

**Supplementary
Submission
No 125a**

INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

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**NSW Parliamentary Inquiry
Electoral and Political Party Funding
Supplementary Submission
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During the six years I have led the political donations research project I've become increasingly of the opinion that the only way we could motivate our political leaders to introduce meaningful reform of electoral funding would be because of a major scandal involving political donations. The events of the past weeks suggest this belief was correct.

Ms Lee Rhiannon asked Premier Morris Iemma in August 2006 during a session of a General Purpose Standing Committee if he would follow the lead of Queensland and Western Australia in requiring annual disclosure to the our State Electoral Office (now the NSW Election Funding Authority) of all gifts and other income of \$1,500 or more received by all political parties and associated entities in NSW.

Mr Iemma answered that he would not since NSW had pioneered disclosure of donations and the current system was "excellent." Fortunately Mr Iemma now has had what the Leader of the Opposition Barry O'Farrell calls the Premier's "conversion on the road to Wollongong."

I welcome parts of the reforms outlined by Mr Iemma on 28 February 2008. If enacted these reforms would increase transparency of the source of money flowing into the coffers of political parties in our state. However, certain questions and potential problems remain:

- If political donations are disclosed biannually in June and December, this means all the money coming to the parties between December 2010 and the next state election in March 2011 won't be available to the public when they vote. There will be hundreds of thousands of dollars hidden from voters.
- Will local government councillors, including independents, be required to make biannual disclosure of donations? There is evidence

that some council teams receive donations throughout their terms in office.

- There may be problems with the requirement that all fundraising efforts for members of Parliament, councillors and candidates are handled through their relevant central party office. For example, the Liberals typically don't run party tickets in most local government elections, relying on "independent" Liberal oriented individuals to contest council elections. How will their fundraising events be handled? Also, much information may be hidden about the roles of individual MPs working to recruit companies and individuals to attend these head office functions. It will become more difficult to track the relationships between donors and MPs, councilors and candidates at the local level if all donations are funneled through the central party office. It is these relationships which are often the most troubling and revealing of how donations buy influence.

The main problem of Mr Iemma's proposed reforms is that they don't go to the heart of the problem. He is neither proposing a ban on donations from corporations and other organisations, nor a cap on electoral expenditure in elections. He is only proposing increased transparency of an inherently flawed electoral funding system.

Suggestions by the Leader of the Opposition Barry O'Farrell for reforms based on the UK or New Zealand models are an important step forward. However, I'm perplexed by his ignoring the Canadian reforms. There are potential problems using any model from another country, but I believe the current Canadian system is an excellent one we need to consider in Australia. We need to look at all possible examples provided by other countries in order to devise the best system for NSW and all of Australia.

NSW Election Funding Authority

In my initial submission I made a number of recommendations for changing various procedures in disclosure of donations and expenditure by the NSW EFA. Such changes would often require amendments to the laws under which the EFA operates. Since that submission I've discovered other areas I believe need to be changed.

- On earlier disclosure forms submitted by parties for local government elections, I saw that “Contributions Made by Candidate to His/Her Campaign” was required information. This was not on the disclosure forms for the 2007 NSW state election. When I inquired about this I was told under the current law this information doesn’t have to be disclosed. I believe this is important material that should be required. A candidate who contributes to his/her campaign is a donor like every other donor, and this information needs to be available. Donations made by candidates to their own elections are most useful information for the public prior to voting. For example, the way the reporting system is now, we don’t know if the \$263,434 Mike Baird spent on his campaign for the seat of Manly in 2007 was from his own funds. Liberal Party head office funds or a mixture of the two sources.

- I believe money spent for attending a fundraising event is qualitatively different from a direct donation of money to a political party or candidate. Attendance at such events allows the contributor to become acquainted with ministers and other politicians. Attendance at the fundraiser potentially gives the contributor an opportunity to lobby the politician about issues of concern. Therefore, I argue more information needs to be disclosed about fundraising events.
 1. This includes listing the people from a company attending when a table is paid for by that company.
 2. All auction items should be made public and who pays for the item. Currently if a person gives an item for auction only the value needs to be disclosed, not the fact it is an auction item. Often this is reported on certain disclosure forms, but it isn’t required. We have seen when the item is a dinner with a minister or other politician this is potential important information for understanding decisions they make. Even if the politician isn’t influenced by the person buying a dinner or lunch with him or her, it is necessary for the sake of total transparency that this information is in the public arena.

- More information should be required about expenditures made for holding a fundraising event. Candidates and parties report the total income derived from fundraising event, the total expenditure incurred and the net proceeds. Some candidates itemise the expenditures they incurred in holding the event, however, it isn’t required. However,

since some fundraisers held under the auspices of political parties' head office cost over \$300,000 to net only \$200,000 this raises questions. How was the money spent? The lack of information made available to the public does raise questions about how legitimate the expenditures are.

Australian Electoral Commission

This inquiry isn't about the adequacy of the laws governing the AEC and its reporting responsibilities. However, if the committee recommends the Federal Government call a national summit to consider a nationwide approach to electoral reform there are a few recommendations I would like to make for reform at the federal level. There are many others that I believe are important, but I will mention only a few.

Currently if a donor makes more than one contribution to a political party under the disclosure threshold they are not cumulative. Only those over the threshold are disclosed by the party and all those under are not. Thus, a company can donate many times within a financial year and never be identified by the political party. For example, such a company could donate a thousand dollars every week and the public would not know about the donations.

Donors do have to disclose if their cumulative donations exceed the disclosure threshold. Yet, we have found in our work over the past years that many, probably half, of donors never submit a return to the AEC. The last time I asked about this matter at the AEC, I was told it is too difficult to prosecute companies and individuals who fail to follow their legal requirements. I believe the last prosecution was in the mid 1990s. Since donors discover this over time, there is little incentive for many to meet their legal requirements.

Recommendation One

All contributions by a donor under the disclosure threshold should be calculated by political parties and the total amount reported to the AEC.

Recommendation Two

The legal requirements for donors reporting their contributions to political parties should be tightened and the AEC should be given the resources to ensure the law is enforced.

Recommendation Three

The most important reform to the federal system is lowering the disclosure threshold from the secretive level of over \$10,500 for 2007-08 to \$1,500.

Summary Statement

Finally I would like to repeat a point I made in my original submission. I find many procedural aspects used by the NSW Election Funding Authority and the Australian Electoral Commission deficient. The problem is the system under which they operate. The staff members are among the most dedicated, cooperative and helpful of any public servants I've dealt with in my professional life. Without their help much of the work I've done over the past six years would have been much more difficult, and in some instances impossible.

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