

## "A New Proposal for Election Campaign Funding"

Opening Statement to JSCEM, August 2011

*I appeared before the Joint Select Committee on Electoral Matters on 9 August 2011. The Committee is inquiring into "options to improve the system for the funding of political parties and election campaigns".*

*This is my opening statement. The full Hansard of the day's hearing is available at: <http://www.aph.gov.au/hansard/joint/commttee/j207.pdf>. I have posted my original submission to the Green Paper this site; click the Research.*

Thank you for the invitation to appear before the committee. I applaud the committee for tackling this difficult but important work, and I hope I can bring a useful perspective to your inquiries.

I won't repeat the arguments I made in my submission to the Green Paper. But I hope by summarising and clarifying them I can underline their relevance to your terms of reference – especially point (d) relating to the escalating cost of elections.

Campaign costs are too high. They are so high the major parties cannot pay their campaign bills with the funds that taxpayers provide for that purpose. Parties continue to rely on private donors to perform this most public of duties, campaigning, with all the consequent problems of lack of transparency and risks of undue influence.

The public funding system was introduced in the 1980s to provide parties with a clean and certain source of election campaign funds and thereby to keep them out of the grip of potentially self-interested private donors. It has failed in that laudable ambition - as academic studies have demonstrated, as well the Green Paper, which noted that public funding has become just another revenue stream for the parties.

My proposition is about revitalising the public funding system – putting it at the heart of campaign funding where it should be, and making it a key instrument in the effort to improve election campaigns, by for the first time linking it to spending limits.

In essence, parties in receipt of public funding should be required to limit their campaign expenditure to a predetermined proportion of their expected public funding receipts. That is, campaign spending limits should be made a condition of public funding.

For example, if a party is thought likely to receive \$20 million in public funding in the forthcoming election, based on the dollars per primary vote formula, it would be advised by the Australian Electoral Commission well in advance of the campaign that it was required to limit its total electoral spending to – say - 100 per cent, or more, or less, of \$20 million. Those amounts – the anticipated receipts and the permissible spending proportions - would be matters for consultation prior to decision.

A refinement of this proposal could cap specific types of campaign spending. In my submission I focus on broadcast advertising, because it is the largest single item of campaign spending and because cost increases are driven by commercial broadcasters in a not-particularly-transparent market.

In this case the party would be advised that its spending on broadcast advertising would be capped at – say – 70 per cent of its anticipated \$20million. The AEC would administer this through a voucher system and reimburse broadcasters for campaign advertising they carry on behalf of the parties during the campaign.

This proposal is not designed as a ban on TV advertising, nor to tell parties how to conduct their election campaigns. It is designed to impose a discipline on major party spending by bearing down on their supply of funds.

This approach I believe is potentially a better and more effective way of capping spending than by imposing blanket or global caps a la the recent NSW legislation.

That is because those caps are essentially set in light of demand-side factors – the reported costs of campaigning - and they are complex to design and enforce, with plenty of scope for loopholes and ambiguity.

With public funding on the other hand dollars follow votes, which is a powerful principle, and the spending caps process could be designed to give parties themselves an incentive to comply; overspending could be discouraged by punitive reductions of its public funding receipts.

And downward pressure on campaign spending could be progressively increased by reducing the permissible spending proportion over several electoral cycles.

My proposition is that public funding should be thought of as the major, but not necessarily only, source of campaign funds. Capping campaign expenditure to a proportion of public funding reduces the marginal value of additional private donations, so parties would not be so dependent on them. But there is no reason why they should not continue to source supplementary campaign funds from members and donors – so long as this was subject to improved real-time disclosure and, perhaps, caps on donations limits.

The strength of this proposal lies in the strength of public funding system. A weakness is that like the public finding system it does not cover third parties for whom a separate process of registration and spending limits would be required.

I'll conclude by noting that I have spoken only at the level of principle, and have skated over several implementation questions which would be significant, as with any reform in this area. Perhaps we can address these if you have any questions.