

31 March 2008



Reverend the Hon FJ Nile
Chair
Select Committee on Electoral and Political Party Funding
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

Dear Reverend Nile

Inquiry into Electoral and Political Party Funding
Response to question on notice.

The Hon Robert Brown: '... In your summary you suggest creating a sliding scale of public funding. Could you explain what that would entail, and do you know of such a system operating in other jurisdictions?'

Thank you for the opportunity to respond to the question on notice.

PIAC is concerned that current system of public election funding has undemocratic effects including:

- The major parties receive significantly more public election funding than minor parties and independent candidates and it therefore further entrenches the privilege of major parties.
- Because the payments are retrospective, public funding advantages those who are already established. New entrants are faced with taking a risk and investing their own money or borrowing it in the hope that they will be elected or achieve the 4% vote necessary to receive electoral funding, and therefore it does not promote campaign equality.
- It contributes to the ever-increasing costs of elections, as there are no connected requirements to limit spending (only the Tasmanian Legislative Council has limits on expenditure) or limit private donations, even though public funding was originally intended to address the problem of high costs of campaigns

The Australian system of providing political parties with a 'gift' of public funding for their election campaigns without requiring in return: expenditure limits; private donation limits; political advertising limits and without specifying what funds can be spent on is 'extremely unusual by international standards'¹

PIAC has argued in its submission that these requirements should all be attached to public funding. However, the problem of unfair advantage to major parties will still exist if public election funding continues to be based on a per vote basis. If a reasonable cap on election expenditure is introduced then the amount of public election funding given to each party could also be changed so as to meet the financial equivalency objective of a fair democratic system.

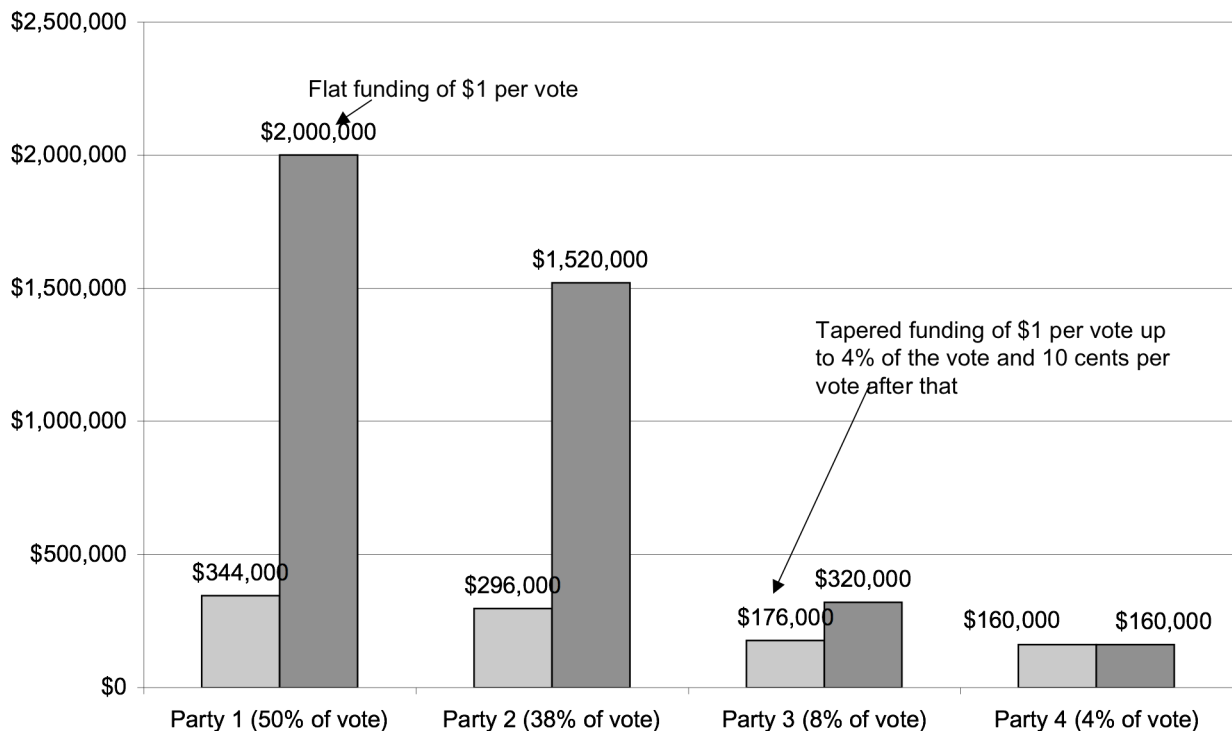
¹ Sally Young and Joo-Cheong Tham, *Political Finance in Australia: a skewed and secret system* (2006) 125.

PIAC has suggested that introducing a sliding scale of public funding is one way of addressing this issue.

The arguments for a sliding scale are that:

- it recognises that a certain amount of public funding is desirable and necessary to support political parties and independents to undertake their democratic functions;
- it recognises that there is some fairness in funding being based on relative support;
- it goes some way to addressing the huge difference between the public election funding of the major parties compared to minor parties and consequential undemocratic advantage this gives them;
- while it does not solve the problem for new entrants of retrospective payment of election funds it should at least bring about some reduction in the huge disparity between the amount of public election funds received by the major parties compared to minor parties and independents and new entrants;
- it will save money.

The following graph illustrates how a sliding scale might work based on funding of \$1 per vote up to 4% of votes, then 10c per vote after that (this differential has been selected for illustrative purposes rather than as an indication of the amounts PIAC advocates should be used). The light grey columns model funding on the sliding scale, the dark grey funding at a flat rate of \$1 per vote.



PIAC is not aware that such a system exists in other jurisdictions, but has suggested it for further consideration as a way of improving the financial equivalency objective of a fair and democratic system.

Yours sincerely

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