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Backgrounder on How Flaws in British Columbia's and Other Canadian Political Finance Systems Allow for Unethical Big Money Donations, and How to Democratize the Systems

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Political finance systems across Canada, other than Quebec's provincial system, are [all undemocratic](#) and unethical in various ways, and B.C.'s system is one of the worst.

B.C., Newfoundland and Labrador, Prince Edward Island, and the Yukon have the most undemocratic and unethical political finance systems in Canada as they allow unlimited donations from corporations, unions and other organizations, and individuals, even if they are not located in or don't live in the jurisdiction. Saskatchewan is almost as bad, with the only difference being that individual donors have to be a Canadian citizen.

New Brunswick, Nunavut and the Northwest Territories are also almost as bad because they allow undemocratically high donations from corporations, unions and organizations (and New Brunswick allows those donations to come from outside the province).

And while the federal government, Alberta, Manitoba, Nova Scotia, Ontario have banned corporate and union donations, they still allow undemocratically high donations that only wealthy people can afford.

Only Quebec has stopped the unethical influence of big money donations by stopping big money donations. In 2013, the Quebec government [lowered provincial individual donation limit to \\$100 annually to each party](#), (\$200 during an election year), with an additional \$100 allowed to be donated to an independent candidate, and also required donations to be verified by Elections Quebec before being transferred to parties and candidates (NOTE: It is, of course, still possible that bribery is occurring at a high rate in Quebec, as no law, police force or tax agency can effectively stop someone from giving a politician or public official a bag of cash that they spend slowly over the rest of their life).

Donations to parties in Quebec before 2013, to the federal parties since 2007, and to Toronto city councillors, show clearly that unethical big money cash-for-access will continue even in the jurisdictions that have banned corporate and union donations as long as their donation limit is still higher than an average voter can afford.

Few have been charged in Quebec's corruption scandal even though an [Elections Quebec audit found \\$12.8 million in likely illegally funneled donations](#) from 2006-2011. To stop the corruption, in 2013 Quebec [lowered its individual donation limit to \\$100 annually to each party](#), with an additional \$100 allowed to be donated to an independent candidate), and required donations to be verified by Elections Quebec before being transferred to parties and candidates. Ontario should make the same democratic changes.

At the federal level, [SNC-Lavalin illegally funneled](#) almost \$118,000 to the Liberal and Conservative parties, riding associations and candidates through its executives and employees from 2004 to 2011. And former-[Conservative MP Dean Del Mastro's cousin was charged](#) in 2014 with illegally funneling donations through his business' employees.

There are likely many more examples of illegally funneling of donations at the federal level, as it seems [Elections Canada has not yet done the full audit it promised to do in 2013](#). As in Quebec, when [Elections Alberta did an audit in 2012](#) it found dozens of illegal donations.

As well, the Liberals have been recently caught in a cash-for-access scandal as Prime Minister Trudeau and several Cabinet ministers have attended about [90 high-priced, exclusive events](#) since January 1, 2016. And, as the [Globe and Mail reported](#) on October 25th, one of the events was a fundraising event to be attended by the Finance Minister that a drug company executive helped organize while his company lobbied Finance Canada.

Democracy Watch filed a [complaint](#) about the event with the federal Lobbying Commissioner who is investigating, and also a [complaint](#) about another event the same drug company executive organized for Justin Trudeau in August 2015, and a [complaint](#) about another event top Liberal donors were invited to in September 2016, as well as a [complaint](#) about the Trudeau Cabinet selecting their own ethics and lobbying watchdogs.

The results of Democracy Watch's research also show that top federal Liberal Party donors (to the Party only, not its riding associations) who gave \$1,100 or more in 2015 were only 4.37% of total donors (4,084 donors out of 93,426 donors total) but they gave the Party 22.87% of total donations (\$4,866,373.76 out of \$21,276,897.57 total raised).

As well, the federal Liberals hold special events for donors who donate \$1,500 or more annually (they become members of the exclusive [Laurier Club](#)). As the [Globe and Mail reported recently](#), based on Elections Canada figures only 790 people (0.85% of all donors to the Liberals) donated \$1,500 or more in 2015, and in 2014 only 522 people (0.68% out of 77,064 total donors) donated \$1,200 or more (the amount needed in 2014 to qualify to attend a Laurier Club event). The Ontario Liberals also hold exclusive [Red Trillium Club](#) events for anyone who donates \$1,000 or more.

Toronto's experience is another example of how high donation limits allow donors to get around bans of corporate and union donations. Such donations were banned in Toronto elections in 2009, and individual donations limited to \$750 annually, but a 2016 analysis by the [Toronto Star](#) found that big business and other special interest group executives and their families continue to give large amounts to city councillors.

The key changes that must be made in B.C., and across Canada, to democratize all political finance systems are as follows (and in each province and territory, similar changes should be to the municipal political finance law, taking into account in some jurisdictions that there are no political parties at the municipal level):

1. ban donations by corporations, unions and other organizations (as Alberta, Manitoba, Nova Scotia, Ontario, Quebec and the federal government have);
2. limit annual combined total donations of money, property and services by individuals to \$100-200 to each party (Quebec's limit is \$100), and establish the same limit on candidates donating to their own campaign, with donations routed through the election watchdog agency (as in Quebec);
3. prohibit loans to political parties, riding associations and candidates, except from a public fund (with loans limited to the average annual amount of donations received during the previous two years);
4. limit spending leading up to, and during election campaigns by parties, nomination race and election candidates, third party interest groups, and also candidates in party leadership races;
5. require disclosure of all donations and gifts of money, property, services and volunteer labour given to any party, riding association, politician, nomination race, election or party leadership candidate, including the identity of the donor's employer, and board and executive affiliations (and the identity of anyone who assists with any fundraising or fundraising event);
6. require disclosure of how much any individual or interest group spends on each issue campaign, and their funding sources. If that reveals a huge disparity in funding, and funding sources, then donations to issue campaigns, or at least paid campaign ads, should also be limited;
7. give annual public funding for parties based on each vote received during the last election (no more than \$1 per vote, with a portion required to be shared (as Ontario has done) with riding associations);
8. give annual public funding for each party matching up to the first \$200,000 to \$500,000 it raises (similar to Quebec, with the amount depending on the size of the province – the first \$1 million raised could be matched at the federal level);
9. give public funding matching up to \$10,000 to \$25,000 that each nomination race and election candidate (including an independent candidate) raises (similar to Quebec's matching funding system, and again depending on the size of the riding), and public funding matching up to \$50,000 to \$100,000 that each party leadership campaign candidate raises (again depending on the size of the party and jurisdiction of the leadership race), and;
10. require election, donation and ethics watchdogs to conduct annual random audits to ensure all the rules are being followed by everyone;
11. Elections B.C., or the Auditor General, must be empowered to review all government advertising and to stop or change any ad that is partisan or misleading;
12. all penalties for violating donation and spending rules must be increased to minimum \$100,000 fine and a multi-year jail term, and loss of any severance payment, and a partial clawback of any pension payments;
13. Elections B.C. must be required to disclose the rulings they make on all complaints they receive as soon as they make the ruling, and to disclose the rulings they make on all investigations they initiate themselves.

To explain some of the above proposals, some commentators argue against the per-vote subsidy – even though it most closely upholds the key democratic principle of one-person, one-vote – by making the absurd claim that it forces voters to give money to parties they don't support. Actually, the \$1-2 amount comes from the taxes everyone pays and goes only to the party each person supports (and only if they vote).

Matching funds raised is also more democratic than other options as a party or candidate needs the support of many voters in order to access significant funds, and the matching helps equalize the funding available to all.

True, the per-vote subsidy should not be too high – no party should receive more than one-half of its annual funding from it to ensure the parties can't unjustifiably prosper by baiting voters with false promises to boost their support during an election.

Many commentators also ignore the fact that the current voting system and other subsidies shift a lot of taxpayer money in undemocratic directions. For example, in the 2011 federal election the Conservatives received 24 MPs more than they deserved (they received 39.6 percent of the vote, but 54 percent of the MPs). Each of those MPs received about \$440,000 annually in salary and for their offices, so the Conservatives received an undemocratic subsidy of \$10.5 million every year until the 2015 election. Now the Liberals are receiving roughly the same amount as an unfair subsidy.

As well, the average individual donation to each federal party is only \$100-250 yet people who donate up to \$400 receive a 75% tax deduction. Even worse, wealthy people who can afford to donate between \$1,275 and the \$1,550 maximum allowed receive the huge subsidy of almost half that total (\$650) as a tax deduction. These taxpayer-funded subsidies add up to more than \$20 million annually for all federal parties.

Compared to these subsidies, it is much more democratic to have a combination of a base amount from a per-vote subsidy for parties, only individuals allowed to donate only a small amount (verified by the election watchdog agency), and matching public funding. Such a system also ensures only parties that continue to appeal to voters in between elections will prosper financially.

Some parties and candidates will continue to claim they need more money to reach and engage with voters even though there is little evidence to back their claims, especially given the relatively low-cost, broad reach of email and social media.

If anything, the reimbursement of half their election expenses that federal parties and candidates receive for obtaining a very low percentage of the vote should be reduced. Federal parties are given 50% of their election expenses if the party receives 2% or more of the national vote (or 5% or more of the vote in any riding), and election candidates get back 60% of their expenses if they receive 10% or more of their riding vote. These subsidies total about 60% of the total amount spent by all parties and candidates each election (about \$30 million alone for an average federal election).

Six out of 10 provinces have similar party and candidate election expense subsidies, while two provinces only subsidize candidates – only B.C. and Alberta and the three territories don't provide them.

Other key changes needed to stop big money include limiting loans as strictly as donations. Currently, financial institutions (and in some jurisdictions also businesses, unions and individuals) can loan unlimited amounts to parties and candidates.

Spending on advertising by third party interest groups must be limited leading up to election day – only the federal government, B.C., Manitoba, New Brunswick, Nova Scotia and Quebec currently have such limits – and each third party should have to prove that its members (or, in the case of a business, shareholders) approved the spending.

Election and ethics watchdogs must be required to do regular audits, including of politicians' bank accounts, to ensure everyone follows all the rules. Disclosure of all donations and gifts of money, property, services and volunteer labour given to any party, riding association, politician, nomination race, election or party leadership candidate, including the identity of the donor's employer, and board and executive affiliations (and the identity of organizers of any fundraising event);

Finally, to ensure fair issue debates in between elections, we should start with requiring disclosure of how much any individual or interest group spends on each issue campaign, and their funding sources. If that reveals a huge disparity in funding, and funding sources, then donations to issue campaigns, or at least paid campaign ads, should also be limited.

These changes won't stop bribery but they will discourage it by making it more clearly illegal, and by increasing the chances of getting caught. Until all Canadian jurisdictions (federal, provincial, territorial and municipal) make these changes, big money will continue to dominate, and corrupt, our politics.

FOR MORE INFORMATION, CONTACT:

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Democracy Watch's [Government Ethics Campaign](#) and [Money in Politics Campaign](#)

Democracy Watch's Stop Big Money in Politics Across Canada [petition movement](#) on Change.org