

**Submission
No 55**

INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

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The Chairman
Inquiry into Electoral and Political Party Funding
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Dear Sir

SUBMISSION ON INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

Thank you for your invitation of 26 November 2007 to make a submission to this inquiry. I wish to submit the following:

INTRODUCTION

In 2001 the question of donations to political parties emerged into the public arena as a topic of public discussion and since that time has been generating increasingly heated debate. At best there is a perception that those who make donations to political parties have easier access to politicians than do other members of the public. At worst the perception is that politicians are hostage to those who provide large political donations and govern for their benefit rather than for the benefit of the public at large such as in the areas of planning and gambling.

This state of affairs is detrimental to good governance in New South Wales. The public finds the perception that politicians give preference to those providing donations extremely distasteful, especially when it is considered that this results in government action that may be to the detriment of the public. Equally, politicians must find the situation of being under an obligation to donors most repugnant.

There are strong arguments that a better system of political funding be devised and implemented to prevent these conflicts of interest.

Such improvements can take the form of:

- Restrictions on donations from the private sector
- Increases in funding from the public sector
- Limitations on elector spending
- Adequate disclosure



1. RESTRICTIONS ON DONATIONS FROM THE PRIVATE SECTOR

- 1.1. We broadly recommend that the procedures adopted by Canada be adopted.
- 1.2. A donations cap per individual should be established (e.g. \$1000 per party per annum)
- 1.3. Donations from corporations, trade unions, associates and other organizations, from trust funds and from anyone outside New South Wales, whether directly or indirectly through other identities should be prohibited
- 1.4. Transfers within parties from outside NSW should be prohibited
- 1.5. Certain types of donations should be banned such as from gambling organizations
- 1.6. There should be a limit on third party election advertising

2. INCREASES IN FUNDING FROM THE PUBLIC SECTOR

- 2.1. To make up for the removal of donors by organisations funding from the public sector should be increased. It should be noted that the public ultimately pays for private sector organization donations anyway – the cost of donations will be in the overall price structure of goods and services.
- 2.2. Public funding should include measures used in the UK such as:
 - 2.2.1. Assistance in the form of free mailings
 - 2.2.2. Free use of public rooms during an election period
 - 2.2.3. Free airtime for political broadcasts
- 2.3. Public funding should be extended beyond current NSW parameters so that emerging parties can get some benefit. It is undemocratic for a funding system to entrench current incumbents to the detriment of other contestants. NSW registration procedures for parties are now so onerous that frivolous election nominations are unlikely.
- 2.4. The NSW Political Education Fund currently is used for party promotional purposes and not for education. It should be replaced by a direct subsidy and made more broadly applicable.

3. LIMITATIONS ON ELECTION SPENDING.

- 3.1. Consideration should be given to limiting expenditure on the lines of the New Zealand system.
- 3.2. Party expenditure caps should be devised with the amount determined by looking at, say what 80% of parties on the average spend per whatever criterion is used.

4. MONITORING AND ENFORCEMENT OF MEASURES

- 4.1. Pecuniary Interest Tribunals, similar to those used for Local Government should be established. The beneficiary of a donation should have the burden of donations legislation enforcement and have an obligation to know where the money is coming from, even in the case of complex chain situations.

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- 4.2. Liaison should be made with the Federal Government to establish responsibilities. Such matters could relate to the prevention of money shifting and using the Tax Act to prosecute organisations giving donations by defining this practice as bribes.
 - 4.3. Timeous public disclosure of donations received and election expenditure should be mandated so that the media and the public can be rapidly informed of trends and of any transgressions. Parties should be obligated to place on a website details of monthly electoral income and expenditure in similar form to the final election reporting currently required to the NSW Electoral Funding Authority.
 - 4.4. Effective sanctions for breaking electoral funding regulations should be established, including loss of office

5. RELATED MATTERS

- 5.1. Voters should be trained to expect good government and to gain good government. Such an approach should reduce the impact of advertisements. An electoral system should aim at voters voting according to party and/or candidate performance rather than according to pre-election promotions. This should reduce reliance on electoral expenditure by parties.
- 5.2. To this end some sort of system should be set up to monitor promises and advertisements and publicly compare what actually has been accomplished.
- 5.3. A broader ban on electoral advertising within a period before an election could be considered.

6. Significance

The current circumstances relating to political party funding in New South Wales combined with the overemphasis by politicians on spin instead of substance has resulted in a corrupt political system in the state. Political donations distort democracy. It is vital for the future well being of citizens of New South Wales that the current excesses are stamped out and a better balance in the political process be attained.

Yours sincerely

Tony Recsei
President