

*Recd 3/12/09  
3:40pm  
HM*

Mr Robert Furolo MP  
Chairperson  
Joint Standing Committee on Electoral Matters  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Furolo

I refer to my letter of 17 November 2009 enclosing draft terms of reference for a proposed inquiry by the Joint Standing Committee on Electoral Matters (the "Committee") into the public funding of election campaigns in New South Wales.

As you may be aware, the Government has also consulted with a number of interested parties on the draft terms of reference, including the leaders of political parties represented in the NSW Parliament and independent Members of Parliament.

I am now writing to formally refer for inquiry by the Committee the matters set out in the enclosed final terms of reference.

The comments received from interested parties have been taken into account in finalising the terms of reference.

I note that a number of parties with whom the Government consulted on the draft terms of reference made comments concerning the recommendations made in the June 2008 report of the Select Committee on Electoral and Political Party Funding.

As you will see, the enclosed terms of reference make clear that the present inquiry is intended to build upon the earlier work of the Select Committee.

In particular, the Select Committee recommended, among other things, that a ban be imposed on all but small political donations by individuals. I have already indicated that the Government supports that approach. The Select Committee noted, however, that such an approach is not feasible, either from a practical or legal perspective, except in conjunction with significant increases in public funding.

Accordingly, the Select Committee also recommended that consultation be undertaken to determine a reasonable increase in electoral and political party funding.

Consistent with that recommendation, and noting that electoral funding reform is a significant issue that affects all participants in the electoral process, the Government considers that full consideration through the multi-party Committee's inquiry process is the most appropriate way to progress these reforms.

I look forward to receiving the Committee's report in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nathan Rees', written in a cursive style.

**Nathan Rees MP**  
Premier

## **Draft Terms of Reference**

That:

- (1) having regard to the June 2008 report of the Legislative Council Select Committee on Electoral and Political Party Funding which recommended, among other things, that all but small donations by individuals be banned and that further consultation be undertaken on increasing public funding of political parties and elections; and
- (2) noting that the Government has announced its support for the introduction of a comprehensive public funding model;

the Joint Standing Committee on Electoral Matters is to inquire into a public funding model for political parties and candidates to apply at the state and local government levels.

The Committee is to consider the following:

- (a) the criteria and thresholds that should apply for eligibility to receive public funding;
- (b) the manner in which public funding should be calculated and allocated, including whether it should take into account first preference votes, parliamentary representation, party membership subscriptions, individual donations and/or other criteria;
- (c) any caps that should apply, including whether there should be an overall cap on public funding and/or caps on funding of each individual party or candidate either absolutely or as a proportion of their total campaign expenditure or fundraising;
- (d) the persons to whom the public funding should be paid, including whether it should be paid directly to candidates or to political parties;
- (e) the mechanisms for paying public funding, including the timing of payments;
- (f) whether any restrictions should be imposed on the expenditure of public funding and, if so, what restrictions should apply and how should the expenditure of public funding be monitored;
- (g) whether any restrictions should be imposed on expenditure by political parties and candidates more generally and, if so, what restrictions should apply and how should expenditure be monitored;

- (h) how public funding should apply as part of the broader scheme under which political donations are banned or capped;
- (i) whether there should be any regulation of expenditure by third parties on political advertising or communication;
- (j) whether there should be any additional regulation to ensure that government public information advertising is not used for partisan political purposes;
- (k) any implications arising from the federal nature of Australia's system of government and its political parties, including in relation to intra-party transfers of funds from federal and other state/territory units of political parties;
- (l) what provisions should be included in order to prevent avoidance and circumvention of any limits imposed by a public funding scheme;
- (m) the compatibility of any proposed measures with the freedom of political communication that is implied under the Commonwealth Constitution;
- (n) the impact of any proposed measures on the ability of new candidates, including independent candidates and new political groupings, to contest elections;
- (o) any relevant reports and recommendations previously made by the Select Committee on Electoral and Political Party Funding; and
- (p) any other related matters.

The Committee is to report by 12 March 2010.