

Who's paying political parties?

Parliament's Electoral Matters Committee is conducting its first dedicated inquiry into the Commonwealth electoral funding and disclosure scheme since 1994.

It's an age-old adage: *he who pays the piper plays the tune.*

It's as old as the enduring relationship between money and politics.

Australia's attempt to manage and minimise the impact of that relationship is the Commonwealth's electoral funding and disclosure scheme.

The scheme was first introduced in 1984 and is based on two interlinked mechanisms – public funding of election campaigns and full disclosure of donations to political parties.

Together, these two mechanisms aim to:

- make political parties independent of private donors; and
- ensure the financial dealings of political parties are transparent.

The Australian Electoral Commission (AEC) administers the scheme and reports on its effectiveness after each federal election. These *Funding and Disclosure Reports* usually

make recommendations about how to improve the scheme.

The Electoral Matters Committee is inquiring into the recommendations contained in the AEC's *Funding and Disclosure Reports* following the 1996 and 1998 federal elections.

Of the 34 recommendations made in those reports, only six have been acted on by the Committee or Government.

Among the remaining problems is the possibility for a donor to avoid disclosure by acting as a guarantor to a political party's debt with a financial institution, paying off that debt, and then assigning the 'new' debt to another person. Provided that person is not directly related to the party, the actual donor will remain anonymous (*1998 Funding and Disclosure Report*).

Another issue discussed by the AEC is fundraising events organised by professional fundraisers. The fundraiser collects the donations raised at the event, deducts their costs, and then gives the balance to the

political party. The fundraiser then becomes the donor to the political party, and the actual donors are not disclosed.

"The Committee is exploring ways to revise the funding and disclosure scheme to deal with these and other modern fundraising techniques," says the Chair of the Electoral Matters Committee, Christopher Pyne (Member for Sturt, SA).

"This will restore the original intent of the scheme – an open and transparent relationship between money and politics."

Submissions have been made to the inquiry by all of Australia's main political parties. The inquiry will also focus on issues relating to the registration of political parties.

For more information, including copies of the 1996 and 1998 AEC Funding and Disclosure Reports

Visit: www.aph.gov.au/house/committee/em/f&d/index.htm

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Electoral Commission sounds warning

In its August 2001 submission to the funding and disclosure inquiry, the Australian Electoral Commission calls for a wide-ranging, comprehensive review of the funding and disclosure laws.

"In the view of the AEC," the submission says, "if the disclosure provisions in the Electoral Act are to deliver transparency in the financial relationships of political parties, candidates and others associated with them, then a comprehensive review of the legislation and the principles underpinning the legislation is required."

"There is a need to move beyond the pattern of the last 18 years . . . of ad hoc amendments as individual deficiencies are identified."

The AEC says that since its original submission to the inquiry, made in October 2000, a number of additional difficulties with the law governing electoral funding and disclosure have been identified.

It says legislative clarification of these issues is urgently required because "the AEC has been unable to effectively administer the law because of these anomalies".

The Commission says the adoption of only the original recommendations made in the 1996 and 1998 *Funding and Disclosure Reports* "will not now deliver a watertight disclosure system".

The AEC submission says: "Loopholes persist in Part XX of the Electoral Act that allow financial arrangements to be contrived for the purpose of avoiding disclosure."

The AEC submission specifies and addresses a range of issues that have emerged in recent times:

- allegations of preference deals after the making of donations/payments by one candidate to another (or one party to another);
- allegations concerning donations made in return for various considerations or favourable treatment by parties;
- access to Members of Parliament in return for contributions to parties;
- donation of 'free time' by a consultant;
- whether certain organisations are associated entities;
- payment for attendance at fundraising events and the amounts paid for auction items;
- true source of donations/anonymous donations;
- overseas donations;
- overseas debts;
- donations to parties from companies which subsequently go into liquidation or have other potential legal issues surrounding them; and
- possible deliberately incomplete annual returns.

The submission also identifies a number of party registration issues which it says require urgent attention.

The AEC submissions of August 2001 and October 2000 can be viewed at: www.aph.gov.au/house/committee/em/f&d/subs.htm