

7 February 2008

The Reverend the Hon. Fred Nile MLC
Chairman
Select Committee on Electoral and Political Party Funding
Parliament House
SYDNEY NSW 2000

Dear Reverend Nile

Re: Submission to the Inquiry into Electoral and Political Party Funding

Thank you for the opportunity to make a submission to the above inquiry.

The Urban Taskforce represents Australia's most prominent property developers and equity financiers. We congratulate the committee for examining this important issue.

1. The role of money in the political process

A political party without money or resources is incapable of communicating directly with the public. Without that ability, the party becomes solely reliant on others, such as the media, to interpret and relay their message. The \$25 million raised by political parties for last year's federal election was primarily for advertising and direct mail.

Traditionally the wider community has respected a person who makes a financial contribution to a cause they believe in. It was admirable for a gentleman/lady of means to give support to civic institutions, including political parties. Hence the phrase: "put your money where your mouth is".

Yet, somewhere along the way, making a donation to a political party has been recast as something unsavoury and distasteful.

Today business is caught between a rock and a hard place. On one hand, there is a traditional expectation that business will support the great charitable, political and community causes of the day. Yet, on the other hand, individual businesses may face claims of exerting undue influence if they dare to financially back a political party.

Curiously a donation to Greenpeace is still seen as noble, but a donation to Liberal or Labor is somehow wrong. Given that 80 per cent of the population still vote for these two parties they can't be all bad.

There is no suggestion of major corruption throughout, say, the NSW planning system – the Independent Commission Against Corruption said as much last year. Nor is there any evidence of systemic political corruption in other areas of government decision-making.

However, despite the absence of wrongdoing, it is clear that the public is no longer willing to presume innocence.

Now, every time a donation is made, a developer, a miner, an environmentalist, a trade union, a small businessperson, a farmer or anyone else, can have their reputations tarnished by the quick

conclusions of cynical individuals. However, if they all stopped donating tomorrow, our political system would collapse.

Without funds, political parties would lack the resources to present their message to the public directly.

The key is to find an alternative funding model for political parties.

2. United States experience

In the United States all corporations, including charities, are prohibited from making contributions to federal election campaigns.

Instead candidates are entitled to generous public funding. It's a major commitment for taxpayers – paying all or some of the costs of federal, state and local election campaigns across the country. In the 2004 presidential election alone, each major party received \$US15 million in public funds just to hold their nominating conventions. The two major presidential candidates were eligible to receive \$US75 million in public funds.

However the US system is not a model we'd want to directly copy in Australia. Individuals are able to give \$US2,500 to a candidate and up to \$US28,500 to a political party. A loophole allows "political action committees" to be formed to collect contributions and pass it on to favoured candidates. Each presidential campaign typically raises around \$US200 million in privately financed donations.

Despite the US ban on corporate donations American voters appear even more cynical than Australians about the integrity of their political system.

3. A new model

The Urban Taskforce supports a new model for political funding: a blanket national ban on any form of political party donations from business, non-profit organisations or individuals. Such a ban has to be complete. It should not single out any section of society for special treatment.

Parties should be funded by taxpayers based on their electoral performance. This would require a massive increase in the public funding of political parties.

A ban of this kind will, once and for all, remove any perception of favouritism in all areas of government decision-making, including tender processes, licensing, approvals and board appointments.

4. Bans on specific categories of donors

Your discussion paper flags the possibility that political donations might be banned from particular corporate sectors. We do not support this approach. It creates too much uncertainty, confusion and loopholes.

For example, in the case of our own industry, drafting a satisfactory legal definition of a "developer" is difficult.

The *Australian Oxford Dictionary* defines a developer as someone who builds on land. This definition could cover almost any home owner who has at one stage in the life built anything on their land. Even if you attempted to narrow this definition to someone who builds on land for the purposes of selling the improved property for a profit, a large number of builders and home owners are caught, but others may be excluded (for example, a developer who secures a development approval, and on-sells the land).

Effectively most corporations that have owned land at one time or another would be “developers” under any legal definition that is likely to be drafted.

Some cynics may find it surprising that developers would back a complete ban on political donations.

Frankly, the arguments in favour of development and urban renewal carry weight irrespective of any political donations.

Sydney's population is anticipated to grow by 1.1 million people by 2031. This means Sydney needs 640,000 new homes and 500,000 more jobs, 7,500 hectares of extra industrial land, 6.8 million square metres of additional commercial floor space and four million square metres of additional retail space.

Even if we have zero population growth over that time we would still require 190,000 new homes in Sydney to respond to demographic changes where fewer people are living in each home.

NSW needs developers to keep building whether political donations are made or not.

Yours sincerely

Urban Taskforce Australia

A handwritten signature in black ink that reads "Aaron Gadiel". The signature is written in a cursive style with a long horizontal stroke at the end.

Aaron Gadiel
Chief Executive Officer