

**Submission
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INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

Name: Ms Christine Berlioz

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SUBMISSION
INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

The Director
Select Committee on Electoral and Political Party Funding
Legislative Council
Parliament House
Macquarie Street
SYDNEY NSW 2000
(email fundinginquiry@parliament.nsw.gov.au)

This submission is from (Mrs) Christiane Berlioz

Introduction

Under the current system of Electoral and Political Funding, businesses, interest groups and wealthy individuals are able to secure influence over parliamentarians through purchase of political influence. This process is not fair or equitable.

Private funding favours major parties. There is inequality of opportunity for other political groups or candidates.

It is public knowledge that interest groups including Pharmaceutical, Alcohol, Gaming and Development Industries are major donors to major parties of Federal and State Government. Details Sydney Morning Weekend edition Feb 2-3 2008 page 8. This process encourages undue influence and corruption.

There are numerous examples to substantiate that there is perceived and real corruption at all levels of Government due to bribery and donations. There is a direct conflict of interest when an interest group interested in a policy outcome donates money either to a campaign for election of a policy maker or to access the policy maker. At the very least, the donor is perceived as distorting the incentives of the policy maker.

Sydney Morning Herald Feb2 2008 **Labor delivers for big donors** 1. 'the NSW Labor Party received \$213,000 from the ethanol company Manildra, at the same time as the government mandated that 2 percent of the petrol sold in NSW must contain ethanol' and 2. 'Property developers pumped more than \$2million into ALP coffers before the state elections – twice as much as last year- at a time when Planning Minister, Frank Sartor, has been criticised for changing planning rules to benefit of developers'. 3. 'Downer EDI gave \$70,000 to NSW Labor. The engineering firm holds a controversial \$3.6 billion railway carriage contract.'

The influence of interest group lobbyists on policy making is proven with the link between by the Property Council statement of mission, goal and achievements at <http://www.propertyoz.com.au/>. The Property Council represents property developers many of which are donors to political parties. It declares its number one mission as **Greater political influence**; its number one goal is to **Improve property returns by reforming taxes and business regulation**. Amongst the Property Council's list of achievements are reforms that have been brought to planning that favour the developers and disenfranchise other electors (<http://www.propertyoz.com.au/> Advocacy, NSW Results).

The abuse of discretionary powers by Planning Minister Frank Sartor under amendment 3a of the EPA further results in perceived, if not real, corruption. The amendment giving a Planning Minister such power was supported by both major parties. It favours take over of developments based 'on discretion' of the Minister and without any obligation for justification or appeal.

Reforms to the Electoral and Party Funding system are long overdue. Whilst I welcome this inquiry, I recognise the importance of this issue and believe that if it cannot be resolved by the Select Committee Enquiry, it should be the subject of a Royal Commission.

RECOMMENDATION

- Reforms should apply, and be consistent, at all levels of government federal, state and local.
- Private funding be banned and public funding apply.
- At Local Government level candidates must declare their affiliation with a Political Party if they receive any support in kind
- Limits be imposed on electoral expenditure at state and local level
- Government misuse of funds for advertising should be addressed.
- Reforms should follow the Canadian model

Standardisation

Existing inconsistencies between Federal, State and Local government would simplify the system, eliminate duplication and close loopholes.

- Reforms should apply, and be consistent, at all levels of government federal, state and local.
- Political Parties transfer donations and funds between states and between Federal and State branches.

Public funding vs Private funding

The Committee's Discussion Paper acknowledges that with private funding *'there is the potential for abuse: political donations may be used to purchase political favours, access to decision-makers, or consideration in policy formation, undermining faith in government and distorting the democratic process'*. It is my view that bribery and corruption is inherent to Private funding process because there is an expectation from the donor/interest group for a 'return on money' and this creates a demand on politicians. There is pressure on the politician whether it is to deliver policies that either satisfy the interest of the donor or that gain the donor's electoral support.

Measures should be introduced to prevent politicians having to depend on private donors. The expense of political campaigns also puts pressure on political parties and candidates to obtain funding.

RECOMMENDATION

- Private funding be banned and public funding adopted.
- Limits are imposed on electoral expenditure at federal, state and local level.
- Require capping of any donation to individuals or groups or parties
- Ex ministers to have a cooling off period before reinstating any consultancy work between government and private corporations.
- Reforms not be limited to banning developer donations but integrate all steps necessary to ensure integrity of process.

Advertising

Government misuse of funds for advertising should be addressed. There is an unequitable system favouring the major parties and particularly the incumbent government to advertise pre election. There is no control on advertising that has become a PR exercise, not an information source on policy or political lines held by candidates.

RECOMMENDATION

- An independent review of advertising material
- Capped expenditure on advertising

Disclosure

Disclosure of any donations must be genuine and transparent.

There exist many loopholes in current disclosure requirements used to shield the identity of major donors. Donations must be auditable.

Third party groups are complex to define, complex and difficult to track down in multinational companies. Political parties transfer funds between Federal, State levels and different branches.

Disclosure periods at State level can be up to 4 years. Records become difficult to find or unretrievable.

Scrutiny of donors should be possible before elections for all government and it should be ongoing.

At Local Government elections it should be mandatory that candidates receiving Political Party support declare their affiliation with that Party and also declare the nature of the support being given, even in kind. In the last electoral election in Ku-ring-gai Council six candidates supported by the Liberal Party or strongly affiliated with the Liberal Party , claimed publicly and on How to Vote cards that they were true independents. Some candidates held positions on Liberal Party branches, and some were endorsed in letters to residents by MPs Brendan Nelson, and Barry O'Farrell.

The imposition of a Planning Panel in Ku-ring-gai could be perceived as a political move to dry up possible developer donations to the Liberal dominated Council.

The following recommendations highlight the complexities associated with private donations if a genuine and transparent process is to exist.

- Donations should include and define third party groups, party memberships in excess of the usual annual fee, front companies, trust funds, and fundraiser donors.
- Disclosure of political donations should be made more frequent, at least once a year and in advance of elections.
- The source of any financial support should be declared (name and address) anonymous donations should be banned.
- Donations from non-Australian citizens and non-Australian registered businesses should be banned.
- Disclosure should include expenditure and donations so that if expenditure exceeds donations there is scrutiny.
- Capping donations- to prevent politicians having to depend on private donors
- Failure to make proper disclosure should be heavily sanctioned.

RECOMMENDATION

- Private funding be banned and public funding adopted.
- The Canada Model of political and electoral funding be adopted.
- Electoral and political funding reforms be consistent across federal, state and local government.
- Mandatory disclosure of political affiliation of candidates supported by Political Parties (including support in kind) in Local Government elections.

I appreciate your consideration of this submission as part of the Inquiry. I am happy to give verbal testimony or evidence if required.

Yours sincerely,

Christiane Berlioz