

## The Democratic Audit of Australia at NSW Hearing on Party Finance

Marian Sawer and Norm Kelly gave evidence on Monday 3 March 2008 on the first day of hearings by the NSW Select Committee on Electoral and Political Party Finance. The Audit argued that the lack of regulation of the size or source of political donations or the level of campaign expenditure was causing an arms race in campaign expenditure and bringing democracy into disrepute. In particular the current situation is:

- undermining what should be a level playing field for electoral competition;
- contributing to a loss of confidence in political parties and public decision-making.

The Audit proposed reform along the lines adopted in Canada and some 23 democracies, recommending a ban on both corporate and union donations, and placing a ceiling on individual donations of c. \$1000, with the same restriction to apply to candidate donations to their own campaigns. This will remove much of the distortion of electoral competition caused by private donations and the unhealthy dependence of major parties on large private donors.<sup>1</sup>

Restricting donations to individuals only, avoids much of the legal complexity of banning donations from particular classes of donor. Australian political actors tend to be leading experts in finding the loopholes in Electoral Acts so a blanket ban is likely to be much more effective than simply a ban on foreign donors, government contractors, property developers and so on. In the absence of a complete ban, however, partial bans are required and immediate disclosure of donations to electoral commissions through electronic transmission and their posting on the electoral commission websites. Immediate disclosure would have a huge advantage for the public, who want to know who is funding candidates and parties before voting rather than afterwards.

Currently a very high proportion of campaign expenditure in Australia comes from private donations. In 2004 public funding accounted for less than a fifth of federal campaign expenditure, while in Canada it accounted for about four fifths. The issue here is that while public funding is distributed in accordance with a relatively equitable formula, private funding is not.

The cost of campaigns has been spiralling, fuelled by completely unrestricted expenditure on electronic advertising, which in turn gives an unmerited advantage to the **best-financed parties**. If private donations are restricted, there needs to be a larger contribution from the public purse. However this cannot be at the level seen recently in the absence of caps on campaign expenditure or limits on the purchase of electronic advertising.

Restrictions on expenditure and on the purchase of paid electronic advertising, such as in Canada, New Zealand and the United Kingdom, will help keep down the cost to the public purse and, most importantly, help level the playing field for electoral competition:

- there need to be caps on party and candidate expenditure; and
- limits on paid electronic advertising so that parties are not able to purchase advertising

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<sup>1</sup> The 2001 Australian Election Study showed 48 per cent of voters believing government was mostly or entirely run for the benefit of big interests—the kind who make donations to political parties.

in excess of broadcast money allocated by Electoral Commissions in accordance with an equitable formula.

To prevent the evasion of expenditure caps through third-party campaigning in elections, there also need to be expenditure caps for third parties.

Introduction of limits on campaign expenditure will not achieve its aim if there continue to be spikes of government advertising immediately before elections. There need to be clear guidelines that ensure government advertising cannot be misconstrued as serving partisan purposes and these guidelines need to be overseen by Auditors-General.

In the specific case of NSW the structure of the Electoral Funding Authority (EFA) is anomalous in relation to the Australian tradition of ensuring non-partisan electoral administration through the absence of party representation. The Audit recommended the folding of the EFA into the Electoral Commission, while perhaps adding two independent (part-time) Commissioners to take the heat off sensitive decisions.