

REPORT OF PROCEEDINGS BEFORE

**SELECT COMMITTEE ON ELECTORAL AND
POLITICAL PARTY FUNDING**

**INQUIRY INTO ELECTORAL AND POLITICAL PARTY
FUNDING**

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At Sydney on Friday 4 April 2008

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The Committee met at 9.30 a.m.

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PRESENT

Reverend the Hon. Fred Nile (Chair)

The Hon. Robert Brown
The Hon. Amanda Fazio
The Hon. Jennifer Gardiner
The Hon. Don Harwin
The Hon. M. S. Veitch

CHAIR: Welcome to the fourth hearing of the inquiry into electoral and political party funding in New South Wales. Before we commence I will make some comments about procedural matters. In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only council members or witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee the media must take responsibility for what they publish or what interpretation they place on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available from the Committee clerks. Committee hearings are not intended to provide a forum for people to make adverse reflections about specific individuals or organisations. The protection afforded to Committee witnesses under parliamentary privilege should not be abused during this hearing and I therefore request that witnesses avoid the mention of individuals unless it is essential to address the terms of reference. Any messages from attendees in the public gallery should be delivered through the Committee clerks. I remind everyone to please turn off their mobile phones. I now welcome our panel of witnesses, representing the views of local councils.

PENELOPE JANE HOLLOWAY, General Manager, North Sydney Council, and

JUDITH ANN LAMBERT, Councillor, Manly Council, affirmed and examined:

GENIA McCAFFERY, Mayor, North Sydney Council, on former oath,

IAN MALCOLM LONGBOTTOM, Mayor, Lane Cove Council, sworn and examined:

CHAIR: Do any of the witnesses wish to make an opening statement?

Mr LONGBOTTOM: Yes, I would like to. Again, I thank you for the invite to address the inquiry. It seems that we spend a lot of time here defending local government from the rampages of the State. Let me say upfront that I have never taken money from anyone for my campaigns in local government that commenced way back in 1987. I have, however, had a property developer renting an office that I own and I must say that he paid market rent and when he had a matter before my council, I declared an interest and left the chambers and took no part in the deliberations or decision. That is what should happen and I believe does in the majority of cases.

It would appear from statements made by the Premier and by the Leader of the Opposition that decisions may have already been made on the subject of electoral funding and this inquiry may indeed be superfluous. What I think we are seeing, Chair, is the entrenchment of the two-party system, with everyone else being excluded from the opportunity to stand for election in this State, and maybe this country, because of the high cost of entry.

I believe the current system works, although I will agree that it has some rough edges and there is a bit more cleaning to do. But the crooks are being found out. There may be some that are getting away with it, but I think it is very small bananas. The big money will get found out because there is no honour amongst thieves. What the courts do of course is another matter.

I do support public funding but my major concern is that if we go this route to complete public funding and this money is paid after the event, how does an Independent or a candidate from a small party raise the funds to enter the race. Can he or she take out a government loan to stand for office? Candidates for local government currently do not receive any public funding and therefore must either fund their campaigns themselves or take donations from various sources to fund that campaign. In the 2004 local government election in Lane Cove there were 58 candidates for nine positions.

Many of you know that these elections are often hotly contested and as you also know the payment for the position is quite paltry. That does not mean that all candidates for local government supplement their fees with contributions from developers. It is my belief that most councillors would declare an interest and not take part in the discussions involving a developer that makes contributions. I cannot, of course, talk about State or Federal parliamentarians.

The Local Government Act 1993 is extremely clear. Section 328, obligation to disclose donations and expenditure; section 442 explains a pecuniary interest—the definition of "pecuniary" is quite clear—section 451 sets out disclosures and presence in meetings; parts 2 to 4 of the Local Government Act; sections 441 to 490

detail the duties of disclosure, complaints concerning non-disclosure and the Pecuniary Interest and Disciplinary Tribunal.

Local government has many watchdogs. We have ICAC, the Ombudsman, the Department of Local Government and its Pecuniary Interest and Disciplinary Tribunal. Because local government is a most watched level of government there is, by nature, much scrutiny of local government representatives. There appears to be limited scrutiny of State Government, that is, there appears to be no State pecuniary interest tribunal. If anyone has an inkling of corruption you can bet your life that the Department of Local Government is called in immediately, either by the general manager, a councillor colleague or a member of the public. Why then should all candidates for local government election be tarred because of a small number of corrupt councillors?

My council's decision was for council to support the draft submissions prepared by the New South Wales Legislative Council Select Committee on Electoral and Party Political Funding. The submission, however, was to include reference to local, State and Federal government, not just local government. I am happy to take questions.

CHAIR: Do any other members wish to make a statement?

Dr LAMBERT: Yes, representing our mayor, Dr Peter Macdonald, I would like to make some brief comments reinforcing but perhaps briefly elaborating on the material in our written submission of 14 February, which resulted from a vote of our council at the meeting prior to that submission. Whilst that submission focuses heavily on controls that might be placed on political donations, the preference of the majority of our council is to see an abolition of both corporate and individual donations and a move to improve public funding, perhaps modelled on the Canadian model, or at least to learn from the experiences in Canada.

Linked with that abolition of donations it would be essential that there is a cap on election funding, that there are mechanisms in place to ensure political equity, and Mayor Longbottom has referred to the challenges faced by smaller parties and individuals running as independents. That could perhaps be addressed by an allocation arrangement prior to the election, whether that be a loan or on some other basis. It is our view that the abolition of political donations should apply not just at local government level and not just at State level, but also Federal, and Manly Council's majority would seek to have the support of State Government in calling for a national summit to establish uniform national legislation and guidelines.

We would also like to note that, whilst this inquiry is heavily focused on the influence of donations on development application processes, there are many other donors who present challenges at least in public perception if not in reality for local government—amongst those, the beverage industry, the packaging industry and licensed premises, the latter being a significant current issue for our council and for many others.

I think the important thing is that, whatever the outcome of this inquiry, local government is at the moment under increasing pressure to be able to determine what is best for our own local areas. Those challenges come in no small measure from State amendments to planning laws and it is essential to all of our councils in the view of our majority that the integrity of the local system is maintained not just in reality—and we believe integrity is largely there in reality—but also in public perception. Without that, our whole local government process is seriously undermined. I am also willing to take questions.

CHAIR: Do any of the other witnesses wish to make a comment?

Ms HOLLOWAY: You have North Sydney Council's submission, but one of the things that I think is very important coming from an administrative point of view is that where election donations are provided to candidates—and this is something we have implemented at North Sydney Council—there need to be stronger measures and requirements for people to then declare those donations and, once they have declared them, to absent themselves from council decision-making when matters come up before council involving a donor. We have amended our code of conduct and code of meeting practices at North Sydney Council to make it stronger than the model code, so that there is a requirement that where a councillor has received a donation for their election campaign they need to declare an interest in any development application or other decision that is being made where that donor is involved, and they have to leave the chamber and take no part in the vote. I think that is a very important strengthening of the code of conduct and code of meeting principles and practices that should be adopted generally, but that is not currently the case.

The Hon. ROBERT BROWN: In regard to the adoption of the ICAC's recommendations to modify the model code, has either Lane Cove or Manly adopted the recommendations and changed the model code in relation to disclosure?

Mr LONGBOTTOM: Not as yet. I have a copy of our code of conduct to table today. It is pretty explicit. Starting on page 8, section 6 through, it talks about conflicts of interest and it is pretty open in terms of what one should and should not do. It has been in the case of my council that if you are involved with a developer you declare an interest. It may not be written here, but it has been an unwritten code.

Dr LAMBERT: In Manly's case it has been the subject of ongoing debate. It is the view of the majority of our council, as reflected in our submission, that amendments should be made so that donations are declared within a very short time after their making rather than on the cycle where they are now where, in the lead-up to an election, it is not transparent what donations have been made to what candidates.

Ms McCAFFERY: Can I respond as well? I have given evidence before and I do not want to repeat that, but I guess I would like to emphasise that the problem at the moment is that election donations—even declared donations—are not a pecuniary interest. In fact they cannot be called a pecuniary interest. They are actually a non-pecuniary interest. What North Sydney's code has done has made that non-pecuniary interest a conflict of interest and, until we make that change, to prove corrupt behaviour you have to get the full ICAC investigation, which we know is extremely difficult, and we only get the extremes of what happened in Wollongong. You need to get to that extreme before you get an investigation.

My strong belief here is that instances like Wollongong totally undermine the confidence of the public in not just councillors but politicians generally and the political process. I would hope that what this inquiry does is make recommendations that will re-establish that confidence of the public in the system. I think that the kind of reforms that Sydney has introduced responding to ICAC—and that ICAC report was a number of years ago now and we really still have not implemented reforms in response to that previous inquiry. How many more inquiries do we need before we make the reform, and we make the reform not just for local government but for the State as well?

CHAIR: As you know, the Premier announced during this inquiry that he supports a ban on all private donations in favour of a system of public funding. I do not think he made much comment about local government, but obviously we are now including local government under the heading of "Public Funding", which will be a very dramatic move to introduce public funding for local government. Would you support the proposition? Councillor Longbottom, you have raised this problem as to how individual candidates or even minor parties get started if there is a total ban on donations. The ban is to stop donations influencing a councillor. If we had a limit on donations of, say, a total of \$1,000 per person or per organisation, would you support limited donations rather than a total ban?

Mr LONGBOTTOM: Yes, I would. I think we have the problem that we talk about developers—not every developer is evil. Not every publican is evil. Whether they want something out of keeping the democratic process going is open to a lot of questions. I do not think many people give a lot of money away unless they want something in return. I think that is human nature. But you have the problem that every member of our community might want something to happen before council at one stage in their life. It might be just the new verandah on the back, the deck that might be a little bit over the code. Do they then say, "Well, I gave you \$1,000 for your election, you've got to help me out here"? I do support public funding, but I do not know how we get to that. As I said, 58 candidates in Lane Cove—do you give them all \$5,000? If they do not get elected, how do you get the money back? Do you go for the money? I do not know how you do this. I am no genius, I do not know how you come up with public funding for local government. Do you then say, "Well, you have got to be a member of a party"? That is not the right way to go either, because I know that even the parties sometimes do not want local government conferences and they do not want entrenched candidates from that party.

So it is a very difficult question to get an answer for, because there is no right of way of doing this. I think the declaration is the way to go, and you rely on people's honesty. At the end of the day, if they are not honest they get bloody well caught out, as has been found in Wollongong and we are finding in other places. Strathfield is another example: the cameras are there, with the money going across the restaurant table.

We have found that ICAC is working. I think the system is working. As I said in my opening remarks, I think people are getting caught. Whether we are catching 100 per cent, I do not know the answer to that, and I do not think anyone does. But I think we are catching the big stuff now, I really do. In my community we do not

have big developments, so there are going to be a lot fewer, if you want, brown paper bags being handed around. But any level of corruption is bad.

My father was a police officer for 43 years. He retired as number three or four. He sat and watched that corruption inquiry into the police department. He said, "What turned those guys? I knew those young officers." I said, "Dad, the first 10 bucks that came across with the licence." Someone has got them then. They hold them, because that person is a corrupt officer—for 10 bucks. A councillor can be corrupt. You try to get the definition out of the Pecuniary Interest Tribunal or the Department of Local Government on what is an appreciable gain or loss, as mentioned as a pecuniary interest. They cannot define the word "appreciable". It could be \$1 or \$1 million, but you cannot get a definition. This is the problem that local government faces.

The department itself cannot give you definitions. We need to look at the Act; we need to add a little bit more maybe. But I think the disclosure thing is the way to go. Hopefully, that will pull it all out. A developer has to disclose; we have to disclose if a developer has an application before the council and he has put money across to the candidate, and you rely on that honesty system. Basically, 99 per cent of us—State, Federal, local—are honest people. It is the 1 per cent that brings everyone else down.

CHAIR: Would you summarise that by saying that you do not want a limit on donations?

Mr LONGBOTTOM: I would be happy to support a limit; I do not have a problem with that. But I think you have to give everyone an equal chance. If I am a member of the Labor Party or the Liberal Party, I have a very good chance of getting funding from head office in a tight election. As an Independent, I have a problem; I am not on the same playing field.

A developer can give money to the Labor Party or the Liberal Party. That money then goes to a local government conference from head office. The candidates do not know that Joe developer who wants something through in Lane Cove gave money through the party. So there is no level playing field, is what I am saying. You are going to penalise Independents—and local government has been fiercely independent over many, many years—and you will also penalise the smaller party. Whether that is right or wrong, I do not know; I have some problems with some of the smaller parties. But I think Independents are very necessary in local government.

CHAIR: One aspect is donations, and the other is expenditure. Would you support a limit on expenditure—for example, a mayor running for re-election having a limit of \$50,000 and a councillor having a limit of \$10,000? Would that be practical?

Mr LONGBOTTOM: I could support that, yes, because I think it has got a way. We are watching the United States at the moment. \$1 billion is being spent, not even to get through the primaries. So I think we have to look at capping. Genia can answer that better. I am not a popularly elected mayor; I have to go to the vote every year. Thankfully, my colleagues have kept me there. But Genia has to spend a lot more than me, because she is up against a candidate standing for the four years. Whether that says she is going to get for years of mayoral salary so she can afford to spend a little bit more—because it is guaranteed what her remuneration will be for that four years.

My remuneration is not guaranteed. I go from maybe \$13,000 one year to \$40,000 the next, and then back to \$13,000. A whole lot of things have to be taken into account here, however you look at it. But I personally do not have a problem with capping. I have never taken money for a local government campaign—never.

CHAIR: What would you suggest, Councillor McCaffery? In your experience, what should be the limit, say, for a mayor, as opposed to a councillor?

Ms McCAFFERY: I run fairly cheap campaigns. I am somewhat community independent: I have a lot of people who work for me for nothing. I have never spent more than \$30,000—actually, I have never spent more than \$20,000 on a campaign. Also, of course, North Sydney is a geographically small area. It has a very large population; it is very densely populated. When I look at someone like Leo Kelly out at Blacktown, you are looking at a very large area with a huge population, three times the size of mine.

I think we need to put a bit of thought into how we work the caps. We have a tiered system for remuneration in local government: there are small councils, middle size and larger councils. Maybe we need a similar tiered capping, that reflects the size of the area you are trying to physically leaflet, doorknock, and so on.

But public funding will not work without a cap. I think you need to protect the public purse, so you need to combine public funding with a cap.

Though I support public funding, I am really not confident that we are going to get public funding. That is why I think we really do need to concentrate on the disclosure issue and we really need to look at, number one, the disclosure and making that a non-pecuniary interest at a conflict, and then make sure that the disclosure forms we put in at the end of the election to the Electoral Funding Authority—that that goes up on the website, in the way that State candidates' declarations go up on the electoral funding website.

Another reform we have introduced in North Sydney is that those declarations are required by councillors to go in their annual pecuniary interest declaration returns. That is a book that each councillor is required to keep, to make available to the public on request. A lot of the criticism coming out of Wollongong has been that it is very difficult to get from councils the declaration information. So I think we need to deal with that issue as well. That is an accountability issue.

CHAIR: So in principle, you will support public funding? I think that is pretty obvious. But that would involve a lot more red tape and reporting, and all those administrative requirements—?

Ms HOLLOWAY: May I add something? What North Sydney, in our submission, has said is that if there are donations there should be a cap on the amount of donations. As the mayor said, perhaps we need some sort of sliding scale, depending on the type of council. In relation to public funding, we have certainly supported that as well. But one thing that is important to state is: Where does that funding come from? I can just imagine that if public funding does become a reality, it will be the councils that will have to provide the public funding, because currently we have to pay for our own elections and they cost a lot of money. Councils are up for a huge amount of money in paying for their elections. North Sydney Council's election is costing us \$260,000.

If councils were required to provide funding to candidates, as opposed to funding coming from some other source, like the State Government, that would be crippling for councils. If you get a lot of candidates, then you get a lot of requirement for funding. So I think the source of the public funding is also an important issue that needs to be looked at.

CHAIR: I think it would be important for the public funding to come from the State level, to maintain the independence of the funding arrangement. It would be pretty difficult for a council to administer its own public funding system.

Ms HOLLOWAY: Yes, that is right.

Mr LONGBOTTOM: Mr Chair, if I could say one thing on that. The State Electoral Office now runs our elections, but they pass the dollars onto us. No way is the State going to pick up the tab; they will pass it on to us one way or another.

With regard to the declarations we must submit every year, that is, within three months of the June period, it states: "Your real property" and "Your sources of income". It says, "Sources of income I received from an occupation at any time during the return period". That could be changed to "any form of income". Then it says, "Sources of income I received from a trust during the return period", "Sources of other income I received at any time during the return period. Include description sufficient to identify the person from whom, or the circumstances in which, that income was received". It is all there. I consider a donation that someone gives me for my campaign goes in here as a source of income.

Ms McCAFFERY: But you need to adjust the period thing.

Mr LONGBOTTOM: Yes, you do the return period. Then I list my councillor mayoral fees, I get rental income from properties; I get directors fees; I have interest from bank accounts—I list the banks; dividends from shares—the back of my return has every share I have an interest in; and interest from a personal loan I have made to someone. Then you have got a question on gifts and a description of each gift I received at any time during the return period. Then there are contributions to travel; interests and positions in corporations—you could be made a director of a development company and that all has to be listed here. It is all there. Then it lists trade unions and professional associations. Our declarations are very clear and very strong—I think they are similar to your own.

The Hon. DON HARWIN: We are very familiar with the headings.

Mr LONGBOTTOM: They are very similar.

The Hon. DON HARWIN: I think it virtually is identical to councils.

Mr LONGBOTTOM: But, Mr Harwin, I have looked at some of the State Government ones and they put folio and lot number as opposed to a street address on some of the State pollies' returns.

Dr LAMBERT: I concur with what is being said in this regard. I think the critical component that is missing, from our council's point of view, is that those declarations need to be much more immediate. Whilst they are on our files and they are accessible to the general public, they need to be much more publicly accessible. I think one of the first points we made in the recommendations in our written submission was that all donations—after some debate in our council—including in kind donations, should be immediately and publicly declared. The challenge often is that the donation is made some time out from either an election or a major decision and it is not on record until the next annual return. They need to be available very soon after a donation is made.

CHAIR: Would that be on the Electoral Office website? Where would it be available?

Dr LAMBERT: Without having discussed in depth with my colleagues that is certainly an option that we think would be feasible.

The Hon. DON HARWIN: I was going to ask the same sort of question as to disclosure of electoral donations. In terms of the time period, I think Councillor Lambert has gone for real-time disclosure. Do you think 12 months, the same as your pecuniary interests, is the appropriate period or do you think it should be different?

Mr LONGBOTTOM: I personally have no problems with disclosure but I also look at the downside of disclosure. If you have got someone who does not like you, they have then got access to all of your assets. At least if they make an effort to come into an office—anyone can go on to any website and look at everyone's assets. We have very strong declarations. Whether we need to disclose those to the world at large or just to our own residents is another question. I guess it is a moot point, but how wide do you go with disclosure and what can be the ramifications of disclosure? It goes the same for you guys too. If we have to declare: you have to declare. Let's all do it in real-time. Are there more problems for State and Federal politicians with people having access to all your various assets?

The Hon. DON HARWIN: I am aware of all of those issues. As councillors you would be aware of the problems you get from vexatious complainants and the whole security aspect—in terms of certainly your residence and that sort of issue is why I imagine some members have moved to the folio and lot number approach. I was specifically focusing on the issue of donations to you. Do you think 12 months is a right figure?

Mr LONGBOTTOM: That could be live.

Ms McCAFFERY: North Sydney, certainly in our submission to you, has supported real-time disclosure. I would support what has been said from Manly. If elected councillors want to retain—and I am very strong on this—their role on a development consent, we really need to look at real-time disclosure. Because, as was described by Judy, at any time within the 12 months you may be making a decision on a development application and with modern technology real-time disclosure is not difficult any more.

CHAIR: It would be simpler to have a ban on development donations from developers?

Ms McCAFFERY: I agree with you that that certainly would be easier. I think I have said—I do not know whether I said it last time I appeared before you but I have certainly said it publicly—clearly developer donations are the focus at the moment but we know that the hotel industry has had a very cosy relationship with political organisations and with the levels of government and that they make massive donations, as does the gaming industry. I think to just select developers is not really looking at the issue. The fundamental issue is public confidence in the process and I do not think it is fair to just say it is developers. I think we have to focus on political donations and the perceived impact of how they influence the decisions elected people make.

The Hon. ROBERT BROWN: Given that viewpoint, would you agree that that overall look at donations would sweep up not just the proponents of developments but the opponents of developments also?

Ms McCAFFERY: Absolutely, and I agree with you that influence can be both positive and negative. I think we discussed this last time. You can influence just as strongly to stop something as to want it to go ahead. Again, that is a strong perception in the public and I think that is why if you make a declared donation it should become conflict of interest and you should leave the chamber whether it is on objections or support.

Mr LONGBOTTOM: That causes other problems. Remember in our role as a local government representative we have many friends in the community. Now where do you draw the line and say, "I can't vote for you because you are my friend." Out of the 30-odd thousand residents of Lane Cove I have many friends. I think you are starting to get to a very fine line here. Then you have got community groups that might support a particular candidate that could raise substantial funds for that candidate, in printing materials and a whole lot of things. It is a very broad thing that we are trying to bring down to something simple and it is not easy.

The Hon. DON HARWIN: This morning we have agreed to publish a supplementary submission in line with the Premier's Ministerial Statement of February 2008. The submission basically says mandatory reporting of donations made by applicants for development approvals, with the details to be made public at the time of lodging the development application; new guidelines for councils to help address situations where there might be a perceived conflict of interest arising from donations, to be developed and implemented in consultation with the Independent Commission Against Corruption; and mandatory reporting by all councils on the voting history of individual councillors on development applications. That was the substance of what the Premier announced in February. I am interested in your views, if you are able to, on those three specific initiatives that the Director General of the Premier's Department has sent to us.

Ms McCAFFERY: I personally support those but I do not support them if it is just for local councils and not for the State. We know that the Planning Minister has massive powers and there is a huge public perception that there are substantial donations from the developing industry to the current Government's party and the result in that again is public perception. Whether it is true or not—this is the trouble when you are dealing with perceptions here—but the perception in the public is that these developers do not give these massive donations and not expect something for them. Then we have a Planning Minister who has wide-ranging powers. If the Premier thinks it is appropriate for councils—and I agree with him that it is—that must also apply to Ministers of the State who have the same kind of power.

Mr LONGBOTTOM: I support those comments. We may not be deciding on development applications very shortly. Frank is trying to take most of our powers away. So the whole discussion might be superfluous when it comes to development applications. But I do support the comments.

Dr LAMBERT: I could safely say on behalf of the majority of Manly Council that would also be the case. If I could just comment on the previous point about the objectors, the opponents to matters.

The Hon. DON HARWIN: That was not actually the previous point. It was directly related to mandatory reporting of donations by applicants and I asked whether it should include objectors as well.

Dr LAMBERT: Thank you for reminding me. Whilst Manly would support that view and also that probably objectors should be included, there is and has been debate a number of times in our council around the question of the limited rights that objectors currently have by comparison with the rights of the applicant in terms particularly of appeal rights. I do not remember a vote on the matter, but I think I could safely say that most of our councillors would view the elected representatives at local level as being a legitimate avenue of appeal, if you like, for genuinely aggrieved objectors. Yes, we do get some that perhaps are not genuine and are acting out of inappropriate self-interest. But I think in our council's case there would be a concern that with any tightening up on that we do not close the door for the last avenue of right for, in our case, quite a lot of objectors.

CHAIR: To clarify the point about the disclosure of the names and addresses of people who make donations, the figures have varied at the Commonwealth level and they are now talking about bringing it down to \$1,000 or \$1,500. Would you support the disclosure of the names and addresses of people making a donation?

Ms McCAFFERY: Yes. Currently for local government it applies to any donation above \$1,000. For me as an independent, I do not accept donations above \$1,000. For most community campaigns people are

making donations around \$100 and they are declarable amounts. I do not think the declarations would stop councillors representing their community's point of view, including objectors. I think donations above \$1,000 at a local government level, for that to become a conflict is not unreasonable.

CHAIR: To disclose the names and addresses of donors?

Ms McCAFFERY: Yes.

Mr LONGBOTTOM: That is there now. Anything over \$1,000 has to be declared.

CHAIR: Do you want to retain that?

Ms McCAFFERY: Yes.

The Hon. JENNIFER GARDINER: I refer to the submission that was made public today from the Premier, the Cabinet and the department, which relates to Mr Iemma's comments in the Parliament in February. As to improving the quality of disclosure of donations I ask for your response in relation to four recommendations:

The Government will:

1. ban individual members of Parliament, councillors and candidates from having personal campaign accounts,
2. limit the involvement by members of Parliament, councillors and candidates in the fundraising process by ensuring all donations are organised, received and administered by the central party office,

Obviously, if you do not have a central party office the next point applies:

3. recommend that the Election Funding Authority or another independent body provide a similar service for independent members of Parliament and councillors.
4. legislate to ensure that loans and other credit facilities provided to parties, members of Parliament and candidates must be disclosed under the Election Funding Act.

So it recommends banning personal campaign accounts, limiting the fundraising and donation process, having the Election Funding Authority or another body undertake the process and disclosing loans and credit facilities. Do you have any views on those recommendations?

Mr LONGBOTTOM: I think that is absolute garbage, to be honest with you. I am not going to put my money into a central fund or central State government bank, if you want, to run my campaign. As I said in my opening remarks, this is all about entrenching the two-party system. If that is what the Premier wants to do, let him come out and say that now. Let us not beat around the bush. Everything that is in that statement you have just read out is all about entrenching the two parties, or if we include the Nats three parties.

The Hon. DON HARWIN: There are two others here.

Mr LONGBOTTOM: The Shooters Party, and Reverend the Hon. Fred Nile has the churches. As an independent you do not have those luxuries. You do not have a secretariat, you do not have a head office, you have to go out and do everything yourself. You have to get your brochures printed, you have to deliver them to every letterbox, and we do that. As I said, 99 per cent of us do it pretty well with no corruption attached to it.

The Hon. JENNIFER GARDINER: And no burden on the taxpayer.

Mr LONGBOTTOM: And no burden on the taxpayer. You could still bring in the caps and all of that, but do not start saying that we have to send it off to the Election Funding Authority to run our campaigns for us. That is just absolute rubbish.

Ms McCAFFERY: The great strength of local government is that it is local. How do you get that? The strength of democracy where democracy really happens is I think in local campaigns where you local people say, "We want a change". I think that is what reaffirms your faith in democracy. What the Premier is virtually proposing is to stop the community campaigns, stop them dead, and then ensure that you have party dominance in local government. As Ian said, my local people who support me are not going to send money into the State Electoral Office. Basically it is party dominance and you will stop independence and you will stop the growth of new parties. Who knows what parties like the Shooters Party or the Christian Democratic Party in the future want to come onto the political scene. This will stop that.

The Hon. DON HARWIN: Do any of you three councillors run under the banner of a registered political party under the Local Government Act?

Ms McCAFFERY: No, but you can register the name and still be above the line, and we do that.

Mr LONGBOTTOM: I once registered the Ian Longbottom Independence Party because to get a group in above the line you had to have that, and you had to get above the line. They changed the whole voting system and that made it more difficult. You then had to run with three as opposed to just running on your own. So you have to find a couple of other people who say, "I do not think that I really want to get elected. What are my chances?" Number three is never going to get up, but number two might. So you have to find people who really want to get involved. The system was pretty simple and then it was made more difficult. With statements like the Premier is making, I think you will drive this all underground and there will be no declarations. Someone will walk up to you in the street and say, "Here is 100 bucks for your campaign, mate. I'm not going to send it off to the electoral authority." That is what is going to happen. We support you but we are not going to go through all this rubbish. I think you will start to drive it underground. At the moment we are all very happy to have it above the ground with everyone looking at it.

Ms McCAFFERY: It is very interesting. The State Parliament changed the way local government elections were run by making us run the elections like an upper House election. If you look at what happened as a result of that we got Tweed Heads and we got Wollongong. The last election was the first time with the new system. We got a massive increase in costs of elections and funding to elections. I think that the change the State Parliament made to the election funding, the way we have to run elections, created a lot of the problem. I think we should look at taking it back to the old system of allowing independents to run in smaller groups and not forcing them to go above the line. You know from running in the upper House that if you do not create the group you will end up inside the area on the right and grouped with the great unwashed. If you want to be identified and get elected you are forced to run as a group. It has stopped the kind of strong independent community-based candidates that we used to have in local government. I think it has made the whole election system and the councils elected more corruption prone.

CHAIR: The group becomes a de facto political party?

Ms McCAFFERY: You have to register. As I said, I have never belonged to a political party. Even when I ran with the Climate Change Coalition it was not a party at the time. I did not join it once it became a party because I do not believe personally in political parties. I am a community independent. That has been the way it has been run before. As you know, there are many members in the Labor Party and the Liberal Party that still run as independents because they are not endorsed by the party. I do not particularly agree with that but that does happen. I think it is worth addressing as part of this inquiry for change to the election system.

Mr LONGBOTTOM: You can have allegiances. There is nothing wrong with having parties and having independents. There are a number of independents in this House that work very well; there are a number of small parties; there are a number of larger parties. It all works pretty well. That is great democracy. If a party decides not to have a local government conference, that is not a sin, it is not a crime. We may be members of other parties but we prefer to stand as independents. I happen to have been a member of the Liberal Party. Most of the people in Lane Cove know that I am a Liberal, but I stand as an independent and have done since 1987. It does not make me an evil person.

CHAIR: Councillor Lambert, you had a different arrangement.

Dr LAMBERT: Yes. In answer to an earlier question, yes, I am a member of one of the smaller parties. I am here representing our mayor, who is a community independent and who, like the other community independent at the table, formed a group because that is the way the system pushed them to go, and I agree with

a lot of Mayor McCaffery's comments in that regard. One of the issues I want to just comment briefly on is Councillor Longbottom's comment, and that is that within Manly Council the community independents and the smaller party representatives strongly hold a view that where another council candidate is a member of another political party, that should be declared as part of their candidacy.

Mr LONGBOTTOM: It is declared. You must declare on your candidate statement that you are a member of a party. It is there on the document and it is put up in every polling booth. It is there now: you must declare if you are a member of a political party. We have to do that. It is our candidate statement. It says it. It is there.

Ms McCAFFERY: We should check that next time.

Mr LONGBOTTOM: It is there. I do it all the time. I have been through four elections; I know what the document says: you must declare if you are or have been a member of a party in the last 12 months.

CHAIR: Just to clarify one of the points that was read out earlier from the Government's submission about not having personal campaign accounts, that should not affect the local independent if the independent has a campaign account as opposed to a personal bank account?

Mr LONGBOTTOM: But the Premier does not want us to have one.

CHAIR: It says, "from having personal campaign accounts".

Ms McCAFFERY: Then how do you run a campaign as a community independent, because we do not have a political party?

Mr LONGBOTTOM: Just don't set up another bank account.

CHAIR: I assume it meant you would appoint another person to be your treasurer who would run the account.

Ms McCAFFERY: That might be worth getting clarification on, if we are still able to set up an account that says "Re-elect Genia McCaffery". But I thought what that meant is, in fact, you had to give it over to the State Electoral Commission or somebody else.

The Hon. DON HARWIN: You are right, it is not really clear. But it would seem to suggest that if you are an independent you cannot have a personal campaign account.

Ms McCAFFERY: Yes, only a party.

Dr LAMBERT: We have discussed this informally in Manly and there is certainly a concern—not the Premier's statement, because we heard the Premier's statement to be saying you cannot have that account, everything has to be centralised—but we discussed it informally, and it was certainly not a debate in council, we were of a view that that actually acts contrary to the sort of transparency we are trying to achieve.

The Hon. MICHAEL VEITCH: Councillor Longbottom, I concur with your statements. I actually for 12 years ran as an independent in a small rural council and, yes, you do have to disclose and you also have to put it on your annual disclosure. So, it does happen. I agree, to say that you cannot run as an independent if you are a member of a political party is contrary to all the principles of democracy as it stands in local government.

I want to go to another matter. I think Councillor Lambert touched on the declarations of in-kind donations. In conversations I have had with my former colleagues in local government—I have recently resigned as a councillor—there is a very broad understanding of what in-kind donations really are. Do you have a view, Councillor Lambert, as to what sorts of things you would include in in-kind?

Dr LAMBERT: It is another matter that this time has been hotly debated in our chamber. Whilst we do not have a formal resolution on it, it is the prevailing view that it does need definition and the definition should probably revolve around provision of professional services that would otherwise be the subject of a fee. I am trying to paraphrase a lengthy and robust debate, but where a professional—I am about to use myself as an example since I will not be a candidate next time: I work professionally in environmental sciences. If I was to go

out and letterbox for our next candidate to some enormous amount that added up to a capped level in terms of if there was a fee associated with it, then that would not be an in-kind contribution. If I was to provide some kind of major professional advice on an environmental campaign that was a hot issue for our local government area then that would be an in-kind contribution. I hope that example clarifies it. If somebody was a printer by trade and they did all the printing for a candidate or a group of candidates free of charge or at a discount rate, that would be an in-kind donation.

Mr LONGBOTTOM: I have been offered a coffee at a reduced rate from a local café owner and I said no. In our code of conduct it does have gifts or benefits and it says, "You must not, of course, seek or accept a bribe or other improper inducement or by virtue of your position acquire a personal profit or advantage which has a monetary value other than one of token value." Again, token is not. But I think an expensive bottle of wine is something I would declare: a bottle of Rawson's Retreat I might not. If someone brings it to a luncheon we share it. I think you have got to be pretty fair dinkum here and I think half a glass of wine or a glass of wine over a sandwich is not a bribe or an inducement because you might pick up the tab the next time.

It says at 7.3 in our code, "You may accept gifts or benefits of a nominal or token value that do not create a sense of obligation on your part", and it comes back to the honesty provisions. Are most of us reasonable? I think we are. I have got a code of conduct that I rely on, and I think most of my colleagues do, and many of the thousands of local government councillors that I have met over the years are pretty honest people and they take it responsibly because they know that someone is going to talk about them if they do not do the right thing. We live in smallish communities; people see you. If I meet with anyone I meet in the Lane Cove Plaza. I am open to everyone to see who I am meeting with. I think that is the way it has got to be.

Most of us are very open. The code says what you must do. Maybe the codes can be tightened up a bit; the pecuniary interest provisions of the Local Government Act can be tightened up a bit, but I pretty much say it is all there now. I do not accept gifts. I never have done because I think that can compromise me and I do not want to be compromised. I have a favourite saying that you came into this world with one thing—that is your name—and when you go out at the other end make sure it is still intact.

CHAIR: We are getting near the end of our allocated time. Would you like to make a contribution now—

Mr LONGBOTTOM: A monetary contribution?

CHAIR: In creative ideas, not money, as to what should be some of the main recommendations this inquiry should send to the Parliament.

Ms McCAFFERY: I think the key thing we need to do is to restore public trust in the decision-making we do as elected politicians. The reforms, I think, must encourage participation in the process of both candidates and members of our communities. They need to be easily understood and applied regulations. It is no good if we create a whole lot of complexity because I think that creates its own problems. It must be consistent regulation of election funding and donations across all levels of government, not one rule for local government and another for State and another for the Feds. And regulations must be regulations that are strong enough to capture all forms of donations, and we have just discussed this really, including third-party campaigning and in-kind support, which the danger, of course, with reforms is that we can maybe drive those underground and in fact encourage a flourishing black market in political donations. We must not let that happen.

Mr LONGBOTTOM: We are happy with reform; I do not think there is any argument about reform, as long as it affects all of us; that is, the three levels of government. We are all in this together. We are all trying to do the right thing by our respective constituencies. We must have a level playing field. If a State government of any political persuasion takes the development process away from local government, it must be squeaky clean as well. Anything we do must cover the three levels. As I said, we are all in this together; let us make it a level playing field. I do not think the Committee will have a problem with local government about reform. However, reform as the Premier has already predicted is to knock out that independence. In that case I think there will be a lot of opposition from local government. As Mayor McCaffery said, that will drive a lot of it underground. That is not where we want to go; we want more disclosure and transparency. We are all from different political persuasions and we have a similar view. I think most of local government support that, except the bad guys and girls, and they get caught.

The Hon. ROBERT BROWN: Councillor Longbottom, did you say in your opening statement that you had a copy of your code of conduct that you can table?

Mr LONGBOTTOM: Yes.

Document tabled.

Dr LAMBERT: I concur that increased and more immediate transparency is critical to this process. While Manly's majority would support abolition of both corporate and individual donations, we recognise that that may not be the majority view. In that case, stringent capping of both donations and campaign expenditure is crucial. It is about restoring trust and it needs to happen at all levels.

CHAIR: Thank you for appearing. We appreciate the valuable information you have conveyed to this inquiry.

Mr LONGBOTTOM: Thank you. We hope your deliberations go smoothly.

(The witnesses withdrew)

(Short adjournment)

NEVILLE LINDSAY CASTLE, Mayor, Lithgow City Council, 3 Ridge Street, Portland;

PAUL JAMES ANDERSEN, General Manager, Lithgow City Council, PO Box 19, Portland;

WARREN JODY WELHAM, Mayor, Wyong Shire Council, 16 Hely Street, Wyong, sworn and examined:

CHAIR: Do any of the witnesses wish to make an opening statement?

Mr ANDERSEN: Thank you for the opportunity. I think from a local government practitioner's point of view rather than from a local government politician's point of view the issue of electoral funding and disclosures is an issue not only for elected members but also very much for senior staff members—especially with disclosures. There are a number of circumstances throughout local government's activities where senior staff and other staff members who have substantial delegation roles are impacted or affected or are likely to be impacted or affected by the issue of influence associated with political donations to other members within the council. Those particular parts of our industry tend to go unsighted and unseen. There are a number of ways we can try to fix that process through some disclosure processes and encouraging staff to go through disclosure and exclude themselves from certain processes, but there is nothing legislative that covers that part of the local government industry. Recent cases and recent history in places like Wollongong have shown there are some holes we need to plug.

CHAIR: Councillor Welham?

Mr WELHAM: If I could just say in regard to the Wyong submission that we made to the Committee, our concern with the current system is the loopholes and what is available for candidates to essentially avoid disclosure, where they channel money through third parties into company entities associated with candidates. So, what they are disclosing are essentially donations from their own company entities but there is money sitting behind that that has been channelled through various other organisations. That is certainly a concern we have raised primarily in our submission and we hope that any reforms or changes will pick up on those scenarios, to eliminate the possibility of candidates generating money through third-party entities. So, we certainly support the public funding of elections so we avoid that sort of backdoor or underground type of donation that does not go through a disclosure process.

In saying that, part of our submission is looking at the powers of the Department of Local Government, the Electoral Commission and the Independent Commission Against Corruption and how they each relate to each other in dealing with those matters. We have had a number of matters in Wyong shire, a high-growth area with a lot of development occurring. For example, the general manager has put through a 100-page submission to ICAC. Because it has such a narrow definition of what corruption is within its Act, it does not fall within its guidelines. The Department of Local Government says it is not a matter for it, that it is a matter for the Electoral Commission, and its response is it does not have the resources or powers to proceed with the matter. I certainly would like the Committee to look at those organisations, how they interrelate with each other and what sort of powers are available, particularly to the Electoral Commission, for investigation of a lot of these matters of disclosures and donations.

CHAIR: You are referring to a third party making hidden donations. How would they be disclosed? Do you have a recommendation on that?

Mr WELHAM: We believe the original source of the donation should be disclosing any sort of donation. We have had circumstances in Wyong where developers have made statements and produced receipts where they believe they were donating to a particular candidate in an election. That money was not deposited with that candidate, it was deposited into a bank account that had a particular name. The moneys from that bank account were then given to a company entity associated with the candidate and it is that company entity that donated to the candidate. So, on any disclosures that the public can trace it looks like simply one of his family companies has donated to that candidate. The public cannot trace that back to the original source of development funds.

We have also had a recent situation that I would like to highlight in that one of our councillors stood as a candidate for State election. He received \$55,087 from 15 developers and for nearly 12 months that has been unknown because only recently have those returns gone up publicly on the website. It means that that particular councillor has been able to vote in the council chamber on development matters associated with those

developers without the public scrutiny that should be available, because again those disclosures were not made public until recently. That is another concern.

CHAIR: So you would support a scheme where there is real-time disclosure of donations? With electronic facilities that should be possible?

Mr WELHAM: Absolutely, real-time disclosure, but also I would support public funding of campaigns. It might not be in a dollar figure but in resources. You may get a council or the Electoral Commission purchasing space in newspapers and allocating that to candidates or purchasing time on radio and allocating that to candidates once nominations are closed. They may have preferred tenderers for printing services and there is an allocation of a letterbox drop and a flyer. So, I believe you could publicly fund candidates at the local level through a system of allocating resources rather than dollar amounts, and any other sort of advertisements or letterbox flyers that may be produced externally would be banned. So, you have to run your campaign within the allocated lot of resources.

CHAIR: I just remind witnesses not to comment on individuals. That is not part of our inquiry. Did you have anything you wish to say, Councillor Castle?

Mr CASTLE: Just briefly. I am in Lithgow council. In our last election I do not think any particular group spent more than \$3,000 in total. So, some of the discussions as far as electoral funding, I would suggest in many regional parts, not to be to such an extent as it is in city areas. I think, of the 54 candidates, the one single biggest donation was \$1,000 from a union and with 54 candidates that did not become a major issue as far as the amount of electoral funding. Certainly from what was declared there was not one donation from a developer. So, some of the comments that the Premier has made as far as that goes, at this point in time anyway, have not been relevant. That is not to say they may not be relevant in the future.

CHAIR: Would you support a ban on all private donations as has been suggested by the Premier or do you have a limit on private donations, say, of up to \$1,000 per donor per year?

Mr CASTLE: I think particularly in rural New South Wales parties are less of a major force and I think therefore you have a higher number of independent candidates. I do not think restricting donations strictly to a party would be very beneficial to the majority of candidates. I think a cap would be much better rather than having no donations at all.

CHAIR: What would the cap be, \$1,000 per person per donation?

Mr CASTLE: No particular amount but \$1,000 would seem reasonable.

CHAIR: The other way of controlling perhaps the influence of donations is to have a cap on expenditure; that candidates can only spend so much for a mayoral campaign, if the mayor is elected, as opposed to a councillor. Do you have any recommendations on what that cap might be on expenditure?

Mr CASTLE: That would certainly make it a much more even playing field. It does not take much to look in our area to see that a couple of candidates in nearby areas who have significant personal wealth can dominate the media for a significant amount of time and usually that person then gets elected regardless of their ability, whereas other people who may well have significant ability but not many financial assets do not get an even share of the media. Therefore, it makes it more difficult to be elected.

CHAIR: You mentioned that your group only spent \$3,000. It may be that if there was a cap on expenditure it would have to be related to the size of the council region, perhaps a small amount in country regions as opposed to a larger limit on metropolitan or city councils?

Mr CASTLE: That would probably go some way towards making it more equal, yes.

The Hon. JENNIFER GARDINER: Or it could be the other way round. You might have a large geographic area to cover.

Mr CASTLE: Yes, not necessarily the geographical area but the number of people, the electors, I would suggest.

CHAIR: You mentioned \$3,000. Would that be a possible figure for country expenditure for a candidate or group?

Mr CASTLE: Our council size is slightly over 20,000 people with 11,000 electors. That seems quite reasonable and I think of the groups, there were about four groups that spent in the vicinity of between \$1,500 and \$3,000, so that would seem like a reasonable figure.

CHAIR: Are you in favour of public funding for the three representatives, in view of all the red tape that that will involve?

Mr CASTLE: I think that the public funding would highlight the main political parties and it would have the possibility of detracting from individual candidates.

CHAIR: Do you have any views, Councillor Welham?

Mr WELHAM: Again, I support public funding along the lines of resources being allocated rather than a dollar figure being allocated and I think that could be managed probably through the actual council at the local government level or by the Electoral Commission in terms of actually setting up the election. For Wyong Council, there was \$160,000 spent by the actual councillors that were elected, so when you look at the figures, roughly \$20,000 is a decent campaign for an area like Wyong shire.

A lot of that is based on what sort of media outlets you have in the area and what you need to access, so in terms of talking about people or geography, I think a lot of it boils down to media sources that are available also. In terms of allocating resources, you may provide a suite of resources that you can access as a candidate, which I think is a much fairer system of providing public funding rather than just handing on the \$5,000 or \$10,000 and saying, "Spend it as you wish".

The Hon. DON HARWIN: What sort of resources do you have in mind?

Mr WELHAM: For example, I believe that the Electoral Commission or the council for that respective area could purchase advertisement space and then allocate that across to those that are nominated in newspapers, or radio airtime and allocate that across the candidates that are nominated. You could go through a process where there are a couple of printers through an expression of interest process locally. You can be given a certain amount of work such as \$1,000 worth of printing and in-kind printing and the printer, and then it is up to you what you do with that, whether it is a letterbox—

The Hon. DON HARWIN: You would see an arrangement whereby you would be advancing money rather than reimbursing expenses?

Mr WELHAM: No, essentially it would be a council or the Electoral Commission that actually purchases the advertisement space or the airtime and then allocates that to the candidate. You would probably administer the advertisements through a central body, which then places the advertisements.

The Hon. DON HARWIN: How would you work out the allocation in terms of new entrants who were not incumbents? During the Hawke Government there was an attempt to do something with political advertising at a Federal level to deal with campaign costs and it fell foul of the High Court because of the actual formula that was used to allocate. In particular, the formula fell over because of the way they treated new entrants. Do you have any ideas?

Mr WELHAM: My idea would be once nominations have closed you would treat all candidates as people who have nominated for that particular election, so you would allocate those resources across all nominated candidates.

The Hon. DON HARWIN: Say we had the Monster Raving Loony Party, which was a factor over in Britain years ago.

The Hon. AMANDA FAZIO: They are still in existence.

The Hon. DON HARWIN: Yes, they are still in existence. How would you deal with someone who was arguably in the field as a joke, for example? Should they be given equal access to public resources?

Mr WELHAM: Under democracy I would have to answer yes, that anybody who wants to put their hand up for local government and represent their community, whether I agree or disagree with their policy, should be given equal access to those resources. Even if they are raving mad and lunatics, they probably represent at least a small part of the community.

CHAIR: If they accept the nomination, then the nomination would be legitimate?

Mr WELHAM: Yes.

Mr CASTLE: I believe, though, there is a potential for the hijacking of a particular electoral campaign. In our area where we have 54 candidates, there were 25 of them into five groups of five that had a very complicated preference system, which was all designed to get one person elected. Now if those 25 people all had a similar amount of the electoral funding—and I would have to say that probably 20 of those people had no intention at all of ever wanting to be on the council but agreed to do it because of the system of having above-the-line voting and all did it to get one person elected—I do not believe that would be a fair distribution of the public finances.

CHAIR: The other option would be that if the person is not elected, then they would have to refund the amount that has been allocated to them?

The Hon. DON HARWIN: Or if they do not get over a certain voting threshold perhaps?

Mr WELHAM: Yes, a threshold, I believe, would probably been more appropriate. I probably agree with Councillor Castle in that there are a lot of candidates who stand for local government now who have no intention of actually being elected, and that is the product of the system we have been given. Certainly hearing some of the discussion from the earlier panel, I believe we need to look, probably as part of this process, at how we do run local government elections because the costs have blown out quite considerably. For the proposed election this year in Wyong Council, we have been given a budget figure of \$700,000 to run the election.

When councils were running it a few years ago it was closer to \$100,000 to run the election, so it is a significant blow-out in costs. As Councillor Castle said, we end up with an enormous number of people simply being on tickets so people can be grouped to get the box above the line. I believe that contributes to this culture of hiding and preference deals and money going everywhere, and would complicate any sort of public funding of local government elections.

CHAIR: At \$700,000, you are almost doing public funding in a sense?

Mr WELHAM: That is purely to run the election from the Electoral Commission in terms of polling booths and staff. It is an enormous figure that, at the end of the day, our ratepayers are going to wear, whereas we could run it efficiently at a council level for about \$100,000, so it is certainly a cost impost on our ratepayers, this system of election for local government.

The Hon. ROBERT BROWN: Councillor Castle, what was the cost of the last election for your local government area? Do you have a rough idea?

Mr CASTLE: About \$85,000 to \$100,000, but I think it is now projected to be more than 2½ times that in one election.

The Hon. ROBERT BROWN: So a quarter of a million dollars, something like that, \$300,000?

Mr CASTLE: Yes.

The Hon. ROBERT BROWN: Councillor Welham, you mentioned in the last local government election in your area the total amount of campaign funds spent was about \$160,000, is that correct?

Mr WELHAM: That is correct, and total actually donated or disclosed was \$171,000.

The Hon. ROBERT BROWN: So reasonably close to each other.

Mr WELHAM: Yes.

The Hon. ROBERT BROWN: Can I ask the panel, what is your view—given these sorts of numbers—of the amount, either in kind through resources or as an expenditure limit, would be looked at for local government elections that you believe that the tax payers would see as reasonable? Have you some sort of rough idea? I know we have talked about \$3,000 a candidate or something like that, but what are your views?

Mr WELHAM: Well I can go by the figures we have in the previous election. As I said, for a serious candidate an election costs about \$20,000. Now whether you could say there may be some fat in that and you could trim it back, but I think that is the ballpark figure you would be looking at to cover the types of media outlets we have on the Central Coast.

The Hon. ROBERT BROWN: As a panel, expanding that question to the number of councils there are across the State of New South Wales, and the fact that the elections are handled every four years, do you think the taxpayers of New South Wales generally speaking would support public funding to that extent? Let us halve it to \$10,000 per candidate and say \$100,000 or \$200,000 per council, an approximate rough figure of \$250,000, with \$500,000 to run a council election, times the number of councils, every four years. What is your view on the value of public funding looked at from that point of view?

Mr WELHAM: I certainly would probably think the community would question those sorts of figures but balance that with what we have currently, where that money is coming from a variety of sources, including developers—and we have seen the problems in Wollongong and further north—then it comes down to a debate as to does the public want to see that money coming out of private industry to fund campaigns or would they rather see it coming out of the public purse and out of their taxpayer dollars? I think that is a debate the community probably needs to have: whether they believe the democracy we have at a local level should be publicly funded or whether they are happy for that money to continue to come out of private sources?

The Hon. ROBERT BROWN: Councillor Castle, what is your view?

Mr CASTLE: If the same rules were going to apply to councils as to State and Federal governments, I would probably think that the rates of expenditure for State and Federal governments would be significantly greater. I do not how many taxpayers of New South Wales would be happy to see that amount of money being spent on various political campaigns at whatever level, when they see the lack of infrastructure and the problems. I am sure that a reasonable journalist would be able to equate the amount of money spent on an election campaign at State, Federal or local level to a particular infrastructure project that would not therefore get done.

The Hon. AMANDA FAZIO: It seems to me that the issue of public funding for Federal and State elections is not so problematic because you have a standard size electorate, except for Barwon and Murray Darling, of roughly around 40,000 electors. I live in the Ashfield council area, which is one of the smallest councils in metropolitan Sydney—we have four wards and there are not that many electors in each one. Do you think that for public funding for local government you would need to have a formula that took into account whether a council had an election for the whole council area, whether it had wards, the number of electors in each ward and that sort of thing, to make it equitable? For example, I would think it would be very difficult to have the same amount of money available in Ashfield as you would in the Blacktown council area, given the number of electors they have. Do you think that sort of formula would need to be applied to make public funding equitable in local government?

Mr CASTLE: I think that any particular formula would have to take into account the number of electors, regardless of the physical size of the council. It really needs to be based on the number of electors, which are therefore the number of ratepayers, and the overall ability of the council. I mean in some cases it is very difficult to try and equate a far western council that might have the same number of councillors and maybe only a thousand people voting, compared to a city council that might also have the same number of councillors and might have 50,000 people voting.

Mr WELHAM: I would back those comments. I do think it needs to be based on the number of people who are voting but—from my earlier comments—it also needs to take into account the area in which you are working, in terms of the media outlets that are available. For example, on the Central Coast we have got television, radio and newspaper that we would need to cover, in terms of promoting a message; whereas in some rural areas they may not cover all of those media outlets. The other thing you would have to factor into that is

emerging technologies, in terms of Internet and online resources, and how you would include those into the mix of that public funding.

CHAIR: Do either of your councils have any restrictions on a councillor voting on a development application if they have received donations or are those donations made public at the point of debate?

Mr CASTLE: The only way donations are made public is through the Electoral Funding Authority and the forms that are filled out. I do not think they are publicised elsewhere. We have a real problem in declarations of interests, mainly through people's professions. If we have a decision to be made about a coalmine when it is such a major part of our economy—we have probably four of our nine councillors who would legitimately have either themselves or their spouses working in the industry or working in the power industry, which is associated with a coalmine—if all those declarations were to take place, we would be in a position where if one person was away we would never be able to vote on those particular issues. In other forms of government, if people are able to make their declarations at the start of a term and they are then open to everybody then people are still able to vote. Some sort of parity along those lines would be certainly welcomed.

Mr WELHAM: In Wyong we basically follow the Model Code of Conduct and we have our adopted code of conduct that deals with those matters. The general practice is that most councillors will declare a non-pecuniary insignificant conflict and remain in the chamber to vote for most matters but they will declare that they did receive a donation from a particular source. The rule of thumb we generally apply, talking amongst ourselves, is whether it was a significant donation—being probably more than one third of our campaign. As most campaigns are around \$20,000, we sort of work on something along that \$2,000 mark. If it were greater than that then we would declare a significant conflict and leave the chamber. But that is not embedded in our code; it is more a rule of thumb and a discussion we have had as councillors and what we apply generally amongst ourselves.

CHAIR: The council would make an announcement prior to the debate?

Mr WELHAM: Prior to the matter being discussed in the chamber those declarations are made and the councillor chooses whether it is significant or insignificant.

The Hon. MICHAEL VEITCH: Last year the Independent Commission Against Corruption recommended the council's model codes be amended to accommodate a range of recommendations they made regarding political donations. Has either of your councils amended your model codes to accommodate the Independent Commission Against Corruption's recommendations?

Mr ANDERSEN: If I might add to that? Not too many councils have actually gone too far with the Independent Commission Against Corruption's recommendations thus far. We are waiting on advice from the Department of Local Government as to how the Model Code of Conduct should be amended first. The legislation that we have at the moment says that our codes of conduct are not to be inconsistent with the Model Code of Conduct. Advice coming from the department's officers at this stage say to change it to reflect the changes that the Independent Commission Against Corruption has recommended would be potentially considered as inconsistent and not actually supported until the department goes through a review of the Model Code of Conduct for a range of things including political donations.

The Hon. MICHAEL VEITCH: Throughout the hearings we have heard various recommendations about timelines for reporting on donations, such as, quarterly or half yearly. One of the recommendations we received from a witness was that quarterly returns be audited by a certified company auditor, which has a costing implication. Do you have any views about how that could be applied at your own councils?

Mr CASTLE: Every time there are further impositions, hurdles or regulations put in place, invariably the monitoring of those has a cost impediment that goes with it. It depends on the degree of that cost and people have to then determine as to whether it is worthwhile or not.

Mr WELHAM: I would probably question what outcome you get for the cost and if the purpose of the disclosure is for public accountability and transparency what further transparency or accountability do you get out of that process. I think we should just have a real-time disclosure of any donations. Then they are out in the public forum. I believe that would be a valid process and would avoid that cost implication. I would like to see what the benefits are of having them audited.

Mr CASTLE: Alternatively we have a policy whereby certainly the vast majority of our development applications are determined under delegated authority by the planning department. There is lot of scrutiny over what the councillors vote on but probably not nearly as much scrutiny, as has been seen at Wollongong, over the people who make the majority of the decisions—keeping in mind that the majority of the decisions are about housing, sheds or whatever. Still there is not that degree of scrutiny on the paid staff.

The Hon. MICHAEL VEITCH: Mr Andersen, in your opening comments you made a statement along those lines about the scrutiny of senior staff. Could you elaborate on what areas do not fall within the current Independent Commission Against Corruption guidelines?

Mr ANDERSEN: I was not saying that they do not fall within the Independent Commission against Corruption guidelines. What I was getting at was that a lot of the process that is applied to councils is not then necessarily applied to senior or other delegated staff. There is a perception amongst the community that there is a stack of conflicts there. Unfortunately, in the rural or regional areas that perception becomes reality, as you are probably aware. That then erodes confidence in local government and then ultimately in State government regulations with respect to local government, especially with respect to development application determination processes. The policy that the mayor referred to previously, we have extended it to the point that it says that certain activities by staff are considered by the administration as being in conflict and they may have to remove themselves out of the approval process or determination process to try to remove that perception. My point—and it has been my point throughout the whole debate regarding the development assessment process and Minister Sartor's reforms to planning—is that we need to look at that next level that is a bit stronger than the code of ethics for professional staff, which actually says that these sorts of things are not acceptable, these sorts of things are a conflict and this is how we are going to move as an industry and remove those conflicts out of the process.

The Hon. MICHAEL VEITCH: Where a staff member removes himself because of a conflict of interest, is that reported publicly or to the council in any way?

Mr ANDERSEN: The record of conflict is recorded, yes. It is made public if somebody requested information to be made public. They make the declaration to their immediate supervisor. Their immediate supervisor then either issues that application to somebody else or determines it themselves. As to conflict in relation to senior staff, I will use myself as an example. My wife recently built a house in our local government area. My application was determined by the council, not by the staff at all, to remove any perception of any form of conflict or undue pressure being applied to the staff. If the matter relates to any of my other senior staff, that matter is directly reported to the council and the council make the determination. That staff member is not present in the council chamber when that decision is made by council. It is just that process to step through to remove that perception of undue influence being provided.

CHAIR: Is that policy in writing?

Mr ANDERSEN: That is correct.

CHAIR: And it is given to all staff members?

Mr ANDERSEN: Yes, it is part of our induction process to all staff. It is part of our staff conduct policy that we make all staff sign on when they start with the organisation or change positions within the organisation.

The Hon. MICHAEL VEITCH: Council Welham, how do you handle the senior staff issue in your council?

Mr WELHAM: Ours is probably similar in that I can recall circumstances where our staff have excused themselves from dealing with matters because of conflicts of interest. I will be honest, I cannot actually recall whether we have it embedded in the policy. But certainly I am aware where staff have not dealt with development matters or matters have come to the council chamber for determination because those particular matters have involved senior staff. I believe our system is quite similar, but I just cannot recall whether we have that as a policy or not.

The Hon. ROBERT BROWN: Given the circumstances that Mr Andersen has described, would you believe that perhaps it could be regulated across the State for all councils to adopt a similar written policy in regard to their senior staff?

Mr WELHAM: Absolutely. I think staff could operate to a code of conduct the same as we expect of councillors.

The Hon. ROBERT BROWN: It would be a fairly cheap initiative that could be introduced immediately.

CHAIR: The Committee appreciates your coming and giving us the benefit of your experience. We were keen to hear from regional councillors. Thank you.

Mr CASTLE: Thank you for the opportunity.

(The witnesses withdrew)

CHAIR: The next witness has requested to give evidence in camera.

(Evidence continued in camera.)

Evidence in camera by **GREGORY HERBERT WATSON**, Mayor, Shoalhaven City Council, sworn and examined:

CHAIR: Mr Watson, thank you for appearing before our inquiry. Do you wish to make an opening statement?

Mr WATSON: Thank you very much for hearing my comments in camera. The reason I requested it is that we have a pretty malicious member of the press down our way whom I am taking legal action against and who is part of the Fairfax group. Some of the comments I want to make generally relate to the media. Thank you very much for allowing me this consideration. At the outset, I am rather disappointed with the way this whole exercise has been reacted to. I think it has been driven largely by the media. I understand as political people we probably have to respond to the way the media have been driving things. But I think the Premier has over-reacted. That is my personal view in terms of the way we are starting to head. Having said that, I personally support public funding of elections. But in saying that, do not ask me how you do it. Potentially at the next council elections, we would have 70 candidates for our council in the Shoalhaven area. How you can fund 70 campaigns, even at a relatively modest level, without getting a massive backlash against the government that allows it and also the local councillors themselves? I just do not know how you overcome that problem, unless there is a pool of money that the local government authorities generally pay into that it is administered by Treasury and then it is doled out by Treasury so it is not an upfront hit.

In saying that, I agree with the other speakers who were speaking about the costs of running elections. Our costs were something like \$130,000 or \$140,000 when we were running the election process and the quote this year is around about \$500,000 for our council from the electoral people—and we end up with a far worse service. We got very quick results when we ran them; they were done very professionally with the general managers, with the returning officers, and I think we really should look at winding it back from the State Electoral Office control.

In terms of what level of funding should be allowed—and I must say I think if you want to spend your own money you should be entitled to spend your own money to get elected to office—if you are starting from scratch and you are not an incumbent, then you need to spend more money to get elected than quite clearly you do once you are in office. What is going to happen, in my view, with caps on expenditure is that you advantage the people in office, generally speaking—not always. I was reflecting earlier: when I first stood for local government—and I have had some 33 years experience now continually serving in local government—I think I was earning around about \$10,000 a year or a bit less back in 1974 when I was elected. I think I spent out of my own pocket about \$5,000 to even have a chance of being elected to the council at that time. Our council has always been a very hotly contested election where there are a lot of professional campaigns run and it has always been thus.

To give you an idea of the size of the electorate we are dealing with, we have got a very diverse area of some 49 towns and villages scattered over about 150 kilometres of coastline, and within those areas, even though there may only be 37,000 permanently occupied residences, you have another 15,000 residences which are used as weekenders. So if you are going to do a mail-out or a delivery you can only do it on basically a shotgun basis. In my case, if standing for mayor, each time I put brochures out I have got to allow for about a 44,000 brochure run and delivery of 44,000 brochures to make sure that I cover the majority of occupied households, because the delivery people do not discriminate, even if you are using volunteers.

We then end up just short of say about 70,000 electors, which is probably over twice the size of a State Government seat, and yet I am hearing people saying you can have \$5,000 or \$10,000 to run a campaign on. I suggest that is not realistic nor is it possible in a local government area like ours with the scattering of the area. If we start to base funding or caps on the number of theoretical electors, there are a lot of other issues that need to be taken into account as well—the spread, the diversity, whether the majority of candidates are going to use television, and in regional areas you can afford to use television, whereas at North Sydney you could not, because you get a better rate in the regional areas: if someone uses it the rest have got to follow suit.

So, it is not a simple question. I know everyone is looking for a simple answer but I do not think there is a simple solution to the whole equation. Even though the submission that I prepared

essentially said public funding is the way to go, I do not know how we achieve that in real time. The declaration of donations received in real time, I see a real pitfall there as well because that will be immediately used by malicious sections of the media to beat up on candidates and beat up on people that make the donations. In the 33 years I have been involved with local government—and I can say this with all honesty—I have never had an offer of a bribe from anyone who said, "I am going to give you some money but I want you to support my project".

But what I do see is that over the years with the support that I get personally—and I am pro-development; I am openly pro-development because that is the only place we are going to get employment from in a regional area—people tend to support those that support the same philosophy as they do. In other words, they are frightened of the antidevelopment lobby, which tends to be taking over local government generally across many councils in New South Wales, and that is why Frank Sartor is responding in the manner he is and saying we need to set up panels to deal with these approvals, that councils are taking too long, they are knocking them back and they are forcing developers to go to the Land and Environment Court. It is because you are getting a very aggressive group of people who are saying, "We don't want any change in our areas", and as a response they are then sponsoring candidates who are saying, "No, we don't want any development". But that is unrealistic; you need balanced development.

So, essentially that is my personal response to the donation issue. I will just throw over to questions, if there are any.

CHAIR: You have indicated how large the Shoalhaven Council region is. So, if there were a limit on expenditure you would have to have a sliding scale of how much a mayor could spend as opposed to a councillor—that is, where the mayor is elected by the whole of the council area by all the ratepayers?

Mr WATSON: If you are going to retain the election of mayors by plebiscite, and there is a lot of merit in that, in my opinion, and it gives you stability, there would definitely need to be a sliding scale, and in the case of a council of our size you should be able to spend about the same amount that a member for the Legislative Assembly would spend. So, I am saying in our case we have got twice the number of electors but you should be able to spend at least the same amount of money, and, realistically, I do not know too many campaigns that are run by a State member that cost less than \$50,000—and that is not including the printing of how-to-votes and other brochures from head office.

CHAIR: Again, to remove any perception of influence by donations, rather than ban all donations, there should be a limit on donations: donations up to \$1,000 per person per year?

Mr WATSON: I do not believe so much in perception. It does not matter how much people give you it depends on the individual. I have seen a person who would sell their soul for \$50.

Evidence removed by resolution of the Committee 4 April 2008.

Mr WATSON: So, when you get to a situation where some people can be tempted with \$5, \$10 or \$100, others could not be tempted at any price. But I suppose in the middle there is a range. What is the figure? If you put a cap on funding you are essentially saying \$1,000 is okay, that is not going to influence anyone, but I think if you are going to be influenced you will be influenced by \$1,000 or \$100. Where does it stop and start? Where does the pecuniary interest business cut in and cut out? Who will be influenced by what level of contribution, whether it be time, effort or physical support? In my view it is hard to adopt anything other than a commonsense position. My personal view is that we should stay with the declaration of interest being non-pecuniary. Of course, the person concerned must be aware that there is a donor. Members of a political party might not know who made a donation.

The Hon. DON HARWIN: Particularly if it was for a federal or state election.

Mr WATSON: We have a political party called the Shoalhaven Independents. We supported about 20 candidates at the last council election. Those candidates would not have had a clue where any donation came from. That is a policy that I have always applied. All donations are dealt with by people under the instruction that the candidates are not to be told.

The Hon. ROBERT BROWN: Do you believe that is something that could perhaps be applied as a rule or regulation across the board in relation to elections that independent candidates or even party candidates should have nothing to do with the handling of the funds? If donations are made, they should be made to a person handling them without necessarily involving, for example, the bank accounts of the candidates?

Mr WATSON: I doubt that Morris has the imprimatur of all his members to ban campaign accounts. That is the message I am getting back. The majority of candidates seeking election for the Legislative Assembly will want to keep their own campaign fund accounts. However, it is a matter of how they are run. There is probably a lot of merit in having the candidates removed from any control of those accounts. If it is an independent candidate, that candidate would nominate two or three trustees and they would look after the account.

The Hon. ROBERT BROWN: Okay.

Mr WATSON: By "independent" I mean trusted, independent people in the community. That would be far better than trying to flick money off to the electoral funding authority. I know a lot of local members would not be happy about sending the money to Labor Party or Liberal Party headquarters because after a while someone will take a slice of the action and they will not get it back.

The Hon. JENNIFER GARDINER: That is life.

The Hon. ROBERT BROWN: That is true.

Evidence removed by resolution of the Committee 4 April 2008.

CHAIR: Thank you very much for appearing. I appreciate your giving us the time.

(The witness withdrew)

(Conclusion of evidence in camera)

(Public hearing resumed)

(Public hearing resumed.)

GREGORY MICHAEL PIPER, member for Lake Macquarie and Mayor of Lake Macquarie, examined:

CHAIR: Do you wish to make an opening statement?

Mr GREG PIPER: I thank the Committee for the opportunity to address it on this important issue. I cannot claim to have the breadth of knowledge that others who have made submissions might have. My experience has been predominantly through local government having continuously been on Lake Macquarie City Council since 1991 and, of course, most recently through my election to the Legislative Assembly in March last year. During my time on council I have seen election campaigns change quite a bit. Perhaps they have become more sophisticated, but they have certainly become more expensive. It would be difficult to run an effective campaign without reasonable access to funds.

While I support greater public funding of elections, I do not necessarily support a ban on contributions. I believe that support for a candidate is something many people would wish to offer as a legitimate part of the political process. This support may come from friends, family, people one may have campaigned on issues with or from others who share or believe in one's principles.

While there is strong argument that the political donations system should be reformed, I do not believe that we should lightly perpetuate any belief that all donations are tainted and seek to buy influence. Nor should we be populist by pandering to a perception that politicians can be bought by political donations. As in any walk of life there will be those examples. My observation over 16 years in local government and now as a State member of Parliament for close on a year, is that I do not believe such a generalisation to be correct. That said, while I believe corruption is the exception to the rule I do believe that we should take all reasonable steps to make corrupt conduct as difficult as possible. Within the area of political campaign funding, the very need for funds drives the possibility of significant and, at least in perception, compromising donations.

First step to eliminating this is a cap on the maximum expenditure allowed per candidate. Remove the need for big money. The second step is to limit the amount that candidates need to raise by providing partial public funding. The third step is to restrict the amount that can be contributed to a candidate by anyone entity—being a person, corporation or other organisation—per annum. The ability to raise funds would advantage credible and supportable candidates over the Free Beer Party. The fourth step is to increase the disclosure regime as has been suggested, six monthly, and full disclosure and cessation of fund raising, say, one week prior to the election date.

While there have been issues of concern regarding the influence of political donations for some time, recent events, particularly surrounding Wollongong Council, have forced serious action. While some if not all of the Premier's stated opinions may come to fruition I have concern with Premier's using unequivocal terms about what changes will occur.

In my view this is ill-considered while this upper House inquiry is running. I trust that the statements of the Premier do not indicate that decisions on a reform model have already been made as I fear capricious decisions aimed at finding the highest moral ground may not achieve what we all seek—that is, change that truly lays a solid foundation to build community faith in the political system. This system should not be so complicated or difficult that it deters people from participating in the democratic process. It should not be so difficult that inadvertent mistakes can be made by participants nor so complicated that an interested member of the public could not easily view and understand contribution and expenditure declarations. Income and expenditure for each election should be fully reconciled; there should be no doubt left as to where funds were derived.

With so many avenues for political assistance it would be naive in the extreme to think that there will not continue to be loopholes within any system. However, loopholes can be reduced as can the value of any benefit derived, but the system will always rely on integrity—integrity cannot be legislated. Let us be careful that we do not construct a system to deal with the lowest common denominator at the expense of driving good people away from serving their communities through

politics. Minor parties and independents are an important part of democracy and no changes to the electoral system should be made that unreasonably or unjustly disadvantage their ability to participate.

That is my opening statement. I have provided other information. I have provided a copy, as an appendix, of a mayor's column that I wrote on 12 March, which has similar sentiments. However, listening to so many people who are probably more knowledgeable and more experienced than I, or who have very strong views, this is a changing field for me. I agree I am still be forming my opinions and will be for quite some time to come. I have also provided a copy of my answers to the questions you have provided to me. I am at your disposal.

CHAIR: Thank you very much for the comprehensive presentation. You talk about a cap on expenditure, a maximum expenditure per candidate. Do you have any proposed amount?

Mr GREG PIPER: I can only work from my own experience. I try to be cautious in what my campaign costs are. I would suggest, based on my campaigning experience, a figure of some \$45,000 to \$65,000 per candidate in a State election—and perhaps for a grouping or a party within a local government election—would be appropriate.

CHAIR: The same amount?

Mr GREG PIPER: From \$45,000 to \$65, 000, I think, would cover a grouping. Certainly that is my experience. There are probably contingencies that would affect different demographics.

CHAIR: From your statement you support a combination of public funding and donations?

Mr GREG PIPER: Yes, I do.

CHAIR: Do you feel that is the best way to go?

Mr GREG PIPER: I do not believe the general public would necessarily be happy about a system, regardless of their perceptions of the process, to fully fund an election campaign. I also believe there are issues about credibility of people within the community. A system that allows for some reasonable amount of independent funding or external funding to be provided would really provide some benefit to those people in the community who have credibility, whether they are parties or longstanding campaigners—Independents, for example—or minor parties within the community. If they have credibility they should have not too difficult a problem in gaining what I would consider to be quite modest support.

CHAIR: In view of that comment, you would support, perhaps, a cap on individual donations? What suggestion would you make?

Mr GREG PIPER: I am suggesting in the order of \$1,000 from any one contributor per annum, and that would allow that contribution to fit into the reporting cycle. I would suggest that reduces the type of very significant contribution that we are aware of that happens from time to time—and I have certainly had contributions larger than that myself. But I believe if there was a cap and, for example, 50 per cent of the funds had to be raised externally, it might be in the order of, say, \$30,000 that needed to be raised, a credible candidate should be able to raise money at least close to that amount—not fully—and I think that would be not an unreasonable thing to do. People should have the right to contribute. I think that is part of the democratic process but certainly I do not think the figures should be such a sum that could lead to the perception of some influence.

The Hon. DON HARWIN: If \$1,000 was the contribution limit, what would be the disclosure limit?

Mr GREG PIPER: I believe there should be full disclosure.

The Hon. DON HARWIN: Of all donations?

Mr GREG PIPER: I believe so. I do not believe there is a significant logistical problem in doing that. I suggest very few candidates would be substantially funded by, for example, \$5 or \$10 contributions. Therefore, it should not be too difficult to keep track of all of those minor contributions.

CHAIR: You also raised the practical point of a cessation of fundraising at least one week prior to the election date. Would that include receiving donations one week prior to the election date?

Mr GREG PIPER: Yes, that is my intention. The intention is that that would allow at least a period of review of all contributions prior to the date of election on the public record.

The Hon. MICHAEL VEITCH: Just to clarify, you spoke about \$1,000 per person donation limit. Is that per person per year per political recipient as in party or Independent? Some people do spread their donations around, not just to one political group.

Mr GREG PIPER: I have noted there have been some different views on that. My view is that that should be \$1,000 donated from an entity to a political party or contestant. I do not believe it should be limited to the donor per se. There are people within our community who take a keen interest in the political system, not necessarily for self-serving reasons, and they may well wish to support multiple people. I do not think that is a realistic thing to lock a donor, a contributor, into only supporting one particular person.

The Hon. AMANDA FAZIO: The \$1,000 limit you are proposing, I assume that would also include in-kind donations than a person would make. Have you any comments to make about people undervaluing in-kind donations?

Mr GREG PIPER: I would agree that is a huge problem. In-kind donations to election campaigns are very significant, from the very grassroots of handing out on polling day to letterboxing beforehand, through to the assistance in preparation of materials or providing other services. It is very difficult, and I would suggest that there will always be a possibility for people to misrepresent the value of in-kind contributions. I accept that as a problem. I suggest we are always going to have flaws within our system and once again it really comes down to the integrity of the individual, and I would suggest that if they are found to be wanting in that area they should face the consequences of the legislation.

The Hon. MICHAEL VEITCH: In your written responses you talk about commercial rate. Can you tell us how you can strike a commercial rate for handing out on polling day?

Mr GREG PIPER: Sorry, if that is how it is interpreted, I certainly do not suggest that is the case. I do not suggest that minor in-kind labour, for example, should be construed as a contribution in kind in that sense—certainly not. I do suggest, for example, preparation of electoral material or the provision of paper, printing favours, et cetera. As I am sure you are all aware, it is unrealistic that anybody could be elected to any tier of government without maximising the number of polling booths that are manned. It is very basic and I would suggest very few people would be compromised by the fact that somebody has handed out for them. Please, if I have implied that, that is not my intention.

The Hon. DON HARWIN: In the Premier's ministerial statement back in February—and that has now been confirmed in a supplementary submission we have received today by the Department of Premier and Cabinet—he proposed a ban on the making of in-kind donations, including the provision of offices, cars and telephones to candidates. Bearing in mind what you have already had to say, do you think that is going too far or do you think it is an appropriate response?

Mr GREG PIPER: Apart from you paraphrasing or reading that to me, I have not seen that in those terms. That type of provision should not necessarily be banned. I think that we should be careful about what we talk about as banning, but it certainly should represent what I would consider to be an acceptable level of contribution and it should be able to be fully disclosed.

The Hon. JENNIFER GARDINER: Similarly, in the submission from the Department of Premier and Cabinet in relation to improving the quality of disclosure, the Government submission is that it will do a number of things and I would like your response to those: firstly, ban individual members of Parliament, councillors and candidates from having personal campaign accounts;

secondly, limit the involvement of members of Parliament, councillors and candidates in the fundraising process, by ensuring all donations are organised, received, handled and administered by the central party office; and recommend that in the case of Independents, having another independent body, for example, the Election Funding Authority [EFA] provide a similar service; and legislate to ensure that loans and other credit facilities provided to parties, members of Parliament, councillors and candidates have to be disclosed under the Election Funding Act. Do you have a response to those propositions?

The Hon. DON HARWIN: We only got the document today.

Mr GREG PIPER: If I can quickly work backwards because I have a short memory. With respect to the provisions of loans and other credit facilities provided for parties, I would certainly agree that is the case.

The Hon. DON HARWIN: I refer you to page 3 of the document?

Mr GREG PIPER: I start by saying once again that I am concerned that the Premier does appear to be making what I consider to be unequivocal statements without the benefit of the findings of this particular inquiry. At face value, clearly I think loans and other credit facilities provided to parties, members of Parliament, councillors and candidates should be, by their very nature, declared as part of the process.

The issue of banning individual members from having their own personal campaign accounts, I do think that is something that could be well managed by the parties, certainly the major parties, and possibly quite well by the Greens, who I think already have quite a scrupulous system. It would be more problematic probably for emerging parties, anybody who wishes to enter into the process and certainly I can see it as being somewhat difficult for Independents. However, perhaps through the largess of the Government we will find some way to do that and I think the Premier first indicated when he raised this matter in the Legislative Assembly that that might be through the Election Funding Authority or such.

I do think there are clearly logistical problems in being able to reconcile accounts in a timely manner that would be expected within a local community. There may well be some way of oversighting that which achieves the same outcome. I do not want to try to predict what that might be but a suggestion has been that perhaps within a certain region an appointed CPA firm could be given the oversight role for all participants in those two tiers of government within that area for a term.

With respect to limiting the involvement of members of Parliament, councillors and candidates in the fundraising process, I understand the intention. I think it would be very difficult to do. I think it would be, once again, naive to think that some understandings could not easily be arrived at that could not be clearly recorded. I think what we are doing there is creating another grey area where people can solicit for funds or accept funds under the table, so to speak.

The Hon. DON HARWIN: It would be a lot more difficult for Independent members, would it not, than for the political party members?

Mr GREG PIPER: Everything is more difficult for Independent members; you can take that as a given from my position, but certainly I think it would be very difficult for an Independent member to place that onus of responsibility on to an agent.

The Hon. DON HARWIN: A volunteer?

Mr GREG PIPER: A volunteer, you are quite right, whereas the larger organisations probably can have a system that gives them governance to that or some arms-length separation, but certainly it would be difficult and difficult once again for prospective new Independents or minor parties. As to the recommendation that the Election Funding Authority or another independent body provide a similar service for Independent members of Parliament, once again I think the resourcing of that would obviously have to be quite substantial. I do not believe that the EFA right now could do it and I think we would all understand that to be the case but I suggest there might be better models; as I mentioned, perhaps nominating or selecting a CPA firm within a region.

The Hon. ROBERT BROWN: Mr Piper, just running through the points you made in your opening statement, you talked about a cap on expenditure and mentioned a figure of \$45,000 to \$65,000 for a State seat candidate and equally a group at a local government election. Do you have any idea of a cap for major parties statewide?

Mr GREG PIPER: I would like to think that it would be of a similar order within that particular electorate. We need to have a relatively level playing field.

The Hon. ROBERT BROWN: I was referring to the upper House?

Mr GREG PIPER: I have to acknowledge that it is a different scenario and I have not, in my personal experience, had to be involved in that, so it would be very imprudent for me to try to offer advice to people who have participated in the upper House process, so if I could politely step away from that question?

The Hon. ROBERT BROWN: Yes, sure, although realising, of course, that certainly with the major parties and some of the minor parties who run both upper House and lower House candidates there could be some overlap in expenditure in some of those areas?

Mr GREG PIPER: There certainly will be, but I do not believe there would necessarily have to be a substantial increase in the funding that would go to a lower House candidate for a major party in that there are such clear overlaps and economies of scale in running a lower House election. As the situation stands now, generally the upper House candidates for those areas, being so widespread, would not necessarily be seen to be in any one particular electorate. Most of that responsibility falls to the lower House candidates. I would suggest that there might need to be some concession given. Obviously, additional resources will be required for that ticket, but I do not think it should be substantial. Certainly it is not something that I would consider should be double, but maybe a 15 or 20 per cent variation. But, with respect, I just cannot say that I am aware of the logistics, or of the resources you would need within the upper House to run that contest.

The Hon. ROBERT BROWN: On your second point, you said you supported partial public funding, primarily based on the view that you do not believe taxpayers in this State would be all that happy about having to pay for full public funding of all these campaigns. If that is the case, you suggest that a cap on expenditure should be around the \$45,000 to \$65,000 mark per electorate per candidate. What level of that do you believe could be met by partial public funding?

Mr GREG PIPER: That would be a good political question, wouldn't it, because it would come down to the strength of the decision about how much you would go, whether it was 20 per cent, 50 per cent or 75 per cent. In my mind, I am suggesting perhaps 50 per cent of public funding. Under this scenario—let us talk about \$60,000—that would leave \$30,000 that the candidate could raise if they have the ability. That may well be by self-funding, but if they are a credible candidate within their local community I suggest that they should be able to raise close to that. From my experience in running my own campaigns and from declarations that I have seen within our region, most parties would be able to run a reasonable campaign within those limitations.

The Hon. ROBERT BROWN: As an Independent, you are not entitled to access to the education fund because you do not run candidates in the upper House. Yet, the education fund, in terms of its deliberations as to how the money shall be delivered, is based on the number of votes achieved in lower House elections. Given that Independent candidates and at least one of the upper House minor parties do not have access to that, do you believe there is an equity issue there? Would you like to see lower House candidates, for example, given the same sort of opportunity?

Mr GREG PIPER: In my experience, and only having ever vaguely heard of this particular fund, I have to say I am rather intrigued to as to how it is expended. Certainly, if the intention is for the education of the public in regard to the political system, I have to say that as someone who has been in the political system for quite some time, I have seen very little of that education.

I think Independents would do a very good job of disseminating some information to their local communities. I think, therefore, perhaps there is an argument to say that there should be an

allocation across the board. If there is an argument for greater education of a political system within the public, that demand does not reside purely within areas where parties have contested and been successful in both Houses of Parliament; it also exists within other electorates.

The Hon. MICHAEL VEITCH: Mr Piper, you are one of a handful of people in the lower House who are in a unique position, in that you are an Independent and also still sitting in local government. Can you explain how you delineate the expenditure between your roles and the income between your roles? What process do you use? I should let you know, I am leading to the disclosure regimes we are looking at, so if you could look at it in that process.

Mr GREG PIPER: You might have to help me by teasing this out with more questions. I certainly would say that I have not experienced any difficulties in delineating the roles I have. In a political sense, there have been no substantial difficulties. I would say there have actually been some benefits in both roles because my electorates overlap, quite fortuitously. For example, only about 5 per cent of the population of my State electorate live outside my local government area, so there is a very useful commonality.

With regard to the funding, I do not think there are any issues at all. Obviously, any income I derive as a salary for myself is separate, it is personal, and funds required to carry out my function as a State member are very clearly applied just to those purposes. So unless you can somehow further elaborate, I just cannot express that there is any problem there.

The Hon. MICHAEL VEITCH: The next thing would be the receipt of donations and how you would bring that to account between the two roles. Can you see any circumstance where someone may donate to you for both roles?

Mr GREG PIPER: Certainly, it might create a problem for me under these scenarios. Obviously, the electoral cycles come quite close together. For example, even under my own proposal, I have suggested a \$1,000 limit from a donor per annum. But that would certainly impact if I was wanting to run on two separate identities. Clearly, my proposal would catch me in that situation. Whereas, if somebody contributed to me for a mayoral election, they would then be negated from being able to contribute, because of the cap, for me as a State member.

It is a logistical problem for me. If you are asking me in practical terms what would I do about that, I would say to you that I would hope that I have enough credibility within my community, and broad enough support, that I would still be able to do that and still achieve the contributions I would need for each of those elections within that cap, because certain people would be ruled out from contributing to both elections. You are quite right: it is full of pitfalls.

The Hon. MICHAEL VEITCH: If I could go to the disclosure process. We have heard about quarterly, half yearly or even annual disclosure. There have been some suggestions that we would look at having a company auditor certify the statements that are lodged, say, quarterly. Can you see some issues around the dual roles you carry, in having to meet such robust regime?

Mr GREG PIPER: I am sure there will be. All I can say is that I know it is going to be quite complicated, and certainly it would be more complicated in the situation I find myself in, particularly with some of the suggested amendments, including amendments that I have suggested myself. I do not think there is any doubt about that. But from a practical point of view, it would be fair to say that there are a limited number that are caught in that situation, and perhaps more attention needs to be paid to that, which I would certainly be happy to give some greater thought to.

CHAIR: Perhaps the original suggestion you made of a \$1,000 donation limit could be per candidate per election, for those candidates who are running for local government and for State Parliament?

Mr GREG PIPER: That maybe the case, perhaps, if there is popular support for it and it is quite rare. Certainly my support might not still be there within the electorate if I was to perhaps re-contest the mayoralty at the end of this year. But it is quite rare and certainly a celebrated person within the House and local government is, of course, the Mayor of Sydney Clover Moore, and

member for Sydney. I think there may well be something in that. Can I just say the cap of \$1,000 that I have suggested in limiting contributions I think is quite conservative.

Everybody is different, Mr Chairman, but I would defend vigorously, and to the hilt, my personal integrity. In that I do not believe that if it was double, that that would constitute an amount that would buy favour from me. As a matter of fact, I do not believe that there is any figure that would buy favour from me, and I would suggest that most people in politics actually fall into that category. Unfortunately, we do have some who fill the role of the lowest common denominator and who bring discredit to the system.

CHAIR: We earlier heard some evidence from representatives of local government—and you have that hat as well being a mayor. They are a bit suspicious now—as you know the Electoral Office bills the local council for the cost of running the election—as to whether there be some danger that the State Government may want the local council to bear the cost of public funding. Is that a consideration?

The Hon. MICHAEL VEITCH: We should say, Mr Chair, that has not been suggested anywhere other than in evidence.

CHAIR: No, it has not been suggested. I am just saying it was raised by other witnesses, that it might be a danger.

Mr GREG PIPER: We all have our perceptions and suspicions, whether it is in relation to some community view of politicians or whether it is some local government politician's view of State Government. We all fall into that trap. Yes, generally I am not surprised when I find that there is some new twist in the regulations or legislation that is going to cause some greater cost to local councils. While that view may have been expressed, and I would say that is probably founded on experience, I think this is an issue. Whether or not the cost comes from the ratepayer base or from the taxpayer base, what we are talking about here is putting an impost on to the public purse. I do not think we can quite so easily dissociate.

If there is an intention to go down that path—assuming that we get to some high level of public funding—I believe it would be appropriate for the State Government to consult with councils as to how that would be done. Certainly I would prefer that the State Government assume that responsibility but, if not, there would have to be some discussion, otherwise there would be some argument about cost shifting and, perhaps, need for rate increases. I think those things should be able to be resolved between State and local government.

CHAIR: We appreciate your attendance today. If you were to summarise your contribution, what do you feel would be one of the main recommendations, or more than one recommendation, this inquiry should make?

Mr GREG PIPER: All I can say in summary is that I hope whatever system comes out of the recommendations recognises that most people who enter politics, whether local government or State Government, do so for the right reasons; that we do not unduly constrain anybody's ability to contest or create the perception that it is too difficult to enter into politics. We do have a system that is affordable and ultimately builds credibility for our local community. That is where we always struggle. I do think that some of the recommendations I have seen and comments that have come before you from different parties have elements that I would support. As I said, I do not profess to be an expert on this but just on my own little patch. I greatly look forward to the recommendations that you come up with, but certainly I hope that they do not cause any greater difficulty for Independents—I declare a pecuniary interest in that comment—or minor parties and/or emerging candidates. I wish you all the best and once again I thank you for hearing from me.

(The witness withdrew)

CLOVER MOORE, Member for Sydney, before the Committee:

CHAIR: Do you wish to make an opening statement?

Ms CLOVER MOORE: I do. As an Independent member of Parliament my concerns about electoral and party funding centre on ensuring genuine community Independents are not unfairly disadvantaged and are encouraged to run to represent local communities, their interests and concerns. I do not believe individuals should have to be either individually wealthy or members of political parties to be able to put themselves forward as a candidate and be able to be supported by their communities, whether by financial donations or by helping them to be elected. I think this is a really important right in a democratic society. I think that is about the health of our democratic system and it is dependent upon having a truly competitive field of candidates. I believe that some aspects of our current system entrench a bias towards political parties.

There are also wider considerations that go beyond electoral funding, when looking at the potential for undue influence or public perception of influence. These include ethical behaviour by individuals and avoiding concentration of power in high-risk areas of public administration without adequate transparency and public accountability. Any recommendations to improve the current system should acknowledge the need for broader action that could include ethics training for members of Parliament and Ministers, as well as a review of ministerial powers and decision-making processes in high-risk areas of government.

As far as legislative reform relating to election funding, improving public accountability and transparency, and removing the bias in favour of political parties should be the main objective. They do say that daylight is the best disinfectant when it comes to ensuring integrity and decision making and the prospect of public scrutiny will influence the behaviour of decision makers and safeguard the public interest.

The main points I have made in my submission to the inquiry include prohibiting donations from high-risk industries such as the development, liquor, gaming and tobacco industries; introducing caps on individual donations; better disclosure of fundraising events; disclosure of donations before elections, scrapping the existing Political Education Fund, which is nothing more than a rort; limits on campaign spending; no current provision for reporting refunding donations; any public funding to reimburse candidates for campaign expenses must be linked to actual costs incurred and should not exceed actual expenditure; the need for consistency between Australian jurisdictions; and the need to improve public confidence in the system. Having reflected further, I do not support the establishment of an additional bureaucracy, as I think this would only mean more public funds are spent on managing the process with very limited benefit. I strongly oppose suggestions that a new authority could manage donations to Independents while the parties administer their own donations.

Any distinction between the requirements imposed on political parties and independent candidates is difficult to justify and suggests bias in favour of political parties. Public funds are limited and should not be unnecessarily diverted from delivering services to the community. I would not support a fully publicly funded system, as I think it would be too expensive and too difficult to manage and enforce. We currently have a mixed system of public and private election funding, and that is appropriate. We need to get the balance right. There are a number of mechanisms in other countries which have merit, including banning all donations from companies or other organisations and limiting donations to individuals only with a cap for single donations. This combined with regular and timely disclosure of donations and easy public access, such as publishing on a website, would significantly improve our current system.

I would like to also make brief comment on what has been engaging the community and the media in recent times in relation to this matter. I believe that the Wollongong council scandal has no place in any genuine democracy. It involves serial developer influence in development decisions and has enmeshed some Labor councillors and State members of Parliament. It was the end result of lax and ineffective attitudes to conflicts of interest issues, particularly involving political donations. It occurred in an increasingly grubby political climate where planning and heritage legislation has been repealed and redrafted and decisions on large developments have been made that have coincided with the interests of major political party donors. It occurred in a climate where major party donors openly

and financially supported the re-election campaigns of local and influential party candidates. It occurred in a climate where large donations from vested interests coincided with a lack of will by the Government to introduce reform for broader public benefit. It occurred in a climate where blatant conflicts of interest are ignored in Parliament and by Government and where politicians' twice yearly pecuniary interests declarations have descended into farce, with major interests not included or added later and there are no enforcement penalties.

To sum up my concerns, first, it is absolutely vital in a democratic society that individuals should be able to run. They should not have to be individually wealthy or members of political parties and they should be able to support their communities in doing that. Second, I believe there should be high ethical standards for elected representatives. That should involve a code and education and penalties if those standards are not maintained. Third, I believe we should be avoiding a concentration of power in high-risk areas of public administration without adequate transparency and accountability. Fourth, improving public accountability and transparency and removing bias in favour of political parties should be our main objectives. Clearly, donations could go online and they could be made before elections.

CHAIR: You obviously support a combination of public funding and donations. You do not support a total ban on private donations, as has been announced by the Premier?

Ms CLOVER MOORE: No, I think that the public purse has a lot to do in terms of the public need and public good. I think what is happening here is the unethical behaviour of individuals and members of political parties. This really needs to be corrected and there needs to be public accountability and transparency. That will go a long way to regaining public confidence in the process.

CHAIR: In your opening remarks you referred to a ban on donations from certain areas. Could you elaborate on that? You included developers and I think you mentioned other organisations.

Ms CLOVER MOORE: I did and I went into some detail in my submission to you about their vested interest, where an association with elected members is far too close and there can be a situation of influence in resulting outcomes. The example I gave in my original submission to you was the hotel industry and the reform of the liquor legislation. That was a fairly extraordinary statement that was made by John Thorpe about paying for democracy. If that is the attitude out there of large corporations or organisations, that is what we need to address. What I have suggested to date is that perhaps you consider not having corporate donations but having individual donations. That may be a way around addressing vested interests.

CHAIR: Do you suggest there should be a cap on private donations?

Ms CLOVER MOORE: Yes, I think there should be.

CHAIR: What would you recommend?

Ms CLOVER MOORE: I would recommend \$2,000 to \$5,000.

CHAIR: Do you think there should be a cap on expenditure by, say, a State member, if we still have public funding and donations?

Ms CLOVER MOORE: That is a very difficult question. I represent an inner-city sophisticated electorate. I run modest campaigns. But if you have a look at the amounts that are spent they are considerable. They are made up principally of donations and public funding. Clearly, there would be a different need in different electorates, and that is something you need to address. I do not have an answer for you. By the time you have assessed what other jurisdictions do and make a fair assessment of what is needed, you should be able to come up with an amount. I could perhaps take that on notice and come back to you with more information. It is easier to cap the actual donations than to cap the amounts spent. In my case, for example, if you have a look at the figures I have spent in elections, I have an electorate that in the past has been a swinging electorate between the Liberals and the Labor Party. In some elections the Labor Party has put a lot of money into the election and in

other elections the Liberal Party has put a lot of money into the elections, depending on which major party considers it has a greater chance of winning.

My State election campaign 2007 cost \$83,500. I paid for this campaign through donations and fundraising events. They raised \$72,000 and public funding was approximately \$17,000. The Labor and Liberal Party candidates spent less on their campaigns—the Labor Party considerably less and the Liberal Party nearly a complementary amount. However, Labor Party candidates had the benefit of \$16.8 million which was spent on their campaign broadly and the Liberal Party candidate had the benefit of the \$5.28 million the Liberal Party spent broadly. Again, there is this situation for independence where it is quite different. You are running on your own in your electorate, whereas the members of political parties have the benefit of the statewide campaign that is being run by the major party.

The Hon. ROBERT BROWN: Miss Moore, as to the mix of private versus public funding of campaigns, you mentioned that in your 2007 campaign public funding was just under 20 per cent. In the last Federal election public funding was about 20 per cent of the amount spent. In the last State campaign it was 33 per cent and in Canada it is 50 or 60 per cent. What is your view on increasing the amount of public funding from 20 or 30 per cent to 50 per cent? Do you believe that the taxpayers of New South Wales would be interested in further public funding or do you think you would get a negative reaction?

Ms CLOVER MOORE: I think you would get a negative reaction in the current climate. I want to maintain my position that I think we have a system that works. It is about the ethical behaviour of the people involved in that system that is really important. If the parties are committed to raising ethical standards and there was greater transparency and accountability about how it is done and penalties applied when those ethical standards were not maintained the situation would operate more effectively and we would address this issue of cynicism in the community about the very important role we play in governing the State.

The Hon. AMANDA FAZIO: Ms Moore, I would like to tease out the issue of ethical standards. One area of concern is in relation to donations in kind, which many people receive during their election campaign and, in particular, the undervaluing of donations in kind. How do you see that impacts upon ethical behaviour? The example I have been given is that in your 2004 campaign for Lord Mayor of Sydney you were provided with the use of an office in Pymont for six weeks and yet you claimed in your expenditure return that rent for your campaign office was \$950. In anyone's language \$950 for the rent on premises in Pymont for six weeks is an absolute bargain. How would you see that undervaluing of a donation in-kind fitting in with your call for high ethical standards?

Ms CLOVER MOORE: I can give some detail on that but I will also undertake to check the details in relation to that. But, from memory, it was not for six weeks and, also from memory, it was a vacant property that was waiting to be sold and the amount we were charged was an appropriate amount. But I will come back with the exact detail on it. But acceptance of that, I think, is in keeping with the position I have put to you.

The Hon. ROBERT BROWN: In relation to public funding, what is your view on public funding being directed towards, shall I say, better administration of the electoral process? In other words, do you think that the Election Funding Authority as it currently is constructed is effective and/or efficient and/or capable of, shall I say, making sure that high ethical standards are met? Or do you feel that it is underfunded or under resourced? What are your views on that?

Ms CLOVER MOORE: I am really concerned that there have not been penalties applied. I think it is a system that has not really operated effectively. But it also comes back to ethical standards. I am just loath to create more bureaucracy.

The Hon. ROBERT BROWN: In relation to timing of disclosure you mentioned that you would like to see online disclosure?

Ms CLOVER MOORE: Online disclosure is something I think you could consider.

The Hon. ROBERT BROWN: And certainly before elections?

Ms CLOVER MOORE: Yes.

The Hon. ROBERT BROWN: That would probably cost more insofar as staffing the Election Funding Authority. Do you believe that would be a worthwhile increase?

Ms CLOVER MOORE: I think that would be appropriate because that would provide transparency and accountability and what it would do for recipients is they would be very aware this is going to be made public so they would be thinking very carefully about is it appropriate to be accepting donations of this nature. But, again, I think if we go back to a situation where there are individual donations and not corporate donations, that is another way of ensuring the removal of vested interests in the process.

The Hon. DON HARWIN: This issue in relation to the campaign office in 2004 has been raised before with you at a council meeting in a question on notice from Councillor Harris, is that right?

Ms CLOVER MOORE: That is right, yes.

The Hon. DON HARWIN: You took that on notice on that occasion. That was about four weeks ago.

Ms CLOVER MOORE: To be on notice for the coming meeting on Monday and I will have the answer ready by then and I will be able to get back to you with that detail too. But I think the information I have given you is accurate.

The Hon. DON HARWIN: In your submission and also in your oral argument today here you talked about some of the institutionalised bias against political parties in, I presume, the election funding regime. I wonder if you would just outline what you think are some of the specific features of the current law that are biased in favour of political parties and what changes you think should be made?

Ms CLOVER MOORE: In the submission I made to you on page 5 I outlined my concerns about the Political Education Fund. This is something that is made available to parties. The Act provides for parties to receive yearly payments for the purposes of political education, with the payments linked to the first preference votes received at the previous election. The purpose of the funding is vague, with the Act stating the funds can include, but are not limited to, the posting of written materials and information, regardless of whether the information contains material only about the party concerned.

The guidelines issued by the Election Funding Authority permit use of these public funds for material on the history and/or structure of the party; the policies of the party, including contrasts with other parties; achievements of the party; and newsletters for party members or seminars for party members and members of the public. In 2005 Mark Coulton revealed in the *Sydney Morning Herald* that a considerable portion of this funding was used to meet parties' administrative and operational costs. For example, the Australian Labor Party's 2003 application included claims for the full salary of five staff members and proportions of the salaries of almost all other staff members; \$1,363 for media training workshops and \$6,909 for the research and development of management skills for members of Parliament. This application resulted in the Australian Labor Party receiving around \$800,000.

The Liberal Party made claims for 22 staff, ranging from 12 to 88 per cent of their salaries, \$7,482 for telephone calls, \$16,625 for computer services, \$29,159 for photocopier expenses, \$47,070 as a proportion of rent and cleaning costs, \$14.30 for dishwashing detergent, \$16.50 for Earl Grey tea, and \$32 for Panadol tablets. The Greens claimed \$157,000, and this included \$92.50 as a proportion of the cost for installing window grilles, and \$32.50 as a proportion of the cost of repairing a crack in a toilet bowl. I do not think that is a proper use of public funding. I believe that is a rort and that should go.

The Hon. DON HARWIN: So, it is principally related to the Political Education Fund that you have those concerns?

Ms CLOVER MOORE: It is, but I think our system is geared to the political parties—I do not think there is any doubt about that—and accommodation is made for them. Certainly, it is not easy to run or be elected as an independent, but I think it is very important that where such people want to put themselves forward they can do that and they do not have to be independently wealthy to be able to do it.

The Hon. DON HARWIN: Would you accept though that in terms of a party, whether it is major or minor, who comes together for the purpose of and with the objective of winning government and forming a majority as opposed to just contesting one seat, is part and parcel of, in fact, representative democracy, and that if we are looking at trying to come up with a system that reduces the role of money in politics that there might be, as I think was suggested in the submission of Dr Tham, one of Australia's leading academic experts on election funding, that there might be some role for something like a party support fund, which is the case in Canada where they have annual allowances paid to the major political parties?

Ms CLOVER MOORE: I have not read that report, but clearly it is part of our system. The majority of people who will be making representations to you will be party members. I guess I am putting a strong case that there is also a role for independents in this process. So, I would actually have to see what he says relation to independent candidates before I comment.

CHAIR: But you have made it clear that you feel that the political education fund should be abolished.

Ms CLOVER MOORE: In its present form, yes.

CHAIR: And that any legitimate political education, like party policy, should be a cost of the party in promoting its own policies?

Ms CLOVER MOORE: Without having read the report of Dr Tham, that is my position. But I would really want to have a look at that before I give an informed response.

The Hon. ROBERT BROWN: On the belief that 99.9 per cent of us are ethical, and it is only the rats that have caused the problem, if you were given access as an independent to, say, \$30,000 or \$40,000 a year to use in the Political Education Fund, and given the things that the Political Education Fund is supposed to be spent upon, do you then believe that even in a sophisticated electorate like yours there could be some benefit in political education that you could bring to your constituents? With an upper House minor party like ours we have a statewide constituency that consists of—I will not go there; let us just say they might not all be considered—

The Hon. MICHAEL VEITCH: Sophisticated.

The Hon. ROBERT BROWN: Yes, sophisticates—and we found in a number of elections a great dearth of knowledge in the community about the broad political processes. My question to you is, were the Political Education Fund to be used for the purposes intended and were it to be made available to all parties and independents and minor parties, would that change your view on removing it?

Ms CLOVER MOORE: Education about our process is incredibly important. Our Parliaments should work with our educational institutions. We see a lot of that happening here now with schools coming in regularly. As a former teacher, I have promoted that. It is vitally important. I do not know whether it is our role to be responsible for that. However, it needs to be a very important part of the system. The lack of understanding of many people about the process is extraordinary. People still talk to me about going to Canberra.

The Hon. ROBERT BROWN: It is amazing.

Ms CLOVER MOORE: I have been putting out newsletters since I was elected as their state member talking about state issues. It is interesting how little many people know. Civics is an

important subject in schools and anything we can contribute to that is important. If there were a totally different approach in terms of education funding, that is something that could be considered.

The Hon. ROBERT BROWN: Aside from the school aspect, which is educating future voters, do you have any ideas about how that type of function could be handled other than through the political education fund? How do you educate the 55-year-old voter who may not be quite so sophisticated and who might not have an understanding?

Ms CLOVER MOORE: As a member of the Legislative Assembly I have from the very beginning of my time as the member for Bligh put out regular informative newsletters. They are about what is happening. I think that the people in my electorate are aware of the issues. The fact that my electorate changes 50 per cent between elections is an indication of how I must continue the education process. Members of the Legislative Assembly get an allowance for newsletters, and that is important. It is a way to ensure ongoing opportunities to inform people about what the Parliament is doing, what is before the Parliament and what are the important state issues. That is a vital role.

The Hon. DON HARWIN: Do you think councillors should have the same right to put out newsletters?

Ms CLOVER MOORE: Members of the Legislative Council?

The Hon. DON HARWIN: No, councillors on local councils.

Ms CLOVER MOORE: It is very important.

The Hon. DON HARWIN: Do all of the councillors of the City of Sydney have some sort of allowance to enable them to do that?

Ms CLOVER MOORE: No, the council puts out a community newsletter telling people about what it is doing. At the same time, individuals could do that. I did that when I was a councillor previously and I paid for that through personal fundraising. All councillors get an allowance, and if they wish to spend some of it on that they can.

CHAIR: We have just received a submission today from the Department of Premier Cabinet that contains a number of proposals that would have an indirect impact on Independents if they were adopted. One is to limit the involvement by members of Parliament, councillors and candidates in the fundraising process by ensuring that all donations are organised, received, handled and administered by the central party office. In the case of Independents, the Electoral Funding Authority or another independent body would provide a similar service. Would that be of assistance or an imposition on Independents?

The Hon. DON HARWIN: It is based on what he said in his ministerial statement in February.

Ms CLOVER MOORE: Clearly I have not had an opportunity to read that. I would be happy to make a follow-up submission on it. However, based on what the Premier has said previously, I repeat that I am absolutely opposed to the establishment of another bureaucracy and to Independents' donations being managed by an authority. I do not think there should be one rule for members of parties and another rule for Independents. Funds going to party headquarters would be received with a great degree of cynicism by the general community. I believe the community would think there would be even less accountability.

The Hon. AMANDA FAZIO: I refer to your statement that you are opposed to developer donations. One issue raised by previous witnesses is that third party organisations that organise fundraising and donate to candidates are not required to disclose the source of those funds.

Ms CLOVER MOORE: Can you repeat that?

The Hon. AMANDA FAZIO: Third party organisations set up to raise funds for political parties and candidates are not required to disclose the source of the donations that might then be given

to a candidate. An example is Living Sydney donating \$30,000 to your last mayoral campaign. You clearly stated that you do not accept developer donations. When this issue was raised with you by the *Sydney Morning Herald* you said that the \$30,000 did not come from developer donations. Is it not true that there is no way that you could know where that money came from or who were the original donors?

Ms CLOVER MOORE: That is right. However, there is no way that I could be compromised by that money; it was donated to my team by Living Sydney. I respect that organisation. There is no way that I am compromised by that donation because I do not know where that money came from other than that it came to me from Living Sydney.

The Hon. AMANDA FAZIO: But that \$30,000 could well have come from developers donating to Living Sydney.

Ms CLOVER MOORE: There was certainly no conflict for me, because I do not know who those people were. Following conversations, I understand the money could have been raised at a cocktail party attended by architects and lawyers. I do not know. However, that money was not donated to me; it was donated to Living Sydney. That organisation is being wound up. I have respect for it and it made a donation to my team. I do not see that as compromising. It is important that this Committee look at a way forward to resolve the cynicism and concern in the community. If the Committee were to recommend that donations come from individuals only and not from corporations or organisations, that would be one way of strengthening the system.

The Hon. AMANDA FAZIO: Would you support a ban on donations from third party organisations?

Ms CLOVER MOORE: I believe that in future donations should be from individuals.

The Hon. JENNIFER GARDINER: Associations would include trade unions.

Ms CLOVER MOORE: I think the Committee should very seriously consider donations from individuals only. I think that is the American system.

The Hon. JENNIFER GARDINER: I refer to another matter that the Premier has mentioned in the public domain; that is, a proposal to ensure that loans and other credit facilities that are provided to parties, members of Parliament, councillors candidates need to be disclosed to the Election Funding Authority. I refer to evidence that the member for Tamworth gave to the Committee earlier in the week. He said:

I would have thought that if I believe enough in myself to go and have a conversation with my bank manager and extend by mortgage, I do not know that that is a matter of public disclosure. It is private matter between me, my wife and the bank manager.

Do you have a view about whether disclosure of personal loans, which may be a significant way of funding, for example, Independent candidates for both state and local elections, is in the public interest?

Ms CLOVER MOORE: I can speak only personally. Clearly the member for Tamworth thought that he was choosing to spend his own money and he did not have it so he had to do it by extending his mortgage. That was a decision he made so that he could represent the public. In the past I have always topped up my campaigns with my own funding. My husband took his long service leave to fund my first election campaign. That is what you do as an Independent. You do it because you want to and because it is important.

The Hon. JENNIFER GARDINER: And you would disclose that?

Ms CLOVER MOORE: I certainly would not have a problem disclosing that. I think his electorate would admire him for doing it. However, that might be something that he wants to remain his personal business.

The Hon. DON HARWIN: More generally, do you believe that when third parties loan candidates money that should be disclosed?

Ms CLOVER MOORE: Yes.

The Hon. MICHAEL VEITCH: You were in the gallery when I asked the member for Lake Macquarie the same series of questions around—

Ms CLOVER MOORE: I did not hear the beginning of that series of questions.

The Hon. MICHAEL VEITCH: It was about disclosures and a disclosure regime. In a similar fashion to the earlier witness you also carry dual roles, as a State member and also as Lord Mayor of Sydney. Can you talk through how you make sure you delineate donations that you receive towards the two roles? Are you able to tell us how you do that?

Ms CLOVER MOORE: I have a volunteer manager of my accounts as an elected representative, and she has kept two separate accounts basically.

The Hon. MICHAEL VEITCH: As a volunteer? Is that an in-kind donation that you would bring to account?

Ms CLOVER MOORE: Her time?

The Hon. MICHAEL VEITCH: Yes.

Ms CLOVER MOORE: I suppose it is, but she has done it really as a volunteer. I have not put a figure on it, nor have I put a figure on the doorknocking or sitting in an office.

The Hon. DON HARWIN: Or standing at a polling booth?

Ms CLOVER MOORE: Or standing at a polling booth. But that is important. That is the first point I wanted to make about the democratic process, people giving up their time or making financial contributions.

The Hon. MICHAEL VEITCH: As you would be aware, this is a complex issue. It is not as simple as some people may make out. We have had discussions around bringing in-kind donations to account. What is your definition of in-kind?

Ms CLOVER MOORE: I think that is getting very grey. Do you put an in-kind figure on people standing at a shopping centre on a Saturday or doorknocking with you?

The Hon. MICHAEL VEITCH: Or do your accounts?

Ms CLOVER MOORE: Do your accounts, yes. My campaigns have always been community campaigns and people have contributed if they wanted to and had the ability to carry out an activity that needed to be done, and it is in the spirit of supporting that community campaign.

The Hon. DON HARWIN: One of the issues in the Department of Premier and Cabinet's submission is:

In order to further reduce the risk of private funding affecting the decisions of public officials, the Government proposes to ban the making of "in kind" donations, including the provisions of offices, cars and telephones to candidates.

Where do you think you draw the line between voluntary labour and—

Ms CLOVER MOORE: I do not have an answer on that.

The Hon. DON HARWIN: Where do you think we should be looking?

Ms CLOVER MOORE: I keep coming back to what I said at the outset about ethical behaviour of elected representatives and transparency and accountability, and individual donations. I think the current system works if it is applied in an ethical way. But I think there can be improvements in terms of when those donations are made public.

The Hon. MICHAEL VEITCH: I would like then to go to the disclosure regimes or models we have been looking at and have had proposed to us and whether there would be real-time disclosure, quarterly disclosure, half yearly or annually, and the possibility that they could be signed off or certified by a registered company auditor, which also has a cost impost as well. Do you have a view about the disclosure regime time frame?

Ms CLOVER MOORE: I think before elections. As I said, one suggestion is online, and that would have to be through the State Electoral Office, would it not? But certainly before elections and then twice a year. I think if there is full disclosure and penalties for not disclosing—which we simply have not had in the past when someone said "Oops"—and the ability to assess whether it is a genuine mistake as well. I think we can all think of examples in recent times where disclosures have not been made and they should have been made and there were no penalties, but there also needs to be the ability to be sensible here and be able to assess whether a mistake has been genuine. But as long as it is regular, accountable and transparent, and people have confidence in it.

The Hon. MICHAEL VEITCH: As a part of the disclosure process do you think it is important that candidates sign off saying that they take personal responsibility for where donations come from?

The Hon. JENNIFER GARDINER: Or that they be at arm's-length?

Ms CLOVER MOORE: There are other two models, are there not?

CHAIR: You have a party that acts on your behalf, handles the donations?

Ms CLOVER MOORE: At the end of the day, we are responsible and have had to take responsibility for that. If you look at my returns from the elections, they are made up of a lot of small donations and I have a policy of not accepting developer donations. If I then discover that I might have received one, it is returned. I think the disclosure should also provide for being able to say donations have been returned, so people know that.

The Hon. MICHAEL VEITCH: What is your definition of a developer?

Ms CLOVER MOORE: Someone who is involved in the development industry in terms of a corporate developer, I think.

The Hon. AMANDA FAZIO: Can I go back to the issue you said you would take on notice about the campaign office at 167 Harris Street Pyrmont that you used in the 2004 local government campaign. I have been advised that the use of this office was arranged by Portfolio Realty, which is a property company. Of course, property companies are involved in the development industry, and the person at Portfolio Realty who organised this, his wife was your campaign manager. I was advised that the office was used by the campaign for six weeks—five weeks during the campaign and a week afterwards—that it was a fully renovated house with a garage from a laneway that runs parallel to Harris Street, and that after the campaign it was rented out as a shop and currently is used for residential purposes. I was advised that rather than \$950, the value of the donation of the office should have been disclosed at approximately \$3,600. The reason I am raising this is because you said you would take it on notice and I thought these things might jog your memory a bit when you are preparing the answer to this matter. But can you explain how you feel it is acceptable to take an in-kind donation from someone involved in the property industry like this, when you said quite adamantly that you are opposed to property developers giving donations of any kind?

Ms CLOVER MOORE: I think you are grasping at straws there. I will respond in detail. I will take it on notice.

The Hon. MICHAEL VEITCH: If I—

CHAIR: The witness has already said that she will take that on notice so she has the opportunity to check her figures and dates.

Ms CLOVER MOORE: But I do think I will be able to show that what has been said is clearly ridiculous.

The Hon. MICHAEL VEITCH: However, this highlights the difficulty in defining what a property developer is. You are not the first witness who has been asked this question.

Ms CLOVER MOORE: I think it is difficult. This is why I think it goes for individual donations. It is very difficult.

The Hon. DON HARWIN: You had the issue, of course, of Redfern Oval.

Ms CLOVER MOORE: Someone putting in a development application or someone putting up a large development in the city. It is difficult. I come back to what I said originally about ethical standards. We are intelligent people; we can use discretion. If we have a high standard of ethics and act in the best public interest, and that is what we do and that is what guides us, and there are penalties if we do not—clearly we all know the difference between a developer who donates huge sums of money and someone who is doing extensions on their house. They can both be described as developers in a category, but you have to be sensible. If you come back to ethical standards and individual donations, it addresses a lot of these issues that are very difficult. I do not want a system to be created where it becomes too difficult for individuals in a democratic society to be able to put themselves forward and be supported by the community and run. If we start putting a price on doorknocking and/or sitting in an office or supporting a candidate by doing their accounts—if we try to put a price on all that—it will prevent people who can from contributing to our democratic system, and that would be a real tragedy

CHAIR: Do you have any views on the use of fundraising events? There have been reports of very large charges, which are obviously not the cost of a meal, which is then reported as simply income from a fundraising event.

Ms CLOVER MOORE: I think details of fundraising events should be part of the disclosure—who contributes the auction items and who attends—so people know exactly who is supporting you.

The Hon. MICHAEL VEITCH: You spoke about property developers. What do you do with opponents to development? We have had put to us as well that the debate needs to be balanced. Everyone targets property developers but there are also opponents to development who donate to political parties.

The Hon. DON HARWIN: Or Independents, for that matter?

The Hon. MICHAEL VEITCH: Or Independents?

Ms CLOVER MOORE: Yes, indeed, and I think if you come back to individual donations it is a way around that.

The Hon. MICHAEL VEITCH: But you are saying that if you receive a donation from a property developer who would hand it back and not accept it. What about an opponent?

Ms CLOVER MOORE: What I am saying is that the issue around developers is difficult. I think we all understand that we are talking about very large developers who make very large donations and if they do it with their corporate hat on, that is one way of defining them. Individuals who may work for a corporation might make a donation as an individual but it would not be as the corporation, and then, if you have also capped the amount that they can donate, that is another way of getting it.

The Hon. DON HARWIN: I think Mr Veitch was also referring to the situation—and I emphasise that this is totally fictitious—where millionaire A lives in Martin Road, Centennial Park and millionaire B lives next-door to him. Millionaire A proposes to do a big renovation that millionaire B does not like. Millionaire A might have given some money to a political party so he, as the proponent, under what has been suggested by the Premier, has to disclose it, but millionaire B living next-door who objects and who may also have given money to a political party represented on the council or an Independent representative on the council does not have to disclose.

Ms CLOVER MOORE: Again, I think it comes back to ethical standards and discretion, and where you can assess that there could be conflict. Clearly as a local government representative also, if a donation is made to me and then I find out that they have a development application in, I would return it. It is about a standard.

The Hon. DON HARWIN: I do not think Mr Veitch was talking about developers. The reason he was asking was that one of the things that the Premier referred to in his ministerial statement was the fact that he proposes to legislate to take up the ICAC's recommendations about proponents who have made political donations. Mr Veitch was making the point on whether it should be just limited to proponents who have applications before the council or whether in fact the requirement to disclose should also be on objectors?

Ms CLOVER MOORE: I think that is getting very difficult. It is a very grey area.

The Hon. AMANDA FAZIO: No, I think it is quite simple. It was raised in the context that proponents to a development application have a vested interest in getting it up. In a lot of cases the opponents to the development application are not opposing out of their general love for the streetscape or whatever else. They might be opposing it to retain a business advantage or to retain a property development advantage of their own in the future. It was put to us that only looking at the proponents to a development application would give you a skewed result because people who are opposed to it—and I suppose the classic example was a few years ago when one of the major shopping centres was opposed to a new development being put in, I think at Rhodes or Homebush, or somewhere like that.

The Hon. ROBERT BROWN: Orange Grove.

Ms CLOVER MOORE: I can think of examples in the city and, yes, you would have to refuse donations from the opposition as well as the proponent. Clearly there would be a conflict of interest, and I can think of examples in the city.

CHAIR: Thank you very much, with your busy life, for agreeing to appear as a witness and for giving us your time.

Ms CLOVER MOORE: I wish you well. You have a very challenging role. I hope that we can re-establish the high regard that elected representatives should have in the public's mind as a result of your work.

(The witness withdrew)

(Luncheon adjournment)

PAUL DAVEY, Vice Chairman, the National Party of Australia – New South Wales Branch, sworn and examined:

CHAIR: Would you like to make an opening statement?

Mr DAVEY: I do not want to take up too much time in doing so but I wish to make a couple of points. Firstly, referring to the submission by the National Party, I realise with the way certainly the media is spotlighting that there is a lot of attention on the whole issue of corporate donations and public funding and I am sure we will discuss that. There are areas in our submission to you that I believe are extremely important, even though they may be of a less noteworthy standing but, nonetheless, extremely important particularly to a party like ours, which is very much grass roots based, decentralised volunteer members doing a lot of work. I refer to, for instance, the requirements regarding the audit certificates requiring only a registered company auditor to verify returns; the requirement for a separate page for each fundraising function to be provided over the previous four years; the disclosure of the name and address for each individual item of income of more than \$200; the procedure manual for State election funding claims—for instance, there was a difficulty for our people there in that the election funding claim and declaration forms were not provided with a handbook or procedure manual on the nomination day, as occurred in the past; and we believe there is a very definite need to simplify claim and declaration forms. It is in areas of that nature where, as I said, our members are volunteers and grappling with these requirements and there is a need to simplify them and make them more standard I believe. I just hope that this committee—and I am sure it will—in reaching its conclusions, will bear in mind issues like that and the importance of them to far-flung communities. If you would like me to, I can make reference to the funding and disclosure issues if that is of help to you?

CHAIR: Yes.

Mr DAVEY: The organisational policy of the National Party of Australia – New South Wales Branch at the present time continues to be one in support of corporate donations. We have maintained that policy position to a fairly large degree on the basis that if you ban corporate donations and, accordingly, third-party donations you ban the ability of, for instance, an individual if he or she may wish to engage in a political issue, either in the negative or the positive, probably at an election time. I recall in 1984 or 1987 when Doug Anthony got quite tied up on I think it was the Australia Card—but I would not be held to that—he took out full page advertisements in his own right and his own name. Now does that become, as it were, a corporate type of activity that becomes banned? Therefore if you get into that area our main concern is the impact on freedom of speech and, indeed, on effectively the entire democratic process of the country.

Having said that, the position is moving. In our party we do not try and hold the parliamentary wing to the policies of the organisation. We have always maintained that position because we recognise the need for the Parliamentary party to have a degree of flexibility to be able to handle changing circumstances. The Parliamentary party certainly looks to be moving towards supporting a system of full public funding, providing third parties are completely and absolutely taken into account in that regard. As an example, of course, there was the joint Liberal and National Party policy at the last State election that supported an inquiry—and indeed this inquiry—into this whole subject. The organisation has very much been engaged in a debate on this matter. We did have a motion to abolish donations from corporations, associations and trade unions while enabling capped individual donations and capped public funding before the annual general conference of the party in Ballina in June 2006. Now that motion was lost, and hence the organisational policy remains, but there are two further motions along similar lines that have been submitted to the Agenda Committee that I am aware of for consideration at our annual general conference in June this year. There is movement there. Andrew Stoner, our Parliamentary leader, has offered support to the Premier's statement which was in the *Sydney Morning Herald* and on the *ABC AM* program on 22 March, in which the Premier was talking in broad terms of moving away from political donations to full public funding, with the proviso again that the unions are considered. So it is a bit of a moving feast. What concerns us is that finding solutions is certainly not going to be easy.

The Australian Labor Party's supplementary submission to your committee of 25 March introduces new language, namely "private" donations. Up to that we tended to talk about "corporate" donations. What does "private" donations mean? In the National Party the local branches and

electorate councils are the key ones that conduct fundraising functions in support of their candidates and their campaigns. Is a local supporter, a local member who pays perhaps \$30.00 to attend a branch dinner, of which maybe \$5.00 goes towards the campaign, now going to be regarded as a "private" donor? What are the implications of that? I think that is a question that needs to be carefully considered. The Premier in his statement to Parliament on 28 February talked of banning members of Parliament and candidates from organising or collecting donations. In the National Party we strongly recommend to our candidates and our members of Parliament—and generally they accept this because they are quite happy to—but it has always been our way that candidates and members of Parliament should not directly involved themselves in collecting donations: It is done by the branches, the electorate councils and the campaign directors. Certainly there might be a campaign fund opened in the name of the candidate's campaign—you know, the Joe Blow for re-election campaign fund or something—but certainly candidates do not directly involve themselves.

My concern about this is if you say to members of Parliament, "You can have nothing to do with any donations," does this mean you cannot attend a function that is going to raise money? To what extent might we be inhibiting the legitimate role of a member of Parliament to be meeting with his or her community leaders, business people, industry leaders, farmers and small businesses across the board? That is very much their job. I think that needs a lot of thought.

None of the proposals put forward in the original Labor Party submission of 15 February nor by the Premier to Parliament on 28 February, nor by the Prime Minister on the *7.30 Report* on 3 March nor the Premier on 22 March in the *Sydney Morning Herald* and *ABC AM*, nor the ALP supplementary submission to this Committee on 25 March contained much detail at all. They do not address the issue of donations or indirect campaigns conducted by third parties, such as trade unions or peak bodies. They do not address what levels of public funding the taxpayer might be up for.

If all activities of political parties are to be funded from the public purse, election campaigns and the ongoing party maintenance of organisations between elections, the cost to taxpayers would be extremely heavy. Would taxpayers cop this? It is a fundamental question. I guess that if the public cannot be brought round to any change, if there is change in that direction, it will fall like skittles anyway. The submissions do not address the advantages to incumbent governments of government advertising, which I understand in New South Wales in the last financial year amounted to somewhere around \$112 million. They do not address the direct or indirect contributions from so-called separate entities.

I would like to highlight here that both the Liberal and Labor parties in their submissions to the Committee have failed to understand that The Nationals are different. We do not have branches or divisions of a national body. Each State Nationals party is its own separate entity: it is autonomous and operates within its own constitution and rules. Therefore, when you get, as with Senator Faulkner's press statement the other day looking at closing loopholes to prevent the transfer of money between divisions, it cannot quite apply as simply with The Nationals because in New South Wales we are a separate entity from Queensland and at the Federal level.

I suggest there is a lot to be addressed and honed down. I think there is movement; there is the possibility, but I would not put it further than that, that there might be bipartisan support. Any development to significant reform must have bipartisan support otherwise it will not work, and it must also go totally beyond the State of New South Wales. If we are going to achieve a uniform system, it has to ensure an absolutely level playing field so that no one political organisation or candidate believes that another has a better or more advantageous position than somebody else. So, it has to be a total level playing field. It has to take into consideration independence, how you fund these people during periods beyond elections and in election campaigns. I believe that to be successful it would have to apply across States, territories and Commonwealth jurisdictions. With those comments, I thank you for your indulgence.

CHAIR: We have today received another submission dated 3 April from the Department of Premier and Cabinet, which has given us a more detail to the earlier Australian Labor Party New South Wales branch submissions. I ask for your comment to some of the proposals contained in it. On page three it states, "To this end the Government will ban individual MPs, councillors and candidates from having personal campaign accounts." What is your response to that?

Mr DAVEY: As I said, The Nationals do not have personal campaign accounts. There are campaign accounts opened by the organisations, the electorate councils. As I said, they are often in the name of the campaign. It might be the Steve Cansdell Re-election Campaign Account; Steve Cansdell does not run that account. So, I think we would not disagree with that because it does not affect us.

CHAIR: You mentioned your concern about members of Parliament not being allowed to be involved in fundraising because of that "grey area". This submission states, "Limited involvement by MPs, councillors and candidates in the fundraising process by ensuring all donations are organised, received, handled and administered by the central party office." How would The Nationals respond to that?

Mr DAVEY: The primary concern we would have to that is the final bit, "administered by the central party office". Our party just does not work that way. It is the electorate councils that run local fundraisers for local candidates. They have their accounts. Certainly the head office of the party has funds. The way we work it is that head office supports a local candidate, for instance, by paying the cost of the production of television advertising for a candidate. But raising funds to do local radio, local print brochures, local newspaper advertising, that is all done at the electorate level. I do not like this whole idea of centralisation. It simply would not work within a party that is so decentralised such as ours.

CHAIR: I imagine there may be some way in which the central party office could delegate that responsibility to the electoral level, which your party already does?

Mr DAVEY: I suppose that would depend on how the wording comes out on that particular issue. If, indeed, there were to be some legislative change to that effect and it specified that everything must be handled by a central party office, well, we probably would not have the ability to delegate down.

CHAIR: The last issue relevant to you is that this submission says, "To legislate to ensure that loans and other credit facilities provided to parties, MPs, councillors and candidates must be disclosed under the Election Funding Act," which I imagine you do already, unless there is some other area?

Mr DAVEY: My understanding is that we do that anyway. I have noticed in some press reports—I cannot specify them to you because I do not have them at hand—there have been suggestions that loans should be banned. My caution on loans is that if there were to be some sort of ban, how could a political party fund an election campaign for which it is not going to get any reimbursement until after the campaign if it is not able to take an advance loan to fund that campaign in the first place?

CHAIR: I suppose it depends on how the loans eventually will be defined, or whether it means loans from individuals who may use the loan to gain some political favour or simply loans from the bank, which I imagine it is what parties normally do?

Mr DAVEY: You raise an issue. For our party we get a loan from the bank usually on the basis of the value of our head office accommodation, which we own. On the basis of that, we are able to secure a loan, which enables us to fund a campaign. We do not get loans from private entities.

The Hon. DON HARWIN: I want to follow up on your answer to an earlier question from the Chair as to donations being organised, received, handled and administered by the central party office. You said that it would not work. Is it the case that it would not work or that it is contrary to the tradition of your party?

Mr DAVEY: If the law is determined that that is what had to happen, I suppose we would have to change our ways. It is totally contrary to the way in which our party has historically directly always operated. It is an interesting party in that it has been a fiercely decentralised organisation. Any time there are moves to decentralised things, head office or the central council organisation gets accused of trying to take things away from the grassroots membership.

The Hon. DON HARWIN: If people want to know more they should buy your excellent book and read all about it.

Mr DAVEY: I think we are a very open party to our membership. Certainly it would go against the philosophy of the party, there is no doubt about that.

The Hon. JENNIFER GARDINER: Paul, I go back to the first point you made about administration and the audit process. As you have indicated, a large proportion of the campaign activities of The Nationals is undertaken at a local level by voluntary office bearers. In your submission you point to difficulties in some parts of the State in obtaining the services of a registered company auditor. The election funding guide that the Election Funding Authority published for last year's election states:

A declaration would not be approved by the Election Funding Authority unless it has been audited by a registered company auditor. The Australian Securities and Investments Commission [ASIC] provides information and details on registered company auditors.

I have ascertained that ASIC does not have a database of registered company auditors on a geographical basis and to get access to the statewide or Australia-wide information you have to pay anyway. It seems that some of these administrative matters, which seem to be more onerous in the 2007 election than ever before, could be easily addressed in simple amendments to the legislation or to these guidelines. Would you agree that it is important, even though it is the minutiae of the election funding laws, to address those issues, particularly from the perspective of volunteers in the political process?

Mr DAVEY: Yes, I certainly would, there is no doubt about that. I would agree with you, I think a lot of these things can be relatively easily fixed. Whether it requires legislative change or not is another matter for consideration. I am sure by sitting down with the electoral commissioner and going through some of these areas, he could clarify what would require legislative change. I think it is vitally important that those minutiae, as you say, are simplified to the extent that they can be possible and that they continue to be consistent and not change from election to election so that people can understand them, particularly party volunteers. Also, hard copies should be made available. It is very easy for us in Sydney, for instance, to think that every man and his dog have broadband, they are on the Internet and are fully au fait with it. But if you have volunteers who are branch or electorate council treasurers somewhere out in the western division of New South Wales, broadband does not exist, they are on a dial-up line, they are lucky if they have a bubble jet printer, they are paying for their own phone line, they are paying for their own paper, they are paying for the ink in their bubble jet printer. Then they are asked to download a 60-page booklet before they can even understand what is going on because there is no hard copy available. It is not fair. I think it is very important that we do keep in mind the rural and more remote areas of the State, and that there is a lot of country out there. We do need to keep that in mind.

CHAIR: The Committee has heard complaints about the high charges that have been incurred through the audit by a registered company auditor. Can that issue be addressed by having an approved auditor?

Mr DAVEY: I would hope so, Mr Chairman. I do not think that there is a need for a registered company auditor. We would be more than happy to have a registered auditor to do it. I do not have the figures with me but I do know that we have had enormous trouble with our electorate councils, the returns from the local level, because people were not able to find a registered company auditor and if they could the cost was quite heavy and high. We expect the branch or the electorate council to bear that cost. They do not get any reimbursement of that cost from our head office. So, of course, they are concerned about that. I would have thought that a registered auditor is adequate, rather than a company auditor.

The Hon. JENNIFER GARDINER: I want to follow up on the question of whether or not there should be a total ban on private donations, whatever that means. We still do not know what that means. One of our expert witnesses, Dr Tham, from the University of Melbourne, made this comment:

I do not actually support a complete ban on private donations. A key point to make is that political parties need to have strong connections to society in order to perform their legitimate functions. Those functions include the ability to represent society, the people, the citizens, and the ability to offer themselves as vehicles for participation.

He went on to say:

The problem is not with private funding per se but with the type of private funding. So, in my view, big money in small sums, for instance, is highly desirable but big money in large amounts not so.

I suppose that would summarise the philosophy of many members of The Nationals that any political party should be organically connected to and part of the society that it seeks to represent. Would that not be the case?

Mr DAVEY: I would think so. I would agree with that, yes. Again, it goes to the question that if an individual or an organisation wants to become involved in a political issue, then if you turn around and say, "No, you cannot do that", to me that infringes on the whole concept and desire of democracy and freedom of speech. This is a very core issue that has to be very carefully considered.

The Hon. ROBERT BROWN: Mr Davey, as a person responsible for a party that represents primarily country constituents, could you comment either anecdotally or from studies your party may have done on the level of knowledge—I hate to use the word "sophistication"—of your constituents in relation to the general electoral processes? Do you feel that the people of New South Wales have a good, fair or poor understanding of the electoral processes?

Mr DAVEY: It is an interesting question.

The Hon. ROBERT BROWN: It is a lead-up to a question on public funding.

Mr DAVEY: I think to be fair, yes, there is a broad general understanding of the political processes. I think people understand that these processes are good in that they return democratically elected governments. But when you get down to the nitty-gritty of it I am not so sure. I think people front up at a polling booth and they vote. They make up their mind one way or the other and they vote. They certainly do not understand this sort of technicality, and that is why I suspect that if one were to go down the 100 per cent public funding path, and the taxpayers or voters were suddenly told, "Hey, look, the taxpayer bill for political parties is going to go from X to triple X or quadruple X", I think they would howl. I do not know that really answers your question.

The Hon. ROBERT BROWN: I think it does, in part. My next question relates to the political education fund. You have an understanding of what that is for and the eligibility and distribution of those funds. Do you believe that the current political education fund, in so far as it does not apply to Independents in the Legislative Assembly or to all the parties in the Legislative Council, is equitable, or do you think that there could be some changes made?

Mr DAVEY: I think the political education fund is a good innovation, but I do think that there is room for reform of it. I think that it should take into account members who are elected to the Parliament, whether they are Independent members or whether they are members of small parties that perhaps are not getting funded through that. I think there should be adjustments there. I think the political education fund should be equitable in terms of its treatment of members of Parliament.

The Hon. AMANDA FAZIO: Mr Davey, I ask a question in relation to a matter on page 10 of The Nationals submission in which you say that the process of submitting a claim for the reimbursement of moneys spent during an election campaign is unwieldy, complicated and expensive to administer. You have suggested the Committee might like to consider adopting the Commonwealth model where you get paid an amount depending on how many votes are received, not on the amount of money you have expended. You are probably aware that Senator Faulkner, the Special Minister of State, has announced that the Commonwealth intends to change that system to go back to one whereby you get reimbursed for expenditure up to a cap based on the number of votes.

Mr DAVEY: Yes.

The Hon. AMANDA FAZIO: Given that obviously the current arrangement is causing some difficulties for the people in your party who have to prepare all the returns of expenditure and whatever, do you think that having a system either of a software package or a program that is given to parties or to individual candidates, so that they can begin the accounting process using the same standard format that would be required by the Election Funding Authority, would be a good start in terms of helping to reduce the workload—I presume it is the same in the Labor Party and probably the Liberal Party—of a whole bunch of volunteers who were not quick enough to say no when they were nominated to be the person in charge of the accounts?

Mr DAVEY: Yes, it would help. I am sure it would help, but then you still have to cater for those people who are not computer literate. I know plenty of people who, when you give them a CD and say, "Shove it in your computer"—I am a bit like that myself, I have to confess—look at you and say, "Whoa!" I think we have to be mindful of the fact that there are a lot of people to whom this is all pretty foreign stuff. Even if they get the CD in there and open it up and can see the document, I for one, if it is a large enough document—put it this way, I do not like seeing stuff on a screen. I like to download it and have a hard copy. That is force of habit, I guess, but if it is a large document running to 68 pages, I will not print it out.

The Hon. AMANDA FAZIO: So you prefer that, if something like that is instituted, it should come as a proper information kit with a hard copy and printed instructions?

Mr DAVEY: I think there needs to be an alternative. Look, certainly, people who can handle a disk and software will find it is a lot quicker and a lot easier and it is less expensive as well as less time-consuming, but I think we cannot yet turn around and move away from having the option.

The Hon. MICHAEL VEITCH: I wish to ask a question about the administrative burden of the current disclosure regime and putting in electoral authority funding returns. I am also from rural New South Wales, so I have a bit of an understanding about the absence of broadband and slow downloading speed issues. Can you talk us through how your party lodged the last State election's Electoral Funding Authority [EFA] returns? Is that done that by each individual electorate council or each individual electorate branch that does their own and submits them on your behalf to the Electoral Funding Authority, or do you receive them at the central office and let them do a combined return?

Mr DAVEY: My understanding is that the electorate councils do their own returns. They try to get their registered company auditor—they send them into our head office. We employ an accountant in head office who goes through them and it goes back to them. After the last State election it was going back all the time and we were saying, "Hang on, you have to lodge receipts for all the little things up to \$200.", or whatever—toing and froing, toing and froing, toing and froing. Our company or a party accountant advises them in completing their form and it then comes back in. I believe that once it is all clear and everything else, it is forwarded to the authorities through our head office. I am not too sure of that. It might go from the electorate council. But certainly we have an advisory capacity. The work is actually done at the local level.

The Hon. MICHAEL VEITCH: How involved is your local candidates in that process?

Mr DAVEY: The candidate is not as much involved as is the campaign team, in particular the campaign treasurer, the director and those types of people who are involved in keeping the receipts and things like that. They are the ones who are involved. The candidate is generally out there, or should be out there, doing his or her job, trying to get elected. If they get elected, that is fine, they are off to Parliament. If they do not get elected, they are back doing whatever else it was they were doing. It is the local campaign team.

The Hon. MICHAEL VEITCH: It is obvious that you would like to see an improvement in that process.

Mr DAVEY: Absolutely—simplify it, too. It has got to be ultimately simplified without, I might just add, jeopardising the integrity what is required through the return.

The Hon. MICHAEL VEITCH: There has been some discussion around in-kind donations. In the submission we received from the Department of Premier and Cabinet, there is some talk about in-kind donations. What is your interpretation or understanding, Mr Davey, of an in-kind donation?

Mr DAVEY: I am not quite sure where you are referring to in the Premier and Cabinet's submission.

The Hon. DON HARWIN: It is on page four.

CHAIR: On page four the Premier's office has recommended a ban on the making of any in-kind donations, including the provision of offices, cars and telephones, et cetera, to candidates.

The Hon. DON HARWIN: It is about six or seven paragraphs down under subheading four.

Mr DAVEY: That would be my interpretation of the in-kind donations: as examples, office space, motor vehicles, telephones and other material assistance that might be given to the candidate, which is required to be disclosed, in any event as far as I am aware. If you are asking me do I think that that sort of assistance should be banned, again, you know, if somebody wants to support a candidate for an election by saying to him, "Look, here's a car. You can rattle around the electorate.", and some of the electorates are extremely large so you are going to rack up many, many thousands of kilometres in the space of a short election campaign, and says, "Look, here it is, take it away, use it and good luck to you.", okay, I think that has to be disclosed, but why should the person who is prepared to offer that vehicle be told, "No, you can't do that any more." Again I go back to this whole issue of the freedoms that you are allowed and the participation that you are allowed within a democracy.

The Hon. DON HARWIN: I suppose it is very difficult also to know where you draw the line in an in-kind donation. Obviously, voluntary labour at a polling booth is an in-kind donation.

Mr DAVEY: Absolutely, absolutely. I mean, where do you draw the line? That is a very good example. Is a party member who letterboxes, who goes to a pre-poll and hands out how-to-votes on a pre-poll and who may drive a ute around town with a couple of posters stuck on the back of it making an in-kind donation, or is he just doing what you might ordinarily expect a party member to do, if they feel so inclined? I suppose if you really wanted to tighten it up that would be an in-kind donation and I think if you are going to ban that I think it would be grossly unfair.

The Hon. DON HARWIN: Whereas an older, for example, supporter or party member might no longer be able to give their voluntary labour but they want to give either money or an in-kind donation. Why should they be treated differently?

Mr DAVEY: I think you are raising, quite correctly, the greyness of the areas that we are discussing here. As I said at the beginning, I do not think the National Party is averse in any way to reform and, indeed, we are engaged in the debate, but I just think there are so many questions that need to be answered that it is all so far up in the air at the moment.

CHAIR: Ms Fazio raised the issue of the National Party supporting a system where you do not have to give detailed expenditure to get the funding. That is correct, is it, that that is your position? You get the funding per vote?

Mr DAVEY: You are referring to the Federal system of public funding where if you get over 4 per cent you automatically get money. Our submission suggested that the State should move to that system. I do not think that as a party organisation we are opposed to adopting at a Federal level the same system of public funding as applies at the State level, which is what Senator Faulkner was saying in his statement; that is, you have got to spend the money to be able to get it back.

To me—and I guess I am talking personally—that is a more equitable way of public funding for candidates for election campaigns than is a system whereby somebody can potentially become a full-time election campaigner and use the public funding return to provide them a lifestyle between elections.

CHAIR: That was what I was going to ask you, whether you had views on that because of what Pauline Hanson has done now on two occasions in Queensland where you make a profit out of the election.

Mr DAVEY: There have been other candidates in Federal elections who have gone round a few times and made a few quid out of it. Personally I do not think that is fair.

The Hon. MICHAEL VEITCH: There has also been discussion about putting caps on expenditure. We have asked a number of witnesses their views on that and how it may apply. Do you have any comments you would like to make?

Mr DAVEY: In our submission we raised some doubts about how this would work and would lead to the American-type system of public action committees being formed; in other words, another third party, another third entity getting involved. I believe, if my recollection is right, Colin Hughes in his submission to you also raised some doubts about this. I again would need to see a lot more detail as to how that is going to work and how you are going to avoid the sort of pitfalls that might come up before we can really say yes or no that is a good or a bad idea. At the moment we as a party have got pretty grave reservations about it because we are not so sure that it can actually work, but we would be open to be persuaded, I think.

CHAIR: What are your views on funding for local government elections? It has now been proposed we have funding for Federal and State. Should it be extended to local government?

Mr DAVEY: I will give you a view but I will preface it by saying it is my view—the party probably does not have a lot of a view on this because we do not endorse candidates for local government elections so we are not involved as an organisation in that. Having said that, I would think—and again this is a personal view because the party is not involved in it—if you are going to have public funding for candidates for State elections then there needs to be some level of public funding for local government.

CHAIR: How would we work out the threshold? The current threshold is 4 per cent for the State. Should it be lower for local government or should even the State one be lower?

Mr DAVEY: I do not think I am confident to answer that. That might be an issue better considered by the wisdom of your Committee. And, again, I say that because we are just not involved in local government elections. That is the only reason I am hesitant there.

CHAIR: Do you have any view on the threshold of the State election of 4 per cent? Should that be lower?

Mr DAVEY: No, I do not think it should be lower. I think that if you cannot get 4 per cent of the primary vote bad luck.

CHAIR: And obviously some independents would have trouble getting 4 per cent and therefore receive no funding?

Mr DAVEY: That is true, but I can recall a time in 1987 in the Commonwealth election when 13 National Party candidates were stood in each of the States of South Australia and Western Australia and not one of them got 4 per cent. So, it is not only independents that can come to grief—and, similarly, there are some independents who score spectacular polling results. I do not mean to be flippant, and I certainly do not mean to be suggesting that 4 per cent is necessarily discriminating against independents; I think it is quite a good level.

The Hon. ROBERT BROWN: In relation to your answer and if we have a look at your submission on page 10 in relation to the suggestion we should perhaps go over to what the Commonwealth are doing and may change, you say:

... political parties and candidates who achieve a minimum percentage of the total vote in the relevant electoral district be considered.

So we are talking about the 4 per cent. You are suggesting there that we go over to the current Commonwealth system?

Mr DAVEY: Yes.

The Hon. ROBERT BROWN: That the minimum percentage, and let us say 4 per cent, stays?

Mr DAVEY: Yes.

The Hon. ROBERT BROWN: But I notice that you have not included a comment on the consideration that if a percentage is not achieved what about those candidates who are elected on a lower percentage—candidates and/or parties—as is currently the case in New South Wales?

Mr DAVEY: I think you have got me there. I just do not think I can answer your question. I am sorry about that. I will certainly try and get you an answer. Off the top of my head I cannot answer that.

The Hon. ROBERT BROWN: The question really is was it just an error deleted or is that the view of The Nationals that candidates who are elected on a percentage of less than 4 per cent should not receive any public funding?

Mr DAVEY: I think that is our position. Not exactly on what you are saying but as I said earlier, while our submission here suggests moving the State to the Commonwealth situation, I do not think our party would have any problem if the movement was the other way round, that the Commonwealth system actually came to conform with the New South Wales system.

The Hon. ROBERT BROWN: So you have no problem with the New South Wales system the way it is?

Mr DAVEY: No.

CHAIR: The New South Wales system would be that if the candidate is elected but does not get 4 per cent they would still get the funding based on the number of votes?

Mr DAVEY: Yes, that is right. I am sorry if I have confused you. This is one of the confusing things of having two different systems. We would think the New South Wales system is a more equitable system. We would go along with the view of Senator Faulkner that you should not simply be able to pick up public money for unverified election expenditures.

The Hon. JENNIFER GARDINER: As you know, on Easter Saturday Mr Iemma made certain pronouncements, which you have referred to, which we are still not quite sure exactly what they mean because they are very sketchy. He said that he had asked the General Secretary of the Australian Labor Party, Mr Bitar, to have discussions with the various political parties, presumably to try and get some consensus on where this whole debate in detail might end up. Will you confirm that Mr Bitar has been in touch with The Nationals but he is not meeting with The Nationals until next week which is near the end of this committee's public hearings? Is that the position?

Mr DAVEY: Yes, I can confirm that. He has been in touch with our State director either on Monday or Tuesday and he is meeting on I believe Wednesday of this coming week. In terms of that meeting I am not aware that he has got any further detail beyond what has been put forward to this committee either in the supplementary report, the statement by the Premier or in the latest submission that was given to the committee today. I will be a party to that meeting and I will be very interested if there is any detail at all that he can put forward. I hope there is. The point is if there is not, I do not know where we go.

CHAIR: You are bound by previous conference decisions at this stage?

Mr DAVEY: As an organisation, yes, most certainly. But, as I say, I think the line of the motions that are coming up in June certainly indicate that the organisation itself at the membership

level is thinking about these matters and, therefore, we are not closed to considering some sort of review, reform, change—call it whatever you like—but we need to know some details.

CHAIR: You said a moment ago that the parliamentary party is able to make its own decisions and is not bound by the organisation?

Mr DAVEY: Yes.

CHAIR: If legislation were introduced into Parliament then members of The Nationals would have to respond on their decision?

Mr DAVEY: Yes. As I said, we have always had the view that the parliamentary party should not be bound to organisational policy decisions, and that is principally to provide the parliamentary party, be it State or Federal, with the flexibility to respond to changing circumstances which, in a political situation can, at times, be extremely rapid. What our constitution requires is, to take a hypothetical, let us say that in June our organisation maintains the status quo with regard to policy but legislation is forthcoming from the committee's work into the Parliament and our parliamentary party supports that sort of change. If that is in conflict with the organisational policy then the onus is on the parliamentary Leader to explain the reasons why, first and foremost, to our central council which is our governing body, and then also to our annual conference so that the membership is informed and advised of the reasons why.

CHAIR: Then the committee could make progress with reforms?

Mr DAVEY: I am also alluding to that. I believe there is a movement of change, I think what I am trying to demonstrate to you is clearly our parliamentary party is moving. The mere fact that our organisation has now had these sorts of ideas floating around for a couple of years is indicative that, yes, if we can get the detail that is required, if we can guarantee level playing fields, if we can get rid of—you know, in our organisations we have grave concerns about the ability of the trade unions to fund the Australian Labor Party or to run indirect campaigns which directly assist the Australian Labor Party election campaign, which is documented, that is fine—but if we are going to move down a system of public funding then providing everyone is satisfied that there is a total level playing field across the board applying to everybody then we might make progress.

CHAIR: Thank you for appearing before the committee. We appreciate the information you have supplied.

Mr DAVEY: It is a pleasure to have been able to hopefully assist you. Good luck with your deliberations.

(The witness retired)

ROBERT JOHN DREW, Post Office Box 302, Wauchope, sworn and examined:

CHAIR: In what capacity do you appear before the committee?

Mr DREW: I am here as a private citizen but the immediate former mayor of the dismissed Port Macquarie-Hastings Council.

CHAIR: Do you want to make an opening statement?

Mr DREW: Yes I would. I thank the committee for inviting me to appear before this committee in my private citizen capacity, as I am no longer the mayor of Port Macquarie-Hastings Council. Since the Port Macquarie-Hastings Council was dismissed on 27 February, I can only comment on the electoral funding matters from the point of view of my own group which contested in the 2004 local government elections in Port Macquarie-Hastings. That group of four candidates campaigned as part of an informal team under a promotional image as the S-team which, overall, fielded 15 candidates in three independent groups. Only five candidates were actually elected from those groups. At the time it was quite improperly suggested that the groups were dominated by The Nationals. In fact, only three of the 15 candidates were members of The Nationals and only two were elected.

The 2004 election was the first in which a mayor of what was then Hastings Council was to be popularly elected. I am happy to say that I did become the first popularly elected mayor in the Hastings local government area. As I have said earlier, I am no longer in that position but I am more than happy to offer my thoughts on electoral funding in general, if the committee feels that to be relevant. However, I stress that I no longer have any authority to speak for the Port Macquarie-Hastings Council. I speak only for my group and for myself as a citizen with some nine years' experience in local government, including almost five years as the mayor.

As in all situations like this, rumours were flying around about the funding in general, and various allegations made about the funding for my group. But I want to make it quite clear that my group complied with all requirements of the Electoral Funding Act 1981, including its obligations to make disclosure. The Electoral Funding Commission accepted the returned provided, and later requested an explanation of the residue between expenditure and gifts received, with a cut-off date under the Act. This was provided and accepted. All donations were received on behalf of our group by Paul McCarthy Advertising of Port Macquarie. I was made aware of the donations and expenditure made on behalf of our group. I did not personally solicit any donations on behalf of the group or in my campaign for the mayoral election.

As a matter of interest, as shown in our disclosure, total expenditure of my group was approximately \$47,000, which included the mayoral campaign. By the declaration date donations of \$3,820 were received, and donations have been received to further fund this campaign since the cut-off date covered under the Act. My group continues to have a residue amount it needs to fund. I want to state clearly and unequivocally that I am not beholden to any group or individual who may have contributed to the group's funding, or to the funding of my mayoral campaign. It is important for me to make a passing reference to the recent dismissal of Port Macquarie-Hastings Council.

The dismissal of the council arose out of the council's performance in relation to the glasshouse being constructed at Port Macquarie; it did not arise out of electoral funding. I mention this knowing that it is not directly related to the terms of reference of this inquiry but because I want to separate the matter of the council's dismissal from what is being reviewed by this inquiry. I understand that the purpose of this inquiry is to establish whether reforms need to be made to legislation covering electoral funding and political donations, and I welcome it. I believe there is almost certainly room for a thorough investigation of the way money is raised and spent in elections at state and local level. I come here today at the invitation of the Committee to offer whatever assistance I can from my personal experiences.

CHAIR: As you know, the Premier has announced that he supports a ban on all private donations in favour of a system of public funding, which we assume would have to include local

government. Who do you believe should be covered by such a ban and what is your view of public funding for local government?

Mr DREW: I do not think it would be democratic to impose a ban on funding. That is certainly something members will hear a lot about. It comes down to the basis of our democracy and anyone's right to donate to a campaign. From my perspective, coming from a rural or regional area, I know that people get involved in election campaigns for a raft of reasons. Unfortunately, the development industry comes in for too much flack.

No-one representing the development industry has ever come to me to talk about anything other than their project and the reasons they want to proceed with it. Unfortunately, people have started to use the word "developer" as a swear word. In my experience, the development industry is no different from any other industry. The majority of people in business are trying to make an honest day's wage for an honest day's work. I see the same in the development industry and I have found that to be true in the Port Macquarie/Hastings area. The development industry is the subject of undue flack at times.

Excuse me for telling members something that they might already know, but it is illegal for a councillor to become involved in the development process once the development application is started within council. It is up to the professional staff to make the determination about whether a development complies and, if it does not, what are the public benefits or otherwise. It is at the determination stage that the political arm becomes involved. That is a safeguard already in place in local government. Whether or not you have received donations from the development industry, that is a safeguard.

Port Macquarie-Hastings council included in its code of conduct the need to declare contributions of more than \$1,500 to a political party, \$1,000 to a group and \$200 to individuals. That requirement was introduced early in the last term of the past council. There is that safeguard in place as well—the councillor makes a non-pecuniary declaration. He or she then makes a decision about staying in the debate or leaving the chambers. There have been very few occasions on which that has had to be used.

Coming back to the original question, it is not fair to ban donations from any particular person or group. There may be a need to cap funding from some of the major organisations. I am not sure. I think they are issues that raise more questions than answers. Again, I am happy to listen to the comments of other people regarding that. I have read a number of submissions. It is interesting the diversity of some of the submissions as well.

CHAIR: Do you support corporate donations? You would not need public funding for local government in that case.

Mr DREW: Whatever is introduced at the state level should be introduced at the local level as well. Capping and funding arrangements would probably be slightly different. I do not know how one would determine the correct funding. Regional councils cover large areas and candidates have to cover many kilometres. The metropolitan areas are very much tighter and there might not be the need for as much expenditure. I am sure the metropolitan people would say something different. Issues arise in country areas that do not arise in metropolitan areas. I see public funding as an option, but it should be explored very thoroughly.

The Hon. AMANDA FAZIO: We had it put to us by other witnesses that in the same way that there should be disclosure of developer donations to people on councils, that any donations that they receive from opponents of development should also be disclosed. One of the original proposals from the Premier was that at the time of lodging the development application the developer must attach a schedule of donations made councillors. The corollary would be that someone lodging an objection would also have to disclose whether they had made any donations to councillors. Not every opponent of the development is opposing it out of a love of architecture or streetscape; some of them do it to protect a business interest or their own property interests. Would you support that level of disclosure?

Mr DREW: I see it as a simple way of overcoming some of the concerns about the development industry. A question could be added to the development application asking the applicant to disclose any donations given to any of the sitting councillors. That would be a great way to go. It also removes the total responsibility from the councillor. I am sure it is no different at the state level. Sometimes you become extremely busy and involved in what you are elected to do. You are not always thinking about the fine details of who donated what at particular times. There are certainly times when you can honestly overlook a possible a donation or donor. That is another cross check coming from the application as well.

The Hon. AMANDA FAZIO: In your opening statement you mentioned a company called Paul McCarthy Advertising. Was that company appointed by the Yes group you were a member of to be its agent?

Mr DREW: Yes.

The Hon. AMANDA FAZIO: I was not sure.

CHAIR: An individual would have been appointed.

Mr DREW: Yes.

CHAIR: You could not appoint the company.

Mr DREW: It was the managing director of the company.

The Hon. ROBERT BROWN: I would like to follow up this line of questioning about public funding and the potential cost to voters if it were introduced for local government or State elections. Do you know how many electors you have in your council area?

Mr DREW: I know we needed about 3,800 for a quota at the last election to be elected, and there are nine councillors.

The Hon. ROBERT BROWN: So it is roughly 38,000. What is the cost of local government elections in your area?

Mr DREW: From the council perspective?

The Hon. ROBERT BROWN: Yes.

Mr DREW: It runs out at just over \$200,000.

The Hon. ROBERT BROWN: So, the ratepayers in your local government area are already up for \$200,000 before things start to happen.

Mr DREW: Yes.

The Hon. ROBERT BROWN: You mentioned that your group kicked in about \$47,000 to the campaign. Do you have a rough idea of the total expenditure in your last local government election?

Mr DREW: No, I have not.

The Hon. ROBERT BROWN: Given that we have had quotes here of council elections costing somewhere between \$200,000 and \$260,000, and \$500,000 for a coastal council—which is a lot of money and which of course the ratepayers pay for—and of total campaign funds in fairly large councils with around 70,000 voters—I might have that wrong—of around \$160,000, we are talking about a substantial amount of funds that are spent privately. Apart from your stated position that you think perhaps a ban on private contributions would be antidemocratic, what do you think your ratepayers' view would be were they then required to fund, say, an additional \$100,000 or \$150,000 of public campaign funds?

Mr DREW: I think there was outrage at the announcement by the Government that more responsibility would be put on local government to run their elections, coming up to September. I think if you added more to that then obviously there certainly would be further objections to that occurring.

The Hon. ROBERT BROWN: From ratepayers. Do you believe that the current disclosure requirements that have been brought in—you mentioned you have changed your code of conduct—are satisfactory and sufficient or do you believe that more could be done in regard to local government disclosure?

Mr DREW: I think more should be done and with the advent of technology these days I think there is probably that ability to have the declarations nearly in real time. As you receive them they could be posted on a website.

The Hon. ROBERT BROWN: The Australian Electoral Commission website?

Mr DREW: Yes.

CHAIR: Just to clarify that amount of money, the Electoral Commission charges you \$200,000 to conduct the Port Macquarie-Hastings election?

Mr DREW: Mm.

The Hon. JENNIFER GARDINER: That is if there is an election.

CHAIR: Yes. I mean previously.

Mr DREW: We can talk about that too!

CHAIR: Do you know how they calculate that? Do they bring in extra staff or do they use council staff?

Mr DREW: They used to use council staff. It is now no longer possible to use council staff, and that is adding to the cost. I know that you need to make booths readily accessible to your residents but I think in our area there is probably a third too many booths, which also adds to the overall cost of running an election. I think that should be reviewed as well.

CHAIR: So the Electoral Commission would hire casual staff in your area to conduct the election?

Mr DREW: That is correct.

CHAIR: Do you feel that is a fair amount that they charge?

Mr DREW: No. I think local government has certainly proved in the past that it can run the elections as well as if not better than the current arrangements. There are staff who have a great deal of experience in that and it certainly could be done in future, especially if you look at a reduction of booths as well.

CHAIR: So you think it would be more efficient if there was local input into the conduct of the election from the council?

Mr DREW: I think so.

CHAIR: And perhaps people from outside coming in.

Mr DREW: The casuals that are used are generally a lot of residents anyway and they are being paid a casual rate, which adds to the cost.

The Hon. JENNIFER GARDINER: Mr Drew, the Premier through the Department of the Premier and Cabinet has made a formal submission to the committee. One of the items relates to the model code in local government. The submission says that under the proposed reforms the current provisions of the model code will be expanded to incorporate more detailed guidance for councillors in relation to political donations. Using the guidelines as a reference the model code will be amended to include clear instructions for councillors on the circumstances in which political donations will give rise to non-pecuniary conflicts of interest and how such conflicts should be managed. The necessary amendments will be formulated in consultation with the ICAC. Do you have any comment on the moral code and how the Port Macquarie-Hastings Council may have adapted that code and what sort of amendments might be best made to it?

Mr DREW: I think a really helpful part of this would be, as a lead up to any elections, whether local or State, a higher degree of education on those responsibilities for candidates especially. I heard the previous witness talking about how, from a party perspective, it is more the campaign office that gets hold of that side of things and the candidate gets on with what they do. In local government you generally have not got that luxury and the candidate generally has to do all things. I think more education, certainly leading up to elections, would be very helpful. As far as Port Macquarie-Hastings Council is concerned, we went through a very thorough education process for our code of conduct and our responsibilities under pecuniary and non-pecuniary interests. That is certainly helpful and that is being included in the code of conduct for Port Macquarie-Hastings.

The Hon. JENNIFER GARDINER: Was that done by the council itself or the Department of Local Government or both?

Mr DREW: It was done by our local—

The Hon. JENNIFER GARDINER: So you took it upon yourselves to do that?

Mr DREW: Yes. I know from reading through some of the submissions that other local government authorities have done the same thing as well, and I certainly encourage that. It helps to remind councillors of their responsibilities. Again, you can get really busy at times and can honestly overlook some of those issues, so it is imperative that the education process is very thorough.

The Hon. JENNIFER GARDINER: Another item that the Premier has mentioned is the mandatory reporting of voting histories of councillors. As you know, at the moment the names of those who vote for a motion and those who vote against it are recorded in the minutes when a division is requested, otherwise councils are not obliged to record the voting patterns of individual councillors. Mr Lemma proposes that under new arrangements the votes of each councillor will be recorded and made public as a matter of course. I presume you would not have any problem with that?

Mr DREW: No, not at all. The administrator in Port Macquarie has just introduced webcasting as well, so it will go live. Even though it is totally different having an administrator rather than an elected council, I would imagine that when council is back in the seat webcasting would probably continue. It is live anyway, and I have no problems with that. At the moment if councillors are of the mind that they want to have their names recorded as voting against, then that is certainly the case. Again, if you were strongly enough in favour of a particular item you would have your name recorded as voting for it as well. So that ability is there now.

The Hon. JENNIFER GARDINER: Finally, is there a comment you want to make about the dismissal of the council in the context of our terms of reference on election funding?

Mr DREW: I think it is probably fairly hard to do it within the terms of reference. I am thoroughly disappointed with the way the whole process has unfolded. I do not think there was any independence and I do not think there was any justice in it, but relating it to the terms of reference would be very hard.

The Hon. MICHAEL VEITCH: I have some questions now about the disclosure regimes that have been proposed. If you read through some of the submissions you will see there are a number of models proposed for us to consider. Having spent 12 years in local government I understand the existing process for pecuniary interest returns once a year to be retained. I guess I have a concern that

a lot of ratepayers are unaware that they are there and they can go and check. Do you have a view about quarterly, half-yearly or annual disclosure of donations or whether it should be real-time electronic?

Mr DREW: I think the real-time option should probably be explored, but I have no objections to quarterly or half-yearly disclosures either. Generally speaking, I see that the absolute majority of people are really genuine in wanting to do the right thing. Generally they are not trying to hide anything. It is the way the system is and the way the legislation is currently. Yes, I would have no objection to that being introduced, either real-time or quarterly or six-monthly.

The Hon. MICHAEL VEITCH: One of the other things that has been proposed is that there be a registered company auditor certify the disclosure returns. Do you have a view about the necessity for that degree of rigour?

Mr DREW: I do not know whether there is a necessity for that degree of rigour. If you are going real-time or quarterly or six-monthly I do not see the need to go to the extra cost. It just adds another layer that I do not think would be necessary.

The Hon. MICHAEL VEITCH: I want to talk to you about your councillor colleagues' understanding of the current donation disclosure framework as it relates to in-kind donations. Do you think there is a general understanding of what it in-kind is?

Mr DREW: I do not. I think it is a really wide area, in-kind donations. In my own campaign we had nearly 300 people involved on election day at the polling booths. Is that in-kind donations? Some of those people gave up entire days. They gave up time leading up to the election. How far do you go with in-kind donations? I think you are opening up an absolute minefield there. I think I heard the comment from Mr Harwin before that there are elderly people who may have been involved physically in campaigns in previous years who now would prefer to do it from a donation perspective. I think you are opening up a minefield if you start looking at in-kind donations as well.

The Hon. MICHAEL VEITCH: Again, purely from a local government perspective though, if they are were to be some sort of definition of in-kind, what sorts of things do you think should be included? You mentioned some things you thought may not be included. For instance printing, people who donate printing services or professional services?

Mr DREW: I declare an interest there; I have a printing company. It depends on the amount they give, I suppose, in the case of printing, if they are significant amounts of printing they are doing free of charge, I suppose that would start to move towards a donation as such rather than an in-kind type of donation. Again, the definition would have to be tightened right up.

The Hon. MICHAEL VEITCH: Going back to the disclosure regime, if there were to be a new regime introduced for local government in disclosing donations, do you think that should somehow be tied to the pecuniary interest returns that you also have to submit or do you think there is an opportunity to combine the two processes and achieve all ends that way?

Mr DREW: The difference at the moment I think in declaring a pecuniary or non-pecuniary interest, as far as council is concerned, is that with a non-pecuniary you have an option on whether you stay within the chamber and take part in debate and whether you take part in debate and do not vote. You have a few options. The reform could include a similar outcome as pecuniary, that you leave the chamber if there is a significant donor involved in the application before you.

The Hon. AMANDA FAZIO: Could I ask another question in relation to the disclosure of donations? I am not quite sure what you are talking about in your opening statement. You said you spend \$47,000 on the whole S-group campaign?

Mr DREW: Just my group.

The Hon. AMANDA FAZIO: Just your part of that? Okay. So you spent \$47,000 but you said you only received \$3,000 in donations before the cut-off date for returns to the Electoral Funding Authority. That means all the other donations you received have not yet been reported. What has made

me a bit confused is, now that there will not be elections in Port Macquarie in September, when will you have to report again? Do you know?

Mr DREW: No, I do not know. It is not something I have looked into but my assumption would be that if another election was called you would declare at that point, but I do not know what the distance in time is, whether there is a relevance there.

The Hon. JENNIFER GARDINER: It has gone into limbo?

Mr DREW: Yes.

The Hon. AMANDA FAZIO: So these circumstances would be good ones to support having more frequent reporting?

Mr DREW: Yes.

The Hon. JENNIFER GARDINER: And regular elections?

Mr DREW: I think the answer to that for me is to have the election in September.

CHAIR: The Premier's office, in relation to the in-kind donations, has proposed a ban on the making of any in-kind donations, including the provision of offices, cars or telephones to candidates. Do you see that as limiting the effectiveness of candidates? In other words, are in-kind donations of practical benefit in some cases?

Mr DREW: I think you are again cutting across what we should really be able to do under a democracy. How you disclose that is another issue but I do not think it should be stopped. If you need to tighten the guidelines for that to be disclosed, that is one issue, but I do not think you should stop it.

CHAIR: In view of the problems that have occurred at Wollongong, which has in many ways created the widespread concern in the community that that sort of thing is going on everywhere, and it may not be, what recommendation would you have made to prevent what happened in Wollongong? Is there any proposal that should be in place that might have prevented what occurred?

Mr DREW: The unfortunate thing about that is that Port Macquarie-Hastings Council, along with most other local governments, is thrown into the same basket, which is unfortunate. I go back to my opening statement. The absolute majority of people are genuine in their endeavours. Unfortunately, a very few people bring all that unstuck. From what I understand of the outcomes in Wollongong it was certainly the case there. I think there was a meshing of professional staff and elected councillors as well. I think that is where the danger can come, where you do not have those defined lines on where your professional staff sit as opposed to your elected councillors. I think there was a bit of a meshing there that may have needed to be separated. That is something that can be difficult at times. When there is passion within the community, I suppose, and through their elected councillors, the councillors get passionate about different issues as well, and that blurring does, unfortunately, sometimes occur.

CHAIR: As we know, a key member of the staff down there in the Wollongong council, in the planning area, was involved. How could that be prevented? Should there be tighter supervision by the general manager over the planning staff?

Mr DREW: The easy answer would probably be yes but is it practical? I do not know whether it would be but certainly the director of the department has a great responsibility on the way the staff conduct themselves and he probably needs to have tighter controls on the particular staff. Planning is an area where there is a lot of pressure on, particularly in growth areas where the pressure is on to turn round a development application in a timely fashion, and obviously some are more complex than others. That is a very difficult place in local government, being an employee in the planning department. It is a very high-pressure part of local government. What has happened in Wollongong has been very unfortunate.

The Hon. ROBERT BROWN: One of the witnesses today, who was a senior officer from a local government area—

The Hon. MICHAEL VEITCH: The general manager—the most senior officer.

The Hon. ROBERT BROWN: That is right. He offered the suggestion that perhaps pecuniary interest and/or disclosure of political donations should be extended to senior staff, so that if there were a conflict of interest then the council, or a supervisor or the person responsible, would be able to take that person away from consideration of the particular project. What do you think of that idea?

Mr DREW: Yes, if that is going to help with the transparency and openness of the whole situation without adding a whole lot of other complexities, certainly. Senior staff do have to fill out their returns every year as it is, and disclose property interests and the like already, so that may just be an extension of that slightly.

The Hon. ROBERT BROWN: And that can be done on a continual reporting basis online, similar to councillors?

Mr DREW: Yes.

The Hon. MICHAEL VEITCH: Can you explain then, in that process for senior staff, what is not already covered by law or legislation? What is the gap? I actually think that the majority of material that this morning's witness gave is already covered by legislation.

Mr DREW: I think you are probably right. It comes down to the way people conduct themselves in their professional lives, I suppose, to a great degree. You can legislate as much as you like, but it does really come down to the individual at the end of the day and whether they want to comply with that legislation or otherwise. I think there are opportunities to probably look at tightening it and possibly broadening it slightly to capture some of the people who are not being captured at the moment, so I think there probably are possibilities there, but I think the danger with any of this review is introducing more legislation that is just going to add more complexity to an already complex issue.

CHAIR: Mr Drew, thank you very much for attending our hearing. We regret that your council is not able to function.

Mr DREW: No more than I. Thank you very much for the invitation. I hope that it has been of some benefit to the Committee.

(The witness withdrew)

(Short adjournment)

KARL BITAR, New South Wales General Secretary, Australian Labor Party, sworn and examined:

CHAIR: Do you wish to make an opening statement?

Mr BITAR: Yes, just a brief one. I would like to start by thanking the members of this Committee for giving me the opportunity to address you today. I start by briefly recapping what was in the supplementary submission. The supplementary submission does advocate a ban on all donations to political parties and replacing the current system with a full system of public funding. The intention or the aim of such a policy change would mainly be to restore public faith in government decision-making or in the political process.

As you go through the submission, you will see that it intentionally leaves out a lot of detail. The reason for that is that once you get into the detail, there are hundreds and hundreds of questions, which are yet to be answered. I am sure you will ask me some of those questions today, and I guess, when I am having meetings with the other political parties these are questions that will be raised and we will have to address before we come to a final decision on how we approach this matter. A lack of detail in terms of the submission shows a definite willingness to pursue this; it shows a definite commitment to try to make this policy in the end. My hope over the coming weeks and months is that we can work through the detail of this proposal and come up with a system that really does restore public faith in government decision making.

CHAIR: You are stated that the supplementary submission is brief. The Committee has received an extensive submission from the Department of Premier and Cabinet. How do we relate that to your submission, or do we need to?

Mr BITAR: I have not yet had a chance to go through the submission from the Department Premier and Cabinet. My understanding is that that submission deals with the announcements that the Premier made recently in Parliament. Most of them relate to tightening of the disclosure regulations. The supplementary submission, which I launched on behalf of the New South Wales Branch of the ALP at the request of the Premier, deals with the fundamental change to the system. They are the main differences.

CHAIR: I assume you endorse all the points in the Premier's one?

Mr BITAR: Absolutely. The submission that was put in today by the Department of Premier and Cabinet, which relates to the Premier's announcements over a fortnight or so ago—or close to three weeks ago—deal with issues that arose at the time. A lot of those changes or recommendations aim to close a number of loopholes which have been identified. We have also recently had a press release by John Faulkner at the Federal level that also foreshadows some of the changes that have been proposed at the Federal level. I support all of those changes at the State and the Federal level. They aim to close and address some of the loopholes with the current or existing system. I am happy to answer questions about that, but what I would love to talk about today is the submission that we have put forward since—the supplementary submission, which goes one step further and does have the support of the Premier, going one step further and exploring the possibility of banning donations altogether and replacing that with a system of full public funding.

CHAIR: You have called for a ban on all private donations. "Private" does not have any special meaning? It just covers all donations from individuals, corporations and so on?

Mr BITAR: Yes. When drafting it, the meaning of "private" in this sense means "not public". So when I am talking about private, it is not just private companies; it refers to individuals, donations from unions, donations from third parties. So it is contributions received by political parties from anyone bar the Government, anything not public. I hope that clarifies that point.

CHAIR: Would that ban apply to independent candidates as well as political parties?

Mr BITAR: Again, I think there are a lot of details to be worked out. At the moment the proposal is a full ban on all political parties, on candidates, on members of Parliament. That is an in-

principle sort of position. I think once we start to talk to the parties, I am sure a lot of issues will arise and then we will have to go back and decide how that affects particular candidates and parties.

CHAIR: If we have public funding, would there then be a cap on what the expenditure would be? A budget figure would have to be established by the Government. There would be a pool of public funding out of which all public funding would come. Is there any figure in your mind?

Mr BITAR: No, we have not done any specific work on exactly what that figure might be. Again, I would like to start discussions to try to work out how you actually establish the figure. Is it \$1 million, \$2 million or \$5 million? I think we have to work out a formula that works, a formula that most of the parties would be happy with but also a formula that I think would receive public acceptance as well.

One thing I do want to say, because I have read some of the submissions, et cetera, is that there is a concern that full public funding means that political parties can go out and spend \$100 million and the public would have to foot the bill. That is not the intention of this and that is not what we are putting forward. We are putting forward that you would have a formula that says, "Depending on the percentage of your primary vote or depending on the number of members of Parliament you get elected to Parliament, you would receive this much money" and parties would have to work out their budget depending on that money they think they will receive or on the money they have received. Again, a lot of work has to be done to actually work out a formula. The parties would not be able to go out, spend willy-nilly, rack up a massive bill and then expect the public to foot the bill. That is not the way it would work.

I know the question of caps on expenditure is something that has been raised in a number of submissions as well and a number of people who have given evidence before you have argued the case for caps on expenditure. I have addressed it in the original submission and the supplementary submission but what I would like to put to you is that banning donations to political parties would pretty much neutralise or get rid of the argument for any cap on expenditure. The reasoning you go out and advocate caps on expenditure and the reason why a lot of people have said, "We need caps on expenditure" is because by putting a cap on expenditure you stop the hunger or the need for political parties to go out and raise political funds.

The argument is that by capping, what is on the demand side, your ability to spend funds, it will also cap or reduce a political party's need to go out there and raise private money. What I would like to put to you is that by banning donations to political parties, by properly addressing the supply side by just banning all donations to political parties, you would not then have to place a cap on expenditure. The problem with a cap on expenditure, and there are a number of problems—and I have done a lot of research in the past couple months on this—is that research from overseas indicates that any cap on expenditure is just not enforceable. It has not worked anywhere in the world.

A lot of countries have tried it and I have heard a lot of people come before this Committee and talk about the New Zealand system and the Canadian system, but you have to look at the evidence. I did a simple Google search on the Internet this morning and I found significant problems in New Zealand and in Canada. This is from the last election in New Zealand. I found that the Labour Party exceeded the statutory maximum on its election expenses by over \$400,000. The National Party failed to account for GST when booking its election broadcasting time, which caused them to overspend their limit by \$112,000. Both the Nationals and Labour, and to a lesser degree some small parties, used anonymous donations and trusts to shield the identity of major donors. The list goes on. This is the New Zealand system, which is often held up as a system we should be following.

Again, I know a number of people have come before the Committee and a lot of submissions have suggested we should go down the Canadian path. A lot have said the Canadian system is the best system: "Forget reforming New South Wales. Just copy the Canadian system", they have said. Again I took a look on the Internet this morning, without having to do much research into the Canadian system, and I found that in the last couple of months the Conservative Party is currently under investigation by Elections Canada for allegedly funnelling over \$1.2 million in national advertising costs to regional candidates during the 2006 Federal election in order to circumvent Federal election spending limits. This is the concern.

My concern is that by introducing limits on campaign expenditure, we would essentially be replacing a system that has problems now with another system that has problems and again in three or four years time, or after the next election, we will be sitting here again talking about how we should reform the system. Again, do not take my word for it. If you look at the submission by Colin Hughes you will see that he states:

The fixing of maximum amounts for expenditure merely brings additional players into the campaign to spend sums of money over and above what the parties, groups and candidates may spend.

It is good to see that The Nationals' submission also identifies this as a problem. They state:

Limits on expenditure would be difficult to control. Again this situation would likely see the emergence of PACs which would allow political parties or candidates to circumvent expenditure requirements.

That is from The Nationals Mr Colin Hughes and a number of other submissions. Any cap on expenditure would just encourage what they refer to in America as political action committees, or PACs. But more and more fronts will emerge that will be spending money that political parties should not spend. I have one more point. I am told that Victorians used to have an expenditure limit of \$1,500 per candidate, that is, in their State campaigns. Again I am advised that they ended up getting rid of that because it was impossible to enforce in Victoria.

They would go and talk to candidates and say, "You have all this material. It looks like it is about \$10,000 worth." The candidate would say, "No. Here are my receipts. I have spent only \$1,500. My relative down the street who thinks I would make a great MP printed that pamphlet, and a friend printed this other brochure. I did not spend more than \$1,500." Then the election funding authority down there would have to follow it up with those third parties. I gave you this example to try to demonstrate my point. If you put caps on expenditure, on an individual, or on a party, it encourages them to try to dodge the system and to get other people to spend money on their behalf. That is the international experience. I hope that we do not make that same mistake here.

CHAIR: I wish to clarify what the public funding allocation would be in the future. In the 2007 election the total amount of political contributions to parties, groups and candidates came to \$65 million and the funding amount was \$11,780,000. A moment ago you mentioned a figure of \$1 million; you just floated that figure in the air. If we ban all donations do you envisage some sort of public funding amount to try to equal that \$65 million in donations?

Mr BITAR: Not necessarily. We have not even gone there yet. That is one of the details that is yet to be considered. I do not think anyone has really had a chance to sit down and try to work out exactly what it means. In relation to that and as it is a valid point, if you went out there and did a poll of the population and said, "Do you think we should be spending more money on elections, or do you think we should be increasing public funding to political parties?" I am pretty sure you would get a pretty resounding no from the population. The point I would like to make—something that is picked up in the discussion paper by the committee—is that public funding plays an important role in the political process.

Democracies cost money, elections cost money and maintaining people's rights within a democracy also costs money. I would like to state—we have alluded to this in our submission—that restoring the public's confidence in the political process and in government decision-making will also cost money. We have to make a call as to whether we think the public's perception is worth us spending that money. In my humble opinion, I think it is. I think that the current system is eroding public confidence out there. This is something that is growing over time as people become better informed and they have more access to information.

I believe people's cynicism and their perception of government decision-making is eroding more and more with time, which is something that should be addressed now. As politicians, at the end of the day public perception is absolutely critical. It is an extremely important factor and it is something that any politician ignores at his or her peril. It is a public perception and something that I urge you to address through this process.

CHAIR: Would it be correct to say that it is not impossible to have a system where the existing public funding amount of \$12 million would be the total amount that is allocated for the next State election, which would mean that there would be a lot less extravagant television advertising and so on?

Mr BITAR: In all reality, if you were to ban donations altogether, you would have to have some form of an increase in public funding. What amount that would be is yet to be determined, but you would need to increase public funding. The problem I have at the moment is that public funding on its own at the current level would not necessarily allow us to run the administration of the party and have a decent campaign. I think the Liberal Party, The Nationals, the Greens and all the other minor parties would agree with me on that. If you were to ban donations altogether I think there would have to be an increase in public funding.

CHAIR: You mentioned administration and campaign expenditure. Could they be separated so that public funding is only for campaign expenditure? How would you then pay for administration?

Mr BITAR: At the moment, as you all know, the parties receive public funding straight after an election campaign. You also have the Political Education Fund. I think one of the things that we should consider as part of this process is either merging those funds or having one fund that allows parties to operate on an annual basis, and that also allows parties to run a reasonable campaign. This is one of the major questions we have to answer through this process. One of the questions that I will be putting to the other parties is how we work this out. I think the current system needs reforming. It is time to review everything—the political education funding and the basis on which political education funding is worked out.

Regardless of whether or not the system that we are advocating is adopted, I think political education funding is something we have to go back and have a look at. I guess I will wait for your questions, as I am sure you will have questions on that. There is no determination at the moment. We have not decided how it works but we think the entire system of political funding needs reviewing. Political education funding and political funding after election campaigns have to be reviewed.

CHAIR: It appears as though, in many ways, the Political Education Fund is being used indirectly for administration. If that became the Political Administration Fund there could be separate political funding for election campaigns.

Mr BITAR: We would not have any objection to that. We really have to take a close look at the Political Education Fund. I note also that, because of the way in which the Political Education Fund it is set up at the moment, to get money from the Political Education Fund you need to run candidates in the lower House. Again, that is my understanding of a very complex issue. You need to run candidates in the lower House and you get funded on the basis of your primary votes in the lower House. But, at the same time, you also have to have a ticket; the party also has to run a ticket in the upper House.

Although parties that run upper House tickets might get a number of members elected in the upper House, they are not entitled to political education funding. Regardless of the major reform, this committee should be looking at reforming that. It is bizarre to say that a party in the lower House that gets one member elected is entitled to political education funding, but an upper House party that gets two or three members does not.

CHAIR: I think the Hon. Robert Brown just said, "Hear, hear."

The Hon. ROBERT BROWN: Not out aloud.

CHAIR: The other matter you have already talked about is where a third party comes in. How do we restrict third party advertising and so on from this new system?

Mr BITAR: When it comes to this system that is another major issue that we have to look at. I have heard a number of people argue that if we were to bring in this system that would make putting a cap on expenditure by third parties even more critical. Again, it is really easy in theory to talk about

caps. It is easy for anyone to say, "Let us place a cap of \$2 million on employer groups, unions and third parties during an election campaign." It is easy in theory to say that, but we have to be practical. Is an expenditure cap enforceable? If the answer is, "I am not sure; let us look at the overseas experience", we should steer away from anything that will not work. I doubt very much whether placing expenditure caps on any third parties would be enforceable. However, I am open-minded. If someone can come to me and prove how it will work, I am happy to consider that. I think we should all be open-minded about anything in this area. But I have yet to see any evidence of any expenditure caps on political parties, on candidates, on MPs, or on third parties that is standing up for scrutiny, or standing up to the test of time overseas or interstate. So I am very cautious about expenditure caps. I am very cautious about donation caps, but expenditure caps are something I am very wary of—just because of what I have researched over the last couple of months.

CHAIR: If we prohibit all donations, where do we go with membership fees and affiliations? Would they be still available under your system?

Mr BITAR: Again, I am open-minded about both of those. I think there is a big difference between membership fees, affiliation fees and donations. Remember, what we are talking about here is upholding the integrity of the system. We should not lose sight of what we are trying to address here. What we are trying to address through our supplementary submission is a clear public perception that there is a link between donations to political parties and policy decisions made by those political parties. That is what we are trying to address.

It is really easy to get distracted. We are not here to try to starve political parties of funds; that is not the reason why we are meeting. We are not here to put caps on parties for no reason whatsoever. What our submission tries to address is a public perception that there is a clear link between donations to political parties and those decisions. The question is: Do membership fees in any way affect the public's perception of a party? Does a party change its decision, does a government change a policy, or is there a perception that the government or a party is changing its policy because of membership fees it receives from its members? I doubt it.

In terms of union affiliation fees to the Labor Party, again I see them as being very different from donations, purely because unions affiliate. They are not an add-on to the Labor Party; under the party rules they are a part of the Labor Party. Unions make up 50 per cent of the conference floor. So they are a part of the Labor Party; they are part of the decision making. They are not an add-on; they are not donors who are giving you money.

In terms of union donations, that would clearly be banned within this situation. In terms of affiliation fees, again I do not want to rule anything in or out at the moment, so I am open-minded to it. But I do think it is important that we recognise that there is a clear difference between membership fees, affiliation fees and donations to political parties.

CHAIR: And those affiliation fees are based on the membership of the union, are they?

Mr BITAR: That is right.

CHAIR: So much per member is paid to the ALP?

Mr BITAR: That is exactly right.

CHAIR: Is there a rough figure or example of that?

Mr BITAR: Do not quote me on the exact figure. From memory, it is \$3.50 per member that the union affiliates for. Again, do not quote me on the exact figure, but that is roughly what it is.

The Hon. ROBERT BROWN: Firstly, you would probably be the most "senior" political party representative who has appeared before the Committee so far. The Labor Party is the largest party in Australia, I guess—I do not know whether you determine that by the funds raised, or the number of people in Parliament, et cetera—and you have huge resources available to you. So even your anecdotal evidence, or your opinions, I believe, could be very valuable to us.

We have spoken about the fact that levels of public political funding were donations to be banned, and the Chair has put some figures on the table. During the last State election campaign the actual expenditure was about \$37 million and the public expenditure was about \$12.8 million, or roughly one-third. During the last Federal election campaign I do not know what the figure was, but I know that the percentage was about 20 per cent. In other words, 20 per cent of the campaign expenditure was public expenditure; New South Wales expenditure was one-third. I understand that in Canada public funding accounts for about 50 per cent. Even so, we are talking about large chunks of money. In New South Wales public funding was close to \$13 million.

You prefer the opinion that the public, generally speaking, probably would not be all that enamoured about perceiving that they had to pay a lot more. But, on the other side of the equation, you said that there is the sense of democracy to be protected. I am not trying to put words in your mouth. Other witnesses have spoken about the fact that donations are a part of the political process; they are a methodology by which people can express their support for an ideology. For example, one could argue that the Labor Party, because of its name, represents Labor, the unions represent Labor, and therefore it is quite natural for unions to support the Labor Party. Similarly with the Shooters Party: shooters support the Shooters Party. Similarly with the Greens, and with the Christian Democratic Party. Similarly perhaps with the National Party, and perhaps with the Liberal Party, although it may be a broader church; you would not really know.

You also said that you thought the inquiry was about trying to solve the issue of corruption. But some of the representations that have been made to the Committee also have been made, it appears to me, on the basis of trying to create a level playing field. What is your opinion, as a senior political player in the game, as to what sort of increase, if any, the public would cop in New South Wales? Would they cop an increase from \$13 million to \$26 million? Secondly, you said that whilst it would be okay to cap contributions because you have to work within the budget, you cannot cap expenditure. Does that not also imply that the other moneys that flow around, either to support the party or to support a campaign over and above the supply side limit, have to be funded from somewhere? Therefore, how can they be funded, except perhaps through membership fees? The question is: Do you have any idea or a rough gut feeling about what you think the limit of public funding in New South Wales should be—without prejudice, just a guess so we can have some ideas?

Mr BITAR: On the first question, which relates to what the increase might be, it would be irresponsible of me to nominate a figure, to tell you the truth. I think we really have to sit down and work out what it costs. I know that for the Labor Party, for example, across New South Wales we have roughly 17,000 members, whom we have to service on an annual basis. They get publications; we have to set up a website, and websites cost money; we SMS them or send them emails on a regular basis to let them know what is going on; and we hold a State conference every year. The State conference, which has 950 or close to 1,000 delegates, is not cheap: just booking the Town Hall costs close to \$80,000 a year. Running the conference, believe it or not, costs close to a quarter of a million dollars a year, with the AV, the catering, flying the delegates in to Sydney, et cetera.

These are major expenses that we as a party have to foot. I know the Liberal Party has similar demands on it; I know most political parties have those demands. You have to service your members; you have to run a professional organisation as well. I stress, you have to run a professional organisation, so you need to be able to attract talent. You have to be able to attract people into senior positions within the organisation—people who can do the research, people who can do the campaigning. You have to recruit good candidates; you have to find good candidates. You need specialists in that field. So I think we have to take a step back, before we just nominate a figure. I think all the political parties have to sit down and have an honest look at what it costs to run their operation. I guess that is the first step, campaigns aside.

If we were to introduce full public funding, what does it cost to run the New South Wales branch of the ALP? Being conservative, not being ridiculous or silly, what does it cost to run the Libs? What does it cost to run the Greens? You need to have a proper look at those figures. That does not mean that that is what you draw the public funding at, but that is the first thing you have to do. Then you have a look at the political system. You have to come to a decision on how easy is it to get your message across—whether it is radio advertising, television advertising, newspaper advertising, or on the Internet. Also, you have to look at all those factors, and how much it would cost to run a decent campaign in a democracy.

The worst thing we could do is turn around and say, "Look, we are banning all political donations but we are going to have a cap of half a million dollars for the Labor Party and half a million dollars for the Liberal Party for them to run campaigns." If you just talk about the television market in Sydney, it costs close to half a million dollars to run one night's decent television advertising in the Sydney TV market. And that is an issue we have to address. I am not saying the public has to foot the bill, but before we actually nominate a figure—it is hard, Mr Brown—I think we have to take a step back and really do some proper conservative analysis on what it costs to run the party, what it costs to run campaigns and then turn around and say, "Look, this is a reasonable figure" that the public might be prepared to wear.

The Hon. ROBERT BROWN: Perhaps I am a little naive or just inexperienced but throughout this entire inquiry I have not been thinking we were talking about public funding relating to the funding required to run political parties. I thought we were talking about campaigns. You are quite right. It costs 20 grand a year to run our party. Perhaps that is where I am coming from.

Mr BITAR: One of your questions also was that you get the public funding but then there is the potential for some parties to spend over and above the public funding. Some parties have investments. Some parties have raised money over time and they have investments. I guess they would be able to either draw down on those investments or spend the return on those investments as well.

The Hon. ROBERT BROWN: Or membership incomes or affiliation fees?

Mr BITAR: Exactly, that is right. I am not saying this is what would happen. This is all stuff we should look at, but they are the other options.

CHAIR: The reality though is that obviously the public funding figure cannot be less than \$12 million, which is the amount at the moment?

Mr BITAR: No.

CHAIR: You could not imagine it being less?

Mr BITAR: No. You could not abolish private donations.

CHAIR: That would be cutting the ball line from which it starts?

Mr BITAR: If you abolish donations to make this work, you would have to increase public funding.

CHAIR: From \$12 million up?

Mr BITAR: Yes.

The Hon. DON HARWIN: Following on from the final point of the Hon. Robert Brown's comments, and you were just referring to it in part regarding investments, your supplementary submission talks about a system of full public funding to pay for campaign expenditure. One presumes perhaps that includes administrative expenditure, but that is what I would like to explore. Are you saying that all campaign expenditure therefore would be paid for out of that public funding?

Mr BITAR: No. Just to get your question right, I think what I said earlier was that a party could not go out there and spend, for argument's sake, \$8 million and then say, "Well, we expect the public to give us \$8 million." You would work out a formula that determines how much a political party would receive in public funding. Before, during, after an election campaign you would work out a formula that works and you would have to spend within your limits. You would have a budget that would include political funding plus a drawdown on your investments or the return on your investments or your membership fees. You have to manage within your budget. You would not be able to overspend your budget and then say the public must foot the bill.

The Hon. DON HARWIN: So you are saying, therefore, that parties would be free to add to expenditure funded out of a system of public funding from, for example, affiliation fees; membership fees, we have not really explored the issue of whether they should be capped in size, but that is something that could be talked about; from rents if it owned property; from dividends on investment vehicles if it had investment vehicles?

The Hon. Jennifer Gardiner: Running a radio station.

The Hon. DON HARWIN: Could you first address that, but would you address also the issue of intraparty transfer of funds from other State branches and the Federal office and how you think they should be regarded.

Mr BITAR: On the first question, in my thinking at the moment, I am open to suggestions or discussions. We are not closed. We are remaining open in all areas. We really want to discuss this and work out a system that works—hopefully, a bipartisan system that works; something everyone is happy with. At the moment I do not think there is a problem with political parties being able to draw on investments or returns on investments or membership fees and using that money to either run the operation of the party or be used in a campaign sense. But again, I am open to suggestions there. We are not ruling anything in or out. In the end, we might decide, no, membership fees must be quarantined to running the administration of the party or your membership fees must be quarantined to membership services. I think the more prescriptive, the harder it is to police. But I would not rule that out. Your second question was about intraparty transfers?

The Hon. DON HARWIN: Intraparty transfer of funds?

Mr BITAR: I understand.

The Hon. DON HARWIN: So, for example, your Queensland branch sends down \$500,000 to help with your campaign. What would you do then?

Mr BITAR: If New South Wales were the only State—I am thinking aloud again—that had a ban on donations to political parties, I think it would be hard then to argue that you should be allowed intraparty transfers because there could be an incentive for some people to say, "I can't give you a donation so I'll give donations to the Queensland branch or to the national head office and then they can organise an intraparty transfer to the New South Wales branch." At the moment I would have a problem with that. I think there is a problem there. If this system were adopted nationally, that is, across the country, in Queensland, for example, then I do not think there is a problem necessarily with intraparty transfers. Essentially we are the same party. I do not think there is anything wrong with the New South Wales branch giving to the Queensland branch, not that we could ever afford it, or vice versa, the Queensland branch giving to the New South Wales branch. At the moment my thinking is that that should occur only if there were also a ban on political donations in those States.

The Hon. DON HARWIN: One matter raised in the Premier and Cabinet department's submission we received today but relating to the Premier's ministerial statement in February was that the Government proposes to ban the making of in-kind donations, including the provision of offices, cars and telephones to candidates. One of the issues we have been exploring with other witnesses today is how practical it will be to draw the line. Obviously, a volunteer at a polling booth on polling day is voluntary labour. It is very difficult to say that is not an in-kind donation and why should that be caught. On the other hand, if one of your affiliated trade unions provides 15 to 20 trade union organisers paid for out of its funds to work in a marginal seat for three months in the lead up to a State election, that is all voluntary labour too is it not? Obviously, you have tried to grapple within your own mind where the line will be drawn. What are some of your thoughts on that issue?

Mr BITAR: I guess we would have to get the detail right in the legislation. The legislation was not tabled to the Committee today, was it?

The Hon. DON HARWIN: Just the submission.

Mr BITAR: You have made a very good point. I think we will have to get the detail of the legislation right so that you do not have volunteers getting caught up. I do not think anyone would

suggest, and I do not think the Premier is suggesting, or the submission from Premier and Cabinet, would be suggesting that volunteers are considered an in-kind donation and people should be banned. But that is something we have to look at.

The Hon. DON HARWIN: When someone is being fully funded via their employer to work full time, that is voluntary labour in a way as well, it is it not?

Mr BITAR: That is something we have to look at. How do you put a financial value on it? I know there is a financial value on an office, a car and a mobile phone. Those things are easy to address. I think we just have to work on the detail in the legislation to make sure we do not disadvantage volunteers. Most of us are volunteer organisations and we rely on volunteers to hand out how-to-votes, to letterbox, to door knock et cetera. I do not think anyone is suggesting they get caught up in these amendments.

CHAIR: The Premier's document specifically states provision of offices, cars and telephones for candidates. So there is no intention of including volunteer services.

Mr BITAR: Okay.

The Hon. JENNIFER GARDINER: You are obviously not in favour of expenditure caps. In terms of trying to get to a level playing field scenario, and the question of third-party campaigns by unions or business peak bodies et cetera, you do not want to cap them but you cannot ban them either so how do we find a consensus on that?

Mr BITAR: It is something we have to discuss. We have got an issue here with people's democratic rights as well. I have heard some suggestions that we should just ban all the parties. The debate always seems to focus on unions and employer groups for obvious reasons, but let us just assume you have a disability group out there in the community and the local member of Parliament has done so much for them or the local member of Parliament has not done very much for them and they want to go out there and run a campaign for or against that local member of Parliament or for or against a government that they think has served or has not served them. I think it is pretty harsh—without having a look at the Constitution or anything—within a democracy to say to some group representing families with disabilities "Sorry, but you can't spend in the campaign" or "You can't campaign on behalf or against a candidate". It is very tricky and something we have to take a close look at. That is why I am very wary of saying there should be caps or expenditure limits on third parties. They have tried that in the United States again, where they have said that your typical third parties cannot spend any money on election campaigns or, sorry, they put caps. They say third parties can only spend—and do not quote me on the figure—\$5,000. So instead of having two third parties spending \$5000 you will end up with about 500 parties spending \$5,000. That is pretty much what is happening a lot of states in the United States and they are trying to rein it in but it is so out of control that it is very hard to reform the system without tearing it apart.

The Hon. JENNIFER GARDINER: You said you have done research on various other jurisdictions overseas. Do you know of a model that exists where there is a total ban on all private donations and full public funding?

Mr BITAR: No, I have not found any. There is a mix that varies from zero public funding to a substantial amount of public funding. I have not seen any which ban donations altogether. That is the reason why in my submission I have tried to make the point that New South Wales will not only be leading the way nationally but we would be pretty much setting up a system which is the first in the world. Again the detail is yet to be worked out, but if we can really make this work I have no doubt that nationally, interstate and internationally people will be looking at our system quite closely and we could become a model for other systems but again a big question mark. If we can make it work—and I hope we can—we would be a model for a lot of other jurisdictions.

CHAIR: It would an innovation in the same way as 1981 was an innovation?

Mr BITAR: That is exactly right. You would hope so.

CHAIR: So you support the idea that New South Wales, through our committee and the State Government legislation, should give the lead and not wait for other States or even wait for the Commonwealth?

Mr BITAR: It is definitely desirable to have complementary legislation or similar legislation at the Federal, State and local government level and to have the same legislation in other States as well—I won't deny that. It is definitely more desirable. In the first submission we made to the inquiry we ran a pretty strong case for a national approach to funding and disclosure. So I do not think anyone can say that a national approach is not more desirable. It eliminates a lot of the confusion and the complexity that we have. The reason for that is you have a lot of companies that cross borders—New South Wales is not a country in its own right—and you have a lot of companies that operate interstate and there will be a lot of confusion and complexity. It is definitely desirable to have a national system with one set of rules but at the same time I do not think we should be using it as an excuse in New South Wales not to reform. If after looking at the detail we establish that this cannot work in New South Wales without Federal and interstate involvement, that is another thing. But from where I am looking at it at the moment I think we should be able to make it work. I would love to see the other States and the Federal Government jump on board but at the moment I think we should be able to make it work. I am encouraged to see that at a Federal level there is a pretty extensive review going on as well. In Minister Faulkner's press release this week I noted talk about a Green paper to come out later on in the year and I sincerely hope this is one of the issues that they do consider. I did notice that Premier Bligh in Queensland and a number of other Premiers indicated in-principle support for what we are putting on the table in our supplementary submission, but most of them have referred back to the Federal review in the first instance.

The Hon. DON HARWIN: We have talked mainly about how arrangements would apply in State elections. How do you think it should be reflected in elections relating to local government that are also within the State Parliament's jurisdiction and the jurisdiction of State branches of political parties? Should we also be looking at full public funding for local government or a system of public funding for local government—I think we have established full public funding is not exactly what you are about?

Mr BITAR: I have considered local government. Local government is a lot more complex for obvious reasons. You are talking about thousands of candidates here, you are talking about so many more registered parties, you are talking about so many more local government areas than you are talking about at either the Federal or the State level. Doing this at the local government level would be a lot more complex and would require a lot more time to actually look at the detail. In principle I think they should apply at the Federal, State and local government level. In reality I think local government will take a bit longer to sort out. In the first instance I think we should try to work out how this would work at the State level and then move on to local government. I just think that getting bogged down in the complexity and the detail of how it would work at the local government level might hinder or delay our approaching this at the State level. In principle I do think it is a good thing.

The Hon. DON HARWIN: So the likelihood is that the elections in September 2008 you are not proposing would be held under the sort of arrangements that you have suggested in your supplementary submission?

Mr BITAR: I think it would be close to impossible. There is just too much detail to be worked out. There is too much detail that we really have to work through to make sure we get a system that stands the test of time again. I do not think any of us should be rushing the detail of what we are discussing at the moment. We are talking about a world first. We are talking about not minor amendments or tinkering with the existing system; if we go down this avenue we are talking about scrapping the existing system and starting a new system. I do not think we should sort of rush it and try to get it through before September. I am sorry I should not say I do not think we should: I think it is almost impossible to do that.

CHAIR: So donations would still be available for local government?

Mr BITAR: I do not see a way around it.

The Hon. DON HARWIN: The question has come up a couple of times today on how appropriately to deal with new entrants and to avoid what I think in the academic literature is sometimes called cartelisation where you set up a system of arrangements that just reinforce the position of the existing parties and make it impossible for new entrants. I am just wondering how fair it would be to new entrants to the political system if the held assets that one player, or more than one player, built-up prior to the creation of the new system could continue basically to be drawn upon after a new system was brought in which prevented any new entrant building up that sort of held asset, for example, property holdings, share portfolios, bequests, et cetera?

Mr BITAR: Yes, sure. That is definitely one thing we have to look at. Again, it is something that I have considered. Setting up the system would not be about blocking new entrants or saying to a new candidate, "Sorry, we get the public funding. You have to tough it out out there on your own. You cannot print any pamphlets, you cannot do any brochures.", et cetera. I am glad you asked the question because this is probably one of the biggest questions we have to answer as a part of the process, how new entrants or new registered political parties—let us say a political party registers for the next State election. Under the system, would they just have no funds if they have no MPs in Parliament and they have not gone to an election yet? How do they know what to spend? They might get an MP elected and they might get 4 per cent of the vote, or they might not.

That is one of the biggest questions that we have to answer as a part of this process. Like, you set up a process and do you say, okay, registered political parties with MPs in Parliament are banned from receiving any donations because if you have a member of Parliament, if you are a registered political party with a member of Parliament in the upper or lower House—I am just posing this as a question—do you say that MPs, I am sorry, registered political parties, with a member of Parliament in the upper House or lower House, they are banned from taking any political contributions or political donations because that could affect their decision making? Do you draw a line and say that if you are a new candidate or a new registered political party, it is okay to receive private donations, it is okay to receive donations—maybe that is one way to tackle it—or do you provide some level of public funding for new registered political parties and new candidates?

Again we have to be careful here because that might be open to abuse. You do not want people who are simply running as candidates in elections to receive public funding. You do not want to encourage people just to run on the basis of why would they not give it a chance? Why would they not run if the public is going to foot the bill of their campaign? This is something we have to give serious thought to.

The Hon. DON HARWIN: Indeed. One of the other matters that is canvassed in the Department of Premier and Cabinet submission that has been lodged today, again coming out of the Premier's ministerial statement, was banning individual members of Parliament, councillors and candidates from having campaign accounts. Then it goes on to say:

... limit the involvement of MPs, councillors and candidates in fundraising by ensuring that all donations are organised, received, handled and administered by central party officers.

In terms of those two initiatives, how do you foresee it will affect, for example, State electoral councils—I think that is the terminology you use in your party—and whatever the equivalent of it is that is set up for local government? Does that effectively mean that a donation made to the SEC will now in fact not be able to be made to the SEC but will have to be made to head office?

Mr BITAR: Again, I would have to see the detail. I cannot give you an answer at the moment on that because I have to see the detail of legislation to work out what is and what is not possible.

The Hon. DON HARWIN: So you have not been consulted on how it will work?

Mr BITAR: I am aware of the announcement. I have given the announcement some thought, but until it is draft legislation, it is very hard to establish exactly—you are asking me a question basically of what is legal what is not legal. I cannot say at the moment, until I see the legislation.

The Hon. DON HARWIN: I understand that but I also assume that it is unlikely that there will be legislation before the party before the Government has consulted with the general secretary, which is not unreasonable, and therefore I am interested to know what you are thinking in terms of how it will operate with the SECs.

Mr BITAR: Sure. Mr Harwin, you would appreciate, which is why you are asking me this question, that it is quite a complex issue to work out how we make this work. It is something that we have got to work out before the legislation is tabled. Like, there is no—I totally support the Premier's announcement. I think it is the way we have to go.

The Hon. DON HARWIN: Okay. So you do not really know yet?

Mr BITAR: This is really about protecting political parties, protecting candidates and making sure that the system is above board—the current system. It closes an existing loophole in the system. I do support it. How it will work in detail, I cannot say, to be honest.

CHAIR: Once you agree to have just public funding, it will be a lot simpler than to work out that administrative procedure.

Mr BITAR: That is the issue at the moment. People talk about the current system of funding and disclosure. Does it work? It does work. Is it complex? It is so complex it is not funny. To fill out a funding and disclosure return you need an accounting degree, a law degree and almost a political science degree to work through the legislation. You have three levels of governments. You have got the Federal Act, you have got the State legislation and then you have the legislation that affects local government. For each one of those you have to declare a different time, so you have got the time difference in the declaration. You have also got different rules in relation parties, in relation to groups, and in relation to candidates as well. So you have got this extremely complex system. Over time we keep closing loopholes in the system. Closing loopholes is a good thing, but it tends to increase the complexity of the system as well. People talk about the Tax Act. This is becoming just as complex, to administer this system.

We are a volunteer organisation. In many instances we are relying on volunteers to fill out a lot of these forms. I have this sort of discussion with the Australian Electoral Commission every year. Every one of our party units—we have got close to 400 branches across New South Wales, 93 SECs and 49 FECs, so close to 550 party units—and every year they have to put in a return to the party office. Every year the AEC comes along and says, "Well, this person has got this wrong. Why don't they learn? Can't you just explain it to them?" In a lot of instances the branch treasurer is sort of an 87-year-old retiree who has never practised accounting, and is just filling the role of treasurer because he was at the branch meeting and no-one else put their hand up, so he put his hand up and now he is being prosecuted by the Australian Electoral Commission for making a mistake or putting it in late, et cetera.

We have a very complex system. We are a volunteer organisation that relies on volunteers to fill out a lot of these forms. I think we have a system which is set up to fail, unfortunately. The best thing that we can do is stop adding layers. Let us stop adding layers to the system and let us stop adding new regulations. Let us just scrap it and start off with a clean, transparent system that restores public faith in our democracy.

CHAIR: But, again, if there are no donations, that reduces that load tremendously. You do not have to report them.

Mr BITAR: That is exactly right.

CHAIR: And that is the most complicated part of the return.

Mr BITAR: Absolutely.

The Hon. JENNIFER GARDINER: Mr Bitar, the Premier has asked you to consult with other political parties. Could you give us a rundown on which parties you are consulting with, when you are consulting with them, and when you have to report back to the Premier? No doubt you are

reporting back to Mr Iemma. Can you give us an idea of what the time frame of all this might be? Senator Faulkner has his green paper and agenda, as you said.

Mr BITAR: Sure.

The Hon. JENNIFER GARDINER: But he is also doing some changes to the Commonwealth Electoral Act in what he sees as the short term, and then there will be a green paper, and then consultation with the Federal Joint Standing Committee on Electoral Matters. How far into the future do you think this debate might continue? Should we have a change of legislation in New South Wales? Should we have a tranche, or should we do it progressively, or what do you reckon?

Mr BITAR: Where we are at at the moment is that I have contacted—I am sorry, I have begun the process of contacting the other registered political parties. I have started off with the registered political parties. I have prioritised. I have started off with the registered political parties who have MPs elected to Parliament, but not just the lower House but the lower House and the upper House. That is the first step. Most of my meetings I am setting up over the next fortnight. That is the first step in the process. I guess your next question is: How long do I see consultation going on for? That is something I am going to consult about. I think one of the first questions I will be asking the State directors of the other political parties or the people I am meeting with—one of the first questions I will be asking them is, "How long do you think the consultation will go on for?" One of the first things I might ask them as well is just to come up with a list.

You have asked me some very relevant and important questions here today. I might ask them, "Let's put together a list. There might be a thousand questions we have to answer to make the system work. Let's start by putting together a list of all the questions which have to be addressed if we are going to make the system work and let's start working through those questions." We might find that 50 per cent of the questions we can tick off overnight and we might find that the other 50 questions are things that we have to discuss and debate for the next 12 months. In terms of time frames, I, and I know the Premier as well, would like to see this system in place before the next election, if we can make it happen, without a doubt. You are asking me about a realistic time frame. This is not set in stone; this is just in my mind. I think the consultation will have to take at least six months to work through the detail, if we are going to get this right.

CHAIR: As you said earlier, the principle is it will be non-partisan where all the parties agree, so that a party will not get political mileage out of attacking the scheme.

Mr BITAR: Yes, I would love to do that. I appreciate there are politics involved here, there are different parties and some people want to score points. I hope we can rise above that. I hope we do not treat this issue as a political football. We are all in this together. We are all confronting the same problems. In terms of the public perception, I do not think anyone is out there saying the Liberal Party is more pure than the Labor Party or that Labor Party is more pure than the Liberals. I think in the public's eye we are all in this together. We are all in this mess together, if I can put it that way, in the public's view. We should be sitting down and talking to each other and saying, "Let's not play political football. Let's not try to score political points. Let's see if we can fix this system." I do not think anyone will win the next election because they are took the stronger stand or they were more honourable than the other party when it came to receiving donations. I think the public look at us and think we are all just as bad as each other. That is one of the reasons why we should rise above the politics and say, "Let's put the politics aside. Let's sit down and have a chat and work this out. How can we make the system work?"

CHAIR: That is a good point at which to conclude your evidence. Thank you very much for sharing that information with us today and for the work you are doing behind the scenes to get that agreement across the parties. It is important work.

Mr BITAR: I thank the Committee and appreciate your giving your time.

(The witness withdrew)

(The Committee adjourned at 5.02 p.m.)

