

CHAPTER 8 : POLITICAL FINANCE

Term of reference 8: Whether the present limits on election expenses are appropriate and whether any limits on such expenses should be extended to political parties and to the amount of individual or total donations candidates or parties receive and whether such expenses should be defrayed wholly or in part by State grants and the conditions, if any, which should apply to such grants.

INTRODUCTION

8.1 This chapter concerns the proper place of money and other resources in influencing the political process. Our primary focus is the use of these in influencing parliamentary elections. Elections are central to our democracy in that they are the occasions when the people choose their Governments and their political representatives. That choice must be free and fair. It must also be well informed. In our system it is the political parties that in fact provide voters with a choice of Governments, policies and candidates. It is accordingly essential that the parties have the capacity to develop and communicate workable policies to the voters. The provision of money and other resources and the control of their use can have an important bearing on the fulfilment of all of these requirements.

8.2 It is perfectly legitimate and, indeed, highly desirable that those interested in the political process raise and spend money to further their political objectives. Those activities should not, however, be completely uncontrolled. It is neither fair nor conducive to an informed electorate if wide discrepancies in access to resources mean some parties or groups are denied the chance to communicate their views effectively. Nor is it fair if some in the community use their relative wealth to exercise disproportionate influence in determining who is to govern and what policies are to be pursued. Moreover, the particular uses to which "political" money and resources are put should not themselves be unfair or likely to distort the proper working of a democracy. So that the electoral process is seen to be fair, and so that the voters may make informed judgments, it is important that the electorate is fully informed both about significant sources of political finance and about the uses to which it is put.

8.3 The State has long had a role in ensuring that money and resources used in relation to political competition enhance rather than detract from the democratic process. The State can perform its role both through legislative measures designed to control or monitor income or expenditure, and through the provision of particular goods, services or monies to political parties and candidates. Most western democracies operate some or all of these practices. For example, at the Australian federal level there are legislative measures requiring political parties and candidates to publicly disclose their income and expenditure. Australia also has a system of direct funding to political

parties and independent candidates. In Canada, there are limits on election spending by both parties and candidates. In addition, parties and candidates are required to publicly disclose their income and expenditure. Canada provides direct subsidies to candidates and registered political parties. As well, political contributions to parties and candidates qualify for income tax credits.

8.4 In New Zealand, spending by, and election activities of, individual candidates have long been controlled. Advertising by outside interest groups is also substantially restricted during election campaigns. There are, however, no limits on the amounts political parties may spend and no restrictions on income. The State does contribute financially to the electoral process. First, it pays for the general administration of the system and the registration of voters. In the 3-year cycle April 1984 to March 1987 the amount expended in this area is estimated to reach approximately \$36 million. Second, the State provides salaries, travel and other privileges, as well as administrative and research services to those who are elected to Parliament. Although this cannot be seen as direct subsidisation of the electoral process, the provision of these items is of significant financial benefit to those parties with members in the House. Third, and of greatest relevance to the discussion in this chapter, the State provides political parties and candidates with assistance at election times. The most significant assistance of this sort is the provision of free television and radio time to political parties during the election campaign. The Broadcasting Corporation of New Zealand valued this at \$2.3 million for the 1984 election.

8.5 New Zealand's political parties and candidates receive limited financial assistance from their supporters and consequently spend modest amounts on their election campaigns and little between elections. (We give details in paras. 8.99 to 8.120.) In 1984, an election year, estimated total income for the Democratic (then Social Credit), Labour, National and New Zealand parties amounted to about \$7 million in total, including branch, electorate, regional and headquarters income. Of this more than half was raised at branch and electorate level. Expenditure reflects the parties' modest incomes and is much less than the amount spent by the State on its administration of the system. Even in the most marginal constituencies, expenditure for the whole course of the 1984 election year rarely, if ever, exceeded \$30,000 for any one party. In the 3 months prior to the 1984 election, candidates for the 4 major parties reported spending an average of about \$3,000 per constituency, with a slightly higher average for Labour and National candidates. In addition, in the election period the 4 major parties between them spent approximately \$2.3 million on their nationwide campaigns. This does not include parties' general administration costs.

8.6 Overall, therefore, New Zealand's electoral system has been characterised by limited though important controls on political participants, significant though not excessive State subsidies, and modest financial activity by political parties and candidates. In general,

the system has worked adequately, and we are conscious of the need to preserve its relative simplicity and economy. While in the course of this chapter we recommend some significant changes, we recognise that there are dangers inherent in excessive State intervention in the democratic process. If taken too far, controls may represent an unjustifiable intrusion on the freedom of individuals, groups, political parties and candidates. Achieving absolute equality in the funds available to competing parties and candidates is also unnecessary. Money is only one element influencing political life and its impact can be more than offset by the mobilisation of other elements. Ultimately it is people, not dollars, who vote. Moreover, measures which are overly restrictive of political activity, or overly generous to some or all political contestants, may lead to public apathy and be a disincentive both to active involvement in election campaigns and even to voting itself.

8.7 This chapter considers in turn:

- (a) the control and disclosure of political income and expenditure (paras. 8.8 to 8.70);
- (b) the use of broadcasting, and in particular television, for the purpose of free and paid political advertising (paras. 8.71 to 8.91); and
- (c) State assistance to political parties and candidates (paras. 8.92 to 8.170).

PART 1: THE CONTROL AND DISCLOSURE OF POLITICAL INCOME AND EXPENDITURE

8.8 Controls on political finance seek to regulate the interaction between political contestants, their electorate, and their supporters. They can do this by regulating income and by regulating how much, when, and on what the political parties, candidates or their supporters may spend in order to influence the voting public. Income or expenditure controls are likely as well to require disclosure of certain financial transactions. Public disclosure might be required even in the absence of income or expenditure controls. In this part we deal first with income restriction and disclosure, and then with the control and disclosure of political expenditure.

RESTRICTIONS ON INCOME

8.9 The Commission has considered whether there should be restrictions on the size or sources of donations to political candidates or parties. Such restrictions are designed to limit the extent to which parties or candidates with a few wealthy backers might gain unfair advantage over their competitors, and to prevent powerful interests from exercising undue influence on the policies and decisions of candidates and political parties, whether before or after an election.

8.10 New Zealand is a small nation and, as already noted, the incomes of our political parties reflect this. One consequence of the small scale of our political competition is that our political processes are

vulnerable to disequilibrium caused by substantial increases in the income of any one political grouping. Despite this, we do not consider that restrictions on the income of political parties and candidates are justified. Political contestants should be encouraged rather than discouraged to raise the funds necessary for their work. Moreover, there is no evidence of improper practice in relation to the income of New Zealand's political parties and candidates. While the National Party may traditionally be sympathetic to the interests of business, and Labour to the trade unions, and while the parties have received money and other resources from these interests, when in Government both parties recognise their responsibility to the nation as a whole. There are frequent examples of parties in Government pursuing policies not welcomed by their institutional supporters. Though we consider it undesirable if particular parties or candidates rely heavily on powerful interests for funds, or are placed at an advantage relative to their competitors merely by virtue of a few wealthy supporters, we view other measures of dealing with this as preferable both in principle and in practice to the limitation of income. We do not recommend limits on the aggregate amount parties or candidates can raise, or limits on the size of individual donations.

8.11 One type of income about which we are concerned, however, is large political donations from sources outside New Zealand. It is in general not legitimate for wealthy and powerful interests outside a nation to use their often substantial resources to intervene in the electoral process. Nevertheless, we do not consider it justifiable to prohibit overseas donations. New Zealand citizens temporarily abroad, New Zealand-based concerns with overseas branches, and overseas-based concerns with New Zealand branches, might all have legitimate reasons for participating in political life in this country. Moreover, the ease with which international financial transactions are made would render the effective policing of a prohibition on overseas political donations costly and extremely difficult. Only if overseas donations were to become a major concern would the effort and expense needed to curtail them be justified.

DISCLOSURE OF INCOME

8.12 Disclosure of income has been part of New Zealand's electoral law since 1895. The Electoral Act requires all candidates, but not parties, to make a return to the Returning Officer of election expenses in the form set out in the First Schedule of the Act. Returns are open for public inspection. The form, which is in terms essentially unchanged in 90 years, requires all candidates to:

set out the name and description of every person or body of persons from whom or which any money, security, or equivalent of money was received by the candidate or by any other person on his behalf, or for the purpose of being used in the interests of the candidate at the election, each amount received to be set out separately.

An analysis of election expense returns for the 1984 general election indicates that this requirement is generally either ignored or fulfilled by reference to the funds provided for a candidate's campaign by the relevant party branch or electorate.

8.13 The case for disclosure of income. The main aim of income disclosure is to limit the potential for corruption by interests with access to substantial funds. If all donations over a certain level must be disclosed, it is argued, such interests may be dissuaded from attempting to trade large contributions for improperly favourable treatment once the party or candidate is elected. In the words of Mr Justice Brandeis:

Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.¹

Whether or not improper practices occur in the absence of disclosure requirements, disclosure ensures public confidence in the integrity of the system. The information obtained is also relevant to the voters' overall evaluation of parties and candidates.

8.14 There is also a growing trend in both Government and business towards public disclosure of information. Political parties have important public functions and may significantly affect the lives of the country's people. They should not be exempt from such a trend. Moreover, as political parties and candidates request financial and other support from the public, so too must they expect to have their financial activities scrutinised by the public.

8.15 The case against disclosure. Critics of public disclosure argue that the concept of secrecy of the ballot should extend to the giving of donations. Disclosure violates the right to privacy of belief and association. Legislation forcing disclosure of donations may also, it is contended, cause perfectly legitimate donations to dry up, an outcome that would seriously undermine the ability of parties to stand on their own feet.

8.16 It is argued too that, if a political party or candidate wished to avoid their disclosure responsibilities, whether motivated by principle or by fear of legal or electoral retribution should their sources of income be revealed, they would probably find it possible to circumvent, legally or otherwise, all but the most complex and rigorously enforced legislation.

8.17 Political parties derive their income from various sources, at various times of the year, and in various amounts. Money received may also be given for party administration or specifically for an election campaign, and may be received at branch, electorate, regional or national levels of the party, or given directly to the candidate. Attempts to enforce disclosure of only certain specified sizes or types of income may be inadequate. If small donations are exempt from disclosure, a large contribution may be presented as a number of smaller ones. If

¹L. Brandeis, *Other People's Money*, National Home Library, 1933, p.62. Quoted in *Buckley v Valeo* (1976) 421 U.S. 1, 67.

disclosure is required only at the national level, donations may be channelled instead into a party's regional, electorate or branch offices. If a distinction between the administrative and electoral activities of parties is allowed, as under Australian federal legislation, substantial avoidance may occur. Similarly, if candidates' private finances are not disclosed, the provisions may be avoided by money being directed there.

8.18 There can be no serious suggestion, it is claimed, that modest donations to candidates or parties could be a corrupting influence. Ordinary fund-raising activities at branch level are clearly of no relevance to an assessment of whether a party or candidate is being improperly influenced by interests with access to substantial funds. Nor is it practical to require that every contribution to the income of a political party or candidate be disclosed in full. The administrative machinery needed by political parties and candidates to record and account for every dollar raised, and by the State to monitor all such income, would be immense. It is claimed that in the absence of firm evidence of corrupt practices in New Zealand, disclosure provisions are of insufficient value to justify either the interference with individual liberties or the administrative changes necessary to make them effective.

8.19 **The Commission's view.** The concerns expressed about both privacy and the administrative structures required to effectively provide for full disclosure have some validity. For this reason we are of the view that disclosure provisions are not justified in respect of small donations. On the other hand we consider that legislative provisions for disclosure of major sources of income are both practicable and desirable. Such disclosure would give valuable information to the voters about the character of the parties. It would as well provide healthy confirmation that political parties and candidates are not dominated by big business, trade unions or overseas interests. We believe that these considerations over-ride any right large donors may claim to privacy.

8.20 In making our recommendations we have sought to identify the minimum level of disclosure which provides a proper safeguard for our democratic system. In our view, an adequate system of income disclosure would only require each party to provide information detailing its total annual income and to identify all substantial contributors and contributions to the party and its candidates. We do not consider that evidence, either in New Zealand or overseas, supports the contention that limited requirements for disclosure of income, such as we recommend, would seriously weaken the financial base of New Zealand's political parties. Nor do we consider that compliance with such requirements would create administrative problems for parties or candidates. Although suitable penalties would need to be available in case of false returns, or failure to provide returns, we believe parties and candidates would comply with the letter and spirit of the law.

8.21 We considered extending disclosure requirements to include candidates' personal income and assets. We accept the possibility that

unless candidates' personal finances are required to be publicly revealed, disclosure provisions may be circumvented and the public denied relevant information about the interests behind competing candidates. Thus, large donations might be provided for use in a candidate's campaign but be given to the candidate personally and only recorded, if at all, as a donation from the candidate to himself or herself. Further, in the absence of disclosure of personal finances there is no way of knowing whether or not a candidate's financial position is likely to influence decisions taken if the candidate is elected, or whether the candidate is improperly accepting personal donations in exchange for promises of future action once elected.

8.22 While there are strong arguments for requiring disclosure of candidates' personal finances, there are also substantial issues of individual privacy involved. These issues are wider than those which arise under disclosure of *electoral* income both because of the comprehensive scope and the particularly private nature of much of the material required. Moreover, the question of disclosure of *candidates'* personal finances cannot adequately be considered in isolation but should be examined as part of a wider investigation into the relationship between private interest and public duty in all areas of government. For example, the balance between the benefits of disclosure and the individual's right to privacy may be struck differently in different cases. Thus, the argument that Ministers of the Crown, senior public service officials and directors of State corporations should be required to disclose their personal finances may be seen as more compelling than that in relation to election candidates or back-bench MPs. We do not consider our terms of reference to be broad enough for us to undertake the wide investigation necessary and we are therefore unable to make recommendations on this issue.

8.23 It is our recommendation that registered political parties should be required annually to disclose audited statements of income at electorate, regional and national levels.² Relevant information detailing income at branch level would be included in the return of the local electorate organisation. Disclosures should simply state total funds received and the names and addresses of donors who over the course of the year have donated money, goods or services valued, in total, in excess of \$250 at electorate level or \$2,500 at regional or national level. These levels should be subject to periodic review on the recommendation of the Electoral Commission.³ The amount of each disclosable donation should also be revealed, and all disclosable records should be available for public inspection. To minimise the avoidance of these measures by way of donations made anonymously or through "front" organisations, only donations received from named individuals, companies or incorporated societies should be accepted by political parties or candidates. Disclosable donations which are anonymous or received from other sources should be returned to the

²We discuss registration of political parties in paras. 9.97 to 9.107.

³We discuss the role and functions of the Electoral Commission in paras. 9.125 to 9.138.

donor if practicable, and if not, passed to the Electoral Commission and used to offset the costs of that Office. All independent candidates (i.e., all candidates other than those standing on behalf of a registered political party) should be required to disclose income received for use in their election campaigns. This information should be supplied along with the candidate's return of election expenses (see para. 8.68).

8.24 Our overseas enquiries convince us that arrangements such as we propose are both workable and effective. We accept, however, that the limited nature of our proposals for income disclosure means that those determined to avoid disclosure could find it possible to do so. We therefore recommend ongoing assessment of the scheme by the Electoral Commission to ensure that the provisions as drafted remain adequate. We also recommend that the Electoral Commission, with the assistance as appropriate of auditors, be empowered to require a full audit in relation to the disclosure requirements of political parties and independent candidates as and when it sees fit (see also para. 8.70). Finally, we mention that overseas experience also indicates the need and value of close liaison between those administering the system and those affected by it.

RESTRICTIONS ON ELECTION EXPENDITURE

8.25 Restrictions on election expenditure may prohibit certain types of expenditure altogether or may limit expenditure in one or more of a variety of ways. We deal with each in turn.

Prohibited expenditure

8.26 If voters are to cast their ballots in an informed way they must not be subjected to undue influence. Electoral law in New Zealand has for many years contained provisions to ensure voters are not improperly influenced. Several of these provisions involve, directly or indirectly, prohibitions on the use of money for particular purposes during election campaigns. Thus, for example, political advertising, and indeed any other effort to influence voters, is banned on polling day; and attempts to bribe or treat voters are illegal at all times.

8.27 In our view, such provisions constitute a proper endeavour by the State to prevent unfair influence. Clearly they require review from time to time. Whether the precise detail is appropriate should be considered by the Select Committee on the Electoral Law as and when necessary.

Restrictions on non-prohibited expenditure

8.28 It is inevitable that there will be some inequality between individuals and between groups in the extent to which they can afford to spend money on electioneering. However, if elections are to be fair and our democracy is to prosper, it is important that the effects of such inequalities are minimised. Limitations on what candidates, political parties and other interests may spend are an attempt to do this. Expenditure limitations involve, however, balancing the principle of

fairness against the rights of political parties and candidates to organise and publicise themselves and their policies. These latter rights have traditionally been included under the rights to free association and free speech.

8.29 Apart from the areas of prohibited expenditure outlined above, political expenditure is currently restricted in 3 ways. First, under s. 139 of the Electoral Act, individual candidates are limited to expenditure of \$5,000 on goods and services related to: "(i) Advertising and radio or television broadcasting: (ii) Publishing, issuing, distributing, and displaying addresses, notices, posters, pamphlets, handbills, billboards, and cards" and used within the 3 months prior to an election. Second, s. 147A of the Act requires advertising which promotes a candidate or candidates to be authorised by the candidate or candidates or the party to which they belong. (Section 147A appears to require advertising used or appearing to be used to promote a political party to be authorised by that party. In the discussion which follows we assume this to be the case.) Third, the Broadcasting Corporation places controls of its own on the use of television and radio advertising for political purposes. Our discussion with respect to broadcasting begins at para. 8.71. Here we deal primarily with other areas of election expenditure.

8.30 New Zealand legislation controlling election expenditure has closely resembled that in the United Kingdom. Originally, election expense legislation was designed to combat corruption. Thus in New Zealand the Corrupt Practices Prevention Act of 1881 specified those areas in which election candidates could spend money. In 1895, the law was amended to permit a maximum expenditure of £200 per candidate for the conduct or management of an election, a measure designed both to ensure the existing provisions were not circumvented and to allow a reasonable chance for candidates representing non-wealthy interests. In 1948, the maximum was increased to £500. In 1956, the current provisions were enacted. The figure of £500 was increased to \$1,500 in 1971, \$2,000 in 1975, \$4,000 in 1977 and \$5,000 in 1983.

8.31 The major political parties expressed strong support for the current restrictions. The National Party submitted that the "restriction on spending limits is justified in that it gives all candidates a fair go." Similarly, the Labour Party stated that the restriction "ensures that no candidate in the 3 months before an election can obtain an unfair advantage over another through greater financial resources". However, neither party advocated extension of expenditure limits to include political parties.

8.32 Politics pervades all areas of our life as a community and the types of expenditure which may have an influence on the political process are virtually unlimited. Despite this, the current restrictions affect only a small part of that political expenditure which might be considered significant. First, the restrictions apply only to expenditure relating exclusively to the campaign for the return of an individual candidate. They thus cover neither expenditure by political parties nor joint expenditure by candidates in, say, adjoining electorates. Second,

the restrictions in s.139 apply only to particular types of expenditure. Third, the prohibition on non-authorised advertising by non-candidates (s.147A) relates to a narrower range of activities than does s.139. Fourth, goods and services provided free or at lower than commercial rates are not counted as an election expense. Finally, expenditure incurred and used outside the 3-month election period is not subject to any restrictions at all.

8.33 Clearly, it would be futile to attempt to regulate all expenditure which might, directly or indirectly, affect the electoral chances of any candidate. Measures to control political spending must be confined to what is practicable. Indeed, the need to keep the system workable underlies many of the apparent omissions in the legislation. On the other hand, the nature of political competition today differs considerably from what it was when controls were first introduced. New Zealand laws in this area still reflect 19th century conditions when elections were largely contests between individual candidates and not between competing political parties. In the next paragraphs we examine several areas in which changes to the Electoral Act might usefully be considered.

8.34 Extension of expenditure limitations to political parties. If existing restrictions on campaign expenditure now principally represent an attempt to limit the advantage of wealthy interests, they are manifestly inadequate. In our view, it is illogical to limit spending by individual candidates if others, and in particular political parties, are not limited as well. Candidates' election expenditure now represents only about one-third of total campaign spending. All election expenditure undertaken by a political party is intended to create a climate favourable to that party's candidates. Broadening expenditure limitations beyond individual candidates would also prevent avoidance of existing limitations by, for example, candidates in contiguous electorates buying joint advertisements.

8.35 We accept that in New Zealand expenditure on election campaigns has not been excessive by international standards. Although we were unable to obtain sufficient historical data from the parties to confirm the point, it seems that neither of the 2 major political parties has consistently outspent the other. Nevertheless, it would be unwise to rely too heavily on past practice as a guide to future patterns of behaviour. The approach adopted by the New Zealand Party in the 1984 election shows the possibility of large expenditure in the future.

8.36 It is our view that increased election expenditure by one party will inevitably create pressures on other parties to follow suit. We consider that even if all candidates and parties were able to raise whatever funds were necessary to match their competitors, the constant escalation in campaign costs that this would entail would, in itself, be undesirable. We are not convinced that significantly increased election expenditure would necessarily lead to a better informed electorate or a more healthy democracy. Large-scale expenditure may lead to an unhealthy dependence on wealthy supporters and may

induce cynicism amongst a public exposed to a barrage of slick and expensive political advertising.

8.37 We acknowledge the loss of liberty that expenditure limits entail but consider that, provided controls are fair and sensitively implemented, some restriction on political parties' freedom to organise and publicise their policies and candidates is justified. Indeed, the issue of principle has to a large extent already been answered in existing legislation and is accepted by the political parties. Section 139 of the Electoral Act does not, however, properly apply that principle to the current situation. We recommend, therefore, that the Electoral Act be amended so as to limit the amount of expenditure allowed in relation to the campaign for the return of a candidate or candidates and/or of a political party, and incurred by or on behalf of the candidate, candidates or political party. Campaign expenditure should be interpreted as including spending opposing other candidates or parties. We discuss the items in respect of which expenditure should be limited in paras. 8.45 to 8.47.

8.38 Restrictions on election spending by those other than political parties and candidates. In the same way that limiting spending by candidates is illogical if parties are not similarly restricted, it is illogical to limit spending by parties if other interests are not also controlled. Supporters or opponents of a party or candidate should not be able to promote their views without restriction merely by forming campaign organisations "unaffiliated" to any party or candidate contesting the election. Nor should powerful or wealthy interest groups be able to spend without restriction during an election campaign while those most directly involved are restricted.

8.39 To be fully consistent with our recommendations in para. 8.37, there should, ideally, be a prohibition on all election related expenditure on items listed in s.139 of the Electoral Act (see para. 8.29), other than expenditure incurred or authorised by a candidate or party or their agent, and included as part of their election expenses. However, the banning of all such expenditure by those other than candidates, political parties and their agents is more difficult both in practice and in principle than are restrictions on those more directly involved in the election campaign. Those interested in the political process have the right to make known their views on issues that affect them. Many New Zealand groups and organisations use election campaigns to lobby for support and to inform the public of the attitudes of candidates and political parties on issues of concern. Banning all such activity may not only be unjustified, it may also be indefensible. Support for this view can be seen overseas. In Canada, the legality of a blanket restriction on "private" election expenditure was struck down by the Alberta courts under the Canadian Charter of Rights and Freedoms. In the United States, the Supreme Court has overruled similar legislation on the constitutional grounds of freedom of speech.

8.40 By placing a ban only on election *advertising* by interest groups and others not authorised by particular candidates or parties, s. 147A(1)

of the Electoral Act represents, in our view, a reasonable compromise. Interest groups are still free to express their views to their supporters through their regular newsletters and the like, and any individual or group is able to participate in an election by supporting their favoured candidates and parties directly, or even by contesting the election themselves. Finally, the ban on advertising applies only during official election campaigns. We recommend that s.147A(1) of the Electoral Act remain unchanged.

8.41 Under s.147A(2) of the Electoral Act, advertising expenditure incurred or authorised by a *candidate* or agent which relates to the campaign for the election of that candidate must be included as part of the candidate's election expenses. Clearly, if *parties* are to be restricted in what they may spend, authorised advertising expenditure promoting a party should, likewise, be included as part of the party's election expenses. We recommend that the Electoral Act be amended accordingly.

8.42 In summary, therefore, our recommendations in this area are that all *non-authorised* election advertising expenditure during the campaign period should be prohibited and all *authorised* election advertising expenditure counted as an election expense either for a candidate, or for a party. Advertising used to oppose any candidate or candidates or political party should also fall within the scope of s.147A.

Implementation of expenditure limitations

8.43 We have already noted that many types of expenditure may, directly or indirectly, affect the electoral prospects of a candidate or political party. Parties and/or candidates may spend the money they have on different activities or at different times in the lead up to an election. The extent of donations of goods and services may also vary considerably between parties. If expense limitations are to ensure totally equal treatment between competing parties and candidates, they should ideally include all expenditure incurred and donations "in kind" received which are intended to affect the result of an election. On the other hand, we have already expressed our concern that election expense regulations which are too detailed and exacting may discourage smaller parties and independents from contesting elections at all. We are further concerned that legislative provisions requiring records to be kept of all expenditure and the true value of all donations "in kind" may prove beyond the existing resources of even major party constituency organisations. This may be particularly so if all expenditure, regardless of when used, is subject to the limitation regulations. The requirement for detailed and complex accounting could lead to a bureaucratisation and professionalisation of the political process at the expense of participation by volunteers and ordinary party supporters.

8.44 In making the following recommendations as to what should be included as election expenses and in what period such expenses should be limited, we have endeavoured to strike a balance between

the competing demands of equal treatment between political competitors on the one hand and administrative simplicity on the other.

8.45 Definition of election expenses. Prior to 1981, "election expenses" were defined as being expenses incurred by or on behalf of a candidate within the 3 months immediately preceding polling day, and relating exclusively to the campaign for the return of the candidate. This was amended in 1981 to include expenses incurred before or after the 3-month period but used within it. The 1981 Amendment also redefined election expenses as those incurred "in respect of—(i) Advertising and radio or television broadcasting; (ii) Publishing, issuing, distributing, and displaying addresses, notices, posters, pamphlets, handbills, billboards, and cards".

8.46 The approach adopted in New Zealand is similar to that recommended by both the 1981 Harders report into disclosure of election expenditure in Australia, and the 1966 report of the Barbeau Committee in Canada. The Barbeau Committee commented: "Controls and limitations ... should apply only to those items which can be traced and proved, i.e. the public media whose use can be policed, so that controls will be meaningful."⁴

8.47 We consider that the New Zealand definition of election expenses, as amended by the 1981 Act, is administratively straightforward and is appropriate in terms of the types of items upon which expenditure is restricted. By far the greatest proportion of election expenditure, whether in the constituency or at the regional or national level, is spent in respect of one of the 2 general areas described in the Act. The Harders Report found that: "At recent elections media expenses alone have accounted for approximately 70%-80%" of the total electoral expenses of candidates and political parties.⁵ We recommend no changes to the types of items upon which expenditure is restricted.

8.48 Goods and services donated and volunteer labour. Provisions in the Electoral Act relating to election expenses refer solely to costs actually incurred by or on behalf of candidates. The Act does not require any assessment to be made of the commercial value of goods and services which are donated or charged at less than commercial rates.

8.49 We consider that where donations in kind relate to the areas of activity outlined in para. 8.45, they should be included as election expenses. We do not consider, however, that volunteer labour should be valued when assessing election expenses. Such labour is almost impossible to value accurately and is an established and highly desirable aspect of election activity in New Zealand. For the purposes of the Electoral Act, volunteer labour should be defined as in s.2(1) of the Canada Elections Act: any service provided free of charge by a person outside of that person's working hours, but not including a service

⁴Report of the Committee on Election Expenses (Barbeau Committee) Ottawa, 1966, p.49.

⁵Report of Inquiry into Disclosure of Electoral Expenditure, Canberra, April 1981, p.57.

provided by a person who is self employed if the service is one that is normally sold or otherwise charged for by that person.

8.50 The commercial value of television and radio time provided to political parties free of charge should not be included as an election expense.

8.51 **Official campaign period.** In submissions to this Commission, the Democratic Party recommended extension of the current 3-month official campaign period to 6 months for the purpose of limiting election expenditure. There are some grounds for supporting such a change. The tendency towards earlier selection of parliamentary candidates and the consequently longer election campaigns suggest that 3 months may be too short a period within which to place restrictions on expenditure. There is, indeed, a case for arguing that the next election campaign begins the day after an election, and thus that all expenditure from that date should be considered election expenditure.

8.52 There are, however, considerable difficulties with an extended official campaign period. A long official campaign may place too great an administrative burden both on those furnishing and on those auditing returns of election expenditure. Moreover, if interests other than those authorised by parties and candidates are prohibited from engaging in political advertising during the official campaign, they need to know when the election is to be. Indeed, even under current practice elections may be both announced and conducted well within 3 months. It is therefore already impossible to be certain that expenditure incurred at a given point in time will not fall within the 3-month period, and ss.139 and 147A may need attention in this regard. While, however, a 3-month campaign is short enough to render this problem insignificant, any lengthening of the campaign is likely to create serious difficulties.

8.53 A further argument against lengthening the official campaign period is that much the largest proportion of election expenditure is used in the weeks immediately before an election. Indeed, for the purposes of television and radio advertising, the Broadcasting Corporation defines the election period as that period beginning on the day of the issue of the writ or writs for an election and ending at midnight on the day preceding the day of the poll (usually 4 to 5 weeks).

8.54 Finally, we consider that concerns expressed about parties or candidates purchasing material prior to the official campaign period for use within it are unfounded. Section 139(4) of the Electoral Act already provides for proper apportionment of expenses incurred outside the campaign period but expended to purchase material for use or partial use during that period.

8.55 For all the above reasons we recommend no change to the present 3-month campaign period insofar as it relates to the restriction of election expenditure.

8.56 **Levels of election expenditure limitations.** Limits on expenditure may take the form of restrictions either on the types of goods or services which may be purchased, or on the amount of money

that may be spent, or both. In paras. 8.85 to 8.91 we discuss expenditure limits on the broadcast media. In this section we deal only with the total amount that may be spent in an election campaign. For the purposes of this discussion we assume continuation of the present plurality system. A change to the Mixed Member Proportional (MMP) system would involve changes in detail but no significant change of approach.

8.57 If expenditure limits for parties and individual candidates are to be adhered to and supported they must be realistic, flexible, and easy to administer. The simplest process would be to abolish individual candidate limits and instead set a total national allowable expenditure calculated on a specified amount for each electorate contested. Within this total, parties and candidates would be largely free to spend where and how they required. To avoid over-spending, however, central party administrators would either have to impose their own limits on individual electorates or keep a running check on all expenditure. The relatively decentralised organisation of New Zealand's political parties might make such procedures difficult.

8.58 An alternative system, which we prefer, would retain individual electorate limits and place a separate limitation on expenditure by political parties. This limitation would include all campaign expenditure other than that relating exclusively to the campaigns of individual candidates. We consider that this latter alternative would be more acceptable to the political parties and, indeed, to local party members, and we have accordingly based our recommendations on it. We note, however, that should a single nationwide limit be thought preferable, its adoption would not seriously affect the overall system recommended here.

8.59 In the past 15 years the candidate expenditure limit has been raised 4 times. Most recently the figure was set at \$5,000 in December 1983. The Commission considers that if the limitation is to remain realistic it must be subject to regular review. We are of the view that the figure of \$5,000 is now too low. We recommend that the level of expenditure permitted to each candidate in an election be raised to a level equivalent in real terms to the December 1983 limit, and that thenceforth it be regularly adjusted, on the recommendation of the Electoral Commission, so as to keep pace with inflation. Although there is no price index that relates adequately to the types of expenditure incurred under s.139, \$5,000 in December 1983 is equivalent to slightly under \$7,000 in November 1986, as measured by the Consumer Price Index (CPI). In the calculations which follow we therefore assume a level of \$7,000. Before deciding on a flat rate for all electorates, we considered the desirability of recommending higher rates for rural electorates in view of their greater geographic size. We concluded, however, that in the absence of a detailed analysis of the comparative costs of advertising, printing, distribution, etc., in rural as against urban constituencies, such a recommendation would be unjustified. Nevertheless if in the future it is demonstrated that rural electioneering

costs are substantially greater than those in urban districts, we consider differential expense limits would be appropriate.

8.60 If our recommendations for an increase in the size of the House to 120 members and for the adoption of the MMP system are accepted, the expenditure limit will need to be reviewed, because in each case electorate sizes will have changed.

8.61 An appropriate maximum level of campaign expenditure for political parties is difficult to ascertain. As already noted, the central offices of the 4 major political parties spent a combined total of approximately \$2.3 million on the 1984 one month snap-election campaign, although some of this expenditure was on items not included under s. 139. The Labour Party estimated that in a "normal" campaign its headquarters costs would be in the vicinity of \$1.2 million, almost double the party's 1984 election expenditure. On the other hand, the National Party, whose estimated head office election expenditure for 1984 amounted to slightly over \$600,000, suggested that the costs associated with major items of its expenditure would be unlikely to increase greatly unless television time was purchased.

8.62 Given constituency expenditure limits equivalent to \$7,000 in November 1986 and assuming a Parliament of 97 seats, maximum constituency expenditure for each party during an official election campaign would be \$679,000. Assuming a continuation of the present assistance provided to political parties by way of free television and radio time, one-and-a-half times each party's aggregate constituency entitlement would in our view be an appropriate level at which to set expenditure limitations for political parties for election expenses other than those relating exclusively to the campaigns of individual candidates. At current prices this would allow each party fielding a full slate of candidates to spend just over \$1 million on its official election expenditure, in addition to that spent in the constituencies.

8.63 **By-elections.** The formula outlined above could provide also for the increased costs associated with by-elections, an area in which difficulties have occurred in the past. Under our proposal the constituency and party limits could be combined and a candidate's or a party's total entitlement in a by-election would therefore be two-and-a-half times the usual constituency expenditure limit, or, in 1986 figures, \$17,500. Independent candidates would also be permitted to spend to this level.

8.64 The limits we have recommended in this section are intended to be reasonably generous. We do not consider our political parties and candidates have been overspending in the past and do not wish to place undue restrictions on their future activities. Although we do not wish to encourage excessive expenditure, we are conscious that the political process is currently undergoing major changes and that patterns of electoral expenditure are likewise changing. For this reason the limits suggested here may need to be reviewed in the light of expenditure at the next election.

DISCLOSURE OF ELECTION EXPENDITURE

8.65 We consider disclosure of election expenses to be beneficial to the democratic process even in the absence of expenditure limitations. As the Harders report commented:

Requirements for disclosure may by themselves act as a deterrent to excessive expenditure. It is important, in any event, that the people, who are the principal participants in an election, should be fully informed and be therefore in a position to judge whether expenditure has been incurred to an excessive extent and also whether disproportionate amounts of expenditure have been incurred as between parties and as between candidates.⁶

8.66 Given our recommendations in favour of expense limits we consider enforceable requirements for the disclosure of expenditure to be essential. Although s.137 of the Electoral Act requires all candidates to submit a return of election expenses to the Returning Officer, we believe the procedures set out there are insufficient to ensure that all candidates will comply with the Act. First, the wording of Form 11 in the schedules of the Act, which sets out the manner in which the return should be furnished, does not correspond with the definition of election expenses as contained in s.139. Second, and more important, while Returning Officers have responsibility for reporting cases of suspected breaches of the Act to the police, they are not currently provided with the resources to make the necessary preliminary enquiries. We are advised that expenditure returns are seldom critically examined by Returning Officers and the submissions made to us indicate that the lack of recent prosecutions under ss.137 and 139 of the Electoral Act reflects more the inadequacy of enforcement provisions than total compliance with the law.

8.67 We recommend that to encourage compliance with candidate expenditure limitations, all candidates should be required to appoint an auditor. They might also, if they wish, appoint an official agent to act for them in meeting their obligation to report. The candidate or agent should be required to furnish to the Returning Officer an audited return of election expenses. The Returning Officer should in turn be required to supply a copy of the return to the Electoral Commission. The return should be available for public inspection at both points. We consider that the procedures described in the Canada Elections Act are a useful and workable model upon which to base appropriate procedures relating to the appointment and duties of official agents and auditors in New Zealand. We recommend further that election expenses as defined in Form 11, First Schedule of the Electoral Act, should correspond to the definition of election expenses as contained in s.139.

8.68 As recommended in para. 8.23, candidates not contesting the election as a representative of a registered party should, when making their expenditure returns, be required also to furnish a statement of total

⁶*ibid.*, p.9.

income received for use in the campaign, and details of donations received of over \$250. Large donations received by candidates of registered parties would be recorded in the party's annual disclosure of income.

8.69 In order to encourage compliance with disclosure provisions, each political party should be required to appoint an official agent and an auditor. Party agents would be responsible for supplying to the Electoral Commission audited records of all election expenses incurred by or on behalf of the party or its candidates, other than those disclosed by the candidates themselves. Agents for the political parties should also be required annually to submit audited accounts of all expenditure incurred in the course of the year by the party's central office. If it appears that parties are avoiding their annual disclosure responsibilities by spending at regional instead of at central level, consideration should be given to extending the disclosure requirements to cover this.

OVERALL ENFORCEMENT OF POLITICAL INCOME AND EXPENDITURE PROVISIONS

8.70 Our recommendations for the appointment of auditors and official agents would, we consider, encourage compliance with all the measures so far recommended in respect of political income and expenditure. Nevertheless, there is still a need for adequate enforcement provisions in case full compliance with the various requirements is not forthcoming. We consider, too, that sensitivity is needed in enforcing election finance legislation. It is our view that if, after preliminary investigation of income and/or expenditure returns (see para. 8.24), the Electoral Commission has reason to believe a breach of the law may have taken place, that office should be empowered to instruct legal counsel to initiate a prosecution. As an added inducement to compliance with the regulations, any State funding to which a political party or candidate is entitled should be conditional on satisfactory expenditure, and where relevant, income returns.

Recommendations:

Part 1: The Control and Disclosure of Political Income and Expenditure

Income

- 27. There should be no restrictions on the size or source of donations to political parties or candidates (para.8.10).
- 28. Registered political parties should be required annually to disclose audited statements of income at electorate, regional and national levels. The required disclosures should state total funds received and the names and addresses of individual donors who over the course of the year have given money,

goods or services valued, in total, in excess of \$250 at electorate level or \$2,500 at regional or national level. The amount of each disclosable donation should also be revealed, and all returns should be available for public inspection (para. 8.23).

- 29. Following each election, candidates other than those standing on behalf of registered political parties should be required to disclose all donations received of a value in excess of \$250 and used in relation to the election campaign (para. 8.23).

Expenditure

- 30. Limits on candidate election expenditure should be retained and the Electoral Act should be amended so that election expenditure limitations are extended to include spending by or on behalf of political parties (para. 8.37).
- 31. Section 147A(1) of the Electoral Act should be retained and s.147A(2) should be amended so that the costs of election advertising incurred or authorised by a candidate or party or their agent are included as an election expense of the candidate or political party (para. 8.41).
- 32. Where they relate to the areas of activity listed in s.139 of the Electoral Act, the commercial value of goods and services donated or provided at less than commercial rates should be included as election expenses (para. 8.49).
- 33. The level of expenditure permitted to individual candidates during the 3-month campaign period should be raised to a level equivalent in real terms to the December 1983 limit of \$5,000. The level should be regularly adjusted so as to keep pace with inflation (para. 8.59).
- 34. The level of expenditure permitted to political parties during the 3-month campaign period should be calculated at a rate of one-and-a-half times the rate for each constituency contested, not including that expenditure relating exclusively to the campaigns of that party's individual candidates (para. 8.62).
- 35. All candidates should be required to appoint an auditor and may also, if they wish, appoint an official agent. The candidate, or the candidate's official agent, should be required to furnish to the Returning Officer an audited return of election expenses incurred in the 3-month campaign period (para. 8.67).
- 36. Every registered political party should be required to appoint an auditor and an official agent. The official agent should be required to furnish to the Electoral Commission an audited return of all election expenses incurred in the 3-month campaign period by or on behalf of the party or its candidates, other than that disclosed by the candidates themselves. Party

agents should also be required to make an annual return of expenses incurred by the party's central office (para. 8.69).

Enforcement

- 37. If after preliminary investigation of income and/or expenditure returns the Electoral Commission has reason to believe a breach of the law may have taken place, that Office should be empowered to initiate a prosecution. Any State funding to which a registered political party or independent candidate is entitled should be conditional on satisfactory financial returns (para. 8.70).

PART 2: BROADCASTING

Introduction

8.71 Political parties in all modern democratic states spend enormous effort and resources on preparation for political programmes on television and radio, and on the production of their own political broadcasts. The 1984 report of the European Institute for the Media commented: "Whatever the actual influence of political broadcasting on the attitudes and behaviour of voters may be, it is clear that the political parties *consider* it to be great, especially in the context of election campaigns."⁷ We consider that the attention paid to political broadcasting and in particular that which appears on television is unsurprising given that it is now the primary means in our democracy of communication between political competitors and their electorate.

8.72 There has been little detailed research into the effects of political broadcasting on the New Zealand electorate. However, a 1975 Christchurch study found that "91 percent of those sampled had seen one or more political broadcasts, with 60 percent getting most of their political information from television. Four percent said TV had changed their political preference, 60 percent that it had confirmed their preference, and only 26 percent that it had not affected them."⁸ On the assumption that the broadcast media do have the influence ascribed to them, guidelines and rules determining all aspects of political broadcasting are, in our view, of critical importance in any consideration of the fairness or otherwise of our electoral system. We do not propose to deal with the print media in this section. They are neither as costly, nor by all accounts, as powerful as are the broadcasting, and in particular visual, media. We consider the recommendations in Part 1 of this chapter provide sufficient safeguard against undue influence in areas other than broadcasting.

8.73 Political broadcasting in democracies like New Zealand has 2 key elements. First, the coverage of political parties, candidates and policies in news, current affairs and talk back programmes; second, the

⁷G. K. Roberts, The European Institute for the Media, *Access to Political Broadcasting in the EEC*, Manchester, 1984 p.2.

⁸Les Cleveland, "The Mass Media", in H.R. Penniman (ed.), *New Zealand at the Polls : The General Election of 1978*, Washington DC, 1980, pp.189-190.

allocation of broadcasting facilities to political competitors at election times for direct communication with the electorate. While of considerable importance, the issues raised by the first of these areas fall outside the terms of reference of this Commission. We note with approval, however, that s.24 of the Broadcasting Act requires "that when controversial issues of public importance are discussed, reasonable efforts are made to present significant points of view either in the same programme or in other programmes within the period of current interest." The Broadcasting Act sets out the responsibilities of both the Broadcasting Corporation of New Zealand and members of the Independent Broadcasters Association.

8.74 It is the second element of political broadcasting, that concerning the allocation of paid and free television and radio time to political parties, that we address here.

Provision of free television and radio time

8.75 The Broadcasting Corporation of New Zealand allocates free time on radio and television to political parties at elections. As we have already noted, this represents a significant contribution by the State to the political process. The Corporation makes time available under the provisions of s.22 of the Broadcasting Act 1976 which provides that the Corporation shall "...provide and produce programmes which inform..." We are of the view that the allocation of free broadcasting time to political parties is highly desirable. The provision of such time has not only been of informative value to the electorate but has also been an important factor in keeping the cost of elections within limits sustainable by New Zealand's political parties. In our view, and notwithstanding future changes in the administrative and organisational structures of Broadcasting, the Corporation should be legally obliged to continue to provide free time to political parties.

8.76 There is no specific legislation governing eligibility to receive free broadcasting time. Rather, the Corporation allocates time on the basis of certain criteria which it has established. There is no set total amount of television or radio time allocated. However, in the 1984 election, 115 minutes of television time were given to each of the National Government and the Labour Opposition. The then Social Credit Party received 80 minutes and the New Zealand Party 50 minutes. The parties each received free time on radio equal in time to their respective television allocations. In all cases basic technical facilities were provided free, although parties had to meet all their other production costs. The Broadcasting Corporation has advised the Commission that the total commercial value of the 6 hours of television time provided to the political parties for the 1984 election was \$1,886,400. Radio time provided was valued at \$430,000.

8.77 The greatest problem with respect to free broadcasting time is its allocation between competing parties. The Corporation advised that in the 1984 election campaign the criteria used were:

- (i) Voting support in the previous general election and any by-elections.
- (ii) Representation in Parliament.
- (iii) A party must be nationwide and have a national organisation.
- (iv) A party must have expressed philosophies or policies on a range of issues, consistently over a period of time.
- (v) A party must field sufficient different candidates.
- (vi) Other expressions of public support (e.g. public opinion polls, membership).⁹

8.78 Procedures adopted by the Broadcasting Corporation have been the subject of considerable debate over recent years. In submissions to this Commission the Labour Party commented that the "rules for the allocation of free time appear to have changed at virtually every election since the advent of television"; and that "the Broadcasting Corporation appears to have given the principle of continuity very little weight, and there has been a tendency to 'play God' in deciding how much time should be allocated to each Party."¹⁰ The National Party submitted that "the allocation to individual parties requires a much clearer formula that ignores temporary gusts of emotion as indicated by opinion polls."¹¹ The National Party proposed a formula weighted in favour of actual representation in the House, votes obtained in previous elections and the number of seats contested. On the other hand, the Democratic Party submitted that "in all cases where any party puts up a full slate of candidates, that Party should be entitled to equal broadcasting time with all other Parties who also put up a full slate of candidates."¹²

8.79 We consider that free broadcasting time should not unduly advantage large and well established parties at the expense of new and emerging ones. On the other hand, the granting of equal time to all parties fielding a full slate ignores the differences in public interest in those parties likely to be in Government as against those with little or no such prospects. It would probably provoke an adverse public reaction if parties with minimal public support were to receive equal time to the major competitors for Government.

8.80 In our view the actual allocation of time provided by the Broadcasting Corporation has generally been both equitable and appropriate. While under the Corporation's criteria the largest shares of time available have generally been allocated to major parties, small and emerging parties have been provided sufficient time to have their policies put before the electorate.

⁹Letter from Broadcasting Corporation of New Zealand to the Royal Commission on the Electoral System, 29 August 1985.

¹⁰Final submission of the New Zealand Labour Party to the Royal Commission on the Electoral System, November 1985, p.35.

¹¹Letter from Secretary General of New Zealand National Party to the Royal Commission on the Electoral System, 16 April 1986.

¹²Submissions to the Royal Commission on the Electoral System on behalf of the New Zealand Democratic Party, Section 9, p.1.

8.81 However, there are some alterations to existing procedures of allocating free time which might usefully be adopted. We consider that an appropriate total amount of television and radio time to be allocated should be established and statutorily provided for future elections. We believe that the 1984 allocation of 6 hours on each of public television and public radio may be a level acceptable both to the parties and to the general public.

8.82 As a basis for allocation of time to each political party we consider that, in consultation with the Electoral Commission and with all registered political parties, the Corporation should establish appropriate criteria. While we do not recommend that firm weightings be given to each of the criteria, we suggest that an appropriate formula for allocation could be devised such that the needs of small and emerging parties are met and that large parties receive time commensurate with their standing. For example, one-third of the total time available might be distributed equally to every party meeting criteria (iii), (iv) and (v) set out in para. 8.77, and the remaining two-thirds of total time then allocated on the basis of criteria (i), (ii) and (vi).

8.83 We are strongly of the opinion that whatever other procedures are adopted, the Broadcasting Corporation should at each election consult with the Electoral Commission and with all registered political parties before final allocations are decided. Within the total time allocated, agreement should be sought between the parties as to an appropriate division of time. While the final determination of each party's allocation should be made by the Corporation, unilateral decisions should be a matter of last rather than first resort.

8.84 Because of the possible introduction of private television, adequate provision must be made for free and equitable television time to be provided here also. In the United Kingdom, procedures governing the distribution of free broadcasting time apply to both public and private television. Free television time, which is provided also in non-election years, is allocated by a single committee made up of both broadcasting authorities and representatives of the major political parties. We consider that if private television were to be introduced in New Zealand it would be appropriate to make the provision of free time at elections a condition of obtaining a licence to transmit television broadcasts. In this event, a joint committee containing representatives of both the Broadcasting Corporation and the independent television broadcasters should be responsible for allocating time on all channels. In Canada similar functions are handled by a Broadcasting Arbitrator, and this alternative might also be considered. The advent of private television is also likely to require a review of the total time allocated to parties, and the joint committee, or arbitrator, could also be charged with recommending suitable changes in this area. We do not consider it necessary to require private radio broadcasters to provide free advertising time to political parties at elections.

Paid advertising

8.85 In addition to free time, the Broadcasting Corporation will accept paid political advertising on both television and radio. Paid political advertising is also accepted on private radio. Prior to 1983, advertising on television and public radio would be accepted only "for the purpose of advertising the availability of candidates to call on electors, public meetings and addresses, permitting the date, time and place of the event, names and affiliations of speakers, and a brief non-controversial indication of the subject matter to be covered."¹³

8.86 In 1983 the rules were amended by the Broadcasting Rules Committee (a body with representatives of both public and private broadcasters) to bring them into line with those applied to general advertising. The Broadcasting Corporation advise that the present rules applicable to both public and private radio and to television are:

1.18.1 Political advertising is permissible but will not—

- (a) include material which denigrates any other candidate or party or policy;
- (b) imitate in any way an existing programme, format or any identifiable personality.

1.18.2

- (a) The advertisement must include a statement setting out the true name of the person for whom or at whose direction it is published and the address of his/her place of residence or business;
- (b) Advertisements for candidates must be authorised in writing by the candidate or, in the case of an advertisement relating to more than one candidate, the candidate or the party to which they belong.

...other particularly relevant rules are:

- 1.1 Advertisements shall be clearly distinguishable from other programme material.
- 1.2 [They] must meet all standards and requirements laid down in programme rules.
- 1.7 Advertisements should not attack or discredit other products, advertisers or advertisements directly or by implication.¹⁴

¹³Letter from Broadcasting Corporation of New Zealand to the Royal Commission on the Electoral System, 29 August 1985.

¹⁴In December 1984 this rule was rescinded and replaced with the following:

- "1.7.1. Advertisements comparing products or services
 - (a) should be factual and informative;
 - (b) should, explicitly or by implication, make clear what comparison is being made;
 - (c) should not mislead the audience about other products or services with which comparisons might be made.
- 1.7.2. Notwithstanding Rule 1.7.1. advertisements should not attack or discredit other products, advertisers or advertisements directly or by implication."

In applying these rules to the broadcasters under its control the Corporation advises that:

Television

1. Advertising will run during the period of the official campaign.
2. Commercials will be accepted for political parties only.
3. Network broadcasts only will be made.
4. Commercials will be of a standard 30-second duration.
5. On each channel a maximum of 30 seconds of paid political advertising per hour will be available in peak time (6pm to 10pm), and a maximum of one minute per hour will be available in off-peak time.
6. A schedule of the available time will be drawn up by July to ensure that each party has the opportunity to take up equal time, by mid August. (N.B. Procedure for standard November election.)
7. A schedule of rotation of commercials will be drawn up to ensure equal reach and frequency for each party.
8. Commercials will not be scheduled within news and current affairs programmes.
9. Scripts will be required at least seven working days before the production starts and cassette copies of commercials will be required for approval at least seven days before playing date.
10. Rates: normal rates will apply.

Radio

1. Advertising will run during the period of the official campaign.
2. Party or independent candidate commercials will be accepted.
3. Commercials may be for either network.
4. The standard duration of commercials is 30 seconds. Variations may be possible depending on individual station availabilities and their creative standard.
5. For the duration of the campaign ten 30-second placements per day from 6am to 7pm will be guaranteed for each party or independent candidate, subject to normal availabilities.
6. If not booked more than five working days before broadcast, reservations will be cancelled. Bookings inside the five working day period will only be available within the standard inventory of time.
7. No more than two commercials per party will be broadcast in one hour (whether nationally or locally). If two spots in

an hour are booked by one party, different commercials will be required.

8. There will be only one political advertisement in any commercial break.
9. Commercials will not be scheduled within news and current affairs programmes.
10. All copy must be submitted to local production managers at least two working days in advance; and three working days if intended for use in a different centre.
11. Rates: Will be calculated at base rate as shown in the media buyers' guide applicable at the time, less 20% discount; or any other advertising package current at the time may be purchased."¹⁵

8.87 We have no recommendations to make with respect to changes to the rules relating to paid advertising time on either public or private radio. Since television is both much more expensive and a more powerful medium than radio, our greatest concerns with respect to paid political advertising relate to the purchase of television time.

8.88 In the 1984 general election (the only general election since the rules were amended) no television advertising time was in fact purchased by parties and only programme time allocated by the Broadcasting Corporation was used. We are concerned, however, that under present laws which place no expenditure limitations on political parties, the purchase of television time by one or more of the parties could lead to a highly undesirable escalation both in the volume of campaign rhetoric and, more importantly, in the overall cost of running an election campaign. Moreover, a trend toward the purchase of substantial television time could, in our view, significantly increase the advantage which parties with the greatest level of financial support have over those without substantial resources. In those democracies where television time has been made available for purchase, it has inevitably become the largest single item of expenditure for political parties. In Australia, over \$A4.5 million, or almost 35% of all reported candidate, party and interest group expenditure in the 1984 elections, went toward the purchase of broadcasting time. By far the greatest proportion of this was for television. (Not included here is the value of free time provided by the non-commercial ABC television channels, or the substantial costs associated with television production.¹⁶) In New Zealand a 30-second commercial screened in prime time cost, in November 1986, between \$3,600 and \$6,000, not including production costs.

8.89 Assuming that the Commission's recommendations with respect to limiting the election expenditure of political parties are accepted, and assuming continued provision of free television and radio time by the Broadcasting Corporation, the dangers of allowing paid

¹⁵Broadcasting Corporation of New Zealand, *Paid Political Advertising* pp. 2 and 3.

¹⁶Election Funding and Financial Disclosure, Interim Report to the Australian Electoral Commission, Canberra, 1985, p. 100.

political advertising on television are, arguably, less severe. Nevertheless, we believe that it would be regrettable if political parties channelled their allowable expenditure predominantly into paid television advertising time. Alternatives to allowing "unlimited" paid television advertising within an overall expenditure limit are:

- (a) to ban paid television advertising altogether; and
- (b) to allow paid advertising but place strict controls on the availability and use of such time.

8.90 In the absence of expense limits on political parties, we would have no hesitation in recommending a total ban on paid political advertising on television. Assuming the introduction of political party expenditure limitations, however, a minority view on this Commission is that such a restriction on the way in which political parties campaign cannot be justified. According to this view, the parties should be free, within the overall expenditure limits, to make their own decisions about how they can best communicate their policies and candidates to the public. Unless there is evidence of the limits being illegally or improperly avoided, the parties' freedom should not be further constrained. The majority of Commissioners consider, however, that if paid television advertising time was allowed and used during the election campaign, it would be likely to create severe pressures on whatever overall expenditure limits were established. These pressures might, indeed, lead to attempts to circumvent the limits. Our majority view is, therefore, that no paid political advertising time should be allowed on either public or private television. If a need for increased television advertising is established, the majority consider this need should be met by way of an increase in the amount of free time made available. The Commission is unanimously of the view that should paid political advertising on television continue to be permitted during the official election campaign, such advertising should be subject to controls such as those listed in para. 8.86 above.

8.91 There may in the future be developments by way of cable television, the use of satellite transmission etc., the effects of which cannot yet be confidently predicted. While any set of rules for political broadcasting should be implemented bearing in mind likely future developments, these rules are unlikely to cover all possibilities adequately. Such is the power of the visual electronic media that both the Broadcasting Corporation and the Electoral Commission must be constantly aware of the need to take account of changes and respond accordingly.

Recommendations:

Part 2: Broadcasting

- 38. The Broadcasting Corporation should continue to allocate free broadcasting time to political parties at elections, subject to the changes suggested in paras. 8.81 to 8.84.

- 39. Paid political advertising on television should be prohibited during the 3-month election campaign period (para. 8.90).

PART 3: STATE ASSISTANCE TO POLITICAL PARTIES

Existing assistance

8.92 In New Zealand political parties and candidates currently receive assistance from the State in a number of ways. The State accepts responsibility for registering voters and for administering the overall electoral system. In addition to their salaries, MPs are entitled to free air and rail travel throughout New Zealand, and to postal and telephone privileges. In Parliament, parties and individual MPs are provided research and secretarial staff, and each MP has the services of a half-time secretary to assist with constituency work. While these entitlements are provided to the MPs themselves as aids to the fulfilment of their parliamentary functions, they are available throughout the year and are of considerable value to the political parties for campaigning and other purposes.

8.93 In terms of aid specifically directed to parties and candidates for election campaigns, by far the most significant assistance provided is the free television and radio time allocated to political parties at elections. Information on the extent, value and allocation of this free time is outlined in paras. 8.76 and 8.77. Minor additional assistance is provided under s.90 of the Electoral Act which provides for free use of school rooms for candidates holding public meetings.

8.94 Many western democracies, including Australia, Canada, Finland, France, Italy, Norway, Sweden, United States and West Germany provide State aid by way of financial grants to political parties and candidates. Because New Zealand does not, the significance of existing aid is often overlooked both by those supporting and by those opposing other forms of assistance. It is clear that, in conjunction with controls such as the pre-1983 restriction on paid political advertising on television, existing assistance has significantly limited the overall costs of elections to political parties and lessened the advantage held by those with access to large financial resources. Largely as a consequence of this, New Zealand has for the most part been free of the problems which motivated decision-makers overseas to introduce direct funding arrangements. Our political process shows no signs of corruption, no vast disparities in the ability of major competing parties to communicate with the electorate, and no excessive reliance by parties on a few special interest groups or institutions. The lack of these problems may be seen as weighing against the argument for further assistance. At the same time, because there is a large amount of State assistance within our political system, our experience denies the contention that State aid is, in itself, an unhealthy influence on the political process.

8.95 In light of the above, it is our view that the real issues concern not whether State assistance should be provided to New Zealand's political parties and/or candidates, but whether existing assistance

should be extended and, if so, what form or forms additional assistance should take.

8.96 There are dangers associated with the extension of State aid when additional assistance is unnecessary. We share the fears that have been expressed that an unnecessary increase in State assistance would reduce parties' need to rely on their ordinary members for financial support and voluntary work. This could, we consider, lead to a lessened commitment to recruitment of, and responsiveness to, those members. Moreover, if parties no longer have a need to solicit funds from the public, the overall political process may stagnate and the natural growth and decline of political parties may be inhibited. Political parties are voluntary organisations and the extent to which a party can attract financial support is, at least in part, a reflection of that party's appeal to the electorate. Conversely, inability to raise funds can be seen as an indication of voter apathy or disillusionment. The public may become alienated and disgruntled if they perceive the State to be using taxpayers' funds to prop up political parties which have either lost public confidence or never had it in the first place. The public may even withhold funds in the belief that parties no longer need assistance because of what the State provides.

8.97 On the other hand, political competition is now a far cry from the direct and uncomplicated process it once was. Whether we welcome it or not, elections now involve far more than a few public meetings and advertisements in the press. Voters in New Zealand, as elsewhere, expect of their parties a high standard of service, well-researched policies, and sophisticated election campaigns. All of these things take money and, despite the great assistance already given by way of free broadcasting time, our political parties are faced with an ever-growing struggle both to remain financially competitive and to fulfil their wider functions of policy development and political education.

8.98 We have already noted our view that it is highly desirable that political competitors themselves raise the money they need in order to further their objectives. However, while it is reasonable to expect parties' supporters to bear the brunt of escalating election and administrative costs, there are, we consider, limits to the capacity of ordinary party members to meet the financial needs of their parties. As the British Houghton Committee stated in 1976 "...party members provide voluntary service as well as financial support. They are the willing horses of politics, and all parties are already indebted to them."¹⁷ Unsustainable demands on a party's membership for financial support could result in decreased membership, and the effective removal of the non-affluent from effective participation in the political process. Moreover, if election and other costs outstrip the capacity of ordinary party members to meet them, parties may be forced to rely on institutional sources, such as corporations or trade unions, to fund their activities. We consider that too great a reliance on such sources would

¹⁷Report of the Committee on Financial Aid to Political Parties, (Houghton Committee) (Cmnd. 6601), London, 1976, p.55.

be detrimental to our democracy and might, in the long term, lead to corruption of our political process or at least to the suspicion of such corruption.

The financial position of New Zealand's political parties

8.99 In order to gain clearer understanding of the extent of the shortfall, if any, between the money parties are currently able to raise and their financial requirements, as well as the differences between the financial viability of New Zealand's political parties, we employed a chartered accountant to examine and interpret the recent income and expenditure of the Democratic, Labour, Mana Motuhake, National, New Zealand and Values parties. In response to our inquiries, the major political parties expressed some sensitivity in relation to the publication of information about their finances. The National Party in particular was concerned at the negative impact collation and release of financial information might have, both on their internal party processes and on competition between the parties. That we do not share these views will have been made evident by our recommendations in favour of disclosure of information detailing political income and expenditure in Part 1 of this chapter. Nevertheless, in view of the concern which was conveyed to us, we requested the minimum information we believed was required to fulfil our brief on this term of reference. We reproduce here only that information we consider essential. We deal with the parties separately. Some of the figures resulted from our accountant's enquiries and differ in some respects from amounts initially advised by the parties. This is because the material originally provided was in many cases not comparable between parties. Since the parties operate different structures and keep their records differently, comparisons should in any case be treated with caution.

Financial position of the Labour Party

8.100 **Structure.** The basic organisational unit of the Labour Party is the party branch, of which there are usually several in each constituency. Along with any affiliated trade unions in the area, branches in each electorate contribute delegates to the Labour Electorate Committee (LEC). The LEC has responsibility for party organisation in the electorate and controls election campaigns for parliamentary seats. The party is organised on a regional basis under one of 17 Labour Regional Councils. The head office of the party provides the national co-ordination for election campaigns.

8.101 **Income.** The income of the Labour Party is derived from:

- (a) Membership fees—usually \$10.00 per waged member of which \$6.00 is credited to branches and \$4.00 retained by the head office; we were advised that there were about 50,000 ordinary members in early 1986;
- (b) Labour vote levy—based on the number of votes attained in a particular electorate; paid by the LEC to head office at a rate of 35 cents per vote;

- (c) affiliation fees—based on the number of members of an affiliated union who voted for affiliation, and paid to head office at a rate of 70 cents for every member who voted in favour; we were advised that there are currently approximately 200,000 affiliated members;
- (d) donations from members and general appeals—revenue raised in this way goes to both party branches and the head office;
- (e) business house appeals—money raised goes to the head office; and
- (f) Victory for Labour—a system of direct giving through bank accounts, organised by LECs; money is shared between the head office and LECs.

8.102 The Labour Party has proved able to maintain healthy activity at branch and electorate levels and this has involved extensive participation by the grass-roots membership. Both branches and LECs manage their own financial accounts and are responsible for their own fundraising. At the electorate level the party raised in the vicinity of \$1 million during 1984. This excludes money collected by LECs and forwarded to the party's head office. Head office income is not large. Total head office income for 1984 was slightly over \$1.2 million, while in 1985 head office income was slightly below \$900,000. The greatest proportion of income is derived from members and small donors through membership fees, donations and the Victory for Labour fund. In 1984 and 1985 donations from business houses represented between 20 and 30% of head office income. Union contributions through affiliation fees and donations amounted to between 15 and 20% of income in the period.

8.103 **Expenditure.** At the electorate level, Labour candidates' reported expenditure during the 3-month election period in 1984 totalled about \$300,000 and averaged \$3,358 per constituency. The central campaign was estimated to have cost between \$600,000 and \$700,000, making a total campaign expenditure of around \$1 million. Total head office expenditure for the 1984 year was in the vicinity of \$1.2 million, while in the 1985 non-election year, expenditure totalled nearly \$900,000. Consistent with these figures, the Labour Party maintains a small full-time staff of fewer than 20 persons, including both head office and regional personnel.

8.104 **Summary.** While in recent years the Labour Party has managed to keep expenditure in line with income, this is in part because of the lower than anticipated costs arising out of the suddenness and brevity of the 1984 snap-election campaign. Moreover, in spite of the relatively high popularity which Labour has enjoyed in recent years, the party has been forced to service a debt amounting to several hundred thousand dollars.

8.105 **Submissions.** In submissions to the Commission, the Labour Party commented that party members and supporters already spend a large proportion of their time on fund-raising activities and that more money cannot be raised from that source. The party submitted further that not only does it have difficulty maintaining its present level of

operations, but virtually all its resources are devoted to the task of winning and holding political office. The Labour Party advises that it has no research, library or archival staff upon which to draw other than those of the Parliamentary Research Unit which, the party notes, are properly used only by MPs. In the party's view, it is currently unable to adequately fulfil its wider policy and education functions. The Labour Party favours the introduction of direct State funding to political parties.

Financial position of the National Party

8.106 **Structure.** In common with the Labour Party, the National Party's basic organisational unit is the party branch. The National Party recommends a minimum of 6 branches per electorate. Subscriptions and donations are collected by branches who pay that money into the electorate to which they belong. Approximately one-third of money collected by electorates goes to one of the party's 5 divisions for administrative expenses. In turn, approximately one-third of money collected by divisions goes to fund the national structure and is used for administrative and election expenses of the party headquarters.

8.107 **Income.** The National Party relies primarily on subscriptions and donations for its income. The party advises that it has a large and fluctuating membership estimated to have been close to 100,000 at the end of 1985 and around 200,000 at other times. National manages a high level of activity at branch and electorate level. In common with the Labour Party, branches and electorates in the National Party are responsible for their own financial activities and retain a large measure of independence from the wider party structures. In the 1984 election year, the party raised slightly over \$2 million at electorate level. Because of accounting differences, this figure cannot be compared directly with Labour's 1984 electorate income.

8.108 Divisional and head office income is not large; the party estimates a divisional income in 1984 of slightly under \$320,000 excluding branch levies. Excluding divisional levies, donations and other income received by the party's headquarters totalled just under \$220,000 in 1984.

8.109 **Expenditure.** National Party expenditure levels, like their income levels, have closely paralleled those of the Labour Party in recent years. In the 1984 election, candidates reported spending a total of over \$350,000 at an average of \$3,914 in the 3-month campaign period. This was slightly under \$600 more per electorate than Labour. The party's national campaign cost just over \$600,000, although this does not include small amounts spent on the campaign by a number of the party's 5 divisions. Total expenditure for the 1984 year at National's headquarters was approximately \$1 million; again this does not include the administrative costs of the party's divisions.

8.110 **Summary.** The National Party's financial position is similar in many respects to that of the Labour Party. Like Labour, the headquarters of the National Party is currently servicing a substantial overdraft. It is the National Party's view, however, that their current

financial position is a temporary phenomenon reflecting the natural ebb and flow of political fortunes.

8.111 **Submissions.** National stated it was opposed to the principle of direct State funding, although it supported existing assistance arrangements. The party submitted that if funds were provided by the State directly, this could prove a disincentive to parties extending their membership bases. It would also discourage active participation by members of the public.

Financial position of the Democratic Party

8.112 **Structure.** The Democratic Party structure has in the past consisted of: Sub-branches (in some though not all branches); Branches (1 only per electorate); Regions (18); Headquarters (2: Dominion Headquarters, Wellington, and Auckland Headquarters). Re-organisation is currently under way to establish permanent branches to replace sub-branches. The party's Dominion Headquarters have recently shifted from Wellington to Auckland. Each branch is responsible for its own financial arrangements and for paying assessments to headquarters, through the regions.

8.113 **Income.** Aside from income raised and used at electorate level, the Democratic Party's principal sources of income are derived from:

- (a) members' subscriptions—received by headquarters; as at December 1984 the party's membership was slightly over 11,000;
- (b) regional assessments—levies paid to headquarters, and assessed in part on the ability of each region to pay;
- (c) pledges and specific appeals—most of this money is received from a special fund to which members, businesses and supporters are requested to donate. The fund is used primarily to cover the costs of election campaigns.

8.114 The Democratic Party has proved capable of raising sufficient funds to maintain active participation in those electorates where it has displayed even moderate levels of voter support. At headquarters level, the party has maintained income levels which compare favourably with those of the Labour and National parties. In the 1984 year, the Democratic Party's consolidated income amounted to approximately \$650,000. The party traditionally receives the great majority of its funds from members and small donations.

8.115 **Expenditure.** In the 1984 election, the Democratic Party expenditure per electorate during the official campaign averaged \$2,138 for a total of close to \$200,000. In the 20 seats in which the party received its highest percentage vote, however, expenditure averaged \$4,074. At headquarters level, the Democratic Party spent slightly over \$640,000 in 1984, of which \$350,000 related to campaign and promotion expenses.

8.116 **Summary.** The Democratic Party is not encumbered with the substantial debts held by the Labour and National parties. Nevertheless,

the party considers that inadequate financial resources have prevented it from spending enough on its campaigns. The party receives no trade union assistance and comparatively little by way of corporate donations.

8.117 **Submissions.** In submissions to the Commission, the Democratic Party supported direct State funding, provided that all parties fielding a full slate of candidates were treated with absolute equality.

Financial position of the New Zealand Party

8.118 Information about the financial position of the New Zealand Party was difficult to obtain because of a lack of detailed records and considerable organisational changes within the party. Candidates' returns of election expenses show that the party averaged expenditure of \$2,544 per electorate in the 1984 campaign period. In the 20 electorates where the New Zealand Party received its highest percentage vote (excluding Kaimai for which records are unavailable), the party spent on average \$3,698. At national level the New Zealand Party estimated it spent \$700,000 on the 1984 election campaign. This was more than was spent by any other party. The party estimated that the cost of establishing the party was in the vicinity of \$500,000.

8.119 **Submissions.** The New Zealand Party submitted that, for philosophical and practical reasons, it was opposed to any form of direct State funding of political parties. The party did suggest, however, that in view of the importance for our democracy of viable political parties and the necessity of adequate funding if they are to survive, donations made to political parties could be made tax-deductible.

Financial position of other parties

8.120 The Commission received detailed financial information from both Mana Motuhake o Aotearoa and the New Zealand Values Party. Both parties have operated on budgets which are a mere fraction of those of the larger parties. In the year ended 31 March 1985, Mana Motuhake's gross income was approximately \$10,000 as was its total expenditure. The Values Party income and expenditure were both less than \$30,000. Both parties expressed support for the principle of extended State assistance for political parties.

Conclusions on the principle of extending State assistance to political parties

8.121 The Commission considers that, given the meagre resources available to them, New Zealand's political parties are to be congratulated on the manner and efficiency with which they have managed their financial affairs. For the most part, our parties have met their financial needs from small donations from their members and supporters. By concentrating on the establishment and cultivation of large membership bases, the parties have avoided relying on substantial contributions from either the State or a limited number of

large institutions or corporations. This has had beneficial effects, both in terms of high political participation by ordinary New Zealanders and in terms of the responsiveness and representativeness of the parties themselves.

8.122 We consider, however, that (as we commented in para. 8.98) the extent to which ordinary party members and supporters can meet the sophisticated and costly requirements of parties in a modern democracy such as New Zealand is severely limited. Our parties should be able to operate not just as electoral machines, but also as vehicles through which ideas may be discussed and sound policies developed. If and when elected to Government, political parties are expected to implement the policies and programmes developed when in Opposition. As we indicate elsewhere in this report, the tasks of Government have become increasingly complex in recent years. If the parties' policies and programmes are inappropriate or poorly researched, either the quality of Government will suffer or the people may be denied the implementation of policies for which they voted. In view of the functions they are expected to fulfil, the incomes and expenditures on which our political parties operate are modest in the extreme. While it is no bad thing for them to be lean and hungry, political parties are too important to be left to starve.

8.123 The difficulties facing new and emerging parties are of special concern to us. We consider that as the costs associated with contesting elections increase, the chances of parties other than National and Labour being able to adequately develop sound policies and convey them to the electorate become more remote. Despite its well-established organisation and highly committed membership, the Democratic Party faces an ever increasing hurdle to remain competitive. While the New Zealand Party was able to mount an extensive and sophisticated campaign the year after its formation, this was largely due to the efforts and funding of its then leader. It would be undesirable if new parties without access to donors of substantial wealth and generosity were effectively excluded from the political process.

8.124 We consider some additional assistance to political parties and candidates is justified. However, any additional assistance provided should be commensurate with the shortfall between what political parties need for their effective operation and what they might reasonably be expected to raise for themselves. We are very conscious of the potential for ill-conceived assistance arrangements to create more problems than they solve.

8.125 Before establishing the total value of any assistance which should be allocated to political parties and/or candidates, we need to identify the form that aid should take. Choice of an appropriate scheme must address the following questions:

- (a) Should assistance be for election campaigns, for parties' general expenses, or both?
- (b) Should assistance be directed at the national or the local level?
- (c) What type of assistance should be provided?

(a) Should assistance be for election campaigns, for parties' general expenses, or both?

8.126 Term of reference 8 refers particularly to State grants to cover *election* expenses. In many countries, however, State assistance is granted for parties' other costs as well as (sometimes instead of) election expenses.

8.127 In a sense, all party expenditure can be seen as expenditure for elections, given that electoral success is the over-riding aim of all political parties. In practice, moreover, even if State grants are specifically targeted towards election expenses, parties will generally be better placed to carry out their other functions as well. Money not spent on election campaigns can be used for daily administration, policy formulation, research, and political education.

(b) Should assistance be directed at the national or the local level?

8.128 Assistance to those participating in elections can be directed either to the national headquarters of a party, or to the individual candidates standing in each electorate, or to a combination of the two. In New Zealand a "general election" is, technically, a large number of separate elections. However, this view is clearly no longer realistic and, in practice, considerable expenditure takes place at national and regional as well as constituency level.

8.129 Because of the focus on the national campaigns of the competing parties, it is possible to argue that a significant proportion of, perhaps even all, public funding should be directed to the central headquarters of each party. The party hierarchy could then direct funds to regions and constituencies as necessary. Such a procedure would, it is argued, be both simple and realistic about the role of parties in New Zealand's democracy. Parties know best where funds are needed and attempts by the State to dictate this would be inefficient and needlessly meddlesome. Alternatives such as payments to party candidates on a "votes received" basis ignore the greater need of candidates in marginal seats and would merely increase the advantage already held by those in "safe" constituencies.

8.130 On the other hand, those concerned to prevent increased centralisation of the political process may argue that targeting assistance to individual constituencies would encourage political participation at that level and retain a balance between parties' local and central organisations. As well, funding of candidates would enhance the prospects of independents.

8.131 While mindful of these concerns, we consider that, in general, additional State assistance should be directed to registered political parties, not individual candidates. In New Zealand, electorates are small enough to allow "intimate" campaigns centred around door-knocking and person-to-person contact (even with a change to MMP constituencies would be small enough to encourage such practices). The costs of constituency campaigns are relatively small and are not subject to massive increases due to changes in technology.

Furthermore, the relatively low limits on election expenditure at constituency level (see para. 8.59) have meant that candidates have been able to compete on a more or less equal footing. Provided they retain active memberships, constituency parties appear to have little difficulty in raising the funds necessary to fight an election. Rather than providing an incentive to grass-roots participation, State funding at the constituency level may well lead to a decrease in such activity with the need for retaining and enlisting members made less urgent. Finally, it is important to avoid the creation of constituency fiefdoms with well financed and well entrenched incumbents receiving State assistance they simply do not need.

8.132 It is at the national level that the need for assistance is greatest. First, lack of resources has meant parties' needs in areas such as policy development have been inadequately met. Second, New Zealand has seen a trend towards nationwide electioneering, with an emphasis on party leaders and the national policies of the parties, developments which have entailed the use of sophisticated mass communications technology. Whether such changes are welcomed or not, they are unlikely to be reversed. Any system of assistance must take into account the fact that it is precisely in the areas of increased activity, such as television and film production, the printing and distribution of manifestos, direct mail techniques, polling, and leaders' tours, that costs are escalating fastest. These costs, incurred by national party headquarters, cannot effectively be reduced by the use of volunteers or ordinary party members. State assistance with respect to these is thus unlikely to undermine the role of the grass-roots party activists.

8.133 It is true that, even if directed to the national level, some assistance, monetary or otherwise, may be used to help the campaign in particular constituencies. The extent of such help will no doubt be determined by the parties in relation to their other requirements and it is unlikely that assistance re-directed to the constituencies will result in a massive injection of money and resources into individual election campaigns. However, to the extent that State-provided assistance is used in local campaigns, it would be unfair if only those candidates affiliated to registered political parties were able to receive assistance. For this reason we recommend that where candidates stand independent of a registered political party, they should also receive assistance.

(c) What type of assistance should be provided?

- (i) extension of "aid in kind";
- (ii) matching aid;
- (iii) tax-deductible political donations;
- (iv) tax payment to general fund;
- (v) aid related to parties' electoral support;
- (vi) flat rate grants;

- (vii) aid related to membership;
- (viii) reimbursement of expenses.

(i) extension of "aid in kind"

8.134 As already outlined, extensive assistance (in particular free radio and television time) is already provided to New Zealand political parties and candidates during election campaigns. Those parties with candidates in the House also benefit through the provision of free air travel, parliamentary research staff, etc. A possible way of easing the financial burden of elections would be to increase such assistance or extend it to other areas. Thus, for example, the State might agree to meet the cost of accommodation for party offices, printing facilities, or research staff for the parties' headquarters. "Aid in kind" removes the need for complicated accounting, ensures that assistance is not misused, and might be more acceptable to a public sceptical of the value of directly funding political parties.

8.135 In the United Kingdom, where election candidates receive similar assistance to their New Zealand counterparts, the Houghton Committee rejected assistance through extended aid in kind on the grounds that:

The needs of the parties differ considerably; whilst one party might want free accommodation and a party newspaper, another might prefer to have free research facilities, and another more staff at regional or constituency level.¹⁸

Nevertheless, aid in kind is the form of assistance used successfully in New Zealand at present and we consider serious consideration could be given to extending it to other areas. We discuss aid in kind further in paras. 8.158 and 8.159.

(ii) matching aid

8.136 Matching aid schemes operate on the basis that the State allocates funds to candidates or parties in relation to the amount raised by the candidate or party themselves. A matching aid system is used for Presidential primaries in the United States. Proponents of matching aid argue that the procedure allows for the increased costs of elections but rewards parties in proportion to the degree of their support in the community.

8.137 Opponents of matching aid schemes counter that such programmes merely heighten the advantage already held by parties representing wealthy interests. The amount of State aid would, moreover, relate to the fund-raising abilities of parties, not to their needs or to the extent of their electoral support. As well, the effects of a matching aid scheme would probably escalate the overall costs of elections to an unacceptable degree.

8.138 A system of matching aid which answers some of these objections was proposed by the 1981 Hansard Society (UK)

¹⁸*Ibid.*, p.62.

Commission on the financing of political parties.¹⁹ The Hansard Commission recommended a variation of the scheme whereby for each £2 donation by an individual, the State would provide an additional £2. The Hansard Commission advocated setting £2 as a *maximum* subscription for qualification, thus encouraging parties to seek a large number of small donors rather than a small number of large donors. An individual could donate under the scheme on one occasion only.

8.139 The Hansard Commission claimed their proposal would ensure State support corresponded to support in the community, encourage rather than discourage voluntary participation and membership, discourage party reliance on large institutional donors, and limit if not completely eradicate the advantage held by parties of the wealthy.

8.140 A similar proposal was rejected by the Manitoba Commission on political financing and election expenses on the grounds that there would be too much scope for fraud. The Commission considered that the administration needed to prevent fraud would be costly "and it would likely be impossible to check adequately without compromising the anonymity of the donors".²⁰ We concur with these objections and thus do not recommend any form of matching aid for New Zealand.

(iii) tax-deductible political donations

8.141 Various schemes could be evolved allowing donors to political parties to deduct a proportion of their donations from the amount they pay in income tax. While such proposals are attractive in that they avoid compelling taxpayers to contribute to political parties, they have the drawback of heightening the relative advantage of parties with wealthy backers. In Canada this difficulty is offset to some extent by the use of a sliding scale whereby small donations are eligible for a proportionately larger rebate than are large donations.

8.142 We were advised by the Inland Revenue Department that current policy is geared towards restoring "neutrality and equity in the tax system" and that attempts to bestow a tax benefit in relation to political donors would be incompatible with this policy.²¹ A further problem is that charities with tax deductible status are expressly forbidden from participating in political activities and it would appear unfair if political parties were to qualify for such status. We do not recommend implementation of tax benefits for political donations.

(iv) tax payment to general fund

8.143 Tax "check off" schemes establish funds from which aid is distributed to parties and election candidates. The scheme used in the United States allows taxpayers to indicate whether or not \$1 of their

¹⁹*Paying for Politics*, The Report of the Commission upon the Financing of Political Parties, The Hansard Society for Parliamentary Government, London, 1981.

²⁰*Political Financing and Election Expenses*, Report of the Manitoba Law Reform Commission, Winnipeg, 1979, p.51.

²¹Letter from Inland Revenue Department to Royal Commission on the Electoral System, 23 June 1986.

taxes should go to the election fund. Taxpayers do not nominate which party or candidate receives their \$1, and thus the procedure must operate in conjunction with another system of allocating the funds to competing parties.

8.144 The major advantage of tax check off schemes is that individual taxpayers choose whether or not to fund political parties. Drawbacks include the large bureaucracy needed to administer multiple allocations of small amounts, and the potential shortfall (or excess) between funds so collected and the needs of the parties. We do not recommend the adoption of a tax check off scheme.

(v) aid related to parties' electoral support

8.145 The option favoured by the Houghton Committee and also adopted in a number of western democracies, including Australia, is for funding to be based on the number of votes received in an election. Generally, these schemes provide that parties and/or candidates polling above a certain threshold (in Australia 4% of first-preference votes) receive a payment of a fixed amount per vote.

8.146 Allocating funds on the basis of voter support meets a number of the objections raised against alternative schemes. Briefly, the advantages can be listed as follows:

- (a) political popularity rather than the wealth of supporters determines financial assistance;
- (b) provided a suitable threshold is imposed only parties with significant support receive funds;
- (c) because aid is distributed in relation to voter support, most taxpayers are effectively contributing to the party they voted for;
- (d) such methods of allocating funds are easily understood and simple to administer.

8.147 While there are many variations of aid based on voter support, two broad types can be identified: those in which, immediately before an election campaign, parties and/or candidates are given funds based on votes received in the previous election, and those where payments are made immediately after election results are known. While the former procedure is simple to administer, it has been criticised on the grounds that it unfairly disadvantages new or growing political parties. In 1984 the New Zealand Party was registering high support in opinion polls and did, in fact, poll significantly on election day. However, had a system of funding been in operation based on 1981 results, the New Zealand Party would have received nothing. Conversely, declining old parties would receive disproportionately high funding.

8.148 In our view, a more equitable approach is to allocate funds immediately after an election. These funds can then be used either to pay off debts incurred during the election, or for policy development or other activities before the next election. If parties, or candidates, are confident of voter support they can finance their campaigns in the expectation of receiving reimbursing payments once the election results

are known. Difficulties with this approach can arise if parties rely on reimbursement for expenses but over-estimate the vote they will receive. Conceivably parties could run up large debts only to find their vote well short of expectations. Some parties, particularly unproven ones, may also find it difficult to raise loans to finance their campaign. Nevertheless parties, and potential lenders, are generally able to predict within a reasonably accurate range the likely vote a party will receive and we expect there would be few practical difficulties with post-election funding based on votes.

8.149 A more fundamental difficulty in relation to funding based on votes is that in almost every instance the party winning the election receives the largest grant. This is in addition to the many advantages accruing from the simple fact that that party has become the Government. Free travel, ready access to Government departments for research and advice, postal and telephone privileges and State-paid support staff all contribute to the advantage of the governing party. While all opposition parties would be unfairly disadvantaged to some degree in this respect, this would be especially so for those parties without a significant number of members in the House, and hence without the travel, administrative and research benefits which accrue from having members.

8.150 Funding schemes based on voter support can, however, be modified so as to provide added assistance to opposition (and particularly smaller) parties and independents while recognising the greater responsibilities and hence needs of the major parties. For example, reimbursements to parties or candidates might be at one amount per vote up to a certain number or percentage of votes, and at a smaller amount per vote thereafter. While there are difficulties in determining the starting and finishing points for such assistance, and the stages in between, we consider approaches of this kind have much to recommend them. We discuss systems of funding based on voter support in more detail in paras. 8.160 and 8.161.

(vi) flat rate grants

8.151 A more radical approach to the problem of how to avoid discrimination in favour of old or established parties would be the adoption of a funding scheme based on "flat rate" grants. Proposals for flat rate grants to parties (as supported by the Democratic Party) are designed to give *all* significant parties equal assistance. Most such proposals would allocate a certain amount to all parties fielding a full slate of candidates. Parties contesting a lesser number of seats would receive assistance on a proportional basis. Aid in kind such as access to broadcasting could also be subject to flat rate provisions. Indeed some assistance, such as the use of school rooms for political meetings, is already allocated on an equal basis to all candidates.

8.152 While superficially attractive, flat rate schemes have a number of drawbacks:

- (a) parties with little public support would receive the same assistance as parties with much more considerable support.
- (b) a flat rate policy assumes equal needs between parties. In practice major parties, whether in Government or in Opposition, have much greater administrative and organisational needs than do minor parties;
- (c) minor parties would be encouraged to put up a full slate of candidates merely to qualify for the full amount of assistance;
- (d) a flat rate policy may lead to political fragmentation as sections within parties break off and form their own organisation.

In view of these drawbacks we do not recommend assistance by way of flat rate funding of parties.

(vii) aid related to membership

8.153 A system which meets some of the difficulties associated with flat rate schemes allows assistance to be linked to party membership, with the following consequences:

- (a) parties without popular support would find themselves excluded;
- (b) by tying assistance to membership, new parties and declining old ones would receive aid more in accordance with existing public support than they would under systems based on voter support in previous elections;
- (c) membership of a party implies more than passive support for that party and thus is a better guide to *intensity* of support amongst the public;
- (d) if there is validity in the concern that State assistance leads to declining party membership and the replacement of volunteers by professional activists, tying assistance to party membership means more, not less, reason for enrolling new members.

8.154 There are, however, a number of criticisms of membership-based funding processes:

- (a) party membership is defined differently by the different New Zealand political parties; some parties have various categories of membership while others choose not to rigidly define the requirements for membership;
- (b) any scheme based on party membership would involve extensive auditing and control;
- (c) as membership depends, at least to an extent, on the level of subscription, parties may seek to stimulate membership by lowering subscriptions.

These problems are, in our view, considerable and we therefore do not recommend adoption of funding based on party membership.

(viii) reimbursement of expenses

8.155 Systems centred around the reimbursement of actual election expenses are designed to treat all serious parties and candidates equally while avoiding some of the pitfalls of flat rate grants discussed in

(vi) above. The Canadian system, introduced in 1974, provides that all registered parties spending at least 10% of the maximum expenses allowed may be reimbursed by up to 22.5% of their actual and audited expenditure. Candidates who have received at least 15% of valid votes cast are entitled to receive 50% of their actual expenses provided that this does not exceed half of the allowed expenditure limit.

8.156 The major attraction of such schemes lies in the relatively favourable treatment received by new or emerging parties in particular and opposition parties in general. On the other hand, schemes which reimburse actual expenditure in the way adopted in Canada, are of greatest advantage to those who are able to raise or borrow enough to spend the maximum allowable amount of money. This may both encourage unnecessary spending and disadvantage parties representing non-affluent groups in the community. Because reimbursary schemes relate to election expenditure, no direct account is paid to other functions of political parties such as research and policy development. Criticism might particularly centre on the fact that major parties—those with the greatest needs overall—might fare no better than relatively wealthy minor parties; or on the fact that objectionable or electorally insignificant parties might nonetheless receive substantial sums of money from the public. On balance, we consider that these difficulties outweigh the advantages of reimbursary schemes, and do not recommend such schemes for implementation in New Zealand.

Conclusions on assistance schemes

8.157 Of the types of assistance schemes available, 2 appear to the Commission to warrant serious consideration for implementation in New Zealand. These are:

schemes involving an extension of aid in kind whereby the State provides certain services to parties and/or candidates; and

aid based on votes received in an election but scaled so as to give somewhat greater support per vote to opposition and significant smaller parties.

8.158 We see considerable merit in schemes of assistance centred around an extension of the aid in kind already provided to candidates and, with regard to broadcasting time, to political parties. If the chief justification for State funding lies in the need both to assist parties in researching and developing policies and to allow better communication of policies and ideas between parties and the public, it may seem reasonable for the State to specify the form that assistance is to take. It is thus tempting to recommend that the State provide assistance only for policy development and for those aspects of electioneering deemed to enhance party-voter communication. This might mean, for example, payment by the State of the cost of research staff for the headquarters of political parties, or assistance for the printing or distribution of detailed policy statements.

8.159 The difficulty referred to in para. 8.135 has influenced us against making specific recommendations for extension of aid in kind. Nevertheless, as we have already commented, aid provided for example by way of free broadcasting time has worked well in New Zealand and we would not be opposed to limited further assistance of this type being provided to parties and/or candidates by the State. In the United Kingdom, for example, candidates are entitled to free distribution of 1 leaflet per elector and similar assistance might be suitable in New Zealand. So that resources are not wasted, we consider that before steps are taken to introduce new forms of aid in kind, consultation between all those affected should take place and agreement should be sought on the types of assistance to be provided. We stress too that the recommendations which follow in respect of funding for parties and independent candidates for their activities outside Parliament should not be seen as in any way detracting from the need to provide adequate support services for parties and MPs inside that institution.

Recommended form of assistance

8.160 The form of assistance to political parties and independent candidates which we recommend is direct funding on a sliding scale based on voter support at an election. In designing an appropriate scale, it is necessary to decide both what the total funds to be distributed should be, and what balance should be struck between the needs of independent candidates and small and/or emerging parties on the one hand, and major parties on the other. The use of a sliding scale lessens the advantage that would be gained by large parties, and especially the governing party, if funding were on the basis of a set amount for each and every valid vote. As we indicated in para. 8.123, one of the key reasons why we believe some funding to be justified for New Zealand's political parties is so that opposition, and in particular new and emerging, parties may have a reasonable opportunity to research and develop sound policies and present them to the electorate.

8.161 At the same time, major parties clearly have greater financial needs than do smaller ones, and the greater likelihood that they will be involved in governing the country makes it imperative they have the resources to research and develop policy, and communicate that policy to the electorate. Furthermore, a positive feature of assistance based on voter support is that taxpayers are effectively contributing to the parties for which they voted. We do not wish to depart too far from this principle.

8.162 The scale we set out here indicates both the balance we consider to be appropriate between parties, and the total amount we consider might reasonably be made available by way of direct grants to political parties and candidates. We appreciate, however, that the room for variation in this area is considerable and our recommendation should not be seen as the only viable one. Our calculations are, moreover,

subject to 2 qualifications. First they are based largely on information dating from the 1984 snap-election. That election campaign may have involved lower costs to New Zealand's parties than a normal 3-month campaign. Second, the nature of political competition in New Zealand is changing rapidly and these changes are already being reflected in the increased costs associated with the electoral process. Although the value of grants suggested in the proposals which follow are our estimates of what is appropriate at the current time, they will need to be reviewed at the time of implementation, and particularly in light of parties' spending in the 1987 election year.

8.163 We propose that financial assistance be given to all registered parties and independent candidates who win at least 4% of the total valid vote averaged over the electorates in which they compete. A party fielding a full slate of 97 candidates would thus need to attract 4% of the overall vote to receive assistance, whereas a party contesting 20 seats would need 4% of the vote in those seats, and an independent candidate would need 4% of the vote in the constituency he or she contested. We consider a 4% threshold would allow valuable assistance to small and emerging parties, but would also be administratively straightforward, would not unduly encourage a proliferation of minor parties, and would mean only those parties or independent candidates with reasonable support in the community would receive assistance.

8.164 Registered parties and independent candidates receiving over 4% of the valid vote in the electorate or electorates they contest should receive funding of \$1.00 for each vote received up to 20% of the vote in the electorate or electorates, and 50 cents per vote thereafter. No funds should be allocated for votes gained in excess of 30% of the total valid vote for the contested seats.

8.165 So as to ensure independent candidates do not receive funding which they do not require, we recommend that they should not be provided State funds in excess of their official election expenditure. We do not recommend corresponding limits on funding for registered political parties. While it is theoretically possible that a party might be eligible to receive funds in excess of its actual election expenditure we consider that this is unlikely. In any event, our recommendation for direct funding is designed to assist parties in relation to their wider research and policy functions as well as in relation to their electoral activities and we would not be concerned if a party did receive funding slightly in excess of its official election spending. For similar reasons we do not propose any specific controls on how State grants should be used by the parties and independent candidates. However, payments should only be made to those political parties which have met the conditions of registration, have provided satisfactory records of income throughout the inter-election period (or since registration), and have met their obligations with respect to the disclosure of election expenditure. Independent candidates should likewise only receive payments on receipt of expenditure records for the campaign and after satisfactory

compliance with the candidate disclosure requirements proposed in paras. 8.23 and 8.67.

8.166 It is, in our view, important that once satisfactory records detailing election expenditure have been received by the Electoral Commission, and provided all other requirements have been met, parties' and candidates' full entitlements should be calculated and distributed as quickly as possible. Payments could be staggered so as to provide some support for parties in the years between elections. However, while such a procedure would not represent a significant departure from our proposal, we consider that a lump sum payment would be preferable because of its administrative simplicity.

8.167 For illustrative purposes we show the amounts parties and independent candidates would have received had our proposed scheme been operating in the 1981 and 1984 general elections. We reiterate that the amounts payable per vote are our assessment of *current* needs and thus these tables should not be read in relation to actual expenditure in the 1981 and 1984 elections.

Table 8.1: How direct State funding would have been allocated after the 1981 and 1984 elections

Party/Candidate	Seats Contested	Votes Received	% Vote in		Average Amount Received per Voter
			Seats Contested	Entitlement \$	
1981					
Labour	92	702,630	39.01	450,326	64.1c
Mana Motuhake	4	8,332	15.08	8,332	\$1.00
National	92	698,508	38.78	450,326	64.5c
Social Credit	92	372,056	20.65	366,158	98.4c
Values	17	3,460	1.00	-	-
Independent (Nelson)	1	7,500	36.97	4,000*	53.3c
Independent (Porirua)	1	1,136	6.70	1,136	\$1.00
Independent (Wallace)	1	2,585	13.39	2,585	\$1.00
Others	32	5,096	0.80	-	-
TOTAL	-	1,801,303	-	\$1,282,863	71.2c
1984					
Labour	95	829,154	42.98	482,300	58.2c
Mana Motuhake	8	5,989	4.34	5,989	\$1.00
National	95	692,494	35.89	482,300	69.6c
New Zealand	95	236,385	12.25	236,385	\$1.00
Social Credit	95	147,162	7.63	147,162	\$1.00
Values	29	3,826	0.64	-	-
Independent (Dunedin West)	1	3,638	16.63	3,638	\$1.00
Independent (Nelson)	1	6,610	30.66	5,000*	75.6c
Others	38	3,943	0.50	-	-
TOTAL	-	1,929,201	-	\$1,362,774	70.6c

* Assuming maximum allowable expenditure incurred.

8.168 It will be seen from the table that under our proposal total funds paid in the 1984 election would have amounted to slightly less than \$1.4 million. While it is not possible to be precise about the total amount payable by the State in future elections, this would be unlikely

to range much above \$1.5 million per election, or \$500,000 per year at current rates. There would also be small amounts payable after by-elections. In relation to the total amount expended by the State for electoral purposes (see para. 8.4), grants totalling \$1.5 million for parties and candidates and payable only once in 3 years, are undeniably modest. However, the total value of direct grants should be seen in the context of the non-monetary assistance already provided and the proposed limitations on expenditure by political parties during the official election campaign period.

8.169 Moreover, while we accept that the financial demands on political parties are increasing rapidly, our concern not to upset the fundamental bases of political competition in New Zealand militates against more generous proposals. In particular, we repeat our view that political competitors should meet the bulk of their financial needs from their own supporters. We note in this regard the report of the 1979 Manitoba Law Reform Commission on political financing and election expenses which commented that: "Generally speaking most jurisdictions which have contemplated or instituted subsidies have favoured a blend of public and private funding, with the emphasis as much as possible on broadly-based private funding."²² We concur with this balance and consider that our suggested scheme will achieve it.

State funding in light of other changes to the electoral system

8.170 We do not consider any alteration to the proposed system of direct State funding would be necessary should the number of MPs increase to 120 under plurality. In the event that MMP is adopted we consider the entitlement for registered political parties should be based on their share of the nationwide list vote. Independent constituency candidates should receive funding on the same basis as if the plurality system were to continue. A move to a longer parliamentary term would be likely to lessen parties' overall costs but would also mean State assistance was provided less often. We consider, therefore, that if a different term was introduced, the direct funding arrangements would need to be reviewed.

Recommendation:

Part 3: State assistance to political parties

- 40. Direct State funding of registered political parties and independent candidates should be introduced along the lines outlined in paras. 8.163 to 8.166, and administered by way of a sliding scale based on voter support in electorates contested.

²²*Political Financing and Election Expenses*, Report of the Manitoba Law Reform Commission, Winnipeg, 1979, pp. 42-43.

CONCLUSION

8.171 Had the time available to us made it possible, we would have requested assistance from parliamentary counsel in the preparation of a draft Bill incorporating all our recommendations under this term of reference. We note in this regard that in the course of our inquiries we have found legislation relating to political finance in both Australia and Canada to be extremely helpful and, in many areas, to provide a useful model for the drafting of appropriate New Zealand legislation. We note as well that where legislation concerning political finance has been introduced overseas, it has proved valuable for a bi-partisan Committee of Parliament to consider the detail of proposals to ensure they are both appropriate in scope and administratively practicable. We consider such an approach would be useful in respect of our recommendations in all the areas addressed in this chapter. We further consider that once the fundamental elements of political finance legislation have been implemented, it would be inappropriate for Parliament to make significant changes other than on the recommendation of an independent body or inquiry.

8.172 In the course of this chapter, we have discussed and made recommendations on a range of areas in which money and other resources may impact upon the electoral process. In so doing, we have endeavoured to achieve a fair balance between, on the one hand, allowing political parties, candidates and their supporters reasonably free rein in the pursuit of their objectives, and on the other, moderate State intervention in the interests of political equity and justice. In large part, the recommendations we have made build upon long-established principles by which we in New Zealand have maintained a political system which is both free and fair. While several of our proposals in this chapter would, if accepted, necessitate significant changes in the legislation, none will, in our estimation, alter the essential characteristics of political competition in New Zealand.