

**ELECTORAL MATTERS COMMITTEE**

**Inquiry into voter participation and informal voting**

**Inquiry into political donations and disclosure**

Melbourne — 23 July 2008

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Witnesses

Professor B. Costar, professor of Victorian State parliamentary democracy, Swinburne University of Technology, and

Dr S. Young, senior lecturer, media and communications, University of Melbourne.

**The CHAIR** — Welcome to the public hearings of the Electoral Matters Committee in relation to the inquiry into political donations and disclosure and the inquiry into voter participation and informal voting. All evidence taken by this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Parliamentary Committees Act 2003, the Defamation Act 2005 and, where applicable, the provisions of reciprocal legislation in other Australian states and territories. I also wish to advise witnesses that any comments they make outside the hearings may not be afforded such privilege. I take it you have read the ‘Guide to giving evidence at a public hearing’, the pamphlets that the committee supplied?

**Prof. COSTAR** — Yes.

**The CHAIR** — If you can please state your full name and address.

**Dr YOUNG** — Dr Sally Young, the University of Melbourne. Do you need my private address?

**The CHAIR** — Your business address.

**Dr YOUNG** — The University of Melbourne, Parkville.

**Prof. COSTAR** — Professor Brian Costar, Swinburne University of Technology, Hawthorn campus.

**The CHAIR** — Dr Young, could you state whether you are attending in a private capacity or representing an organisation?

**Dr YOUNG** — A private capacity.

**The CHAIR** — Professor Costar, can you please state whether you are attending in a private capacity or representing an organisation?

**Prof. COSTAR** — I am representing the Democratic Audit of Australia.

**The CHAIR** — Can you please state your position in that organisation?

**Prof. COSTAR** — A member.

**The CHAIR** — The evidence will be taken down and become public evidence in due course. You are welcome to make your various submissions now.

**Prof. COSTAR** — Thank you. We are going to make a very brief opening statement — me first, followed by my colleague Dr Young. I would like to take the committee to its other term of reference, political participation and informal voting. As you know, we have made two submissions. I am not going to go through the entirety of the political participation submission, but I just want to touch on three things. One is the electoral roll. I should have said that my colleagues Ms Brown and Mr Brent are unable to be here today; they are overseas.

To quote Mr Brent, he says, put bluntly, ‘the AEC’ — that is, Australian Electoral Commission — ‘is getting much better at taking people off the roll, but not at putting them on.’ This is a technical issue that the AEC is required when it believes that people are not appropriately enrolled to remove them from the roll and to send them an enrolment form, which they are invited to fill out. The evidence is that only about 30 per cent of these forms are returned. The form itself is a problem. What used to be a very simple form has turned into what is known in the electoral trade as the ‘purple people eater’. One reason is obvious, its colour.

The other reason is that it literally eats the people. It is a difficult form to fill out compared to its predecessor. That is largely because the commonwealth parliament in 2006 changed the proof of identity provisions to enrol — unnecessarily, in my opinion. That has made the form very complicated. I think a simple reform to recommend is to simplify this form, and that can be done.

What we recommend is a rather more radical approach — that is, to move away from the current way in which the roll is constructed to an electronic database roll. That is half being done. The electoral commission removes people from the roll by mining databases like Centrelink and whatever. But what it cannot do is it cannot then automatically enrol that person. It cannot automatically enrol 18-year-olds. It is technically possible, but it is not mandated to do it. Talking to young people it is surprising and alarming the number of them who believe that when

they turn 18 they are automatically enrolled. They think, 'Enrolment is compulsory. I am 18, ergo I am enrolled'. Of course we know that they are not.

We make recommendations there to move to a fully electronic roll or at least a roll-building process which will solve this problem. What is happening is that the roll is getting progressively incomplete. The roll is never going to be 100 per cent complete, because there are people who do not want to be on the roll — criminal classes and those who do not want to serve on juries, which is perhaps ironic at either end of the judicial system. You are never going to get a roll that is 100 per cent accurate, but we give figures there that we think shows that the actual number of people casting a valid vote at elections is a lot less than it should be, and it could easily be improved. We have got a lot of other recommendations there about people who should not be excluded from the roll, but I will not touch on that. You might like to ask me.

Voter turnout is the second thing I just wanted to mention. There has been a slow but worrying decline in voter turnout in Victoria. It is slightly greater than the rate at which Victorians are turning out for federal elections. If we take an example here of the electorates of Williamstown and Albert Park, which of course had general elections in 2006 and had by-elections not long after, the turnout in Williamstown in the by-election of about 85 per cent was pretty much what you expect in a by-election, but the turnout in Albert Park was only 71 per cent.

The irony is that the people who populate Albert Park should be those who are the most eager to participate if all the social theories held true, but this is not happening. This is not just a Melbourne or Albert Park phenomenon. I was disturbed to hear at a conference a couple of weeks ago that the turnout at a by-election in Queensland for the retired Premier's seat of Brisbane Central was as low as 67 per cent. I did a bit of research driving around Brisbane Central a couple of weeks ago.

It is a very similar electorate to Albert Park — young people, apartment dwellers, mobile, and whatever, and they are not turning out to vote. Okay, there was no Liberal candidate in Williamstown, Albert Park or Brisbane Central, but still the turnout, as I think is in your report on the 2006 election, was the lowest turnout in 30 years, and I think there is a group of people there who you would not expect to be non-participants but who are non-participants, and we suggest that something be done about it.

Informal voting is rising again. We have to be careful here. This could be because of the two different voting systems that were used at the last election; in other words, it could be a repeat of what happened in 1984 federally. But one of the interesting things here is the increase in candidates. We cite a report from the Australian Electoral Commission which showed pretty conclusively that the two variables driving the informal vote were multiple candidates on a ballot paper and areas which have high numbers of people who the ABS regard as not fluent in English. We provide a bit of a table there of the high informal ballots and the low informal ballots and it seems as though that is true.

One of the things we point out, though, is that because there were so many candidates at the last state election and because they tended to cluster in fours and fives amongst the electorates, we do not have a big enough spread to be able to categorically say that, and we need to do some more research on that, but we do recommend that there be a change to the nomination procedures for the Assembly. We suggested that the number of people who have to sign it increase and the deposit go up somewhat. Some would say that is counter-intuitive. On the one hand you are pleading for political participation and then you are stopping people from nominating. We give some figures there that really show that the vast number of those 707 candidates had no chance of winning, so in a sense there can be a problem of deliberate cluttering of the ballot paper. I am still haunted — showing my age — by the 1974 Senate election in New South Wales where from nowhere came 64 candidates on the ballot paper.

There was no above-the-line voting. It was a double dissolution election. I think the informal vote was nearly two quotas. It certainly cost the Labor Party a senator, which, when you think about what happened in 1975, needs to be taken into account. I do not want to say more about that. I do not want to give villains good ideas as to how they might go stacking ballot papers. I want to hand over to Dr Young. She is going to talk largely about the other term of reference.

I just wanted to say one thing about affiliation fees because that came up this morning. I think Mr O'Brien asked Dr Tham about that and Dr Tham handpassed it to me, so I think I had better not handpass it on to Dr Young. This is my recommendation no. 7 on here. I am not blaming Dr Young for this one. I agonised over this and I made the

recommendation largely on the grounds of history. Remember, some unions have been affiliated with the Labor Party for over a century.

**The CHAIR** — That was me. I was talking about capitation.

**Prof. COSTAR** — They paid capitation fees. It is ironic because I am a person who thinks that the unions and the Labor Party would be better if they went their separate ways, but not for this reason. I am saying I think it would be — I do not want to use the word ‘unfair’, but it would be undesirable to upset an organisational arrangement voluntarily entered into that has been going for 100 years for this purpose. I think it can be got around by quarantining the affiliation fees and requiring them to be audited that they are not spent on campaigns.

On the history, Mr O’Brien was talking about this. The other two parties have had slightly different histories about this. The Country Party had far more organisations affiliated to it. The last of them left in the late 1940s. In this Parliament, the early Country Party was in fact a union. It was called the Victorian Farmers Union for the first 10 years of its existence, and for various reasons they separated. The situation with the modern Liberal Party is a very interesting one. They made the firm decision not to have organisations affiliated to them because, as you know, at the Albury and Canberra conferences there were plenty of organisations present. They could have gone down that path but, as I think Mr O’Brien was alluding to, the United Australia Party had such a bad experience with the National Union.

It was the fundraising body for the UAP but it had no members effectively; it was just a group of self-appointed businessmen and others who raised money, gave it to the UAP with tons of strings attached. Menzies, of course, had been on the sharp end of this and was determined that that was not going to happen, so in a sense the parties in this all have different histories, and I am suggesting that the history be respected but that there be steps taken to make sure that it is not donations under the table because we are recommending no donations from corporations or unions. I have spoken for far too long. I will hand over to Dr Young.

**Dr YOUNG** — I wanted to talk primarily about two issues. One was just a general observation about thinking about political finance in Australia. What I feel is that often we think about the input — who is donating, how much are they giving, how can we control it, should we have spending limits and so on — but I think it is more productive to think about the outputs. Why do the parties feel the need to raise tens of millions of dollars and where is it going to? That is the question that should be at the forefront, and where it is going to we know is television stations and Australia Post. It is going on television advertising and direct mail during election campaigns.

We know that Australia is one of the biggest spenders in the world in these areas and if you compare us to countries like New Zealand, Canada or the UK per capita, we are way ahead of what they are spending in terms of population and getting their message out during an election. That is where I start from. Why do the parties feel this need to raise all this money and spend it, particularly on television ads?

We know the Australian public does not like political television ads. If you ask them, they say they hate them, and yet through the public funding system they are paying for them. What are Australians getting in terms of political communication? They are getting 30-second or 15-second television ads primarily.

One of my recommendations has long been that I do not understand why, in Australia, we do not do what they do in the United States, which is to at least make sure that the television stations provide space for political advertising at a cheap rate. The television airways we have are limited — although it is changing with digitalisation — television stations make a private profit from what is a public resource. We licence them to use the public airways and to make a private profit. That is fine, but in return we could at least expect that they provide advertising rates for important political messages during elections at a reasonable rate.

In Australia they do not. There is anecdotal evidence that they charge up to 50 per cent more than they do for commercial advertisers because you cannot give them a lot of notice. If you do not have fixed terms, you cannot perhaps give them a lot of notice that you are going to need to put political ads on, and so on, so the television stations charge a lot of money.

They charge this knowing that there is a public funding system in place where the costs are able to be distributed and picked up because the parties get this public income, so my other question, aside from where is this money

going and focusing on the outputs, is what is the Australian public getting for the money they are contributing? What sort of political communication are they getting? How are they getting participation in their system?

At the moment I think they are getting a pretty raw deal. They are contributing money which the parties then give straight to television companies and they are getting communication in a form that they do not particularly like in 15-second television ads.

My other suggestion or recommendation is to think about protecting the Australian public's interest in this which is if we are going to give money for parties to campaign, we could at least put some restrictions on that in terms of how they spend that money, rather than giving it straight to television companies for ads that we do not necessarily like. Why can we not, as in other countries, tie some conditions to that as in using it for policy development, using it for public meetings or getting out in communities, or different forms of communication and methods that involve Australians rather than just taking money for what is very expensive and a not much-liked method of communication?

**The CHAIR** — Thank you for that. Professor Costar, just a point of clarification first, you referred to electronic EROMs. Can we say that the term 'automatic enrolment and electronic enrolment' can be used interchangeably?

**Prof. COSTAR** — Yes. I think what we are suggesting is that when the Australian Electoral Commission, which is primarily responsible for the building of the roll, should be mandated to automatically re-enrol those it knows or has good reason to believe have moved address, which is most of the transactions that go on. Of course they find that out by mining electronic data bases, and again the 18 year olds and most of those can be identified quite easily, I am reliably informed, so in a sense it is automatic enrolment by electronic means, if you like.

**The CHAIR** — Let us say that once an 18 year old gets his licence, he will automatically go on to the database, on the electoral roll?

**Prof. COSTAR** — Onto the electoral roll and receive correspondence which will not include one of those pamphlets, but will say, 'You are now enrolled and here is your enrolment. You have seven days — or whatever — to tell us that this is not correct'. As I understand it, the accuracy of the databases is such now that the chances of it being incorrect are very, very small.

**The CHAIR** — In other words you are saying, 'We know where you live, we know your details'.

**Prof. COSTAR** — The only tricky bit is that sometimes you might have to do a bit more to find out that they are citizens. But of course, most of the transactions that are causing this problem are not so much the young coming on the roll — although they are a bit slow but this jurisdiction (Victoria) is probably the best of them in terms of getting young people on the roll — but the main problem is of people moving address, and it has a political impact.

I did a calculation. You probably all know that the admission rate of provisional ballots at the last federal election was very low. It dropped from 50 per cent in 2004 down to 14 per cent, and that was the result of change in the legislation about moving within or without Divisions.

There were a number of very close results at the last federal election. I sat down and did some sums. I think it cost the Labor Party three seats, if not four — it could have been the other way, it just so happens that the movement was towards Labor — if those provisional votes had been admitted, because we know that provisional voters are more pro-Labor than they are pro-coalition because of their demographic. It is not just an academic point, dare I say. These things can have political impacts and just because it disadvantaged the Labor Party last time, it could disadvantage the Liberal Party the next time.

**The CHAIR** — On the point of the turn out, according to the VEC's report of the 2006 election, turn out has gone down from 95.13 per cent in 1992 to 92.7 per cent in 2006. The VEC openly states that it does not know why this has happened and that it would want to do another report to try to ascertain why this is happening. Do you have any theories on that?

**Prof. COSTAR** — The theory does not work, that is the sad thing. As we put in the report, one of the most durable theories in political science was that political participation varies directly with socioeconomic status. It is not doing it particular in these inner-city electorates.

I dug out Robert Putnam's *Bowling Alone* again to see whether that could inspire me. I want to do more research on this. I have a suspicion that because there are so many apartment blocks, some of them high rise, many of them security gated — not gated communities but individually security gated — I suspect there is less civic interaction amongst people living there and what we know about that, the old friends and neighbours effect of voting called dreadfully by the political science jargon 'voter contagion', is not working because people are simply driving into underground car parks, catching lifts, and are not as community interactive.

I will grant you that that is a bit fluffy to start with but that is the proposition that I am going to try to pursue. How are you going to show that? I have heard some anecdotal evidence of the difficulties that parties are having campaigning in these places because they cannot get to them.

**The CHAIR** — Except by direct mail.

**Prof. COSTAR** — Yes, by direct mail, which creates some problems.

**The CHAIR** — Plus, you did say before that there was a differential between the state and federal in terms of turn out too, so that is interesting.

**Prof. COSTAR** — That could be — not to be offensive to state parliaments — simply because federal elections are a bit bigger deal and they get more coverage. It is hard not to know when there is a federal election around. That is the explanation as to why by-election turnouts are always lower because people are uncertain in their minds, 'Am I Albert Park or what am I?' and they do not take them seriously. But it is a concern.

I think, some might say that the turn out is dropping by fairly small amounts but it is dropping when all the circumstances should be suggesting that it should be rising, not dropping.

**The CHAIR** — What about deterrents in terms of fines?

**Prof. COSTAR** — My understand is that these people in Brisbane Central and Albert Park are wealthy enough that they do not care about the fine. I hope that is not true — well they can be wealthy but I hope they care about the fine.

**Mr SCOTT** — In terms of roll closure you touched upon the election day enrolments and also I note you also advocated automatic enrolment process, would you be looking at something along the lines of the Canadian system. That is essentially the model that they have because they shifted from a fairly idiosyncratic electoral enrolment model, I do not know when it was, but prior to the elections.

**Prof. COSTAR** — Yes, with enumerators.

**Mr SCOTT** — Is that the sort of model you would be looking at?

**Prof. COSTAR** — Yes, I think that is.

**Mr SCOTT** — Where there was provision of photographic identification or other forms if you were on-the-day enrolled?

**Prof. COSTAR** — Yes, I would be a bit worried about the photographic ID on the spot. We had trouble with that, as you noticed, at the last federal election. Some of those provisional votes did not get into the count because people did not go to their Australian Electoral Office and show their voter ID.

There are two reasons why they did not do that and one was that they had no idea where it was, which is another point that we make in suggesting that the DROs should be abolished; the other thing is that if they know the result why are they going to turn up? But they could have made a difference; McEwen is one of them that would have gone to Labor without any challenges had the provisional votes been admitted at the rate they were admitted in 2004.

I am just worried about photo ID because — maybe I am just too anxious about it — it is so misused in the United States to keep people off the roll or to stop them voting, and I just do not think we need it.

**The CHAIR** — In terms of identity, what would you say would be the characteristics?

**Prof. COSTAR** — I go back to the old form — that you signed it and someone witnessed it.

**The CHAIR** — Even on election-day registration?

**Prof. COSTAR** — I think what you do is what happens now, you provide a declaration. You cannot simply walk in and say, 'I am enrolling' and your naked ballot paper, if you like, goes straight into the box. It has got to go into a declaration envelope and you have got to sign and so forth. But the notion that you have then got to go and identify yourself at a DRO seems to me to be not going to work at all.

If we have moved to this more sophisticated roll, you may not have to do anything because the election agency, whatever it is, should be able to identify you anyway by other databases so there really should be no need.

**The CHAIR** — But you would have to produce some form of ID on the day?

**Prof. COSTAR** — No, not necessarily. Under the Coalition's rules to get a provisional vote — which is not the same I know but it is as close as we have got — you did not have to provide ID on the day. You could provide ID on that day but also you could provide it later, but many did not.

**Ms BROAD** — You could introduce dipping your finger in ink.

**Prof. COSTAR** — In the past, you must remember there were elections in the Republic of South Vietnam in the 1960s, where because of different languages people were given different coloured marbles and you dropped the marble of your choice in the ballot box. Then you took the other marbles back to that party and you were paid because you could prove you had voted for them because you had all the other marbles.

**Ms BROAD** — This is if you do not have ID?

**The CHAIR** — This is for election-day registration.

**Ms BROAD** — An indication that you have voted already?

**Prof. COSTAR** — Just one point that I want to mention, moving out of disclosure, as Sally and I said, we were a bit reluctant to go into this in too much detail mainly because we had done it before — or Sally and Joo-Cheong have done it before — but also because there are a lot of different regimes going around. If I was given one wish, my wish would be to go for the New York City Campaign Finance Board system. Mr O'Brien asked earlier if this might be a bit difficult.

**Mr O'BRIEN** — For sausage sizzles or lamington drives.

**Prof. COSTAR** — Yes, and also people who do not know how to do it. As I understand it, it is a very simple system. Anyone who can use the internet can do it because the New York — I will just call it the New York — city have been at this now for 20 years and they had massive problems at the beginning because of entering the data. They were using disks and all sorts of things and it never worked. Once the internet got to a certain level it became very easy. As I understand it, they simply give away the software — and as far as I know they have offered it to Australia, for free — to every candidate and they just enter the donations as they come.

**Ms CAMPBELL** — There is one problem with that — that is, those who wish to independently finance their campaigns. Having been to their actual site and had a talk with a range of staff at New York, it was clear they were doing a good job, as you have outlined, but if you were independently wealthy and you did not need to access them, what would you recommend to curtail basically buying your way into office?

**Dr YOUNG** — Can I jump in because I think that sort of comes back to the point that I was originally making, which is focusing on where the money is going to rather than where it is coming from. In terms of buying election results and controlling costs, I think the costs in Australia are in direct mailing and television advertising, and you can control the cost of television advertising.

I think that is a key to reducing the costs and the ability to independently finance a campaign or to get a major advantage over competitors and so on. I think if we could bring those costs down, we would not be having so many problems with worrying about donations and where money is coming from and so on.

It is the fact that Australian politicians feel this need to purchase tens of millions of dollars worth of television advertising that drives this constant funds chase and all the problems that come with that, but we could do a lot about that. It stands with the public airwaves and how we limit the broadcasters and what they are doing and what they are charging. It is not unreasonable to expect them to charge less amounts for political communication; it is a vital part of a democracy.

**Prof. COSTAR** — Ms Campbell, could I just add to that very quickly: I agree with Sally on that point, but also remember that New York has got the problem of the First Amendment of the American constitution which we do not have. We can compel. We do compulsion better than the Americans. That would not be a problem here. You could simply compel everybody in the Act, and it would not be challengeable, whereas they cannot. As you know, Barack Obama has totally opted out of the public funding system. He can, and they cannot stop him.

**The CHAIR** — I cut Mr Scott off before.

**Mr SCOTT** — I was just going to ask a question around voter turnout. I was interested in your comments about the apartment effect. The other relationship that I have noticed and I would like your comment on, Professor Costar, is the large number of renters and the mobile populations, and one of the considerations I have had is that I often wonder how accurate the rolls are in some of these inner city electorates and whether that is a factor in the lower turnout as well. I would like your comment on that.

**Prof. COSTAR** — I agree with you, and I suspect — and I think either the VEC or the AEC have said this, too — that the roll is at its least accurate in the inner city mobile areas. But remember that that will not have an effect on the turnout, because the turnout is the percentage of those who are on the roll who actually turn out to vote. Given that the AEC is so good at getting the drifters, if you like, off the roll, in a sense the roll may be incomplete, but it is accurate enough to compare the turnout, if you get what I mean. So the fact that they are mobile means they are probably not on the roll because they are not returning their enrolment forms.

**Mr SCOTT** — The other issue is that in some of these areas there are large concentrations of public housing, and we know from people doorknocking in these electorates that there are large numbers of persons who are not actually on the roll or who are incorrectly on the roll in those sorts of areas, so it is a similar issue.

**Prof. COSTAR** — I am sure that is true.

**Mr O'BRIEN** — My question is first to Dr Young and then to Professor Costar. Dr Young, as someone who takes a great interest in political advertising I congratulate you on your DVD on political advertising in Australia throughout the ages. It is very interesting.

**Dr YOUNG** — Thank you.

**Mr O'BRIEN** — One of your recommendations is to mandate that commercial broadcasters charge political parties a certain amount. Would that not run into constitutional problems, given that section 51(xxxi) of the constitution prohibits the commonwealth from acquiring property other than on just terms? I think a similar argument was run in the political ad ban case, and I think that apart from the issue of implied right to political communication, there might be some constitutional problems in terms of telling a private organisation 'You must charge this amount'.

**Dr YOUNG** — I am sure they would say there would be. Two things: one is that in the High Court's decision in that particular case about the implied freedom of political communication, they did not say that all bans on political advertising were unreasonable. For example, banning posters within a certain proximity to the polling booth was okay. There were parts of it that were okay. What they did not like in that case was the shape of the free system that was being put up.

It was unfair. It gave the major parties a massive advantage, and that was the aspect that was particularly unpopular. But legal opinion has it — and I have got this from a few different lawyers — that it does not mean that we would not require again commercial broadcasters to allocate some free time. There has been a view that that case decided

everything and that you cannot do that, but I think that is not correct. I think there are limits that can be placed, and a different sort of system might get up and probably would get up.

In terms of the broadcasters being private companies and acquiring property and so on, my basic point on that — I am not a constitutional lawyer, and I have not looked at that section of the constitution by any means — is that as far as I understand it these are public airwaves that we licence them to use. It is a finite resource to have a television spectrum as we have had it, and to grant someone a licence to use an aspect of that spectrum to run a TV channel — do you know any more about this, Brian, and constitutional law?

**Prof. COSTAR** — No. You are convincing me!

**Dr YOUNG** — There is nothing wrong with putting in licensing restrictions. We already do. We say things to them like, ‘You must broadcast so many hours of Australian-made drama. You must be careful with children’s programs’. We set licence conditions. They are not going to have any economic loss, which would obviously be their concern, because we allow them more TV time for advertising during elections. We say, ‘You can run a couple of minutes extra’ or whatever it is. There is nothing wrong with requiring them to give it for free, which would be the ideal, or at least at decent rates.

In the US — and this is the bastion of all free market principles — they say to their broadcasters, ‘You have to give us the cheapest rate possible for political advertising because it is a public good, it is a necessary thing and you are using public airwaves, so that is the condition you have your licence under’. I do not see why we could not do the same and should not do the same in Australia.

**Mr O’BRIEN** — Also, you suggested that the public dislike political advertising, and I think the reason why political parties use it — and this is particularly in relation to negative advertising — as I am sure you well know, is that although people might tell them they hate it, it is effective. To some extent is it not the right of political parties to decide how they wish to communicate their messages? And as an adjunct to that you suggested that public funding should be quarantined to some extent for policy research and consultation or policy development.

The money that is currently provided by taxpayers to political parties is not provided — the term has slipped my mind; one of my colleagues will jump to my aid. At the moment that funding is not provided and quarantined for a particular purpose. It goes into the general funds in the same way that taxes go into consolidated revenue. ‘Hypothecated’ is the term I was after, Dr Young.

Funding is not hypothecated at the moment. It goes into the general funds of political parties, and they use it for their administration, they use it for their research, they use it for their consultations and, yes, they use it for their political advertising. Is it really going to be effective to say, ‘You must quarantine this much money for policy development’?

**Dr YOUNG** — I am sure that the parties would try and get around it. You can see in New South Wales they have a political education fund, I think it is called, and that is kind of notorious, is it not? They are supposed to use it for political education and specific activities, but apparently nobody does and they get around it. So I am sure that the parties would try to find loopholes because they want to spend it on advertising, but my basic point is why should Australian taxpayers give parties funding just to broadcast at them television ads when they do not get a chance to respond? I know politicians think it is effective. Interestingly, although I have studied the literature for — how many years now? — many years, I have never seen any academic literature yet proving political advertising’s effectiveness. It is more of an arms race. All the parties think, ‘If we don’t have it, the other side will out-advertise us’, and that it is an effective method.

Especially in Australia that attitude holds very strong, but in terms of its actual effectiveness I would like to see the evidence of exactly who it is impacting upon. In terms of people not liking it and, as you say, the parties having a right to get their message out in whatever way they can or want to, that is fine, but Australian taxpayers are paying for that, and they are paying for it doubly because this money is going straight to television companies, as we say, or Australia Post, and the Australian public is providing it. But what are they getting in return? — 15-second television advertisements that do not involve them. You cannot even talk back to a television commercial. At least with public meetings or other forms of communication you get something. It is the same with quarantining money for research and so on. Yes, the parties would probably try and get around it because they would prefer to spend it

on ads, but there are ways to have systems that do that — I think they do it in Ireland, for example — to encourage the parties to spend it on policy development.

You say that the parties are probably already spending some of it, but I am sure it is a tiny amount compared to what they are spending on advertising. I only know federal election figures because I study federal elections. We know they were probably spending around 60 million at the last election on advertising. How much were they spending on research and policy development and administration? It cannot be anywhere near that.

**The CHAIR** — The New South Wales inquiry recommended a party administration fund or that an independent body administer it.

**Dr YOUNG** — It is encouraging politicians to think into the long term; rather than thinking this election, this set of political ads, to think how could we develop really good policy, how could we spend money on learning about policies in other countries, for example, or having public input into our policy-making or building up our party bases? There are other things you could do that would have a better democratic flow-on effect than advertising to people in 15-second spots. There are just far more imaginative, democratic, political participatory ways to get these messages across, and I think it takes a bit of bravery to think outside the advertising spectrum. Advisers have told politicians ads are what work, and politicians have bought that message, but I think there are better ways to do this and if they got outside that mindset, I think they would find they are wasting a lot of money.

**Prof. COSTAR** — Could I back Dr Young up very quickly on that. I think it is true that advertisers tell political parties that ads work — how surprising. The political science literature on this is much, much, much more sceptical. I think Dr Young is right. I do not know of a political scientist who would say that political advertising is decisive in election outcomes in a general sense. Let me give you an example.

I think the Liberal Party lost votes at the last federal election by spending money. They spent money on ads about WorkChoices. They would have been better off to have kept quiet about it, because all the really good research showed that that was a negative issue for that political party. What was their reaction? — ‘It is a negative issue. We will spend money on advertising and either neutralise it or make it a positive issue’. All it did was give a higher profile to an issue that was not helping that political party, it was helping the other political party. I think the efficacy of ads has got to be put under a lot more scrutiny.

**Dr YOUNG** — The parties themselves know that, which is why they are moving to direct mail. They know they are wasting a lot of money spending massive amounts on television ads. A large percentage of those people have already made up their mind or are never going to vote for you, so you are wasting that money. So they try instead to send individual letters to individual voters. It is a massive amount of money just going straight out the window, and it is because of the political folklore and that sort of fear that if you do not do it, it will have negative consequences. But I think if you invested in the long term and involved people in party building, policy development, political participation, you would get much better results. It is not going to look as sexy, maybe, as a 15-second ad, but in the long term it will be of massive benefit.

**Mr O’BRIEN** — Presumably nobody has got more interest in being successful than the political parties themselves, so why not leave the decision making to them?

**Dr YOUNG** — We can’t, because this is public money that is being spent on this. The public has a right to say — the systems that are being looked at at the minute are all ‘Let’s get more public funding for election campaigns and political communication’, but the Australian public has a right to ask what are we getting for that? It is a lot of money that is being spent on advertising. If it is not a preferred method that Australians like, why should they pay so much money for it — tens of millions of dollars?

**Ms BROAD** — If I can just raise two things quickly, one on enrolment; you may be interested to know that the committee has had some discussion about the matter of enrolment in the course of its review of the previous state election and in the course of that had discussions with the Victorian electoral commissioner. I think it is fair to say that some of the concerns that you have raised about the impact of forms on enrolment, particularly on potential young enrollees, is one that is shared, and I think there is a level of support for forms of automatic enrolment to overcome those difficulties. That is a very important issue as we go forward.

The other matter is on donations. Accepting what has been said about focusing on where the money goes more than where it comes from, as a strategy, nonetheless there are some quite detailed recommendations that you have made

in relation to drawing distinctions between types of donations, memberships, affiliations and where those amounts come from, whether they are corporations, trade unions and the like.

I think you have acknowledged by your description of what is reported to be the common practice in New South Wales of attempting to segregate funding from particular sources how ineffective that can be. I guess the proposition that I wanted to put to you was that if you do away with those distinctions and simply stick to limitations on amounts of money, whether they are called donations or memberships or affiliations or whatever they are, from all sources in the interests of, firstly, being able to enforce those requirements and, secondly, making it possible to in a reasonably efficient way actually deal with the disclosure side of the equation, whether that would possibly have the same impact rather than going down this road of seeking to draw these different requirements out of distinctions as to whether you call amounts of money donations, memberships, affiliations or whatever, given that they can vary significantly and that they are received not only by political parties but by other organisations which participate in the political process, like industry organisations, trusts which then pass money directly to political parties or campaign in their own name. That is, I guess, the proposition that I ask you to respond to.

**Dr YOUNG** — Spending limits would be preferable to what we have now, which is basically a free-for-all, really. But in terms of my idea of quarantining different funding for different purposes and telling parties how to spend it, that can be done and it can be done properly if it is a comprehensive system and it is enforced in that way. I know that parties will possibly try and get around that or that there can be a loophole in every system but I still think that that is possible. Limits is another option; limiting the inputs of money that are coming into the parties, and I think that is also something that would help to bring down the costs.

In Australia we have this incredible situation, which I basically call the trifecta, where parties can raise as much money as they want. They also get public funding as an add-on, and then they can spend it however they like. No other country in the world does that sort of thing. Everyone else makes an attempt to limit spending or to get commercial broadcasters or public broadcasters to give free advertising time — we get the public broadcasters to do it but not the commercial ones — or they put some kind of spending limits or restrictions on where the money can be spent. They try to limit the money free-for-all in some ways. At the minute we do not do any of those things and so limits would be preferable to what we have now. We have put some quite specific recommendations in there about limits.

**Ms BROAD** — Can I go back to an earlier point, then? Let us hypothetically say that the modern-day Liberal Party was to go back to a much earlier form of organisation and accept memberships from corporations that paid membership fees which were very substantial amounts, but they would be membership fees, not donations or gifts or loans or charges levied and many other categories that you can seek to draw. On the basis of the sorts of distinctions and recommendations that you have put before us today, that would escape the sorts of restrictions that you are attempting to place because it is a membership — and you have not dealt with memberships.

**Prof. COSTAR** — It depends what the nature of the affiliated body is. As you know, when a union is affiliated to the ALP in a state it pays, literally, capitation fees. It is a dollar amount per member, and it is said, though of course I am sure it is not true, that unions understate their memberships so they do not have to pay as much to the Labor Party.

**The CHAIR** — No, I wouldn't —

**Ms BROAD** — All members pay a fixed amount.

**Prof. COSTAR** — But that is different, it seems to me, to having corporate membership, and this is where it is a bit problematic. Remember when we were talking about the National Union and the UAP. The National Union was a self-appointed coterie of business and professional men in Sydney and Melbourne; it had no members. It was not affiliated to the UAP, it just gave them their money. As I said, the people who formed the Liberal Party came to the view that this was highly undesirable and changed it. As I said, I am on the record in completely different forums as saying that I can see no benefits — I see a lot of disadvantages — in unions being affiliated to the ALP. If my union affiliated to the ALP I would think seriously about resigning from it, despite the fact that I have been a member of it for 37 years, because what do I get out of it? Nothing.

**Ms BROAD** — I appreciate that you are talking about unions. I am talking about other sources of memberships.

**Dr YOUNG** — I have not thought a lot about this particular case, but if there were limits on how much parties or individuals could spend for an election campaign that might address some aspect of that in terms of campaigning costs.

**Ms BROAD** — But you are not saying that membership from corporates of large amounts would be a problem as far as you are concerned?

**Prof. COSTAR** — I would find it a problem because it is a different type of arrangement.

**The CHAIR** — What if they moved to make it a similar type of arrangement whereby they actually have delegates?

I do not know your internal machinations into the processes but what if they engaged in the similar sorts of arrangements that the unions have with the ALP?

**Prof. COSTAR** — But who are the members of these corporations going to be? Their employees? Hardly. Their shareholders? Why would they do it? For example, if you have a look at the unions, if you adjust for the name changes that are currently affiliated to the ALP today — and it is the only party that has unions affiliated to it now because the DLP effectively died as an organisation but rose from the ashes in this building — are largely the unions that were affiliated to it in 1920.

Unions are not rushing to affiliate to the ALP or to anybody. Why would corporations do it? What is in it for them? I cannot think of a major union that has not had a relationship — some go in and out admittedly. None of the white-collar unions, even during the big boom of unionism in the 1950s and 1960s and 1970s, was affiliated to them except the clerks union that has always been. When we had a big growth in union membership and union development, it was in the white-collar and professional and semiprofessional sectors but none of them went near the Labor Party. I think it is an old-fashioned association, and I do not see why any corporations would go near any political party in that regard.

**Ms BROAD** — Clearly they do make donations. They do make donations through other bodies to both major political parties and as far as I can tell, the recommendations you have here are not dealing with that.

**Prof. COSTAR** — Yes, but we say here ‘that corporations and trade unions not be permitted to make political donations’.

**Ms BROAD** — That is to political parties?

**Prof. COSTAR** — I think we say — —

**Ms BROAD** — Or do you intend that that takes up a range of other organisations?

**Prof. COSTAR** — Yes. We should have said ‘and associated entities’. It was not completely out of sloppiness. The phrase ‘associated entity’ has multiple meanings. It is in some legislation but we mean different things by ‘associated entities’. We could call them ‘third parties’.

**Mr O’BRIEN** — Recommendation 7 would give a significant financial advantage to Labor over other parties by allowing adjunct organisations to join up and pay membership fees which could then be used to fund that party. Even if you say it is not funding campaigns, all right that means it is funding all the back-office stuff and all the money they get through other forms is used on political advertising. You would accept that it would be seen as a significant tilt in favour of the Labor Party?

**Prof. COSTAR** — As I said, I am happy to own recommendation 7.

**Dr YOUNG** — I was never sure about it.

**Prof. COSTAR** — And I was never sure about it. There are two things pushing it. That argument is sound, but on the other hand where do we draw the line at upsetting an arrangement that has been in place for a century for a reason — — If you want to upset the arrangement and I do but for completely different reasons than this. I suppose other than going for complete disclosure in time before polling day.

I think the other thing is, as Sally has been saying, we have to get down the amount of money that is being believed to be needed to be spent by a political party to win elections. That arms race has to be slowed. I am not saying it should be stopped. We have made a submission to the federal committee in which we have said representative democracy will not be assisted by impoverishing the political parties.

Political parties need funds but they do not need this amount of funds. I am not saying that in some sort of wowsersish sense. It is the sense that if you believe you need this amount of money to be successful then you are going to go and find it. That is the problem; that is when you start to get into difficulties, as Ms Broad said. Maybe if the parties did not need to spend those large amounts of money, the issues of corporations joining political parties might not be as urgent, or even hypothetically likely.

**Mr O'BRIEN** — Could I just bring you back to the question of enrolment issues? From your submission you seem to be saying that it is imperative that we keep a unified roll between state and federal. I take it that any recommendations that this committee may come up with in relation to automatic enrolment or election day registration, could not really be effective unless there was a similar provision at the commonwealth level.

In relation to the enrolment form, and I actually had to fill it out because I have moved house recently and I went through all that — for someone who is moving it is one page and it is questions like your name, your address, your postal address, your contact details, your date of birth. It asks, 'Are you enrolling to vote for the first time?', yes or no. 'Are you an Australian citizen by birth? Do you have your driver's licence?'. Then there is a declaration. They are not exactly things that are going to get you admitted to Mensa. I am not quite sure why this form, as it is currently stated, is seen to be such a cause of confusion.

I appreciate time is precious. Perhaps I could just get a couple of things out and let you respond as you would. In relation to the ID, I am sure you have heard this argument before, but if you need to show your license to get a video why should you not show your license to get on the electoral roll because the integrity of the roll — —

**Prof. COSTAR** — It is not compulsory.

**Mr O'BRIEN** — The integrity of the roll is essential and if you let somebody on the roll who is not entitled to vote, that is just as bad if not worse as somebody who would otherwise be eligible to vote not voting. I think there need to be measures in place to prevent electoral misenrolment, whether that is deliberate or accidental. Why do you believe that ID is a problem given the importance of maintaining an accurate electoral roll with integrity?

Perhaps the final thing I would like to raise with you is, you said a number of people receive letters. I admit I received a letter from the electoral commission reminding me, 'It appears you have changed address. Could you please send in the form?'. Is there not a bit of a responsibility on the citizen as well to make sure that they do their bit, that if they do not remember and they get sent a reminder, that they fill it in and send it back? Is that really too much to ask of somebody to participate in democracy?

**Prof. COSTAR** — If we take the first one about the integrity of the roll: yes, the integrity of the roll is essential. A couple of years ago there was a lot of speculation about systematic roll fraud of which there was never any evidence because there wasn't any. We had the humorist who enrolled a Mr Curacao Fischer Catt in Macquarie in 1990. Mr Catt was a feline. I thought I should not be amused by this. In those days you had to fill out occupation. The person filled out that the cat's occupation was pest exterminator. The interesting thing about that is he got caught.

My comment about this is people say, 'Look what happened in Queensland in Mundingburra and Townsville, and the rorting that went on there.' One person got charged. Yes, it shows the system worked. If you think of the small number of people who were filling out enrolment forms at fraudulent addresses in order to vote in Labor Party preselection ballots, relatively speaking it was a handful of them compared to the population.

So you have got someone sitting in the DAA's office in Townsville who is getting these coming across his or her desk and who notes that they seem to be all in the same sort of handwriting and all at the same address. So they carry out an investigation. It ended up, of course, with the federal police, and a person was sentenced to three years jail. I am not concerned that there was fraud at any systematic level — I mean, there are accidents, and that is always going to happen — but I do not think there is any evidence of that.

In terms of the form, yes, if you get to the one page, it is one page providing you have got a drivers licence. I was reading a High Court case of Justice Isaacs from back in 1919 when we last had one of these really close elections. It was similar to the McEwen case. He said in his evidence that the way people fill them out — in this case filling out ballot papers, but it is a similar principle — might be inartistic. He said people may be learned or they may not be; they may be well or ill.

It appears that some people get to 10A and say they have not got a drivers licence and stop. If you change the identity — and I am not saying there should not be any identification; if you are going to have a paper roll, which I do not think you need, automatic electronic enrolment is not going to happen necessarily overnight, so there is going to be documentation — I think you sign and have it witnessed, like you used to do. As I said, the Australian audit office did a big analysis of the electoral roll in the 1990s and said that it was a roll of integrity. They were not looking at the problem we are addressing. They were looking to find people who were on the roll who should not have been, and they found an infinitesimally small number.

What we are worried about is the integrity of the roll — people who should be on the roll who are not on the roll, so it is coming out a bit differently. I do not think we need to be concerned about fraud. I just do not. I think we have investigated that so many times now and come up with very little — one Catt — that it is not worth it. It is not worth doing other things that have negative impacts, because that was the justification for the more demanding ID — to cut down on fraud — and it is solving problems that do not exist that then create other problems. That is my response to that.

**Mr SCOTT** — I know we have indulged ourselves with your time somewhat today extensively, but in terms of informal voting there is another measure that is discussed sometimes, which is about changing the nature of formality of ballot papers. I know South Australia particularly has a method of ensuring that more votes are formalised. Setting aside optional preferential voting, which creates a whole series of other issues, and I do not particularly want to visit that here, what is collectively your view on that South Australian method?

**Prof. COSTAR** — It was the commonwealth system before 1989. Mr Langer came up with the inventive idea of being able to vote 1, 2, 3, 3, 3, 3, and that led, of course, to a tightening of the regulations about formality, which then had the negative effect of deeming votes to be informal that effectively were formal and could never possibly have affected the outcome, because someone had made a mistake on the 12th preference or something, which of course was the issue in McEwen.

As I understand it, it was not questions about who wrote '1', it was whether the number 5 looked like the letter S. I think, yes, I cannot see the commonwealth going for optional preferential voting, though we have a version of it here in the upper house. I think you can have a more liberal interpretation of ballot papers which do not run into problems of saying, 'Look, this person should not have a vote'. If it is a single-member district and they have numbered 1, 2, 3 and then gone 7, 8, 9 or 7, 8, 8, 9 — between 1983 and 1990 that was a valid vote. I cannot see why it cannot be.

**Mr SCOTT** — Can I with the indulgence of the Chair raise one further question. I have to disagree with one comment that was made about voter day registration. Where it is actually about the treatment of an enrolment, the timeliness of its treatment and how ballot provisional votes are treated, I would not see why that would necessitate a breaking of a uniform role between the commonwealth and states.

**Prof. COSTAR** — No, I am just saying — the point of Mr O'Brien — we are not advocating going back to anything but a joint roll. But, remember, even under joint roll there are slight differences — prisoners, for example.

**Mr SCOTT** — What I am saying is that having a joint roll would not rule out voter day registration by any means, even if the commonwealth was not attempting to, because it is about time lines and treatments of registrations.

**Prof. COSTAR** — In a sense, as you know, what you are working with on enrolment day is a certified list of voters, which I see you could have that. I know what you are getting at: if the state of Victoria wanted to go down that path, that would not break the joint role agreement.

**Ms CAMPBELL** — I have one question on recommendation 5 of your inquiry into political donations and disclosure, which is that political donations be permitted only from Australian citizens or permanent residents.

By 'political donations' do you mean donations towards election day success or do you mean donations that align with a political party's ideologies or policy directions? And have you got examples of where that may have occurred? I can think of one: a New York-based donation from Atlantic Philanthropy to an Australian project and the implications that may or may not arise from that. That is one example, but I am trying to understand what you are driving at there.

**Prof. COSTAR** — Okay. Tomorrow you will hear evidence from Emeritus Professor Colin Hughes which will be in direct contradiction to recommendation 5, and I agree with him. It is one of those cases. The problem with it is that you cannot enforce it. But again — I am not seeking to denigrate this — a lot of people think impression is important. Confidence in the political system is important, and the evidence is that the public has a problem with overseas donations.

**Ms CAMPBELL** — Could you give us an example? I can only think of one.

**Prof. COSTAR** — The one that did not happen was the Iraq donation to the Labor Party in 1975 or 1977.

**The CHAIR** — There was also a — —

**Mr O'BRIEN** — The jury is still out on that, is it not?

**Prof. COSTAR** — And of course, His Lordship from the UK, who gave a million.

**The CHAIR** — Yes, a million dollars.

**Prof. COSTAR** — This is where the problem comes. What possible benefit was he going to gain from giving a million dollars to the Liberal Party? None! Absolutely none.

**Mr O'BRIEN** — Cannot even give him a knighthood!

**Prof. COSTAR** — Yes. He just liked the Liberal Party. This is why we said at the beginning here, in our introduction, why we are treading warily. I know people think it seems silly for me to say Colin Hughes will advise directly against a recommendation that we put in and I totally agree with him. About a dozen years ago there was a conference in US on campaign finance and it was entitled 'Will anything work?'

It really does get down to — not stumbling around in the dark; we are not doing that — trying to find a regime that is fair, equitable and will work and will not have negative consequences. For example, I think Ms Broad was quite right to raise the question with the chap from the property council about banning all political donations. My view is that that would not survive 10 minutes in the High Court. It would go out faster than banning political advertising. So I would not go down that path.

**Ms BROAD** — I did put forward an alternative of making it a voluntary condition of accepting public funding.

**Prof. COSTAR** — Yes.

**Ms CAMPBELL** — Did you define any further what you mean by 'political donations'?

**Prof. COSTAR** — The term generally is used to refer to donations for electoral purposes, but I take the point that you can make donations for all sorts of other purposes. But that is generally the way the term is used, and I think we just picked it up as that. You are quite right. I mean, Lord Ashcroft, I think his name was, could have said 'I am giving you this money, but you are not to use it for electoral campaigning, you are to use it for policy development'.

**Ms BROAD** — And donors do that sort of thing all the time.

**The CHAIR** — You use language such as 'an arms race', and that is probably correct, given that federal election campaign expenses have gone up from about \$70 million in 2004 to about \$140 million. I am not sure if that is exactly correct, but it is near enough. You also advocate banning donations from unions and corporations, and you advocate regulating advertising through the media, but you shy away from capping expenditure. Why is that? I would have thought that was the most efficient.

**Dr YOUNG** — I have not shied away from it. It is an option. I suppose with this submission we were really trying to read the state of play at the moment and what models are looking like they are going to be favoured at the moment. At the federal level it seems there is far more preference for banning donations and moving to a full public funding system. That seems to be the state of play, that that is the preferred model. The rationale behind that, I think, is that they think expenditure limits are just too hard to enforce; there are just too many ways around them, too many loopholes and so on. I do not think that is a reason that I am entirely convinced of. Other countries use spending limits very effectively, and I think that something like that could be done here.

I will explain my concern about moving to a fully publicly funded system. I think there are good things about it. The public would have more control. If we give them money then we should have more control over how it is spent and what kind of system we have. That would be a good thing. My concern is that what will happen is that the status quo will just go on, the spending on political advertising and so on, but the public will just be giving more money for it.

**The CHAIR** — But campaign expenditure caps are the key, though. Then you do not care how much the media charge for advertising. If the political party is stupid enough to cop a 200 per cent increase in expenditure on advertising and they have a cap, that is their problem.

**Dr YOUNG** — But then, what if you give that money to a third-party group and let them advertise on your behalf?

**The CHAIR** — I am not advocating anything here, but that is my point: that you stop short of doing all of that that is out there in the public domain. Is there any reason why?

**Dr YOUNG** — On spending limits?

**The CHAIR** — Yes.

**Dr YOUNG** — I am not adverse to spending limits.

**The CHAIR** — I am not sort of encouraging you to go that way, but I just wonder why you stop short, but you are playing around with the advertising component.

**Dr YOUNG** — I suppose because I think, as I said at the start, it is the outputs that are crucial. If you can stop parties from thinking they have to spend ten of millions of dollars, then a lot of the other problems would be resolved. And if you had a really good disclosure scheme, then other problems would be resolved as well. So in a way I think, reading the current state of play, that is a model that we have invested more time in looking at than the alternative, although, as I say, I am not against spending limits. As I said at the start, anything is preferable to what we have at the minute. If you want to have spending limits, if you want to cap funding, or if you want to stop political donations, any of that is a good idea basically.

**The CHAIR** — Can I just rephrase my question, just to get myself out of trouble here. What I am asking you for is a critique of campaign expenditure limits, or caps. You have obviously not gone in that direction for a particular reason, so I am just asking for a critique of it.

**Dr YOUNG** — Firstly, it was because it is not in favour as a model, and I do not think it will get up, for example, at the federal level. Secondly, they can be difficult to regulate and impose, and that is the tricky part, and I think that is why they are not in favour at the federal level. So if I have not invested much time in putting it in here, it is not because I am against it; it is because I think that in the current environment it will not be a proposal that is taken up at the federal level. I could be wrong, but that is how I am reading it.

**Prof. COSTAR** — Can I give a football analogy? You do not stop gun full forwards kicking bags of goals by relying on the fullback. You cut the flow off up the ground in the midfield — you win the ball out of the middle — and do not let it get down there. It is a similar analogy. I think given not just the difficulty of regulating it, but the amount of time and money a regulator would have to spend on doing it, they would be better occupied doing other things.

**The CHAIR** — So have you had feedback from other jurisdictions, like the UK and New Zealand and Canada, where they do have these expenditure caps?

**Prof. COSTAR** — I think the Canadian one is obviously the one to look at, but the Canadian one is relatively new. That is the other problem. We have not seen it work much yet.

**Dr YOUNG** — And they have a lot of complications of third parties and interest groups and so on in working that out.

**The CHAIR** — Right, but that is expected. And the New Zealanders have their problems, and they keep sort of tinkering.

**Dr YOUNG** — It is not something to throw out. As I said, I think it is a good thing to look at, but I wonder still if it is approaching the problem from the wrong angle.

**Mr SCOTT** — I know you have sort of disowned one of your own recommendations, but in terms of overseas donors, a concern that I would have with any exclusions from political activity — because often, not so much yourselves but others have defined donations to anyone who is involved in the political process as being covered — is that you could see groups of people, for instance overseas students or refugees, who do not have permanent residency, let alone citizenship, in Australia, being excluded from engaging in political lobbying or activity, about concessions or the standard of higher education, for instance — for those overseas students to raise money to run a campaign on those issues or with refugees to advocate for refugee groups.

I find that to create a people who are in effect political non-persons beyond just not voting is a somewhat challenging concept in a democracy, because if they were unable to raise any funds for political purposes, particularly if you are including donations to third-party organisations, this creates a group of people who have no political access to the process.

**Prof. COSTAR** — Yes, and you notice that Professor Hughes raises the question ‘What about well-meaning, and generally effective, organisations that are promoting democracy around the world?’. He says in his submission they are unlikely to spend their money on Australia because Australia is a high-ranking democracy, but that is an issue.

Quite frankly I would be happy just to ignore it, to leave it — because you have got another problem. We found in the Ryan preselection during the by-election a number of years ago that a large number of members of the Liberal Party who were members of the Ryan electorate lived in Singapore and Hong Kong. The party rules did not say they had to be resident; that is fair enough, so foreigners paying their membership fees —

It is a murky area, I will grant you. But I suppose the problem was that the media and everybody made a lot of fuss about Lord Ashcroft and his million dollars, whereas it looked to be pretty clean money to me.

**Mr SCOTT** — The concern I have is there are people residing in Australia, particularly if you have tough laws about party donations, who then effectively become completely political non-persons who do not have the right to participate in normal political activity at all, and therefore would be excluded from lobbying for their own rights because there are issues.

Refugee issues are the classic example, but, say, for overseas students — I know some universities in Melbourne have some big issues; transport is another issue — transport concessions. Therefore you create a group of people who would be unable to undertake what would be normal democratic activities, excepting that they would not have voting rights anyway, if you impose particular limits on them donating to third parties who would perhaps advocate on their behalf.

**Prof. COSTAR** — Perhaps we have just become too suspicious. I admit this. In our federal submission we made this comment too. Perhaps we should have heeded it more ourselves. We are not going to be able to close every loophole, and it is really not worth it. You expend too much time, money and energy thinking you are going to close and have a perfect system. As Colin Rye and I wrote in that little book, money is fudgeable, and you can think you are doing a lot to regulate it, and it will find its mark.

**Dr YOUNG** — I guess, taking up a few of the points that have been made, there is no perfect system. The devil is always in the detail with these things. Whatever points you make there is always a counterpoint, ‘But what about this?’. I suppose the positive thing is that change is being sought and something will come of this hopefully,

but what we have got at the moment is a very imperfect system. It does not really work well for the Australian public at all, and there needs to be some way to bring it into line so that money is not such a central part of politics.

We have not yet heard major accusations of fraud or terrible goings-on but we do have a system that is highly reliant on money and funding, and wherever you get that, you are always going to have the potential for problems. We do have strong nexus between donors and parties now, and any time you have that, you are just opening up the potential for real problems. We cannot advocate a perfect plan. We can talk about what works well in other countries and about how Australia is a very unusual case in our lack of a political finance system. As I said, any system is better than what we have got at the moment, I think, any of these recommendations.

**Ms BROAD** — Just one last quick point before we deal with our next submission, and this connects to it — your recommendation 13 relates to restrictions on public funding, and it refers to matching grants for funds raised. Our next submission is actually advocating a return to the requirement that parties have to actually demonstrate an acquittal process, that they have actually expended funds so that there can be no question of making money out of the public funding. I just wanted to ask what your view was on that?

**Prof. COSTAR** — In our federal submission we said that you are going to have to show receipts. I think we picked a figure of 90 per cent of the expenditure you were going to have to show receipts for to get the 100 per cent. While I think it was a big party cartel that got us the system — because once upon a time, as you know, you used to have to provide receipts — there was a genuine concern that small parties and independents just did not have the accounting capacity to do that. Of course if you go to the New York system, they will.

Here is another issue. If I had my time over again, I would never have supported public funding. I think public funding has been a miserable failure. The Joint Select Committee on Electoral Reform in 1983 set out five good things that were going to result from public funding. With the exception of the Greens, not ideologically but as a new player, every one of the other parties has got worse or has had no effect. But the trouble is now that if you have got public funding, if you take it away, you are going to kill a number of small parties. Is that a good thing?

One of the complaints about public funding came up when Mr O'Brien raised it. What if he forms the Michael O'Brien Party? If all he is going to get is public funding, how is he going to get it? Some countries have the situation — some American jurisdictions do it too — that prior to polling day if you can raise certain amounts of money you will get matching funding out of the public funding source, whereas we do it post hoc.

We say that if you get 4 per cent, then you will get it after the election. That is well and good providing you are an ongoing party, but what if you are a new party? You are not in it. What we note there, though, is that I do not think the Australian public is going to buy the Canadian level of public funding. I do not think the political parties believe they will buy it and I do not think they will recommend it, because remember, as Joo-Cheong said, we have not had a big enough scandal. We have had little scandals. Not that I am wishing a big scandal on us, but I just do not think they will buy it.

**Mr O'BRIEN** — New South Wales might.

**Prof. COSTAR** — Yes, it is relatively small compared to — —

**Ms BROAD** — So with some qualification then you do support a reimbursement arrangement?

**Prof. COSTAR** — Yes, but it has to have receipts. I mean, we know who we are talking about. Public funding was not set up as a profiteering mechanism. We have got to be careful here. Will this ever happen again? It might, I suppose. If you say to a candidate 'Yes, you are entitled to \$100 000 of public funding. Show us accounts and receipts for \$90 000, and we will give you the \$100 000'. The free-for-all really, I think, has got to stop.

**Ms BROAD** — Okay, it is just the wording of that recommendation which refers to matching — —

**Prof. COSTAR** — We have addressed your question in another submission.

**The CHAIR** — Thanks very much.

**Witnesses withdrew.**

