

WHAT PRICE DEMOCRACY?

POLITICAL DONATIONS ARE VIEWED BY SOME AS A NECESSARY WAY TO KEEP THE POLITICAL MACHINE MOVING, BUT BY OTHERS AS THE MOST SORDID ELEMENT OF OUR DEMOCRATIC SYSTEM.

JO COOPER REPORTS ON THE LATEST FIGHTS OVER DONATION TRANSPARENCY.



Feeling generous? You're in luck, because there's never been a better time to donate to a political party without anyone knowing about it.

Thanks to new legislation that passed through Federal Parliament in the middle of the year, donors can now fling up to a cool \$90,000 to a party, all under the shadow of anonymity. Some say this figure could be even higher if different family members donate.

Changes under the *Electoral and Referendum Amendment (Electoral Integrity and Other Measures) Act 2006* have seen the disclosure threshold for political donations increase from \$1500 to \$10,000. In other words, donations lower than \$10,000 can today be made in secret.

But if you're feeling particularly charitable,

and don't want to trigger the disclosure requirements, you can spread your money among party branches. Ten thousand dollars to each of its nine branches would see the ALP receive \$90,000; the Liberals could receive \$80,000 with a gift to each of its eight branches; and the Nationals' six branches would incur a \$60,000 donation.

The \$10,000 threshold will be linked to the consumer price index, so it is set to rise year upon year. And another part of the new legislation has increased the level of tax-deductible contributions to political parties and independent candidates from \$100 to \$1500 in any income year.

To some it might just be the latest, uninteresting change in the long history of political donations in Australia. For others, though, increasing the disclosure threshold amounts to an outrageous attack on democracy.

Arguments were heated when the proposed legislation was debated in Parliament. The Labor Party – itself a recipient of significant donations – had some harsh words for the Government, which introduced the Bill.

Speaking during the debate, ALP senator Kim Carr said the amendments would result in “extraordinary” sums of money secretly entering the political system.

“It will be the dirty money that comes with demands for political favours to be exercised,” he said.

Senator Carr warned the Government that the changes would haunt it.

"This is a terrible mistake," he said.

"It is not actually in your long-term interest to do this. That will not deter you, but the fact is that it will lead to corruption in the Australian political system. It will undermine the integrity of our electoral system. It will undermine the probity of the way in which governments do business in this country. It will have a profound consequence for the future of politics in this country."

Independent MP Peter Andren condemned the bill, stating: "It is designed to shore up a crumbling and discredited two-party electoral system."

In their defence, the Liberals stated the current threshold was too low when first set and had been eroded by inflation. Member for Stirling, Michael Keenan, said elections in Australia were now "multimillion-dollar affairs" and electoral expenditure of both major parties exceeded tens of millions of dollars.

"We in this parliament therefore need to exercise some judgment about what is an appropriate level at which to disclose donations without subjecting people in the organisations involved to unnecessary red tape and bureaucracy," he said.

Liberal senator Eric Abetz said the Government has "had the view that the threshold should be \$10,000 for the last 20-plus years".

"The important thing about this is that 88 per cent of all donations disclosed by both Labor and the Liberal Party were donated in amounts of \$10,000 or more in the 2003-04 year. So, really, only 12 per cent of current donations might not be disclosed. If people are saying that that 12 per cent is going to somehow create undue influence on the body politic of Australia, I would say with great respect that I do not think you are right."

He went on to say "there is no basis to assert that there would be a democratic deficit if we were to have the \$10,000 threshold in this country".

In 2004-05, \$143.7 million was declared as being received by the major parties, and details were disclosed for \$117.8 million (81.9 per cent) under the previous \$1500 disclosure threshold. Of this \$117.8 million, \$33.1 million was classified as donations by the parties.

It is estimated that, under the new law, about two-thirds of the major parties' donations will be declared. And if the legislation changes the behaviour of donors, and more decide to donate anonymously, the amount of declared donations is forecast to drop dramatically.

PUTTING UP A FIGHT

A groundswell of activity is targeting political donations.

Brad Pedersen is a councillor on Manly

BIG SPENDERS

These are some of the largest gifts bestowed on the major parties in 2004-05:

> Cormack Foundation Pty Ltd	\$1,000,000.00 Liberal Party of Australia (Victorian Division) – VIC
> Lord Michael Ashcroft KCMG	\$1,000,000.00 Liberal Party of Australia – NATIONAL
> Cormack Foundation Pty Ltd	\$800,000.00 Liberal Party of Australia (Victorian Division) – VIC
> CFMEU Mining & Energy Division	\$470,000.00 Australian Labor Party (ALP) - NATIONAL
> The 500 Club (Inc)	\$351,000.00 Liberal Party (W.A. Division) Inc. – WA
> Shop Distributive & Allied Employees' Association	\$300,000.00 Australian Labor Party (ALP) – NATIONAL
> Canberra Labor Club Ltd	\$200,000.00 Australian Labor Party (ACT Branch) – ACT
> CFMEU – Construction & General Division, National Office	\$200,000.00 Australian Labor Party (ALP) – NATIONAL
> Inghams Enterprises Pty Ltd	\$200,000.00 Liberal Party of Australia – NATIONAL
> Pratt Holdings Pty Ltd	\$200,000.00 Liberal Party of Australia – NATIONAL
> Ramsay Health Care Limited	\$200,000.00 The Free Enterprise Foundation
> Village Roadshow Limited	\$200,000.00 Australian Labor Party (ALP) – NATIONAL
> Village Roadshow Limited	\$200,000.00 Liberal Party of Australia – NATIONAL

Source: Australian Electoral Commission



Council in Sydney's northern beaches. In January this year he founded a group called Democracy Watch, which aims to achieve "sweeping reforms to dramatically curb the excessive influence of 'big interest' money on our elections and government decisions at the federal, state, and local levels".

Cr Pedersen is furious about the new legislation.

"It is an invitation for corruption and it will, without doubt, seriously and severely corrupt further our democracy at all levels. There is no doubt about it whatsoever."

Democracy Watch is calling for a national summit to create a strategy to reform financial donations legislation at federal and state level.

People from across the political spectrum, Australia's most senior academics in this field, and judicial identities have united in their support for this central demand of Democracy Watch, Cr Pedersen says.

"[Political donations] are believed to be a very fundamental cancer in our political system," he says.

"It's increasingly a topic of concern discussed in academic circles and published papers are becoming increasingly common. Of course, it's been a long-term concern of politicians who aren't members of the major parties.

"So there's been this ongoing, snowballing concern, while at the same time the problem is snowballing in its capacity to impact on our democracy. By that I'm referring to the recent legislative changes."

Some issues the group wants considered include the need for donations to be immediately and publicly declared; the original source of all donations to be declared; and corporate and individual donations to be restricted to an upper limit of \$2000. At all federal and state elections starting at the next NSW election, candidates will be asked by Democracy Watch – which Cr Pedersen says will never run political candidates itself – to endorse the call for a summit.

But in all reality, does the public really care? Is the issue of political donations a barbeque stopper, or are more immediate concerns occupying people's minds?

Joo-Cheong Tham, a law lecturer at Melbourne University and co-author of a report on Australian political finance for the Democratic Audit of Australia, says while he is not aware of any survey in this area, it is clear that people do not trust politicians.

"I just looked at an election survey conducted after every federal election and there's a high level of distrust of politicians," he says.

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“One of the questions asked is whether they think politicians are corrupt. A majority of respondents put that politicians were corrupt. There could be various reasons for that, but I suppose extrapolating from that, I sense a significant portion of the public has a strong unease with political donations. The unease is they don’t think donations are donations, in the sense of not expecting anything back in return.”

Brad Pedersen says although he can only speak anecdotally, he believes the vast majority of people do not support political donations.

“If you talk to anybody, they’re affronted by these donations,” he says.

“And they know that they’re wrong. But there isn’t a level of outrage. I think what is needed, unfortunately, is a scandal, which will eventually come. It’s inevitable, especially with the changes in the recent legislation. What is needed is a scandal to allow the issue to reach a certain level of outrage, a critical mass.”

MONEY POLITICS

A fight against hidden donations is also being waged by The Greens, who four years ago created a donations project on the website www.democracy4sale.org. Here, they provide a database of donors to political parties, using publicly available data from the Australian Electoral Commission (AEC). The data is then categorised, enabling searches to be made by industry groups, for example.

NSW Greens MLC, Lee Rhiannon, says the labour-intensive job of populating the site is taken on by volunteers, headed by chief researcher Dr Norman Thompson, but it would be better if the public service was doing it.

“I think it would be sensible for the AEC to do this themselves – to make this information much more accessible,” she says.

“That’s not being critical of the AEC, it’s just that they haven’t got the resources. But if the government of the day was committed to transparency, I believe they would give the AEC more resources so such information was readily available.”

Ms Rhiannon says the AEC has made more than 100 recommendations on improving the electoral processes and the system of disclosure, “which the government has ignored”.

Hits on the website spike in early February each year, when the AEC releases its donations data. Ms Rhiannon says the [democracy4sale](http://democracy4sale.org) site is increasing in awareness across the country, and is particularly used by journalists and those involved in campaigns against overdevelopment.

Donations criticism is also coming from



“[POLITICAL DONATIONS] ARE BELIEVED TO BE A VERY FUNDAMENTAL CANCER IN OUR POLITICAL SYSTEM”

BRAD PEDERSEN, MANLY COUNCIL COUNCILLOR AND FOUNDER OF DEMOCRACY WATCH

“They don’t necessarily say that it’s specific favours, I’m not saying that. But things like selling access, where ministers’ times are auctioned out to represent the companies is taken as a given now, and I think that’s extremely corrosive.”

Such fundraising is becoming increasingly popular as parties seek more and more funds. Mr Tham says in the ALP, Member for Fremantle Carmen Lawrence and Member for Fraser Bob McMullan are among those that have been quite scathing about these practices, while in the Liberal Party, the Member for North Sydney and Minister for Human Services, Joe Hockey, has stated the constant round of fundraising is detracting from his ability to perform as a minister.

“There’s got to be regulation of some sort, or at least some kind of agreement across parties that we’re going to stop doing things like these,” Mr Tham says.

“And I do think there’s a lot of unease around this – it’s just about crystallising it a bit more.”

For independents and minor parties such as the Greens, enormous political donations to the major parties can be a bitter pill.

“As a minor party we can see that these huge amounts of money to the major parties,” Ms Rhiannon says.

“It really makes our job much more difficult because it’s not a level playing field. Effectively what you see come election time is the major parties literally buy victory because they’re able to buy so much air-time on the television. We can’t compete with that, independents and other minor parties can’t compete with that. It distorts democracy.”

CHANGE IN THE AIR?

But will these efforts improve transparency of donations, or will nothing alter the issue until Cr Pedersen’s foreseen scandal occurs?

Lee Rhiannon believes the situation will change as people become more informed about it.

“In recent times a number of quite large companies said they were no longer going to make donations. I think it partly is because the work of The Greens, our protests at fundraisers and many articles by journalists have put the spotlight on companies. They don’t like that. We’ve heard anecdotally that there’s been a reluctance in some quarters to give donations because they’re coming under the spotlight.”

She admits the new legislation could negate this to a degree, but says spotlighting donations will have an impact in the long term as it produces an awareness about political donations.

Cr Pedersen says organisations backing away from donating is a fairly new trend, but their motivation for doing so is unclear.

“Maybe they’re not getting what they wanted or they can’t afford to keep up with the next developer,” he says.

FURTHER READING

- > [democracy 4 sale](http://democracy4sale.org) www.democracy4sale.org
- > [Democracy Watch](http://democracywatch.com.au) www.democracywatch.com.au
- > [Democratic Audit of Australia](http://democratic.audit.anu.edu.au/index.htm) <http://democratic.audit.anu.edu.au/index.htm>
- > [Australian Electoral Commission](http://www.aec.gov.au) www.aec.gov.au

And activism by Democracy Watch isn't really forcing a change so far, he says.

"At the moment we're not, obviously. Things have gone disastrously backwards with this recent change to the disclosure laws. So we're not winning," Cr Pedersen says.

"But this is how things develop in politics, and what we're doing is laying the foundations for positive change, when we get that opportunity – that political opportunity because of outrage."

Mr Tham says although it is not a uniform trend, the fact that some politicians have expressed disquiet about where the issue is heading is an eye-opener.

"I think that's really interesting – it doesn't necessarily mean there'll be good changes in this respect, but I think it is an interesting phenomenon that has happened in the past two years or so," he says.

But effecting change by going to the heart of the issue may well prove fruitless, according to Mr Tham.

"Some political scientists talk about a cartel between the Coalition and the Labor Party," he says.

"There are cartel-like features of how parties are funded, especially by companies. That is one of the difficulties in this area, breaking that particular aspect and ensuring change. You can't rely on the parties themselves to do it."