do not want the research of the institute to be non-partisan; we think it is terribly important that the management of the research institute be non-partisan, service oriented and not under government control.

178. I want to ask one short question before I go on to ratbags and no hoppers. This is 6.2 where you say "We would also support a related reform that increased the number of nominating signatures needed to qualify for election to State Parliament to 100 signatures". What is the reason for that?—A. (*Prof. Mayer*) To be quite honest, what happened there was that originally we had a long discussion as to whether we should put in a bonding system. For a number of reasons, we decided not to. I was in favour of bonding and my colleague convinced me that it should not be done. I think it is true to say that we put it in as a saver. I think Mr Watson covered it. I think you only need six signatures in New South Wales. We thought this was rather low and this was a saver, and of not great importance. If you want to cut down on peculiar candidates you can do it without a bonding system on the number of signatures only.

(*Mr Watson*) It relates to what we were saying before lunch about two per cent, tying that to a loss of deposit.

There is no point in madly encouraging people who are going to get fifteen votes and that is all. But, on the other hand, we want to encourage people who, though small, could make a reasonable contribution. There is some threshold there. It may be a way of discouraging the no-hopers to say they should get a number of people, at least, say, 100 nominators to demonstrate a basis for views based on support rather than money, and tie it to that.

179. I take you to chapter 7, Ratbags, Extremists and No Hoppers. In 7.2 you are dealing with frivolous candidates. This is rather picked up in 7.3. Would there not be a large number of fringe groups, such as the Marihuana Party and Life style groups who would wish to attract publicity by running and thereby trying to gain legitimacy for their ideas?—A. (*Prof. Mayer*) But they would not under our scheme. What chance have they of gaining two per cent?

180. I do not know The Marihuana Party is capable of raising a large amount of money?—A. It got .91 per cent last time.

181. Then, of course, you have the Communist Party. Your argument applies there, too, does it?—A. The argument is in the specific terms of reference, the specific terms of reference to look for small parties and independent candidates. The point is that I was mainly concerned not so much with small parties which you might disapprove of; the distinction has been made where you are supporting a system of variety and diversity of ideas as such, and at the same time you have quite clearly to do that through supporting particular organizations in some way whom we disapprove of. We find the general notion of supporting a spectrum of new ideas to be more important than, possibly, a party which I personally might dislike getting a few dollars. That is the answer to that.

On the general question of people supporting parties with taxpayers' money, which parties disapprove of, of course it will happen. It is a fact of life that in Australia at present, in our democracies people constantly get taxed for things that they do not approve of, whether it is war, abortion, State aid, the list is endless. I am not aware of any system of government which enables people to opt out of things that they do not approve of.

182. How is the government of the day to decide who is frivolous and who is not?—A. (*Mr Watson*) By the two per cent. (*Prof. Mayer*) By percentage. The government does not decide.

183. Why do you choose 7.3 (a), the top of your four alternatives. As you have perhaps rather cynically and experimentally said, if it is close you raise the threshold?—A. The choice of the threshold, as I explained this morning—you call it arbitrary—we say that it is not arbitrary in that sense. We can look at the system; we pick a number from that, and I am saying there is no empirical basis of picking that particular one. It seemed to me that the threshold of two per cent is rather low. We do not think that the rush of people trying to get at the public trough will occur. If it does occur, it will occur only once, and they will get their fingers burnt. Most will get no funding at all. But if, contrary to our expectations, this flood of people and organizations did occur, it would be a quite reasonable thing to say "Okay, we made a mistake; we have too many of such people; let us raise it from two per cent to two and a half per cent or three per cent." As the figure is not God-given, it can be looked at and reviewed afterwards. (*Dr Chaples*) This is very easy to understand. Voters can understand

it, potential parties and election groups can understand it. One does not get it caught up in a bureaucratic machinery in order to determine eligibility.

184. I turn to my final question on disclosure. Why suggest a \$100 limit? Would this imply to the three academics that a politician or party could be influenced by such a sum?—A. (*Mr Watson*) Again, with the actual numerical sum it is, as always, an arbitrary decision as to where to draw the line. We took the view that anything above that becomes a substantive contribution and anything below that could not tie into arguments about even membership fees. But you start getting down into small contributions and moneys from barbecues and so on. It may be arguable it should be a bit higher. There comes a point at which the contribution becomes substantive and where people should know where it is coming from. The sum of \$100 in any given party for an election seems to me to be quite a reasonable sum of money to be given to a political party and therefore should be a matter of public record.

185. Would you concede that the limit of \$100 might have an overall effect of forcing contributions down and therefore making conventional fund-raising by the parties more cumbersome and expensive?—A. We have said in our submission that this seems not to be the experience of other countries that have adopted these sorts of regulations. (*Prof. Mayer*) The Houghton people looked at this question, and it had not happened.

186. On the question of contribution in kind, how do you put a value on entertainers giving support and that sort of thing?—A. (*Mr Watson*) It is very difficult and why we kept saying that we did not buy into the question of maximum was because of the problems of costing those sorts of things. We want to encourage people to put things on record. It becomes very difficult to enforce the law and say this is not reported, but it becomes important to know if an entertainer gives service of that sort—it is a matter of public record anyhow that they have performed at a particular function such as an election rally or something like that. A lot of those things need not be spelled out but it ought to be there. When it is in the form of money we have specified that it be by cheque so that it can be traced by auditors and other people.

187. Have you considered the general question of freedom and privacy of association in relation to this whole question of contributions and disclosure?—A. Yes, we have again spelled out through the submission that privacy and freedom in that sense are important. But an election, political parties and that sort of activity is one public matter which has clear public consequences and although the principle of privacy, which is most important, might be there, public concern and right is an overriding principle in our view. There are clear dangers of secrecy, of privacy in this area with potential for corruption and undue influence. In other countries, however unreal it may be here, it is sufficiently serious for the operation of a proper and genuine democracy that one principle, in this case, disclosure, must override the other principle.

188. Should disclosure apply to party members? Should a person be compelled to reveal his group association?—A. No, again it is a difficult line to draw, but we have not asked for the disclosure of normal party records including income and expenses of running every day administration. Our submission relates to campaign expenditure and election spending, not to day to day running or membership or the cost of running head office, but to the cost of an election campaign and activities that are quite

clearly related to that. Always, there is a fine line; we recognize that, but parties manage to cope with it now. They have election campaign funds, budgets for it, reports to the party executive from their campaign committees about income, how it was expended and so on. They have a notion, we do not think it is an indisputable notion, but it is an operational thing.

189. Mr CAVALIER: I ask a question of all of you. What involvement have you each had in research into and/or organizing research into elections and the campaigns of the major or minor political parties?—A. (Prof. Mayer) My research has been basically in teaching the subject Australian Government, having seminars on this and writing. For example, I have written an article on party funds which appears in a book called *Labor to Power*. It has been a general academic involvement. I have not been involved as Dr Chaples has with details of party funding before, except in a general way.

(Dr Chaples) My experience and interests really go back to the time I was legislative assistant in the American Congress, in the United States Senate and the House of Representatives, and was involved in helping my member raise funds and get re-elected, and also deal with the need to vote on laws that were going to change legislation involving disclosure of public funding of elections in the American Congress. My interests go back to that time. I published a couple of articles at that time. Since coming to live in Australia in 1974, I have become interested in making comparisons with the Australian situation and other European countries. I teach Australian politics and I also face having to teach students about these kinds of questions. It is an ongoing research interest of mine.

(Mr Watson) My answer, with the exception of the reference to the particular chapter in the book, would be much the same as Prof. Mayer. I have taught Australian politics for the past ten years, particularly institutional parties, election material, parliaments and I have a general interest in this sort of thing. I have owned a report on Canadian elections since it came out in 1966 or 1967. By that process one can date one's interest.

(Prof. Mayer) My interest has been indirect because I am particularly interested in the mass media but I have been concerned with the question of funding due to the escalating costs.

190. Dr Chaples, what years did you work in the United States Congress?—A. (Dr Chaples) I was there in 1966, 1967 and into early 1968.

191. The Bill you worked on was in 1966?—A. Yes.

192. What problems did that Bill attempt to solve?—A. It attempted to solve a lot of the problems we are dealing with here, about detailed legislation involving disclosure, the creation of candidate committees, the creation of front organizations to make it easy for the public to know or make it more difficult for political parties and candidates to pursue their basic election purpose. For many years in the United States there has been a conflict between an ever-increasing desire for more control and more information, and a tendency to recognize that greater bureaucracies create more jobs for people who are responsible for supervising the very complicated machinery that can be put in place for this kind of legislation.

193. Briefly, what was the response to the Bill and its ultimate fate?—A. The response to the legislation was that the amendment my member sponsored was defeated

on the floor of the House of Representatives by about 50 votes out of 400-odd votes cast. The Johnson administration initiative which provided a more complicated mechanism was put in its place and has been revised a couple of times since. This morning Prof. Turner talked about what came out of the Canadian research and an ever-increasing realization that the tack that the American federal system has taken, making more specific limits and administrative machinery available to check up on parties and candidates in elections, has been the wrong tack, that the earlier American experience depending more on a free press and upon a public information system to examine the propriety of contributors and potential influence was probably more successful.

194. Since that time have you had the opportunity to compare by first hand witnessing an election publicly funded, and an election that was not? What was your impression of the differences?—A. I have been in Australia since the legislation for presidential elections has been in force so I have no more information about the American events since 1976. But I lived in the State of Maryland where we had public funding of elections as a result of scandals involving Governors Mandel and Agnew dating back to an earlier period of time. It was obvious that public financing of elections did certain things there. It tended to lead to a reduction in people's suspicions about corruption amongst politicians, an increase in political alienation that was prevalent in the United States in the early and mid 1970's. The most important thing it did, and this can be demonstrated, was to increase small contributors and reduce the dependence of political parties and candidates on a small proportion of large contributors, which is a very useful and desirable goal. Also, it contributed to something about which we talked this morning; it contributed to a reduction—and this was demonstrable in terms of political research done at the Bureau of Government Research, University of Maryland—in the response the public seemed to have towards the involvement of the state in election financing.

195. Would you be able to supply the Committee with the empirical research to which you have referred?—A. Yes, I am sure I would.

196. Mr CAVALIER: With the leave of the Committee, perhaps that could be incorporated subsequently in the record, if it is of relevance.

197. CHAIRMAN: I doubt that.

198. Mr CAVALIER: Mr Watson, do you believe that the disclosure laws in various nations have prevented donations that might have otherwise been intended to purchase a favour?—A. (Mr Watson) That is an impossible question to answer. It would be impossible to know whether somebody has not given money they might have otherwise given. If that sort of money was being given and is no longer being given in that form, that is a good thing. If it is given as a form of general support and people are happy about the political party and their support, they should have no qualms about making it a matter of public record, if there is nothing shameful about an activity that has to be hidden.

199. I refer to appendix B and to the general point of distributing funds to local constituencies on the basis of the previous election. Is there not a danger that the funds will be distributed most to those seats that need it least?—A. (Prof. Mayer) There may well be a danger. Personally I have considerable sympathy for the point made by members of the Committee from both parties about

the inequality between seats, rural, urban, safe and non-safe. However, I think that is something the State should not get into, at least not in the first instance, and it is something that has to be fought out within the party. It does not seem to be a matter for government involvement at all. If something disastrous happens, then it should be looked at again. I would resist making further complications. Part of the foundation of the scheme is that I would hope that electors, after some time, will understand the basis of it if it is fairly simple.

There is a danger but I think it is a small danger in that this could serve as a mechanism to ensure local party organizations did in fact act more responsibly. It may be the ALP does not need to spend \$4,784 to contest Waverley in the next election and it wants to spend \$2,500 of that on a central campaign or a campaign in other constituencies. If they choose to do that, as long as that was reported that should be perfectly within the purview of the legislation we are discussing. I realize also there may be an encouragement for candidates and local election organizations to be selfish in safe seats. If they choose to be selfish they have to answer to their membership. The dangers are much smaller than with the other alternatives we have been able to examine.

200. Does the scheme for allocation to local constituencies make adequate provision for redistribution of boundaries and the creation of new electorates?—A. I hope it will. This is something we spent a lot of time trying to figure out. It is important if there are to be new electoral boundaries for the next State election and an Act of this kind is to be in force by the next State election. The two principles we decided on and which we are endorsing here are, first of all, where registered parties are concerned the amounts of funds on which a party will be able to draw will depend on the party's performance in the new electorates rather than the old electorates. For major parties this is no problem. It may put some parties, like the Australian Democrats that only run in a few seats, at a disadvantage. It is the most equitable scheme we could come up with. Where parties are not registered one can depend only on the performance of individual candidates. I can think of no other equitable scheme for determining what types of funding can be applied to them. Exactly how that will work out will require some detailed research on the part of the Committee and it can be done only when the new boundaries are finalized and when we have a chance to look at a table like this on the basis of how funds would be allocated for the 1981 election. I am only guessing what I think it is going to look like.

201. CHAIRMAN: Would you be prepared to talk to us about that in the future?—A. Yes, I would be willing to do the work as soon as the figures on the new election boundaries are available.

202. Mr LANGE: Professor Turner made the point, and I think Professor Mayer agreed with him, that particularly in Holland it was almost impossible to put a value on in kind assistance, such as television and radio time for parties. In your submission 15.7 you said there should be disclosure of contributions in money, services, goods or in kind; if in kind they are to be assessed at full market value. How do you expect it would be possible to do that in Australia if it is not possible overseas?—A. (Mr Watson) Could I answer that question on one level? I think what Professor Turner said this morning, and the point we were discussing was, that it would be very difficult to assess the value of services such as compulsory registration and compulsory voting. It would be hard to work out a cost for the labour involved in putting people

at desks on street corners in the kinds of campaigns that go on in the United States. The sorts of services we are envisaging costing here are not of that sort; it is work that is being done in an election campaign, rather than trying to assess the amount of work that would be involved were it done, which was the point we were making this morning. Professor Mayer may have a different view.

(Prof. Mayer) No, I agree. The distinction is between general access to facilities in some way connected with a State and registration, enrolment, broadcasting, whatever. Broadcasting would not be very hard to cost in Australia because you have a time factor. It would be different depending on the zone. It is different from a personal donation. If a singer appears at a Liberal Party or A.L.P. concert you have the union rates and therefore you have some rough idea. In most cases it would not be too difficult, but not easy.

203. Professor Turner said specifically it related to free time both on radio and television and the point was made it had not been possible to assess it?—A. Holland does not have a commercial system. It is possible to do it here. (Dr Chaples) If the Committee decides to endorse a system that sets maximum levels, it is critical. What we are recommending is that the public has a right to know that a printing firm donates so much printing and that the public knows that the printer is involved in the campaign. We would leave it to the good sense of the individual parties to report that. (Prof. Mayer) Your point is important and I would be happy with a scheme that divided in kind donations into small, medium, one-third or two-thirds. I would not be worried about getting the precise dollar; disclosure is the important point.

204. Would you seriously suggest it would be possible to assess all in kind assistance to political parties during a campaign? For example, the voluntary efforts of people at polling booths, the thousands of workers, could that be assessed?—A. (Mr Watson) My guess is that if somebody was prepared to sit on a polling booth for a whole day or half a day it is not worth \$100 and therefore not necessary to be disclosed.

205. What if they work on a campaign for two or three weeks?—A. Then you are in problems.

206. Do you seriously suggest it is necessary to quantify in kind assistance?—A. I do. (Dr Chaples) I do not. The material things of a substantial nature should be included in the reporting and not individual services.

207. You have said that such services if in kind are to be assessed at full market value?—A. (Prof. Mayer) This is not a pre-arranged submission. We are divided on a number of minor points. On this particular point we are divided. I personally would have made it more than \$200. I think your point is reasonable, but it can be overcome by saying a donation is large, medium or small. It is possible to say that they got four small donations, one medium and one fat. You do not have to state every dollar.

208. The question of disclosure interests me greatly. You have suggested there should be full disclosure of all contributions over \$100 given to political parties. On the other hand, you have said such contributions, if through a fringe organization or front organization, does not have to be disclosed. Is not there a very real inconsistency in that because that is the obvious loophole by which a person can contribute to a political party without it being

known?—A. (*Mr Watson*) I think you have misunderstood the submission. What we have put is that all contributions in excess of \$100 to a political party for election purposes be disclosed. If money is expended by front organizations on public campaigns which do not say, "This is a Liberal Party advertisement" or "This is a Labor Party advertisement", such as was done in the South Australian election, where it is done under another organization, it may lead one to believe that because of what is said in here on behalf of the Chamber of Commerce or this group of academics, one ought to vote for that party. That is not covered. It is money expended by an organization effectively in some way to influence the vote of people, but not as a Labor or Liberal party advertisement.

209. You are saying it does not need to be disclosed?—A. We have suggested at this point it does not. I personally am of the view that we ought to move in that direction. It is already covered and provided for in the Commonwealth Electoral Act which, if you read the relevant section, is extremely wide. It was in some ways my view that that might be possible and ought to be recommended here. We did not collectively go that far, but what we have said is that the question ought to be looked at; if that sort of spending starts to proliferate extensively then the election institute we are proposing would have the job of looking at that and making a recommendation about the possibility of extending the legislation if it is seen to be necessary.

One must bear in mind also that this sort of advertising has to be authorized. That is not a total disclosure. It does not cover the point entirely, but it is some way to saying that this is an advertisement on behalf of a particular trade union, a chamber of commerce or whatever, and that they are buying into the campaign in some way in their name rather than handing of \$5,000 to a particular political party to spend in a less specific way. (*Prof. Mayer*) This is a very important problem. We felt wisely and collectively that it was a different problem and that one should start with the simplest scheme possible; being pragmatic people, if difficulties arise—and there may very well be difficulties—it should be looked at again.

We had to gauge some kind of formula for working out the problem. I think we have chosen the correct way of making the scheme as simple as possible and saying this is likely to be a problem. We have not tucked the problem into the background, but we have taken one or two which might be serious and require extensive study and have said after the first two elections the institute or somebody ought to look at that. That is a question of strategy. Your uneasiness is an important one but I cannot give a simple answer to it.

(*Dr Chaples*) It seems to me it is basically an empirical question and one that needs to be looked at in a non-partisan way in detail, which is probably impossible, given the amount of time this Committee has to work on this piece of legislation. To get disclosure into the initial Act is an important principle. If over a period of time the election research institute or some other group determines that two-thirds of election spending is being spent by organizations other than parties, then I think the Parliament has to consider extending disclosure provisions to groups other than political candidates and parties. If 80 per cent of election spending is determined to be stemming from organizations and parties I see no reason to extend the disclosure provisions.

210. Surely it stands out clearly that you are advocating a system of partial disclosure. You are advocating incomplete disclosure because you are naming fringe

organizations which already exist and which are the obvious way that those people who do not wish to have their contributions disclosed can avoid it?—A. (*Prof. Mayer*) We are saying that elections and parties which take part in them are what we call quasi-public and we want to pay attention to the point Mr McDonald made about privacy and confidentiality at the same time. I stress for the third or fourth time that our scheme is a compromise between a number of principles that are apparently conflicting. Having done that what we have done is to say that it seems as a first bite of the cherry important to concentrate on organizations which actually fund parties to whom other organizations make direct contributions. I would not wish to deny the possibility of your uneasiness becoming a problem. I agree entirely with Dr Chaples. It is not possible to say it will become a major problem; it is a question you have to look at after two or three years.

211. Surely it can be seen already that your proposal would be unworkable if there were such an obvious loophole?—A. I deny there is a loophole in the sense which has been suggested. We have said ourselves, and we are not denying, that all schemes have loopholes.

212. You attempt to reduce the degree of bureaucracy and obviously I agree with that sentiment, but surely you have left open a way in which people who contribute can avoid your disclosure provisions?—A. (*Dr Chaples*) Yes, and if a substantial number of people take it, it may be necessary in the future for Parliament to extend the disclosure provisions to other election spending than expenditure on parties and candidates. It is probably beyond the purview of what the Committee can do this year or in the immediate future. It may not turn out to be a problem at all. It is an empirical question. Under the existing law you can determine what is being spent on public advertising. If there is a substantial increase in that, it should certainly be part of the recommendation of the Committee that that is looked at carefully. Three or four years from now Parliament may want to come back and say this loophole is obviously a problem and we need to extend disclosure to groups that are not presenting candidates for Parliament.

213. You are suggesting that it may be necessary in the future to require, for example, a farmer organization, a manufacturers' group, a trade union, conservation groups and all other lobbying groups to disclose their source of funds if any of those funds are used for political purposes?—A. No. (*Prof. Mayer*) I would say that the Committee raised a major proposal and that this question should be monitored from the beginning and we will see what happens after one or two elections. I am not prepared to make a guess about what the problem is. If there is a problem it may be large or it may be small. I do not know and you do not know at this stage. (*Mr Watson*) Taking the review function that we are suggesting, you end up with a statement which says we can move further in this direction with greater disclosure and more regulation, but that becomes so complicated. The review could go either way after the situation is tested. That is very much an open question in our mind. What we are proposing here may work sufficiently well, though not perfectly. We are happy to live with it. We may want to move this way or that way.

(*Prof. Mayer*) Speaking for the record, I will not commit myself at this stage on what I may think in two years' time about a front organization. All I and my colleagues have said as a collective thing is that it may be a serious problem and it ought to be looked at in two years' time, but whether it will become a problem I do not know.

214. If we did get to the stage where it was necessary to have regulations to disclose contributions to front organizations would you consider the questions of freedom of association and privacy to be of very real concern?—A. I would want to reserve my answer at this stage because the necessary empirical work has not been done. It is not a question I could answer in the abstract until I know how serious I consider the problem to be. If you ask me do I admit there is a potential clash of principle, the answer is yes, I do. What the trade-off or compromise between the two of those principles is depends on the circumstances which we cannot predict.

215. Perhaps there is a slight division of view on that aspect?—A. It is possible. I do not know. (*Mr Watson*) I think what Professor Mayer is saying and what I am saying is in agreement. I was not sure whether something you said there suggested something, but from my point of view if such a change were to be made in the direction of greater disclosure, assuming our present proposal were adopted, I would expect and hope that such a change would be made by legislation and not by regulation. You used the word regulation. I do not know whether you intended it in that way but I would expect it to be a matter that the Parliament would consider and discuss and resolve. (*Prof. Mayer*) I entirely agree with that sentiment.

216. There have been examples of front organizations in the past that have considerably influenced elections. You mentioned South Australia. Surely you can see that that would develop in New South Wales?—A. I am not sure that it would. (*Dr Chaples*) It might very well and this can be admitted. What I think we need to do is not anticipate hypothetical situations but create the mechanisms whereby we can collect information about what will occur.

217. But under the terms of reference we are obliged to make recommendations regarding disclosure and if we accept your view that disclosure be made of donations made directly but not indirectly, in my view it would considerably weaken the credibility of our recommendations.—A. (*Mr Watson*) To take the South Australian example—and there are plenty of others—that in one sense constituted a form of disclosure because a particular organization set up in public in its own name a case in that election. We may not know that the following six people put in a certain amount of money to it but we know that this particular organization, this group of people in their own name, bought into that election campaign. That is part of and quite a significant part of the sort of thing that we are quite happy with.

218. There would be opportunities though for committees for the return of candidate X or party X to arise and there is no way of knowing who is behind that organization unless you have disclosure?—A. That is a possibility.

219. Can we turn to the question of how funds should be expended. You suggest that funding should not cover the everyday operations of political organizations. How do you consider that the costs could be apportioned without a degree of bureaucratic control?—A. (*Prof. Mayer*) I think what Professor Turner said was that this is something we hope would happen. He did not recommend—myself I think it is not possible unless at a cost that I personally would not be willing to bear—a total internal party control. It is much too high a price to allocate this in detail. Given our provision for prior funding and retrospective funding and given the totality of

ideas for new organizations, assimilation of ideas and together with the research institute I think the totality of the package makes it considerably more likely—though not certain—considerably more likely that there will not be a total rush on the money concentrating entirely on the last minute election campaign. But I emphasize strongly I am not speaking for my colleagues—I do not know what they think about it because we have not discussed it. I personally would not favour legislation that compels people to spend the money in certain ways.

220. Do you really think it is necessary to have a direction about how the money should be expended? Is there any real reason why it should not subsidize the day-to-day running of political organizations?—A. That is a difficult one. It is partly concerned with the terms of reference of the Committee which refer specifically to elections and you get into the problem of when does an election begin. In one sense parties are always conducting elections. In another sense they are conducting an election only from a certain day onwards.

221. What about research staff?—A. (*Dr Chaples*) Really this is a red herring. I have never seen either a local or State parliamentary organization that I have been associated with that did not have an election budget for the next election. There may be some overlap with the ongoing party organization, but parties know roughly what they need to fight the next election at the local, State or federal level. They may under-spend or over-spend. What we are suggesting is that the Committee attempt as fairly as possible—and it should be revised by each Parliament—what that figure is and then it should determine how much of that figure it will finance. I personally do not have any problem with providing an ongoing figure for political parties that contribute to the political scene in New South Wales. We stayed away from that, unlike the Houghton committee, because it was outside the terms of reference and we wanted to make our submission relevant. But if the terms of reference were different I certainly would not have any difficulty in supporting that.

222. Do you see difficulty in apportioning the efforts of research staff, whose work probably goes back a year or two prior to an election?—A. (*Prof. Mayer*) I think that is a genuine difficulty. If our scheme is workable—which I hope it is—given the general notion of disclosure and given that the scheme is workable, one of the major reasons why the scheme is simple—if you like, crude, but I say simple—is that we honestly believe that if a fairly simple scheme which does not require endless filling up of forms comes forward, the parties may behave reasonably well. The more complicated the scheme gets, the more incentive parties have to find loopholes. If this is so—it may not be so—I think the knowledge of how they allocate their funding becomes public and if there is no reaction against that of concentrating it on five minutes before the death knock, I would feel sad but I would not go to legislation against it. I personally think—I do not know about the other people—I agree with *Dr Chaples* that it is a moral and political ideal. I would not wish to have legislation that forces parties to spend their money in given ways.

223. Professor Mayer, you suggested earlier that perhaps the electoral office may run the institute?—A. Not really.

224. I thought that was with your tongue in your cheek?—A. Yes. I do not want to be nasty about the electoral office.

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225. It is hardly an appropriate body?—A. Perhaps it is also not quite sophisticated enough.

226. Would you envisage any regulatory role for the institute? You mentioned that it would monitor the effectiveness of the scheme?—A. As I said this morning, we have not worked this out in full because of the time factor. It is a novel idea. My own reaction was a monitoring role. I think the institute would suffer if it was involved in the nitty-gritty of the administration. I think that could be done elsewhere by the electoral office. But the monitoring of the Act—some of the things one suggests are perfectly genuine where one wants to make the best case one can, and one may be wrong or right, but we think we have done the best. These things have to be checked out. The institute should carry out monitoring rather than administration.

227. It would obviously reduce its activity if you do not admit a regulatory role?—A. Yes.

228. Do you suggest it should be run by academics?—A. I personally would be happiest if it was not run by a single group—I would be totally unhappy if it was run only by party people. I would not be terribly unhappy if it was run by academics. What I would personally hope would happen is what happened in the federal sphere under the Whitlam and Fraser Governments of people interchanging—people from parties coming for stints in the institute and people from the institute going to parties.

229. You suggested that local electors should have access to the institute for research work. Would not it really lead to a very large staff if every elector in New South Wales had access for research?—A. I think research is connected with information. Information is a form of power. Since our overall scheme is one that divides resources between a central body and the local body, that to be consistent, must extend also to research efforts. I take your point. The institute would presumably have to watch carefully that it did not get flooded with an entirely local project. I should have thought that if it was a serious institute with a reputation it would be pretty ruthless in knocking back small things like research to help elect the member for Fuller. It would not do that.

230. How do you feel that the institute could fairly apportion its effort between political parties?—A. Basically, what would happen is that the parties would make application, or something like that. Your party or the Labor Party or the Democrats would apply and say, "We have a project here which we would like to carry out, or which we would like you to carry out, costing so much. We think it is a project going beyond ordinary organization," and the institute would look at it and say, "All right, it does not seem to be an ordinary standard basis but has some kind of general community value in it." This cuts across the party tie-up and funds are given for it. Honestly, I do not know what the basis would be on which it would be done. I would not expect it would be a quantitative basis because you would have to make a reasonable judgment on merit.

231. You would have to be careful not to show political bias?—A. I do not think that is so difficult. (*Dr Chaples*) There is another point I would like to make here. We perceive some professional staff being associated with the institute itself. In my estimation that should be a relatively small number but large enough to monitor the Act and the provisions of the Act. It should be large enough to collect relevant information that would allow

the management of the institute to make intelligent decisions as to how the money granted to the institute should be distributed. It should be large enough to disseminate information that the institute funds but it should not be, as was suggested earlier, spent on private research for any private election campaign group. If a local State election group wants research done it should ask for funds to get the research done specifically and it should not come to the institute asking that that be done under the directions they provide.

232. It would be able to receive funds from private sources as well as government sources?—A. I do not think that has been considered.

233. The institutes in the United States of America are funded privately?—A. (*Prof. Mayer*) The ones nearest to parallel are those in Europe. Whether they get private funds I do not know.

234. Are they to be disclosed?—A. Yes. In America I think they are a mix and in Europe I think they are entirely governed but I am speaking subject to correction.

235. Is the source of funds disclosed to the institute?—A. Yes, certainly. Goodness gracious, yes. (*Dr Chaples*) It may be that the institute should be partially government funded and partially from private sources but I do not think it would be necessary for that to be disclosed.

236. Do you think that the retroactive provision applying to new candidates or parties should be entirely dependent upon the record of the vote which is predetermined, and their registration?—A. (*Prof. Mayer*) And depositing of all their material.

237. How could such organizations really budget, not knowing whether they would draw that level of the vote? *Dr Chaples* said that organizations need to budget but how could they possibly do that?—A. Any new organization would have to proceed on the basis of not qualifying but if they were able to qualify that would allow them to meet part of their expenses. If they had \$250,000, instead of fund-raising they would have money left over to proceed with research rather than wasting it on so much effort in fund-raising activities. Too much of the election expenditure is paid for not in advance but after the fact in New South Wales at the present time. Most parties, under normal circumstances, are left with a deficit and instead of spending their time looking to the next election they have to figure out how to pay for the last one. We would like to maintain a situation in which they are always looking to the next election and not directing their efforts to paying for the last election. (*Mr Watson*) Breaking into even the two per cent threshold in Australia, the chances are very small that they will get above it the first time at election. Consequently, the amount of money involved would be relatively small.

238. But assuming they do, and a party or an individual candidate achieves more than two per cent of the vote, the money which would then be received would be used for future administration?—Yes, or campaigns.

239. Are you suggesting registration only for those organizations which wish to be publicly funded, or all candidate should be registered?—A. Only those organizations which seek to be publicly funded. (*Dr Chaples*) Any group that seeks not to be eligible, not to be in receipt of continuity of funding, need not register. Such

people need only adhere to the disclosure provisions. (*Prof. Mayer*) They would have to adhere to the disclosure but they would not need to register.

240. In some electorates a candidate may sit unopposed, in such a situation what would happen to the funds? There would have to be some thought given as to how those funds should be dealt with?—A. That is a good point. (*Dr Chaples*) That is something to be considered by the Committee. I would suggest that if there are one or two electorates in which a candidate is unopposed those funds might revert to the State Treasury. This relates to the statement the Chairman made this morning about retroactive spending, whether we might end up spending more than was technically budgeted for. That is possible. We also may end up spending less. If one has \$2.3 million, plus or minus, depending on how the equation works out, it could be marginally higher or lower in the end result. (*Mr Watson*) In the end it could be higher or lower.

241. On the question of disclosure do you believe that the existing provisions for authorization for political advertisements may need to be strengthened in view of your recommendations about disclosures?—A. I went looking and I have not found where to look for a provision which ts that out. I cannot find a provision in the Electoral Act of New South Wales.

242. CHAIRMAN: It is in the Printing Act?—A. I am not sure of the detail of that. Perhaps it could be in a federal Act.

243. Mr LANGE: Obviously there will be a need for that to be looked at, as to disclosure by political parties.

244. Mr ANDERSON: I wish to cover some matters concerning the view that if public funding of the nature you have proposed were to be adopted in this State the situation Mr Lange raised about unopposed electorates would probably finish; there would not be any more unopposed electorates?—A. Probably. (*Dr Chaples*) I do not think unopposed electorates are very good for the people and I would prefer to have a situation in which the incentive for unopposed elections would be minimized.

245. With regard to the questions you were dealing with the operation of the research institute and, if, for example, one party was able to satisfy the criterion for eligibility for this research to be carried out, is it fair to assume that under your scheme the results of that research would be available to all parties and to the public as part of the dissemination of information?—A. (*Prof. Mayer*) We have not discussed the detail. My general notion is that the information would pass to the public from time to time not in some expensive magazine but on cheap paper, or whatever means is used to disseminate the results to everyone. At the same time, taking Mr McDonald's point, if that was done I think it would need to be clearly discussed by the parties as to its confidentiality. I can imagine that the general results, if channelled back into an electorate, might prove of advantage to another party. Generally speaking I feel they should be disclosed.

246. It would be a public document, no matter who sought it?—A. We have general views on funding. Some research at universities in Australia is not funded if it is done privately, and I do not think parties should be able to apply to get funds for the same private research.

247. With regard to the proposition that two safe seats joined by a marginal one might have their funds directed into the marginal one you answered that by indicating that

under your proposed scheme there would be no objection to the organizations in the two safe seats transferring privately raised money, which is disclosed. There would be no problem as to how it was done?—A. As long as a constituted authority made that decision. I do not think that decision should be made from central headquarters and as long as the transfer was disclosed I have no objection.

248. With regard to the question of splits and amalgamations of political parties, let us take first a split. If a party splits the existing assets and liabilities would become a matter for determination as to what part of the membership got what. Likewise, some provisions, probably in equity, would apply with regard to any allocation under this scheme?—A. (*Mr Watson*) The answer would be that where there is a split under the existing situation there would not be a division of the spoils but the legal and on-going executive of the party, as previously existed, would have the right. The only case I can recall was the A.L.P./D.L.P. split in Victoria in 1954. There was the question of determining who were the legal representatives of the party as previously constituted. They kept the whole of the existing assets. That is only my recollection. In that sense that does not solve the problem but I feel it indicates the entitlement to the allocation.

249. There are clearly established legal precedents with regard to party assets?—A. (*Dr Chaples*) This is a matter the committee should consider. Under the prior election provision the party must register, or the individual candidate. I take the same position with candidates. What would happen is that individual members of Parliament and the candidates who were opposing members of Parliament would become eligible if they were eligible as individual candidates. This would solve a lot of problems of litigation. If the Committee took a definite stand, a tough stand and said that where parties split and there are legal questions of this kind the registration of the parties under the prior election provision need not apply, individual candidates can apply. The candidates are also eligible under the retroactive provision. By all means let us keep the people of New South Wales out of the courts because there would be a lot more money spent on that litigation than there would be available to be divided in these funding arrangements. (*Prof. Mayer*) I express my sentiments in the same vein. I agree with that.

250. At page 7, paragraph 3.3, you make a comparison between Swedish and Danish systems and West Germany and Austria with regard to accountability. On page 18, paragraph 15.11 you virtually recommend that the expenditure and income should be certified by a qualified accountant. I assume this virtually operates in West Germany and Austria?—A. (*Mr Watson*) We could not ascertain the detail of that. It is a provision that largely applies in the United States of America where disclosure laws are fairly sensitive. I am not aware of all the detail. The Swedish system does not go into disclosure.

251. They deal with internal party accountability?—A. The money is given to the internal party organization.

252. Particularly in the case of parties who get over the threshold, in local organizations they would have sufficient money to pay a public accountant to audit their returns to be sent in. That is what you are recommending on page 18, is it?—A. Yes.

253. That they would get a publicly audited balance sheet and that would form part of their return?—A. What you are asking about is laid down in the German

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Acts, the law of political parties. It is on pages 26, 27 and 28. They laid down specifically how the accounts are to be audited and all the rest.

254. On page 7 you refer to the annual grant for election research institutes in the Netherlands being \$1.67 million in 1976. I assume that is Australian dollars?—A. Yes. (*Prof. Mayer*) It has the same population as Australia, 14 million.

255. What is the cost per head?—A. You would work it out pro rata.

256. Does it have the same voting population?—A. I do not know. The total population of Holland is roughly the same as Australia. (*Mr Watson*) It is 10 cents a head of population.

257. So it would get close to 20 cents per voter?—A. (*Dr Chaples*) These figures came from the Houghton report.

258. Page 13, clause 9.7. Here you say the funds should be granted under both the prior election provision and the retroactive provision. You say "Parties and candidates eligible under the prior election provision should be able to apply for and receive funds as soon as the State Parliament has been dissolved and a specific election date has been announced." How could an application be processed in such a short period of time?—A. Eligibility for funds would be known almost immediately after the previous election, so at the same time the candidates would have their applications together and eligibility could be determined. What we are seeking here is that funds be dispersed to parties for election campaigns as soon after the date on which the election campaign is announced as possible. (*Mr Watson*) Eligibility is based on previous election result, and that file has to be done within ninety days. Therefore, eligibility is determined and you know that it will be SX for an eligible party; and given this point, on that day, it is almost a matter of "signing the cheque".

259. In terms of practical operation of your scheme, would it not be preferable if parties, having lodged their normal returns, prepared their submission for funding for the next election and lodged it straight away so that whoever has to check them can have it all done, so that the day the election is announced they can process cheques. Can you see any objection to that?—A. (*Dr Chaples*) No. Their application for funds would be previously certified. (*Mr Watson*) The application is nothing more than saying "Can we have that lump sum".

260. But let us say you are put in a local electorate. You could prepare that straight away, unless in the case of a redistribution, lodge it and it can be ready; on the day that parliament is dissolved they can process the cheque?—A. (*Prof. Mayer*) Sure. (*Dr Chaples*) The State Electoral Office could do this for parties and candidates. There is no reason that research could not be done so that every group and candidate would know what it is eligible for. If there is any appeal, that can be taken in advance and the funds applied for.

261. You do not advocate in your submission any advance system. Do you adhere to that? You do not believe there should be any advance at all?—A. We have not thought that through terribly well. Perhaps it creates some administrative and other difficulties.

262. On page 14 clause 11 you indicate that parties or candidates may not apply for funds. If your scheme is adopted there would be a certain amount allocated. One assumes that if some groups or individuals did not wish to apply for funds, any excess would go back into consolidated revenue. You do not have any proposal for it going into an ongoing fund?—A. (*Prof. Mayer*) Part of the problem the Germans raise is this, that if extra funds are needed above 25 cents per year, where do they come from? We are getting pretty close with the question of parties not running in all electorates, and indeed there being one central kitty, or going back to the State Treasury. We have not discussed that. I should stress for the information of the Committee that in Austria where you get funding, it is 1 per cent of the vote. The Communist Party, which got 1.2 or 1.3 per cent, has refused to take Austrian money and now has problems of conscience because apparently the Austrian Treasury has split it amongst the parties.

(*Dr Chaples*) Part of the principle of refusing funds is they go back to consolidated revenue and are not diverted to other parties or groups; but with the retroactive funding it should really come from a contingency fund that has been otherwise appropriated, and any money that the party does not accept is paid back.

263. You do not suggest it should be divided between those that are eligible?—A. No.

264. On page 17 clause 15.4, in the last sentence you are talking about failure to disclose or report. Earlier in the day the prospect of the Court of Disputed Returns was mentioned. I think that is the Supreme Court. It deals with problems arising out of this type of legislation. What I am concerned about is, to ensure a good appellant mechanism in it, it is not simply a bureaucratic or administrative decision which says you failed to comply, end of the section, you are not getting any funding. Would you agree with that?—A. (*Mr Watson*) At one level we perhaps should have put in there a reference to a proper judicial hearing. We tried to avoid getting down to minute detail, except in the area of dividing up the funds, because we are not particularly competent to draft legislation on those sorts of things. We did not want to buy into certain levels of detail. As far as percentage of funding and things like that, we saw it as proper and necessary. We took a backseat in the other matters and left it to the draftspeople. (*Dr Chaples*) But it should be quite clearly in the Act.

265. In clause 15.7 we speak again of the \$100. Perhaps it is not the same thing as a "front" organization, but you could get 20 donors giving \$50, which is not required to be disclosed. Alternatively, you could have a fund-raising barbeque with as many as 100 people paying \$10.—A. That is what we are trying to encourage. To the degree that the private funding is an important ingredient and an ongoing activity of political parties, I would strongly encourage activities in which a large number of people gave relatively small amounts of money. What we are trying to do is put on record those instances in which relatively small numbers of people give relatively large amounts of money. That is what the public needs to know about—not the barbeque nor the contribution thrown into the basket.

266. Let us hypothetically suggest that there is one big company which has 50 subsidiary companies and they all put in \$50. That is certainly trying to beat your scheme, is it not?—A. It might, but they might have to go to an awful lot of work to beat it. (*Mr Watson*) We have recommended that disclosure in certain cases be an obligation on the donor as well as the recipient, and it may well

be that in the case of public companies and trade unions. that we ought to have said—although I have not checked with the other members of the group—that all contributions from public corporations and similar bodies in that group should be disclosed, regardless of size. (*Prof. Mayer*) I would not agree with that. (*Mr Watson*) It may be that that would be a solution to that one.

267. On page 18, clause 15.11 and 15.12, you talk about the electoral office dealing with the returns that are filed and lodged as a consequence of the disclosure provisions. Assuming it is the electoral office for the sake of this question, would you agree that a provision in any legislation covering disclosure that information for breaches of the disclosure provisions should only be dealt with on an information laid by the electoral office? What I am looking at is people making vexatious or frivolous complaints. I think they should be lodged with the electoral office rather than any member of the public being entitled to lay a complaint because you could get a complaint laid two weeks before an election?—A. (*Prof. Mayer*) Without having discussed it, I would be happy with that.

268. You would need a protection provision?—A. (*Mr Watson*) you may; and the electoral office may not be the appropriate body to deal with that; it may be the Corporate Affairs Commission.

269. In clause 15.12 you mention special general meetings for companies, trade unions or like organizations. Is that not a matter for the shareholders or trade union members? If a recipient has got to declare that in his return, then the public can find out, be they shareholder or trade union member, that their union or company has, without permission, made a donation to party X and deal with it within the rules of the company or the union rather than putting such a provision in? If one had a snap election one wonders how difficult it would be to call a special meeting in six weeks—either of a company or a trade union—to agree to the payment of funds?—A. I grant there is a practical problem there. That is the only ground on which I had some doubt about putting this in. But we also considered the desirability that if other peoples' money is being expended that the people involved ought to have the right of say in advance. I do not know that this snap election matter is such a problem because it can easily be done in advance and approved. (*Prof. Mayer*) I do not feel at all happy about the money being spent first and finding out a year or two afterwards. (*Dr Chaples*) I have a little different reaction. I think full reporting is an absolute requirement, subject to approval by annual or special general meetings. This may need further examination. The executive may need to lodge that approval; but certainly, along the way, the member must have access to that.

270. In clause 15.14 we talk about on the statewide fund the party organization has to lodge this, that, the other and policy. If local organization conditions are going to be funded should not there be a requirement upon them to lodge all the pamphlets that they have issued within the electorate and to lodge a copy of those pamphlets within the library of that electorate?—A. (*Prof. Mayer*) That seems to be a sensible idea. (*Dr Chaples*) Yes.

271. With regard to clause 15.15, what I am concerned about is, on whom does the prosecution and ultimate fine fall, and in which court? For example, you have the local organization of a party which has to apply and put in their sheets and so on. If they have to do that, does the fine fall upon the candidate or upon the secretary of the organization, the president, treasurer or whom?—A. (*Prof. Mayer*) We have not worked that out. (*Dr*

Chaples) I think the solicitor has to work that out. Whoever is eligible to get the fund should be the person who initially is eligible to be fined.

272. But the Committee gets the funds, not the candidate?—A. That is right.

273. Would it be the person signing the form, that lodges it, or the person upon whom an order was served to lodge the form?—A. (*Prof. Mayer*) That is a legal question.

274. Mr FISCHER: I refer to appendix A. If your scheme was recommended by a majority of this Committee and the Government adopted it, the Communist Party of Australia would have available \$46,285 and the Australian Democrats \$44,279, as part of your proposals?—A. Yes. With regard to the Communist Party of Australia, I should point out to the Committee a need to look at other workings of the Electoral Act, and how the grouping of candidates in the ballot may lead to accidental votes because of the so-called donkey vote.

275. There have been recent massive amendments to the legislation covering the voting system in the Lower House and the upper House it is unlikely that there will be further amendments for some time. You have based the figure of \$46,285 to the Communist Party on their vote. Is it a fact that they enjoyed No. 1 position on the ballot paper at the last election?—A. Yes. I do not know what significance that has and frankly I do not think anybody else knows. It would be a much better Electoral Act if each group was randomly distributed at the top and bottom of the ballot.

276. Whichever group drew top position on the ballot paper would automatically qualify for some \$46,000 of the taxpayers' money?—A. No, that is not correct.

277. If the League of Rights conducted a political party campaign and it or the Communist Party drew top position on the ballot paper, that party would walk away with \$40,000 or \$50,000 of taxpayers' money?—A. If there were public funding and if organizations of that kind drew top position on the ballot paper the donkey vote would decline. More people would be aware of the importance of the Electoral Act. The major parties would have an incentive to point this out, which they have not at present.

278. Under the terms of the constitution of the Australian Marijuana Party that party is proposing a breach of the State's laws as they now apply. Do you see a constitutional difficulty with one Act saying the party should receive some \$40,000 of taxpayers' money, if it happened to secure the top position on the ballot paper, and it getting about its work of breaking other laws in the State?—A. (*Mr Watson*) The funds are given to help elect candidates to the Parliament; they are not given to support other party activities. They are expended on a proper public function. There is nothing illegal about the Marijuana Party or any other party that may propose that laws be changed, or even broken by certain people in other activities. There is no law against such a party running for political office or getting elected. It is that activity that this would fund. (*Dr Chaples*) It is easy to eliminate the donkey vote in New South Wales Legislative Council elections. The Committee may make a recommendation to do that. If that is a big problem, the Committee should include that in its deliberations.

279. In accordance with the comments earlier today, that would be clearly outside the terms of reference.

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However, that is a matter for the Committee.—A. (*Mr Watson*) I would think that the last term of reference would cover it.

280. Clearly as it stands the donkey vote would have a big impact on the eligibility for finance?—A. (*Prof. Mayer*) It would be quite wrong to say that the whole of the \$40,000-odd is a donkey vote.

281. You propose that anyone donating more than \$100 will have their name available publicly as donating to and supporting a political party and cause. In giving this public evidence, would you have any objection, or do you feel equally obliged, to disclosing any specific party of which you have been a member?—A. I am perfectly happy to disclose that but I cannot speak for my colleagues.

282. CHAIRMAN: As I understand it, previous questions by Mr McDonald were concerned with affiliation and the work in which the witnesses have been involved.

283. Mr FISCHER: But which particular party?—A. It should be left to each of us to answer. I am quite happy to answer. I am not a member of any party, I am a swinging voter.

284. And you have not been a member?—A. No. (*Dr Chaples*) Nor am I. (*Mr Watson*) I am not a member of any party, but I have been a member of several. The principle behind disclosure is a quite different one from the principle you are implying by that question. The principle behind disclosure is about the potential for undue influence, not about one's private activities.

285. It would seem that you have not given a great deal of thought to what should apply with by-elections. As has been said, it is a difficult one-off situation. There is a greater need for a ceiling in a by-election relative to the size of the seat being contested, et cetera, than in a general election situation, is there not?—A. (*Prof. Mayer*) I have not given sufficient thought to that. (*Dr Chaples*) I have given thought to it, and there should be full disclosure and full reporting of by-elections. I am not convinced that there is a need for a ceiling.

286. Several electorates in New South Wales run to the State's border. I refer particularly to the Castlereagh electorate, for which a by-election is to be held. It has been suggested that money could be spent in other States. Are you aware the media feeding New South Wales is based in Wodonga or Surfers Paradise, or there is a TV station that transmits over the border? How would you envisage any jurisdiction in relation to media outlets based over the State's borders?—A. (*Mr Watson*) The answer to that is while one State goes alone it could not regulate all expenditure if it wished to. That is the limitation of any provisions and which we would have to live with until such time as the other States or the Commonwealth accept something similar, assuming New South Wales accepts something like this. It is certainly a limitation on the efficacy of what we are suggesting. It is of relatively insignificant impact when compared with the benefit that comes out of this sort of thing. We are not assuming that the system may be perfect.

287. There could be requirements on the media as part of their licence?—A. (*Prof. Mayer*) You could not do it, it is a federal matter.

288. Is that true in relation to printed matter?—A. Yes. The main expenditure is in television.

289. Would it be a possibility so far as the printed media is concerned?—A. I have not thought about it. (*Mr Watson*) My personal hunch, to which I gave a little thought, is that in some ways it would be unfair to put a regulation on the press which did not apply to the other two media, and it would create complaints about anomalies which rightly or wrongly might be unfair.

290. If you could apply it to the three media would you be interested in using that as a method of implementation of the scheme?—A. I would be interested in looking at its value as part of such a scheme. (*Prof. Mayer*) The scheme would be to compel the three media to give free time as part of a licence? But newspapers do not have a licence. (*Dr Chaples*) This takes us into the area we are trying to avoid in our proposal, which is bureaucratic interference. I would rather provide a fair amount of money so that parties may present their case to the people and leave it to the individual party to get their message across. (*Mr Watson*) I would like to look at it, but it is far beyond the bounds of constitutional possibility.

290A. Would you gentlemen be prepared to give the Committee a specific item of government expenditure to allow the public funding of political parties, as an acid test of your priorities and proposals?—

291. CHAIRMAN: We should not require an answer to that.—A. (*Mr Watson*) There is a fair answer. We regard this as being very important, as being absolutely crucial to the proper operation of a democracy. Obviously in recommending this we believe that an item like that should take a position in a budget and a position should be found for it. Comments throughout the day have been that the basis of the scheme is you attract more votes and get more public funding under your formula for the electoral or statewide fund. Would it not be the case that a current lack of funding is a much sharper motive for political parties to perform better, to attract more votes, than adopting the carrot approach of money for votes rather than performance for votes? (*Prof. Mayer*) All evidence I have of the two major parties, and leaving out the minor parties, in New South Wales is that they constantly get into debt, and constantly spend a great deal of time which I should hope they would otherwise spend more profitably. We take parties seriously; we think they are important. We take the functions of parties as increasingly central to democratic life. In New South Wales we are convinced that the parties are being run on amateur lines and I would prefer, ideally, the parties to be nice, tidy and easygoing organizations. I think those days have gone. Conditions have changed. It is a different ball game.

(The witnesses withdrew.)

(Further hearing adjourned to a date to be fixed.)