

**Submission
No 165**

INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

Organisation:

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Date received: 29/02/2008

Select Committee on Electoral & Political Party funding
Parliament House
Macquarie Street
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Thursday 28 February 2008

To the Select Committee

I seek to make a brief submission to the NSW Legislative Inquiry into Electoral and Political Party Funding to complement the submission made by the Leader of the NSW Opposition.

I support the thrust of the NSW Liberal Party's submission and would like to reiterate the need for campaign finance reform.

Concerns with the current system

In my maiden speech last May, I raised my serious concerns with the current political donations system: "The potential remains today to buy legislation and this alone highlights how serious the issue has become. I have formed the view that donations are at a corrosive level in New South Wales."

These concerns were further highlighted by an investigation by the *Sydney Morning Herald* newspaper this year (2-2-08) that revealed some of the biggest winners from NSW Government decisions are also some of the NSW Government's biggest donors. For example the SMH quoted:

- Ethanol company Manildra donated \$213,000 at the same time as the NSW Government mandated that 2% of petrol sold in NSW must contain ethanol;
- Builder of Millennium trains, Downer EDI, which holds a \$3.6 bio carriage contract, donated \$70,000;
- Property developers donated more than \$2 million to the ALP before the State Election, while the Minister for Planning changed planning rules viewed by many as providing benefit to developers;
- The hotel industry – which won concessions on allowing Keno into pubs and outdoor smoking areas – gave \$610,000;
- Star City casino donated \$100,000 only months before the NSW Government decided to renew its exclusive licence;
- Clubs NSW, which brokered a deal with the NSW Government in 2007 on poker machine tax, donated \$86,500.

I need to be clear at this point that I am not in any way calling into question the integrity of the Ministers involved in these decisions nor the companies or industries identified. The swirl of the issue means that even the word donation is viewed as corrupt and the fact remains that it is the system that needs fixing not the people involved. The critical problem for Government is that every decision can be viewed through the prism of legislation benefits to those who have provided donations and quite bluntly the potential remains for corruption.

Proposed solutions

1. Public funding of campaigns

The debate in the last few weeks has shown that donations are provided across the political spectrum. All parties need to join in the reform – a bipartisan approach is essential.

If we ban particular categories of donors and not others, we open up loopholes that could be exploited. However if election campaigns were fully funded by the public purse, we would remove the potential to buy access and legislation. In addition the difficulty of restricted donations in terms of amounts, industries, individuals, corporations or unions would be removed. The simplicity of all campaigns being funded by the public purse would end confusion and more importantly restore the integrity of Parliament in the mind of the community.

We need to follow the lead of places such as Canada, New Zealand and American states such as Arizona, Maine and Connecticut that have more developed public funding systems.

2. Limit campaign spending

Funding caps to the amount political candidates can spend must also be introduced. The current view is that \$100,000 should be enough for any major party candidate to spend on direct mail, posters, advertising, T-shirts and campaign literature. The important point here is that we need to ensure the community have the opportunity to be fully informed and the amount would need to be reviewed before each election.

Minor party candidates and independents would be entitled to the same amount, provided they get at least 7.5% of the primary vote or such level as agreed.

3. Monitoring compliance

I believe the Australian Electoral Commission should monitor the system and undertake audits to ensure compliance by all candidates. The key issues will be the need to ensure that only the capped amounts are spent and any third party endorsements/spending are audited.

4. Remove the distraction of fundraising

Removing the requirement of Ministers – and MPs in general – to seek and procure donations removes a significant distraction from policy decisions and formation.

The public does not appoint someone to Parliament so they can spend time fundraising. They expect all energy to be focused on governing the state. I see the public funding model as providing the opportunity for all MPs to spend more time on policy research, formation and implementation.

5. Restrictions on Government advertising

The recent Federal and State Elections show a significant amount of funds would be available if you restricted advertising prior to the election.

I believe State Government radio and television advertising should be banned for the six-month lead-up to a State Election. The only exceptions would be advertising in the public interest, which could be approved by both the Premier and the Leader of the Opposition or a similar independent arbiter.

Given that the NSW Government spent more than \$110 million on placing advertisements in the year before the last State Election (and I more than suspect the former Federal Government did something similar) then these savings would more than pay for the costs of public funding of candidates.

Conclusion

If we are going to restore the public's faith in the democratic process and put an end to the potential to buy legislative outcomes, we need significant changes to the current system. Tinkering around the edges is not sufficient. The changes announced by the lemma Government yesterday are a step but they do not go far enough.

The public is fully aware that the current political process is being undermined because it is no longer about people and services; it is about donations and paying back vested interests.

I look forward to the outcomes of this Inquiry and implore you to change a system that I believe has held back NSW.

Yours sincerely



Mike Baird
Member for Manly