

## **Parliamentary Inquiry by the NSW Select Committee on Electoral and Political Party Funding**

**Opening Statement, given 3 March 2008, by Aaron Gadiel, Chief Executive, Urban Taskforce Australia**

Thank you for the opportunity to appear before this inquiry.

I represent the Urban Taskforce Australia. The Urban Taskforce is made up of Australia's most prominent property developers and equity financiers. Its membership also includes key property lawyers, planners and architects. The Urban Taskforce very much supports this inquiry. It represents a rare opportunity to dramatically reshape politics in Australia, because, let us be frank, the community is demanding change.

The current system of funding for political parties has served the community well for more than 20 years. However, the community's attitude has changed. The current system has run its course. There is a strong public feeling that the political system must not only be free of any actual corruption but must be free from any perception of financial influence. It is time to end the practice of funding Federal, State and local election campaigns by political donations.

As an industry we recognise that political donations do not influence government decision-making. However, there is no question that the wider community's confidence in the political system is undermined by the dependence of that system on financial contributions from the private sector.

The Urban Taskforce position is simple, and we have had the same position for more than four years: we advocate a complete national blanket ban on political donations from anyone—corporations or individuals, developers, lawyers, doctors, trade unions, miners, tobacco companies or environmentalists. However, this kind of change must be accompanied by substantial additional public funding. Taxpayers should meet all of the costs of election campaigns. Funding should be allocated to political parties in line with their share of the vote. Only a radical measure like this will ensure that the system is once and for all free from any perception of financial influence.

I have stated the Urban Taskforce proposal but I also need to comment on some of the alternative positions that have been put before this inquiry. These are:

- a proposal by the Greens to ban political donations from developers but not other business interests or individuals;
- a proposal by the New South Wales Government and the ICAC that development applicants must declare at the time of lodging an application any political donations that have been made; and
- the proposal by the New South Wales Opposition for there to be a national ban on donations by corporations but still to permit donations by individuals.

### **A ban on developer donations**

A ban on donations from developers alone is, firstly, logically flawed and, secondly, impossible to implement without introducing a ban so wide that you might as well have a general ban on donations. I will briefly explain.

Government decision-making is crucial to a whole range of industries, not just property development. The same perception problems and corruption risks exist in relation to government tender processes, licensing decisions, liquor and gaming approvals, government grants and board appointments, to name a few. All of these areas of government decision-making have at one time or another been criticised because of political donations that have been made prior to a given decision.

The Greens' own website claims the financial and insurance sectors have given \$24.2 million to political parties since the year 2000; tobacco, hotels and alcohol interests apparently gave \$30 million; retail and service companies apparently gave \$6.5 million; and resource companies gave \$2.2 million. The Greens say the pharmaceutical and health industry has given \$6.5 million; manufacturing has apparently given \$5.6 million; the media communications sector has given \$6.3 million; transport interests apparently gave \$3.3 million.

Any ban on developer donations will be seen by the public as an inadequate solution to a much broader issue.

A ban on developer donations would, if it was to be effective, amount to a near blanket ban on corporate donations and would also prevent a large number of individuals from donating. That is because a very wide spectrum of people and companies are involved in property development.

If a developer is understood as someone who owns income from the development of land, any company with significant landholdings can be regarded as a developer. At some time or another banks, television networks, breweries, manufacturers, retailers, fast food chains, all need to sell and acquire land. I can assure you that these companies rarely ignore the development opportunity of their land when buying and selling. Some choose to develop themselves; others enter into joint-venture arrangements with full-time property developers and others give a full-time developer an option on their land, which will result in the land's purchase if the developer successfully secures a development approval.

In all three situations these businesses earn income from property development. A narrow definition of "property developer" for the purposes of any such ban would be so easily circumvented that the law would be a joke. A broad definition of "developer" would be required for a ban to be effective, which would be the same as banning most major Australian companies as donors to political parties. You might as well have a general ban on everyone.

The difficulty you can get into with a ban on donations from property developers only is illustrated by an article in Saturday's *Sydney Morning Herald* on donations received by the Lord Mayor of Sydney, Ms Clover Moore. The Lord Mayor has voluntarily imposed on herself a ban from accepting political donations from developers. Ms Moore defined the term "property developer" for the purposes of her ban as:

A person or organisation whose primary business or significant source of income involves property dealings.

However, last Saturday the *Sydney Morning Herald* reported that Ms Moore had received donations from Mr Peter Holmes a Court, a co-owner of Souths, who was associated with the \$19.5 million redevelopment of Redfern Oval. When the *Sydney Morning Herald* asked Ms Moore why she had accepted the donations Ms Moore said:

Mr Holmes a Court is a businessman not directly engaged in the development industry.

I do not in any way suggest that either Ms Moore or Mr Holmes a Court have done anything wrong. I raise this as an example because the redevelopment of Redfern Oval may well mean profits to Souths and its co-owners. Those profits are made possible by property development. Many people would be of the view that a ban on property development donations should be extended to businesses making profits in this way.

### **Declaration of political donations at the time a development application is lodged**

The Government and ICAC's proposal that development applicants must declare their political donations at the time they lodge a development application is fatally flawed. Businesses that make development applications will have to declare their donations, but those making objections to development applications will face no such requirement. This means businesses and wealthy individuals opposed to a development will be able to make undisclosed donations and lobby against a development application.

Under the State's planning laws, existing businesses regularly object to development applications from potential new competitors. They may make donations and lobby against development approvals being

granted. Wealthy individuals also often make objections to development applications in a bid to protect their property values. Any system of disclosure for development applicants also needs to apply to objectors to developments. This proposal also ignores the many different people who stand to earn income from property development transactions.

I will briefly explain the parties involved in a not uncommon arrangement.

First, there will be one or more full-time property developers. They will have the job of making key commercial decisions and securing some or all of the equity and debt to finance the project.

Secondly, there may also be equity financiers who may take an active interest in the commercial decisions affecting the project.

Thirdly, there will be an original landholder who may still be involved in the property concerned, either as part of a joint venture with a full-time developer or through an option agreement with the developer. The original landholder could be an individual, a company with multiple shareholders or a trust with a number of potential beneficiaries.

Fourthly, there will be an architectural consultant, a planning consultant and, on some occasions, a public affairs consultant. All of these parties stand to gain if the development application is successful.

However, the Government's proposal applies only to the development applicant. The applicant is sometimes a property developer, but not necessarily all property developers involved in a development would be formal applicants. The development applicant is often not a developer; often it is an architect, a planner or another consultant.

Under the Government's proposal it is the applicant who is legally responsible for declaring the political donations. Architects or planners are unlikely to have direct personal knowledge of political donations made by those who hired them. The party who hired them may not be the only party involved as a property developer. An applicant would be ignorant of the political donations made by others who stand to profit from the development, such as a landholder or, if the landholder is a company or trust, shareholders or beneficiaries of the landholder.

### **National ban on corporate donations**

The Opposition's proposal for a national ban on corporate donations also falls short of what is required. This kind of restriction exists in relation to federal elections in the United States. Restricting donations to individuals does nothing to remove perceptions of conflict of interest. In the United States that is easily circumvented by the use of political action committees to link up networks of wealthy individuals to finance favoured candidates. Each United States presidential campaign typically raises about \$200 million in privately financed donations. Faith in the American political system is at an even lower level than faith in the Australian system.

The Urban Taskforce Australia sticks by its proposal, which is a complete, across-the-board, blanket national ban on political contributions made up for by substantially increased taxpayer funding.

I again thank the Committee for the opportunity to appear today and I am happy to answer questions.

A copy of the full transcript of the hearing can be found at the link below. The Taskforce's evidence commences at page 45.

[http://www.parliament.nsw.gov.au/prod/parlment/committee.nsf/0/dfc9200362cf2c4aca257402000e38aa/\\$FILE/080303%20uncorrected%20hearing%20transcript.pdf](http://www.parliament.nsw.gov.au/prod/parlment/committee.nsf/0/dfc9200362cf2c4aca257402000e38aa/$FILE/080303%20uncorrected%20hearing%20transcript.pdf)