Panel of Experts – Political Donations

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Expert Panel on Political Donations
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Dear Panel

Political Donations

Public confidence in the political system is at an all-time low with recent Independent Commission Against Corruption (ICAC) operations exposing members of Parliament soliciting donations from illegal donors, funnelling donations through certain means to avoid disclosure, creating sham businesses to conceal illegal donations and receiving cash gifts from illegal donors.

I welcome this review to determine what changes are needed to reduce opportunities for corruption and undue influence and improve fairness.

The aim of the review must be to ensure a fair and transparent system that prevents rorting and donations in exchange for political influence; that does not place an unnecessary burden on the public purse; that ensures anyone regardless of wealth or party affiliation can stand for election and that does not encourage disingenuous candidates running for financial, vexatious or hidden tactical reasons.

The New South Wales system of donation and expenditure caps, donor limits and recently increased public funding should be maintained and strengthened. Illegal activity under the current system is likely to occur under any system and a fully publicly funded system would be difficult to fairly administer while diverting funds from infrastructure and services.

Background

I make this submission as an independent who contested the 2012 by-election for the State seat of Sydney and who has commenced raising funds for my 2015 campaign. The by-election campaign was different to most in that as a by-election it was quick and occurred without a concurrent State-wide campaign.

My election funding relies predominantly on small donations from supporters within the community. I received public reimbursement for some costs of the by-election based on my share of the primary vote and personally paid for the shortfall. I receive ongoing funding from the Policy Development Fund.

Part or Whole Public Funding Model

It is essential that New South Wales retains a mix of private and public funding.

Political campaign donations from individuals provide an opportunity for people to participate in the political process and express their support for a candidate, group, party or policy. The community is not concerned about such donations because they are altruistic and represent genuine grassroots support without attempting to gain influence or economic benefit. Removing these legitimate donations would not improve democracy.

Campaigns are expensive, particularly in an age when multiple means of communication are needed to contact most people. Independent campaigns typically cost around $150,000 and
are more expensive than party candidate campaigns because they are not supported by a state-wide party campaign that includes messages on television and radio and in major newspapers.

The current system that allows for private donations encourages only candidates with community support to run. Even party candidates will receive more or less funding from head offices depending on their chances of success.

It would be difficult to establish a system of complete public funding that is fair to all candidates and that allows new independents to run while not encouraging rogue candidates that have no community support who currently do not run due to the need to raise funds. Full public funding would create a serious risk of encouraging vexatious candidates to run potentially elaborate campaigns, as well as parties and those with vested interests to secretly encourage disingenuous candidates to run destructive campaigns or to reduce the votes of legitimate grassroots candidates through preference deals.

Reforms should instead focus on improving transparency and accountability, reducing the risks for conflicts of interest and undue influence on decisions, and ensuring fairness for all candidates.

**Limits on Private Donations**

I support the existing ban on donations from development, tobacco, liquor and gambling industries, which often aim to influence decision making in the donor’s interest. Similarly the intention of donations from corporations and other business entities is likely to be influence and the panel should investigate how to reinstate these bans which were overturned by the High Court.

Existing caps on donations work well however they could be lowered to reduce the potential for conflicts of interest. If the $2,400 per year cap to a candidate was brought down to $1,000, it would reduce maximum donations in a four year electoral cycle from $9,600 to $4,000 – a significant drop. This would have few impacts on grassroots participation because most community-based donations are much smaller. Donations to my campaign rarely exceed $200 and in-kind donations are already capped at $1,000.

Similarly party donation caps should be reduced from $5,700 to $2,500. Currently a party can receive up to $22,800 in funding from one donor in a four year electoral cycle. Such a large amount could be seen to create a sense of debt between the donor and receiving party.

**Improving Disclosure**

Disclosure thresholds should be increased. Currently only donations over $1,000 in a financial year period must be disclosed and this means the vast majority of donations go unreported, avoiding scrutiny. There is also a six month delay before donations must be disclosed, which means most donations are not revealed until after an election.

Cash and cheque donations are becoming rare with credit card and direct debit donations on the rise and these methods of payment provide greater opportunity for immediate reporting.

Sources of campaign funding are in the public interest and disclosure thresholds should be reduced to $200 per year with mandatory real-time reporting.

Party candidates should also be required to report what funding they receive from the party head office and affiliated organisations.

**Campaign Expenditure Caps**

The different means of communication required to get the electorate’s attention is increasing the cost of campaigns and encourages substantial focus on fundraising. The New South Wales caps on expenditure help level the playing field, reducing the extent that candidates and parties will attempt to outdo each other’s budgets. I believe existing caps on candidates are appropriate and should be retained.
Reform Needed Across Australia
The prevalence of illegal donors using party head offices in other Australian jurisdictions to funnel donations to New South Wales candidates demonstrates a clear need for reform in other states and territories and federally. The panel and the government should call on other governments to reform their systems in line with New South Wales.

Until this occurs, transferring funds from party offices outside of New South Wales should be banned.

In Summary
New South Wales has some of the strongest laws governing electoral donations following successive changes to the law since 2007. One of the problems exposed by recent ICAC investigations are ways that candidates and members of Parliament avert these laws, particularly by funneling illegal donations through sham companies and other jurisdictions. In some cases large sums of cash were personally handed to candidates in secret. A fully publicly funded electoral system is unlikely to prevent this corruption or illegal activity yet it would require a substantial and unjustified increase in resources that would be better spent on essential services and infrastructure.

Public funding has already increased, the panel should work on improving transparency, reducing caps and limits, and increasing the time to report donations, rather than further burdening the public purse. It should also address the problem of funding transfers from other Australian jurisdictions.

I look forward to meeting with the panel to discuss these matters further.

Yours sincerely

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