

**Submission  
No 1**

## **INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING**

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## SUBMISSION ON DISCUSSION PAPER- SELECT COMMITTEE ON ELECTORAL AND POLITICAL FUNDING

### BACKGROUND

This submission is based on the widespread community dissatisfaction which arose in relation to election funding issues, regarded by the community as being very serious, at the 2004 local government election in the Port Macquarie-Hastings local government area. These issues lead to many complaints being made to both the previous and current State Electoral Commissioners. I also took the issue to Professor Maurice Daly, the Commissioner of Investigation into election funding in the Tweed Shire. Professor Daly was extremely interested in these issues but was unable to take them up as he was only one week away from finalising his report.

**Being aware of issues which arose in other LGA's I can not stress just how greatly reform of election funding regulations is needed.** Many of the issues which I raise in this submission would also be relevant to state government elections.

### ISSUES WHICH AROSE AT THE 2004 PORT MACQUARIE HASTINGS LOCAL ELECTION

- A major group which fielded 3 teams involving over 20 candidates, refused the call of the community prior to the election for all candidates to publicly declare how they were going to fund their campaigns.

- Accordingly the local community including the media, awaited the public release of the declaration of election funding reports from the State Electoral Office, only to find that \$43 000 of funding was not accounted for in terms of its source by this group. The team exploited what I feel is an absolutely appalling loophole- that if a group/candidate has not finalised payment of their campaign expenses within one month after the election, then the sources of that funding do not have to be declared until one month after the next election.

**This provision must be removed.** It means that:

- communities have no way of knowing who funded candidates' campaigns until after the following election. What use is that? And what happens if it is not exactly the same team which is re-standing?

- community members have no way of knowing whether relevant conflicts of interest are being declared by councillors at council meetings- and we all know that there are many councillors who simply can not be trusted to declare conflicts of interest.

- Furthermore the group in question stated that their campaign manager had extended them credit for the \$43 000. Again, the community has no way of knowing who actually paid off this debt. Even worse in this case was that the campaign manager, a local advertising firm, had a contract with Council at the time of the election. This clearly could be regarded as a major conflict of interest and raises the issue that some sources of assistance including donations, loans etc should be banned.

- The Election Handbook for the 2004 election clearly stated that **primary** invoices were to be submitted in the candidates funding declaration reports to the SEO. This team submitted **secondary** invoices ie from the campaign manager to the candidates; not the primary

invoices from the service providers to the campaign manager. Despite several requests to the SEO for the primary invoices to be obtained the SEO said it was unnecessary and therefore the community had no way of even knowing if the invoices were an accurate reflection of the campaign expenses.

- Despite the fact that the Election Handbook also clearly stated that an audit can be asked for by the SEO, the SEO refused our community's request to have this team's funding audited saying that they didn't really have the power to do so. Clearly then there is conflict and ambiguity between what the handbook states and what the SEO has the power to do.

- The law states I believe, that media providers must charge the same rates for advertising to all candidates. Once again this community reported to the SEO that a local paper had charged different rates for different candidates and requested action which the SEO said was not in its jurisdiction. This issue was then taken to Dept. Fair Trading who never came back with an outcome.

- It's also been clearly seen across many LGA's that some groups raise enormous amounts of funding for elections. This raises the following issues:

- Is this not an undemocratic process because individuals and genuine community-based teams simply can not compete with teams which have strong financial resources or supporters?

- What is the motivation of groups which run hugely expensive campaigns? Is it a desire to serve the broad community or a desire for power and a drive to be able to implement predetermined agendas once elected? I would strongly suspect it is the latter two.

- What is the motivation of large financial backers at local government level- what are they looking for? Obviously it is favours of some sort and again, predetermined agendas.

## **A MODEL TO SOLVE ALL PROBLEMS**

- As raised in the Discussion Paper, yes, there should definitely be a cap on campaign spending in the interests of democracy and fairness for those candidates who are willing to serve but unable to raise huge amounts of finance. These limits should definitely apply to both individual contributions and overall contributions.

- The combination of capping of election funds and funding local government elections through public funds would solve all funding issues. It would totally remove the capacity for corrupt funding practices, for donations aimed at favours and would give every candidate the equal ability to compete. Public funds would only have to be sufficient to enable enough basic advertising to educate the community about the candidates- this is what local government elections should be about.

**What is democratic about a system in which those who get elected are generally those who have been able to raise the most finance?**

## **AN ALTERNATIVE MODEL- AREAS WHICH PARTICULARLY NEED TO BE REFORMED**

If this system was not able to be implemented then the following areas need to be improved and tightly regulated including:

- Current disclosure requirements relating to election funding sources are **grossly inadequate. The loophole which has been mentioned above must be removed.** It is the **democratic right of electors** to know exactly who is backing the people they wish to elect or have elected.

- At least at local government level, donations, loans and provisions of in-kind services should be banned from:

- businesses whose income derives by more than say, one quarter, from development activities should be banned from giving donations. What can their reason for backing candidates be other than to derive favours?

- from any business which provides goods and services to a council

- **All candidates** who incur funding expenses should be legally required to submit an **auditor's report** with their funding declarations.

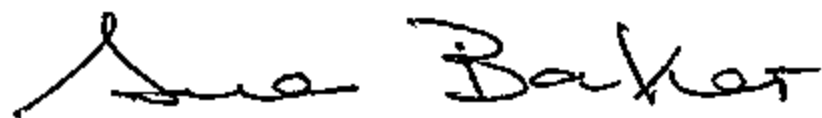
- What the SEO can and can not do in relation to following up funding issues needs to be very clearly spelled out.

- Ensure that the SEO **does** have the legal ability to carry out all matters referred to in Election Handbooks (for example that an audit can be carried out).

- Clarify for all candidates **exactly who is legally responsible** for following up all possible issues such as media companies breaking the law by charging some candidates more than others for the same amount of advertising.

## **CONCLUSION**

The concerns raised by communities across NSW following the 2004 elections, illustrate the desperate need for election donation and funding reform.



Sue Baker

